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ITALO -YUGOSLAV RELATIONS

PROCEEDINGS AND DISCUSSIONS

EDITED BY PAOLO CALZINI

iai

documentazioni

a cura della segreteria generale dell'Istituto Affari Internazionali

ITALO - YUGOSLAV RELATIONS

PROCEEDINGS AND DISCUSSIONS
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Proceedings and Discussions

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Istituto Affari Internazionali

1970

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FOREWORD

Rome- September 1970

This first study conference on Italo Yugoslav relations has been jointly organized by the Istituto Affari Internazionali of Rome and the Institute of International Politics and Economics of Beograd, to allow a frank, non official, but authoritative confrontation on the ways of thinking and making international policy in the two countries, with special attention to their reciprocal relations. The meeting, to which participated a number of delegates from the two countries chosen among political personalities, scholars, experts, economic managers and journalists, has proved highly fruitful. The debate on the specified topics presented in the papers, has confirmed the common interest of the participants to continue in an even more deep and thorough analysis and discussion of the Italian and Yugoslav positions and possibilities of cooperation. The proceedings of the meetings are here presented according to the major topics of the discussion; the first part groups papers and the condensate of discussion concerned with political problems; while the economic aspects are the subject of part two. On the basis of the pertinent elements emerged during the meeting a second study conference has been planned along the same lines of organization, to be held next year in Belgrade.

Istituto Affari Internazionali

Study Conference
on
ITALO-YUGOSLAV RELATIONS

Rome, May 29-31, 1970

WORKING PROGRAMME:

- | | |
|------------------|--|
| Friday, May 29 | Yugoslav and Italian foreign policies -
Rapporteurs:
Leo Mates, Director of the IIPE
Altiero Spinelli, Director of the IAI

Discussion |
| Saturday, May 30 | Political relations between Italy and Yu-
goslavia -
Rapporteurs:
A.Sterpellone, Columnist of "Il Messaggero"
V.Bulatovic, Assoc.Editor of "Kommunist"

Discussion |
| Sunday, May 31 | Final discussion |

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P A R T O N E

I- THE FOREIGN POLICY OF YUGOSLAVIA

by Leo Mates

The formulation of the post-war foreign policy of Yugoslavia was founded both on the new circumstances and conditions prevailing at that time, and also on certain premises based on the more durable geographical and political realities. The new factors determining the attitude of Yugoslavia towards the outside world were the outcome of internal, as well as external changes which had occurred during the war. The country came out of the war greatly changed internally, but the environment, the adjacent countries, as well as the whole of Europe and the world indeed, had changed too. Although some factors less subject to change remained constant, the policies of the post-war Yugoslavia reflected the totality of those stable and variable conditions and influences and differed substantially from the foreign policy of the pre-war Kingdom of Yugoslavia.

The stress of the post-war conditions in Europe have contributed more than it would have happened in less turbulent circumstances, to the emphasis on security and also to the determination to accelerate as much as possible the economic development of the country. In a way similar considerations and preoccupations prevailed then in most countries in the more as well as the less developed areas of the world that the new factors, i.e. the effect of recent changes, were particularly accentuated in Yugoslavia than in some other countries because of the fundamental revolutionary transformation of the country in the years of the war. Yugoslavia came out of the war and the revolution greatly destroyed, but also strengthened because of the intense enthusiasm generated by the successful revolutionary struggle and the victory in the war.

The result of all these circumstances and conditions was a strong inclination to concentrate in the foreign policy on issues which were connected with immediate interests particularly on questions of the complex problem of the post-war settlement and the securing of foreign assistance to the efforts

of rehabilitation and reconstruction. The drafting of the peace treaties (including the question of boundaries), reparations and the development of economic relations with the outside world were highly priority issues, together with problems of the internal development. The high priority of the mentioned foreign affairs problems was in fact based on the close connection which they had with internal issues.

During the first three years after the war the orientation of the general line of the foreign policy of Yugoslavia reflected the disappointment with the behaviour and attitude of the Western great powers in connection with the most sensitive problems concerning the peace treaties and the allocation of separations as well as with the early ending of the work of UNRRA. It was strongly felt in Yugoslavia that the Western Allies have not lived up to the promises given during the war, when the people of Yugoslavia spared no effort and accepted great sacrifices for the common allied cause.

This psychological disposition influenced also the relations towards the Soviet Union in the early years after the war. The Soviet Union was perceived as the only true friend and ally, who was ready to stand by the side of Yugoslavia in political and economic questions. At the same time there was the affinity towards the "great socialist country" and its Slavic peoples. It was remembered that the Soviet Union had given ample aid in arms and had loyally cooperated in the last phase of the war on Yugoslav soil. Moscow, also supported the Yugoslav position on all questions connected with reparations and the peace treaties.

Very soon, in 1948, this over-simplified view of the world, based on a narrow understanding of immediate needs, had to be replaced by more sophisticated and much broader concepts of the interest of the country in international relations. The first three years were the introduction to a dramatic dénouement which put to a new test the endurance of the country in adverse conditions and which led to the formulation of the foreign policy of nonalignment, after a period of voluntary isolation.

* * *

The above brief historical introduction should serve the purpose of elucidating some of the initial experience which have played an important role in the formulation of the general

and fundamental concepts of the foreign policy of Yugoslavia. These experiences have been so dramatic and the stress and strain of the turbulent years following 1948 have left an indelible mark and have decisively influenced the whole thinking in respect of international relations.

Furthermore, the successful defiance of pressures coming from the most powerful states of the world and the preservation of independence in spite of strained relations with both sides in the incipient Cold War, has considerably strengthened the self confidence of the Yugoslavs. It was accepted that this was as a case showing that smaller countries are not necessarily the powerless objects of the policies of great powers, but can assert themselves if sufficiently determined to do so. It was recognized that the internal political strength and unity of the country is more important in this respect than sheer material power, whether military or economic.

It was further deducted from the successful improvement in relations with both blocs, that it is possible to develop normal and cooperative relations irrespective of differences in ideological views. This applies, naturally, not only in respect of the development of relations with the West, but also with the Soviet Union. The recognition of differing ways of development of socialist societies was one of the most fundamental points in the documents which have marked the beginning of a new era in the relations with the Eastern countries in the years 1955 and 1956.

Yugoslavia asserted herself on the world political scene as a country which was determined to establish friendly relations and cooperation in all countries in the world irrespective of their internal political, economic or social systems. The earlier inclination to overemphasize problems of immediate significance and directly affecting the country, gave way to a much broader view of foreign affairs.

There was no country too far or an event too remote from the spheres of direct interest which would be considered as irrelevant. The general slogan of the indivisibility of peace was accepted and introduced into the day to day considerations of practical steps in foreign policy. The policy of nonalignment was based upon close cooperation and the understanding of problems and needs even of far away countries which were hardly known in Yugoslavia and which, frequently, were still colonies or have just emerged as independent states.

The development of close ties, including personal contacts, with people of other continents created a deep impression and influenced profoundly the thinking of all policy circles in Yugoslavia.

The foreign policy of Yugoslavia is characterized not only by the fact that she broke out of the confines of a bloc, but rather more by her ability to pole-vault out of a narrow Balkan environment into the great wide world. The perception of the world as the basis and framework of national security did not and could not lead to expansionist tendencies. It was rather regarded as a defensive policy, aiming at the securing and enhancing of the freedom to develop free from undue outside interference.

Let us now turn to some specific issues. First, we must examine how this general and broad view of the world influenced Yugoslavia's relations with the rest of Europe. The concern for European affairs was in the early years of the Cold War mainly concentrated on efforts to extricate the country from the Cold War and to support all trends towards the lessening of East-West tensions. The existence of high tensions and of instability in Europe was regarded as the most immediate and threatening menace to the independence and the freedom of action in international affairs.

The present activity of Yugoslavia concerning European affairs and her initiatives in the Sixties in this field, were influenced by the recognition that the earlier cautious attitude is no longer necessary. Yugoslavia remained, in fact, throughout the period of the Cold War closely linked with Europe. Most of her economic relations have always been with the continent and in the fields of cultural relations the role of Europe was also dominant. If we compare these relations with the relations of the West with the East in Europe, we come to the conclusion that Yugoslavia had most of the time after the war better relations with each of the two sides than the countries of the other bloc.

It would therefore be wrong to consider that the intensification of relations with European countries is a new development altogether. What really happened was an increase in intensity following the general improvement in the East-West relations. The only drastic exception was the break in relations with the Warsaw Pact countries during the years 1949-54 which was provoked and imposed by the concerted action of those coun-

tries. As soon as it became possible relations were normalized.

The activation of the interest of Yugoslavia in European affairs was neither a departure from her policy of non-alignment. Yugoslavia became politically more active in Europe exactly at a time when these activities could be harmonized and when the trends in Europe became compatible with the basic concepts of nonalignment. At the same time ties with non-European countries were maintained and Yugoslavia continued to be one of the most active nonaligned countries. It was considered that the improvement in intra-European relations opens new possibilities for a world-wide action of the nonaligned countries. At the same time when efforts were made to convene an all-European conference of parliamentarians and to oppose the power struggle in the Mediterranean, Yugoslavia launched also the idea of another conference of the heads of nonaligned countries.

The motives behind the European policy of Yugoslavia are the same ones which have inspired her policy of nonalignment. They are based on the conviction that the best way to safeguard the security of the country is the stabilization of peace in the world as a whole. It was never believed that Yugoslavia could rely on staying out of a general conflict. The lessons of the past have convinced the Yugoslavs that this geographical location is not suitable for neutralism. Therefore, in periods of high tension the task was not to escape into the sphere of passive neutralism, but to use what ever influence was possible to reduce tensions; now, in period of détente the task is to become involved as much as possible so as to enhance the improvement of relations, the development of the détente into cooperation.

In both situations, the close link and active participation in the world-wide movement of the nonaligned countries was not regarded and could not be in disagreement with Yugoslavia's European policy. Moreover, experience has shown that the ability to contribute to developments in Europe was thus increased. It gave Yugoslavia the unique position of the voice of the nonaligned in Europe or the link of Europe with the non-European nonaligned countries. This position opened great possibilities and if they were not better used, this is only the consequence of the limited possibilities of Yugoslavia and probably also of her inability to make always the best use of them.

The relations of Yugoslavia with the two sides in Europe have also been influenced by the general development in the

world. It may be said that the relations with West have overall been less subject to change than the relations with the East, which have moved from periods of intense hostility to intervals of intimate closeness. The main reason for this change, i.e. for the great oscillations in the relations with the Soviet Union, is the inability of Moscow to accept differences of opinion even in regard of less important political and other questions as a normal occurrence among friendly countries. On the occasion of recent contacts, with Soviet statesmen, efforts on the Yugoslav side have been made again to press this important point. The readiness to accept even fundamental differences in views and concerning internal developments was the main prerequisite for stability in the relations of Yugoslavia with the West.

Nevertheless, Yugoslavia has developed a fairly intensive cooperation in many fields with both sides, particularly in the course of the second half of the past decade. Trade and other forms of economic cooperation have grown considerably. Visas have been abolished in the movement of people with practically all European countries. The exceptions are Greece, Spain and Portugal, and the Soviet Union for ordinary passports (official passports are good for entry without a visa). Yugoslavia is a member of GATT, and has special arrangements with OECD in the West and CEMA in the East. Recently a trade agreement has been signed with the European Economic Community. In the ECE of the United Nations Yugoslavia has contributed not only through the activities of her delegates, but the present and the former Executive Secretaries of the Commission are Yugoslav nationals and former diplomats.

The recent developments in Europe, and particularly the negotiations between the Federal Republic Germany and the Soviet Union, Poland and the German Democratic Republic, were received in Yugoslavia with great satisfaction. They were interpreted as the expression of the determination on both sides to improve, not only economic, but also political relations across the former Cold War dividing line. Yugoslavia found in these efforts the confirmation of the belief that an all-European cooperation was possible and would be in the best interest of both sides. The government of Yugoslavia expressed its readiness to support all constructive proposals conducive to an understanding among European countries irrespective of

their alignment. In this sense support was given also to the proposal to convene a conference of statesmen from all European countries.

It was, however, pointed out that such a conference must be well prepared so that meaningful agreement could be reached within the necessarily short duration of a high-level meeting. Furthermore, it was stated that even in the best case, the outcome of a conference of statesmen can only serve as the initial step of a long process of negotiations and discussions. The political and economic problems of Europe cannot be solved at once. They are the consequence of a long economic development and of political conflicts which have for years dominated the European scene.

Other avenues of approach have also been considered and are still viewed as possible means of opening an all-European discussion. Beside the earlier suggested conference of representative of parliaments, there was considered also an even less formal meeting of representatives of political organizations and Trade Unions as well as other mass organizations. In all these and similar possible forms of informal meetings, in Yugoslavia one element was considered as paramount: they must represent the main trends and political orientations of participating countries.

Regarding the problem of security, which has always figured as the most urgent topic in connection with any European conference or meeting, the view is held in Yugoslavia that it must primarily be based on the existence of active and constructive cooperation. No legal documents or pacts alone can be accepted as a sufficient guaranty against aggression. It is first of all necessary to develop the spirit of cooperation and to create an atmosphere conducive to an ever more rapid development of cooperation. It is therefore so important to remove from the centre of Europe all open and controversial problems which have in the past poisoned the atmosphere.

Beside these specific aspects of security, it should be also pointed out that security in Europe, or of Europe alone, cannot be attained but within the larger context of security and peace in the world. For these reasons it is indispensable that the discussions on security and cooperation should be attended by all European countries, but also by the United States and Canada. Security should not be interpreted

as, or equated with regional defensive arrangements. There would be no point in developing a regional defensive arrangement covering the whole of Europe. Europe, combined with the powers of North America, however, can and should become a solid guarantor of peace in the whole world.

In this connection the opening of the Strategic Arms Limitation Talks (SALT) in Helsinki have been greeted as a most promising event. The combination of a rapprochement and cooperation in Europe with SALT can produce a balanced set of arrangements covering the sensitive European area and the armaments race. It could combine the efforts of all countries in the northern hemisphere, from the Bering Strait to the Bering Strait in an effort to secure peace and promote economic development in the other parts of the world.

It is, of course, understood that one cannot expect results too soon, but on the other side it is also felt that the deterioration of conditions in the world do press for urgent action towards these goals.

Particularly the conditions in the less developed areas of the world are alarming. The rapid growth of population is annulling most of the painfully gained economic growth. In some places the overpopulation, or the imminent threat of overpopulation, have already assumed dramatic proportions. The reduction of the population growth cannot be obtained overnight and therefore it is most important to accelerate as fast as possible the rate of economic growth. The economic problems create also political instability and cause social unrest which frequently leads to foreign interventions and outbreaks of violence which reduces also the existing economic facilities and causes a retrograde development in an ever greater number of countries in the Third World.

The most dangerous and negative developments in the world outside Europe are the military conflicts which are intensified and escalated by the participation of great powers outside the area. The war in Vietnam and in the Middle East are the current cases of these type of disturbances. They have brought untold suffering and incalculable damage to the development of the peoples involved. On top of this, they have affected negatively the development of economic and technical cooperation in general. It is hardly imaginable that an effective activity to advance the development of the less developed countries can be successfully launched while the wars in these

two important regions continue. The combination of these conflicts with the mentioned economic and population problems combine to create of the less developed areas the hotbeds of war and unrest.

The efforts of the nonaligned countries have mostly been directed towards the overcoming and preventing of these catastrophic developments, but they have not found sufficient understanding in developed countries on both sides of the Cold War fence. Yugoslavia considers that the improvement in the relations in and around Europe could create a climate in which these needs and urgent problems of the contemporary world could be better understood and in which constructive action might become more likely and could unfold on a much broader base than heretofore.

The current efforts to bring about another conference of the heads of the nonaligned countries should be welcomed and supported by European countries. In the circumstances nothing can be more deplorable than the continuation or even the increase of alienation between Europe and the nonaligned and less developed countries of other continents.

The foreign policy of Yugoslavia can be resumed as the effort to combine the immediate interest of security and prosperity of the country with the wider interests of cooperation in Europe and the solving of the most urgent world problems, in particular the armaments race and the problems of the less developed areas. All other problems could then be easier controlled and the peace in the world more safely secured.

II- REMARKS ON ITALIAN FOREIGN POLICY

by Altiero Spinelli

When, little over a century ago, Italy became a single state, it meant, for her, rising out of the cultural, political and economic decadence into which she had fallen some centuries earlier, amalgamating regions that had always been divided, raising the level of the depressed regions and classes, and cultivating a wider consensus of popular opinion in favour of the new state; in short: modernising the nation according to the great models provided by the more advanced European countries. All this was more than sufficient to engage the efforts of her rulers.

But the new state was living in a Europe that increasingly presented its major countries with an ideal of sovereign, strong and expansionist power. The Italian rulers, when they reflected upon Italy's glorious past and her demographic extent, were at first inclined to underestimate, and later entirely to forget, her social, economic and political weaknesses. Their foreign policy aimed more and more at becoming a member of that concert of a few great European powers, which then constituted the political and military centre of the world. Heavy military expenses, strong economic protectionism, a complex play of changing alliances, colonial enterprises, wilful intervention in the two world wars, extension of her frontiers beyond the lands inhabited by Italians, attempts to establish zones of influence in the Balkans and in the Iberian peninsula: these were the well-known manifestations of this policy of would-be great power, which went far beyond the actual capacities of the country. This policy enticed the rhetorical nationalism of the restricted middle classes, which constituted the main political support of the liberal monarchy, and later of the Fascist dictatorship, but it was not at all popular among the masses - chiefly Catholic and Socialist - whose attitude towards it was always one of indifference, incredulity and even aversion. But the reluctance shown by the people towards the myth of national power had had little success in attracting the attention

of the liberal oligarchy and was later silenced by fascism.

The conclusion of this policy was the collapse of the fascist regime, the monarchy, the state, and the economy, in a crushing defeat that unquestionably demonstrated the vanity of the whole of this power policy and rendered ridiculous the pompous intoxicating nationalist language itself.

