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## **QUESTIONABLE RELATIONSHIP: EUROPEAN ECONOMIC COMMUNITY AND YUGOSLAVIA UNTIL 1968**

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**ABSTRACT:** *This paper offers a detailed analysis of the relations developed between the European Economic Community and Yugoslavia from their earliest interaction to 1968, a year when the official diplomatic relations between the two parties were established. While for many countries, the period following the Second World War represented a period of intensified cooperation, I argue that the EEC–SFRY relationship did not follow this pattern. The Yugoslav federation was deeply involved in its non-aligned status whereas the European Economic Community was primarily focused on its integrationist project. Accordingly, the relationship that developed between the two appeared to be rather unstable – a trend which did not change in 1968. The paper benefits from both the existing scholarship in the field and archival materials of the present European Union.*

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**Key words:** *European Economic Community, Yugoslavia, economics, diplomatic relations*

### ***Getting to know each other***

Post-World War II Yugoslavia was a problematic state. According to the first five-year plan (1947–51), aimed at altering the country from an agricultural to industrial economy, Yugoslavia was supposed to take part in international economic relations directed primarily at socialist bloc, therefore ignoring the rest of the world. Despite its initial success, the economic Plan proved overambitious

and therefore unrealistic. According to Lane, shaping Yugoslavia's economy on the Soviet model „was conceptually flawed owing to the differences between the two states as economic entities.“<sup>1</sup> In fact, there was no evident similarity between the two that might have served as a model to follow. Thus, for the sake of its own survival, Yugoslavia's leadership decided to position the country between the East and the West and commence a policy which would have benefited it by standing in between the two opposing blocs.

At the time, Yugoslav leadership was interested in approaching Western powers in order to obtain financial aid and sign trade agreements. However, issues regarding Western assistance served to inspire further political discord. This was a product of Western judgment which „strongly opposed communism in principle and in practice“ and for both the United States and Western Europe „it seemed ludicrous to support the ‘containment’ policy with one hand and to assist an isolated and weak Communist state with the other.“<sup>2</sup> In their examination of Yugoslavia's policy, some other scholars conclude that initially, „there was no Yugoslav intention to abandon Soviet-style planning, despite results that were already unsatisfactory before the interruption of economic relations with the Soviet Union and its Eastern European allies.“<sup>3</sup> This clearly demonstrates how the Yugoslav leadership approached the West: its self-centered ambition to get financial support dominated the discourse, rather than development of closer cooperation and therefore stronger linkage.

Therefore, all the way through the 1950s Yugoslavia was a state pursuing only-it-new-which direction. However, in the West, the federal system of Yugoslavia enjoyed reputation and the country was appreciated for its highly unitary structure. While it was not possible to predict which path socialist Yugoslavia was going to follow in the forthcoming years, the insecure domestic situation „was aggravated by the deterioration in Yugoslavia's relations with the outside world“ provoking condemnation of everything capitalist and Western: „cultural relations were with other communist states [while] all contacts with the capitalist West were reduced to a minimum.“<sup>4</sup>

In Europe, from the juncture of the establishment of the first Community, the European project advocated interdependence between member and non-member states. In regard to non-member states, the idea of Community's external relations and cooperation with them was envisaged. For instance, the *General Report of the High Authority* stated that „the relations with the other European

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<sup>1</sup> Lane, Ann, *Yugoslavia: When Ideals Collide*, London, Palgrave Macmillan, 2003, p. 112.

<sup>2</sup> F. and Nicolas Spulber (eds), *The Second Soviet-Yugoslav Dispute*, Bloomington, IN, Indiana University Publications, 1959, pp. 12–13.

<sup>3</sup> Lampe, John R., Prickett O. Russell and Ljubisa S. Adamović, *Yugoslav-American Economic Relations since World War II*, Durham, NC, Duke University Press, 1990, p. 29.

