

INSTITUTE OF CURRENT WORLD AFFAIRS

DR-27

St. Antony's College,
Oxford.

TRIESTE: The Economic Dilemma

13th May, 1960.

Mr. Richard H. Nolte,
Institute of Current World Affairs,
366 Madison Avenue,
New York 17, N.Y.

Dear Mr. Nolte:

The geographic position of Trieste decrees that it will be an international port, not a national one. The failure of Rome to understand this simple fact makes incorporation in Italy a far worse solution than it otherwise might have been.

This is the essence of the problem of the Adriatic port and the reason why so many Triestini - from businessmen to stevedores - believe that the city was better off as a Free Territory with a free port, the optimum position for an international emporium in a world of hostile nation-states.

But the voices of the many local critics are often muffled today. Several told me they are afraid to speak out, and they cited instances of outspoken locals - including a president of the Chamber of Commerce - who were reprimanded or who lost their positions. One now does his critical writing for Swiss journals under a pseudonym, and when he gave me copies of his articles he was clearly very nervous that I might reveal his identity. How justified were his fears of Rome? I could not judge.

This, too, may be changing. "For some time," Carlo Ventura wrote in the March 12th issue of the Italian weekly Il Punto, "since about the beginning of the Italian administration, the periodical 'reports' of the national dailies and illustrateds on Trieste have tended, however gradually and with not a few exceptions, to abandon the bersagliero-sentimental tone to expose with more responsibility and attention the situation of a city and a zone in which general discontent with the all-too-traditional incomprehension of the Roman bureaucracy keeps pace with the slow but constant pauperization of the Adriatic emporium."

The geographic position is clear from a glance at the map: Trieste can never be an Italian port. Even its local hinterland in Istria and neighboring Slovenia has now been cut off from it by an international border since the changes of 1946. As a result, even with all the encouragement the Italian government has given to its development as a national port, only 16½% of the tonnage departing the city by rail in 1959 was bound for Italy, while 33½% of the arriving tonnage came from Italy.

In fact, if Trieste today belongs economically to any one

country, it is still to Austria, so well does the Habsburg's port still serve the Habsburg's land: last year 59% of rail departures (in tonnage) were bound for little Austria, 51% of arrivals came from it.

But Austria today is a market of only seven million, and the rest of the old Empire is cut off by an Iron Curtain or lies in hostile Yugoslavia. Although the population has almost doubled since the turn of the century (it is now 283,000), and although there have been vast changes in the volume of world trade in the past fifty years, the amount of it flowing through Trieste is almost the same as it was then: 1,135,712 tons were shipped from the port in 1913; 1,235,430 tons were shipped in 1959. There is no improvement over the troubled depression years between the wars, despite the great European boom of the '50's: in 1938 some 864.8 thousand tons arrived by rail; last year, 866.3 thousand tons. Departures by rail: 1,133 thousand tons in 1938, 1,105 thousand tons in 1959.

To make matters worse, the kinds of goods making up these cargoes have also changed: far more bulk goods, with small profit margins for middlemen, far less specialized goods with higher margins. In 1913, 35.3% of the arriving seaborne tonnage was of the specialized type, in 1957 it was 6.2%. Only the advent of petroleum products, which put relatively little coin in Trieste pockets (the two local refineries employ a total of 957 men), has kept today's tonnage figures equal to the 1913 level, jumping from 1.7% of goods loaded or unloaded to 32.1%.

Statistics are dull, but these are as eloquent as the empty harbour, proving that the miseries of dying Trieste are not imaginary.

The results of these changes include 14,867 unemployed at the beginning of 1960, 14% of the total labor force. Related political extremism, since Communism was discredited locally by its pathetically confused attitude toward the Free Territory question and since extremism in a border area tends to be nationalistic, is rightwing: with 34,000 votes in the last local election (19 October 1958) for the neo-fascist Movimento Sociale Italiano (MSI), Trieste is the most fascist city in Italy today. (There were at that time 45,000 Communist votes, 72,000 Christian Democrat.)

