

## The Consequences of World War One on the Foreign Trade of the Kingdom of SCS and Bulgaria 1919-1929 – The Case of the Textile Industry\*

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**Abstract:** This paper presents a comparative study of the impact of WWI on the foreign trade of the Kingdom of SCS and Bulgaria in the period from the end of the war to the Great Depression (1919-1929), through an analysis of the export and import of textiles. The aim of paper is to compare the consequences of WWI on the industrialization of the two countries. I first present the general economic development

trends of the Kingdom of Serbs, Croats, and Slovenes (SCS) and Bulgaria, then foreign trade in general, and finally a detailed analysis of the export and import of textiles, to see if there is a correlation between industrialization and market changes resulting from the war.

**Key Words:** First World War, Kingdom Of Scs, Bulgaria, Foreign Trade, Textile Industry

**JEL Classification:** N01, N14, N74, N94

### INTRODUCTION

The First World War had a direct and significant impact on inter-war trade, primarily on supply and demand and also on the opening or entrance of new overseas markets. In the first post-war years in devastated Europe demand was primarily for food and then textiles. The Balkans was not an exception. Our paper presents the impact of WWI on the foreign trade of the Kingdom of SCS and Bulgaria in the period from the end of the war to the Great Depression (1919-1929) through an analysis of the export and import of textiles. Apart from a classic historical

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framework, the methodological framework includes comparability, a quantitative approach, and a case study. The issues covered refer to the quantitative analysis of export and import of the raw materials and products of the textile industry<sup>1</sup> – or export and import scope, value, and character of raw materials and semi-manufactured and manufactured products. A comparative analysis with Bulgaria, which according to all parameters had a similar textile industry, will provide a better overview of South Eastern Europe.

The main reason for the textile industry being the subject of this case study is that up to the Great Depression textiles were the biggest import to the Kingdom of SCS and Bulgaria. The main feature of the foreign trade in textiles in both countries was an increase in the importation of raw materials and a decrease in the importation of semi-products (yarn) and products (ready-made goods). Thus the textile industry was able to produce instead of importing ready-made goods. Based on this, some authors consider that the textile industry was the most developed example of industrialization. Therefore, there are several questions regarding the textile industry. To what extent did World War One affect the development of the textile industry? Was the textile industry sufficiently developed - as the majority of authors believe, based on the relation between semi-manufactured and manufactured products - that it could replace imported with domestic products? Or did World War One contribute to a more favourable textile industry without it boosting its development?

## METHODOLOGY AND DATA

The aim of our paper is to comparatively present foreign trade in textile products in the Kingdom of SCS and Bulgaria in the period from the end of World War One to the Great Depression, in order to examine its importance in the industrialization of the two countries. I will first present trends in the Kingdom of SCS and Bulgaria's economic development, then foreign trade in general, and finally a detailed analysis of the export and import of textile goods, to see if there was a correlation between industrialization and market changes resulting from the war.

Statistical data on foreign trade trends in the Kingdom of SCS and Bulgaria during the inter-war period have mostly been preserved and are continuous, which is very rare for inter-war statistics, and thus it is possible to elaborate this issue

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<sup>1</sup> The foreign trade of the Kingdom of SCS has not been extensively studied in Serbian or Yugoslav historiography, especially not comparatively with Bulgaria. The main foreign trade trends have only been considered generally in individual articles (Stefanović (1996); Pitić, (1989); Đurović (1986); Čalić (2004); Lampe & Jackson (1982); Kresal (1976); Drabek (1985)). To date, the most detailed monograph on foreign trade of the Kingdom of Yugoslavia is by the economist Vladimira Pertota, *Ekonomika međunarodne razmjene. Jugoslavije, knjiga 1, analiza razdoblja između 1919 i 1968 godine*, (1971). Zagreb; Pertot, *Ekonomika međunarodne razmjene Jugoslavije, knjiga II, dokumentacija*, (1970).

from a quantitative point of view. Data on the exports and imports of the Kingdom of SCS are from *Foreign Trade Statistics for the Period 1918-1930*, and on Bulgarian foreign trade are from *the Statistical Yearbook of the Bulgarian Empire*<sup>2</sup> 1913–1930. However, data for the Kingdom of SCS for the years 1919 and 1920 are very unreliable, for various reasons resulting from the decentralisation of foreign trade policy: disorganized custom offices, the majority of custom officers still serving in the military, lack of customs formalities, application of different customs tariffs, custom offices neither asking for nor keeping statistical data. The Statistical Department was established at the beginning of 1920 and started to collect data in the second half of that year.<sup>3</sup> There was significant smuggling, silently supported by the state. In 1919-1920 the Central Customs Administration, through the Belgrade Financial Administration, exported 15 million dinars worth of goods without paying tax or keeping any records. Bajkić (1929) believes that in 1919-1920, 80% of border trade was smuggling, and all trade statistics before the end of 1923<sup>4</sup> are unreliable.

I have also used data from the Archives of Yugoslavia (funds of the Ministry of Trade and Industry and the Central Industrial Corporation) and current periodical publications.

## GENERAL ECONOMIC DATA ON THE KINGDOM OF SCS AND BULGARIA

The consequences of the First World War were, primarily, social and political instability, both on domestic or state and international levels, which culminated in the Great Depression and then the Second World War. The Balkan countries did not avoid economic and political instability. The most visible consequences of the war were human and material losses. It is estimated that the European population deficit was between 22 and 24 million people (7% of Europe's pre-war population). Germany and Austria-Hungary suffered the biggest losses with over 5 million dead in each country, but in relative terms Serbia lost most people: one-third of pre-war inhabitants.<sup>5</sup> The total direct and indirect costs of WWI in 1919-1920 amounted to 337 million dollars (in pre-war US dollars).<sup>6</sup> The war produced huge economic

<sup>2</sup> Статистически Годишник на Българското Царство 1913-1930, Here in after: СГБЦ

<sup>3</sup> Statistika spoljne trgovine (1920), pp. 3-4; Алексић (2010), p. 55.

<sup>4</sup> Milenković (1972), p. 284; Bajkić (1929), p. 564.