If Italy emerged from this shameful collapse not with a sense of humiliation and desperation but with an invigorating sense of a second Risorgimento, this was due to the fact that the anti-fascist political forces (democratic, communist and towards the end of the fascist period also catholic forces) had kept up a twenty-year conspiracy against the dictatorship, facing persecutions, exile and imprisonment; they had organised the armed resistance after the Nazi occupation, they had given the people the sense of actual Italian participation in the struggle for their own freedom, and they had taken over the political direction of the country.

Already during the war, in the ranks of anti-fascism, a new voice had made itself heard, which rejected as valueless a policy of mere national restoration and proposed for Italy - as for all the other European countries - a policy of federal unification. But most of the new politicians and statesmen being unaware that this idea had also appeared in other European countries, considered it wholly utopistic and too far removed from stern international reality. They imagined that the international system would remain after the war more or less what it had been in the past, founded on a complex balance between a large number of sovereign powers, and that the main task of Italian foreign policy would be to climb out of the abyss into which it had fallen, by gradually restoring to the country its status of power.

The initial moves of post-fascist foreign policy are all explained by this conviction. Whereas the men of the resistance had felt their armed struggle as an elementary civic duty, for the Badoglio government participation in the war against Germany was conceived as a clever diplomatic move, aimed at transferring Italy from the category of the conquered countries to that of the victors. When the government sought and obtained Soviet recognition, its secret purpose was to be able to play upon the rivalries between allies. A little later, at the moment of the conclusion of the peace treaty, the old surviving statesmen of the liberal period would actually have

wished to refuse the signing of too humiliating a Diktat. With out going to this extreme, the government felt itself committed to the reacquisition of the pre-fascist colonies, which were called "honest" to distinguish them from those conquered by Mussolini. Austria and Yugoslavia were viewed as countries towards which it was necessary to be prepared to feel a profound and permanent diffidence, and with which it was therefore necessary to contend fiercely over questions of frontier. Since, on their side, the new Austrian and Yugoslav governments had exactly the same attitude, the result is that problems such as that of the South Tyrol minority, of Trieste and of the new frontier between Italy and Yugoslavia have remained open for long years, poisoning relations between these countries, and even today they are not yet formally solved in their entirety, however much they may have become quite irrelevant.

If this attempt to imitate the old foreign policy rapidly faded out, giving way to another and entirely different policy, this was due to the fact that the system of international relations - and particularly of European relations - that had emerged from the war was very different from that out of the past and imposed new ideas and new lines of action.

In order to understand what might be called the "philosophy" of the new Italian foreign policy, it is necessary to mention briefly the essential characteristic of the new European system in which Italy found herself.

In 1945 the whole of Europe was at a "year zero" in its history. The reconstruction of a new internal and international order moved along three lines of action that were only partly reconcilable with one another but have nevertheless been pursued simultaneously up to the present day.

The first, which derived directly from the elements of power existing at the end of the conflict, was the "imperial" line of action (1). The USSR and the United States, turned from being allies into being rivals, have divided Europe along a li

(1) The term "empire" is used here not with the meaning currently given to it today by Marxism but with its classical meaning: an empire is a political system that unites together various states or communities in such a way that a considerable and im

ne of demarcation that has remained since then the most important and precise frontier between the two systems.

The two "empires" - or, as it is said today, the two hegemonies - were at first only military, in the most precise sense of the term, because the only armed forces existing in Europe were the Soviet and American forces, with a few marginal exceptions upon which it is not necessary to dwell here. However, both empires have undergone a complex evolution. The individual European states have reconstituted their national armies and have changed from liberated or occupied countries into allied countries, which supply auxiliary conventional troops to strategic deployment of the super-powers. The development of nuclear armaments by these powers has led them to assume to an increasing extent a policy of consolidation and reciprocal acceptance of the respective systems in Europe. Since both super-powers are animated by a strong missionary-ideological spirit, they have favoured in their fields the establishment of regimes that are respectively communist or democratic, with state or market economies - in both cases with certain well-known marginal exceptions. To military solidarity they have thus added ideological solidarity.

The USSR, poorer and endowed with a rigid and many closed economic system, at first introduced a high degree of exploitation of her dependencies, thus contributing to the Yugoslav secession. When, as a result of the Polish and Hungarian revolts, she had to desist from this exploitation, she still kept all the eastern European countries under a heavy obligation to maintain a strong economic connection with her. But this link has always remained somewhat artificial.

America, richer and endowed with a flexible, open and expansive economic system, initially gave substantial help to her European dependencies; she has been able to count on an

portant quantity of military, political, economic and cultural decisions concerning the new states or communities are taken by decision centres of one of them, which is stronger than all the others. The constitutional forms assumed by such systems may vary considerably but they are comparatively irrelevant as regards the definition of the system as imperial.

automatic strengthening of her commercial and financial relations, and subsequently, with her big transnational companies, she has begun to occupy positions of command in various sectors of European national economies.

The two empires also differ from the cultural point of view, since Soviet culture, dogmatic and obscurantist, succeeds in making itself felt in its empire only with the aid of the ideological apparatus of the communist parties, and its hold therefore remains very superficial, whereas American culture - a very lively culture - has spread spontaneously throughout western Europe, not only at its highest levels but also at those of the general public and even in its most vulgar manifestations.

These two new empires were born through a sort of historical urge, upon which we will not dwell here, far more than through the conscious imperial will of their rulers, since, in fact, both the democratic and the communist ideologies are profoundly anti-imperialistic in essence. For this reason, neither of the super-powers has ever carried imperial logic to its conclusion and both have assumed without hesitation that other forms of reconstruction too might be carried out within the framework of their empires.

The second reconstructional line of action was founded upon a tradition which, though in general not so old as it is usually believed to be, is by now deeply rooted, and was the restoration of the formally sovereign nation-states. With the exception of the spectacular shift of the Polish people and their frontiers from east to west, and of the corresponding concentration of the Germans on a smaller territory, the frontier changes that occurred after the second world war were slight. Except for the three Baltic republics swallowed up by the USSR, and for Germany which was left divided, all the states existing in the 20's and the 30's were reconstituted after the war, began to govern themselves once more with their own national institutions and became formally sovereign states again. The two imperial powers, being in no way prepared to assume a too direct management of the affairs of their new dependencies, accepted willingly these restorations, and respected the old states every time the country in question was wholly contained within their sphere of influence. Germany alone found herself partly within the American and partly within the Russian sphere; when it was necessary to begin to reconstitute a civil order there too, it became evident that the logic of imperial

and ideological establishment was stronger than that of national restoration.

The third reconstructional line of action was founded neither on power, like the imperial line, nor on tradition, like the national line, but on reasonableness, which showed how little suited were the old national states either to implant a new civil order in Europe, or to exploit to the full the possibilities of development offered by the modern techniques, or to prevent the imperial structures from consolidating and to be able at length to eliminate them. This line of action aimed at the regrouping of various neighbouring and kindred states into supranational - and even federal - communities.

The line of action towards tendentially federal regional regrouping initially made itself felt as much in Western as in Eastern Europe, but in the latter the Soviets, aware of the frailty of their merely ideologico-military empire, very quickly discovered the importance of the method of "divide et impera" and suppressed it entirely. In western Europe the supranational line of action has encountered more favourable ground both on account of the open nature of the various political and economic systems and because the United States have favoured it, understanding that a United Europe would ensure the United States nearly all the advantages and almost none of the disadvantages of the imperial system in force.

This line of action, therefore, has practically been followed only in western Europe, now advancing, now taking a step backwards, at times halting, but remaining on the whole a permanent theme in western European policy. To the extent to which it asserts itself it leads to the transfer of a certain quantity of decision centers, in matters recognised to be of common interest, from national to common institutions, created in common agreement by the associated countries. It maintains the national units but at the same time it devalues them by limiting their sovereignty. It aims at regaining a greater independence with respect to imperial power on behalf not of the old nations but rather of the new community as a whole.

Within certain limits, national restorations, imperial establishments and federal instaurations can not only proceed side by side but also overlap and partially coexist. It is very difficult for problems such as that of nuclear armaments in the world as it is today to be approached by regional federal unions or by national states better than by

the two imperial powers. The government of the internal affairs of the individual countries is better in national than in federal or imperial hands. Conventional defence, as well as an effective economic policy and the guarantee of a broad and effective independence with respect to the imperial powers, are problems that can be entrusted far better to large regional communities of the federal type than to national states or even to the goodwill of the imperial powers.

However, beyond certain limits, the three courses are alternatives and impose choices, since the predominance of one of them suffocates, and eventually even destroys, the other.

For reasons that it would take too long to examine here, Europe has reached - at this beginning of the 70's - a critical moment for all three lines of action. The establishment of the federal system, having been brought forward in a highly contradictory manner, finds itself having to choose between the reinforcement and expansion of the European Community or the relapse towards reciprocal nationalist distrust. The empires oscillate between the brutal use of force and a growing concern for the immense effort that should be made by to keep unreliable and intractable peoples under control: between the mutual distrust that they feel towards each other and the necessity of limiting and controlling their rivalry, especially in the field of nuclear arms. The new nationalism does not achieve the actual reconquest of the old sovereignties; the individual states slide further at the mercy of the super-powers if the latter are determined to assert their hegemony, or they rapidly plunge into the old mutual distrust and rivalries if the super-powers do not assert their hegemonic will (1).

It is within this framework that Italian foreign policy takes on its significance.

The fundamental choices, which have had a determin-

(1) Foreign policies of neutrality towards and independence from both the imperial and supranational systems are practised by Sweden, Switzerland, Austria, Yugoslavia and Albania and give the impression of policies that succeed in ensuring independence and do not give rise to special tensions in Europe. It

ing influence not only upon the international position of the country but also upon its internal development, were those - taken at the late 40's and the 50's - of setting the national restoration in the Atlantic and European frames. At that time, the entire foreign policy of Italy (and, in fact, not only of Italy) reduced itself to these two spheres: Atlantic and European. Subsequently other problems - now political, now military, now post-colonial - broadened the horizon: relaxation, disarmaments, Latin America, oil, eastern European markets, the Mediterranean, scientific research, technological development, and so on. Often each of these themes appeared initially as something new and radically different from the Atlantic and European picture and was received in a cheerful or a depressed spirit according to the adventurous or misoneistic temperament of the statesmen who had to deal with them. However, sooner or later, it regularly appeared that although the horizon was certainly new the perspective in which it had to be viewed nearly always remained the Atlantic and European perspective. The choice had indeed been fundamental.

The Italian government was not one of the initiators either of Atlantic or European policy, even if certain Italians were among the first inspirators of the propaganda for federation. Since both organisations - Atlantic and European - affected the whole of western Europe within which Italy lay, and since the boundary between western Europe and eastern Europe was found to be far more solid than might be thought at first, it is very probable that, in the long run, Italy would not, in any case, have been able to remove herself from the force of attraction of these two formations. She lacked that near-perfection of national life possessed by Switzerland and Sweden, which has allowed these two countries to remain up to present day in their neutrality, costly and perhaps sterile, but contented. If one thinks how England, Spain, Denmark, Greece and Turkey, which at first remained alien to the European Com-

would be however a mistake to think that national disengagement, made general throughout Europe, would give the same results. The four above-mentioned policies of non-alignment produce no tensions only because they presuppose a Europe organised in stable systems.

munity, have felt its attraction with increasing intensity, and how Spain, which has remained outside the Atlantic Pact, has become a kind of second-class member of the Pact, it is very hard to imagine, in retrospect, an Italy remaining alien to Atlantic and European enterprises.

At that time, however things did not seem so ineluctable. Geographically Italy was on the edge of the western system. There was no strong external pressure for her to enter into a military alliance. Her economy was weak and it might be feared that, by laying herself open to integration, the country as a whole would suffer further degradation. Alternatives might have been thought of, and indeed they were. Atlantic and European commitments were the conclusions of intense and lively debates among the political forces of the country - the only great debates on foreign policy so far held with a sense of the importance of what was a stake.

It is interesting to note, in this debate, how evanescent was the pressure for a policy having an exclusively national horizon. That the aggressive and resentful nationalism should keep silent was understandable at such a short interval after the collapse to which it had led the country. But also the voice of another form of nationalism was heard only very faintly: the voice of neutralism or parochial nationalism, according to which Italy should abstain from international commitments and merely occupy herself with her thousand ailments. In Atlantic matters neutralistic biases were behind the advices for caution and disengagement coming from certain circles of diplomacy, the church and the democratic left; in European matters an analogous neutralism was expressed by certain economic circles accustomed to protectionism. At the level of grass-root propaganda the authentic neutralism was then almost entirely submerged under the pseudo-neutralism of the communists, and of the socialists then allied to them, who were actually aiming not at neutrality but at a commitment with the East instead of with the West.

The contention over the Atlantic commitment was, in open terms, a contention to decide whether Italy should remain in the western bloc and advance the democratic experiment or pass into the eastern bloc and engage herself in the communist experiment. None of the other politico-military consequences of the alliance that went beyond this choice constituted a subject of particular meditation either at the

moment at which Italy became a member of Nato or for a long time afterwards not the devaluation of the very concept of national defence, nor the partial integration of the high commands, the American military egemony especially in nuclear strategy, the excessive importance of the military motivations in the alliance as compared with the political ones.

The communists - and, for a certain time, also the socialists - were also against the European choice, for the same reasons. In fact, also united Europe would have been a consolidation of democracy and the western connections. But in the case of European policy it was another debate that was politically most significant. Within the frame of the European choice there were, for the Italian government, certain alternative possibilities of action that were anything but devoid of importance for the destiny of the new venture. The Italian government could contribute so that, in the European structure, there might be the maximum protection of the national autonomies or a maximum of federal power. The first to perceive the possibility of action and the duty of engaging in it were not the government and its diplomacy, but the federalists. The debate on the exploitation of these possibilities was therefore essentially a debate between the federalist movement and the foreign ministers (first Sforza and then De Gasperi), who were initially reluctant but were later gradually attracted by the prospect of a real European commitment. The main body of the political forces followed this discussion with considerable superficiality, but De Gasperi ended by understanding and adopting the line of action proposed by the federalists. The passage from the idea of the EDC to that of a political community and the setting in motion of the Assemblée ad hoc were, not exclusively but to a considerable extent, the result of the federalist initiative of the Italian government. Even if the enterprise was not crowned with final success at that time, it constitutes a precedent which should be still an object of meditation for those that are making and will make Italian foreign policy.

Since then, the country has established itself in this interventional order, from which it has, on the whole, derived numerous advantages.

The Atlantic alliance has given it a reasonable prospect of military security, without requiring of it either an excessive military effort or a resumption of natio-

nalist mythologies, while affording a wide experience of international relations to an extensive range of the superior officers of its armed forces.

At its birth and during the hardest years of the cold war, the Atlantic commitment, with its militant anti-communism, favoured - in Italy as elsewhere - the more moderate and conservative internal tendencies. In passing from the cold war to competitive but peaceful co-existence, the initial connection between Atlantism and conservatism was becoming weaker in several countries. The Alliance did not hinder - as the conservatives had hoped - the shift of majorities from the centre to the centre-left. The socialists, who had at first been intensely anti-Atlantic, accepted this commitment, realising that the alliance can be maintained on a merely defensive policy and that it is one of the pillars of a world equilibrium, which should in no way be demolished as long as the other pillar remains standing.

The communists have continued - and still continue - to ask blandly for Italy's unilateral exit from Nato, without reflecting at all upon what the alternative defence policy should be. This alternative would imply, for Italy, a lesser degree of security and hence a greater military effort, especially since the field of major tensions has shifted from central Europe to the Mediterranean and the occupation of Prague has shown that the USSR has no intention of demobilising its eastern military system. In this field, as in many others of home politics, the communist party has still to effect - to a far greater extent than it has so far done - a thorough revision of its political conceptions, before being able to reach the end of its long march towards participation in a governmental coalition.

The Economic Community has constituted a solid stabilising and integrating framework for the transformation of Italy from a poor and prevalently agricultural country into an industrial country, much richer and open to international competition. The idea of a united Europe, at first received with apprehension by the business and the left, has become increasingly popular, as much in the economic as in the political sphere. The initial socialist opposition has changed into convinced acceptance. Communist opposition, although less intense, goes on protesting against every difficult, with claims for nationalist economic policies which are little in

keeping with the necessities for strong transnational connections on the part of Italian economy.

Participation in the two Atlantic and European systems, with the corresponding limitations of sovereignty, has become a permanent feature of Italian foreign policy and has not substantially hindered the secondary international relations that go beyond those spheres. The weakness of Italy's present foreign policy is not in these secondary relations, but in her uncertain behaviour vis-à-vis the double critical moment reached by the Atlantic and European politics.

The Italian government continues to be favourable to the extension, reinforcement and democratisation of the Community. However, except for rare moments when it has made - but not pursued - proposals for the active promotion of these developments, it has generally confined itself to following passively whatever has been proposed and done by others, only waking up and becoming energetic when it has to defend some particular interest, rightly or wrongly considered as national. If the Community develops, Italy will follow willingly. But if this development depends, even partly, on a conscious, continuous and active Italian policy, it is very probable that, in the present circumstances, the government will remain inactive.

This is even more so in the case of the Atlantic Alliance. The new relations between the super-powers, the new American policy of limitation of its commitments, the contradictory Soviet policy that aims simultaneously at the strengthening of its imperial system and at the research of more extended and intense relations between the two parts of Europe - all this increasingly necessitates that the European countries of the Atlantic Alliance prepare to take upon themselves greater responsibilities in conventional defence and, correlatively, a common foreign policy towards both America and the USSR. Partnership with America, the redefining of America's nuclear responsibilities in the matter of European defence, the right conception of European security, namely of the relations with the Soviet system: none of these questions can be seriously dealt with the Atlantic system such as it is today; they require the development of a European Political Community capable of acting on behalf and in the interest of all her European members. The talks in progress in the so-called "European caucus" as well as those on the European political integration are the first signs of an issue that will become increasingly acute.

Once again the Italian government has a declaratory policy that is very favourable to these developments and an actual policy of passive "wait and see".

