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Yugoslavia, Italy, and European integration: was Osimo 1975 a Pyrrhic victory?

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ABSTRACT


This work reappraises the international dimension of the Osimo Treaties which, in 1975, solved the border question between Italy and Yugoslavia and also shows the connection of such agreements to Yugoslavia's attitude towards the process of Western European economic integration. This article argues that, on the Yugoslav side, the solution of the border problem was shaped by the peculiar economic interests of the northern republics – Slovenia and Croatia – which regarded the end of the border question as a means to foster cooperation with Italy and, at the same time, to obtain privileged access to the expanding Common Market.

KEYWORDS

Yugoslavia; Italy; European integration; Osimo

Introduction

In November 1975, the Osimo Treaties resolved the border question between Italy and Yugoslavia – a troubled legacy of World War II. This article reveals the link of the treaties with Yugoslavia's internal debates on the Western European economic integration process. So far, historiography on relations between Rome and Belgrade at the turn of the 1970s has mainly focused on the strictly bilateral dimension of the Osimo Treaties, highlighting the long-drawn-out diplomatic process which led to their conclusion.¹ Other studies have focused on the internal reception of the 1975 agreements in both Yugoslavia and Italy, as well as reciprocal perceptions during the negotiating process.² Conversely, their scope and meaning within the broader international context of the early 1970s has not been systematically addressed. The few historical analyses addressing the international dimension of the Osimo agreements have contextualised them within the framework of European détente, depicting them as a success of Italy's '*Ostpolitik*',

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¹Saša Mišić, *Pomirenje na Jadranu: Jugoslavija i Italija na putu ka Osimskim sporazumima iz 1975*. [Reconciliation in the Adriatic: Yugoslavia and Italy on their way to the 1975 Osimo Agreements] (Belgrade: Fakultet političkih nauka Univerziteta Beograd, 2018); Massimo Bucarelli, *La questione jugoslava nella politica estera dell'Italia repubblicana (1945–1999)* (Rome: Aracne, 2008), 45–82; Viljenka Škorjanec, *Osimska pogajanja* [The Osimo negotiations] (Koper: Založba Annales, 2007).

²Benedetto Zaccaria, *La Strada per Osimo: Italia e Jugoslavia allo specchio* (Milan: FrancoAngeli, 2018); Luciano Monzali, *Gli italiani di Dalmazia e le relazioni italo-jugoslave nel Novecento* (Venice: Marsilio, 2015), 614–43; Jože Pirjevec, Borut Klabjan, and Gorazd Bajc, eds., *Osimska Meja: Jugoslovansko-italijanska pogajanja in razmejitve leta 1975* [The Osimo border: Italian-Yugoslav negotiations and demarcation in 1975] (Koper: Založba Annales, 2006).

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and a genuine case of East-West dialogue and ‘Adriatic’ détente.³ The latter view is mainly based on the chronological coincidence between the conclusion of the Helsinki Conference on Security and Cooperation in Europe (CSCE) in August 1975 – traditionally regarded as the apex of European détente – and the signing of the Osimo agreements three months later. Although there was an obvious correlation between these two events – the Helsinki agreement was mentioned as a propaganda tool by the leaderships of the two countries during the public debates which anticipated and followed the signing ceremony in Osimo (on the Italian Adriatic coast, near the city of Ancona) – the link between European détente and the solution of the border question was more apparent than substantial.⁴

In effect, as revealed by recent historiography, détente in Europe was a complex and multifaceted process, rather than a monolithic one. Although the first half of the 1970s was characterised by enhanced superpower dialogue on armaments limitation, the launch of Willy Brandt’s *neue Ostpolitik*, and the CSCE, the situation in the Mediterranean area was marked by increasing instability. Wavering political dynamics in North Africa and the Middle East, and the simultaneous increase of the Soviet naval presence in the region made the Mediterranean a hotbed of Cold War confrontation, with the two superpowers struggling to enhance their political and strategic positions.⁵ During the early 1970s, relations between Italy and Yugoslavia developed within an unstable geopolitical framework which was only tangentially affected by the general ‘atmosphere’ of détente. Yugoslavia lay on the verge between the two blocs and was affected by the troubled evolution of inter-republican relations.⁶ At the same time, in the late 1960s and early 1970s Italy underwent a deep political and economic crisis which made the country appear as the ‘sick man of Europe’.⁷ Instability in the Mediterranean aggravated such troubled internal situations, increasing the suspicion in both Rome and Belgrade that, behind each other’s foreign policy, US and Soviet pressures might hide.⁸

Such a highly complicated scenario therefore calls for a reappraisal of the international dimension of the Osimo agreements, reconsidering their image as a by-product of European détente. Indeed, this article argues instead that the international dimension of the Osimo accords concerned the process of Western European economic integra-

³Massimo Bucarelli et al., eds., *Italy and Tito’s Yugoslavia in The Age of International Détente* (Brussels: PIE Peter Lang, 2016); Karlo Ruzicic-Kessler, “Italy and Yugoslavia: from Distrust to Friendship in Cold War Europe,” *Journal of Modern Italian Studies*, 19, no. 5 (2014): 641–64; Luciano Monzali, “‘I nostri vicini devono essere nostri amici’. Aldo Moro, L’Ostpolitik italiana e gli accordi di Osimo,” in Aldo Moro, *l’Italia repubblicana e i Balcani*, ed. Italo Garzia, Luciano Monzali, and Massimo Bucarelli (Lecce: Besa, 2011), 89–107.

⁴Jussi Hanhimäki, “Détente in Europe, 1962–1975,” in *The Cambridge History of the Cold War*, vol. II., ed. Melvyn P. Leffler and Odd Arne Westad (Cambridge: Cambridge University Press, 2010), 198–218; Angela Romano, *From Détente in Europe to European Détente. How the West shaped the Helsinki CSCE* (Brussels: Peter Lang, 2009).

⁵Elena Calandri, Daniele Caviglia, and Antonio Varsori, eds., *Détente in Cold War Europe. Politics and Diplomacy in the Mediterranean and the Middle East* (London: I.B. Tauris, 2012); Effie Pedaliu, “‘A Sea of Confusion’: The Mediterranean and Détente, 1969–1974,” *Diplomatic History* 33, no. 4 (2009): 735–50.

⁶Stevan K. Pavlowitch, “Yugoslavia: Internal Problems and International Role,” in *The Making of Détente: Eastern and Western Europe in the Cold War*, ed. Wilfried Loth and Georges-Henry Soutou (London: Routledge, 2008), 77–87.

⁷Lucrezia Comminelli, *L’Italia sotto tutela: Stati Uniti, Europa e crisi italiana degli anni Settanta* (Florence: Le Monnier, 2014), 147–85; Antonio Varsori, “Puerto Rico (1976): le potenze occidentali e il problema comunista in Italia,” *Ventesimo Secolo* 7, no. 16 (2008): 89–121.

⁸See Zaccaria, *La strada per Osimo*, 143–9.

tion. The latter has only been tangentially referred to in historical accounts of the Osimo agreements, and has never been systematically addressed from the viewpoint of Yugoslavia's political and economic élites, at both federal and republican levels.⁹ This work aims at filling this historiographical gap, showing how the European integration question shaped relations between Rome and Belgrade during the early 1970s. It is argued here that Western European economic integration had clear-cut effects on federal political and economic internal equilibria. The paper devotes particular attention to Yugoslavia's inter-republican relations and, in particular, the role of the federal republics of Slovenia and Croatia, which are identified as the leading actors in the evolution of Yugoslavia's relations with Italy and the European Economic Community (EEC) in the early 1970s. The focus is on how inputs coming from the northern republics were received and dealt with at the federal level.¹⁰ Analysis of internal decision-making within republican leaderships is beyond this article's scope. The viewpoint of the federal republics (in particular Slovenia's) towards the Osimo agreements has already been the object of historical research, although with a peculiar focus on diplomatic actors and the day-by-day preparation of the Osimo agreements, which is not considered here.¹¹ Instead, this article sheds new light on the emergence of conflicting views within the Yugoslav federation regarding how to respond to the consolidation and expansion of the Common Market, demonstrating how such contrasts underpinned the negotiations of the Osimo agreements.