<sup>5</sup> Aldcroft (2001), p. 7

<sup>6</sup> Total direct costs were 186million dollars, and total indirect costs (which include: capitalized value of human life, property losses, loss of production, war relief, loss to neutrals) was 151million dollars. A number of authors have attempted to quantify the costs of the war and for most of them the starting point was Bogart's calculation from 1919-1920. His data can be reconsidered and reviewed, but in this paper data are presented in order to understand the context, without discussing them. Bogart (1920), p. 299; for critics of Bogart's calculations see: Broadberry & Harrison (2005), pp. 22-27.

upheaval, and all countries that participated experienced changes in the structure of production and consumption. As always with wars, World War One caused economic capacity to rise during the war and greater demand after the war, primarily for food and consumer goods. This increased capacity became redundant after the end of the war and the transfer from a war to a peacetime economy contributed to great shifts in world trade. The US and Japan increased their economic capacity considerably during the war and entered the world market when it ended, competing with European countries. As countries protected their economies with customs and cartels, market flexibility decreased.<sup>7</sup> In first post-war years there was high demand for textile and consumer goods. The textile industry was a light industry with customers in all social strata and covered the production and processing of wool, cotton, silk, flax, hemp, jute, and the production of rugs, hats, carpets, etc. In first post-war years the production of and trade in textiles faced destroyed production capacities and interrupted traffic connections. The most important short-term consequence of WWI for the textile industry was the greater demand for textile products, including in less developed countries,<sup>8</sup> which led to an increase in production. The long-term consequences of WWI for the textile industry were the emergence of new producers, strain and deterioration in world trade, currency instability, strong fluctuations in prices of raw textile materials, and new fashion trends.<sup>9</sup>

The main reason for comparing the Kingdom of SCS and Bulgaria is their similar macroeconomic indicators. Table 1 shows key indicators in order to better understand the general economic trends of both countries. The Kingdom of SCS and Bulgaria were predominantly agrarian countries, evidence of which is the numbers of agrarian population. In 1931 the Kingdom of SCS had a population of 13,883,000 of which 10,771,000 or 76% was agrarian. Bulgaria in 1926 (year of census) had a population of 5,696,000 of which 4,268,000 or 74% were connected to the land.<sup>10</sup> The net national income of the 'factory industry' in 1926 was 11.6% of the total in the Kingdom of SCS and 8.2% of the total in Bulgaria.<sup>11</sup>

<sup>7</sup> Feinstein & Temin & Toniolo (2008), pp. 25–27

<sup>8</sup> Sandberg (2005), p. 979; Pertot, (1971), p. 89.

<sup>9</sup> Jenkins (2005), p. 995.

<sup>10</sup> Lampe & Jackson, 1982, pp. 332–335.

<sup>11</sup> Ђуричић, Тошић, Вегнер, & П. Рудченко, (1927), p. 265.

**Table 1:** Structure of production in 1929<sup>12</sup>

	Bulgaria		Kingdom of SCS	
	Gross	Net	Gross	Net
Crops	63.6%	47.6%		37.2%
Livestock		26.9%		26%
Forestry		4.4%		7.9%
Extractive industry	1.7%	0.9%		1.8%
<b>Manufacturing</b>	<b>34.7%</b>	<b>8.2%</b>		<b>11.6%</b>
Building		0.8%		1.1%
Artisan		10.6%		10.6%

**Sources:** Lampe & Jackson, 1982, pp. 338-339; Ђуричић, Тошић, Вегнер, & П. Рудченко, 1927, p. 265; Data for Kingdom of SCS vary depending on the author<sup>13</sup>.

The industrial sectors in the Kingdom of SCS and Bulgaria were small. According to most authors the textile industry is a key indicator of industrial development in both countries, and this study analyses the foreign trade in textiles. In the interwar period the textile industry in the Kingdom of SCS and Bulgaria was based on traditions of the Ottoman and Habsburg Empires dating back to the 19<sup>th</sup> century.<sup>14</sup> In Yugoslavia there were around 129 textile factories in 1919 and around 303 in 1929, and in Bulgaria there were 73 factories in 1921 and 198 towards the end of 1929.<sup>15</sup> Textile production in Bulgaria accounted for 13.4% of GDP in 1921 and 23.08% in 1929 (the food industry had the greatest share). The index of industrial growth in Bulgaria increased from 44% in 1921 to 297% in 1930. Average annual production growth was 23.5% in the period 1921–1930, and the share of the textile industry in total production increased from 13.40% in 1921 to 23.08% in 1930.<sup>16</sup> There are no precise data for the Kingdom of SCS, but an increase in the textile industry is evidenced by a 57% increase in labour, a 57% increase in power, and a 33.71% increase in capital in the period 1918–1928.<sup>17</sup>

There were several reasons that for the expansion of the textile industry. Business people lacked capital, and the construction of textile factories did not require much capital. There were many unskilled workers, whom the textile industry was

<sup>12</sup> Percentages of gross crop production for Bulgaria are related to crops and livestock; forestry is excluded. Net values are not value-added. Net crops are gross crops minus requirements for seeds; inputs from other sectors are not subtracted. Net livestock is gross livestock minus cereal crops used for feed. Net manufacturing is gross manufacturing minus raw materials and fuelcosts. (Lampe & Jackson, 1982, pp. 400)

<sup>13</sup> According to Stajić, industry and mining had a 17.8% share in real national income. See: Stajić (1959), p. 19.

<sup>14</sup> Balkan and foreign historians disagree regarding the development of the textile industry after the independence of Serbia and Bulgaria. For more details see: Palairret (2009); Беров (2012).

<sup>15</sup> Statistika industrije Kraljevine Jugoslavije, sa adresarom industriskih preduzeća (1941), pp. 60-61; СГБЦ (1931), p. 242.

<sup>16</sup> Lampe & Jackson (1982), pp. 404.

<sup>17</sup> Kukoleča (1941), pp. 113, 221

able to absorb and employ. There was a state policy of protective customs duties, a market demand for articles for everyday use due to war destruction, an increase in population, and more fashionable consumption habits.<sup>18</sup> The reasons for the expansion of the textile industry – lack of capital, unskilled workers, protective customs policy, poverty – were structural problems rather than a sound basis for the development of industry.

## GENERAL FEATURES OF FOREIGN TRADE

Foreign trade relations in both countries must be considered in the framework of general economic flows and international economic relations. In the first ten years the international economy was overcoming the consequences of WWI, so in 1921–1925 it was first necessary to stabilize the monetary system and then to reach an economic balance in 1925–1929. The Great Depression period was characterized by a relatively liberal foreign economy, followed by small state interventions with the aim of stabilizing state economies. At the beginning the state interventions were various trade prohibitions and exchange limitations, followed by customs protectionism.<sup>19</sup> The organisation of trade with foreign countries in the Kingdom of SCS in the period 1918-1921 is a good example of the post-war chaos and attempts to centralize foreign trade.