<sup>4</sup> Auty, Phyllis, *Yugoslavia*, London, Thames and Hudson, 1965, p. 112.

countries were also further developed," but without naming Yugoslavia among those countries.<sup>5</sup> That this was a consequence of Yugoslavia's international position at the time which consisted of charting a policy that permitted it not to join either of the blocs, while maintaining bilateral relations with both blocs' members. Similarly, in her study, Lane sees Yugoslavia as „ambiguous since it had interests in developing and sustaining working relationships with both East and West in the Cold War; its domestic organization was innovative, dynamic and highly experimental.“<sup>6</sup> However, although Yugoslav federation was not cited in the 1953 report, it is difficult to argue that the Community was not intended to consider it at some point in the future as the *Third General Report* stipulated: „The European Coal and Steel Community is an open-to-all community. From its earliest days, it has set out to develop its relations with the countries which do not belong to the Community, and to co-operate with the international organizations.“<sup>7</sup>

Nonetheless, the enthusiasm about the Community's development was very often accompanied by criticism. In fact, while being a work in progress, the Community encouraged numerous analyses in regard to its sustainability. One of them is offered by McAllister for whom the Community was „an animal in motion“, without „fixed“ destination and „not something quite separate from and independent of the states that set it up“. While arguing the ECC evolution to be a puzzling business and describing the Community as „a strange creature, a kind of hybrid“, the author observed: „The world of the Community is full of paradox and irony“.<sup>8</sup> This understanding obviously questions the ideal of the European solidarity – a restricted concept at the time. In fact, as admitted by the High Authority, only countries having a delegation in Luxembourg at the time had „the opportunity of being kept informed“ in regard to decisions taken: „through such exchanges of views, the High Authority is in a position to ascertain the repercussions of its actions in the international sphere and to keep itself informed on the interests, wishes, and at the times even the apprehensions, of the non-member countries“.<sup>9</sup> Thus, it can be argued that the Community was operating, intentionally or not, as an exclusive club, permitted to keep uninformed and marginalize everyone not holding a delegation in Luxembourg. This behavior explains one of the central points for this period related to the lack of profound interest in regard to the Yugoslav federation: inexistence of appropriate Yugoslav representation within the Community's headquarters.

<sup>5</sup> The High Authority of the European Coal and Steel Community, *General Report on the Activities of the European Community (August 1952 – April 1953)*, p. 25.

<sup>6</sup> Lane, Ann, p. 115.

<sup>7</sup> The High Authority of the European Coal and Steel Community, *Third General Report on the Activities of the Community (April 1954 – April 1955)*, p. 25.

<sup>8</sup> McAllister, Richard, *From EC to EU: An Historical and Political Survey*, London, Routledge, 1997, pp. 7–8.

<sup>9</sup> *Ibid.*

### *Communication*

The Yugoslav federation was present in the so-called European issues by its active involvement. In fact, Mateš, one of the architects of the Yugoslav policy, notes that such approach was not one-sided, or directed towards the two superpowers in order to generate benefit depending on what they could have offered; for him, Yugoslavia made no differences between the states and sought rather serious connections with its former enemies and potential collaborators in the future: „This is why Yugoslavia represented an active partner with clear positions about its goals and intentions even when its relations with some countries had not been normalized“.<sup>10</sup> Mateš's standpoint about European integration at the time which affected Yugoslavia negatively is justified. In fact, he argues that economically-driven integration of Europe encouraged further divisions of the European continent and therefore undermined Yugoslavia's position: „The combination of noticeable political tensions between the East and the West and economic disturbances created by the establishment of different economic divisions [ECSC/EEC, European Free Trade Association (EFTA) and COMECON], marginalized and slowed the development of Yugoslavia's pro-European politics“.<sup>11</sup>

However, while the Community was concentrated on its own economically-driven performance and international position, Yugoslavia was „a small, semi-developed country“ distracted between the East and the West: the Yugoslavs sent up a series of signals to Moscow indicating their desire to maintain normal and expanding economic relations with the East despite deteriorating political relations. As a reserve line, they accelerated efforts to increase trade and credit arrangements with the West, including in particular a commercial agreement with the EEC, already by far their most important trading partner, and new credit lines to the World Bank and the US Export-Import Bank.<sup>12</sup>

It was only in the late 1960s, when Yugoslav primary concerns consisted of „bilateral and economic relations with neighbors and important trading partners, particularly including a commercial treaty with the EEC, and with attracting foreign investment.“<sup>13</sup>

The provisions in regard to aid show that the Community was indirectly involved (via some of its Member States) in Yugoslavia from its early establishment. In general, Western backing included not only economic aid, but diplomatic and military assistance. In regard to politics, there was no evident intention by

<sup>10</sup> Mateš, Leo, *Medjunarodni odnosi socijalističke Jugoslavije*, Beograd, Nolit, 1976, p. 168.