This analysis unfolds in three stages. First, this work addresses Belgrade's policies towards Italy after the launch of the 'liberal-oriented' economic reforms (1965) and illustrates their close connection to the question of European integration. This part emphasises the creation of a privileged axis between Yugoslavia and Italy, which also led to the opening of border negotiations. Second, the article focuses on the development of relations between Belgrade and Rome in the early 1970s, showing the emergence of specific economic requests stemming from the northern republics *vis-à-vis* Italy and the enlarging Common Market. Lastly, the work reviews the evolution of federal debates on the border question and the European integration process in the aftermath of the 1974 constitutional reform and the economic recession experienced by Yugoslavia and its Western European partners after the 1973 oil shock. The article concludes by showing the paradoxical nature of the Osimo agreements. Signed by Rome and Belgrade to strengthen the stability of the Yugoslav federation, they were indeed the patent expression of the clearly defined republican interests of Slovenia and Croatia which contributed to the destabilisation of the Yugoslav federation, paving the way for inter-republican rivalries in foreign economic issues throughout the late 1970s and the following decade.

⁹Massimo Bucarelli, "La politica estera italiana e la soluzione della questione di Trieste: gli accordi di Osimo del 1975," *Qualestoria* 41, no. 2 (2013): 29–54.

¹⁰To analyse the centre-periphery relationship at federal level, this study makes use of primary sources from the archives of the Federal Secretariat for Foreign Trade (*Savezni Sekretarijat za Spoljnu Trgovinu*, SSST) which includes the correspondence with the republic-level governing bodies and chambers of commerce, as well as the stenographic reports of the Federal Executive Council meetings (SIV) and documents from the Cabinet of the President of the Republic (KPR), stored at the *Arhiv Jugoslavije* (Archives of Yugoslavia) in Belgrade.

¹¹Škorjanec, *Osimska pogajanja*.

Yugoslavia between Italy and the EEC

After the end of World War II, relations between Italy and Yugoslavia were negatively affected by the dispute over the Free Territory of Trieste (FTT).¹² The latter had been envisaged by the 1947 Peace Treaty with Italy, in order to mediate Italian and Yugoslav pretensions to an approximately 740 km² strip of territory running from Trieste to Novi Grad, on the northern littoral of the Istrian peninsula. The dispute over Trieste had major geopolitical implications, as the Adriatic city was on the verge of opposing Cold War blocs. After the Tito-Stalin split (1948) the character of this confrontation changed, as Italy and Yugoslavia became pillars of Western containment strategy in the Mediterranean.¹³ In order to secure the stability of this border and prevent an overt clash between Rome and Belgrade, the United States and Great Britain urged the two countries to find a solution to the territorial controversy. In 1954, the United States, Great Britain, Italy, and Yugoslavia concluded a Memorandum of Understanding in London, *de facto* partitioning the FTT into two zones – A (including Trieste) and B (encompassing the municipalities of Koper, Umag, Izola, Piran, Novi Grad) – which were to be administered respectively by Rome and Belgrade. The London Memorandum did not, however, solve the territorial question between the two countries once and for all. Italy refused to ratify it, claiming that the country was not ready to renounce its sovereignty over zone B, which large sectors of Italian public opinion considered to be Italian by culture and history. Despite the precarious settlement of the border issue, the 1954 Memorandum represented the starting point of a renewed bilateral relationship. Both Rome and Belgrade decided to separate the territorial question from the economic one, realising that bilateral cooperation could offer mutual advantages. In 1955, the Udine agreement was concluded to regulate the movement of people between zones A and B. In the same year, the Trieste and Gorizia agreements were signed to facilitate commerce between bordering regions on the basis of import and export lists agreed upon by the two governments.¹⁴

In the late 1950s and early 1960s, relations between Rome and Belgrade were favoured by two major international events. The first was the rupture of diplomatic relations between Bonn and Belgrade in 1957 – due to Yugoslavia's decision to recognise the German Democratic Republic (GDR).¹⁵ This episode limited the development of West German economic trade exchanges with Yugoslavia, paving the way for Italian economic penetration in the region.¹⁶ The diplomatic crisis between Yugoslavia and the Federal Republic of Germany (FRG) also coincided with the signing of the Treaties of Rome and the creation of the EEC. Unlike the Soviet bloc countries, which regarded the EEC as

¹²Miljan Milkić, *Tršćanska Kriza u Vojno-Političkim Odnosima Jugoslavije sa Velikim Silama, 1943–1947* [The Trieste Crisis in military-political relations of Yugoslavia with the Great Powers, 1943–1947] (Belgrade: Institut za noviju istoriju Srbije, 2013); Giampaolo Valdevit, *Il dilemma Trieste. Guerra e dopoguerra in uno scenario europeo* (Leg: Gorizia, 1999); Diego De Castro, *La questione di Trieste. L'azione politica e diplomatica italiana dal 1943 al 1954* (Trieste: Lint, 1981); Raoul Pupo, *La rifondazione della politica estera italiana: la questione giuliana (1944–46): linee interpretative* (Udine: Del Bianco, 1979); Jean Baptiste Duroselle, *Le conflit de Trieste 1943–1954* (Brussels: Editions de l'Institut de Sociologie de l'Université de Bruxelles, 1966).

¹³Dragan Bogetić, *Jugoslavija i Zapad 1952–1955. Jugoslovensko približavanje Nato-U* [Yugoslavia and the West 1952–1955: the Yugoslav approach to NATO] (Belgrade: Službeni list Srbije, 2000); Lorraine M. Lees, *Keeping Tito Afloat: The United States, Yugoslavia and the Cold War* (University Park, PA: Penn State University Press, 1997); Beatrice Heuser, *Western 'Containment' Policies in the Cold War. The Yugoslav Case, 1948–1953* (London: Routledge, 1989).

¹⁴Ruzicic-Kessler, "Italy and Yugoslavia," 646.

¹⁵Werner Kilian, *Die Hallstein-Doktrin. Der diplomatische Krieg zwischen der BRD und der DDR 1955–1973* (Berlin: Duncker & Humblot, 2001), 52–65.

¹⁶B. Zaccaria, *The EEC's Yugoslav Policy in Cold War Italy (1968–1980)* (London: Palgrave Macmillan, 2016), 22–3.

a capitalist and imperialist project, Yugoslavia adopted a realistic attitude towards the Common Market. Fearing the commercial consequences stemming from the customs union, it looked for a *modus vivendi* with the Community.¹⁷ Rome was soon to become Belgrade's privileged partner. Since 1963, Italy was ruled by a centre-left coalition led by Christian Democrat Aldo Moro, who considered the development of relations with Belgrade a priority of his foreign policy, for strategic and economic reasons. In November 1964, Italy became the first Western country to conclude an agreement of economic, industrial, and technical cooperation with Yugoslavia. The following year, Moro was the first Italian prime minister to visit Socialist Yugoslavia. His visit and appeals for enhanced economic relations were most welcome in Belgrade.¹⁸ In December 1964, the League of Communists of Yugoslavia (LCY) had indeed launched a major project of economic reforms which aimed at developing the country's industrial apparatus and opening the Yugoslav market to international trade. This process was sponsored by what has been described as a 'liberal' faction of the LCY which aimed at the modernisation of the Yugoslav economy, as well as the promotion of solid links with the Western European market, as a precondition for the development of the country's economy.¹⁹ It was not by chance that the first exploratory talks between the EEC and Yugoslavia opened – at Yugoslavia's request – in 1965, just a few months after the launch of the economic reforms. Preparatory talks for a trade agreement developed until July 1968, when the Council of Ministers of the EEC approved the mandate for commercial negotiations with Belgrade. Italy had offered overall support to Yugoslavia's appeals for closer commercial relations to the EEC – on which Yugoslavia's prime minister, the Croat Mika Špiljak, had openly insisted during his official visit to Rome in January 1968 – despite internal resistance within the conservative factions of Italy's leading party, *Democrazia Cristiana*, which still considered the Trieste problem as a limitation to the development of political relations with Belgrade.²⁰