In the first post-war years the Kingdom of SCS directed the economy towards state recovery primarily by a customs policy favouring imports and limiting various exports, restitutions, reparations, and loans. The aims of the customs policy were to provide food for the population and to obtain basic means of production. In order to alleviate the consequences of the war, the Ministerial Council of the Kingdom of SCS adopted a decision on 30 July 1918 banning exports and tax-free imports, but the Ministry of Trade and Industry soon started issuing individual export licences, so-called “izvoznica”. For the purpose of state centralization, a regulation was adopted in March 1919 expanding the customs laws, trade agreements, and tariffs of the Kingdom of Serbia to cover the entire territory of the Kingdom of SCS. Apart from a decentralized customs system, another foreign trade problem for the Kingdom of SCS was monetary. Most exports and imports were directed towards Austria and Hungary (food, raw materials, and consumer goods), which had unstable and depreciated currencies. In order not to pay for goods with money a system of barter was established. In November 1919 export licences and compensation were replaced by a system of contingents, in which certain prohibited export goods

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<sup>18</sup> Čalić(2004), p. 405; AJ, 76-55-95, A record from the Textile Industry Conference, April 15, 1927; A letter of the Central Industrial Corporation of the Kingdom of Serbs, Croats and Slovenes to all regional members regarding the Textile Industry Conference, April 23, 1928.

<sup>19</sup> Jenkins(2005), p. 995; Pitić(1989), p. 109.

could be exported and others could be exported in limited quantities. By the end of the year export customs and regulations regulating foreign currency inflow had been established. Foreign trade was completely regulated by the adoption of a general customs tariff in 1925, with the primary aim of protecting the agrarian sector.<sup>20</sup> The 1925 customs tariff was considered to be the basis of the development of the textile industry<sup>21</sup>, but in fact the textile industry was not protected to the same degree as other industries.<sup>22</sup> In 1927 the Bulgarian tariff on textile imports was 87.5%, while the Yugoslavian tariff was only 12.2%.<sup>23</sup>

Yugoslavia's largest import was cotton, followed by grapes, wool, machinery, and electrical devices.<sup>24</sup> The import-export ratio of agricultural and industrial products was similar in both the Kingdom of SCS and Bulgaria. In the Kingdom of SCS, on average, industry constituted 30% of exports and 94% of imports. Before the Depression textile products dominated imports, but were later replaced by ferrous metallurgy. Thus textile product imports were crucial in maintaining a foreign currency balance.<sup>25</sup> Food and tobacco were 90.8% of Bulgaria's exports in 1922-1924 and about 80% at the end of the twenties, while industrial imports were 77.4% and 77.9%, respectively.<sup>26</sup> Both countries exported most to Germany and Austria, followed by Italy, Turkey, and Czechoslovakia, and imports were mostly textile goods, followed by metals, cotton, machinery, equipment, and appliances.<sup>27</sup>

Foreign trade in both countries was characterized by three key features: 1) low exchange level per capita (see Table no. 3)<sup>28</sup>; 2) the predominant role of primary products in exports and of industrial products in imports; 3) export potential based on a small number of export articles (sixteen articles constituted 68.2% of exports, and the first four 45.1% of the total).<sup>29</sup>

The general tendencies of foreign trade in the Kingdom of SCS and Bulgaria are presented in Graphs 1–4. There were considerable differences in trends. In the Kingdom of SCS in 1919–1923 exports went up, more in value than in quantity, due to the economic recovery after the war, with more jobs, greater production,

<sup>20</sup> Stefanović(1996), p. 96; Lakatoš(1929), VI, p. 2; Pitić(1989), pp. 112–113; Алексић (2010), p. 57; Lazarević(1926), AJ 76-52-47, pp. 1-2; Đurović(1986), p. 274. Bulgaria did not have similar problems to the Kingdom of Serbs in the organization of foreign trade, so I will not go into details.

<sup>21</sup> Gregorić (1937), AJ 76-92-181.

<sup>22</sup> Čalić(2004), p. 276.

<sup>23</sup> Lampe & Jackson (1982), p. 412.

<sup>24</sup> Mirković(1962), p. 303; Uporednipregledglavnihpredmetauvozaiizvoza, Statistika spoljne trgovine, 1920–1930; Lampe (1981), pp. 458–460.

<sup>25</sup> Pertot (1971), p. 88; Pertot, (1970), p. 17.

<sup>26</sup> Drabek (1985), pp. 407, 470-471.

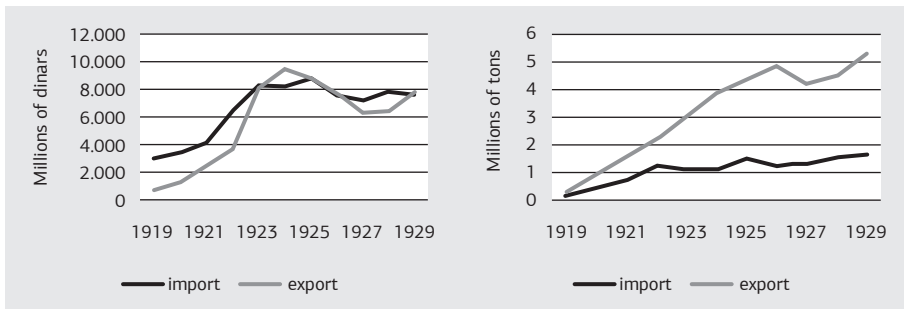
<sup>27</sup> Mirković(1962), p. 303; Uporednipregledglavnihpredmetauvozaiizvoza, Statistika spoljne trgovine, 1920-1930; Lampe (1981), pp. 458-460.

<sup>28</sup> Author's calculation based on Statistical Yearbook, League of Nations, 1933–1934, p. 195; Pertot provides slightly different data for the Kingdom of SCS – 6.7 dollars of current value in the period 1919-1925; or 8.8 in the period 1926-1929 in the Kingdom (Pertot (1970), p. 15).