<sup>11</sup> *Ibid.*, pp. 169–170.

<sup>12</sup> Rusinow, Dennison, *The Yugoslav Experiment 1948–1974*, London, Hurst & Co., 1977, p. 241.

<sup>13</sup> *Ibid.*, p. 213.

the Western powers to affix political condition to their aid, and the Yugoslav government was careful not to trigger such sequence. Here, the argument positioned to demonstrate that the Community and Yugoslavia followed two separate ways becomes exact: the first was unfamiliar with the problems Yugoslavia was facing, while Yugoslavia was exempted from any concerns linked to the Community. Understandingly, apart from previously mentioned economic aid, there is no much left to be said about the Yugoslavia's position or interference within the European context or vice-versa. Although condemning Western behavior, the Yugoslav foreign policy continued to preserve amicable relations with both communist and capitalist world. According to Lane, Tito's foreign policy focused on balancing its relations with both East and West, thus „achieving ideological sustenance from a relationship with the communist movement as a whole, while benefiting from Western economic aid ... [which] provided a safety net for the fragile Yugoslav economy and kept Tito afloat during the most critical period of Yugoslavia's international isolation.“<sup>14</sup> Therefore, major Western powers opted to aid Yugoslavia while ignoring its economic mismanagement just for a simple reason of disassociating it from the Soviet bloc – an approach that contributed to the worsening of its international reputation.

The Community was not familiar with Yugoslavia's domestic setting and notwithstanding the relations between the two existed of economic necessity, the Community stayed silent when domestic changes started shaping the Yugoslav system. Here, it is worth mentioning that the Western powers considered Yugoslavia for their plans for European defence: after Greece and Turkey had officially joined the North Atlantic Treaty Organization (NATO) in 1951, separated from Western Europe directly by Yugoslavia, the Western powers insisted on Yugoslavia improving its bilateral relations with Greece, Turkey, and Italy, and to link itself in some manner to NATO – an illusionist project.<sup>15</sup> Even when the most important obstacles proved to be overcome, the Yugoslav leadership commenced to move away from such form of association and opted for the establishment of closer links with some of independent states, for example in Asia and Africa. In his study, Pavlowitch identifies two main reasons for this policy: first, these destinations „appeared as a field in which [Yugoslavs] could promote their new brand of independent and progressive democratic socialism“, and second, „by associating with the states of the ‘third world’ Tito could hope to reduce his increasing dependence on the West“.<sup>16</sup>

On the other side, with or without Yugoslavia, the European optimism was a project not allowed to expire. For Monnet, „the essential thing is to

<sup>14</sup> Lane, Ann, pp. 121–122.

<sup>15</sup> Auty, Phyllis, „The Post-War Period,“ in Stephen Clissold and Henry Clifford Darby (eds), *A Short History of Yugoslavia from Early times to 1966*, Cambridge, Cambridge University Press, 1968, p. 260.

<sup>16</sup> Pavlowitch, Stevan K., *Yugoslavia*, New York, NY, Praeger, 1971, p. 245.

hold fast to the few fixed principles that have guided us since the beginning: gradually to create among Europeans the broadest common interest, served by common democratic institutions ... This is the dynamic that has never ceased to operate<sup>17</sup>. Moreover, during the twelfth session of the Committee of Ministers held in Strasbourg, „the Ministers reaffirmed that the Council of Europe remained open to the accession of all European nations ‘which, as the Statute requires, acknowledge the rule of law and the sanctity of fundamental freedoms’.<sup>18</sup> The concept of membership, while lacking a well-defined basis, allowed acceding states to „vary their membership; countries could take part in some schemes and perhaps not in others, whereas in any particular arrangement such divided choice would obviously not be tolerable.<sup>19</sup> Moreover, the Committee expressed its willingness to conclude association agreements with countries unwilling or unable to become full members of the Council. According to *The Times* commentators at the time, Yugoslavia might have been one of the countries the Council referred to. As a consequence, in its *Third General Report*, the Community recognized the importance „to close the phase in which the problems of the underdeveloped countries are a matter of discussion and to draw up a practical program of aid<sup>20</sup>“.

