

## **Economic position of Kosovo in the ex-federation of Yugoslavia between 1945-1990**

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### **Abstract**

Kosovo did not ever accomplish to bring down its deficiency in the economic growth compared to the Yugoslav average. At the times when other republics of the federation had taken an impetus in the economic development, Kosovo had to take loans so as to give way to plentiful economic problems. The interest and the concentration of the investors in Kosovo could unswervingly been measured with the position that Kosovo had within the Yugoslavian federation. As such, the largest investments took place when Kosovo went further by establishing its bodies within the Yugoslavian federation as its constituent component. However, the investments that took place following the 60s were not sufficient to match the development progress of other Federation Republics. The economic structure started to change: the growing industry started to take the place of agriculture. Yugoslavia had been collecting high amounts of loans from the Eastern and Western countries and by the end of the 80s they reached 20 billion dollars. Due to that, the country economy was aggravated at large extend.

**Keywords:** Kosovo, Yugoslavia, economy, exploitation, collapse.

### **Introduction**

Economic development of a country starts with the human, natural and technical fundamentals meaning factories. After World War II, Kosovo consisted of the first two above mentioned fundamentals, but failed the third fundamental.

The economical situation of Albanians following the end of the war deteriorated further as bulky military troops that operated in the area left their negative impact on the burden of the domestic population. The Yugoslavian army applied a compulsory method in order to collect and conquer agricultural and livestock products which were the main living source of the Albanian population. On the other hand, the arrival of Serb and Montenegrin colonists burdened even more the already weak economic condition of authentic Albanian population.

However, due to low employment rates in the industry or in other areas of non-agricultural employment as well as difficulties in migration, most of the population lived in villages in very severe conditions despite the fact that the villagers themselves were the largest contributors the country's economy. Just a small portion of the population lived in the cities.

At this period, being mainly agricultural region and with fairly outdated farming machinery, Kosovo remained amongst the less economically developed regions, with an undeveloped industry yet.

The waste majority of the population in Kosovo was engaged in agriculture and

livestock activities. Both had insufficient labour efficiency reflecting the productivity level as well. Working means were same everywhere and the entire agriculture activity was produce-consuming because the largest part of the land was cultivated with animals. This was never enough because hunger and the misery had spread almost in all the villages of Kosovo. According to the census of 1930, 81% of the population in Kosovo was occupied with agriculture products and lived in the countryside.

The economic kneeling of the new system carriers and leaders installed in Yugoslavia at the end of 1944 and early 1945, took place not only in Kosovo but also in other parts of the country. However, outside Kosovo such measures were undertaken solely against rich and system opponents as well as war profiteers, while in Kosovo were taken against all the Albanians, above all against those who opposed the re-invasion and its reinforcement in these territories (Hoti, 2003, p. 86).

By the World War II end, the Yugoslavian government in principle brought to a standstill the earlier agrarian reforms, reasoning it that it was not its endeavour to take into the possession the land the peasants owned it before the war. Expropriation would be implemented only in cases when the land was gained in unlawful ways (Nasi, 1997, p. 221).

Changes following the World War II happened exactly during the 60s and not earlier, regardless the words that: *"With the 1947-1951 five year economic development plan of SR of Serbia, is decided that powerfully and decisively to defeat the economic backwardness in the Republic, with special focus in the Autonomous Province of Kosovo and Metohija as well as in Sandzak"* (Шлыкпуја, 1963).

The predominant turning for the Albanian people in the Yugoslav Federation began in 1968, a year known for plenty movements and unrests in many European and world countries (Ralf, 2008). Uprisings took place in Belgrade too, claiming for system reforms and country democratisation. Kosovo was experiencing a new national awakening and people started to breathe more freely. At the uprising of 1968, for the very first time were heard the slogans: *"Kosovo Republic", "Republic-Constitution", "We want a University", "Down with the colonial policy in Kosovo"* (Malcolm, 1998, pp. 338-339).