<sup>29</sup> Drabek (1985), pp. 380, 407-408, 475; Pertot (1971), p. 31-32; Kukoleča (1941), p. 284.

cheaper imported raw materials, and semi-manufactured products.<sup>30</sup> In the following period the foreign trade structure changed, with more exports but a fall in export value due to changes in export prices. Due to the stabilisation of currency, price fluctuations ceased and prices of goods fell. The Kingdom of SCS's foreign trade peaked in 1924 and 1925 and recorded positive balances in 1926 and 1929. Bulgaria, on the other hand, peaked in 1922 and then declined, and recorded positive balances in 1924, 1926, and 1927. A positive balance in 1922 was the consequence of the Greece-Turkey war (1919–1922),<sup>31</sup> Pertot defines two periods in the Kingdom of SCS's foreign trade, the first from 1919 to 1925 and the second from 1926 to 1929, believing that the favourable foreign trade balances in 1924 (in dinars) and in 1925 (in dollars) were due to the cyclical results of inflation and foreign depreciation of dinar, and because imports were kept at a low level. The stabilisation of the Yugoslav currency was a favourable influence, alleviating strong price fluctuations, as well as the adoption of the customs tariff in 1925, which protected domestic products. In the following period, from 1926 to 1929, there was a fall in foreign trade as a consequence of the beginning of the global agrarian crisis and fall in value of agrarian products and dinar exports, which started to decrease compared to industrial products and imported (dollar) products. A positive balance in 1929 can be explained by an exceptionally fertile year for maize.<sup>32</sup>

**Graphs 1 and 2** – Value and Volume of Foreign Trade of the Kingdom of SCS, 1919–1929



**Sources:** *Statistika spoljne trgovine 1919-1926*, p. VII, 1923-1930, p. XV; *Statistički godišnjak*, II, 1930, (1933), p. 214.

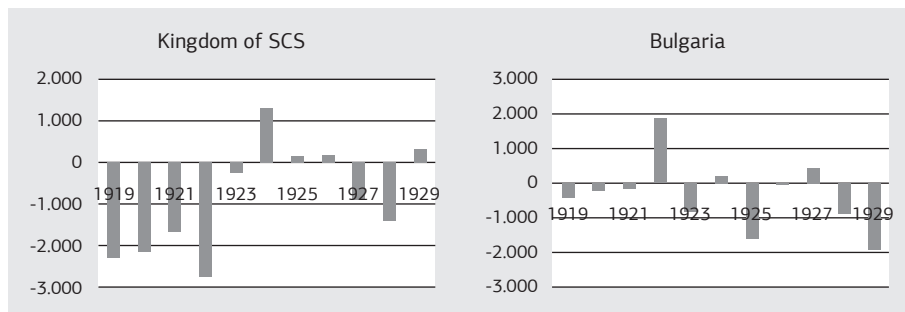
<sup>30</sup> Kukoleča (1941), pp. 280, 284.

<sup>31</sup> Неделчев (1937), p. 11.

<sup>32</sup> Kukoleča (1941), p. 284. Pertot (1971), pp. 28-29, 52.



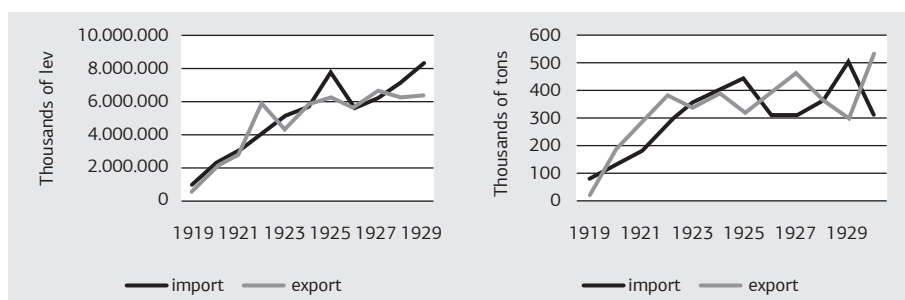
**Graphs 3 and 4** – Balance of foreign trade in the Kingdom of SCS (millions of dinars) and in Bulgaria (thousands of leva), 1919–1929



**Sources:** *Statistika spoljne trgovine 1919-1926*, p. VII, 1923-1930, p. XV; *Statistički godišnjak*, II, 1930, (1933), p. 214; *Статистически Годишник на Българското Царство, 1929- 1930*, pp. 199.

The First World War downgraded Bulgarian foreign trade and total imports in 1919 were 7 times lower than in 1911, while total exports were 52 times lower. In the following years a slow and continuous growth in exports was recorded but in 1924 they had reached only 68.6% of the 1911 amount, while imports grew even more slowly and reached 37.7% of the 1911 amount. The poor progress in foreign trade was due to the slow recovery of the agricultural and industrial sectors and the loss of pre-war markets. The key Bulgarian trade partners after the war were Italy, Germany, and France, while the two most important and biggest importers of its goods – Austria and Turkey – held seventh and eighth positions in terms of imports. This change in market structure resulted in a negative trade balance. In a similar way as in the Kingdom of SCS, in Bulgaria the state issued currency controls and limited the amount of currency for imports in order to maintain monetary stability. The Direction for economic and social care was responsible for managing foreign trade by allowing or disallowing import and export of various goods.<sup>33</sup>

**Graphs 5 and 6** – Value and volume of Bulgaria’s foreign trade, 1919-1929



**Source:** *Статистически Годишник на Българското Царство, 1929-1930*, p. 199.

<sup>33</sup> БеровЛ. (1989), p.415; Неделчев (1937), pp.12-13, 85, 87.

The foreign trade of the Kingdom of SCS and Bulgaria was insignificant in Europe. Ingvar Svennilson (1954) pointed to the following data: in 1928 the exports of the Kingdom and of Bulgaria amounted to 1.08% and 0.3% of total European world exports and 1.15% and 0.43% of exports within Europe, respectively. Both countries exported mostly to European countries – 89.4% of goods from the Kingdom of SCS and 95.6% of goods from Bulgaria were exported to Europe. Imports were even worse. Imports to the Kingdom of SCS and to Bulgaria were 0.73% and 0.27% of total European imports from the entire world, and 1.02% and 0.47% of the total from Europe, respectively.<sup>34</sup> When comparing the per capita exports and imports of Bulgaria and the Kingdom of SCS with other European countries an identical picture is obtained: both Balkan countries were at the bottom of the European ladder with very low trade values per capita (Table 3.)