This controversial decision of the Community, not to deal with its neighboring countries in need of an aid first, but to devote itself to negotiations for the expansion of international trade with less-developed countries, Cambodia, Israel and Tunisia, certainly questions the Community’s initial interests and intentions concerning European non-members, Yugoslavia in particular. Due to their substantially different paths the Community appeared ignorant about Yugoslav domestic affairs. Very often, Western commentators kept producing superficial reporting, thus insufficient to transmit the reality. This happened on a twofold basis: first, Western commentators lacked information about Yugoslavia, and second, Yugoslav interpreters manipulated foreign journalists selecting information carefully. However, if to justify, the only viable reason for such Yugoslav behavior was its ambition to maintain good, aid-inspired, relations with the West, while negotiating additional aid in the East. Playing such role, it secured substantial resources enabling the Yugoslav government to return interest payments on a short-term basis from the West. What majority of documents point at is the following: this was a difficult period. Its complexity derived from the involvement of the Yugoslav leadership to secure an amicable relationship vis-à-vis Moscow, thus enjoying immediate interests, while maintaining „a tricky re-

<sup>17</sup> Monnet, Jean, *Memoirs*, Glasgow, Collins, 1978, p. 522.

<sup>18</sup> The High Authority of the European Coal and Steel Community, *Second General Report on the Activities of the Community (April 1953–April 1954)*, p. 596.

<sup>19</sup> Mitrany, David, „The Functional Approach to World Organization,“ in *International Affairs*, Vol. 24, No. 3, July 1948, p. 353.

<sup>20</sup> Commission of the European Economic Community, *Third General Report on the Activities of the Community (March 1959–May 1960)*, p. 250.

lationship with the West, one which could help it when it was left isolated on the doorstep of the Communist camp.<sup>21</sup> This is to say that the Yugoslav authorities were rather intelligent: while ignored by the EEC, they were getting most out of the possible. For Pavlowitch, Yugoslav leadership was „instructed to switch from intimidation to persuasion, but to carry on in leading the fight for socialism, and against Western ideas, at a time when friendship with the West was fostered, and the Soviet Union denounced for practices which had been their own.“<sup>22</sup>

If the Yugoslav federation was somehow unique, then why did the Community behave as it did at that stage? Worthy of belief is its incapability of getting a clear picture about Yugoslavia, a country administered by political nominees who had been granted jobs usually because of their wartime performance, but another cogent and more important argument is traced in the modification of the economic policy of the COMECON which left the Community bewildered about the future prospects. According to the 1959 General report, a new Soviet Union position in regard to Yugoslavia actually reflected President Khrushchev's position, advocating „the establishment of Soviet-Yugoslav trade based on equality and mutual benefits.“<sup>23</sup> Due to Yugoslavia's policy aimed at avoiding alignment with either bloc, relations with Soviets deteriorated as a consequence of *The Program of the League of Communist of Yugoslavia*, a document of an immense importance, submitted to the Ljubljana Congress in March 1958, which advocated close bilateral or multilateral cooperation with other countries, no matter their political standpoint or bloc alignment.<sup>24</sup>

Here, the Community remained silent. The option of staying aside encourages discussion even today of how the interest of the West was conceptualized, and of the Community, in particular. In this regard, it is possible to identify two reasons. First, the EEC itself was a developing organization, chaotic and continuous. Having said this, avoiding additional involvement in the affairs of non-member states, no matter whether they were on the European continent or not, was a good idea. Second, although Yugoslavia had already enjoyed diplomatic relations with each of the founding members of the Community, the official relations between the Community and Yugoslavia were not established yet and therefore this situation offered a relationship on a voluntary basis. In his analysis, Pavlowitch questions: „The Yugoslav government had been able to obtain Western aid when it needed it, and to reject it when it preferred to do without it, because its Western creditors believed that they could help it financially

<sup>21</sup> Lane, Ann, p. 122.

<sup>22</sup> Pavlowitch, Stevan K., p. 250.

<sup>23</sup> Commission of the European Economic Community, *Third General Report on the Activities of the Community (March 1959 – May 1960)*, p. 74.

<sup>24</sup> Hughes, Barry and Thomas Volgy, „Distance in Foreign Policy Behavior: A Comparative Study of Eastern Europe,“ in *Midwest Journal of Political Science*, Vol. 14, No. 3, August 1970, pp. 488–490.

to remain at some distance from the Soviet Union; but for how long would it be considered worth aiding?"<sup>25</sup> This inquiry links to the sequent reasoning: even if Western aid was a tool to understand Yugoslav situation and anticipate its future orientation, it might have still been an insufficient means due to the Yugoslav readiness to manipulate both West and East – two particular worlds with events engulfed in the flux of circumstance.

