

ITALY AND THE ARAB WORLD

by Pier Giovanni Donini

1. General background

The policy of the Italian State towards what is now the Arab world has focused since its inception on two partially incompatible aims: taking advantage of Italy's unique geographical position in order to develop a sort of special relationship with the whole Mediterranean Basin, and acting in this area in accordance with a pattern set by other European powers. Italy's aggression of Libya in 1911 was a typical albeit belated example of conformity to a European colonial model, while Mussolini's Arab policy of the Twenties and Thirties was a significant manifestation of what used to be called Italy's Mediterranean vocation. The cyclical wavering between the lodestars of integration with Europe, later NATO, on the one hand, and the fostering of a more independent Mediterranean policy on the other, has constantly informed Italian foreign policy since 1861, and some recent parliamentary debates are strikingly reminiscent of similar discussions dating from the 1880's and 1890's. Showing the flag in the Gulf raises the same problems now as it did in the late nineteenth century, and opposition criticism of Italian subservience to US views in this area rests on substantially the same arguments as were voiced about a century ago, when the limits of Italian freedom of action were laid down in Paris, London, Berlin and Vienna rather than in Washington.

1.1. Italy's traditional interests in the Mediterranean

Italy's perception of its economic, as opposed to political, interests in the Southern portion of the Mediterranean Basin has remained substantially unchanged. About a century ago the area was considered valuable as a source of raw materials and as an export and investment market, rather than as an outlet for Italy's excess population: even when colonization got under way, the number of Italian settlers in Libya was insignificant compared with the volume of emigration to the rest of Europe and the Americas. There were cogent enough reasons why Italy's economic policy should have focused on the Mediterranean: apart from some advantages deriving from its geographical position, Italy's late arrival in the colonialist stage made Italian investments less suspect than involvement with some of our senior European partners. On the whole, however, the opportunity for developing mutually profitable economic relations between Italy and countries on the southern shores of the Mediterranean was not seized, and Italian economic policy was dominated in the long run by a tendency to concentrate on Europe: a contradiction which still finds expression in the recurring debate on whether we should aim at being the first industrial power among the less developed countries, or be content with our position as the last of the highly industrialized ones.

On the political level the perception of Italy's interest in the Mediterranean has undergone somewhat greater changes. About one hundred years ago we shared, of course, Europe's obsession for colonial lebensraum, and Libya was to Italy what Tunisia and Egypt were to France and Britain. A few decades later, the popularity enjoyed by Fascism among some Arab nationalist circles gave Italy the unprecedented opportunity of exploiting anti-British and anti-French feelings in the Arab world; and some propaganda mileage was indeed achieved at the expense of those who - unlike, for instance, Shakib Arslan - were willing to forget that the self-styled "Defensor of Islam" was the same Mussolini under whose rule Muslims were being oppressed in the Italian colonies. Although this pro-Arab stance was undoubtedly opportunist in origin, it rested on reasonably sound foundations: some of its elements survived after World War II and contributed to shape Italy's post-war Mediterranean policy.

Both before and after World War II, Italy's Mediterranean policy was not dictated solely by purely Italian interests, and not only because of our policymakers' wavering between the European and Mediterranean lodestars already mentioned. A significant factor in the shaping of Italian policy in the Mediterranean was the religious one connected with the Holy Places, which (in spite of Italy's endorsement of the Balfour Declaration in 1918) determined a striking lack of official sympathy for Zionism, an attitude which was also carried over into the post-war area when a succession of Italian governments seldom went out of their way in support of Israel, except for NATO or rather US constraints.