**Table 3.** Imports and exports per capita in 1928 in selected European countries in U.S.A. gold dollars

Country	Imports per capita	Exports per capita	Country	Imports per capita	Exports per capita
Denmark	125.43	117.64	Czechoslovakia	39.04	43.14
Belgium	111.17	107.37	Italy	28.51	19.16
Netherlands	139.56	103.29	Hungary	24.56	16.74
Switzerland	126.94	101.12	Greece	25.83	12.64
Great Britain	114.13	76.80	Poland	12.40	9.25
France	51.21	49.74	Romania	10.95	9.17
Austria	68.08	46.41	Kingdom of SCS	10.37	8.53
Germany	52.27	45.83	Bulgaria	8.97	7.87

**Source:** *Statistical Yearbook of the League of Nations, 1933-1934, Geneva 1934, p. 195;*

## THE EXPORT AND IMPORT OF TEXTILE PRODUCTS

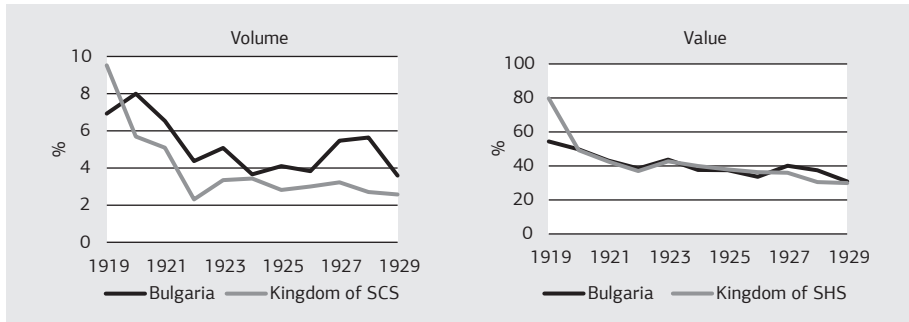
The interwar period was characterized by a constant fall in the export of ready-made products and a rise to a certain degree in the import of raw textile materials and semi-manufactured products.

As already noted, textiles were the largest import. During the whole period in both countries the total export of textile goods (in tons) was less than 10% of total imports, but the total value of imported goods was 40%-42% (see Graphs no 8, 9). In 1919-1929 Bulgaria and the Kingdom of SCS imported an average of 154,942 tons and 390,217 tons of textile goods, respectively; an average of 14,086 tons and 35.474 tons per year. Average imports per capita in Bulgaria in 1919–1929 were

<sup>34</sup> Svernilson(1954), pp. 171, 173

around 2.46 kg and in Yugoslavia around 2.72 kg. In 1920–1929 (excluding 1919 as an unstable year) in Bulgaria imported textile goods grew by 6% per annum and in Yugoslavia by 6.2 %.

**Graphs 8 and 9.** Quantity (t) and value (dinars, levs) of imported textile goods, Bulgaria and Kingdom of SCS, 1919-1929



**Sources:** Статистически Годишник на Българското Царство, (1922-1932); *Statistika spoljne trgovine*, (1920-1930).

Imports to Bulgaria and the Kingdom of SCS showed almost identical trends. The only significant deviation was in 1919 when textile imports to the Kingdom of SCS were 79.73%, but this can be considered an irregularity due to incorrect data for 1919, the great poverty after the war, general demobilisation, and the need for clothes.<sup>55</sup> In the following ten years textile imports in both Bulgaria and the Kingdom of SCS tended to fall; in Bulgaria from 54.4% in 1919 to 30.9% in 1929, and in the Kingdom of Yugoslavia (excluding the irregular year of 1919) from 49.25% in 1920 to 29.96% in 1929. The negative annual growth rate in Bulgaria and Yugoslavia was -5.01% and -4.85% respectively.

Due to the small share of industrial products in exports and the poor conditions for processing raw materials, textile exports were minimal. From 1919 to 1929 Bulgaria's average textile exports comprised 3.64% of total exports, and in Yugoslavia they were even lower, at 2.12%. In volume, textile goods in the Kingdom accounted for 0.84% and in Bulgaria 0.26% of overall exports.<sup>56</sup>

There are several explanations in the literature for the change in import structure (reduced import value of textile materials and increased export quantity). Vladimir Pertot (1971) believes that the key reasons in the Kingdom of SCS were a fall in foreign prices of textile products and substitution effect. After the war there was a sudden increase in the number of factories, which increased imports of yarn and raw materials, and a decrease in the importation of specific and valuable cloth. Apart from the quantity-value change in import structure there was a shift in the

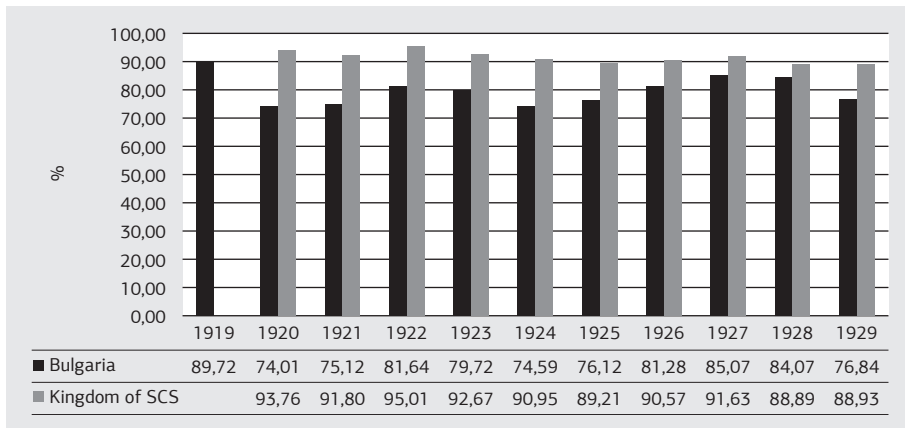
<sup>55</sup> Предлог министарству војске и морнарице (1919), АЈ 65-1-2.