Regardless of the oppression against the Albanian demonstrators exercised by the Yugoslavian state authorities, the uprisings opened a door to some positive outcomes for Albanians in Kosovo. Albanian language began to be used by all the institutions, books from Albanian penetrated to Kosovo, national flag of Albanians permitted, national anthem also, some faculties separated from the Belgrade University and shaped the University of Pristina ect. Conversely, comparing to other regions of the federation, Kosovo still remained undeveloped economically. The situation remained unchanged because Serbia was yet exploiting it as its colony, with lacking of investments for the reason that everything had to undergo via its legislative bodies. Although with the five-year plan Kosovo was documented as the most undeveloped region in Yugoslavia, again no endeavours were taken to lessen the disparity. While Kosovo in the year 1953 had 78 inhabitants per square meter, Macedonia had 49 inhabitants; Montenegro had 30 inhabitants and Serbia 79 inhabitants per square meter. (Koleksioni i Fadil Hoxhës,) A same situation was in 1960 as well, when Kosovo had most inhabitants per square meter.

There is a perception that the post-war economic development in Kosovo could be divided in two phases:

- First phase starting from the end of the WWII in 1945 up to 1957;
- Second phase from 1957 and onwards (Bashota, 1967, p. 708)

The first phase had a very slow economic development and only after 1957 Kosovo was given the status "undeveloped". The second phase is regarded with a faster development, knowing predominantly that at that time Yugoslavia was given loans from abroad aiming revival of its economy. Regarded as a multinational state, without the aid given by the West, Yugoslavia had difficulties to move ahead with economic development. Its progress was related to "The Cold War" between the East and West as the biggest loans were mainly provided by the West so as to give a hand to the economic struggling. With the end of "the Cold War", aid to Yugoslavia ended too. This situation required Yugoslavia to settle the loans that made possible survival of the economy. Most of the factories that were functional could not compete with the global market, many investments failed as there was no market research for insertion and selling of the products.

About 85% of the external debts of Yugoslavia got cumulated for a short period of time during 70s, even as 3/4 of it at the second half of this period. In the year 1972, foreign debts of Yugoslavia reached the region of 3,2 billion dollars, in 1976 about 6,5 billion dollars while in 1981 the overall debts were about 21 billion dollars. (Verli, 2000, p. 223)

At the same time, participation of Yugoslavia in the global world trade declined gradually. Whilst from 1966 and till 1970, such participation was around 0,55%, from 1971 till 1975 declined to 0,49% while the biggest decline was recorded in the period 1976-1980 with sharing of 0,44%. (Часлав, 1986, p. 310)

Such situation led to shutting down many jobs. Subsequently, manpower started to migrate to the West. According to that time daily press, just about 15.500 manpower left Kosovo to the West. This migration was, initially, regarded as temporary. Having no possibilities for jobs countrywide, people flee abroad aiming employment (Rilindja, 11 qershor 1970).

Such figures never declined, but rather grew up constantly, and were immense particularly during 90s.

Uprisings of 1968 opened a room to constitutional-legal and political underpinning for better treatment of Kosovo within the federation by enabling amendments of 1968, 1971 and 1972 to the Constitution of 1963. The 1974 Constitution promoted further rights for Albanians, rights that were not enjoyed since the occupation by Serbs in 1912. Albanians made use of the new legislation and worked to ensure participation at political and administrative bodies of the province and Federation. Political-constitutional advancement of the Kosovo's position neither was accidental or a gift to the Albanians given by Tito. In contrary, this constitution rather proved the incapacity of Yugoslavia to equal Kosovo, whether just at lawful level, with other republics and Albanians to other nations. Yugoslavia, by no means, was able to get rid of prejudices against non-Slavic nations (Agani, 1996, p. 11).