2. The Arab-Israeli conflict and the evolution of Italian policy.

The Arab-Israeli conflict must rank as the most important single factor in the shaping of Italian foreign policy towards the Arab World in the post-war era, as well as the most conspicuous recent instance of Italy's turning its back on the Mediterranean and following a strictly European pattern of behavior. There should, apparently, be no doubt about it: immediate recognition of Israel on the one hand, and only a belated and half-hearted recognition of the PLO on the other. And yet, Italy's pro-Israel attitude should be viewed in the context of the immediate post-war years, when a national Mediterranean policy was too closely identified with Fascism and too embarrassingly reminiscent of Mussolini's imperial ambitions which viewed the Mediterranean as the "mare nostrum". Hence a natural tendency to reject or forget the past, and align Italy's position with the predominantly pro-Zionist trend in Europe and the US, even if this meant throwing out the baby of good Arab relations with the bath water of Fascist propaganda. This was probably the most effective consideration, and the problems of survival in Italy itself were so pressing as to obscure those connected with the first Arab-Israeli war. At the policy-making level, however, other influences were at work. It was feared that an anti-Zionist stand would be viewed as anti-Jewish and thus lay upon the new Italian Republic the stigma of anti-semitism associated with Fascist Italy and Nazi Germany. There was, moreover, no independent foreign policy in Italy at the time, once the Christian Democrats had ousted the Socialists and Communists who had shared power with them in the first post-war coalition governments. This was done at the insistence of the US government in order "to ensure democratic stability in Italy" and was accompanied by the injection of over 10 billion dollars into the Italian economy between 1948 and 1952 through the European Recovery Program. The official Italian view on Near Eastern issues thus tended to coincide with Washington's most of the time, the connection

being further strengthened when Italy joined NATO in April 1949 and by so doing found herself bound to defend American interests in the Mediterranean; it should be recalled in this connection that Italy was not admitted to the United Nations until the end of 1955, over six years later.

By 1956, then, Italy had recovered the formal attributes of sovereignty, though not effective freedom of action, and reactions to the second Arab-Israeli war were accordingly more diversified. Apart from the Italian Communist Party, which naturally supported Gamal Abd en-Nasser's anti-imperialist stand, some Socialist leaders (including such figures as Basso, Lussu, Vecchietti, Valori, Foa and Pertini, Italy's President from 1978 to 1985) strongly condemned the Anglo-Franco-Israeli aggression of Egypt. More significantly, different positions emerged within the ruling Christian Democrats, where the left wing led by Gronchi and Fanfani had some sympathy for Nasser's autonomous role, in contrast with the line followed by then Prime Minister Segni and his Foreign Minister, the Liberal Martino, who insisted on justifying France and Britain on the grounds of NATO loyalty. On the whole, however, most of the press and hence of Italian public opinion were still under the influence of the misconceived notion that to oppose Zionism was tantamount to supporting Fascism.

In 1967 the pro-Israel, NATO line was still in the ascendant at the official level, even though the Socialists had been sharing power with the Christian Democrats since 1963. Again, support for the Arab side was voiced by the Communists, the Socialist left wing and the Christian Democrat left led by Moro and Fanfani, who was Foreign Minister at the time and in fact went to some lengths in order to have Italian mediation accepted by the conflicting parties. The pro-Israeli alignment still included most of the Christian Democrats and Socialists, as well as the smaller coalition parties. The majority of Italian public opinion was also in favour of Israel, particularly among the upper and middle classes. This is, on the whole, understandable. Those were the years of Italy's economic boom, when the first positive effects of European integration were being felt, and political alignment with Europe, NATO and the US, in support of Israel was perceived as a guarantee of acceptance by the leading nations of the West. While the captious identification of Israeli policy with the righting of past wrongs suffered by the Jews of Europe still enjoyed some currency, public opinion at large was suitably impressed with the magnification of Israel's victories by Israeli and Zionist-inspired propaganda. The press, of course, was pro-Israeli in its overwhelming majority, and unabashedly exploited the image of Israel as a bulwark of western civilization in danger of being overrun by the armies of Arab dictators.