This profound lack of attention towards the crucial problems of the international systems of which the country is part depends only partially on peculiar Italian deficiencies, the uncertainty concerning them being general. But it is partly due to specific Italian causes. The country is passing through a difficult period of political and social rearrangement. Old and new internal problems are accumulating in front of it, distracting its attention from the themes of international politics.

However, if we consider that the culture, economy and security of the country depend to an increasing extent upon international relations - that is, that the Italian national community is open to the world and will become more and more so - we must deduce that the present inward-looking mood is condemned to remain sterile to a great extent, unless these problems are incorporated in an international policy that is aware of the objects to be achieved.

The inertia in the crucial questions of foreign policy is compensated by a certain activism in marginal problems, in some of which the country and the government act effectively, and in general correctly, whereas in others all boils down to statements of good intentions. Among the achievements belonging to the former category are the initial steps towards the solution of the problem of the German minority in South Tyrol, the development of excellent relations with Yugoslavia, the intensification of economic relations with the countries of eastern Europe and with the developing countries, the negotiation for the recognition of China. To the category of purely declaratory politics may be assigned the continual declarations in favour of peace in Vietnam and in the Mediterranean, the interest in the conference for European security, the declarations against the Fascistoid and racialist regimes, the signature of NPT, and so on. There is nothing to object to in these policies - not even in the purely verbal ones - because in many cases, for a country like Italy, there is nothing to be done but express good sentiments and wishes. But none of these gestures touches the central core of Italian foreign policy, and indeed, they may give the illusory impression that a new national foreign policy is gradually emerging, whereas

in reality this national course of action touches only secondary problems and substitutes words for facts when it comes up against central problems. The sign of renewed international commitment will appear only when the government will be seen to care once more with purposedness for actions aimed at developing the European Community and making it the hub of new relations with America, the Soviet Union and the rest of the world.

III- POLITICAL RELATIONS BETWEEN YUGOSLAVIA AND ITALY

by Vukoje Bulatović

The character of relations between countries largely depends on the degree of development of bilateral cooperation and the capability of each of them to promote this cooperation in accord with her own national interest. Relations between partners should be based on mutual respect. This is an essential precondition for each kind of cooperation, and albeit, for this one. Mutual relations between given countries will thrive in the measure each country can grasp the necessity of promoting them and will be able to express it. In the concrete case good neighbourhood policies, which for a longer period of time are characteristic for mutual relations between Yugoslavia and Italy rest on the mutual respect of each partner for the specific traits of internal evolution and the international position of the fellow partner.

Although essential, this precondition is certainly not the unique one. Mutual relations between countries depend on the degree in which the two sides find that, both for objective and subjective reasons, their interest may coincide in a given political constellation. In other words, that means that they look on the given situation and on the balance of powers in their own, more narrow, region with the same eyes and in a similar manner, and try to find the possibilities of safeguarding their own independence, sovereignty and security. Precisely this factor plays a major rôle in shaping the day-to-day practice of mutual relations between Yugoslavia and Italy. Regardless of formal differences in their attitude towards political blocs and the role they may play in the policies of the existing blocs, and regardless of the fact that one of the two partners belongs to a military bloc while the other pursues non-alignment policies, the similarity of Yugoslav and Italian policies can be found in their respective attitudes towards problems of stability and peace, both in the universal framework and in the more narrow regional framework of Southern Europe and the Mediterranean. This similarity of views and attitudes finds its expression in joint policies aiming to prevent dis-

turbances and complications which may upset the existing relations and the existing balance of powers.

It can be said that the two countries in the conduct of their foreign policies, when they interpret their national interest in a rational way, have been capable not only of grasping the importance of these elements but also of embarking on policies whose very aim is to further the consolidation process in the area where Yugoslavia and Italy are building up their prosperity and yearning for security. It can be said with much accuracy that, plagued by this preoccupation, Italy and Yugoslavia insist on a political solution of the Near Eastern conflict, considering that a proper solution can be found only within the framework of UNO, based on the Resolution of the Security Council, in respecting the principles of territorial integrity and political independence as well as the right to existence of all the States and nations in this area. One of the permanent features of policies pursued by Yugoslavia and Italy are the endeavours to prevent that in neither of the two countries should prevail forces capable of jeopardizing these policies, thus imperilling the excellent and close good neighbourhood relations.

The fullness of mutual relations is reflected in the profusion of form in which bilateral cooperation takes place; it is implemented at numerous meetings where efforts are made to grasp what is in the common interest of both partners and to utilize all the existing possibilities to promote cooperation.

The closeness and, even, identity of views has found its expression both in inter-State relations and in relations between powerful political parties, and truly democratic and national organizations. It can be said that there is virtually not a single Italian social organization nor political party which does not entertain close relations with a corresponding Yugoslav organization. This is a sign that not only the governments and supreme political bodies but also the relevant political and social organizations of both countries and communities are interested in promoting mutual cooperation and friendship.

The degree in which the Italian-Yugoslav border is open to the free circulation of men and commodities is a unique phenomenon in Europe. Without ceasing to be modest we may say that in view of the state of international relationships prevailing in Europe at the time when it was taken and implemented, this decision constitutes an extraordinary significant con

tribution and an example proving that despite the state of tension existing in international relations there still exist possibilities for cooperation between European countries and nations.

After the signing of the London agreement in 1954 the evolution of relationships between Yugoslavia and Italy is in continuous upswing and is being extended more and more. At that time the arrival of the Italian Minister of Foreign Affairs Mr. Segni in Beograd marked the beginning of an intensive intercourse between Rome and Beograd, recently the Prime Minister On. Moro visited Yugoslavia, and this event was followed by the visit of Mr. Mika Spiljak, the President of the Federal Executive Council, to Italy. Thereafter, On. Nenni, the Italian Minister of foreign affairs visited Yugoslavia. The most important event was the official visit to Yugoslavia of Mr. Giuseppe Saragat, the President of the Italian Republic. These and many other political contacts in the recent past, and the meetings of Statesmen at the highest level, always had as a corollary the conclusion of commercial, economic and other arrangements furthering cooperation between the two States. A consequence of this is a lively tourists traffic, and, more recently, numerous and important cultural manifestations.

Over many years Italy has been the foremost or among the foremost Yugoslav trade partners. In 1969 the value of trade was 558 million dollars. Industrial and technical cooperation has already gone beyond the initial stage (purchase of licences and patents) and makes continuous progress through lively and direct contacts between the economic enterprises and joint organizations of both sides. Economic relations between the two countries entered upon a stage where the necessity arises to make an assessment of long-term prospects concerning the future evolution of all forms of cooperation.

Sofar, almost 200 agreements have been signed in all the domains of bilateral relations. Several mixed committees have been set up entrusted with the task to work at the solution of problems which may arise, and to find and stimulate new forms of mutual cooperation. Apart from a very developed economic cooperation we may mention some specific forms of cooperation in the domain of tourism, fishing, transportation, small scale trade in the border areas. In all these domains possibilities for expanding cooperation, harmonization of interests - more particularly in the domain of tourism seem, in

fact, limitless.

Recently, many interesting initiatives were launched, and proposals made to the effect of expanding cooperation in the cultural domain, where possibilities for a further expansion still exist. The results hitherto obtained in this domain are by no means insignificant, but, nevertheless, it is possible to state that they still are not so many-sided as could be desired and not sufficiently intensive in all the fields of cultural life.

In 1969 80 million people crossed the frontier in two directions. About 30 million visits were registered in the small-scale border traffic. If we state that at this frontier the number of crossings is higher than at the frontier between Italy and France, two countries who, by tradition, always had intensive mutual relations, we may judge the intensity of relations, which has always been a significant indicator of the state of intimacy between peoples and of the many-sidedness of their mutual relations.

Along with the extended cooperation at the intergovernmental level, there is an intensive cooperation between trade unions, fighters' and party organizations of the two countries. There is in Italy hardly any professional organization whose activity would not arouse interest in Yugoslavia and with whom relations of friendships are not maintained. All this imparts new impulses to relations between the two States, and makes them more fertile and comprehensive, in promoting also their stability.

In similar circumstances many problems, if and when they arose, were solved with much ease. The more so, when we consider that the relations were showing important results despite the fact that both countries had frontier disputes not so long ago. It is a known fact that in many occasions frontier disputes were the cause of protracted and heavy conflicts. Yugoslavia and Italy had a different and much more constructive approach, based on the view that frontier questions are a matter of transitional importance, and as such have to be solved once for all, while life in common of the two countries and nations on both sides of the Adriatic is a durable phenomenon. As far as Yugoslavia is concerned, the view prevailed that problems connected with the definitive drawing of the borderline between two neighbouring and friendly nations can be solved without difficulties in a way acceptable to both sides. This,

inevitably, would impart new impulses to the development of general, and more particularly of political relations between the two countries.

In recent times relations between Italy and Yugoslavia are more and more characterized by a similarity of views professed by both countries concerning the balance of powers in the Mediterranean and by their joint endeavours to build up a zone of peace and cooperation between the riparian countries of this sea. At this stage, the peace or war issue in the Mediterranean can be considered as an important source of preoccupation in both countries, which contributes to shape their relations. There are fears that the situation may rapidly deteriorate.

Bearing in mind the hitherto results in the endeavours to further comprehensive cooperation between the two countries, and the high degree of confidence and friendship which distinguishes their mutual relations, it is possible to speak of the necessity to intensify even more political cooperation between Yugoslavia and Italy. The general framework of this cooperation and the direction in which it evolves impose a selection of the most urgent regional, European and world issues, and the necessity to promote international cooperation through an exchange of views, consultations and harmonization of joint actions. In our opinion, the joint endeavours in the foreign policies of both countries should be directed towards finding proper solutions to international conflicts, particularly those in the broad area encompassing South Europe, the Mediterranean and Near East. In utilizing even the slightest possibilities to exert an influence directed towards the solution of conflicts and elimination of causes for a broader confrontation, Yugoslavia and Italy may furnish a constructive contribution, being themselves directly interested in peace and cooperation in this region.

For this reason, in view of the positive experience of their bilateral relations, Italy's and Yugoslavia's contribution to the development of intra-European cooperation may be of exceptional usefulness, both as an example and as a positive experience. Joint undertakings, of which there are some examples up to now, could produce better effects if the initiatives were launched by joint efforts. At the very moment European countries began to follow our example in regulating their mutual relations and in making their first moves towards coope-

ration, Italy and Yugoslavia could make qualitatively new steps, leaning on their past experience.

The two most specific characteristics impressing their mark on the evolution of Italian-Yugoslav relations, are the degree in which the frontier between the two countries is open, and the broad spectrum of relationships between the different social, economic and political factors of the two countries. This high degree of development of mutual relations between two countries with a different social order and a different international position can be taken as a model for regulating the general pattern of relationships in Europe and the development of a broad spectrum of cooperation between European countries.

Even if we do not wish to overestimate the real role played by Yugoslavia and Italy in present-day international relations, the achievements of both countries in developing cooperation between them can be considered as a factor of a broad international significance, particularly if we bear in mind the important objective differences between the two partners. Based on these foundations, the relations between Italy and Yugoslavia constitute, from the very moment they began to yield results, an important example to be followed by other countries. They constitute a stimulating example to be imitated by European countries whose mutual relations evolve positively, albeit with great difficulties. From its very beginning the evolution of our mutual relations constitute a successful attempt to bring to an end the atmosphere of cold war which plagued Europe at that time.

There are no reasons why these relations should not consolidate and even make further progress. Two conditions seem essential for a further evolution along these lines: to respect, in regulating these relations the national interests of each partner and to search continuously after new possibilities.

IV- ITALY AND YUGOSLAVIA

by Alfonso Sterpellone

The growth of Italo-Yugoslav relations since the Second World War offers - in the way it has taken place - a positive example of reciprocal capacity to overcome difficult conditions, not in the name of abstract principles (although ideally valid and acceptable), but on the basis of a realistic evaluation of the events, their causes and developments. This cooperation is being worked out between two different socio-political régimes, two countries oriented towards different choices of instruments for international action, between two peoples who were previously divided by profound differences over territorial questions.

October 5th, 1954, when the governments of Belgrade and Rome signed the agreement for the provisional settlement of the Free Territory of Trieste, was an important day in the history of Italo-Yugoslav relations. It ended a dispute which had lasted nearly ten years, embittered by a complex tangle of sentiments and resentments, and began a new phase of progressive and unbroken improvement in relations on all levels. On July 31st, 1947, when proposing approval of the peace treaty to the Chamber of Deputies, Italy's Foreign Minister Carlo Sforza said: "... to the Yugoslavs and to the French I always say: take care, if you can't do it for love, do it for self interest because the only way for Italy and France, the only way for Italy and Yugoslavia to be stronger and more respected is to be no longer chained to backward-looking rancours. If good relations exist between us and the Yugoslavs, Italy will be worth twenty percent more in the international balance, but so will Yugoslavia be worth twenty percent more in the international balance. These are my constant thoughts.... for which I have suffered twenty five years of Fascist persecutions....".

At the time that Carlo Sforza expressed these concepts, the polemics between Belgrade and Rome were particularly bitter. The experience of the years since then has de-

monstrated the validity of Sforza's conception.

The border question had already, in the last century, dominated debates on the aspirations to independence of the Italian and Yugoslav peoples. Giuseppe Mazzini was uncertain about the delimitation of the frontiers at Trieste, either at "the Alpine circle and Trieste" or at the Isonzo. Others proposed Fiume, Istria, Nauporto or Mount Bitoraj. One historian (Mario Pacor; Confine Orientale - Eastern Border - pub. Feltrinelli, Milan 1964) observed that "only when irredentism changes from a progressive ideology of emancipation of peoples into an expansionistic ideology of power is there talk not only of the whole Julian region but of the whole of Dalmatia". And - he added - "Dalmatia, but not Fiume, is included in the list of territories which Italy has been promised by the governments of the Entente to enter the war on their side".

The conflict of interests in the disputed area lasted until the First World War. In April of 1918, the conference which took place at the Rome Campidoglio on the fate of the populations still subject to the Austro-Hungarian empire was particularly characterised by an understanding between Italians and Yugoslavs (who were represented by a delegation led by Ante Trumbic). In one document it is stated that "the unity and independence of the Yugoslav nation is of vital interest to Italy, as the completion of Italian national unity is of vital interest to the Yugoslav nation"; the representatives of the two countries committed themselves, furthermore, to "resolve in a friendly manner, in the interests of future good and sincere relations between the two peoples, the single territorial disputes on the basis of the principles of nationality and the rights of the peoples to decide their own fate in a way unprejudicial to the vital interests of the two nations, which will be defined at the time of peace", special guarantees were provided for the "free development of the minorities" remaining within the borders of each country. Some representatives of the nationalistic and interventionistic tendencies also signed the agreement and it was approved by Vittorio Emanuele Orlando, at that time Prime Minister of Italy.

At the end of the First World War, the conflict of nationality was expressed in the attitudes of the National Councils which were established in the areas once ruled by the Austro-Hungarian Empire. A typical case was that of Trieste,

where the Slovene National Council solemnly affirmed, against the Italian National Council, that the city and the region "be long to Mother Yugoslavia". It can be said that - on both sides - the nationalistic positions prevailed over the more truly political and socio-political principles; the socialist and democratic political parties suffered the effects of this - and not only in the impossibility of formulating and carrying out programs of reform, made more urgent by the consequences of the general difficulties which were heightened by the long years of war - and were forced to work under the constant pressure of an exaggerated nationalism. This was fanned by the action of the fascists (the first appeal for the establishment of the "fasces" was made on April 3rd, 1919 by Piero Jacchia in the newspaper La Nazione, in Trieste) and by the political and diplomatic conflicts emerging from the unresolved problem of the borders between the new Yugoslav State and Italy.

The Italian territorial gains, as provided in the London Pact, consisted of, among others, Venetia-Julia (as far as Mount Nevoso), Dalmatia with Zara and Spalato and a group of islands. The territorial concessions were determined on the presumption that a series of "kingdoms" instead of one single united Yugoslavian State would have resulted from the dissolution of the Hapsburg empire. Instead, the "Kingdom of Serbs, Croats and Slovenes" was formally constituted by Alexander Karageorgevic on December 1st, 1918: although it practically ignored the other Yugoslav populations and although it sanctioned - as later events were to show - a de facto Serbian prevalence, it was united in the decision to reclaim Dalmatia, Istria with Fiume, Trieste and the territories of Gorizia and Eastern Friuli (there were representatives from the "unredeemed lands" present at the provisional Parliament of March 1919 which formulated the problem of the claims).

These positions were affirmed at the level of diplomatic initiatives. As Pacor notes in the above-mentioned work "both Italy and Yugoslavia went to the Paris Conference asking for the 'maximum': Orlando and Sonnino wanted all the territories promised in the Pact of London plus the city of Fiume with its environs; Trumbic and Vesnic wanted all of Venetia-Julia including Trieste, Gorizia and Venetia Slovenia". In the complex political and diplomatic manoeuvres, the mediation of the President of the United States (who attempted to apply the "14 Points" formulated as the American contribution

to the stability of a peace drawn up on the basis of the principles of democracy in Europe) led to the definition of the so-called "Wilson line", which, briefly, took our borders beyond Trieste and Gorizia, including the centres with prevalently Italian populations on the coast of Western Istria: Yugoslavia would have held Fiume, inland Istria (mainly inhabited by Slavs) Mounts Maggiore and Nevoso, and the territory crossed by the Fiume-Postumia-Ljubljana railway. There are still heated disputes between Italian and Yugoslav historians over the consequences which acceptance of the "Wilson line" would have brought. It is sufficient to cite Mihovilovic, according to whom (in The Diplomatic Struggle for Istria and the Slovene coast) adoption of the "Wilson line" would have left 570 thousand Slavs within Italy and 75 thousand Italians within Yugoslavia, and Alatri, (in Nitti, D'Annunzio e la questione adriatica, Nitti, - D'Annunzio and the Adriatic Question -) whose figures are 350 thousand Slavs remaining within the Italian borders and 60 thousand Italians within those of Yugoslavia.