<sup>56</sup> Author calculation, СГБЦ (1922-1932); *Statistika spoljne trgovine* (1920-1930).

structure of textile imports from final products to semi-manufactured products and raw materials, and from more expensive wool to cheaper cotton, in order to maintain the foreign currency balance.<sup>37</sup>

Analysis of the import of specific textile products will show the structure of the foreign trade in textile imports. Textile goods can be divided into raw materials (cotton, wool, silk, hemp, jute), semi-manufactured products (cotton, wool, or silk yarn), and final products (cloth and ready-to-wear clothes). Our analysis covers only wool and cotton, as they constituted the majority of textile imports (see Graph 10). In Bulgaria, cotton and wool constituted 79.83% on average, while in the Kingdom of SCS they constituted as much as 91.83% of total textile imports during the entire period. Cotton imports were more important than wool, and amounted to 90% in Bulgaria in 1922. However, cotton became less important, and in 1929 it amounted to 78.13%. The Kingdom of SCS also imported 76% more cotton than wool in 1921 and 71% more in 1929. The import of silk in the first post-war years was very low due to limited demand and lack of processing factories.<sup>38</sup>

**Graph 10.** Overall share of cotton and woollen goods in textile imports



**Sources:** *Statistika spoljne trgovine*, (1920-1930); *Списание на Българското икономическо дружество*, 1934, pp. 444-445; *Вноса на текстилни материали и изделия в България* (1929), pp. 348, 356-363.

## COTTON

The import of cotton, primarily as cotton yarn and ready-to-wear clothes, dominated in Bulgaria and Yugoslavia. The main reason for the considerable demand for cotton in this period was price: these consumer articles were of lower quality and available to consumers from the widest strata. Furthermore, the development of

<sup>37</sup> Pertot (1971), pp. 89.

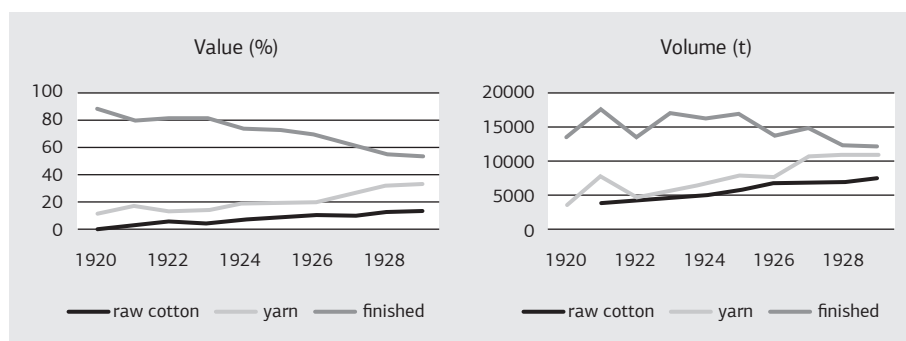
<sup>38</sup> Kukoleča(1941), p. 300.

cotton textile factories did not require much investment.<sup>39</sup> Due to climate and geography cotton was produced in both Bulgaria and the Kingdom of SCS, but not in sufficient quantities and not of sufficient quality. The average annual cotton yield in the Kingdom of SCS was around 222 tons in 1920-1928, and in Bulgaria 434 tons. However, because the fibre was too thin and short it was only used in small quantities, mixed with foreign cotton.<sup>40</sup>

The total import of cotton goods per capita was very similar in volume in both countries. In the Kingdom of SCS the average annual import of cotton goods in 1921-1929 was 2.24kg per capita, of which finished goods had the biggest share of 1.17kg per capita. The import of finished goods declined from 1.48kg per capita in 1921 to 0.89kg per capita in 1929. Bulgaria imported 1.92kg per capita of cotton goods annually, mostly yarn (1,35kg per capita). The import of finished goods also declined in 1922-1929 (from 0.75kg per capita to 0.38kg per capita) and imports of raw materials grew (from 0.029kg per capita to 0.36kg per capita).<sup>41</sup>

In the period 1920-1928 5.738 tons of raw cotton were imported to the Kingdom of SCS and in 767 tons to Bulgaria. The Kingdom imported 3.764 tons in 1921 and 7.598 tons in 1929, an annual increase of 9.18%. The import of cotton yarn also grew by 13.3%, followed by a fall (See Graphs 11 and 12). The only negative annual growth, -1.13%, was in the import of ready-to-wear clothes and cotton textiles (See Table 4). The value of imported cotton goods indicates apparently similar tendencies. The annual increase in the import of raw cotton was 23.84%, while the increase in yarn imports was slightly lower, 13.97%. Again, a negative growth, -4.21%, was recorded in the import of cotton ready-to-wear clothes (See Table no.5).

**Graphs 11 and 12.** Value (%) and volume (t) of raw cotton, cotton yarn, and finished products imported to Kingdom of SCS.



**Source:** *Statistika spoljne trgovine, (1920-1930)*

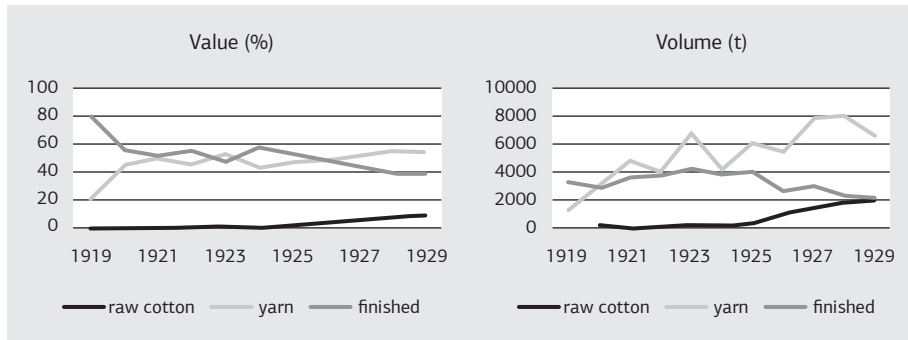
<sup>39</sup> Kukoleča (1941), p. 300-301

<sup>40</sup> Mihajlović (1932), pp. 4-5; *Statistical Yearbooks of the League of Nations, (1927-1930)*

<sup>41</sup> Calculation based on: *Statistika spoljne trgovine, (1920-1930), Списание на Българското икономическо дружество, 1934, pp. 444-445; Вноса на текстилни материали и изделия в България (1929), pp. 348, 356-363; Statistički godišnjak, II, 1930, (1933), p. 61; СГБЦ, 1932, p. 16.*

In Bulgaria the tendencies were similar, except in cotton yarn imports (Graphs 13, 14). Raw cotton imports increased by 28.36% and yarn imports by 18.23%, while the import of semi-manufactured products decreased by -4%. The annual import of raw cotton grew by 44.91%, yarn by 23.71%, and semi-manufactured products by 4% (see Tables 4 and 5). In 1925 there was a huge fall in the importation of ready-made products and a rise in the importation of cotton yarn and raw materials due to the establishment of the cotton yarn processing factory, Car Boris, which contributed to the opening of other new factories for the production of cotton materials.<sup>42</sup>

**Graphs 13 and 14.** Value (%) and volume (t) of Bulgarian imports of raw cotton, cotton yarn, and finished products



**Sources:** *Списание на Българското икономическо дружество*, 1934, pp. 444-445; *Вноса на текстилни материали и изделия в България (1929)*, pp. 348, 356-363.

