An Unstable Decade: The European Economic Community and Yugoslavia 1968-1979

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1. Introduction

This article elaborates on a decade-long dynamic following the establishment of diplomatic relations between the European Economic Community (EEC) and the Socialist Federal Republic of Yugoslavia (SFRY) in 1968. Contrary to the enthusiasm characterizing both signatories at this particular moment, formal relations did not manage to bring them significantly closer: both the EEC and the SFRY continued with their parallel lives where any solid interaction based on non-beneficial connection lagged behind.¹ The previous roles, in which the Community acted as the benefactor and Yugoslavia as the beneficiary, continued – a scenario to be reconsidered only towards the end of the 1970s, when the Community labeled the Yugoslav problems as political in their nature and agreed that political cooperation was a fundamental tool for generating stable economic relations, thus diverting its attention from economics to politics. Accordingly, the interest of the article lies within a triangle configured by economic, political, and social segments, altogether largely overlooked in the literature about socialist Yugoslavia.

2. Post-1968 Developments

The Socialist Federal Republic of Yugoslavia was the first East European country to accredit an ambassador to the European Community. Once in, Yugoslavia and its leadership, although given an opportunity to get closer and take a pro-

active part in the development of the Community, did not seem to abandon their eastward direction. In her analysis, Ann Lane summarized this tendency: "Eastward looking politically, but westward looking economically, Yugoslavia seemed to outside observers to be poised to capitalize on its rising international status among the non-aligned."² Thus, being concerned about Yugoslavia's safety after the Soviet invasion of Czechoslovakia in 1968, the Yugoslav authorities tried to secure economic assistance from the EEC. In fact, the Community claimed to be ready to aid Yugoslavia economically and thus support the only buffer state, but what it ignored was Yugoslavia's economic mismanagement and its consequences such as inflation, unemployment and social discontent, which put together inflamed nationalism and a political crisis the Community could never have been able to mitigate.

Patrick Artisien and Stephen Holt examined the establishment of diplomatic relations between Brussels and Belgrade and noted various reasons why such association might have been important as well as problematic. Their first argument concentrates on the Community's appreciation for Yugoslavia, inspired by its active membership within the non-aligned movement. It played a significant role in "the creation of a new international economic order which would meet the needs of less developed nations," thus showing consideration for underperforming countries.³ To complement this perception, their second argument is about the geopolitical importance Yugoslavia held during the Cold War:

"Her geographical position – at the intersection of the markets of the Community and Communist countries – and her political ambivalence – embodied in a delicate balancing act aimed at reconciling ideological principles with conflicting economic exigencies – are constant reminders to the Belgrade politicians of the uneasy balance of power between the Western and Eastern blocs."⁴

Finally, the authors discuss Yugoslavia's concern with regard to the Community's further enlargement, then scheduled for the 1980s. With particular emphasis on the accession of Greece, the Yugoslavs feared that the Community was going to introduce additional restrictions on their exports and therefore "as a 'spokesman' for the Mediterranean counties, Yugoslavia wants a long-term assurance from Brussels that the traditional trading relations between the Member States of the

Common Market and the Mediterranean nations will not suffer from the Community's enlargement."⁵

While the first two arguments talked about ambition and potential, the last argument indicated a factual situation, and the existence of concern within Yugoslavia about its prospective treatment by the Community. The Yugoslav statement, or demand, is of crucial importance for the understanding of later developments. In addition, there were some other issues worthy of consideration. In his study, Ross Johnson draws attention to a general deterioration in relations between Belgrade and the West, and accordingly offers three reasons as to why Yugoslavia's relations with the Community worsened soon after the establishment of the official relations between them: first, an incursion of Croat émigré terrorists into Yugoslavia from Austria in mid-1972 reinforced Yugoslav fears about the threat to the country from émigrés in the West; second, driven by the international events in 1973 in Chile and the Middle East, some Yugoslav leaders opposed Western revolutionary forces; and finally, Yugoslavia's connection with non-aligned countries was re-emphasized.⁶

Aware of the above-mentioned issues, the European Economic Community did not abandon Yugoslavia. Indeed, from an economic aspect, the new decade offered a positive sign: a new trade agreement signed in February 1970 between them was aimed at providing the Yugoslav federation with new trade benefits and further political cooperation with the Community.⁷ While accentuating the Yugoslav government's favorable position to develop external economic relations, in particular with the Community, Toma Granfil, a member of the Yugoslav Federal Executive Council, advocated the importance of "a long-term integration within the international economy while maintaining a non-aligned status."⁸ Moreover, the Yugoslav delegation insisted that advantages deriving from bilateral agreements signed with the Member States of the EEC could not be compromised by agreements signed with the Community only.⁹