On September 12th, 1919, Gabriele D'Annunzio, by occupying Fiume with a "column" of soldiers and volunteers and proclaiming the annexation of the city to Italy, audaciously inserted himself into the already complicated political and diplomatic tangle: within Italy the "Fiume Expedition" accentuated the disagreement between the democratic government and the new leaders of the fascist neo-nationalism; internationally, it badly aggravated the dispute between those disappointed by the "mutilated peace" and the promoters of new forms of co-operation, after the long drawn out crisis of the war. There were also secessionist attempts and proposals, drawn up as ambitiously as they were unrealistic, such as that which Marshal of Italy Enrico Caviglia attributed to the Duke of Aosta, commander of the Third Army, for the establishment of a "Republic of the Three Venices" with Fiume and Dalmatia. The historian Gaetano Salvemini also mentioned projects for marches on Ljubljana and Vienna.

The diplomatic negotiations had been partially withdrawn from the international conference and were held directly between Italy and Yugoslavia. The Treaty of Rapallo, stipulated on November 12th, 1920, fixed the Italian border at Mount Nevoso and granted Zara and four islands (Pelagosa, Lagosta, Cherso and Lussino) to Italy; Fiume with its environs was to become a "free city". It was the diplomatic act most

convincingly founded on respect for the real ethnic composition of the contested territories and can still today be taken as a model of political wisdom, but its fulfillment required the consolidation of democratic governments in Italy and Yugoslavia. D'Annunzio withdrew from Fiume in December of the same year: the "soldier-poet" had felt himself betrayed even by Mussolini who, faced with the entire development of the "Fiume question", the "Regency of Carnaro", had maintained an attitude at the least ambiguous. Perhaps he feared, and not without foundation, that Fiume was or could become the last stage before the conquest of power in Rome and the struggle involved - not without misunderstandings - Fiume neo-nationalist against fascist paleo-nationalists.

A democratic historian, Federico Chabod (in L'Italia Contemporanea, - Contemporary Italy - Turin, 1961) expressed a concise judgement of the events which took place between the two World Wars, noting that "if on one hand there were Italian nationalists, on the other the Yugoslavian nationalists were no less noisy" and he observed: "wisdom was missing from those two nationalisms, on both sides of the Adriatic". Relations based on effective co-operation could not develop from such premisses: nationalism dominated the political lines of the two regimes at least until 1936. Gianni Finocchiaro pointed out (in L'Italia, la Jugoslavia e la questione di Trieste - Italy, Yugoslavia and the Trieste Question - : published in the collected acts of the conference on "the Foreign Policy of the Italian Republic" organised by the Istituto Affari Internazionali in January, 1967 in Rome; edited by Comunità, Milan, 1967) that "fascism naturally aggravated the situation, not only by the persecution of the Slavs of Istria and Fiume against whom a policy of complete denationalisation was put into practice... but also by the incoherent foreign policy of the Italian State towards the Yugoslavian State, conducted by alternating threats and professions of friendship".

This was the reverse of the so-called "Rapallo policy" which Sforza had conceived in terms of effective co-operation above all against any theories of restoration of authoritarian régimes: not by chance, on the same day as the "Treaty of Rapallo", Italy and Yugoslavia had signed an "Anti-Hapsburg convention". The premisses were laid for the "little entente" which, due to Mussolini's mistaken policies, was to favour the establishment of French influence in East Europe,

especially in Yugoslavia, Rumania and Czechoslovakia. In 1934, after the murder of king Alexander, Belgrade made explicit accusations against fascism of "complicity" in the assassination, especially because Ante Pavelic's "Ustasha" groups who claimed responsibility for the regicide had been harboured in Italy. Not until 1936 was a formal, not substantial, reconciliation possible, when Milan Stojadinovic took over as head of the Yugoslav government: the Italian initiative seems particularly motivated by a desire to counteract the growing Nazi influence in Yugoslavia. The Ciano-Stojadinovic Pact of 1937 did not succeed in putting aside ancient Italian claims, if, as Giuseppe Bottai wrote in his diary, Mussolini announced to the Grand Council of Fascism in 1939 that he had pointed out to Hitler that "Croatia is an area reserved for our policy"; the Adriatic Sea continued to be defined as "Italian and only Italian". There was the Italian occupation of Albania; on April 6th, 1941, acting on Mussolini's orders, the Italian Armed Forces, together with those of Germany, attacked Yugoslavia.

As a consequence of the military operations, ended after only eleven days of bitter fighting, Italy obtained the central and western territories of Slovenia (the northern ones, adjacent to the Austrian frontiers, had been annexed by Germany): the "Province of Ljubljana" was instituted. As well, the central zones of Dalmatia and those of the Bocche di Cattaro, many Adriatic islands and a part of the Montenegrin coast were granted to Italy. In Croatia, proclaimed independent under Ante Pavelic, a realm and proper "Italian protectorate" was established which was to have been strengthened by the assumption of the throne of Zagreb by Aimone di Savoia-Spoleto (a throne never occupied effectively). The attempt to establish a "sphere of influence" sufficiently large to stop the foreseeable Nazi "push to the Adriatic" is obvious in the political acts of the fascist government which - openly - meant to attain "ancient aspirations". This need was reaffirmed, albeit in a subdued way (during a time of alliance between Hitler and Mussolini) in the recalling of the Roman imperial tradition (evidently the "ancient aspirations" could not only be those of the followers of D'Annunzio and the ultra-nationalists of the between war years); it was sustained by the "Ustasha" régime of Ante Pavelic which, furthermore, attempted to find a position of balance between Rome and Berlin, aggravating, preferably, the autonomistic characteristics of Croatia with res-

pect to the other ethnic groups of Yugoslavia.

The revolt of the Yugoslav partisans kept the Italian and German contingents fighting bitterly for nearly three years. After the fall of Fascism - notes Pacor in his above-mentioned work - only the Communists and a few representatives of the Action Party maintained that it was necessary to enter into relations with the already influential Slav movement for national liberation: "The Piccolo of Trieste and the Corriere Istriano of Pola, which momentarily passed from fascist management into the hands of democrats, also referred to national rights to be guaranteed, starting from the premiss of borders running from the Alps to the Quarnero, adding the incitement to procure documentation of Italian rights to those borders in view, therefore, of a quarrel, ignoring the possibility of recourse to the self-determination of the populations, to an agreement between the two nations, or to a common action in view of the developments which the by then foreseeable capitulation of Italy could have brought".

Giuseppe Paladin wrote in La lotta clandestina di Trieste nelle drammatiche vicende del CLN della Venezia Giulia - The Clandestine Struggle for Trieste in the Dramatic Events of the Venetia-Julia CLN - Trieste, 1954; "at the supreme moment of the coming crisis, who would have assumed the defence of the Italian community of Istria?". He notes: "The Italian political parties did not exist, the old ruling class had long since disappeared, the Italians of Istria, although a majority, did not any longer possess any autonomous institution around which they could gather and resist..... The vacuum left first by Fascism and then by the civil and military authorities was filled, after September 8th, by the cells of Slav partisans who set up the new order by means of the so-called 'people's powers' without meeting any resistance from the Istrian Italians. Venetia-Julia became no-man's land..... it seemed more like land to be conquered than national territory.....".

Carlo Sforza, on the eve of the signing of the Treaty of Rapallo, had tried to overcome the opposition of the nationalists, prophetically affirming that: "it is better to sign now and be friends because in twenty years we will have to defend Trieste and Pola and you (Yugoslavs) Zagreb and Ljubljana against the Germans". Italians and Yugoslavs were substantially allies in the anti-nazi partisan struggle; the urgent need for a common defence against the Nazis facilitated the settling of

differences: partisan groups composed of Slavs and Italians fought in Venetia-Julia and in Istria; not less than 40 thousand men of the Italian military contingents in Yugoslavia participated actively in the bloody battle which the Yugoslav partisans fought against the Germans. And Hitler, ordering the formation of a Commissariat for the Adriatisches Küstenland, substantially favoured the growth of a common Italo-Yugoslav action for the defence of the territory. Filippo Anfuso, Ambassador from the self-styled "social republic" to Berlin, dwelt at length in a report to Mussolini in November, 1944 on the "expulsion of the Italian authorities from the Adriatic and Alpine provinces". One of Alcide De Gasperi's collaborators - Adstans: in Alcide De Gasperi nella politica estera italiana - Alcide De Gasperi in Italian Foreign Policy - Milan, 1953 - explained the Nazi policies in the area as follows: "they denationalised military, economic, scholastic, social and even judicial life: the judicial system was transformed by a decree issued by the High Commissioner for the Adriatic coast and a new judicial system created, completely separated from the Italian system.... Provision was made for the passage of the judicial district of the province of Gorizia to that of Ljubljana; the Italian language was practically expelled from the courts. Thus it was that the Fascist federal commissioner for Trieste could write on March 21st, 1944 that 'by now Italian sovereignty exists only in name, while in fact a real and proper German protectorate exists, exercising sovereign powers in the region. These measures accentuate the separation of Venetia-Julia from Italy'...".

Italo-Yugoslav collaboration in the partisan warfare "could not end the chapter of conflict over the delimitation of the borders, which had lasted since the eve of the First World War"; and - continues Gianni Finocchiaro in the above-mentioned work - "the same conflicts punctually faced the two countries in a highly dramatic fashion". In fact - he continues - "the first Italo-Yugoslav clash took place at the end of April 1945 while the insurrectionist war against the Germans was going on and with the first contact between Yugoslavs and Italians. The former, trained by past experiences in the Balkan wars and the First World War when frontiers were determined by a fait accompli, on the basis of who occupied the territory, pushed over the border by forced marches towards the West, although leaving behind them a large part of Slovenia

and Croatia still to be liberated from the Germans and the Ustasha". Thus "in the evening of May 1st, 1945, the Yugoslav partisan troops entered Trieste, where the CLN had already been holding the greater part of the city for three days. The same thing happened at Gorizia while all of Istria had already been liberated by the local bands of partisans in which the Yugoslav majority was nearly total."

"The ancient and recent hates", Finocchiaro goes on to say, "especially in Trieste and Gorizia, exploded during the month of Yugoslav occupation with the arrest of approximately 6 thousand Italians and the deportation of 2 thousand others of whom only slightly more than 800 came back. Many of the deportees and the prisoners were antifascists or members of the CLN, which, during the month and a half of Yugoslav occupation, was forced to become practically clandestine, working in nearly the same conditions as those which prevailed during the period of German occupation". It is still impossible to be certain of the number of Italian victims of the violent and indiscriminating "repression" of that time: many hundreds of mutilated and decomposed bodies were found in the foibe (common graves) in the region; many of those who were arrested or deported did not return to their homes. In one of the many "instructions" to the Ambassador to London, Niccolò Carandini, the Leader of the Italian government, Alcide De Gasperi, declared (May 13th, 1945) that "the reign of terror is worsening: 4 thousand people have disappeared at Gorizia; 700 are presumed to have been shot at Trieste".

The most difficult phase of Italo-Yugoslav relations had begun. On April 16th Marshal Tito had claimed the right to annex all of Istria and Trieste (city and port), although an agreement between Tito and Alexander (the British Commander of the Mediterranean sector) had fixed in July 1944 (and had been confirmed the following February) the demarcation line between Anglo-American and Yugoslav contingents along a line immediately west of Fiume. The defence of Istria was to be assured by the Anglo-American contingents. On the day when Yugoslav troops entered Trieste, De Gasperi sent a message to the allied governments declaring that this action was not justified "by military, political or moral reasons"; the Prime Minister declared that he was convinced of the "necessity that controversial questions between Italy and Yugoslavia should be postponed until more propitious times"; in the meantime, the English

and Americans should be in charge of administration of the con-
tested region. In a document dated May 3rd, the Italian government
affirmed: "all territorial questions concerning the east-
ern frontier must remain unprejudiced until peace is reached,
and until the highest constitutional organs of the two border-
ing countries can decide in reciprocal respect for each other's
rights and in the spirit of democratic renewal of international
relations". On May 17th Marshal Tito ordered his troops to with-
draw from the occupied territories (according to the above-
mentioned "instructions" sent by Alcide De Gasperi to Ambassa-
dor Carandini "Yugoslav partisans... have also crossed the line
of the Isonzo"); but a Yugoslav garrison remained at Trieste. On
May 16th the British government had formally declared that it
considered Trieste to be "a conquered enemy city and not a li-
berated Yugoslav city". On June 12th the Yugoslav garrison was
withdrawn from Trieste, on the basis of an agreement reached
three years earlier in Belgrade.

For a detailed examination of the diplomatic and
political negotiations the author refers the reader to a study
he compiled for the conference held by the IAI in January, 1967
and published in La politica estera della Repubblica italiana
(A. Sterpellone: Venti anni di politica estera - Twenty Years
of Foreign Policy - vol. II, pp. 159-345) pub. Comunita, Milan
1967. It is here more interesting to look at the development
of relations between the two countries after the signing on
October 5th, 1954 of the Memorandum of agreement. This was signed
in London by the Ambassadors of Italy, Brosio, Yugoslavia,
Velebit, the United States, Thompson and by the British Under-
secretary at the Foreign Office, Harrison. The Memorandum was
founded on recognition of the necessity to "end the present
unsatisfactory situation" caused by the division of the so-cal-
led Free Territory of Trieste (FTT) into two zones: "A" zone
being governed by the Anglo-American authorities and "B" zone
by the Yugoslavs.

On both sides territorial concessions had been neces-
sary, corrections, said the President of the Council Mario Scelba
in presenting the Memorandum to the Senate - which " have
profoundly saddened us", but which "find sufficient compensation
in the other parts of the agreement, made possible by the peace-
ful character by common consent of the present modus vivendi".
And furthermore given "the diminished Yugoslav territorial
claims and having obtained a number of measures designed to care

for important Italian interests, the government did not feel that it could take the responsibility of breaking off the negotiations and permitting the present situation to continue at length to the grave and perhaps irreparable detriment of Trieste and its territory". In Scelba's opinion "the continuation of the situation would in fact have signified perpetuation for an undetermined period of foreign occupation, progressive worsening of the conditions of the Italians in B zone, a constant increase of the disquieting economic troubles of Trieste and a growing danger for its very Italianness". He went on to note: "These agreements smooth the way for that co-operation with Yugoslavia which is in the natural order of things and was in the programmes of the governments which preceded us.....Economic and political co-operation is suggested by the complementary structures of the two countries and by their geographic position. We are persuaded that an understanding between the two countries is necessary and useful not only for the consolidation of peace in the Adriatic but also in the interests of the entire West.....We are also convinced that these agreements and the consequent hoped for improvement in relations with Belgrade will strengthen our international position, opening for us the possibility for a more efficacious defence of our vital interests".

President Tito as well, addressing the Yugoslav Federal Council on October 7th, expressed his "satisfaction" with the agreements, "independently from the sacrifices we have made", which were accepted "to make our contribution to the peace and the stability of Europe"; in fact, he added "although it was a question of a very small matter, its character made it a very important matter, a European matter, and now, with this agreement, it has been taken out of the order of the day". The Yugoslav President promised: "We will willingly accept all suggestions, and not only will we accept them, but we ourselves will take the initiative if collaboration is reached, both from the economic point of view and from all others, between Yugoslavia and Italy, which are economically notably oriented towards each other and are in an exceptionally favourable geographic position.

The historian Basilio Cialdea wrote (in Relazioni internazionali, October 16th, 1954, Milan): "the parliamentary majority and the country did not accept the compromise with unconditional enthusiasm. Nor did Yugoslav public opinion dis-

play complete satisfaction. But reason has prevailed in giving concrete form and good faith to the acceptance of the agreement on both sides of the border". On the Italian side, a policy aimed to reach better relations had already been put into practice in 1947 - in the most difficult phase of the violent dispute: this is demonstrated by the trade agreement reached between Rome and Belgrade on November 28th, 1947. In a speech delivered on April 8th, 1950, at the headquarters of the ISPI (Institute for the Study of International Politics) the Foreign Minister, Carlo Sforza, insisted on the necessity for an Italo-Yugoslav agreement, which he considered to be of "European importance, second only to the importance of the Franco-German and Franco-Italian agreements".

And, in reference to the Anglo-Franco-American "tripartite declaration" of March 20th, 1948, in which the three Western powers declared that it would be opportune for the entire FTT to be restored to Italy, Count Sforza said in the same speech that in Italy this was not considered to be "a diktat to which Yugoslavia must passively submit", even if "the agreement must have as its starting point the substantial acceptance of the declaration": he was in fact in favour of "a direct agreement with Yugoslavia, an agreement which would leave the door open for a broad, comprehensive regulation between the two republics and the two populations". The "tripartite declaration" was beneficial to Italy, in recognising the validity of its claims to the Julian and Iстриan territories: it was opposed by the USSR which maintained its support of the Yugoslav position even when, in late spring of 1948, the disagreements between Moscow and Belgrade degenerated to the point in which the Tito communists were expelled from the Cominform. That episode led to a change in the Anglo-Franco-American position. The allies, while remaining firm in the intention of carrying out their promise of support for Italian claims, intended to do so in such a way as not to place too great obstacles to any (wished for) manifestation of a Yugoslav tendency to move closer to the West.

Sforza - in the April, 1950 speech - set out the problem of fruitful development of Italo-Yugoslav relations in terms of "coincidence of interests" not only on the economic level but also in the political field. He said: "if some day other expansionist revivals should come about, if other equally menacing clouds should mount up, would it be wise for the

two countries to keep their flanks open and insecure? We have the impression that Marshal Tito and his Government - as resolutely Communist as they are - wish to remain equidistant from all groups, firm in their isolation from who ever it may be. If this is so, friendship with Italy could be very valuable to Belgrade. This is not advice, but the profound conviction of a man who has consecrated all his life to the reconciliation of his homeland with its neighbors."

Perhaps in these concepts was expressed - with the farsightedness typical of Carlo Sforza - the basis for the future co-operation between Italy and Yugoslavia: eighteen years afterwards, Tito was to find explicit support in Rome in a critical phase of his relations with the USSR, provoked by the threat of application of the so-called Breznev doctrine, after the combined communist aggression against Czechoslovakia. A policy of collaboration was also to be given form between Yugoslavia, committed to its policy of non-alignment, and Italy, faithful to the theory expressed by De Gasperi in a parliamentary debate which took place in January, 1951 when he rejected the theory of "functioning as a bridge, in the sense that Italy might presume to straddle the two worlds". We - the statesman from Trento said - "can not oscillate".