**Table 4.** Annual growth rate of volume of cotton imports (%) (100-1920)

	Kingdom of SCS			Bulgaria		
	raw cotton	yarn	finished	raw cotton	yarn	finished
1920-1923	10.15	50.59	13.58	-33.18	83.46	3.99
1924-1926	11.61	15.79	3.4	12.32	27.17	3.65
1927-1929	9.22	15.14	-0.24	30.28	22.36	-8.5
1920-1929	9.18	13.33	-1.13	28.36%	18.23	-4

**Table 5.** Annual growth rate of value of cotton import (%) (100-1920)

	Kingdom of SHS			Bulgaria		
	raw cotton	yarn	finished	raw cotton	yarn	finished
1920-1923	122.08	29.96	5.34	-28.55	131.43	17.78
1924-1926	52.08	22	5.73	25.82	39.6	14.2
1927-1929	27.52	15.68	-8.45	48.95	27.88	6.95
1920-1929	23.84	13.97	-4.21	44.91	23.71	4.71

<sup>42</sup> *Вноса на текстилни материали и изделия в България (1929)*, pp. 349, 358.

The most significant change in the foreign trade of both countries was the increased importation of raw cotton and decreased importation of semi-manufactured and manufactured products. There were several reasons for this. Pertot points to two: effects of substitution function and a fall in cotton prices on the foreign market. However, the very structure of the textile industry played a significant role in the development of both countries. The substitution effect was reflected in planned import compensation: an absolute fall in cotton imports was compensated for by a rise in the quantity of cheaper raw cotton, and not of more expensive final product. Still, the increase in textiles did not satisfy current demand. The second reason is a constant fall in cotton prices due to cheaper American cotton.<sup>43</sup> Our calculation of the difference between the price of raw American cotton, which constituted the majority of global consumption, and of raw cotton from the Kingdom of SCS and Bulgaria is different from Pertot's. Pearson calculation of correlation between these indicators does not show strong correlation, it does not imply causation (for Bulgaria -0.329 for volume, -0.33 for value. For Kingdom of SHS -0.54 for volume and -0.28 for value)<sup>44</sup>.

The structure of the textile industry in both countries also had a significant influence on cotton imports. Bulgaria began importing yarn and raw materials in 1925, because of the establishment of the textile factory, Car Boris, which was the first large factory able to process raw cotton and cotton yarn. The situation in the Kingdom of SCS was similar. In the Kingdom of SCS during the Great Depression there were around 10 cotton mills, which were unable to satisfy domestic needs. On the other hand, the reason the number of cotton mills operating to full capacity in the first post-war years was insufficient was primarily because the factories had not recovered from war destruction.<sup>45</sup>

## WOOL

Many fewer woollen products were imported than cotton. In the period 1919–1929 the Kingdom of SCS imported a total of 60,194 tons of woollen products (an annual average of 6,200 tons), and 276,225 tons of cotton products (an annual average of 27.622). The rural population made their own wool cloth, rather than buying imports.<sup>46</sup> It was the same in Bulgaria, which imported 21,017 tons (6,306 tons on

<sup>43</sup> Pertot (1971), pp. 88–93.

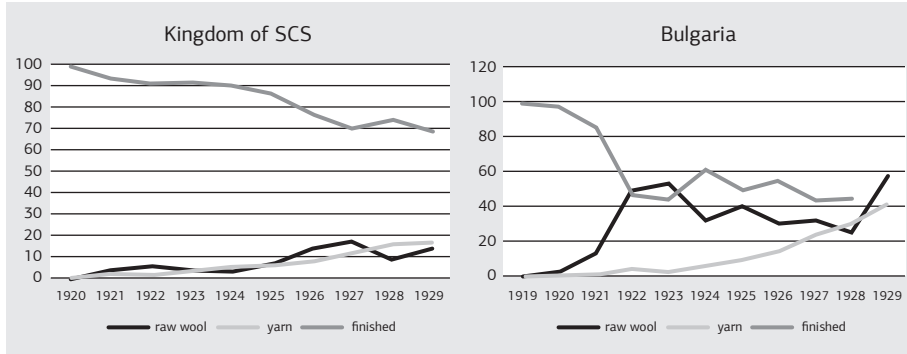
<sup>44</sup> Перспективите на цените на памук (1929), p. 456; Стисаниена Българското икономическо дружество (1934), pp. 444–445; Вноса на текстилни материали и изделиявъ България (1929), pp. 348, 356–363; Statistika spoljne trgovine (1920–1930)

<sup>45</sup> Mihajlović (1932), p. 4–5

<sup>46</sup> Only two wool factories had the capacity to produce fine woollen goods, Teokarević's factories in Paraćin and Vučje. The remaining mills mainly processed and produced soft cloth called "šajak", either for the peasants or the military.

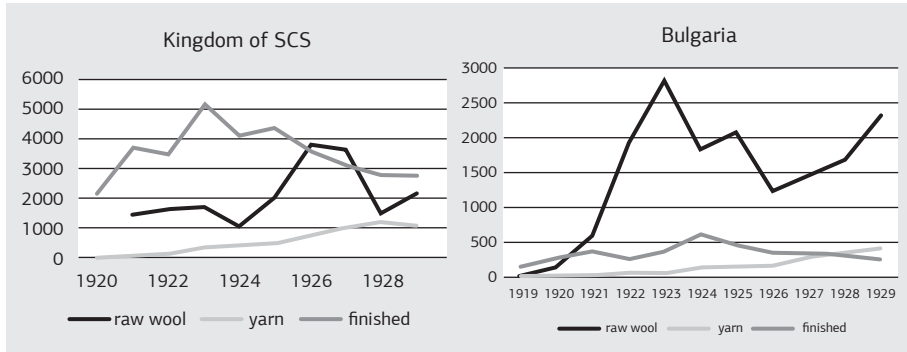
average) of wool and 102,707 tons (9,333 tons on average) of cotton. There is a clear difference in value, as the imported wool and woollen products were worth 3.8 billion Levs, and the cotton 14.6 billion Levs. In the Kingdom of SCS the difference was smaller – woollen products were worth 6.5 million dinars and cotton products 17.2 million dinars.