This began to backfire, however, in the immediate aftermath of the third Arab-Israeli war, when it became apparent that, far from being in any serious danger of destruction, Israel had proved by its preemptive strike that, thanks in the main to US military and economic aid, it enjoyed overall superiority to her foes. Hence the David and Goliath complex which had played in Israel's favour began to act in the opposite direction, while the Palestinian issue, which had been practically ignored in Italy in 1947-48, came to the forefront as new waves of refugees were driven across the Jordan. The late Sixties were in Italy a time of student and labour unrest, of growing political engagement, and the issue of Palestinian rights shared top popularity with Vietnam.

These components of the pro-Arab front were motivated by the right reasons, but their ranks were swollen in 1973 by a plentiful influx of late converts driven on the whole by the wrong motives: motives of opportunism arising out of the oil embargo and price rises following the fourth Arab-Israeli war. No wonder that these newcomers' support vanished as soon as the oil market became stabilized and new oilfields outside Arab control came on

stream. At the official level, some impatience with the pro-Israel US line had in fact emerged before the war of 1973, and differences had been aired among the coalition parties on the matter of solidarity with Israel, which had previously been acritically and almost automatically extended. During the war itself Italy refused to cooperate in the airlifting of military supplies from the US to Israel, and some criticism was voiced at President Nixon's unprecedented step of putting US military bases on alert. The net result of the October war, as far as Italy's foreign policy was concerned, consisted in giving a new lease of life to the Mediterranean alternative which had been lying quiescent since World War II.

2.2 Post-1973 development of Italy's relations with the Arab World.

Continuity between the pre-1973 period, when Italy's relations with the Arab world were modest, and in some instances non-existent, and developments after the October war, was stressed mainly for internal policy purposes, in order to allay any suspicion that Italy was about to engage in a more adventurous pattern of dialogue with the Arab countries, independently of NATO or CEE guidelines. Just as Prime Minister Mariano Rumor had stated on April 7, 1970, that "whatever results Italy can achieve in the field of foreign relations, much more can be obtained by acting together with these countries which share our ideals", so Foreign Minister Aldo Moro stressed on October 17, 1973, that Italy had felt impelled by the new Arab-Israeli conflict to call for a joint European meeting "with the object of determining a common policy which would ipso facto be more effective than any expressed by single member states of the Community".

Immediately after that, however, and independently of what became known as the Euro-Arab Dialogue, Moro took steps to develop Italo-Arab cooperation along five main directions: Egypt, viewed as the senior partner in the alignment confronting Israel, and hence the most suitable subject for any political action by Italy aiming at lessening tension in the Near East; Iraq, as an oil-producing country likely to view Italian involvement in its economic development with less suspicion than, say, US investment; Algeria, whose huge gas reserves were seen as an interesting and strategically valuable alternative to Near East oil, at the time the fuel predominantly used by Italian industry; Libya, as a natural trading partner whose relations with Italy had been marred by the expulsion of Italian residents in 1970; and finally, Saudi Arabia, in recognition of Riyadh's new regional and international role. Economic, as well as strictly political motives were obviously at the roots of Foreign Minister Moro's diplomatic initiative, whose results were on the whole more impressive in economic than political terms, as they laid the groundwork for construction with Libya and other Arab countries. While the political results were apparently less tangible on the bilateral level, post-1973 internal developments were in the general direction of a greater awareness and recognition of the Arab view vis-a-vis Israel's.

This was particularly apparent in the ruling majority's position; the Christian Democrats as a whole finally adopted the pro-Arab stand which had formerly been the left wing's prerogative, while the Socialists officially recognized the Palestinians' right to self-determination and called for Israeli withdrawal from the Occupied Territories. The shift in the Christian Democrats' position was presumably encouraged by the recognition that the Vatican, whose coolness towards Israel had not significantly changed since 1948, was becoming increasingly concerned about the Palestinians' plight. A definite preference

for Israel continued to be voiced only by some of the minor coalition parties, particularly the Republicans. This resulted in a certain cooling of relations between Italy and Israel: Foreign Minister Medici's visit to Israel in 1973 was returned by Israeli Foreign Minister Moshe Dayan only in 1978.