Indeed, towards the end of the decade, economic, diplomatic, and cultural contacts with the Community were opening Yugoslavia to the Western world, and that seemed to be promising for the future of the Balkan state. Once it demonstrated that such contacts might have undermined the reputation of the Communist Party, Tito changed his strategy by issuing „warnings against the danger to socialist development of infiltrations from the West.“<sup>26</sup> Another two Yugoslav speakers, Edvard Kardelj, the Yugoslav Vice-president, and Aleksandar Ranković, Minister of the Interior, fully supported their guru and denounced Western influence. From the other side, in their secret report transmitted to the Council, the Community representatives residing in Yugoslavia in 1959 described the federation as upset in regard to the Common Market. Considering that the concept of a ‘common market’ had not been precisely defined,<sup>27</sup> it was expected to hear European non-member states complain. As stipulated in the interview given to the French *Observateur* by Kardelj:

We have been surprised by the creation of the European market, possibly less than other countries, because of our export policy, but still we have felt a number of negative effects. Our country needs a solution which will eliminate any discriminatory clause, but still benefit both parties. Thus, the Yugoslav federation does hope that our cooperation will continue in that direction.<sup>28</sup>

At the time, Western Europe remained the most significant single trading area, although Yugoslavia’s trade balance was increasingly negative, while a positive trade balance with Eastern bloc and the ‘third world’ was useless, due to the fact that it was tied down by long-run credit arrangements or strict bilateralism.

In regard to the Community-Yugoslav cooperation, the 1958 Ljubljana Program noted the risk of creating economic blocs and further exclusion: „Seclusion, within national frontiers, autarchy, as well as discrimination, which stem from ideological or political motives, are contrary to the needs of the

<sup>25</sup> Pavlowitch, Stevan K., p. 266.

<sup>26</sup> *Ibid.*, p. 264.

<sup>27</sup> See Andrew Shonfield, *Europe: Journey to an Unknown Destination*, London, Allen Lane, 1973.

<sup>28</sup> Quoted in *Rapport des conseillers commerciaux des pays membres de la CEE en Yougoslavie*, 22 June 1959, Belgrade.



economic development of the world, as well as damaging, not only to individual countries but to the world as a whole.<sup>29</sup> This is what inspired Kardelj to stress Yugoslavia's opposition to the existence of supranational bodies deciding upon economic cooperation, but rather the equality among the states. As he put it: „I am afraid that inequality in economic relations discourages integration, thus fosters disintegration. I have already perceived such tendency.“<sup>30</sup> Kardelj's point reflected Yugoslav standpoint of the time perceiving regional integration marked by „a number of negative features, which are impressed upon [it] by the existing sharp division of the world into blocs, as well as by the influences of imperialism and hegemony of the strongest capitalist states.“<sup>31</sup> This Yugoslav approach aimed at criticizing the Community's *modus operandi* could have hardly been appreciated within the Community as such: Yugoslavia might have been perceived only as a direct Soviet affiliate aimed at undermining the European project. In their analysis of the Soviet understanding of the Community, Nicoll and Salmon noted: „the total opposition of the Soviet Union ... regarded the European Communities as part of the war-making plot against it.“<sup>32</sup>

Usually, intentions and ambitions tend to disaccord rather remarkably among parties without clear relationship or common objective. However, what proved to be a valuable component in regard to subsequent ECC-SFRY linkage was the awareness of the following: in its *Fifth General Report*, the Community acknowledged the importance of considering its external relations seriously.<sup>33</sup> Thus, while the Community was examining whether the economic Europe should be the path to political Europe, a strategy advocated by Monnet, or not, as disapproved by President de Gaulle, Yugoslavia's authorities were preoccupied with a different reality. In his assessment, Dobrica Ćosić, a Serbian writer, political and national theorist, noted: „In Titoist Yugoslavia, like in any other totalitarian state, two different political realities coexisted – an official one, presented in the media and public, and an illegal one, intimating in its nature, discussed in restaurants and at home.“<sup>34</sup> While usually used in manipulative purposes, the two realities confronted their own clash during the 1960s, followed by inflation, unemployment and social dissatisfaction.