However, it was only after the intervention of the Warsaw Pact troops in Czechoslovakia in August 1968 that political relations between Italy and Yugoslavia improved. The Yugoslav leadership – which openly condemned the Prague events – was worried about the future of its political relations with Moscow.²¹ The Yugoslav government also had to consider the potential economic consequences of the Prague events on Yugoslavia's relations with the Soviet bloc countries (which in 1968 accounted for 30% of the country's foreign trade). Within the Federal government (*Savezno Izvršno Veće*, SIV), it soon appeared clear that the EEC's support for the country's economic reforms had to be secured, as the Common Market accounted for more than 40% of Yugoslav exports (of which 50% were based on agricultural products).²² In September 1968, the Yugoslav government confirmed the SIV's stance, urging

¹⁷Ivan Obadić, "A Troubled Relationship: Yugoslavia and the European Economic Community in Détente," *European Review of History* 21, no. 2 (2014): 329–48.

¹⁸Zaccaria, *La strada per Osimo*, 24–8.

¹⁹Obadić, "A Troubled Relationship," 329–48.

²⁰Benedetto Zaccaria, "Contro l'ambiguità della leadership politica. Folco Trbalza ambasciatore a Belgrado (1967–1971)," *Ventesimo Secolo*, no. 41 (2017): 145–67; On Špiljak's visit to Rome, see: Information on Mika Špiljak's visit to Italy, 18 January 1968, File 115, Fond 751, Arhiv Jugoslavije, Belgrade (AJ). All cited materials from Yugoslav archives are originally in the Serb, Croat, or Slovene languages; titles and texts have been translated by the author.

²¹Ivo Banac, "We Did Not Quarrel, We Did Not Curse: The Price of Yugoslav Independence After the Soviet Intervention in Czechoslovakia," in *The Balkans in the Cold War*, ed. S. Rajak et al. (London: Palgrave Macmillan, 2017), 173–96.

²²Information on the EEC and Yugoslavia's cooperation with this international organisation, Belgrade, 3 October 1970, KPR II-b-2-a, AJ.

the European Commission – the executive body of the EEC in charge of commercial negotiations with third countries in view of the entry into force of the Common Commercial Policy (1 January 1970) – to open trade negotiations as soon as possible. Within this framework, Yugoslavia's requests mainly concerned the agricultural field.²³ Among the EEC member states, the Italian government confirmed itself as Yugoslavia's leading partner, promoting a twofold strategy *vis-à-vis* Belgrade. It welcomed Yugoslavia's trade requests to the EEC and, on the initiative of Foreign Minister Giuseppe Medici, proposed the activation of a secret diplomatic channel to solve the border issue. The Yugoslav foreign ministry welcomed the Italian approach, interpreting it as a genuine demonstration of political support.²⁴

After October 1968, therefore, a connection was set up between the search for a solution to the border question and Italian support to Yugoslavia within the EEC, as both aimed at strengthening the political axis between Rome and Belgrade. In late September 1968, the member of the Yugoslav government in charge of relations with the EEC, the Slovene Toma Granfil, visited Rome to meet Italy's Prime Minister Giovanni Leone, in order to secure Italian support during the first round of negotiations between the EEC and Yugoslavia, which was to open in Brussels in mid-October 1968. In these circumstances, the link between Yugoslav-Italian relations and Yugoslav-EEC relations, and between the latter and Yugoslav economic and political stability, was clearly stated by both parties.²⁵ Yugoslavia's diplomatic efforts were paralleled by increasing contacts within the Italian-Yugoslav Mixed Commission for Economic, Industrial, and Technical Cooperation established in 1964. Within this framework, Yugoslav initiatives were led by another Slovene, Boris Šnuderl, a deputy federal secretary for foreign trade. Šnuderl – who was to be one of the leading actors in concluding the Osimo Treaties – favoured a bottom-up approach. He linked the economic interests of Slovene and Croat businessmen – i.e. the heads of enterprises and representatives of local chambers of commerce – to foreign and commercial policies at federal level. He was also close to senior officials within Italy's Ministries of Foreign Trade and Industry – in particular, Eugenio Carbone – who represented Italy within the Mixed Commission for Industrial Cooperation. According to Šnuderl, direct contacts with Italian technical elites might overcome resistances and controversies which still lingered at the political-diplomatic level.²⁶ Šnuderl was aware that, despite the unsolved border affair, several enterprises in North-East Italy and in the federal republics of Slovenia and Croatia converged towards the goal of expanding bilateral industrial cooperation.²⁷ This was the outcome of the 1965 market-oriented reforms which had led to the emergence of managerial and profit-oriented elites and the adoption of federal legislation on joint ventures with foreign firms in 1967.²⁸ Inputs from Ljubljana and Zagreb also concerned the Alpe-Adria commercial arrangement, established in 1962 as an annual fair to favour direct contacts among Slovene, Croat, Italian, and Austrian

²³Information on the EEC and Yugoslavia's cooperation with this international organisation, Belgrade, 3 October 1970, KPR II-b-2-a, AJ.

²⁴Saša Mišić, "A Difficult Reconciliation in the Adriatic. The Yugoslav Road to the Osimo Agreements of 1975," in *Italy and Tito's Yugoslavia*, ed. Bucarelli et al., 252.

²⁵Colloquio On. Leone – Ministro jugoslavo per il Coordinamento del Commercio con l'Estero, 20.9.1968, Ufficio del Consigliere diplomatico, b. 130, Archivio Storico della Presidenza della Repubblica, Rome.

²⁶Šnuderl to SIV, 12 May 1969, Pov. 02–821/2, File 277, Fond 751, AJ.

²⁷Peci-Popović (SSST) to Federal Chamber of Commerce, Council for International Economic Relations, 5 January 1968, Pov. 02–16, File 154, Fond 751, AJ.

²⁸Patrick Artisien and Peter J. Buckley, "Joint Ventures in Yugoslavia: Opportunities and Constraints," *Journal of International Business Studies* 16, no. 1 (1985): 111–35.

firms, on the basis of commercial lists (and up to a fixed ceiling) approved by the governments of the three countries (in Belgrade, Rome, and Vienna) through bilateral agreements.²⁹ In the late 1960s, local chambers of commerce and economic enterprises in Slovenia and Croatia expressed their discontent with the rigid limitations set by the Trieste and Gorizia agreements and the Alpe-Adria scheme, and asked the federal government for greater freedom of manoeuvre with Italian firms.³⁰ In this regard, a particular role was played by the Chamber of Commerce of Slovenia which, in its direct correspondence with the Federal Secretariat for Foreign Trade (*Savezni Sekretarijat za Spoljnu Trgovinu*, SSST), stressed the need to preserve the economic unity between Trieste, Gorizia, and their economic hinterland (in Yugoslav territory).³¹ Needless to say, calls for economic cooperation not only spread from the northern republics. Substantial cases of cooperation did concern other federal republics – for example, Serbia – as shown by the cooperation between FIAT and ZASTAVA in Kragujevac.³²

However, what made the Slovene and Croat appeals distinctive was their close connection to the border question with Italy, regarded as a preferential economic channel to enter the Common Market. For instance, the role of the business world in Italy's northern regions and its privileged relationship with Yugoslav firms in the northern republics were closely monitored by Yugoslavia's Consulate General in Milan which, in a report addressed to the SSST in February 1968, had considered that the solution of the border question with Italy would favour Yugoslav exports to the EEC in a long-term perspective.³³ Quoting the case of the special commercial relationship between the FRG and the GDR, which allowed the latter some sort of 'freeway' into the Common Market, the above report considered the possibility that a special arrangement for Yugoslav exports might be sought with Italy.³⁴ Similarly, the Yugoslav General Consulate in Trieste urged the increased involvement of republican chambers of commerce in commercial fairs in northern Italy (in particular, in the municipalities of Pordenone, Verona, Padova, Bolzano, Vicenza, and Trieste) in order to enhance direct contacts between Italian and Yugoslav firms.³⁵ Similar indication stemmed from the National Bank of Yugoslavia which, reviewing the development of economic relations between the two countries in 1968, had noted how trade facilitations in the border area (as an effect of the Trieste and Gorizia 1955 agreements) were used to overcome the strict commercial limits of the Common Market.³⁶ In March 1969, on the initiative of the Chamber of Commerce of Rijeka, the Yugoslav government proposed

²⁹On later developments of the Alpe-Adria scheme, see Karlo Ruzicic-Kessler, "Avvicinamento e cooperazione interregionale: La Yugoslavia nei rapporti di vicinato con l'Austria e l'Italia (1968–1978)," *Acta Histriae* 26, no. 3 (2018): 787–806.