3. Italy's economic policy in the Near East and North Africa

The EEC used to be characterized as a political dwarf and an economic giant: this cliché could be applied on the whole to Italy's Mediterranean policy at least until 1973, when the need for a less timid approach to foreign policy in the area began to be voiced in Rome. Not that Italian economic policy in the Mediterranean could be described as having gigantic proportions in the pre-1973 era, but it certainly was far ahead of the strictly political variety and in some instances completely replaced it. Nowhere is this as manifest as in the efforts developed by the State oil agency, ENI, under Enrico Mattei in order to secure Italian participation in the development of North African oil, which were implemented independently of, rather than in coordination with, the Italian Foreign Office. Mattei's pursuit of diversification in oil imports, aimed at securing a reasonable proportion of supplies outside the US-led oil cartel, was in fact occasionally perceived as being in contrast with the general guidelines of Italian foreign policy, and incompatible with the short-term view of the US oil industry's interests in the Near and Middle East: a contrast which was highlighted by US reactions, in 1957, to ENI's well-known joint venture with NIOC, the national oil authority of Iran. Although ENI had already entered into a joint venture with Egypt in 1955, it was the Iranian deal which was seen in the US as real cause for alarm, triggering an immediate response when Mattei tried to duplicate it in Libya. On March 25, 1957, less than a fortnight after signing the Iranian agreement, Mattei was in Tripoli initialling an identical deal, the only difference being that whereas the oil-bearing areas covered by the Iranian concession were marginal, the concession acquired by ENI in Libya directly bordered on the areas in Algeria where extensive oilfields had been discovered in the preceding year by the French. The US oil industry's reaction was correspondingly efficient: pressure was applied by the State Department in Rome and in Tripoli, the Libyan Prime Minister who had initialled the agreement was dismissed, and the ENI concession revoked, while the area covered by it was granted a few months later to American Overseas Petroleum, a Texaco offshoot. Mattei's attempt at securing non-cartel supplies by offering petroleum exporting countries more competitive terms than those which the oil industry considered at the time acceptable was thus checked, but a precedent had been set. ENI became accepted as a desirable partner in oil prospecting, production and marketing thus paving the way for extensive and mutually profitable cooperation between the Arab countries and Italian industry. ENI's independent and at times even aggressive stance vis-a-vis the US-led oil industry was about to bear fruit in Algeria itself when Mattei was killed in a plane crash in late 1962, a week before he was due to meet Algeria's leader Ahmed Ben Bella in order to finalize details of a three-cornered cooperation agreement. In 1961 Mattei had been asked to join the oil cartel in exploiting Algeria's desert oilfields; the offer was refused as Mattei felt ENI should have no part in developing Algeria's natural resources while the country was still under French colonial rule, correctly believing that the Italian State corporation would be given preferential treatment after independence. Mattei's friendly relations with Algerian leaders in fact led French president de Gaulle to accept the principle of Franco-Italian

cooperation with Algeria in developing Saharan oil. The three-cornered agreement was to involve Italian technical assistance to be paid for by direct ENI ownership of a quota of Algerian crude, as well as by gas deliveries through the pipeline which was finally commissioned over two decades later.

Mattei's death was a blow from which ENI never recovered: its enterprising policy was soon replaced by a more conciliating attitude towards the oil cartel, which led between 1965 and 1970 to a number of agreements with Standard Oil, Gulf and other oil companies. US-owned natural gas from Libya thus replaced the Algerian gas envisaged in 1962 as a major source of fuel for the Italian economy. While this was in accordance with long-term US economic aims as embodied in the Truman Doctrine, the Marshall Plan and the Economic Cooperation Administration (which laid the European market wide open to the US oil industry), it was not necessarily the most effective way of promoting cooperation between Italy and the Arab World, which in Mattei's view should have been based on direct dealing and, as far as possible, on cutting out the US middleman. After Mattei, however, ENI was in no position to withstand pro-American pressures both by the Italian political establishment and by the international oil industry's local associates, and had to follow a more accommodating line. No wonder, then, that by 1967 ENI activity in the Arab World had not substantially progressed beyond the level reached in 1962, and no further footholds had been gained apart from Egypt, Tunisia, and Libya. The third Arab-Israeli war, in turn, was a further setback for ENI operations in the Arab World, as the joint venture with Egypt lost its most promising assets, the Sinai oilfields. This setback was only partially balanced by the general consequences of the June war; the closure of the Suez Canal, increasing US dependence from Near - and Middle East oil, and overall instability in the area, caused the oil cartel to modify traditional attitudes. As prospection was started in new areas, sharing growing financial burdens and political risks with independent companies, including ENI, became a more palatable option than in the past: such is the context within which, for instance, ENI acquired in 1968 a share of Shell's production from Qatar's offshore fields.