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<sup>29</sup> Ljubljana, Program, 1958.

<sup>30</sup> *Rapport*, 22 June 1959.

<sup>31</sup> Ljubljana, Program: Chapter 3, 1958.

<sup>32</sup> Nicoll, William and Trevor C. Salmon, *Understanding the New European Community*, Hemel Hempstead, Harvester Wheatsheaf, 1994, p. 22.

<sup>33</sup> Commission of the European Economic Community, *Fifth General Report on the Activities of the Community (May 1961–April 1962)*, p. 240.

<sup>34</sup> Ćosić, Dobrica, *Kosovo*, Beograd, Novosti, 2004, p. 7.

*The 1960s: closer or looser ties*

Most of the European integrationists optimistically advocated period from 1958 to 1962 to be a ‘honeymoon’ for the Community. This was not entirely true considering that during the 1960s the Community faced numerous problems regarding its nature, potential and membership. In fact, McAllister argues that „as the 1960s proceeded, there were crises in plenty“, and at diverse points „it looked as if the Community might reach a breaking point.“<sup>35</sup> Thus, again, busy with its own affairs, the Community hardly considered its neighboring countries. In regard to Yugoslavia, a number of reforms introduced in the early 1960s and aimed at helping Yugoslav economy become competitive in foreign economic relations had both positive and negative outcomes. When discussing the changes, Pavlowitch noted: „The reforms of 1961 were a half-hearted attempt to remedy the country’s economic ills, an experiment which the government wanted to be able to control, so that it should not detract from the long-term aims.“<sup>36</sup> In Yugoslavia, protecting favored industries meant protecting particular regions. Therefore, in order to help poorer ones, Macedonia and Kosovo, in particular, the government decided to subsidize each of them – a strategy that irritated better-performing republics obliged to contribute to the General Investment Fund. They „felt that their resources were being wasted“ which constrained the government reconsider its strategy.<sup>37</sup> Moreover, criteria regulating investment policies were more political, thus in hands of the central government, than economic and such atmosphere allowed production beyond its means, expanding of under-utilized capacities, and stock-piling of unsold goods.

While incapable of satisfying the demand for consumer goods, thus in a position to import much faster than export, by the mid-1962, the Yugoslav economy was in constant deterioration. An increasing inflation was another alarming signal. The government initially disregarded it thinking that foreign aid might be a substitute, but once the inflationary trend commenced gallop, the government also opened a discussion. In addition, unemployment grew, caused by poor performance of agricultural production, which forced surplus agricultural labor to hunt work in industry, at home or abroad, after the government had decided to open the borders to the West. In regard to this, the Community’s reaction is worth consideration: notwithstanding majority of its official documents tended to classify Yugoslavia as a Mediterranean country, the ECC report did not name Yugoslavia or any other country specifically when stipulating the following: „The working out of the common agricultural policy has given rise to numerous approaches

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<sup>35</sup> McAllister, Richard, pp. 19–20.

<sup>36</sup> Pavlowitch, Stevan K., p. 284.

<sup>37</sup> *Ibid.*

by agricultural countries, more particularly Mediterranean countries.<sup>38</sup> The avoidance to name any state in particular reflected the Community's awareness of discriminatory effects its customs union might have had in regard to non-member states. Indeed, within the Community's official agenda, Yugoslavia was named for the first time later, in the *Sixth General Report* and this because „the Yugoslav government approached the Community“ to discuss technical measures in regard to trade between them.<sup>39</sup> During its 1962 meeting, the Council pointed out that the Yugoslav authorities had complained both to the Community's five member states separately and the Commission requiring negotiations opening in regard to the reciprocal trade exchange.<sup>40</sup> A good thing was that the EEC member states were in favor to see Yugoslavia approaching the Community in general, but at the same time, they wanted to see Yugoslavia fostering its position vis-à-vis the Eastern bloc. A bad thing was that while facing the economic crisis and populations' growing dependence on consumer goods, the Community unconsciously opted to assist Yugoslavia by feeding its appetites, „seeking to detach the Yugoslavs once and for all from the Soviet bloc.“<sup>41</sup>

Thinking of Yugoslavia's domestic situation, it found its place in transparent debate and as Pavlowitch put it: „By 1964, strikes and unemployment were openly discussed among Communists, in the press and in parliament“.<sup>42</sup> The critique of the Yugoslav situation was heard within the Community. According to Meier, foreign correspondents identified two *chefs de file*: Kardelj, representing the reformists, and Ranković, representing the conservatives.<sup>43</sup> Having them both active was a sign for the Community to pay greater attention to the political component of the Yugoslav crisis.