Official documents show that after the Joint Committee (established by the 1970 Commercial Agreement) met in Belgrade and "noted that there had been a substantial expansion of trade between the Community and Yugoslavia," the Commission "endeavored to reinforce economic cooperation with Yugoslavia" – a positive trend confirmed by another decision to help the Yugoslav state even more, this time by the application of the generalized preferences system.¹⁰ Although this might have seemed extremely positive, the Community, how-

ever, maintained some very strict reservations: for example, the third chapter regulating the commercial agreement between the two parties stipulated that “whenever it proves that the European Market is or will be threatened by greater import deriving from Yugoslavia ... the Community can immediately suspend its facilitating measures.”¹¹ Because of this stipulation, Yugoslavia was not in a position to imagine its future relations with the Community. Indeed, on two occasions, the Yugoslav leadership reconfirmed the importance of looking towards the East: first, the East was acknowledged to be the most important trading partner,¹² and second, cooperation with the East never implied uncertainty and eventual restrictions like those faced with the EEC.¹³ Understandably, any state without a clear perspective is prone to self-undoing, and lack of sufficient involvement can very often lead to negative results. This was confirmed by the report of the Economic Research Institute, which perceived certain distortions being lessened, while noting that investment expenditure decreased and the growing industrial production showed stagnation in favor of agricultural production.¹⁴

The documents in relation to the period examined lead to the following conclusion: the Community approached Yugoslavia in a rather particular way as it played the roles of both lawyer and judge. The federation was encouraged to “specify the problems it would like to see discussed in future negotiations and indicate the possible guidelines of commercial and economic cooperation with the ECC.”¹⁵ So far, the SFRY had signed six cooperation agreements while at the same time taking part in the administrative committees set under them.¹⁶ Later, a new non-preferential trade agreement on cotton products signed in June 1973 and valid for five years was “intended to consolidate and extend the economic and trade relations between the two parties with due regard for their respective development, and to promote the development of mutually advantageous economic cooperation.”¹⁷ In its communication to the Council, the Commission pointed out that during its ‘highly confidential’ negotiations of the agreement with Yugoslavia, “the Yugoslav delegation drew the Community’s attention to the fact that its content could jeopardize the ratification of the agreement by the Yugoslav Government.”¹⁸ In addition, its second letter stipulated:

“If any difficulties should arise which could not be solved with reasonable speed to the mutual satisfaction of the parties concerned, and if the serious

nature of the problem should be established during the consultations ... the importing country would have the facility of regulating the imports of the products in question, provided always that this is an exceptional arrangement and strictly limited to temporary remedial measures.”¹⁹

Apart from stipulating that “the two parties will grant each other most-preferred-nation treatment and maximum liberalization for their imports and exports,” this agreement provided a mechanism to examine the situation with regard to Yugoslav guest-workers in the Community.²⁰ The examination of labor working in the Community was necessary in order to see the influx of immigrants and whether any kind of restrictions would need to be imposed in the future.

It proves difficult to say what the objective of the Community’s concern in regard to Yugoslavia might have been. No matter what, Yugoslavia represented a project the Community seemed to support. Here, valid evidence is the financial assistance the Member States attributed to it: Yugoslavia was the second biggest beneficiary, after the Soviet Union, and receiving more than Poland, Czechoslovakia and Hungary together.²¹

Another innovation characterizing this period consisted of the Community’s decision to open an additional reference library in Yugoslavia. For such purposes, the Press and Information officers of the Member States’ diplomatic missions in Yugoslavia decided that the International Library of the Institute for Politics and Economics in Belgrade, previously selected as the reference library, was no longer sufficient. The information officers assessed: “In a federal country like Yugoslavia a single reference library would not be adequate and therefore recommend that reference facilities should also be made available in a library in Zagreb, which, in size of population, is the country’s second largest city and as important economically as Belgrade.”²² Although justified, this was not a regular Community practice, and this decision can be interpreted as rather unusual. Apart from the capital, the reason to give another Yugoslav city, and accordingly republic, priority over the others was twofold: first, to establish direct communication between Brussels and Zagreb, thus avoiding the federal capital when necessary; and, second, to secure further connections with the two most pro-Western Yugoslav republics (Slovenia and Croatia) in case Belgrade decided to create closer links with Moscow.