As we have said, the first basis for co-operation was that of trade; even after the signing of the London Memorandum the two countries continued with this policy, considered to be the most opportune way of leading to a reopening of more truly political relations, but not in application of the old imperialist theory according to which "the flag follows trade". Only slightly over a year after the signing of the Memorandum Italy was already Yugoslavia's best export customer and second among importers. On August 28th, 1955 the agreement which regulated movement of persons and goods within the two zones of the dissolved FTT was signed. A slow but concrete process was begun of undramatising many difficult and painful problems, such as those resulting from the population exodus.

Ales Bebler, Undersecretary to the Foreign Ministry in the Belgrade government, effectively reassumed - in "La politica estera della nuova Jugoslavia" - The Foreign Policy of the New Yugoslavia - in Il Ponte, August-September 1955 - the most merely psychological significance of the new situation. He wrote: "while the solution of the problem of Trieste has without doubt had a pacifying effect on Italian public opinion,

it is still perhaps difficult to show convincingly how decisive that aspect was for Yugoslavia. Perhaps still today even the best intentioned Italian considers that it was exclusively a question of a sort of obsession provoked by the past, or an unfounded sense of menace, deriving from the ratio between the economic and human potential of the two countries. However it may be, the fact remains that we saw the problem of Trieste like that and that this was a fact of exceptional importance". In effect, Bebler observed, "in all the years of the quarrel over Trieste the conviction reigned in Yugoslavia that our country was being treated by Italy not as an equal but with scorn, without regard for its indisputable rights and its interests, etc. This made our policy during that quarrel seem irrationally intense and uncomprehensibly rigid to Italian public opinion". The center of the problem had been, in Bebler's judgement, the "struggle for equality between Yugoslavia and Italy". It was not a recent problem, nor did it originate solely from the grave crisis of the two periods immediately after the wars of our century since its roots were buried deeply in history. But it was time to overcome the concept itself, above all on the psychological plane. The experience gained in the sixteen years since the stipulation of the London Memorandum demonstrates convincingly that it has been possible to make progress, though not always with ease, towards an understanding which is founded primarily on better reciprocal knowledge.

The clarity of the respective positions has been one of the bases for this new political order. It has not been easy to dissipate mistrust and break down preconceived opinions. Gianni Finocchiaro observed - in the above-mentioned article - that "up to 1959Italo-Yugoslav relations always stopped on the threshold of political interests strictu sensu: neither of the two countries expressed common opinions or points of view on the principal problems of international politics". A new phase of tension threatened in March, 1958, when Belgrade expressed "preoccupation" about the installation of bases for medium range missiles in Italy, as part of NATO defences. Finocchiaro notes that "the situation was cleared up at the end of June, 1958 at the Bulgarian Communist Party Congress where it was revealed that this Yugoslavian initiative was dictated by the hope of saving, in extremis, the good relations with the Communist block which had been cracked by the 1957 Yugoslav refusal to sign the greater part of the Declaration of Moscow

of the Communist Parties." What was effectively at stake was the Titoist concept of the autonomy of each Communist Party, which was assailed at the 1957 Moscow conference. The Yugoslav leader had wished to reassert his independence from the USSR only two years after Nikita Krushchev had humbled himself at the "Belgrade Canossa", by denouncing the Stalinian error of "excommunication". Tito feared - not without reason - the oscillations of Soviet policy and was particularly prudent when faced with the obvious (though cautious) attempts to strengthen the unity of the bloc. He was beginning an ambitious internal reformist programme and committed himself to the promotion of the non-alignment policy.

On the occasion of the first visit to Belgrade by a representative of our government, Undersecretary to the Foreign Ministry Alberto Folchi, the subject of Italo-Yugoslav co-operation was discussed, in particular from the point of view of common action in the "third world". Italian Atlantism was not incompatible with the "third-forceism" of the Yugoslavs, and at the end of the meetings it was possible to state, with reciprocal satisfaction, that the relations between the two countries were already "characterised solidly by frankness, friendship and understanding". In December, 1960 the Yugoslav Foreign Minister Koca Popovic was well received in Rome; the reception accorded our Foreign Minister Antonio Segni at Belgrade in 1961 was equally cordial: it was possible to declare in a joint communiqué that: "Italo-Yugoslav relations demonstrate evidently that the differences in the social and political systems do not constitute a barrier to an efficacious co-operation".

These were the principles of co-existence which were strongly affirmed and were to be given further substance at successive meetings at the highest levels: during the visit of the Vice-President of the Republic, Alexander Rankovic, to Rome in June 1962, during the visit to Belgrade in September, 1965 by Prime Minister Aldo Moro and Foreign Minister Amintore Fanfani and during the Yugoslav Prime Minister Mika Spiljak's visit to Rome in 1967. The present developments springs from two visits to Yugoslavia: the first by Pietro Nenni when Foreign Minister (May 26-29th, 1969) and the second by the President of the Republic Giuseppe Saragat (October 2-6th, 1969) accompanied by the Foreign Minister Aldo Moro.

A "qualitative jump" in relations between Rome and Belgrade was noticed in the meetings between Pietro Nenni and Yugoslav leaders. This judgement was borne out in the successive meetings between Tito and Saragat, because the two countries said a joint declaration - "have provided and are providing an example of the possibility of developing good neighbor relations and co-operation between equals"; and this is because Italy and Yugoslavia cling "constantly to the principles of non-interference in the internal affairs of the other States and of respect for their independence and sovereignty": in behaving in this fashion, the two countries leave aside "the different international positions". Their example - the joint communiqué continued - should be followed by the other States so that they may facilitate "the search for solutions to the crises which currently trouble peaceful co-existence between peoples", especially to "eliminate from international relations the use of force as a means of pressure". In this framework and to that end it is to be hoped that the role and the instruments of the UN will be strengthened: the two countries proclaim themselves ready to "contribute in a concrete manner to institute an atmosphere of greater trust and more favourable conditions, which could facilitate the solutions to existing problems, though a progressive application of a system of co-operation and security in Europe". The respective positions with regard to controversial problems - from those of South-East Asia to those of the Middle-East - are confirmed in the communiqué and it formally declares that "the two Presidents confirmed their conviction that cordial and friendly collaboration between the two countries will work not only in the interests of the people of Italy and Yugoslavia, but will also contribute to the solution of problems of greater significance".

Up to now, the result of the Saragat-Tito talks constitutes - not only because of the position of the two men at the head of their respective States - the greatest recognition of the success of a concordantly followed political line, although the two countries move from different international positions. The two countries have managed to settle - even if not yet definitely - a grave and complex territorial border dispute, they have co-operated and are co-operating in those sectors where it is possible and convenient, they act so as to assure that the differences of opinion on some problems does not impede the common search, voluntarily conducted, for solu-

tions acceptable to both sides.

This condition is not only made easier by some objective factors (such as the complementary nature of the two economies) but is also facilitated by the diligence with which the Yugoslav and Italian political leaders have proposed the objective of collaboration within the broader picture of European solidarity: that is, in a European vision, not limited a priori but open to further, wished for, developments. An excellent example of this was Italy's intervention in favour of the establishment of preferential relations between Yugoslavia and the EEC. This opens the way for interesting prospects.

On a more truly political level, it was important that, on September 2nd, 1968, just after the aggression of the USSR and four other members of the Warsaw Pact (East Germany, Poland, Hungary and Bulgaria) against Czechoslovakia, the Italian government guaranteed the inviolability of a border, although not yet formally defined, thus permitting the Belgrade government to concentrate its security arrangements in the Eastern sectors where the risk of military pressure, based on the Breznev doctrine, was more evident (and, perhaps, more urgent). It is to be noted that the United States did not give a similar guarantee to Yugoslavia until October 15th of that year. The Italian initiative was not improvised, but was based on a realistic evaluation of the situation: as has always been the case in relations between Rome and Belgrade since the Memorandum of October 5th, 1954. It is precisely that realism of concepts and interpretations which provides the principal motive for certainty that there will be a further positive growth in common relations.

The example of "détente" in Italo-Yugoslav relations can provide the European idea with a not merely ideological content, by indicating the concrete nature of the possibilities for a solidarity which is anything but conventional and anything but utopian. Action has been taken in the field of substantial things. The policy of open frontiers has permitted the attainment of a real "Atlantic peace", the value of which was emphasised during the Saragat-Tito meetings. Its force of attraction depends, above all, on the concreteness of the motives which gave rise to it, weakening the nationalistic resentments almost to the point of disappearance, avoiding dangerous or anachronistic initiatives, and favouring the establishment of a relationship of trust. Evidently, the prospects

for continuity depend on the maintenance in power of the existing régimes in each country. A change of these régimes, especially towards Soviet line Communist tendencies, would harm the stability of the present equilibrium, which is founded on bases which are decidedly not provisional.

Carlo Sforza said that "a foreign policy is only a mirror of domestic policy". An expert in Italian foreign policy - Norman Kogan, in Politica estera italiana - Italian Foreign Policy - , pub. Lerici, Milan, 1963 - observed that "this definition overturns the traditional concept of the prime objective of foreign policy: the safety of the State from foreign threats or aggression"; in effect, he considered also that "the principal objective of Italian foreign policy is to protect the internal social structure from internal dangers": from this springs his western orientation. Mentioning Kogan's remarks permits us - rather than to take up again the arguments of an old dispute - to evaluate how, in the case of Italo-Yugoslav relations, the capacity of the two internal systems to resist intensified external pressures is an essential condition for further development of reciprocally advantageous relations: not only on the economic plane, but also, and particularly, on that of political autonomy and military security.

And this is particularly valid, in the light of Pietro Nenni's observations at the conference he held with his colleague Mirko Tepavac in Belgrade on May 27th, 1969: there is an increasingly decisive movement from a condition of bipolarism to one of multipolarism in international relations, which are no longer characterised by the exclusive USA-USSR confrontation, but by the emergence of other super-powers - such as China, in the not distant future - and by international groupings, such as United Europe. The "third world" or the "front of the non-aligned nations" could be part of the latter, if their association were not weakened by a lack of homogeneity in the choice of political aims, as evidently the simple refusal to adhere to one or the other opposing politico-military bloc is not sufficient to give substance to their validity.

It is possible to move in a unitarianly conceived direction, even though starting from different presuppositions, so as to give concrete value to multipolarism? Perhaps a positive answer could be given by the way in which Yugoslavia and Italy are attempting to contribute to the solution of the prob-

lems of Southeast Europe or the Middle-East; in this general picture, Italy's support for the admission of Yugoslavia to the special Geneva UN Committee for disarmament should not be undervalued; the differing opinions over procedures and composition do not hinder the efforts of the two countries to bring about a pan-European conference, which could discuss the problems of the defence of our continent. However, Yugoslav action (a preeminent role) in the organisation of the "revolutionary and progressive" movements in the countries bordering the Mediterranean could be considered to be on an opposing plane: the "one way" role of this organisation (which, although it has no formal structure, is organised as a series of "conferences" with the aim of harmonising the political action of the individual national groups or of encouraging collaboration between them on a regional basis) must not be underestimated. This operation is to the exclusive advantage of the USSR, in support of its "Mediterranean policy", which is given weight by the increased presence of the Soviet fleet. Although indirectly, Yugoslav patronage of the "revolutionary and progressive" movements supports the general objectives of the USSR's international policy; it favours their development outside the geographical area characterised by countries with Communist régimes (tied to Moscow by the Warsaw Pact), it could assist an extension of the Breznev doctrine which resolves all secessions drastically, of whatever type may be (Yugoslav autonomism, Rumanian equidistance, Albanian pro-Chinese). Not indirectly, Yugoslav patronage of the "revolutionary and progressive" movements harms the position of Italy and the other Western States.

Gianni Finocchiaro wrote, in the above-mentioned paper: "if it is evident that a friendly Italy represents a bridge to the rest of Western Europe for Yugoslavia, it is equally evident that a friendly Yugoslavia represents for Italy a precious trait-d'union with Eastern Europe and, to a certain degree, with many countries of the third world where (Yugoslavia) enjoys great prestige". It is possible to agree summarily with this interpretation, but bearing in mind the difficulties of Yugoslavia's relations with the other countries of the Eastern European bloc and the increased Italian intervention (especially in the economic field) in the activities of the third world. Effectively, the co-operation between two countries, such as Italy and Yugoslavia, which are differently

situated internationally could benefit from a division of tasks, which is not instrumental but dictated by the solidity of commitments already assumed in the execution of a particular political line.

Another useful contribution to the growth of co-operation derives from the fair and concerted way in which legal problems still remaining are resolved: these can be considered "minor" in comparison with those which dominated the scene at the end of the two World Wars of our century; and however, it would be risky to put off their resolution sine die, because, at the least, in persisting they encourage tendencies hostile to the growth of collaboration which is proceeding so fruitfully; likewise, clarity in the expression of the respective points of view and of objectives is indispensable, as is right in relations between friends.

V- DISCUSSION

Most of the participants was of the opinion that the situation in Europe, in spite of persistent tensions and unbalances, tends towards some kind of stabilization of the existing international pattern; that is the existence of a western block, a communist block, plus a group of neutral and non aligned countries. Deep seated and strong forces operate in this sense, favoured, beyond obvious national and regional dissimilarities, by the existence of a common historical and cultural bondage. These forces characteristic of advanced or semiadvanced industrial societies are to be seen especially in the strong economic and technologic tendencies towards the unification of national societies.

The political atmosphere, too, as it appears from the declaration expressed at the Nato meeting of Rome and the not too critical, and in some cases even positive reception on the part of the Warsaw pact governments indicates a tendency towards detente. To this must be added the development of the Salt and other disarmament discussions between the Soviet Union and the United States, which remains, of course, a decisive factor contributing to stability on the continent.

A certain shift in the locus of major confrontation within Europe, from the north-central zone to its southern flank has been noted. While the German problem is the object, for the first time, of a realistic discussion with a consequent relative stabilization in the region concerned, a dangerous situation has emerged in the Mediterranean mainly in relation with the Arab-Israeli conflict and the presence of Soviet and American fleet in its waters. At the same time all the participants have agreed that the situation in Europe can not be considered isolated from the conditions existing in the rest of the world. The instability which characterizes the third world due to the growing dissensions, open wars, political and economic difficulties, will even more in the future influence Europe.

Essential for a stable situation in Europe, as it has been agreed, is the existence of a system of equilibrium

based on the presence of a communist and a western block, as they have been consolidated in the postwar period. For the great majority of the participants, this system in spite of obvious drawbacks and weaknesses, will remain in force for a sizeable period (say- ten or fifteen years) and cannot, for the time being, be easily substituted by an other looser form of international organization. Looking at future developments, an italian participant has advanced this forecast: in the east the Soviet Union with its preponderant power, will be able to maintain a minimum of cohesion, relying mainly on the use of a centrally organized system of control. As for Yugoslavia, in particular, it will be very important to watch the evolution of the system of relations within the communist block because this will influence the relations with Moscow and the other east-european capitals. In the west integration will continue, on the basis of the CEE, gradually moving towards the creation of a broad european community. At the same time, due to the fact that the relationship with the egemonic superpower, the United States, is more smooth, there will be an increased european-american cooperation both at the economic and military level.

Very significant elements, as it was stressed by the majority of the participants, play in favour of maintaining such a bipolar structure, because it is realistically impossible for the time being, to envisage an alternative workable form of international organization. Moreover, as was observed by a yugoslavian participant, this division on Europe in two parts existed before the formation of the two blocks. Socio-economic and political differences in importance between eastern and western Europe have been "formalized" by the two blocks (with some notable exception like Tchechoslovakia which, owing to its industrially advanced structure should have belonged to the West, or Greece, in the opposite direction) but some time will be required before this difference will be levelled off.

Most of the participants are of the opinion that the possibility of a dissolution of the blocks, in a short term perspective, is highly unrealistic. The transformation of the international environment is a long term process, which requires a series of gradual steps towards a change of the status quo. This does not mean that the blocks are eternal and nothing should be attempted to modify for the better the present struc-

ture of international relations. Important is that the evolution moves in the right direction, that is for a decrease of the superpowers monopoly of control on the relations within and between the two blocks. Everybody agreed in fact, with various degrees of emphasis, on the negative effect of superpowers influence because of the serious limits it imposes on the autonomous development of individual nations. The actual system is not satisfactory for the small and medium powers, members of the alliances, because they are seriously limited respectively by the Soviet Union and the United States.

The analysis of the situation in Europe and the policy to be adopted towards the block system was contested by two Italian participants, who advanced a dissenting opinion on both points.

First point: The situation in Europe is not moving towards stability due to a series of destabilizing elements. A) The German problem, whose solution is still far away and might become again the cause of much trouble. B) The difficulties in the integration policy of western Europe and the growing contradictions in the relation with the United States. C) The growing role of China and the Third World which escapes the system of bipolar equilibrium. D) The emergence of new forces like a new generation much less prone to the acceptance of the existing status quo.

Second point: The system of equilibrium based on the blocks must be fought, even if there is not ready an alternative solution, because it is a source of tensions and does not insure an effective stabilization of the situation. The negative influences on the single members states, on the forces of emancipation, are too great to be tolerated and create a dangerous situation. We should push for a multipolar and looser system of international organization.

Answering these dissenting propositions, other participants stressed a few points: A) the new social forces and the younger generations have and will have for quite a while only a marginal impact on international affairs; B) the forces of economic and technological developments push in favour of further integration; C) Gaullist France has demonstrated the futility of attempts to refuse the block system.

The existence of the blocks, as it was noted, has not stopped a general process of emancipation of individual nations, both inside and outside the alliances, towards a po-

sition of increased autonomy. Nowadays, said a Yugoslavian participant, there is a general feeling among small and medium sized countries in Europe that they must be more and more the subject and not the object of international policy. The phenomenon is evident in the East as well in the West; there is a change against too strict an interpretation of a unified policy according to the superpowers' wishes. In the communist countries new generations with a firm national interest are emerging, new developments in the economy are reinforcing the potential autonomy of the nation state. All this is evident especially in Romania; but not only there. Important changes along the same lines are appearing in Hungary and East Germany too.