Having examined the beginning of the 1960s and going back to the understanding of Yugoslavia within the Community framework, it can be noted that the early 1960s general reports commenced considering the Yugoslav federation separately, but still under a newly coined subtitle: '*relations with the Eastern bloc countries.*' This was not a pure misunderstanding, but rather an EEC reaction to the ambiguous attitude deriving from both Yugoslavia and the Soviet Union. Defining Nikita Krushchev shaped Soviet position in regard to Yugoslavia, the Council quoted his words revealing that „trade between Soviet Union and Yugoslavia should be based on equality and mutual interests.“<sup>44</sup> Thus, concerned

<sup>38</sup> Commission of the European Economic Community, *Fifth General Report on the Activities of the Community (May 1961 – April 1962)*, p. 240.

<sup>39</sup> Commission of the European Economic Community, *Sixth General Report on the Activities of the Community (May 1962 – March 1963)*, p. 252.

<sup>40</sup> Conseil de la Communauté économique européenne, CM 2/1962, No. 0781.

<sup>41</sup> Lane, Ann, p. 126.

<sup>42</sup> Pavlowitch, Stevan K., p. 287.

<sup>43</sup> Meier, Viktor, „Yugoslav Communism“, in William E. Griffith (ed), *Communism in Europe: European Communism and Sino-Soviet Rift*, Cambridge, MA, MIT Press, 1964, p. 65.

<sup>44</sup> Quoted in *Rapport des conseillers commerciaux des pays membres de la CEE en Yougoslavie*, 30 June 1959.

about Yugoslav orientation, the Sixth General Report about the bloc was not optimistic:

The relations between the Community and the Eastern bloc countries continue to lack any formal basis. While continuing their violent attacks on the Community, to which the Commission has suitably replied, the Eastern bloc countries have shown a growing interest in the Community, and their reactions to its development seem to reflect a certain fundamental change of attitude.<sup>45</sup>

In practice, this meant that future cooperation between the East and the Community was not granted due to the Community's continuous rejection of the Eastern bloc countries' requests to extend intra-Community tariff concessions by virtue of the most-preferred-nation clause.<sup>46</sup> But, another international organization aimed at facilitating non-communist international linkages – the Danube Commission – which at one time during the Cold War proved to be as much communist organization as COMECON itself was, according to Zimmerman, „in the 1960s became a vehicle through which small states could pursue policies designed to reduce the isolation of the East European regional system because its membership included Yugoslavia and, after December 1959, Austria, as well as West Germany as an associate member.“<sup>47</sup> Moreover, Romania opted to undertake the bilateral Iron Gates project with Yugoslavia under Danube Commission, not COMECON, auspices; this was an extremely subtle ploy since Stalin's death; in Cattell's terms „the Danube Commission was used as a test case for several innovations of Soviet foreign policy“ including „the attempt to appease and renew relations with Yugoslavia“.<sup>48</sup>

### ***1968: The establishment of official relations***

After the Community had chaired a meeting regarding 'trends in trade' between the Yugoslav federation and the EEC in 1965 thus examining prospects for economic cooperation, significant moves in regard to political cooperation were made in 1968 when the Community and its institutions expressed interest in establishing official relations with Yugoslavia. In practice, this was an important step, as the 1968 *General Report* proudly stated that Yugoslavia was the first Eastern European country to accredit an ambassador to the European Communities,

<sup>45</sup> Commission of the European Economic Community, *Sixth General Report on the Activities of the Community (May 1962 – March 1963)*, pp. 250–251.

<sup>46</sup> *Ibid.*

<sup>47</sup> Zimmerman, William, „Hierarchical Regional Systems and the Politics of System Boundaries“, in *International Organization*, Vol. 26, No. 1, 1972, p. 30.