In addition to border internationalisation and dealings with matters related to them, the new legislation provided a tool to Albanians so as to tackle their economic

problems. With loans and the aid taken, at this period Kosovo was able to develop over 60 new industrial facilities. Federation programme had foreseen assistance to the undeveloped republics and provinces such is Kosovo. However, investments to Kosovo were only about 39% of the federation averages. It clearly shows that Kosovo was profoundly in backwardness and as such had immeasurable problems to reach the federation average in development despite the truth that Kosovo was counted as the richest region of the federation with 30% energy resources, 69% of mineral reserves in lead and zinc, 22, 3% nickel, considerable reserves of gold, silver and other rare metals at federation level.

All this natural wealth was wiped out and utilized by other countries of the Yugoslav federation, that is to say was extracted, melted and forwarded to the factories in other republics of the Federation so as to be processed into the final product and exported with multiple values. The above situation occurred due to the fact that Kosovo had no facilities and capacities for advanced stages of further treatment and finalisation into ultimate product. Even though it had been decided to assist the regions deficient in proper development, allocation of the due funds faced permanent delays. There were often cases when the allocated funds were kept back by the companies of the developed republics pending for due date and as such, with the inflation rate of about 60% during 1980-1985, the real value of the funds halved (Gjini, 2005, p. 42).

At the very beginning, the funds allocated to Kosovo were negligible for development whereas after 1957, the funds given in the name of loan had to be return including interest rate besides. Although there was a slight revitalization, loans with the interest rate worsened Kosovo's economy even further while the economies of other federation parts were given free investments funds for a decade already.

Kosovo's economic development went through severe situations, predominantly because of huge outstanding debts Kosovo had against internal as well foreign banks. Efforts to strengthen the exporting capacity were unremitting. Import was predominant almost most of the time, primarily due to the import of diverse high-priced equipment, investments in the opening of new factories, raw material not available domestically, the various replacement parts that were a problem in itself because the requests had to undergo all the way through different institutions for approval by causing serious obstacles as well as enormous delays affecting in production.

The technology that was mainly imported from the west countries was costly and subsequently, the final products had difficulties challenging and penetrating into the developed markets. Domestic factories were not equal to the ones of the developed countries, a position to be gained according to its production technology as well as know-how about that technology. A simple question arises frequently: the price of the final products by Kosovo's factories covered the production cost or not? This resulted in a bigger problem in regard of production as the factories were obliged to use the largest portion of the incomes in order to settle the debts taken to purchase technological equipment.

There were situations when the exporting and importing of the goods and of services were compensated with labour. In these cases, a special permission for foreign trade was required, a permission that was issued by the Federal Secretariat of Foreign

Trade following the decision by the Federal Secretariat of Trade and General Economic Affairs, National bank of Yugoslavia and Yugoslav Chamber of Commerce. Although in years the foreign trade was unfavourable due to the goods of destination because the products for reproduction composed the biggest portion of the trade while the products for ordinary consumption constituted irrelevant portion of the overall production amount (Resolution on the basis of development policy in SAP of Kosovo in 1974 1974), Kosovo had modest opportunities to organize the export of its products, in reality other federation units did it on its behalf. Facing this situation, The Kosovo's Chamber of Commerce decided to establish the so-called Foreign Trade Entity "Eksport-Import Kosova". The aim of this organisation was not exporting of the goods solely within the Federation unit but abroad as well.

Notwithstanding planning, it was so obvious that the export growth was *easier said than done* objective for the reason that it faced problems carried forward from earlier years, then the structure of the Kosovo's goods to be exported although satisfactory, did not notably influence the overall economy development, with partaking of the underlying branches and the underdeveloped processing industry and a domination of low finalization rate yet.

Often, exportation was carried out via '*kliring*' method and that up to 63% of the overall planned export quantity. Practically all time, the leading exporters remained "Trepça" and Kosovo's Energy Corporation, with the latter supplying power to the federation units regardless of low price of the energy at this time.

Republics and provinces, during the period 1976-1980, were given a right to make use of the foreign loans, and therefore Kosovo subsequently had the opportunity to finance various economic projects alone. Largest portion of the funds went on construction of new industrial facilities, and as such federation republics gained foremost amounts by 'cooperating' with Kosovo in various grounds. Many labour companies of federation" units were contracted to work in Kosovo considering it as a good source to benefit due to considerable number of the factories to be erected in there. Nearly no equipments were imported from abroad, majority came from other federation units, and these companies, most of the time, did not obey to the contractual terms.