The special case of Yugoslavia was stressed as the example of a country internally emancipated and internationally autonomous, which passing through various phases did manage to define a workable relation in front of the big powers. Its international action, especially in favour of emancipation and non alignment in the Third World has greatly enhanced the case of its autonomy in Europe. However Yugoslav non-alignment, is not considered an alternative to a block policy, because it is real only in so far as the system of blocks exists; the Yugoslavs do not want to make a model of it for the use of other countries. They think it has a positive influence in Europe by giving the example of a country determined to hold its own autonomy and if necessary to defend it by every means at their disposal.

The case of Italy too was presented by Italian participants who stressed the very different nature of its experience in comparison to the Yugoslav one, pointed out the rather strict adherence of Italian policy to the general line of the Western alliance. Important political, economical and military reasons, it was remembered, did determine the choice of such a course in the immediate post war period and have remained up till now very relevant. The majority of the country, as is expressed through political parties, shares this pro-Western orientation, while a sizeable minority is in favour of a national neutral or in a lesser degree a pro-Eastern posture. Some Italian participants expressed the opinion that even among the majority parties there are growing trends in favour of more autonomy in foreign affairs, within the framework of the NATO.

RELATIONS BETWEEN ITALY AND YUGOSLAVIA.

The very good development of italo-yugoslav relations after the first difficult post war years was generally recognized and presented as an example of positive neighbourhouship between nations with a different socio-political system in Europe. There has been a notable change for the better in the interpretation of what a frontier means as an instrument of contact and not of division between countries. In analysing the evolution in italo-yugoslav relationship from a bad to a good situation, three stages can be detected: 1) agreement for the solution of the conflict, 2) development of economic cooperation and opening of the borders, 3) the stage in which we enter: political cooperation in all the relevant fields of common interest.

The existence of positive relations does not mean that there are not still some minor obstacles in the way of full cooperation for which some reciprocal adjustments are needed. Questions like the definition of the territorial waters in some zones, bureaucratic impositions on the slovene minority living in Italy (like the impossibility to reacquire their slavic names) were indicated as examples among others. There is moreover still the open problem of a formal definition of the borders in the zone of Trieste. While there is a general agreement on the fact that it has become less an issue, a participant from the italian side warned against an abrupt solution which might arouse nationalistic sentiments in some quarters, suggesting that the problem should be the object of a gradual long term solution.

Another point which in the opinion of some yugoslav participants can have negative consequences on mutual relations, is the tendency shown in some italian quarters to misunderstand attitudes and developments in yugoslav politics, like the idea that Yugoslavia is not a stable society, that there might be the risk of becoming once again a member of the eastern block, etc. These misunderstandings should not be tolerated and great efforts should be made to evaluate in an objective manner the reciprocal positions, the possible evolution of attitudes and the meaning of declarations. No responsible government can afford to have a non objective view of what is going on in a foreign country, especially when there are at stake many important problems of cooperation.

Answering these Yugoslav observations, other Italian participants maintained that on the whole the case of wrong information concerning Yugoslavia is rather limited, and does not regard official organizations or serious means of mass communication. Of course there are exceptions, but they should be evaluated as pure verbal expressions against the background of a pluralistic and very articulated system of informations, political parties etc.

Concerning the forms the mutual relations should have to take, the Yugoslavs expressed the opinion, shared with the Italians, that contacts should go beyond the state level and engulf various organizations, groups, institutions etc. Owing to the pluralistic pluriparty structure of Italian society, contacts should not be limited along ideological lines and affinities, but embrace a large selection of democratic forces. In the case of Italy this means democratic forces in the largest sense, PCI, PSI, PSIUP, DC, etc., without discrimination. The selection should be large enough, as to be representative of a general body of opinion.

One sector among others in the mutual relations which should be the object of more coordination and impulse is the cultural one, thought unduly neglected by some. It would be important to organize an articulated program on cultural affairs with exchanges, meetings, etc. In particular it would be important to continue the practice of common meetings of Italian and Yugoslav historians and experts, so as to define and clarify points of discussion and if possibly to find a common line of interpretation.

All the participants agreed on the fact that there is a mutual interest in the political stability of the two countries. Only a democratic and progressive government in Italy guarantees Belgrade for good bilateral relations and apertures with the West and particularly with the CEE. Only a stable and progressive government in Yugoslavia guarantees Rome for good relations and possibilities of common political initiatives. In this perspective the special relation kept by Yugoslavia with Eastern Europe, is considered as positive because as it can create moments of tension, it strengthens at the same time the forces of evolution in the region itself.

There are sound elements, it was said, for a cooperation between Italy and Yugoslavia in the international field, on the basis of the already mentioned points of convergence on

some questions. The problem is how to move from common declarations to common actions. Among the possible fields of cooperation which should be explored three were cited: European security, the Mediterranean, the United Nations.

THE MEDITERRANEAN REGION.

The Mediterranean, it was indicated, has become in the last few years the major center of tension in Europe. The presence of the american fleet and the soviet fleet is not a danger in itself, someone stated, but it could become so because of the risk of involvement in some clashes in the region, Hence the possibility of an excalation from a local regional conflict to a wider one, implicating the United States and the Soviet Union. So far the americans are concerned, they are not too alarmed by the presence of the soviet naval forces. There is mutual tolerance between the two superpowers, and in this case american understanding for a certain presence of a partner whose equality is recognized in a neighbouring region.

The Mediterranean region cannot be considered a stable region for many good reasons. Among others: 1) The existence of many unsettled zones both in political and economical terms; 2) Points of national contrast (Arabs and Jews, Greeks and Turks); 3) Problems created by the presence of oil and its transport.

In this situation the presence of foreign powers is negative; it hinders direct contacts between the single countries and responsible forces in the region, which is essential for a general progress and for solutions of the existing tensions. What should be fostered, it was agreed, is a general cooperation among mediterranean countries and forces so as to contribute to the awareness of a community of interests and to create the conditions for eliminating the foreign presence in the Mediterranean. More and more support, as stated a yugoslav participant, is gathered for such a kind of policy; a conference of the "progressive forces" promoted by the socialist yugoslave alliance is an example in this direction, even if the final conclusions could not be shared by the organizers.

Italy and Yugoslavia could develop a coordinated action in this field, even if on particular points and initiatives there is no coincidence of positions. What matters in fact is a certain community of intentions in the global atti-

tude of governments. A case in question is the Israel-Arab conflict. There are certainly different lines of evaluation (probably less divergent than in the past), but this does not mean that the two countries cannot strive for a fair solution and this against the principle that the problem concerns only the four powers.

PART TWO

I- ECONOMIC RELATIONS BETWEEN YUGOSLAVIA AND ITALY

by Ljubisa Adamovic

Yugoslavia and Italy maintain very close and intensive economic relations, thanks to the impact of several favourable factors, such as

a) geographic proximity, exerting a positive influence on the formation of transportation costs, which are rather low;

b) a rather favourable tendency in the evolution of mutual political relations. The character of political relationship always exerts a certain influence on the evolution of economic relations, although this may perhaps not be directly felt, and may not automatically shape the interrelationship between the economic and political sphere. Although political relations between the two countries have been the object of particular care during a certain period of time, they have not always been as favourable as they are today, despite the presence of several objective factors, such as common interests in this part of the world, geographic proximity, joint utilisation of the Adriatic Sea, etc. But even in periods characterized by a marked cooling down of political relations economic cooperation between the two countries never ceased to develop. The fact that they have evolved in a climate of political friendship shows how many efforts were necessary to bring economic relations at their present level, while, on the other hand, intensive economic relations exerted a stimulating effect on other forms of cooperation;

c) the relatively high degree of mutual acquaintance between businessmen of the two countries (who can look upon a certain tradition);

d) close similarity between economic policy objectives, as regards the attainment of adequate rates of growth, employment levels, incomes, and the general welfare of the population, although the take off has started from entirely different positions, and was using different mechanisms, due to differences in the economic system. But regardless of differen-

ces in the level of economic development already attained, there are fairly good prospects that economic cooperation between Yugoslavia and Italy shall in the future evolve along lines very different from traditional conceptions and practices (traditional relationship of complementarism between an agricultural and an industrialized economy). Already now there are manifest signs that cooperation between the industries of the two countries thrives in a satisfactory way. In view of the fact that Italy has so far achieved important advances as an industrial country - although she does not yet possess a complex industrial structure similar to that of the F.R. of Germany or of Great Britain; and that Yugoslavia belongs to the group of a medium-sized countries as regards area and population, industrial cooperation between Italy and Yugoslavia can be considered as a domain where it will be possible to fix the priorities in the industrial development of both partners, so that it will be possible to plan the erection of plants finding outlets for their products in both markets. Thus, there still are untapped possibilities for a more active presence of Italy in the Yugoslav economy, and of Yugoslavia in the Italian economy. Possibilities also exist for a joint export drive of both partners on third markets, based on a rational division of labour between them. A similar orientation would permit the development of cooperation in the domain of scientific research, because neither Italy nor Yugoslavia are not yet capable of developing basic and applied research in a rational way, exclusively leaning on their own material resources, and their own staff of research workers, and do not possess a sufficiently developed internal market capable of adsorbing the results of research; more particularly those of basic research.

The present orientation of Yugoslavia trying to build up a market economy enhances the interest of Yugoslav policy makers for the results of Italian experience in the domain of finance and banking. Italy possesses by tradition a good banking system having achieved appreciable results in collecting domestic savings and in finding good placements for them. It also has institutions like IRI and ENI, State holdings with rich experience in imparting a proper direction to policies aiming to build up a rational industrial structure, which may be very valuable to the promoters of the new Yugoslav economic system, intended to possess the characteristic traits of a mixed system with elements of planning and of

market economy.

This and several other domains offer proper fields to cooperation, going beyond the traditional pattern, based on the exchange of Yugoslav farm products for Italian manufactures. This does not imply that one should neglect in the future this traditional pattern of trade, whose main item are exports of Yugoslav meat to Italy. The development of Yugoslav agricultural production and the improvement of conditions of life in Italy, with a growing demand for this category of products are likely to remain also in the future important factors, influencing the pattern of trade, but, nevertheless, one can count upon a diminishing share of these products in the overall pattern of trade relations between the two countries.

Economic cooperation between Italy and Yugoslavia continues to thrive in various forms and this is the very reason why the pattern of relationship between two countries at a different level of economic development and with different socio-economic systems has become so articulated.

In the overall pattern of Yugoslav-Italian economic relationship all forms of economic intercourse are represented, as follows:

- merchandize trade
- industrial and technical cooperation
- tourist trade
- small scale trade in border areas
- joint capital investment.

Merchandize trade

Italy is one of the leading partners in Yugoslav foreign trade. Long since she occupies one of the three foremost places in this trade (together with the F.R. of Germany and the USSR). So far, Yugoslavia has not had many difficulties in her trade relations with Italy, except in 1968, when a substantial decline was recorded, due to EEC policies. As a consequence of this Yugoslavia had an adverse trade balance with Italy in 1968 affecting the rhythm of increase of Yugoslav purchases on the Italian market.

Trade between Yugoslavia and Italy (1960-1969)

in millions of US dollars

Year	Yugoslav exports	Yugoslav imports	Trade balance
1960.	74,8	95,1	-20,1
1965.	144,2	137,5	+6,7
1966.	173,5	168,4	+5,1
1967.	225,5	227,9	-2,6
1968.	176,5	267,7	-92,2
1969.	226,3	317,2	-90,9

Source: Yugoslav Foreign Trade Statistics

As we may conclude from the table above Italy is one of the rare countries of the convertible area with whom Yugoslavia managed to have either an active trade balance, or an insignificant deficit up to 1968, when the situation abruptly deteriorated so that a deficit of 92 million dollars was recorded. This abrupt change was due to agricultural protectionism which is an integral part of EEC policies, but Yugoslav purchases on the Italian market continued on the former scale. Thus, in 1968, in spite of the big deficit in Yugoslav trade with Italy, this country still held the first place in Yugoslav trade, with a share of 13.9 percent in exports (compared with 18 percent in 1967), and 14.8 percent in imports (compared with 13.4 percent in 1967).

Although economic cooperation with Italy takes various forms—industrial and technical cooperation, cooperation in the domains of finance, credit transactions, tourism, small scale trade of a local character in border areas, cooperation between border areas—trade has always been and has remained the most important form of cooperation. In single years Italy held the first place in Yugoslavia's overall trade, in advance to all other partners. Thus, for example, in 1967, she held the first place in Yugoslav exports, and the second place in Yugoslav imports. In the structure of Yugoslav exports to Italy agricultural and food products account for 80 percent, the share of manufactures being about one fifth.

Yugoslavia and Italy - Commodity Pattern of Trade
(1968 and 1969)

in 000 US dollars

Sector	Exports		Imports	
	1969	1968	1969	1968
0. Food products	106,417	80,423	7,182	7,936
1. Beverages and tobacco	1,808	1,515	198	72
2. Raw materials	48,799	41,115	13,381	10,583
3. Mineral fuels	1,279	1,438	2,671	2,658
4. Oils and fats	2,395	407	337	805
5. Chemicals	3,999	2,400	26,300	25,816
6. Articles classified chiefly by materials	50,348	41,145	92,014	83,093
7. Machinery and transportation equipment	7,307	3,947	146,699	117,908
8. Miscellaneous products	3,835	3,746	28,355	19,762
9. Other	94	419	32	49
Total:	226,281	176,545	317,169	268,682

Source: Data of the Federal Secretariat of Foreign Trade

The most marked decline has been recorded in the group of agricultural and food products (about 61 million dollars). Six main items of this group - such as live cattle, beef, pork, horses for slaughter, maize and barley - worth 120 million dollars, accounted for 53 percent of the total value of Yugoslav exports to Italy in 1967. In 1968 the total value of exports of these products was 59 million dollars, and their share in overall Yugoslav exports to Italy was about 33 percent. Most conspicuous was the decline in Yugoslav sales of live bovine cattle and beef (33,000 tons worth 34 million dollars) and in the sales of maize (quantities exported in 1968 were 285,000 tons less than in 1967, the difference in value being 17 million dollars).

In 1969 Italy held the second place in Yugoslav foreign trade, immediately after the F.R. of Germany. There was a 25 percent rise in export figures in relation to 1968 (for the first eleven months), but, owing to the decline in 1968, the figures for 1969 are not above those of 1967. Imports from Italy have increased at a somewhat slower rate (20 percent above the figures of the preceeding year), so that during the first 9 months they were already higher than those of the entire year 1968, which has been the peak year as regards the value of Yugoslav purchases in Italy.

Among the single items most preminent in Yugoslav exports, we may cite live bovine cattle and beef. In 1967, which was to peak year as regards the value of Yugoslav exports to Italy, Yugoslav sales of these two items reached the value of 71 million dollars, figure equivalent to the value of global Yugoslav exports to Italy in the year 1960. These two positions accounted for 40 percent of the total value of Yugoslav exports to Italy in 1967.

In 1968 the tendency towards increase was abruptly reversed, more particularly as regards sales of Yugoslav beef on the Italian market which were the victim of high prelevements, responsible for the decline of 50 percent in the value of exports of live bovine cattle and beef from one season to the other. To this we may add the decline in exports of maize. Due to these developments Yugoslav exports declined by 22.5 percent, and this together with the increase of imports from Italy of about 37 million dollars (increase of 15.5 percent) was responsible for the fact that the deficit reached 92 million dollars.

Being a traditional supplier of the Italian market in a series of products, foremost beef, Yugoslavia has succeeded to adapt her production to the needs of the Italian market, both as regards the quality of goods and their costs, so that, under normal market conditions Yugoslav producers were capable of selling their products on the Italian market. In view of the Italian membership in the EEC and the agricultural policies pursued by this organization, solutions had to be found in order to prevent that high prelevements should not render more difficult and even act as a prohibitive barrier to Yugoslav sales of meat.

At this occasion may we point out the fact that the efforts made by Italy to smooth the difficulties in relations

between Yugoslavia and the EEC, are highly appreciated in Yugoslav business circles and the public at large. After protracted negotiations, in the course of which many difficulties had to be overcome, the trade agreement between Yugoslavia and the EEC was signed at Brussels, on March 19 this year, entailing but partial solutions to several thorny issues, first of all concerning the treatment to be accorded to Yugoslav sales of meat, having as a counterpart various obligations assumed by Yugoslavia concerning the dynamism of supplies, the question of quantities to be supplied and that of prices. If we bear in mind the fact that at this occasion many other important issues concerning the sales of several other Yugoslav products have been left aside, there is a widespread opinion in Yugoslavia that the above agreement constitutes but the first step in efforts to regulate all the pending questions between Yugoslavia and the EEC concerning the sales of other items, such as tobacco, wines, textiles and maize. As a customer of these products Italy is the leading Yugoslavia's partner among the EEC countries, and one is entitled to expect that useful cooperation between Italian and Yugoslav Government and business circles will continue both within bilateral and EEC frameworks.

It is a known fact that Yugoslavia is about to become an interesting market for several products in which Italy is a leading supplier. This fact by itself is a guarantee that Yugoslav purchases in Italy will continue to grow if conditions are created for a further expansion of Yugoslav exports to Italy.

As already told, the possibility for Yugoslav deliveries of meat and other products to the Italian market largely depends on what will be the EEC policies towards third countries. Hence, there are pertinent reasons to believe that after the signing of the trade agreement between Yugoslavia and the EEC there will be a substantial improvement in the EEC-Yugoslav trade.

There are fairly good possibilities for cooperation between Yugoslav and Italian meat producers. It is possible to envision a joint organization for additional cattle fattening, more particularly as regards baby beef up to a weight of 300 kilogrammes (the animals are submitted to intense fattening during 90 days and thereafter to be slaughtered in Italy. In this case the amounts charged on the title of prelevements are being restituted).