Thus far, then, Italian economic policy towards the Arab world was dominated by a traditional factor, the search for secure and profitable supplies of raw materials, while the region's importance as an export market was not particularly appreciated. Italian trade with the Arab countries conformed on the whole with the general pattern whereby the former colonial power tended to have the lion's share of the former colony's imports. Thus Italy's 25 per cent share of Libya's imports compares with France's 25 to 30 per cent share in the import trade of Algeria, Morocco and Tunisia. No particular efforts were made to increase Italy's share of the Arab export market and, not surprisingly, Italy's balance of trade with the Arab countries was in the red.

All this necessarily changed after the fourth Arab-Israeli war of 1973, with its attendant oil embargo and price rises, whose first, immediate, consequence was a substantial increase in Italy's trade deficit with the Arab World, which rose from 1.2 billion dollars in 1970 (when Italian exports were worth 2.2, and imports 8.2 billion dollars). A reappraisal of Italy's Arab policy became imperative, and a preference for joint European efforts towards a peaceful settlement of the Arab-Israeli conflict was expressed by Foreign Minister Aldo Moro as early as October 17, 1973. This was followed by the Brussel's Declaration of November 6, in which the nine members of the EEC expressed their readiness to negotiate trade and other agreements with the southern and eastern Mediterranean States, within the context of "a global and balanced approach".

In this view, which would have increased economic interdependence between the EEC and the Arab States, with positive long-term effects on political stability in the whole Mediterranean region, relations between oil-producing and oil-consuming countries were to rest on normal commercial incentives and consist, on the whole, in the exchange of oil for technology and know-how. Unfortunately, however, this was not the only option to gain widespread currency after 1973. A second school of thought, led by the US, advocated securing oil supplies not through normal commercial channels and freely negotiated deals, but by exploiting the advantages held by the highly industrialized world vis-a-vis the oil producing countries. In other words, the West was to secure its oil by the threat of economic warfare, of withholding the export of foodstuffs and other strategic supplies to the Arab World. To this end, the US encouraged protracted instability in the area and contributed to increasing inter-Arab tensions by promoting Egypt's separate peace with Israel and fostering at the same time a renewal of the local arms race. Europe ended by adopting the US option, with its attendant short-term benefits measured in swelling armaments sales, while the Euro-Arab Dialogue, which had been initiated at Europe's initiative in order to explore possible ways of setting up a stable system of exchanges and relations, finally petered out into ritualized and inconclusive verbiage.