In 1974 Yugoslavia got a new constitution, and Europe was hit by an unex-

pected energy crisis that considerably affected the Community's trade deficit. Although the *General Report* confirmed the EEC's positive engagement in other fields, especially in regard to its external policy – “both in its bilateral aspects and in the context of the multilateral negotiations in which the Community continued to play an important part,”²³ in regard to the Yugoslav federation, there were two concerns that undermined the relations between the two: first, safeguard measures implemented by the Community affected Yugoslav beef and veal exports,²⁴ major Yugoslav export commodities; and second, the EEC opened talks with the Yugoslav authorities about the problem of Yugoslav citizens employed in the Community.²⁵ In regard to the first matter, Artisien and Holt criticize the Community's embargo as “directly responsible for Yugoslavia's endemic trade deficit” which resulted in an application, submitted to the Commission, to enjoy the same special treatment as some other Mediterranean countries such as Cyprus and Morocco.²⁶ However, the authors note that the EEC restrictions had their supporters as well, for whom Yugoslavia's trading behavior “betrays her old habits of thinking in terms of centrally planned bilateral trading.”²⁷

The second concern regarded the presence of the Yugoslavs in the Community as the Common Market countries were “the principal recipients of the Yugoslav migrant labor force ... and the chief source of workers' remittances, private transfers and foreign tourism ... [all together creating] the largest source of Yugoslavia's invisible earnings.”²⁸ However, the large-scale return of Yugoslavs working abroad, which was expected to occur due to the outcome of the oil crisis in Western Europe, did not happen. As a result, while the introduction of restrictive measures on additional foreign labor by Western countries tried to close “an important outlet for Yugoslav labor,” the growing influx of Yugoslav guest-workers continued due to the growing unemployment rate in the federation. This was a consequence of the 1965 Reforms launched during the previous decade.²⁹ As Artisien and Holt put it:

“The social status of Yugoslav workers temporarily employed in the EEC ranks high on the Yugoslav agenda. The growing trend of returning migrant labor prompted the Yugoslav authorities during the recent negotiations to press for a clause in the agreement which would abolish discrimination by the host country in its employment and social security policies towards for-

eign labor. However, it would be unfair both to Brussels and Belgrade not to balance the difficulties of the negotiations against the jointly-held belief that further cooperation is desirable.”³⁰

Although stressing the above-mentioned concerns, at the time the Community policy towards Yugoslavia seemed encouraging as well: it supported its transport services, it recognized the importance of the Yugoslav state being “a non-aligned country lying at the crossroads between the industrialized and the developing countries,” and it showed a will to strengthen and extend the cooperation established by the new non-preferential agreement.³¹

3. New Dynamics and Additional Concerns

The year 1975 was a crucial year to demonstrate that the relations between the European Economic Community and the Yugoslav federation were not stable and how their future cooperation was going to be highly questionable. First, Yugoslavia was heading towards the end of the Tito era. According to Johnson, the SFRY was “in a state of political flux;” in his view, “internationally Yugoslavia maintains reasonably good relations with all the major Western and communist states ... yet perceives potential and implicit threats from various quarters ... Casting a shadow over everything is Tito’s 82nd birthday and the certainty that – whatever the future – Yugoslavia without Tito will be a new international quantity.”³²

Second, there was a noticeable switch of attention by both parties: once the political situation became more acute, the influence of economic cooperation became more obvious. In their attempt to link politics and economics, Artisien and Holt concluded:

“It is clearly in the political interests of the EEC to arrest the trend of Yugoslavia’s growing trading dependence on COMECON countries. Yugoslavia herself does not want to be dependent on either bloc, particularly in a world without Tito. Indeed it is on the economic rather than the military front that Yugoslavia may feel more threatened by the Soviet Union. The military repercussions of a Soviet intervention have been made crystal clear by the Yugoslavs themselves from the moment when Tito’s illness began. Besides this,

Yugoslavia does not have a Treaty of Friendship with the Soviet Union.”³³

Finally, the *Memorandum* of the Yugoslav Mission to the European Communities acknowledged: “The prevailing condition characterizing commercial and other economic relations between Yugoslavia and the Community’s Member States preoccupies the Yugoslav government more and more, and has a tendency of gaining a bigger political dimension.”³⁴ While mostly aimed at criticizing the Community’s policy towards the federation as discriminating, this seven-page long document also asked the Member States to define their policies *vis-à-vis* the Yugoslav federation. It stipulated that any further cooperation, while aimed at mutual benefits, was expected to be complemented by an appropriate political approach deriving both from the Community and its Member States. Moreover, the memorandum was repercussive in that “if a non-aligned and a developing country at the same time were exposed to certain economic difficulties and limitations, such treatment would inevitably influence the Yugoslav foreign policy.”³⁵