Road infrastructure was an additional obstacle Kosovo. According to that time data, traffic development could be divided in three periods: (Group of authors, 1970)

- period 1945-1956, when almost no investment in Kosovo took place, existing roads were considered inappropriate for economy,

- period 1956-1964, few investments on roads took place gradually but yet far away from what the economy development needed. As such, transportation of goods faced huge problems as well was costly,

- period 1965-1970, with some investments in first, second and third category roads. In addition, about 90km of other roads were renovated aiming an impetus to economic development but yet there was neither further improvement nor modernisation of the roads. Road building and improvement presented a weighty burden to the Kosovo's economy. A lot factories were erected just next to the raw material due to low transportation cost.

In the 90s, all the investments in Kosovo stopped, relations between the republics

started to fall down gradually as the republics were interested to have economic and political independence anyway. Nationalism invigorated immediately and resulted in diminution of the 'good' relationships established by Tito, the former leader of Yugoslavia.

Obviously, Yugoslavia's economic stability was dependent on foreign funds whereas the federation's economy had not been able to envelop them. Facing numerous debts, state was exporting electricity abroad and consequently many families were not supplied with the electrical energy. At the same time, the number of unemployed was on the rise steadily. As such, Kosovo was not progressing despite the fact that it had two large power plants with seven blocks sufficient for domestic needs and supply. Repeatedly there were shortages of a range of commodities so essential for citizens.

But, it should be admitted that the economic and social level of the population started to change gradually. Education level of people was in rise, especially with the opening of Pristina University. Percentage of the people dealing with agriculture started to decrease although the majority yet kept working in agriculture due to few chances for finding a job in other branches. For those who had no alternatives, immigration was the only choice. Dissimilarly, the Serb minority members enjoyed full rights to the overall employment even though the limited number of jobs available.

Being tied with the Yugoslav economy, Kosovo's economy had the same destiny notwithstanding its opportunities for far better development. Its collapse began at the moment when loans from western banks were banned to Yugoslavia.

Identified as a region with huge potential for development in all aspects, Kosovo was, almost all the time, exploited by the federation or, saying it better, by its colonizing politics of a time. Although a chance for development was provided after Briones', noteworthy trade and industry development in Kosovo happened between 60s and 80s. Unfortunately the next years, the period of 80s and 90s are distinguished for worsening of Kosovo's economy drastically in all the areas. That period is also noted for compulsory integration of Kosovo's economy into the Serbian one and for typical exploitation of its resources with no investments at all.

The 80s marked the initial point for Albanians in Kosovo to take the way of political secession from the artificial creature of former Yugoslavia. Seeing no possibility for any political and economic rights, Albanians profoundly started to work so as to separate out of this country. At this period, other European central and eastern countries went through major reforms opening a door for the entire communist system to collapse. Fall of the communist dictatorships, appearance of the multiparty systems as well as unbundling of Yugoslavia, opened a path for Kosovo so as to engage not only for its legitimate rights but also for a full independency from the Yugoslav federation. Collapse of Yugoslav Federation caused reopening of many old issues in the Balkans regions, issues that are yet unsettled.

## Conclusions

As noticed in this manuscript, the economic development of former Yugoslavia was achieved thanks to the aid and huge loans from abroad. At first, this was a good answer to the state economic development. But, end of the Cold War stopped the

loans to the socialist state of Yugoslavia. Loans taken earlier had to be paid back and the federation economy started deteriorating. As a federation unit, Kosovo faced the same state of affairs. Unluckily, in addition to its portion to the foreign debts, Kosovo had amounts overdue to various companies within the federation. Regardless that a range of new production facilities were erected, majority were not able to compete in the global market. Crises of the federation economy started to grow up slowly by supplying a chance to nationalists to raise their concerns about the federation's future as well as to bring in intense intentions to a full separation.

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