This being the overall European trend, it is hardly surprising that Italy's approach to the growing trading deficit with the Arab world should have been piecemeal and generally disorganized. What, if anything, should be viewed as surprising, is the performance of the Italian economy, which in spite of a sixfold increase in the value of imports from the Arab countries between 1972 and 1977, managed to keep the growing commercial deficit down to a fourfold increase, thanks to an eightfold increase in the value of exports; at the same time, the Arab World's share in total Italian exports more than doubled, rising from 5 per cent in 1972 to 11.4 per cent in 1977, while the Arab share of Italian imports rose from 11 to 17.3 per cent. The Arab States were by now not only an essential source of oil supplies, but also an export market of growing importance. This was partly a mechanical consequence of the oil price rises, as a considerable quota of recycled petrodollars would have found in any case its way to Italy, which was somewhat favored by geographical proximity to the Arab world, as well as by a desirable rate of exchange; in part, however, it was also the consequence of Italian industry's scramble for markets in the aftermath of the first oil shock. The bigger corporations, from both the private and the public sector, were obviously better placed to participate in the export drive, and such household names as Fiat, Pirelli, Italsider, Ansaldo, various ENI subsidiaries such as Saipem, Agip or Snam Progetti, as well as civil engineering groups like Impresit, Italconsult and Lodigiani, were quick to establish themselves in the Arab States where, particularly in North Africa, they proved to be a match for French and German competition. An interesting development was the growing number of medium and smaller highly specialized firms taking part in the export drive as sub-contractors in deals arranged by major Italian companies with Arab public sector corporations or governments, a typical instance being the case of about twenty firms, each specializing in a particular stage of the textile cycle, which joined forces with Generale Impianti in order to develop the backbone of Algeria's textile industry. At a less impressive level, a myriad small to very small firms jumped on to the petrodollar bandwagon, exporting anything from solid gold bathroom fittings to plastic trees, a remarkable testimony to individual enterprise but not perhaps the best way to promote lasting economic integration between Europe and the Arab World.

Criticism of so haphazard an approach was not lacking, from both the Italian and the Arab side. The need was particularly felt for greater coordination in the whole field of Italian exports, with substantial public backing in view of the pressing need to acquire and keep an adequate share of the Arab market in order to pay for Italy's growing oil bill. What public backing there was sometimes turned out to be of the wrong sort, as when Italian contractors found themselves competing against one another for tenders relating to the erection of industrial plants: in such cases, competitors from the private sector often saw themselves outbid by public corporations operating without the constrictions of strict cost-accounting thanks to their ability to offload any loss onto the taxpayer. Criticism was also voiced at the overall shortcomings of long-term industrial planning in Italy, as it was felt the government had no clear idea about what was going to happen to the mature sectors of Italian industry once the pore go-ahead exporters of high technology had provided the Arab oil producing countries with brand new plants capable of competing on the European market in petrochemicals, fertilizers, or intermediate iron and steel products. On the financial side, Italian exporters regretted the absence of a comprehensive policy of export insurance, as well as the inadequate level of measures adopted to facilitate the recycling of Arab petrodollars through Italy; in this connection it may be recalled that some of the most ambitious schemes aired in the mid- and late Seventies (for instance, using oil revenues to turn Sudan into "the breadbasket of the Arab World" by means of European technology) went the way of the Euro-Arab Dialogue.

Criticism of inadequate government support was also voiced from the Arab side, in connection with the abnormally low level of Arab investments in Italy. Out of about 110 billion dollars in oil revenues accumulated by the Arab oil exporting countries by the end of 1977, direct investments had gone mainly to the US and Canada, to France, West Germany and Switzerland, and to Japan, the only significant direct investment in Italy being the acquisition of 415 million dollars worth of Fiat stock by Libya in 1976. While a general Arab reluctance to invest in Italy may be attributed to the high rate of inflation then current, it was felt that the Government was not doing as much as possible in two closely connected fields: export support and coordination by means of agencies connected with the Foreign Trade Ministry (ICE, UIC, Mediocredito centrale), and projection of a positive image of Italy's economic and political health. That was a polite way of putting it: throughout the Seventies, Italian governments used to be accused of having no foreign policy or, at best, of having an impact on Italy's neighbours in the Near east and North Africa that was no more than that of a country half its size.