The existing concern was justified for two reasons. First, Yugoslavia was aware of the significance of its stable and long-term relations both with the Community and its Member States, and thus it believed that any economic disturbance might seriously affect them. Second, while showing domestic self-consciousness in regard to the state’s possibilities and objectives, the memorandum was an open attack of the Community’s policy towards the Yugoslav federation. Still, what was surprising is the EEC’s unwillingness to mention and comment on the memorandum openly in its 1975 annual report and give its clear standpoint in regard to its content, instead of just noting the following: “Contacts between Yugoslav and Community officials developed during the year.”³⁶

Indeed, official visits between Brussels and Belgrade proliferated, followed by continuous dialogues at the meetings of the ECC-Yugoslavia Joint Committee, confirming the existence of mutual interest and shared goals. For example, Džemal Bijedić, President of the Federal Executive Council of Yugoslavia, visited Brussels and exchanged views with Community officials,³⁷ while representatives of the subcommittees on agriculture and industry travelled to Belgrade.³⁸ In the Council’s view, both parties expressed readiness to reinforce cooperation via “joint ventures” while identifying “interdependence and compatibility” to be a prerequisite for mutual progress.³⁹ Moreover, once the new

areas of cooperation included the financial sector, the Yugoslav leadership understood this to be an EEC offer and demanded loans. This was an important point regarding the relations between the two: as soon as the Belgrade authorities had realized that their expression of interest in ever stronger links with the EEC was actually going to generate financial support, they were ready to modify their reluctance towards the Community. Alongside these developments, the Community's *General Report* summarized that "the Council agreed that the guarantees for the loans to be granted to Yugoslavia by the European Investment Bank as a result of a decision taken in January should be covered by the Community budget."⁴⁰

Whether or not the Community's decision to assist the Yugoslav federation was clever was certainly not easy to say at this point. In general, when a country is affected by economic disturbances, solutions to economic problems do not neglect the political factor. In this scenario, cooperation which is basically economic turns into a political plan. Accordingly, in April 1977 both the Commission and the Council, on the one side, and the Yugoslav government on the other, "confirmed their basic political resolve to extend and strengthen the present links between the Community and Yugoslavia."⁴¹ Apart from this, other documents demonstrate the Community's enthusiasm for closer cooperation with Yugoslavia in different fields, including transport, environment, social and financial affairs – fields "outside the context of traditional trade in industrial and agricultural products."⁴² What became noticeable was the perception of the other side: on the one hand there was the Community considering expanded cooperation with Yugoslavia, but on the other there was the Yugoslav delegation expressing its government's concern about the trend in trade towards a trade deficit.⁴³ However, busy with its domestic problems, "the Community's negotiating directives did not make it possible to translate into practical terms the political will expressed in the Belgrade Joint Declaration to strengthen economic and trade ties between the two partners."⁴⁴ In their analysis, Artisien and Holt point out that the Commission's attempt to advocate a broader agreement

"was not well received in Belgrade, where it was felt that the preferential and non-reciprocal nature of the plan contravened Yugoslav interests in at least two respects: Yugoslavia's close association with the non-aligned movement barred her from entering into preferential agreements with Western

European nations; furthermore, the lack of reciprocity was declared incompatible with the 1976 Belgrade Joint Declaration, which expressed a determination to diversify mutual economic, financial and social cooperation.”⁴⁵

Thereafter, in consequence, the Community measures included facilitated access of Yugoslav products to the Community market based on “the abolition of customs duties and quantitative restrictions for industrial products, specific concessions in the agricultural sector and a financial protocol to correspond in amount and degree of liberalization to the criteria adopted in this field for the other Mediterranean countries.”⁴⁶ Again here, political aspects of cooperation were given attention when they became a necessary means to tackle trade distortions. In this respect, the European Parliament called on the Commission to “state what measures it proposes to correct the imbalance in trade between the EEC and Yugoslavia.”⁴⁷

By the end of the 1970s some strong debates about the Yugoslav federation had become a frequent feature within the European Parliament. Most of the parliamentarians expressed appreciation for Slovenian and Croatian economic advancement which had nothing in common with less developed areas of the Yugoslav federation – an argument that had already been made by the two republics themselves.⁴⁸ For example, while claiming Slovenia to be “the most prosperous among the six constituting republics of the federation,” for Enzo Bettiza, an Italian politician and member of the European Parliament, it was an area that might have become an “experimental zone of great interest for the Community” to test its new technical norms, possibly applicable across other Yugoslav regions later on. In his terms: “It is exactly between Trieste, Gorizia, Rijeka and Ljubljana where the Community might want to experiment with its new technical achievements, expected to be extended to other areas, in the future.”⁴⁹ This association, including Italy, Croatia and Slovenia, represented an excellent basis for cooperation between the Community and Yugoslavia: a place to experiment and improve institutional functioning connecting both sides, and thus allow Yugoslavia to maintain its international reputation.