³⁰See the report of the National Bank of Yugoslavia to SSST, Br. V/1-LM/DM, Belgrade, 9 April 1968, File 154, Fond 751, AJ; Lojze Cukala (Chamber of commerce of Slovenia) to Petar Tomić (SSST), 18 November 1969, Pov. 50/2–69/03 Kam, File 277, Fond 751, AJ.

³¹Socialist Republic of Slovenia, Republican Secretariat for Economy, Analysis of regional commercial agreement under the new exchange conditions, 12 February 1968, Fil 154, Fond 751, AJ.

³²Information on Yugoslavia's relations with some EEC member states, 28 December 1967, KPR II-b-2-a Arhiv Predsednika Republike, AJ.

³³Dusan Avramov (Yugoslav General Consulate in Milan) to SSST, 12 February 1968, File 154, Fond 751, AJ.

³⁴Detlef Nakath, "Die DDR – 'heimliches Mitglied' der Europäischen Gemeinschaft? Zur Entwicklung des inner-deutschen Handels vor dem Hintergrund der westeuropäischen Integration," in *Aufbruch zum Europa der zweiten Generation. Die europäische Einigung 1969–1984*, ed. Franz Knipping and Matthias Schönwald (Trier: Wissenschaftlicher Verlag, 2004), 451–73.

³⁵M. Tepina (Yugoslav General Consulate in Trieste) to SSST, Pov. Br. 350/II, 6.11.1969, File 277, Fond 751, AJ.

³⁶National Bank of Yugoslavia to SSST, Br. V/1-LM/DM, Belgrade, 9 April 1968, File 154, Fond 751, AJ [89].

the establishment of a special trans-border industrial zone in which industrial transactions might be carried out under a duty-free regime.³⁷ A similar suggestion – based on overcoming ordinary trade restrictions through the enhancement of commerce at local level – was voiced in December 1969 by the Chamber of Commerce of Slovenia.³⁸ In the late 1960s, the image of Italy as the privileged partner within the EEC was therefore consolidating itself.

Such a view was even reinforced by Rome's attitude in Brussels. Italian representatives within the Council of Ministers of the EEC worked to face France's reticence to welcome Yugoslavia's requests in the field of agriculture. Italian lobbying in Brussels was successful and, in October 1969, the six EEC members welcomed Yugoslavia's requests to have its agricultural exports (in particular, beef and cattle meat) included in the trade agreement. The Italian Embassy in Belgrade and Italy's Ministry of Foreign Trade reported Italy's successful mediation to the Yugoslav government which, for its part, confirmed its view of Italy as a reference partner within the Community framework.³⁹ Rome could also count on the support of Bonn. Brandt's *Ostpolitik* had indeed led to the re-establishment of relations with Belgrade in January 1968. The FRG – like Italy – nurtured economic ambitions in the Balkans, and the end of Yugoslavia's diplomatic isolation was accompanied by the renewed activism of West German economic business elites in the Yugoslav market.⁴⁰

The conclusion of the first EEC-Yugoslavia trade agreement in March 1970 represented a major achievement for Yugoslavia – which established a first, contractual agreement with the Community – but also for the Italian government, which had set the success of these negotiations as a goal in foreign policy. In this process, the particular interests of Yugoslavia's federal republics had also started to emerge. At the same time, and in parallel to the negotiations of the EEC-Yugoslavia trade agreement, the secret diplomatic channel proposed by Medici started to operate. The two delegations, headed by career diplomats Gianluigi Milesi Ferretti and Zvonko Perišić, repeatedly met between late 1968 and 1970, although without any substantial results due to the lack of a clear political drive from their governments.⁴¹ While Yugoslavia aimed at a rapid solution of the dispute, the Italian authorities were reticent about publicising the unfolding of border negotiations, fearing that the renunciation of zone B might be used by the parliamentary Right as a propaganda tool at a delicate juncture marked by social and political unrest.⁴² However, despite such difficulties, at the end of the 1960s an overall coherence characterised the Yugoslav approach towards both Italy and the EEC: the search for enhanced political relations

³⁷SSST – Report on commercial preliminary commercial talks with Italy held in Rome on 26–30 April 1969, Belgrade, 7 May 1969, Pov. Br. 02–752/4, File 277, Fond 751, AJ.

³⁸L. Cukala [Chamber of commerce of Slovenia] to P. Tomić [SSST], 22 December 1969, Pov. 57/2–69, File 277, Fond 751, AJ.

³⁹Information on conversation between Z. Perišić (SSIP) and V. Gorga (Italian Embassy in Belgrade) held in Belgrade on 22 January 1969, Pov. Br. 42414, File 277, Fond 751, AJ; Information on conversation with R. Misasi [Italian Minister of Foreign Affairs], 18–19 September 1969, Pov. Br. 1800/1, File 277, Fond 751, AJ.

⁴⁰Milan Kosanović, "Brandt and Tito: Between Ostpolitik and Nonalignment," in *Ostpolitik, 1969–1974: European and Global Responses*, ed. Carole Fink and Bernd Schaefer (Cambridge: Cambridge University Press, 2009), 232–43; Kaja Shonick, "Politics, Culture, and Economics: Reassessing the West German Guest Worker Agreement with Yugoslavia," *Journal of Contemporary History* 44, no. 4 (2009): 719–36.

⁴¹Bucarelli, "La politica estera italiana," 38–47.

⁴²Zaccaria, *La strada per Osimo*, 41–52.

with Rome (which also included overcoming the border issue) was a key strategy to avoid Yugoslavia's economic isolation from the Common Market.

The Italian border as a community gateway

The link between relations with Italy and the broader question of Western European economic integration emerged more clearly in the early 1970s, when the EEC entered a period of profound internal transformation, encompassing the processes of enlargement, deepening, and completion.⁴³ Yugoslav diplomacy observed this evolution warily, fearing the economic consequences of the forthcoming enlargement, as well as the increasing technical barriers which would oblige Yugoslav enterprises to comply with Western European security and quality standards in order to export to the Common Market.⁴⁴ Particular apprehension was voiced by the northern republics of Slovenia and Croatia. The chambers of commerce of the two republics coordinated efforts and prepared joint reports addressed to the SSST, in which the improvement of the border trade regime and the Alpe-Adria scheme were set as priorities.⁴⁵ The chambers of commerce also increased their influence in preparing the agenda for the Mixed Commissions on economic cooperation between Yugoslavia and Italy, singling out specific republican prerogatives: the focus was on the need to foster industrial cooperation with Italian enterprises. Enhanced cooperation was also to include the possibility of the privileged commercial exchange of industrial goods in the border zone between the countries. This would allow increased bilateral trade and privileged access to Italian (and Western European) technology and know-how.⁴⁶ The appeals from Ljubljana and Zagreb indicated the need increasingly to integrate Yugoslav (i.e. Slovene and Croat) and Italian industrial apparatuses, to favour 'long-term planning and the joint improvement of production'.⁴⁷ As suggested by the Economic Secretariat of the Slovene federal republic in October 1970, industrial cooperation in the border area was the only means to overcome the trade barriers established by the EEC.⁴⁸ A parallel strategy was developed by Šnuderl, who presided over the Yugoslav delegation within the EEC-Yugoslav Mixed Commission established by the 1970 trade agreement. Within this framework, the Slovene representative aimed at enlarging the scope of the above agreement from a purely commercial dimension to economic cooperation.⁴⁹

⁴³ Antonio Varsori, "The European Construction in the 1970s. The Great Divide," in *Europe in the International Arena During the 1970: Entering a Different World*, ed. Antonio Varsori and Guia Migani (Brussels: Peter Lang, 2011), 27–39.