All this began to change in the early Eighties, when Italy ceased to be little more than a spectator of international events. A more active role was practically thrust upon her by the British withdrawal from Malta in 1979, in whose wake Prime Minister Dom Mintoff called for the island to be guaranteed neutral status by four friendly neighbouring powers, Algeria, France, Libya and Italy. The one to respond most positively was the Italian government, worried about a possible power vacuum on Sicily's doorstep, and a treaty was duly signed, combining financial and technical aid with a commitment to consult with Malta in case of danger to the island's security. Then came a revealing indication that Italian acquiescence to US policy in the Mediterranean could no longer be taken for granted, when a foreign ministry statement was issued immediately after the failure of the US attempt to rescue the Tehran hostages, condemning the use of force on all such occasions; as a precedent, this heralded the confrontation which followed the Achille Lauro affair in 1985.

when Italy refused to hand over the hijackers after the Egyptian plane flying them to Algeria had been intercepted by the US and forced to land in Sicily. 1980 also saw an unprecedented number of ministerial visits and official missions between Italy and the Arab countries. This increasingly active attitude towards the Mediterranean area was, to a certain extent, caused by Italy's continuing balance of payments difficulties (in 1980 the commercial account deficit rose nearly tenfold compared with 1979; it was also due, however, to a coherent attempt aimed at bringing political relations up to the excellent level of economic interchange - to paraphrase a statement made by then President Pertini on his visit to Algeria in May, 1980. A further factor contributed to Italy's more active attitude towards the Arab world, namely Italian chairmanship of the EEC during the first half of 1980, when Rome found itself at the helm of Europe's attempts to develop a coherent stand vis-a-vis the Arab-Israeli conflict. The European summit in Venice on June 13 in fact issued a statement in which the nine members declared their willingness "to participate within the framework of a comprehensive settlement in a system of concrete and binding international guarantees" upheld Israel's right to existence and security, but at the same time condemned it for its settlements in occupied Arab territories, rejected its unilateral attempt at changing the status of Jerusalem and insisted on the association of the PLO with any peace settlement. While this may have fallen short of some Arab expectations, it was a significant advance for which Italian diplomacy was entitled to claim some credit (notably in overcoming some Dutch and Danish pro-Israeli opposition), as for the first time western Europe went beyond mere declarations and laid the groundwork for active diplomacy. Riding on the fact that, by now, Italy was the biggest provider of export credit among all the DECD countries.

After that, Italian industry continued to be cautiously followed by the government in taking a more pro-Arab stand. In spite of US pressure on Italy to reconsider its attitude toward radical Arab States in the light of the Gulf of Sirte incident in the summer of 1981, nothing was done in Rome to discourage Italian businessmen from carrying on as usual. A few months later, Prime Minister Giovanni Spadolini reaffirmed his commitment to a PLO role in the Near East process as envisaged in the EEC Venice declaration, which was to be held complementary to the Camp David process. While taking a less Washington-oriented stand in the Mediterranean, Italy was apparently hedging its bets, however, by encouraging a geographically more balanced pattern of oil imports: whereas in 1970 Libya had been the biggest supplier, followed by Iraq, Saudi Arabia and Kuwait, by 1980 the order was Saudi Arabia (supplying about 33 per cent of total Italian oil imports), Libya (14 per cent), Iraq (13 per cent) and Egypt (about 7 per cent).

The falling price of oil imports is - together with the growing importance of Italian aid - one of the main factors influencing Arab-Italian relations in the Eighties. While declining oil revenues curtailed investment plans in most Arab oil producing countries, and some payments to exporters were held up or even suspended, the new situation also helped put trading relations into a clearer perspective. When Italy's commercial deficit was rapidly rising in the Seventies, exporters had been hard pressed to exploit any outlet, while on the Arab side the mounting tide of petrodollars had made almost any investment seem reasonable. In the more balanced conditions of the Eighties both sides had time to sit back and think, and concentrate on those investments which have a greater chance of proving productive in the long run. This is reflected in the shift away from consumer goods towards development-producing technology.

A relatively recent development which gives Italian exporters a certain advantage over many others is Italy's emphasis on foreign aid, which has

singled out the Mediterranean Basin area as a priority target for development cooperation, absorbing about one quarter of Italian bilateral and multilateral aid. The area, where Italy's general foreign policy objectives and her development cooperation aims are particularly interconnected, includes six "top priority" countries (Egypt, Jordan, Morocco, Sudan, Tunisia, and North Yemen) where 80 per cent of the area's aid is to be concentrated.