4. Missing approach in the late 1970s

The European Community needed to define what kind of relationship it sought

to establish with Yugoslavia, a country with a strategically significant position for the Community itself. Alongside this perception, Enzo Bettiza warned his fellow colleagues: "If it does not want to become a thorn in the side of Europe, the Community, while prudent, must open its doors to non-member European states."⁵⁰ Furthermore, in his statement, Bettiza opposed the relations with the Yugoslav state being based only on financial aid. Instead, he urgently advocated a complementing political approach in order to facilitate Yugoslav problem-solving. For him, financial assistance, while being an "excellent means," yet if it was not accommodated within a political framework, it would not necessarily lead to problem-solving, but rather to the opposite. Thus financial help excluding a political component could easily turn into a "failure for both parties."⁵¹ Such a standpoint was an open invitation for the Community to reconsider its policy towards the Yugoslav federation due to the presence of new circumstances characterizing their relationship.

Once the Yugoslav federation entered a phase in which a new set of difficult economic conditions was accompanied by equally difficult political decisions, the Community intervened even more. According to Mario Zagari, another MEP, while understanding the Yugoslav problem as political in its nature, and political cooperation to be a fundamental tool for generating stable economic relations and vice-versa, the Yugoslav problem was "an important test for the Community itself."⁵² This is why the relations between the Community and Yugoslavia deserve to be analyzed from every relevant perspective – economic, political and social – as this analysis clarifies the overall argument about the existence of a rather problematic relationship between the two.

Accordingly, numerous meetings, powerful statements and disputable promises served to bring together the authorities of both parties in order to test how ready to cooperate they really were. Often by mistake, financial assistance was understood as the only prerequisite for Yugoslavia's successful recovery no matter in which field, and, therefore, the Community agreed to continue to support its Mediterranean partner. This being the case, the relations between the two did not significantly improve. Growing concerns surrounding the political situation in Yugoslavia, and the presence of Yugoslav guest-workers who, contrary to the initial arrangements, decided to remain in the Community, contributed to the overall uncertainty.

The Yugoslav authorities ignored their own mismanagement. In fact, they

were determined to secure even greater assistance from the European Community, thinking that external support would be enough to solve domestic problems. If analyzed from the present perspective, the Community's perception of the Yugoslav state remained confusing: notwithstanding the generally adopted standpoint that the only long-term solution at the time could have been to place Yugoslavia among its prospective members, Greece, Spain and Portugal, the Community never considered this option seriously. One may find different reasons for this European approach. For example, in his study, Bogdan Denitch completely ignored the Community's perception and approach towards the Yugoslav federation and concluded that if Tito had developed strong links with the EEC, that "would have permitted Yugoslavia to get into the European Community at the same time as Spain, Portugal and Greece did."⁵³ Apart from the fact that these three countries did not join the Community at the same time (Spain and Portugal in 1986, Greece in 1981), Denitch's one-sided perspective should be approached cautiously, for various reasons.

First, the Community perceived itself as a club reserved for the rich. This can be seen in one of the sessions of the European Parliament in 1977 when Viscount de Clercq, one of its Members, criticized this self-perception as unnecessary, and instead, called on the Community to take political responsibilities when confronting the Yugoslav problem, because "[t]he final objective of the European Community is political in nature."⁵⁴ This meant that the Community was there to encourage democratic societies, whilst knowing that young democracies can easily turn into dictatorships if not dealt with properly. Second, although stressing Yugoslavia's strategic importance, primarily for trade, the Community still feared that the Belgrade leadership might opt for even greater cooperation with the Eastern bloc, thus ignoring the Community and their growing deficit of payments towards it. According to the European commissioner Lionello Levi Sandri, the reason for the deficit was mostly due to the existing disequilibrium between the two economies: in contrast to the Community, the Yugoslav economy was a developing one.⁵⁵ Third, Yugoslav politics of non-alignment represented a certain conundrum for the Community. What being non-aligned meant for Yugoslavia was a topic, in Sandri's terms "to be left to historians to discuss," but, inside the Community, the politics of non-alignment was understood as both prestigious among the Third World countries, and necessary for European equilibrium and maintaining peace.⁵⁶ In the end, the