⁴⁴ Secretariat of the President of the Republic, Group on Economic Questions, Information on economic cooperation programs among EEC member states, 17 July 1970, KPR II-b-2-a, AJ; SSST report on technical barriers in International trade, 14 January 1970, Pov. Br. 70/1, File 416, Fond 751, AJ.

⁴⁵ SSST report on proposals by the Chambers of Commerce of Slovenia, the Chamber of Commerce of Croatia and the Chamber of Commerce of Macedonia on fair agreements and border trade with Italy, Austria and Greece, Belgrade, 12 February 1970, br. 02–322, File 416, Fond 751, AJ.

⁴⁶ D. Djermanović (Chamber of Commerce of Croatia – Secretariat of the Council for International Economic Relations) to D. Šoškic (SSST), Zagreb, 23 June 1970, pov. Br. 02–1149/1, File 416, Fond 751, AJ.

⁴⁷ K. Car (Republican Secretariat for Economy – Socialist Republic of Croatia) to SSST, Zagreb, 21 October 1970, Br. Pov-14–136/1–1970, File 416, Fond 751, AJ.

⁴⁸ M. Pečar (Republican Secretariat for Economy – Socialist Republic of Slovenia) to SSST, Ljubljana, 22 October 1970, Pov. 97/1–1970, File 416, Fond 751, AJ.

⁴⁹ Information on the first phase of negotiations between the SFRY and the EEC for the conclusion of a new commercial agreement, Belgrade, 15 May 1973, Pov.br. 117/1/73KPR, III-b-2-a, AJ.

To re-launch economic cooperation in the border zone – which still suffered from the precariousness of the London Memorandum – pressures were exerted on the federal government to accelerate the conclusion of the frontier question. Public declarations by Slovene authorities pointed to the need to favour the definitive recognition of the border division along the lines of the 1954 Memorandum.⁵⁰ Such statements – which were harshly rebutted by Italian authorities who, as already stressed, feared the internal consequences of the formal renunciation of zone B – provoked a major diplomatic crisis in December 1970, when Tito, at the very last moment, suspended his official visit to Rome.⁵¹ This postponement was more a matter of prestige (to respond to Italy's official declarations defining zone B as part of Italian territory) rather than a long-term strategy. The Federal Secretariat for Foreign Affairs (*Savezni Sekretarijat za Inostrane Poslove*, SSIP), led by the Serb Mirko Tepavac, was aware of the political importance of solving the border issue but, unlike Slovene authorities, adopted a more prudent attitude, which Tito also shared. The Yugoslav diplomacy was indeed sensitive to appeals from the Italian political leadership about the social and economic instability in the peninsula, openly evoking the possibility of an electoral rise of rightist parties, which could exploit the Trieste situation as a formidable propaganda tool. For this reason, they accepted postponing any public negotiation on the border question, keeping the dialogue among experts at a secret level. On these grounds, Tito's visit could take place in March 1971.⁵²

Tito's prudent attitude must be contextualised in the delicate political and economic juncture undergone by Yugoslavia in 1971. Since the late 1960s, the federation had experienced economic stagnation, rising inflation, and a deterioration of the balance of trade. Such a critical economic situation was also flanked by the emergence of nationalist trends and the gradual crisis of 'liberal' reforms, which were blamed by the LCY leadership for the collapse of the federal economy. Purges against nationalists in Croatia started in December 1971 and extended to all the republics, to take in a broader spectrum of Party leaders in Slovenia and Serbia, who were accused of liberalism and 'technocratic bureaucracy'.⁵³

However, this conservative blow did not discourage economic pressures from Slovenia and Croatia for enhanced cooperation with Italy. Republican recriminations were voiced through the representatives of the Executive Councils of the two republics. What Slovene and Croat political and economic elites demanded of the federal centre in Belgrade was the possibility of enlarging the scope and provisions of the 1955 Trieste and Gorizia agreements, the expansion of the commercial lists set by the Alpe-Adria scheme, and enhanced industrial cooperation in the border area.⁵⁴ Coordination also intensified among the representatives of the economic secretaries of the federal republics of Slovenia (Marian Dolenc) and Croatia (Ratko Karlović), the Presidents of Assemblies of the municipalities of Tolmin, Nova Gorica, Sežana, Koper, Izola, Piran, Umag, and Novigrad, as well as between the Chambers of Commerce of Slovenia and

⁵⁰Zaccaria, *La strada per Osimo*, 59.

⁵¹Saša Mišić, "Poseta Josip Broz Tita Italij 1971. Godine" [Josip Broz Tito's visit to Italy in 1971] in *Tito – viđenja i tumačenja. Zbornik radova* [Tito – perceptions and interpretations. Collection of works] (Belgrade: Institut za Noviju Istoriju Srbije e Arhiv Jugoslavije, 2011), 508–12.

⁵²Zaccaria, *La strada per Osimo*, 66–9.

⁵³John R. Lampe, *Yugoslavia as History: Twice There Was a Country* (Cambridge: Cambridge University Press, 2000), 299–302; Sabrina P. Ramet, *The Three Yugoslavias: State-Building and Legitimation, 1918–2005* (Washington, DC: Woodrow Wilson Center Press, 2006), 227–63.

⁵⁴Assembly of the Republic of Slovenia – Executive Council – Office for Foreign Affairs, Subject: SFRY-Italy, New text of the Udine Agreement on local border traffic of persons, Ljubljana, 21 January 1972, 90-eve/64, File 687, Fond 751, AJ.

Croatia. The representatives of the latter met in Ljubljana on 17 March 1972. In a joint report sent to the SSST, they stressed the importance of trans-border commerce with Italy, which 'allows for the expansion of economic cooperation between the two countries [Italy and Yugoslavia], the overcoming of EEC obstacles against our exports, [and] a faster economic development of our border area'.⁵⁵ The report also reiterated the need for greater autonomy for the Slovene and Croat republics in managing foreign currency from local commerce and tourism, as well as the importance of improving conditions for trans-border industrial cooperation. This request called for the establishment of some sort of 'industrial area' with a special trade regime which would connect Italian and Yugoslav enterprises in the border regions. This idea was reiterated in the following months. It was the case, for example, for a long report sent by the Consul General in Trieste, the Slovene Boris Trampuž, to the SSST in April 1972.⁵⁶ In his account, the Consul General emphasised the need for new forms of cooperation going well beyond the commercial sphere. In order to accomplish this – the General Consul argued – it was necessary to develop 'technical-industrial cooperation among economic enterprises in the border area'. The European integration question, and in particular the capacity of Yugoslav enterprises to enter the Common Market, also featured prominently in Trampuž's considerations. Similar proposals to the SSST were sent over the following months by the Chamber of Commerce of Rijeka and that of Slovenia.⁵⁷ The latter also called for the improvement of infrastructures, i.e. roads and waterways, to connect the Danube region with the Adriatic through Slovene territory. This project was closely linked to the need to integrate Yugoslavia in Western European transport networks through Italy's Northern regions.⁵⁸ The report prepared by the Chamber of Commerce of Slovenia was soon followed by an official analysis produced by the Republican Secretariat for Economy in Ljubljana, which underlined the importance of Slovene commercial relations with the EEC area (which accounted for 20% of Yugoslavia's overall exports and 26% of imports from the Community) but also stressed the need to solve Slovenia's trade deficit (in 1972, only 47% of Slovene imports were covered by exports) through enhanced industrial cooperation.⁵⁹ Such appeals continued throughout 1972 and into early 1973. They showed the clear-cut economic attraction exerted by Italy – and the Common Market – on Yugoslavia's northern regions, and the wish of Slovene and Croat actors to integrate further in the Common Market area.