**Graph 15.** Raw, yarn, and finished wool imports as percentage share of total, Kingdom of SCS and Bulgaria



**Sources:** *Списание на Българското икономическо дружество*, 1934, pp. 444–445; *Вноса на текстилни материали и изделия в България (1929)*, pp. 348, 356–363; *Statistika spoljne trgovine*, (1920-1930)

**Graph 16.** Volume of imported woollen goods in Yugoslavia and Bulgaria (t)



**Sources:** *Списание на Българското икономическо дружество*, 1934, pp. 444–445; *Вноса на текстилни материали и изделия в България (1929)*, pp. 348, 356–363; *Statistika spoljne trgovine*, (1920-1930)

Graphs 15 and 16 show the quantities of wool imported by the Kingdom of SCS and Bulgaria. In the Kingdom of SCS the percentage shares were similar to those of cotton, but the biggest annual growth was in wool yarn, not raw wool. Imports of woollen yarn increased annually by 36.65% and raw wool by 23.98%; but the



import of finished woollen goods was low, with an increase of only 1.74% per year. The figures for Bulgaria are similar: yarn imports increased by 111% per year, raw materials by 61.2%. The import of finished woollen goods, which was almost 100% in the first years after the war, had decreased by 40% in 1929, with an annual decline of -27.9%. In the Kingdom yarn imports showed the biggest increase by volume of 32% per year, while the only negative import trend was in finished goods, at -3.5% per year. Bulgaria showed the same tendencies: yarn imports increased in volume by 94% per year, while the volume of imported woollen material had a negative growth rate of -0.06% per year.

There is the question of whether Bulgaria and Yugoslavia had enough sheep in order to provide sufficient wool for their needs.<sup>47</sup> In the period 1925–1928 the Kingdom of SCS had around 7,824,000 and Bulgaria around 8,739,000 sheep, lagging behind Spain, France, Great Britain, Italy, and Romania. The wool was of very low quality. In the Kingdom of SCS wool exports were taxed to boost the domestic industry, but domestic wool could only make rough woollen cloth and so imported wool was needed.<sup>48</sup> The situation was similar in Bulgaria: the rough woollen cloth produced had limited possibilities for industrial use, and was used mainly in villages (out of 12,500 tons of wool produced in Bulgaria 10,000 to 11,000 tons remained in the villages), while the urban population wanted high quality wool.<sup>49</sup>

The data on imports of wool per capita show lower imports of wool in relation to cotton and somewhat different industry structures: the woollen textile industry was more advanced in Bulgaria. In 1921-1929 the Kingdom of SCS annually imported an average of 0.5 kg per capita of woollen goods, and finished woollen products of 0.28kg per capita were the biggest import item. Bulgaria imported 1.06 kg per capita of woollen goods annually, but the largest share of woollen imports was raw wool, at 0.33kg per capita.<sup>50</sup>

Thus wool import trends indicate the same tendencies, but not in absolute values. The reason is that the rural population, which constituted 75% of the total population in both countries, produced its own wool. The price of wool was the same as cotton until 1924, but as of 1925 prices started to diverge. Changes in import structure were not only the result of the substitution effect<sup>51</sup>, but also of a long-term tendency for global cotton prices to fall. Woollen fabrics were burdened with disproportionately high import taxes in both the Kingdom of SCS and Bul-

<sup>47</sup> One sheep provided on average around 3kg of wool per year.

<sup>48</sup> Uloga tekstilne industrije u našoj spoljnoj trgovini, 12, 1932, pp. 4-5.

<sup>49</sup> Стаинов (1937), pp. 63, 64; Неделчев (1937), p. 57.

<sup>50</sup> Calculation based on: *Списание на Българското икономическо дружество*, 1934, pp. 444–445; *Вноса на текстилни материали и изделия в България* (1929), pp. 348, 356–363; *Statistika spoljne trgovine*, (1920-1930); *Statističigodišnjak*, II, 1930, (1933), p. 61; *СГБЛ*, 1932, p. 16.

<sup>51</sup> Pertot calculated the true value effect of substitution by separating it from the effect of world price trends, taking 1925 as the base year, which is when the Temporary Customs Tariff was declared. With stable prices, the substitution effect of imports was around 35% in the period 1925-1939. (For more details, see: Pertot (1971), pp. 90.)

garia, whereas raw wool and cotton were tax-free as long as it was not possible to obtain them domestically.<sup>52</sup>

## CONCLUSION

This short statistical review of wool and cotton exports and imports clearly indicates a decline in imported final textile products and a rise in imported raw materials. Some authors believe that this is a clear indicator of the country becoming industrialized and a growth in the production capacities of the textile industry,<sup>53</sup> whereas others see a clear example of underdeveloped industry.<sup>54</sup> In addition, the importation of textile products to the Kingdom of SCS and Bulgaria in the interwar period was actually an issue of trying to maintain a positive foreign currency balance. A change in imports from the more expensive final products to cheaper raw materials contributed to decreased import value, and therefore to maintaining the balance. This structural change was not the result of successful domestic production but of other factors, which were the result of the First World War.

We return to our original question: did the changes in foreign trade structure that resulted from World War One have a positive influence on market conjuncture, thereby enabling the development of the textile industry (which means that there was no structural development of the textile industry)? The First World War had the same impact on both countries – a high demand for textile goods (high share of textile products in imports, particularly ready-to-wear clothes); a change in market trends (new import and export markets); state intervention in the economy (customs tariffs); large price fluctuations (the relation between cotton price–cotton imports); new fashion trends (different consumer habits of urban and rural populations). On the one hand, all of this had a positive impact on the development of the textile sector in post-war conditions, but on the other hand it did not change inherited structures dating back to the 19<sup>th</sup> century and the economic problems of the Balkan region.

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<sup>52</sup> Pertot (1971), pp. 90-91.

<sup>53</sup> AJ, 76-52-85, Лазаревић, (1932); Rozenberg, Kostić, (1940), p. 188; Đurović (198), p. 31; Lakatoš (1933), p. 131; Tekstilnaindustrija I tekstilnoradništvo u Jugoslaviji (1936), p. 9; Mihajlović, D. (1932), p. 5; Kresal (1976), p. 83.

<sup>54</sup> Promene u potrošnji i proizvodnji tekstilija, 4, 1934, pp. 73, 75; Pertot (1971), pp. 88-93; Čalić, p. 408.

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