Community had every single reason to be suspicious about Yugoslavia's future orientation. Due to its internal structure and diversity, it was not clear whether Belgrade was going to direct its path towards the Community, thus pro-Western, or towards the Eastern bloc, usually meaning anti-Western. Indeed, as Johnson summarized in his account: "It has become fashionable in the West to be pessimistic about Yugoslavia's future after Tito – not entirely without cause."⁵⁷

No matter what, financial assistance dominated the relations between the Community and Yugoslavia. Negotiations about further financial co-operation, as Community officials preferred to call it, implied endless communication. For example, one letter read: "Please note that on account of the political importance which it attaches to strengthening co-operation with Yugoslavia, the Council agreed that, under a Financial Protocol of five years' duration, Yugoslavia should have access to European Investment Bank loans to carry out investment projects to be financed in the common interest."⁵⁸ This letter turned into breaking news for the Yugoslavs as the agreement was an opportunity to postpone necessary reforms at home. Still, from the very start, there were various problems accompanying the EEC-SFRY Co-operation Agreement.

First, the agreement was delayed. The Council explained that the delay in concluding the Agreement was due to the new negotiating Directives,⁵⁹ but confirmed "that for political reasons, the Council agreed that ... Yugoslavia should have access to European Investment Bank loans."⁶⁰ More importantly, the agreement did not satisfy both sides. The Community decided to modify some clauses in order to protect its market properly. Once presented to the Yugoslavs, the EEC offer was criticized as insufficient, and this was the moment when a certain tension between the two parties was accentuated. As a result, the text of the agreement required further modifications until "both Delegations stated their positions and views and the Yugoslav Delegation officially confirmed its acceptance of the overall approach proposed by the Community to the agreement."⁶¹

Unexpectedly, the agreement was delayed again: this was an additional aspect contributing to the already existing tension between the Community and the Yugoslav federation. Justification for the second delay came from EEC officials, who maintained that after the recovery program the Community had adopted in 1973 due to the oil crisis, which was about to expire in 1978,⁶² starting a new financial agreement aimed at supporting Yugoslavia and its worsening economic situation represented an unnecessary cost. Moreover, the Community

was dedicated to its forthcoming enlargement, when Greece was to become a new Member State.⁶³ Finally, in May 1979, the Board of Governors of the European Investment Bank announced its decision to fund operations in Yugoslavia from its own resources. Although this seemed rather positive news, the board underlined that the loan was going to be granted “on the assumption that Member States will give the Bank the opportunity to approach their capital markets in order to raise the necessary funds.”⁶⁴ By saying this, the Community considered it necessary to assure its Member States that support to Yugoslavia would not affect them negatively. The intergovernmental approach to the Yugoslav federation was not a new phenomenon: this approach had already dominated some of the discussions in the past and, in fact, it continued to condition the decisions to be made between the Community and non-EEC states.

5. Conclusion

This paper points out that the establishment of official relations between the European Economic Community and the Yugoslav federation in 1968 did not significantly improve the existing relations between them. An insight into numerous primary sources shows that some previously ignored issues re-emerged and put further cooperation in question. Here, for the first time it was possible to make a clear distinction between economic, political and social elements in regard to the formal EEC-SFRY relationship. Accordingly, this paper offers three conclusions. First, the economic aspect was the most important connection between the two. The Community decided to support, sign new agreements and, when necessary, impose restrictions upon its relationship with Yugoslavia – something that Yugoslav authorities examined, signed or detested respectively. Very often, signing a new agreement implied new problems. Second, the political aspect was properly acknowledged. Towards the end of the 1970s, political dialogue became a prerequisite for the long-term success of the EEC-SFRY relationship. As noted by the Community, “without an independent and stable Yugoslavia, the hope for cooperation and security in Europe would just be an illusion.”⁶⁵ Finally, the social aspect required attention. The presence of the Yugoslav guest-workers across the Community represented a problem both for the host countries and for Yugoslavia which lacked adequate strategies in case of their return. However, strict classification of various aspects and pro-

lification of correspondence did not offer any clear idea about the future and whether the following decade was going to bring a positive change.