However, the relaunch of border cooperation as a key tool of regional economic integration was still affected by the political controversy over the Trieste area, which persisted, as Italian representatives reiterated their unwillingness to close the controversy *de jure* and re-launch border cooperation with long-term perspectives. Correspondence among the SSST, SSIP, and local chambers of commerce and Republican secretaries in Slovenia and Croatia throughout 1972 shows increasing

⁵⁵Socialist Republic of Slovenia – Republican Secretariat for the Economy, Conclusions from the Consultation on Border Trade with Italy, 17 March 1972, Štev.: Pov 6/4–1972, File 687, Fond 751, AJ.

⁵⁶B. Trampuž (Yugoslav General Consulate in Trieste) to D. Šoškić (SSST), Trst, 10 April 1972, Pov. Br. 119/II, File 687, Fond 751, AJ.

⁵⁷B. Nonković (Chamber of commerce of Rijeka) to SSST on conversation with Italy, Rijeka, 17 May 1972, Br. 14-Pov. Br. 9/72-SV/DP, File 687, Fond 751, AJ.

⁵⁸S. Kavčič (Assembly of the Republic of Slovenia – Executive Council) to SSST, Ljubljana, 31 July 1972, File 687, Fond 751, AJ.

⁵⁹Socialist Republic of Slovenia, Republican Secretariat for Economy, Report to the SSST on economic relations with Italy, Ljubljana, 9 June 1972, Štev.: 29/2–1972, File 687, Fond 751, AJ.

frustration for the situation of *impasse*, and the apparent neglect of federal representatives towards republican requests.⁶⁰ This was in fact ‘active’ neglect, which spread from the conviction – nurtured within the Federal Secretariat for the Economy led by the Serb Boško Dimitrijević – that the special regime benefitted by the northern republics was creating clear-cut economic disparities within the federation. In a secret report to the SSST produced in February 1973 by Dimitrijević’s secretariat, it was noted that the 1955 border agreements with Italy had been signed in favour of the local development of Yugoslavia’s northern periphery. However, the Secretariat saw that such a legal and commercial institution was increasingly changing in nature, creating a genuine regional market with solid connections (due to trade facilitations) with the Community area, and enlarging disparities with the rest of the federation.⁶¹ As argued in the report, hard-currency-earning activities in Slovenia and Croatia had created a federal distortion, as 95% of raw materials and semi-finished products processed in the northern regions originated from Yugoslavia’s central and southern republics. Such recrimination must be contextualised within growing republican controversies over the republics’ contributions to the balance of trade, which had definitively deteriorated since the launch of the 1960s reforms (US\$353 million in 1966; US\$660 million in 1969; US\$-1483 million in 1971).⁶²

Within the Federal government, the border issue was therefore set aside, and only treated as a political question related to the diplomatic course of Italian-Yugoslav relations. Increasingly, therefore, two parallel trends were developing around the Trieste issue. On the one hand stood the political-diplomatic channel, which proved to be ineffective due to Rome’s reticence and Belgrade’s prudence. On the other, local actors in Slovenia and Croatia urged a rapid solution to the dispute and the re-launch of the border question as a means of connecting Italy and the Common Market.

It was only after July 1972 that renewed hopes for an evolution of the border issue seemed to emerge, as a new Italian government was established under the leadership of the DC (Democrazia Cristiana) leader Giulio Andreotti. Giuseppe Medici, who had first proposed the establishment of the secret channel to solve the border dispute in 1968, was re-appointed as Foreign Minister. Medici met Yugoslavia’s new foreign minister – and one of Tito’s closest comrades – the Serb Miloš Minić, in Dubrovnik in March 1973. The two ministers decided to set up a ‘second channel’ in case the first, i.e. the political-diplomatic one, failed to achieve its goal.⁶³ The ‘second channel’ was entrusted to two personalities who, as already noted, had closely worked to favour the economic and industrial integration between Yugoslav and Italian firms within the Italian-Yugoslav Mixed Commission for Industrial Cooperation: Boriš Šnuderl and Eugenio Carbone.⁶⁴

⁶⁰B. Trampuž (Yugoslav General Consulate in Trieste) to SSIP, Trst, 22 June 1972, File 687, Fond 751, AJ; Chamber of Commerce of the Socialist Republic of Croatia (Zagreb) to SSST, 30 May 1973, XXIV Pov. Br. 73, File 826, Fond 751, AJ; SSST report on meeting on border trade problems with Italy at the Chamber of Commerce of Slovenia on 13 and 14 November 1973, Pov. Br. 02–2241/1, Belgrade, 15 November 1973, File 826, Fond 751, AJ.

⁶¹N. Filipović (Federal Secretariat for Economy) to M. Hadžić, Belgrade, 21 February 1973, File 776, Fond 751, AJ.

⁶²David A. Dyker, *Yugoslavia: Socialism, Development, and Debt* (London: Routledge, 1990), 94.

⁶³V. Škorjanec, “Jugoslovensko-italijanski odnosi v luči dubrovnika srečanja zunanjih ministrov 1973,” *Zgodovinski časopis* 55, no. 3–4 (2001), 479–87.

⁶⁴*Ibid.*

Osimo 1975, European integration, and Yugoslavia's internal balance

It was not until July 1974 that Šnuderl and Carbone could activate the 'second channel' and move border negotiations from a political-diplomatic to an economic dimension. Between mid-1973 and mid-1974, many factors contributed towards changing the evolution of Italian-Yugoslav relations, overcoming a deadlock which had lingered on since 1968. They were primarily economic in nature, concerning the state of Yugoslavia's trade balance, which had been a constant issue for Yugoslavia's leadership since the launch of the market-oriented reforms. Even after the conclusion of the 'liberal' period, Yugoslavia's course of import-based industrialisation had not changed.⁶⁵ Solutions to the rising trade deficit were sought in new commercial concessions addressed to the EEC. In June 1973, the trade agreement with the Community was renewed and expanded through an 'evolutive' clause which provided for the expansion of economic cooperation in the industrial and agricultural fields.⁶⁶ The move beyond the strictly commercial dimension of the 1970 agreement had been promoted by Šnuderl – who after 1971 had replaced Granfil as the member of SIV in charge of relations with the EEC – and his Slovene comrade Janko Smole (who headed the Federal Secretariat for Finance), leading to an open confrontation between the Slovene representatives and the SIV President, Bosnian Džemal Bijedić. The latter was more inclined to bilateral relations with the EEC member states and feared that closer links with the Community might alter Yugoslavia's non-aligned status.⁶⁷ Such a confrontation on the EEC question would result in Bijedić's insistence to have Šnuderl excluded from the new federal government set up in May 1974.⁶⁸

Šnuderl's attitude within the SIV reflected demands from Slovenia and Croatia about insisting on industrial cooperation with its Western European partners to overcome Yugoslavia's traditional status as an exporter of agricultural and semi-finished products.⁶⁹ The Šnuderl-Bijedić confrontation was also flanked by the preparation of the X Congress of the LCY (May 1974) and the parallel adoption of a new constitution which confirmed the confederal turn of Yugoslavia. The Slovene and Croat challenge to the federal centre closely concerned the territorial question as a means of expanding economic and industrial cooperation in the border area with Italy – a long-term demand of chambers of commerce in the northern republics.⁷⁰

Claims for a rapid solution to the border question were explicitly voiced on 11 January 1974, during a meeting in Belgrade between Minić and leading Slovene and Croat representatives from Republican executive councils and Yugoslavia's diplomatic apparatus. The latter convinced Minić to overcome the traditional diplomatic prudence *vis-à-vis* Rome and accept a *de facto* incorporation of zone B within Yugoslav (i.e. Slovene and Croat)

⁶⁵Susan L. Woodward, *Socialist Unemployment: The Political Economy of Yugoslavia, 1945–1990* (Princeton, NJ: Princeton University Press, 1995), 225.