The second important item in trade with Italy is

maize. Italy is one of the major maize importers in the world, with a market capable of absorbing four to five million of tons annually. In Yugoslav-Italian trade in 1968, there was a substantial decline in Yugoslav exports of this item, and this too has played an important part in the overall decline of Yugoslav exports to Italy. Differences in the evolution of exports concerning this item can be seen from the following figures: in 1967 Yugoslav sales of maize to Italy amounted to 438,524 tons worth 25,794,000 dollars (average prices per ton being 58,25 dollars). In 1968 Yugoslav deliveries of maize fell to 153,625 tons worth 8,590,000 dollars (average price being 55,90 dollars per ton).

It is necessary to point out the fact that Italy is particularly interested in imports of Yugoslav meat, in view of the special quality of this meat. The same can be said of Yugoslav maize, which enjoys an excellent reputation on foreign markets, its quality being superior to that of the American maize. There are fairly good prospects for Yugoslavia to sell even greater quantities of maize to Italy, provided that she is permanently present on this market and sells at competitive prices.

Another important item of this group is tobacco. As an exporter of tobacco to the EEC area Yugoslavia is handicapped through the fact that Turkish and Greek tobacco exports to this area enjoy the privilege of not being subjected to the duty of 20 percent, thanks to the fact that these countries are associate members of the EEC. The fact is that production costs for tobacco in Yugoslavia, Greece and Turkey are basically the same, so that one can hardly presume that Yugoslav producers can compete with the producers of the above two countries, being subjected to the payment of a 20 percent duty. Over the last years Yugoslav tobacco exports were at an annual level of 900 tons.

According to estimates of Yugoslav experts well acquainted with the Italian market, it is possible to increase Yugoslav exports of fruit and vegetables more particularly if packed in airtight containers.

In recent times a certain upswing has been noted in exports of timber and wood products (from 26.6 million dollars to 32.1 million dollars).

In 1969 the Italian import quota for Yugoslav tobacco has remained at 1000 tons, and this figure comprises not

only raw tobacco, but also tobacco preparations.

It is a known fact that the EEC import regulations for manufactures afford considerable chances to exporters from third countries, but so far the Yugoslav manufacturing industry has not been capable of asserting itself on the Italian market, by lack of competitive power. So far expansion of exports has been confined to certain semi-manufactures (ferro-alloys clutches, copper, aluminium, zinc and antimon products, glass, paper, paperboard, etc.). The Italian textile market being subject to quota regulations, Yugoslav textile exports are restricted. There is some hope that exports of semi-manufactures will expand in the future, because Italy is not well endowed with raw materials, and is obliged to import substantial quantities of raw materials and semi-manufactures for further processing, in order to expand her export trade in manufactures.

But, one can hardly expect that expansion of exports in this sector may be of such magnitude as to compensate Yugoslavia for losses she might incur in the agricultural and food products sector due to EEC policies. Despite the fact that many possibilities to increase exports of manufactures have remained unused - more particularly as regards products obtained through industrial cooperation - Yugoslav-Italian trade relations may revert to normalcy only if meat and maize exports reach their former level, these two items constituting the hard core of Yugoslav exports to Italy.

In the structure of Yugoslav imports from Italy the main place is held by machinery, vehicles, transport equipment, and various finished products. Products under this heading account for two thirds of global Yugoslav imports.

The difficulties arising from reduced exports of agricultural and food products to Italy have been partly mitigated thanks to the more intensive financial cooperation between the two countries.

In April 1969, Italy has granted a credit to Yugoslavia amounting to 43 billion liras to be spent in 1969, 1970 and 1971. The conditions on which these credits are granted are considered as favourable in Yugoslav business circles, both as regards the delays in which credits may be used, and the terms of repayment, the rate of interest and the terms of credit insurance. But, even if granted on favourable terms, credits by themselves do not solve the problems arising from imbalances in trade and payments.

There still are many possibilities for the intensification of Yugoslav-Italian economic relations; through the improvement of the commercial network and of the staff employed in this network and in raising the number of representatives a broad. Thanks to the facilities granted by the Italian legislation concerning the establishment of foreigners in Italy, a large number of Yugoslav enterprises have opened their agencies in Italy and increased the number of their representatives, and this is done at a relatively faster rate than could be warranted by the expansion of exports. Hopes are being nourished that this is a good step to increase the activities of Yugoslav enterprises on the Italian market, in view of the fact that the representatives residing abroad have better chances to become acquainted with the market conditions and the behaviour of customers in the country concerned. Future will show if these prognoses have been realistic. What seems sure in this occurrence is that the opening of agencies and the establishment of numerous representatives abroad is a consequence of the decentralization process in the Yugoslav economy, which is also manifest in the sector of foreign trade. It is by no means sure and certain that these arrangements will yield only positive results. It may happen that the great number of representatives of Yugoslav firms will render competition among them more keen, split up beyond necessity the offers of Yugoslav products on the Italian market, and the demand for Italian products from Yugoslav enterprises, so that, as an ultimate consequence the receipts in foreign currency may rather diminish than increase.

Industrial and Technical Cooperation

On many occasions Yugoslavia and Italy have offered a good example of countries availing themselves of all the possibilities to develop various forms of cooperation that are possible between countries with different socio-economic systems. One of the most significant agreements concerned with these matters was signed on November 28, 1964, which provides for special facilities for the following forms of industrial cooperation:

- processing (and exploitation) of raw materials;
- purchase and sale of patents, licences, and blueprints;

- purchase and sale of equipment supplied on the basis of contracts concerning the sale of licences and blueprints;
- purchase and sale of component parts of equipment or of complete factory installations;
- purchase and sale of component parts and of semi-manufactures to be supplied under licence contracts;
- completion of projects and execution of works on the basis of cooperation between enterprises domiciliated in the two countries, on the territory of one of them or of a third country.

The initial agreement provides for cooperation in the following sectors: ores and metals, power generation and supply, metal processing industries, machine building industry, chemical industry and industry supplying equipment for the chemical industry, wood pulp and paper industry; reforestation projects, processed food and leather industry. A Mixed Yugoslav-Italian Committee takes care of the cooperation in this sector.

Working groups, set up under the agreement, may recommend that the facilities granted to the above sectors be extended to some additional ones. Proposals to that effect will be submitted for approval to the Yugoslav Secretariat for Economic Affairs (section of the Federal Executive Council) on the Yugoslav side, and to the Italian Ministry for Foreign Trade on the Italian side, through the Secretariat of the Mixed Yugoslav-Italian Committee for Economic and Technical and Industrial Cooperation) and will enter into force upon approval. In order to stimulate this kind of cooperation both sides have made available resources totalling 25 million dollars (20 millions from the Italian side, and 5 millions from the Yugoslav side) in order to be used as credits.

Up to February 1969 these credits were utilized by only 8 Yugoslav enterprises, although they are granted on more favourable terms than those obtainable on the capital market.

Business arrangements belonging to this category have been made by the following enterprises:

- "Castor", Torino and "Rade Koncar", Zagreb
- "Aspera Frigo" - Torino and Elektroindustrija "Obod" Cetinje (2 contracts)
- "Necchi", Pavia - "Vlado Bagat", Zadar
- "Ispra", Paderno Dugnano - "Bosna Azbest"
- "Sacmi impianti", Selce Impoa and "Kosmet mineral" ("Progres invest")

"Zanussi", Pordenone - "Gorenje", Velenje

"Bandera", Busto Arsizio - "Jugovinil", Split

This form of cooperation has been largely facilitated by the new Yugoslav legislation on joint ventures of Yugoslav and foreign firms, whereby certain rights are granted to foreign firms having made joint investments in the Yugoslav economy, as regards participation in management involving control over production and sale of products. The most important event in this field is the conclusion in 1968 of an agreement between the "FIAT" firm of Torino in Italy; and the "Crvena Zastava" Concern of Kragujevac. This agreement provides for the mounting of automobiles and production of component part for some models of automobiles "FIAT" (850 special, 850 coupe, 124 and 125). Agreements of a similar kind have also been concluded between the following enterprises:

"Savana", Beinasco - "Frad", Aleksinac

"Timperi", Trieste - "Atmos", Maribor

"Vinciguerra", Monselice - "Drvoplast"

"Tessiblu", Ponto Chiasso, "Zappa", Ponte Lambra -

"Pazinka", Pazin

"Carlo Erba" - "Lafoma", Skopje

"Iskra" and "Face Standard" are going to produce jointly measuring instruments.

"Fiat" - "Viktor Lenac" shipyards and "Fiat" (technical cooperation, service and utilisation of the licence Fiat for the production of ship motors).

A particularly advantageous form of cooperation in industry are mutual deliveries of parts between partners, at competitive prices, and gradual elimination of barter arrangements between firms, this being considered as the most backward form of trade.

Worth of special mention are the arrangements with the Italian "IRI" concern providing for an expansion of deliveries of Yugoslav goods searching outlets on the Italian market. It has been found that similar possibilities exist for the following sectors: equipment for the ferruginous metallurgy, cement and fertilizer factories, power plants, sugar mills, warehouses with refrigerating installations, electronic equipment, installation for the desalinization of water, etc.

Sofar, Yugoslav and Italian firms have not availed themselves of the possibilities to organize joint sales on third markets.

Apart from formerly concluded agreements, in 1969 the following firms, Yugoslav and Italian, were conducting negotiations in order to organize joint production.

- Aquila Spa, Milan and "Masinoimpeks", Zagreb (production of knitting machines)

- "Simplex Sr", Milan - "Zivinooprema", Pozarevac (production of electric incubators)

- Considit Spa, Roma - "Jugovinil", Split (production of plastics)

- Snia Viscosa Sp. A. Milan - "Tovarna celuloze" (production of wood pulp and setting up of a mixed company for the supply of wood pulp to Italy)

- Nuova Chemiameccanica, Milan - "Chromos", Zagreb (reconstruction and modernization of "Chromos" financed by the resources of the Committee for Economic, Technical and Industrial cooperation). The prospective value of works to be implemented between 1970-1972 is 3 million dollars).

In a general way it can be said that industrial cooperation is particularly active in two sectors:

- automobile industry

- industry of consumer durables (refrigerators, sewing machines, electric laundry machines).

Late in 1969 a series of negotiations have started concerning 30 projects in the field of industrial cooperation. Among the Italian firms engaged in these negotiations we may mention the following ones: "Ital-Sider", "Indesit", "Motta", "Montecatini-Edison", "Olivetti", "Face-Standard", "Triplex", "Carlo Erba", etc.

In spite of the progress achieved through the agreement with the EEC, in putting an end to the adverse tendencies in the evolution of Yugoslav exports towards this area - insofar as this agreement provides for the stabilization of Yugoslav exports at the level of 1967 (at least as regards exports of beef), it is easy to predict that for the further expansion of Yugoslav economic relations with Italy it will be necessary to develop cooperation in the domain of industry, exchange of technical know how.

Cooperation in this domain has not progressed in the expected way. At the latest session of the Mixed Committee, in December 1969; it has been found that the Yugoslav enterprises have availed themselves of the possibility to make use of the 25 million credit - awarded by Italy (20 million) and Yugosla-

via (5 million) - in a much larger proportion than the Italian enterprises. But, during the course of 1967, 1968 and 1969 22 contracts on industrial cooperation have been concluded, without recourse to the above credit facility. In order to provide some additional stimuli to this kind of cooperation it has been proposed to grant special customs and tax facilities.

Sofar, industrial cooperation has mainly consisted in Yugoslav purchases of licences of Italian firms, and, in that connection, in sales of Italian products on the Yugoslav market. But, in addition, substantial possibilities exist to expand cooperation in placing more emphasis on joint production ventures, in which Yugoslav enterprises would act as subcontractants for the account of Italian firms, or in making joint investments in existing or in newly founded mixed enterprises.

Another field of cooperation is joint planning and joint enterprise in fishing in the Adriatic Sea. According to estimates furnished by experts in the field of ichthyology, hydrobiology, and marine economy, attending the consultation held at San Giorgio in 1969, the annual catch in the Adriatic Sea of Italian fishermen amounts to 60,000 tons of fish, of Yugoslav fishermen to 30,000 tons, and of Albanian fishermen to 5,000 tons. Cooperation in preserving and exploitation of animal and other wealth in the Adriatic area and in the Adriatic Sea opens up possibilities for combining cooperation in the scientific, industrial field and in the field of tourism.

Tourism

Tourism plays a great role in the balance of invisible payments between the two countries, and Italy, coming after the F.R. of Germany and Austria, is the third country by order of importance in Yugoslav tourist trade. Since 1965 the number of Italian tourists visiting Yugoslavia is constantly on the increase, and is expected to stabilize at a level where it will constitute 10 percent of the global tourist traffic. In Yugoslavia the Italians have earned the reputation of tourists spending a lot of money. Statistical data show that foreign currency receipts from Italian tourists increase at a faster rate than the number of bed nights of Italian tourists, and the number of tourists as such.

Number of Italian Tourists Visiting Yugoslavia

Year	Number of Italian tourists	Foreign Currency Earnings from Italian tourists
1965.	302,000	10,2
1966.	424,000	20,2
1967.	504,000	30,0
1968. (9 months)	421,400	18,5
1969. (9 months)	527,170	29,6

In view of the fact that the living standards of the Yugoslav population were constantly on the increase in the sixties, the number of Yugoslavs visiting Italy grows from day to day, and what seems even more important in this occurrence is the fact that an increasing number of them are veritable tourists and not people making short excursions in nearby places or visiting Italy for the purpose of buying textile and other products. It is a known fact that in places like Trieste, Venice and Gorizia, Yugoslav citizens are behaving as good tourists and customers. At this occasion, one may dwell on the fact that within the framework of their steadily increasing mutual economic cooperation, Yugoslavia and Italy are practically open countries, so that one is entitled to expect an even larger volume of tourists traffic in the future. One is tempted to say that a large number of important Italian centres is still "uncovered" in that sense that Yugoslav tourist agencies do not arrange excursions to these places, which still are important untapped reserves for Yugoslav tourism abroad (Torino, Genova, Bologna, etc.).

Large possibilities to exist as regards the development of tourism not only bilaterally but also in coordinating offers for tourist services on the markets of third countries and in organizing jointly travel, so that foreign tourists may visit both countries under one and the same arrangement. This principally refers to higher categories of tourists. Geographical proximity, similarity of climatic conditions are coupled

with contrasts in language, culture and the socio-economic order. Both similarities and contrasts may constitute a powerful platform for making joint arrangements for the attraction of foreign tourists.

Additional possibilities for cooperation exist in the domain of organizing transportation facilities in establishing itineraries for bus lines, railway lines and airlines.

Regional and Local Cooperation

Small scale local trade in the border areas of Italy and Yugoslavia is regulated by the Trieste and Gorizia agreements, and by the agreement concerning the Alps-Adria fair. The relative importance of these specific agreements tends to decline in the measure trade is liberalized by general regulations. Although the objection may be levied that enlarged possibilities for purchases under these special agreements can increase the total volume of purchases outside the borderline trade, the lists "C" and "D" annexed to the Trieste agreement have been extended so as to permit a traffic of 2,8 billion liras (from 1.04 before). On the Yugoslav side the list "D" concerning duty-free imports from Italy has been considerably enlarged (imports of oranges, tangerines, citrons, etc.).

As far as local trade along the borderline is concerned there was a tendency towards increase up to 1968, to give way to a declining tendency in 1968 and 1969, and a new upswing late in 1969. While earlier the share of local trade in the global sum of Yugoslav foreign trade used to be 10 percent, in 1968, the percentage declined to 2.5 percent. In Yugoslavia a special committee was set up in order to promote local trade in border areas, whose membership comprized 37 enterprises from Croatia and Slovenia registered as authorized enterprises for local trade within the framework of the Trieste and Gorizia agreements. It is possible that similar initiatives will be taken in the central and southern part of the Yugoslav Adriatic region with the corresponding areas in Italy.

In efforts to promote economic cooperation between Italy and Yugoslavia a useful role will be played by contacts similar to those established between the Chambers of Economy of Croatia and Zagren on the Yugoslav side and the Chamber of Commerce of Bologna in Italy. Any intensification of economic cooperation between Zagreb and Bologna, or between Croatia and

the Italian provinces of Emilia and Romagna, if extended to other areas of both countries could substantially contribute to the development of new forms of cooperation. Attempts were made to establish close relations between Ljubljana and Parma, Novi Sad and Modena, Krusevac and Pistoia, etc.

The evolution of relations with Italy shows how vital is the Yugoslav conception on peaceful active coexistence and how important is the role of Yugoslavia as a factor of peace in this part of the world. Manysides cooperation has been achieved in relations with Italy although in the past there were hardly any preconditions for such a development. Today it can be said that the frontier between Yugoslavia and Italy is the most open frontier in Europe. This is the more so when one bears in mind the fact that this is the frontier between countries with a different socio-economic order and at a different level of economic development.

Efforts towards furthering the various forms of economic cooperation between Italy and Yugoslavia, two countries where the decision power in economic matters belongs to the enterprises, so that the possible transactions rest on the initiative of the enterprises. This does not imply, however, that great possibilities are not open to the initiative of State, professional and other institutions, who may mobilize their efforts to encourage various forms of economic cooperation between Italy and Yugoslavia which sofar have not been developed to the full extent. In assessing the results sofar achieved in promoting cooperation between the two countries, it is possible to pretend that the possibilities of promoting cooperation seem virtually without limit. Their transformation into actual reality dependes, however, on the preparedness of both countries to eliminate obstacles and stimulate positive tendencies.

Agreements on Economic Cooperation between
Yugoslavia and Italy

- Long-term commercial treaty
- Agreement on small scale local trade in the border areas of Gorizia, Udine, Sezana, Nova Gorica and Tolmin
- Agreement on local trade between the border area of Trieste, on the Italian side, and the border areas of Buje, Koper, Sezana and Nova Gorica, on the Yugoslav side
- Agreement on economic, technical and industrial cooperation
 - Agreement on technical assistance
 - Agreement on fishing
 - Agreement on tourism
 - Agreement on air traffic
 - Agreement concerning the determination of borders in the epicontinental strip
 - Agreement on railway transport
 - Agreement on State transports
 - Customs Agreement
 - Veterinarian Convention

Source: "Privredni pregled", Beograd, February 10, 1968.