4. Conclusions and prospects

The Arab World's share of Italy's foreign trade, which rose from around five per cent in pre-oil crisis days to 12 per cent of total Italian exports in 1979 and 18 per cent in 1981, to 18 per cent of total Italian imports in 1979 and 22 per cent in 1981, is certainly a more faithful image today than it was, say in 1970, of the Arab countries aggregate weight in international relations and in the world's economy. This was achieved, however, thanks to the resilience of the Italian economy rather than as a result of any long-term bilateral, Italo-Arab planning, and is a testimony to an efficient panic reaction by Italian exporters to Italy's growing balance of payments deficit in the wake of the 1973 oil price rises, rather than to the growing integration between Europe and the Arab world which was advocated by the well-meaning initiators of the Euro-Arab Dialogue.

The spontaneous and contingent nature of Italian efforts towards stronger trading relations with the Arab countries is revealed by the fact that as soon as oil prices stabilized and the share of imports from the Arab countries in Italy's total exports fell to 17 per cent in 1982 and 14 per cent in 1985, Italian exports began to decline even faster, falling to 15 per cent in 1982-83 and less than 11 per cent in 1985. Such short term oscillations in the Arab quota of Italy's international trade are inconsistent with planned integration between the economies on the North and South shores of the Mediterranean; they reflect instead a trend towards the general pattern of international commercial relations, which shows a heavy volume of trade within the main areas and an inadequate level of inter-area exchanges, the heavily industrialized countries trading mostly among themselves. Within the generally low level of South-South trade compared with North-South and North-North traffic, the depressingly small volume of inter-Arab commercial exchanges stands out as a major obstacle on the way to balanced economic integration between the Arab countries and Europe.

Direct comparison between the levels of economic and political integration achieved by the EEC and the Arab World respectively is of course unfair, and indeed irrelevant, as there were substantial differences in the initial conditions of the two processes and in the causes which set them in motion, but the low level of inter-Arab trade and interdependence should be viewed as a major factor in the unbalanced nature of Euro-Arab relations. A degree of complementarity between the major European countries, and their overall economic interdependence, were the foundations on which such inspired statesmen as Schuman, De Gasperi and Adenauer laid the political framework for European unity. No such complementarity existed between the Arab States when the first hesitant measures to foster economic integration were taken in the Fifties; neither was there a political impulse to unite comparable to the forces at work in Europe, where the aftermath of two world wars indicated economic and political integration to be the only solution to inter-European tensions. Complementarity between Arab economies cannot be created overnight, but the potential is there, particularly in the Maghreb, and it should be encouraged with greater energy than hitherto. The Arab road to integration is, understandably, more difficult than Europe's, and yet it has no alternative if

Euro-Arab relations are to develop into a dialogue between equal partners, rather than continuing on the present pattern, where the partner with the greater bargaining power dominates the other. Bargaining from strength may win short-term advantages, but is no substitute for cooperation based on common interests.

These may be hard to locate, and European perceptions of Europe's own interests have evolved since 1973 mainly in response to short-term variation in the balance of trade: cooperation was all the rage when deficits soared, but interest in the Euro-Arab dialogue declined as fast as OPEC supplies were being replaced by non-OPEC oil sources. Perceptions have varied on the Arab side too, but there is a long-term goal which should be pursued by both Europe and the Arab world, and which can be attained only through greater political as well as economic integration within each area, and between them. The EEC and the Arab World should work together towards a reduction of East-West polarization, not merely because reducing tension between the superpowers is a good thing in itself, but also because this would lead to a number of positive effects, from the freeing of economic resources for more productive use than financing the global armaments race and its local varieties, to the development of a Euro-Arab association capable of welding the north and south shores of the Mediterranean into a community comparable with the US and the Soviet Union in economic potential and political weight.

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