⁶⁶Zaccaria, *The EEC's Yugoslav Policy in Cold War Europe*, 47–72.

⁶⁷Stenographic notes from the 68th session of SIV, 29 June 1972, File 1302, Fond 130, AJ.

⁶⁸In this regard, see Pismo Borisa Šnuderla Sergeju Kraigherju, Ljubljana, junij 1974 [Letter by Boris Šnuderl to Sergej Kraigher], *VIRI*, no. 23 (Ljubljana, 2006), Doc. 80.

⁶⁹SSST Information on IV meeting of Mixed Commission on Commercial agreement with Italy, 25 January 1973, Pov. Br. 02–201, File 826, Fond 751, AJ.

⁷⁰SSST Report on conversations with C. Parisi, General Inspector of Directorate for Foreign Affairs of the Ministry of Foreign Trade in Trieste, 31 January 1973, Pov. 02–251, File 826, Fond 751, AJ; L. Pfaff (Chamber of Commerce of Croatia) to SSST, Zagreb, 30 March 1973, Pov. 41, File 826, Fond 751, AJ.

territory.⁷¹ After the meeting, the decision was taken to erect road signs reading ‘SFRY-Federal Republic of Slovenia’ at border crossing points with zone A. Italy reacted to the Yugoslav decision through a note protesting against the incorporation of an ‘Italian’ zone B. This declaration spurred a public reaction by Yugoslav authorities and the official press, which internationalised the border question. The latter also became a matter of open confrontation within the framework of the CSCE negotiations in Geneva, with Italian representatives refusing to debate the border issue in this context. Overall, Slovenia’s decision to urge for a definite solution of the territorial dispute had reached its aim. The crisis was rapidly solved in mid-April 1974, leading to the activation of the ‘second channel’ agreed upon in Dubrovnik. The DC leadership was forced to overcome its traditional reticence towards the border question. The new Italian attitude was linked to the evolution of the internal political scenario (in particular the electoral rise of the PCI (Partito Comunista Italiano), which clearly voiced its support for the solution of the border question) and the pressures coming from the United States and its major Western partners.⁷²

The connection between the solution of the border question and Yugoslavia’s stance towards the European integration process underpinned the activation of the ‘second’ channel, encroaching with contemporary governmental debates on Yugoslavia’s relations with its Western European partners.⁷³ Indeed, the diplomatic crisis had taken place in the immediate aftermath of the 1973 oil shock and the ensuing economic recession in Western Europe. To protect their internal markets, the EEC member states had adopted protectionist commercial measures which also included the suspension of the agricultural provisions envisaged by the 1973 agreement between the EEC and Yugoslavia. Italy had been one of the leading proponents of this measure to face its balance of payments problems, and this decision was interpreted by many in the SIV as evidence of Italian ambiguity towards Yugoslavia. Such criticism was intertwined with governmental debates on how to react to the crisis of Yugoslav exports towards the Common Market (the trade balance deficit shifted from US\$1658 million in 1973 to US\$3715 million at the end of 1974). At the same time, the economic crisis of Western Europe meant a reduction in the so-called ‘invisible’ income from workers’ remittances and tourism.⁷⁴ Many in the government voiced scepticism towards Italy’s and the Community’s real intentions towards Yugoslavia, as stressed by the Serb Borisav Jović, head of the Federal Institute for Social Planning, and the Montenegrin Momčilo Čemović, who even claimed that Italy ‘had stabbed Yugoslavia in the back’.⁷⁵ The expansion of economic cooperation with the COMECON area – which by 1974 had become Yugoslavia’s largest export market – was taken into consideration by Bijedić to compensate trade deficits with the West, as commerce with the Soviet bloc area was based on clearing agreements which did not directly depend on convertible currency.⁷⁶ Šnuderl was aware that, faced with Italy’s attitude and the ban on beef exports, the link between Yugoslavia, Italy, and Western European economic integration was at stake. Within the federal government, in which Bijedić’s critical

⁷¹Stenogram Kolegija SS o Italiji 11 January 1974. godine [Stenographic notes from the Foreign Affairs Cabinet Meeting on 11 January 1974], *VIRI*, no. 23 (Ljubljana, 2006), Doc. 58. See also Mišić, “A Difficult Reconciliation,” 249–81.

⁷²Zaccaria, *La strada per Osimo*, 100–3.

⁷³Stenographic notes from the 209th session of SIV, 20 March 1974, File 2041, Fond 130, AJ.

⁷⁴Patrick F. R. Artisien and Stephen Holt, “Yugoslavia and the E.E.C. in the 1970s,” *Journal of Common Market Studies* 18, no. 4 (1980): 355–69, here 360.

⁷⁵Stenographic notes from the 206th session of SIV, 6 March 1974, File 2040, Fond 130, AJ.

⁷⁶Stenographic notes from the 206th session of SIV, 6 March 1974, File 2040, Fond 130, AJ; On Yugoslavia’s relations with COMECON, see Artisien and Holt, “Yugoslavia and the E.E.C.,” 360.

views on the supranational character of the EEC still prevailed, Šnuderl insisted on a low-profile stance: he merely invited his colleagues in the SIV not to over-dramatise events, rebutting the idea of Italy's 'stabbing Yugoslavia in the back'.⁷⁷ This realistic posture was shared by his fellow Slovenes in the SIV (Ivan Franko, Anton Vratuša, and Janko Smole), but also by the Federal Secretary for Foreign Trade, the Croat Emil Ludviger who, in the midst of the diplomatic crisis, had visited his Italian counterpart in Rome and stressed Yugoslav interest in the rapid overcoming of the ban on beef and enhanced bilateral economic cooperation, expressing his personal interest in trans-border cooperation.⁷⁸

Šnuderl was also aware that the solution of the border question needed a behind-the-scenes negotiating tactic which would exclude an open debate within the federal government. He only looked for support from the collective state presidency, in which he could count on the republican representatives of Slovenia (Sergej Krajgher) and Croatia (Jakov Blažević).⁷⁹ Minić, who was conscious of the overall diplomatic importance of relations between Rome and Belgrade, also accepted Šnuderl's role as Yugoslavia's negotiator. Tito was interested in obtaining a diplomatic success through formal acquisition of zone B, and also supported the Slovene initiative. Despite this apparent convergence, the evolution of the negotiations – which took place between July and November 1974 in Strmol, near Ljubljana – reflected a looming divergence between the political side of negotiations advocated by Tito and Minić and the clear-cut local economic interests supported by the republics of Slovenia and Croatia.

The content and pace of negotiations leading to the Osimo Treaties has been the object of detailed study and will not be addressed here in detail: briefly, the two parties recognised the *de jure* division of the FTT, definitively set the state border, and agreed on provisions for minority protection and economic compensation for Italian and Yugoslav citizens respectively leaving zones B and A.⁸⁰ Instead, what must be emphasised here is the importance of provisions related to economic cooperation which were included in a specific protocol as an integral part of the Treaties. This cooperation was based on the project of an industrial free zone in the border region between Italy and Yugoslavia. This plan, which was never implemented due to local opposition in Italy as well as because of the ensuing crisis in the Yugoslav federation, has been traditionally considered as a misconceived Italian project to expand Trieste's economic hinterland.⁸¹ However, this project must be reassessed in light of Yugoslavia's internal dynamics described in this paper. Indeed, the industrial zone had responded to the very appeals made in previous years by Slovene and Croat economic actors regarding improved industrial cooperation: the provisions set by the Osimo agreements envisaged that industrial products originating from this area – where Italian and Yugoslav firms could cooperate without customs restrictions – could enter the Common Market as if they were Italian

⁷⁷Ibid.