PARTICIPATION OF PARTICULAR GROUPS OF PRODUCT IN GLOBAL TRADE BETWEEN YUGOSLAVIA AND ITALY AND IN YUGOSLAVIA'S GLOBAL FOREIGN TRADE IN 1966 AND 1967 (Percentages)

Group of Products	Exports				Imports			
	1966		1967		1966		1967	
	a	b	a	b	a	b	a	b
0 Food	65,3	45,5	59,7	47,0	3,1	2,3	3,3	4,9
1 Beverages and tobacco	0,9	3,5	0,6	2,7	0,1	3,3	0,05	1,3
2 Crude materials, inedible	19,5	31,4	15,6	33,1	5,0	3,9	4,4	5,1
3 Mineral fuels and lubricants	2,2	18,2	2,4	24,0	1,0	1,3	1,0	2,4
4 Animal and vegetable oils and fats	0,1	66,6	0,05	45,0	-	-	-	-
5 Chemicals	3,1	6,0	1,6	4,6	12,2	13,7	9,7	13,2
6 Manufactured goods classified chiefly by materials	18,6	11,4	16,2	13,0	32,4	14,7	33,1	18,8
7 Machinery and transport equipment	1,6	0,8	1,9	1,6	41,9	15,3	41,5	16,5
8 Miscellaneous manufactured articles	1,9	2,2	1,6	2,0	4,0	12,5	6,0	19,7
9 Miscellaneous transactions & commodities not mentioned elsewhere	0,1	16,6	0,05	8,3	0,1	20,0	0,05	25,0

Source: Privredni pregled, November 10, 1969.

- a) Individual participation of each group of products in global trade with Italy
- b) Individual participation of each group of products in Yugoslavia's global foreign trade

II- COLLABORATION BETWEEN ITALY AND YUGOSLAVIA

by G. Papuli

Geographical proximity, easy communications both by land and by sea, the complementary nature of their relative economies, Italy's considerable technical, industrial and commercial expansion and the development policy adopted by Yugoslavia have all at some time constituted the preliminary circumstances for an intense and constant increase in interchanges between Yugoslavia and Italy.

In fact, during the period 1955-1968, the amount of this interchange rose from about 63 to 307 thousand million lire, thus showing in only 13 years - and in spite of the crises brought about by recession - an increase of very nearly 500%.

In this development, a considerable part was certainly played by the 1957 agreement regarding industrial co-operation and technical collaboration (with a ceiling of 30 million dollars) and that of 1959 (with a ceiling of 50 million dollars), in addition to the 1959 agreement between FIAT, INNOCENTI, OLIVETTI, CRVENA ZASTAVA, 31 MAY, for 65 million dollars, the 1964 agreement on technical, industrial and economic co-operation, the 1966 agreement on scientific collaboration and the various agreements of a financial nature.

In 1968, the overall value of imports from Yugoslavia amounted to 126,846 million lire, which included:

- agricultural products	8	thousand million lire
- cattle	16.4	" " "
- fresh and frozen meat	27.3	" " "
- wood	17.6	" " "
- metal products	12.7	" " "

In the same year, the overall value of Italy's exports to Yugoslavia amounted to 180,195 million lire, which included:

- machinery	83.2	thousand million lire		
- spun and woven goods	16.2	"	"	"
- chemicals	12.2	"	"	"
- metal products	13.9	"	"	"

As may be seen, it has, in fact, been the complementary nature of the two economies that has produced a low of imports, consisting prevalently of products of agriculture and stock-raising, against a flow of exports of finished industrial products.

Analysing the above figures, it may easily be observed that whereas the value of Italy's imports from Yugoslavia represent about 2% of the total value of her imports, the same value constitutes about 10.4% of Yugoslavia's total exports.

Similarily it may be noted that whereas the value of Italy's exports to Yugoslavia correspond to about 2.83% of her total exports, the same value corresponds to about 11.8% of Yugoslavia's total imports.

This clearly shows, in an absolute sense, the very different extent to which this interchange concerns the economies of the two countries, even bearing in mind that Italy occupies the second place, both as purchaser and as supplier, among the countries having trade relations with Yugoslavia.

However, this market condition is not exceptional or entirely peculiar, since similar situations are also encountered in Italy's relations with many countries of the eastern zone; so much so, that at present, as regards the extent of the exchanges, many European countries - and even certain African countries - individually represent outlets for Italian foreign trade that are quantitatively far more interesting than the entire COMECON.

But at this point - after these observations, which at first sight might seem somewhat negative, or at least such as not to suggest any practical possibilities of development - it is as well to consider other elements, including the present lines of the Italian trade policy.

As confirmation and extension of the above-mentioned lines, the Minister of Foreign Trade, the Signor Zagari, on the occasion of the recent General Council of the ICE, mentioned as the main objectives those of the liberalising of exchanges

particularly towards the countries of the East and other developing countries.

In fact, at present, over half our exports are absorbed by a few large countries that are already highly industrialised, and the prospects suggest that this amount is tending to decrease rather than increase.

It is these very countries - the developing countries and those of the East - with their immense resources of inadequately exploited raw materials and their economies tending to very rapid developments, that represent an ever-increasing possibility of outlet for our exports.

And among the countries of the East, as already mentioned, and as will be explained later, Yugoslavia, for us, is in a particularly favourable condition.

However, there is one serious obstacle that opposes, to a very appreciable extent, a rapid increase in exchanges with Yugoslavia: that is, the lack of equilibrium in the balance of payments, which persists in spite of the various attempts that have been made to remedy it and actually constitutes what is perhaps the most considerable obstacle of all.

In any case, also on the basis of the development of the economy of the two countries and the five-year plans established in Yugoslavia, there is a tendency for the flow of imports to Italy to include an ever-increasing quantity of industrial products such as raw materials and semi-finished goods, while the flow of exports tends to include an ever-increasing quantity of industrial equipment and machinery.

In a parallel manner, other agreements on technical collaboration have developed (such as those recently drawn up between IGNIS and RADE CONCAR and between SIMPLEX and ZIVINOOPREHA) in addition to others being studied or in process of being concluded. Further considerable development should be brought about in the Yugoslav car industry both by the recent VOLKSWAGEN-UNIS agreement and by the new BIRS loan of 18.5 million dollars for the modernisation of Yugoslav industry, 2/3 of which has been assigned to the CRVENA ZASTAVA Company (FIAT cars) and to the ZMAI Company (tractors and wheels for motor-car and lorries) and 1/3 to the SISAK steel works.

Also the extensive programme for the development of the motorways, envisaged by the 1971-1975 five-year plan, in parallel with the considerable extension of motorways and trunk

roads in Northern Italy, should lead to a growth of the relations between the two countries and help to put an end to - or at least considerably reduce - the existing state of isolation of Trieste and Istria, even if the recent abolition of visas and frontier restrictions has appreciably increased local inter-communications; this has made it easier today for Yugoslavs to buy fashionable clothing and household electrical equipment in Italy, and for Italians to buy meat and petrol in Yugoslavia. In fact, it is to be remembered that, whereas, at the time of the Austro-Hungarian Empire, Trieste practically monopolised all the traffic bound for the Empire and its satellites - continuing to maintain this position until the first few decades of the 20th century, with all the resulting advantages for the town itself and for the whole of Istria - that privileged position rapidly became reduced.

Moreover, the evolution that occurred in the postwar period revolutionised the political, economic and commercial structure of Europe in the central eastern sector, and the institution of the COMECON practically shifted the centre of gravity of the traffic from Trieste to an axis situated much further to the east, touching, in the North, the German ports of the East and the Polish ports, and, in the South, the Rumanian and Bulgarian ports on the Black Sea.

Almost simultaneously, the creation of the ECM, by intensifying exchanges in Central Western Europe, left Trieste isolated in its frontier position with Eastern Europe, and this situation of isolation was further accentuated by the concentration of exchanges along the two axes London-Paris-Frankfurt and Pankow-Moscow.

Of course, also the whole of Istria, and particularly its ports, likewise felt - but even more intensely - the effect of this regression in the importance and activity of the area.

On the other hand, whereas the creation of the ECM, in spite of certain initial perplexities and distrust, led to an intensification of the exchanges not only between the countries belonging to the ECM but also with the United Kingdom and the United States, the approach pursued by the COMECON, for reasons of an essentially political nature - tending to avoid contacts between collectivised economies and free economies - resulted in a limitation of exchanges, almost exclusively to within the COMECON itself.

In any case, even the subsequent political evolution of the USSR and the overthrowing of the initial conceptual position, with the consequent renunciation of the concept of self-sufficiency and isolation, although it had favoured a clear increase in the exchanges between East and West, did not increase these exchanges to a level that might be considered normal and satisfactory.

In fact, there still exist considerable obstacles in the matter of the system and of economics, including the non-convertibility of the rouble, although certain countries of the COMECON have opposed this principle.

However, the evolution of this system, which - in spite of a decided wish or necessity for improvement - is still too rigid, has been anticipated by the courageous enterprises of a few countries, such as Yugoslavia, which have not accepted the COMECON plan, maintaining that the economic roles that it assigned to them were inadequate.

Furthermore, Yugoslavia has not only re-formed and gradually increased its relations with the West but has also recognised the opportunity of avoiding those autarchical lines of approach that characterise the countries of the East and has effected important achievements in the field of economic reform, thus favouring the increase of exchanges.

Thus, as already mentioned, Yugoslavia has undoubtedly taken up an avant-garde position in the achievement of a possibility of competition with the western world.

And it cannot be doubted that, by pursuing this line, Yugoslavia will achieve ever greater fulfilment of its economic system, but also greater productivity and greater expansion of its industries for the production of consumer goods and services; and it is for this very purpose that Yugoslavia has launched an ambitious development plan for the production of electrical power, which, from an initial production of 17,174 Mwh in 1966, had increased to about 23,200 Mwh in 1969 and should reach 46,000 Mwh in 1975 and 95,000 Mwh in 1985.

As in the past, about half of this production should be provided by thermal plants and about half by hydro-electric plants, thus utilising not only the fuels (especially brown coal) available locally but also the great exploitable potential of hydro-energy, which amounts to 75.5 thousand million Mwh, less than a third of which is exploited at present.

Numerous hydro-electric stations are being built, including the ORLOVAC 235 MW station, while others, such as

the SALAKOVAC (130 MW) and GRABOVICA (80 MW) stations, are in the planning stage.

However, since there still exists a very considerable difference between the local possibilities of producing highly specialised heavy machinery and the supply of such machinery on the international market, it is an inescapable fact that, until this difference can be considerably reduced, Yugoslavia will have no choice but to import the heavy machinery that it needs.

Also in relation to the tendency towards release from the COMECON, the chances that Yugoslavia turns to these countries should be somewhat reduced and it may certainly be assumed that, for this purpose, Yugoslavia will not fail to turn to western industry.

In this respect, also on account of the high level of quality reached by Italian production and its competitiveness in the world market, the supply of high-power generator units and other highly specialised machinery from Italy should appear the most obvious possibility, in spite of the appreciable influence of German and French competition. But this prospect is very clearly obstructed by the existence of the grave problems of Yugoslavia's financial situation with regard to Italy.

An attempt has been made to overcome this obstacle with various agreements of a financial nature (re-financing and granting of loans on favourable terms), but no actual reduction in Yugoslavia's deficit with respect to Italy has yet been brought about, even with the results of the year 1969 (although this year was one of the most favourable from the economic point of view and showed a high rate of development of industrial production, an increase in exports to convertible-currency countries, an even greater increase in the revenue from tourism, an increase in the level of employment and the consolidation of the principle of self-administration).

It is therefore absolutely necessary to seek other solutions, departing from the traditional schemes, in order to allow the expansion of the export of special industrial machinery, in spite of the payments situation, which will not be easy to settle and does not, in any case, seem capable of a speedy solution.

By way of example, one of the systems might consist of an undertaking by Yugoslavia to supply Italy with electric power in lieu of payment for supplies.

In fact, again referring to 1967, Italy's total production was only 96,829 million KWh, as compared with a consumption of 98,738 million KWh: that is to say, the power to be supplied from external sources was over 1,900 million KWh (as compared with 842 million in 1966 and 331 million in 1965).

Although also in Italy there is an intense programme for the further exploitation of available hydro-power involving the installation of new plants and the expansion or modification of existing plants, it is to be foreseen that, in relation to the increase in the number of consumers, the excess of consumers increases at more or less the same rate and that the problem of finding the necessary power to satisfy this excess assumes ever greater importance; also because all the other more highly industrialised countries of Europe are in a similar situation, with the exception of Holland (where, however, the excess of production over consumption is not considerable).

YUGOSLAVIA - PRODUCTION OF ELECTRICAL POWER

(Figures in million of KWh)

	D A T A				EXPECTED FIGURES		
	1966	1967	1968	1969	1970	1975	1985
HIDRO-ELECTRIC	9,880	10,655	11,763	13,200	15,000	24,000	45,000
THERMO-ELECTRIC	7,294	3,048	8,873	10,000	11,300	22,000	45,000
NUCLEAR	-	-	-	-	-	-	5,000
TOTAL	17,174	18,702	20,641	23,200	26,300	46,000	95,000

Exploitable hydro-potential: 66,500 MWh

III - DISCUSSION

The position of Italy, it was noted, as one of the most important trading partner placing itself between first and third position in her relations with Yugoslavia, tends to remain constant over the years. This phenomenon shows the existence of some important objective elements in favour of developing on a larger scale the mutual economic relationship. The problem is how to develop these possibilities, how to improve the actual system of trade, economic cooperation, and so on.

Up to now, there has been from both sides a demonstration of insufficient initiative if not inertia and the insistence on traditional patterns of trade and forms of contact, despite the existing new more favourable institutional provisions. The general situation in economic cooperation between Italy and Yugoslavia has not changed for many years. Now the time has come to develop a common more efficient and up to date policy. Future relations between the two countries cannot be based on the assumption of a permanent cooperation between agricultural Yugoslavia and industrialized Italy. The further increase in economic relations cannot be based on the traditional complementary of the two economies as much as it may have been useful in the past. Today, as the world economy demonstrates, the fastest economic development in mutual relations happens between highly industrialized countries.

There must be therefore an adjustment, taking in account the fact that the Yugoslav economy is now capable to offer a much more ample set of goods and services than it used to do. This development will be very important to reduce the gap recently emerged in mutual trade due to the high level of imports maintained by Yugoslavia, in spite of the difficulties experienced in its exports. Yugoslavs want to go on exporting traditional agricultural products (meat, corn, tobacco) but tend to import more from Italy than these exports make possible. Which means that they have to start considering an improvement in the exports of industrial products, too. Meat to take a very important item will not remain eternally the basic export product; of course it will represent a very important

quota in yugoslav exports but in diminishing terms in favour of some industrial and semi manufactured products. Besides meat, maize and tobacco are significant items of exports. While for maize which is greatly appreciated for its quality there are no problems; difficulties are evident in the trade of tobacco. Here Yugoslavia is concurred by Turkey and Greece which are entering the italian market without customs, that is with an advantage of something like twenty per cent of the value of the product.

Looking at the import side of the problem it is to be expected that Italy will continue to furnish machinery, vehicles, transport equipment and various finished products.

Among other critical evaluations concerning the limits imposed on the exchange of goods, one concerned the lack of initiatives demonstrated on both sides in developing new local and regional markets. The yugoslavs in fact concentrate their efforts mostly in the Milan area, forgetting the existence of other economic centres in the italian territory. At the same time the italians tend to concentrate their attention on a couple of great yugoslav cities, without giving attention to many local economic centers which have flourished in the last years, creating new good conditions for business. On the question of direct cooperation between regions, it was said by an italian participant, not much can be done because of the limits so far imposed by central italian authorities on the competence of regional powers.

Coming to suggestions on how mutual cooperation between the two countries could be improved the following, among other, were made: A) Common initiative of italian and yugoslav firms in third markets. Italian experience in the economies of underdeveloped countries and yugoslav position of political prestige in those same countries could be the basis for some very interesting projects of development. Especially in the construction field, which require huge investments italian capital and common technical knowledge, there could be initiatives of general benefit for the two countries and the third partner concerned. B) A more advanced policy in the area of technical cooperation and joint business ventures along the lines of the successful experiment of Fiat with the yugoslav automobile industry. C) Joint ventures in the sector of tourism whose importance for both countries remains very great.

That is the possibility to offer to third countries like for instance in Scandinavia and Central Europe, a kind

of "parcel deal" to enable tourists to come and visit in the same trip both Italy and Yugoslavia. The Adriatic region, it was noted; is limited enough for a single program of holiday.

Many questions and specific points of discussion were pointed out in the course of the debate. An Italian participant, among others, raised the question of interdependence between the two economies. In some basic field, he said, like the energetic one we are beyond cooperation and must start thinking in terms of interdependence. A specific case could involve the supply of Italian gas and coke to Slovenia. Another important possibility of mutual interest concerns the program for building a system of highways in Yugoslavia in connection with the Italian system. The role of Yugoslavia as bridge between east and west is very relevant and is significant at European level for a development along this specific axis of east west relations.

Another question raised by an Italian participant concerned the phenomenon by which the list of agreements for cooperation between Italy and Yugoslavia contain mainly the names of big Italian firms, with the exclusion of medium and small firms. In his opinion, one reason might be the fear existing among some Italian businessmen of a certain lack of stability in the economy of Yugoslavia. This situation produces, in their opinion, fluidity in the financial productive structures, creating risks for external investments. Answering the question, a Yugoslav participant integrated the idea above presented, advancing the thesis that the interest shown by large firms in the Yugoslav economy is due to their greater propensity to enter new operations even with some risks, while the smaller firms give priority in their operations to the element of security. At the same time he stressed the interest of Yugoslavia not to insist in getting small and medium firms just for the sake of disposing of more capital, but to push for even greater participation of larger firms. This for the simple reason that it is always more convenient to deal with organisations which are at the top in terms of financial and technical capacities, without fearing that because of their dimension these firms might be in better position to exploit the national economies of the host country.

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