Notes

1. On the period before 1968, see Branislav Radeljić, "Questionable Relationship: European Economic Community and Yugoslavia until 1968," *Currents of History*, Issue 2010/1, pp. 112-127.
2. Lane, A., *Yugoslavia: When Ideals Collide*, (London: Palgrave Macmillan, 2003), p. 128.
3. Artisien, P.F.R., Holt, S., "Yugoslavia and the E.E.C. in the 1970s," *Journal of Common Market Studies*, Vol. 18, No. 4, 1980, p. 357.
4. Ibid.
5. Ibid.
6. Johnson, R.A., "Yugoslavia: In the Twilight of Tito," *The Washington Papers*, Vol. 2, 1974, p. 41.
7. Archives of the European Union, European Commission, COM (70) 177 final, Brussels, 24 February 1970.
8. Ibid. In addition, the Yugoslav leadership expressed its concern with regard to the increasing deficit characterizing trade exchange with the Community as well as demanding the same treatment as other OECD members.
9. Ibid.
10. Archives of the European Union, European Commission, *Fifth General Report on the Activities of the Communities in 1971*, p. 313.
11. Archives of the European Union, Council, "Accordo commerciale tra la C.E.E. e la Iugoslavia – Dichiarazioni da iscrivere al processo verbale del Consiglio," 3 March 1970.
12. Archives of Yugoslavia, Sednica komisije SIV za koordinaciju saradnje izmedju SFRJ i SEV, 7 February 1972.
13. Sednica komisije SIV za koordinaciju saradnje izmedju SFRJ i SEV, 5 May 1972.
14. Archives of the European Union, Council, "Rapports des conseillers commerciaux des pays de la CEE en Yougoslavie," CM 2/1972, No. 1576.
15. Archives of the European Union, European Commission, *Sixth General Report on the Activities of the Communities in 1973*, p. 265.
16. European Community's *Journal officiel*, No. C 39, 24 April 1971.
17. Archives of the European Union, European Commission, *Seventh General Report on the Activities of the European Communities in 1973*, p. 411.
18. It was stipulated: "Where one of the Member States is concerned, the safeguard clause contained in the Community/Yugoslavia trade agreement may be invoked even before the ceilings of voluntary restraint laid down in the agreement on cotton products have been attained." See Archives of the European Union, "Letter from the Commission of the European Communities to H.E. Mr Van Elkslande, President of the Council of the European Communities," Brussels, 2 April 1973.
19. Ibid.

20. Archives of the European Union, European Commission, *Seventh General Report ...*, op. cit., p. 411. According to Yugoslav sources, more than 1 million Yugoslavs worked abroad, almost 60% of whom worked in the Community: Federal Republic of Germany: 480,000; France: 80,000; Netherlands: 12,000; Belgium: 6,000; Luxembourg: 1,500 (*General Economic Situation in Yugoslavia*, p. 2., S/58/74 (RCC 5), Brussels, 14 January 1974). The reason for this alarming number of Yugoslav guest-workers in the Community goes back to the mid-1960s when a net decrease in manufacturing jobs was accompanied by a jump in the unemployment rate. Consequently, according to Mesa-Logo, "the most effective, immediately successful policy ... has been emigration of the labor surplus ... A Government bill on emigrant labor was proposed in mid-1966, opening Yugoslav frontiers to all laborers who wished to work abroad. In October 1966, the Federal Assembly removed all restrictions on labor emigration to Western Europe" (Mesa-Lago, C., "Unemployment in a Socialist Economy: Yugoslavia," *Industrial Relations*, Vol. 10, No. 1, 1971, p. 63).
21. Archives of the European Union, Council, "Assurance-crédit, garanties et crédits financiers – Engagements de crédits sur les pays de l'Est (Bulgarie, Hongrie, Pologne, Roumanie, Tchécoslovaquie, U.R.S.S., Yougoslavie)," Brussels, 2 August 1973.
22. Ibid., "Report from the Information Officers of the Countries of the European Communities in Yugoslavia (2nd report)," Brussels, 17 July 1973.
23. Archives of the European Union, European Commission, *Eighth General Report on the Activities of the European Communities in 1974*, p. 243.
24. *Bulletin EC*, 4-1974, point 2324.
25. *Bulletin EC*, 10-1974, point 2329.
26. Artisien and Holt, op. cit., p. 359.
27. "Foreign policy retains its independence," *Financial Times*, 19 June 1978.
28. Artisien and Holt, op. cit., p. 361.
29. Archives of the European Union, Council, "Rapport des Conseillers commerciaux des pays de la Communauté Economique Européenne en Yougoslavie (15^{ème} rapport)," Brussels, 17 June 1974.
30. Artisien and Holt, op. cit., p. 367.
31. Archives of the European Community, European Commission, *Eighth General Report on the Activities of the European Communities in 1974*, p.250. In addition, "both sides acknowledged the necessity to discuss possible measures to remedy the increase in Yugoslavia's trade deficit with the EEC, and the possibility of strengthening and expanding their co-operation in order to help correct the present situation" (Ibid., "RFE Special," Brussels, 16 June 1975).
32. Johnson, op. cit., p. 1.
33. Artisien and Holt, op. cit., p. 369.
34. Archives of the European Union, European Commission, "Memorandum de la Mission de la R.S.F. de Yougoslavie, en date du 10 juin 1975, concernant les relations commerciales et économiques CEE/Yougoslavie," p. 1.
35. Kardelj, E., "Historical Roots of Non-Alignment (8 September 1975)," *Yugoslavia in the*