⁷⁸Stenographic notes from the 209th session of SIV, 20 March 1974, File 2041, Fond 130, AJ; SSST, Information on conversations with Italian Minister for Foreign Trade in Rome (27–28 February 1974), Pov. Br. 01/01–864/1, File 978, Fond 751, AJ.

⁷⁹Stenografske Beleške sa XVIII sednice Predsedništva Socijalističke Federativne Republike Jugoslavije, održane 23. XII.1974 godine na Brionima [Stenographic notes from the XVIII meeting of the Presidency of the Federal Republic of Yugoslavia on 23 December 1974 in Brioni], VIRI, no. 24 (Ljubljana, 2007), Doc. 32.

⁸⁰Bucarelli, "La politica estera italiana," 51–4; M. Udina, *Gli accordi di Osimo. Lineamenti introduttivi e testi annotati* (LINT, Trieste 1979).

⁸¹Roberto Gaja, *L'Italia nel mondo bipolare. Per una storia della politica estera italiana (1943–1991)* (Bologna: il Mulino, 1995), 217–18; Giampaolo Valdevit, *Trieste. Storia di una periferia insicura* (Milan: Bruno Mondadori, 2004), 119.

goods.⁸² For the very first time, an industrial free zone was established between an EEC member state and a third country.⁸³ The rationale for this decision, approved by the European Commission as an extension to the special trade regimes established in the Trieste area in 1955, was linked to the highly unstable contemporary scenario in Southern Europe (especially in Greece, Portugal, and Spain) and by the need for Italy and its Western partners to re-launch political relations with Belgrade. The development of cooperation in the border zone was to be an Italian (and Community) sign of support for the stability of the Yugoslav federation.⁸⁴ This is also how the Osimo treaties were publicly presented by Italian authorities, who justified the renunciation of zone B as a necessary step towards a new phase of cooperation and détente within the new international climate of the CSCE.⁸⁵ A similar attitude characterised Yugoslavia's Foreign Ministry, which also described the agreements as a clear-cut success for Yugoslavia's international course.⁸⁶

And yet, as shown in this work, this was indeed a controversial – or rather ‘Pyrrhic’ – victory for Belgrade. That Osimo 1975 was a diplomatic success – when considering Yugoslavia's traditional attempts at having its sovereignty over zone B recognised – goes beyond any reasonable doubt. But was the political-economic rationale underpinning the Osimo agreements a genuine expression of federal interests? Or were these agreements a peculiar success of the northern republics, as the president of the Socialist Republic of Croatia, Jakov Blažević, argued in December 1974 during a debate on Italian-Yugoslav relations within the collective state presidency?⁸⁷ This paper suggests that the role of Yugoslavia's internal dynamics in producing these agreements must not be underrated. Coordinated pressures from the northern republics, advocating further economic integration with Italy's industrialised north as a privileged access point to the Common Market, had indeed unveiled the rise of clear-cut sectoral foreign policy interests within the federation and diverging views towards the question of European integration.

Conclusions

This article has reviewed the international dimension of the Treaties of Osimo signed by Italy and Yugoslavia in November 1975, showing their link with the process of Western European economic integration. Such a link originated in the post-1965 liberal-oriented reforms, when Italy emerged as Yugoslavia's leading sponsor for a trade agreement with the EEC. The opening of secret negotiations on the border problem with Italy, which the 1954 London Memorandum had left unsolved, as well as the negotiations on the first agreement with the Community, were part of the same strategy to enhance political relations between Rome and Belgrade. However, the

⁸²Eugenio Carbone was aware of such an economic-political rationale, and in December 1974 informed Aldo Moro, then Italy's prime minister, about the link between Osimo and European integration. In this regard, see Bucarelli, “La politica estera italiana,” 52, footnote 77.

⁸³Communication de la Commission au Conseil concernant l'agrandissement de la zone franche de Trieste, Bruxelles, 31 October 1975, Secret, EN 1106, Historical Archives of the European Union, Florence.

⁸⁴Zaccaria, *The EEC's Yugoslav Policy*, 99–128.

⁸⁵Monzali, *Gli italiani di Dalmazia*, 627–9; Bucarelli, “La politica estera italiana,” 51–4.

⁸⁶Information on meeting between Minić and Rumor in Ancona, Belgrade, 10 November 1975, Kpr, I-5-b/44–18, AJ.

⁸⁷Stenografske Beleške sa XVIII sednice Predsedništva Socijalističke Federativne Republike Jugoslavije, održane 23. XII.1974 godine na Brionima [Stenographic notes from the XVIII meeting of the Presidency of the Federal Republic of Yugoslavia on 23 December 1974 in Brioni], *VIRI*, no. 24 (Ljubljana, 2007), Doc. 32.

question of European integration also raised regional interests, with economic elites in Slovenia and Croatia realising the economic advantages stemming from their proximity to the EEC. Increasingly, republican political authorities and chambers of commerce asked for privileged access to the Community market through the border with Italy. These requests were particularly spurred by the processes of enlargement, deepening, and completion of the Common Market in the late 1960s. The end of the 'liberal' reforms in the early 1970s did not reduce the pressures coming from Yugoslavia's northern republics which, conversely, advocated the solution of the border question with Italy as a republican priority. The goal was the expansion of industrial cooperation in the border zone as a means to further integration with the Italian economy. The adoption of the 1974 confederal reform and the simultaneous economic recession in Western Europe in the aftermath of the 1973 oil shock brought such a rationale to the forefront. The solution of the border question in 1975 showed the link with the process of European integration, with the establishment of a free trade industrial area which responded to the very demands which had emerged at the republic level in previous years. However, this link also revealed internal divisions at the federal level. While the federal centre – *in primis* Tito and Minić – was interested in closing the border dispute for political and diplomatic reasons, Zagreb and Ljubljana pursued republic-level goals, which responded to the economic interest of local actors, rather than to a coherent strategy carried out at a federal level. The final goals coincided, but the motivations were different. As shown in this paper, divisions concerned the local advantages required by Slovene and Croat authorities in terms of commerce and economic cooperation arrangements with Italian firms. The success of such requests was later to be sanctioned by the 1974 constitutional reform, which entrusted the federal republics with direct competences in the field of foreign trade.

From a historical perspective, the Osimo agreements could therefore be interpreted as the very first sign of republican success *vis-à-vis* the federal centre. The evolution of Yugoslavia's relations with its Western partners in later years speaks volumes for the long-term consequences of the confederal turn and the lack of a federal centre regulating import and credit policies. After the first oil shock and Western European economic recession in 1974, Yugoslavia gradually entered a spiral of foreign indebtedness to pay for its structural industrial imports from the West – each republic pursuing sectoral economic interests – which were to affect the federation in the late 1970s and, to a greater extent, after the second oil crisis in 1979 until the debt-service crisis in 1982.⁸⁸ I do not suggest here that the Osimo agreements were directly responsible for such dynamics. However, if we want to make sense of the rise of contrasting views within the federation about international economic affairs during the 1970s, it is from the dynamics emerging during the preparation of the Treaties of Osimo, as well as from the economic attraction exerted by the EEC on its periphery, that we must start.

⁸⁸Marie-Janine Calic, "The Beginning of the End – The 1970s as a Historical Turning Point in Yugoslavia," in *The Crisis of Socialist Modernity. The Soviet Union and Yugoslavia in the 1970s*, ed. Marie-Janine Calic, Dietmar Nautatz and Julia Obertreis (Göttingen: Vandenhoeck & Ruprecht, 2011), 66–86; Dyker, *Yugoslavia: Socialism, Development, and Debt*, 114–27.

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