<sup>48</sup> Cattell, D. T., „The Politics of the Danube Commission under Soviet Control“, in *American Slavic and East European Review*, Vol. 19, No. 3, October 1960, pp. 390–391.

and the establishment of diplomatic relations finally meant that Yugoslavia could benefit by having a direct link with the Community and therefore be informed about various decisions made at Community level. In addition, the both sides' enthusiasm was accompanied by the opening of formal trade negotiations particularly aimed at addressing the problems of exporting agricultural products to the Community.<sup>49</sup>

It can be argued that having established official relations with the Community, Yugoslavia and its leadership, while offered an opportunity to get closer and take pro-active part in the developments of the Community, did not seem to abandon their Eastward direction completely. In her analysis, Lane acknowledges this by going step further: „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.“<sup>50</sup> Nonetheless the Community seemed to be ready to aid Yugoslavia economically and thus support the only buffer state, it disregarded its economic mismanagement and ignored further consequences: inflation, unemployment and social discontent, altogether inflaming nationalism and political crisis the Community could have never been able or interested to mitigate.

Relying on the establishment of diplomatic relations between Belgrade and Brussels, Artisien and Holt examine the ties between the two and subsequently identify three reasons why such association might have been important.<sup>51</sup> Their first argument concentrates on Yugoslavia's active membership within the non-aligned movement where it played a significant role in „the creation of a new international economic order which would meet the needs of less developed nations,“ thus being considerate for the underperforming countries. The second argument is about geopolitical stand Yugoslavia held:

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.<sup>52</sup>

Finally, the authors discuss Yugoslavia's concern in regard to further Community's enlargement. With particular emphasis on the accession of Greece, Yugoslavia feared that the Community may introduce additional restrictions on its exports and therefore „as a 'spokesman' for the Mediterranean counties,

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<sup>49</sup> Commission of the European Communities, *Second General Report on the Activities of the Communities in 1968* COM (70) 177 final, 24 February 1970, Brussels, p. 389.

<sup>50</sup> Lane, Ann, p. 128.

<sup>51</sup> Artisien, Patrick F. R. and Stephen Holt, „Yugoslavia and the EEC in the 1970s,“ in *Journal of Common Market Studies*, Vol. 18, No. 4, June 1980, p. 357.

<sup>52</sup> *Ibid.*

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.<sup>53</sup> While the first two arguments talked about ambition and potential, the last argument indicated factual situation and existence of concern within Yugoslavia about its further treatment by the Community. This Yugoslav statement, or demand, was going to of crucial importance for the later understanding of developments.

## Summary

*Branislav Radeljić*

### **Diskutabilni odnosi Evropske ekonomske zajednice i Jugoslavije do 1968. godine**

*Ključne reči:* Evropska ekonomska zajednica, Jugoslavija, ekonomija, diplomatski odnosi

Rad preispituje odnose Evropske ekonomske zajednice i Jugoslavije od najranijih interakcija do 1968. godine. U skladu s tim analiza nudi tri osnovna zaključka. Prvi se tiče strana o kojima se diskutovalo, gde su i Jugoslavija i EEZ bile dela u nastajanju sa različitim ciljevima, te je zato nedostajala bilo kakva ozbiljna veza između njih. Zbog svoje nesvrstane politike Jugoslavija je bila zemlja koja je snažno verovala u balansiranje između Istoka i Zapada, koristeći tako sopstvene mehanizme da manipuliše obema stranama zarad sopstvene koristi. Povezan sa ovim prvim zaključkom je i drugi koji se tiče početnih odnosa kada je Zapad, pa time i EEZ pokazao spremnost da ekonomski podrži Jugoslaviju i da tako postane indirektno odgovoran za loše unutrašnje upravljanje zemljom. Sem toga, jugoslovenski unutrašnji probelmi nisu diskutovani u EEZ-u, a u više navrata održavanje Jugoslavije na površini je smatrano za ispravnu opciju bez obzira na moguće posledice. Konačno, ustanovljavanje službenih odnosa između EEZ-a i Jugoslavije nije značajno unapredilo njihove međusobne odnose. Dinamika koja je usledila, sem što je omogućila Jugoslaviji da bolje upozna poslove EEZ-a kroz direktno prisustvo, značila je i veću komunikaciju i saradnju. Međutim, neki problemi o kojima se ranije nije vodilo računa su se sada pojačali, dovodeći ponekad u pitanje dalju saradnju. Tu je po prvi put bilo moguće jasno razgraničiti ekonomske, političke i društvene elemente u pogledu jugoslovenskih odnosa sa EEZ-om.

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<sup>53</sup> *Ibid.*

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