- Contemporary World*, Belgrade: Federal Committee for Information, 1977, p. 6.
36. Archives of the European Union, European Commission, *Ninth General Report on the Activities of the European Communities in 1975*, p. 259.
 37. *Ibid.*, *Tenth General Report on the Activities of the European Communities in 1976*, p. 265.
 38. *Bulletin EC*, 5-1976, point 2338.
 39. Archives of the European Union, *Communication à la Presse*, 1414/76 (Presse 153), 3 December 1976.
 40. European Commission, *Tenth General Report on the Activities of the European Communities in 1976*, p. 265. For a detailed discussion in the Council, see Council, "EEC-Yugoslavia relations," I/412/76, Brussels, 12 November 1976.
 41. Archives of the European Union, European Parliament, Doc. 26/77, April 1977.
 42. *Bulletin EC*, 6-1977, point 2333.
 43. USD 2,400 million in 1977 (Archives of the European Union, European Commission, *Twelfth General Report on the Activities of the European Communities in 1978*, p. 283).
 44. *Bulletin EC*, 11-1976, point 2340.
 45. Artisien and Holt, op. cit., p. 367.
 46. Archives of the European Union, European Commission, *Twelfth General Report*, op. cit., p. 283.
 47. *Ibid.*, European Parliament, Doc. 370/77, November 1977.
 48. For example, in 1971, Slovenia and Croatia clearly expressed their reluctance to use international loans to prioritize the development of less developed regions across the SFRY (Archives of Yugoslavia, Savezno izvršno veće, "Društveni plan Jugoslavije za period 1971-1975," Beograd, 5 November 1971). Similarly, in 1972 another meeting acknowledged that some Yugoslav republics would always be in favor of their own development while ignoring the rest of the federation – an approach labeled as 'selective politics' (Archives of Yugoslavia, SIV, "Koordinacija saradnje izmedju SFRJ i SEV," Beograd, 19 January 1972).
 49. European Community's *Journal officiel*, No. C 223/36, 14 November 1977.
 50. European Community's *Journal officiel*, No. C 223/34, 14 November 1977.
 51. *Ibid.*, No. C 223/35, 14 November 1977.
 52. *Ibid.*, No. C 223/37, 38, 14 November 1977.
 53. Denitch, B., *Ethnic Nationalism: The Tragic Death of Yugoslavia* (Minneapolis, MN: University of Minnesota Press, 1996), p. 58. In addition, Yugoslavia's place in the Community "could have mobilized European aid in the transition from authoritarianism to democracy" (*Ibid.*).
 54. European Community's *Journal officiel*, No. C 223/39, 14 November 1977.
 55. *Ibid.*, No. C 223/40, 14 November 1977.
 56. *Ibid.*
 57. Johnson, op. cit., p. 55. For a more detailed account, see, G.D. Ra'anan, *Yugoslavia After Tito: Scenarios and Implications* (Boulder, CO: Westview Press, 1977).
 58. Archives of the European Union, Council, "Letter from the President of the Council to the President of the EIB," Brussels, 6 December 1978.

59. The new directives primarily regarded commercial aspects (industrial and agricultural sectors) and co-operation other than commercial (manpower, transport, tourism and fisheries). See, for example, Zdenko Antić, "New EEC Position for Negotiating with Yugoslavia," *Radio Free Europe* (Research), 9 February 1979.
60. Archives of the European Union, Council, "Relations with Yugoslavia: Drawing up of New Negotiating Directives: Financial Co-operation," Brussels, 15 December 1978.
61. Ibid., European Commission, *Thirteenth General Report on the Activities of the European Communities in 1979*, pp. 255-256.
62. Archives of the European Union, Economic and Social Committee, "Medium-term Economic Policy," Brussels, 12 December 1979.
63. On this particular issue, see Seers, D., Vaitos, C. (eds), *The Second Enlargement of the EEC. The Integration of Unequal Partners* (Basingstoke: Macmillan, 1986).
64. Archives of the European Union, European Investment Bank, "Bank Operations in Yugoslavia," Luxembourg, 14 May 1979.
65. Archives of the European Union, European Commission, European Trends, Special Report 2, "Yugoslavia and the EEC," August 1979, p. 28.