The geographic position, decreeing that Trieste must be an international port, is unchangeable. Therefore, conclude the Trieste businessmen, since the objective difficulties of borders in general and Iron Curtain in particular are so great, the government is bound to do everything in its power to make the port competitive in Central Europe. "Massive stimulation is needed," I was told, "not massive neglect."

The Chamber of Commerce, Lloyd Triestino, and independent merchants have assembled impressive arguments to show that Trieste is still the natural outlet for Central and East-central Europe, especially in the direction of Africa and South Asia, now recognized as explosively growing markets. As they see it, the city should be

preparing its facilities, its harbour and rail tariffs, and its propaganda for the economic opening-up of these new markets (in which Lloyd Triestino in fact pioneered after 1870) and the political re-opening (in these detente days) of the old Central European markets.

The stumbling blocks, local interests say, are all in Rome, a combination of nationalism and characteristic bureaucratic blindness with NATO loyalty to the embargoes on strategic goods.

This latter point - the selective embargo on goods to Communist countries - is nowhere mentioned in print, but it was suggested to me that it does much to render the existing limited free port arrangements meaningless, since goods lying in the free zone are subject to the delays and risks of inspection for forbidden categories. It is hardly surprising that a local desire to turn Trieste into an emporium for what NATO regards as contraband should be little publicized, but the Triestini are aware of lucrative possibilities here.

In the detailed complaints I heard about Roman administration, I was reminded of the stories I had collected in the Alto Adige last year (DR-20). In both cases they often have their ultimate source in the Roman conviction that Italy is a unitary state in which the same laws should apply everywhere: regulations that are reasonable in terms of a national port like Naples or Genoa or Venice (the latter two also have Swiss and South German hinterlands, but are primarily national) should apply to Trieste as well.

La Zona Franca, a bi-monthly paper published in Trieste by the "Citizens Committee for the Free Zone", offered in its 20th November 1957 issue a list of such regulations, the effects of which are alleged to make the competitive position of the port worse:

- 1) Customs regulations are "as intricate as a forest," wasteful of time and money and inappropriate to the nature of the traffic;
- 2) Currency limitations and prohibitions are appropriate to a national port, serving primarily Italian consumers or producers, but inappropriate to a transit port;
- 3) "Innumerable fiscal duties" are geared to the notion that Italians are either producers or consumers of the goods going through the port, which they are not;
- 4) Prohibitions, limitations, and general bureaucracy in the working of the port greatly lengthen the handling time required (here the Trieste merchants are presumably thinking of the efficiency of their German competitors, and of the low wage rates, long hours and lack of union interference enjoyed by their Yugoslav competitors).

The solution proposed by La Zona Franca: "that any merchandise, from any external producer, can enter the Territory freely, move freely there, be freely worked and consumed, and depart for any destination; all with the greatest efficiency, speed and economy." All this could be achieved, it is claimed, through the establishment

of the desired Free Zone. This would cost the state tax receipts, but would have many long-run advantages, including an end to local unemployment and its associated social dangers, economies in eliminating about 2000 bureaucrats now needed in the port, increased revenue from increased rail and ship traffic, and increased national prestige.

General Triestini's agreement with this view translates itself onto the political plane as agitation for an autonomous region - like Sicily, the Val d'Aosta, or Trentino-Alto Adige. At the extreme fringe there is an organization calling itself "The Movement for Independence", publishing a bi-monthly mimeographed newsheet and issuing appeals to the U.N. Security Council and the signatories of the Italian Peace Treaty in the name of the Free Territory. My impression is that it has little following, but one suspects also that its following is limited primarily by the uncomfortable proximity of the Yugoslav border (five kilometers away) and the standing Yugoslav claim to the city. None of the Italians want the Yugoslavs back, and the Slovene minority in the province (50,000 out of a total of 300,000) is sharply divided into a Titoist faction, desiring union with Yugoslavia, and several anti-Tito factions (a high percentage of the Slovenes, oddly as it seems to me, vote for the Italian Communist Party).

It is worth noting in this connection that the only genuine opposition newspaper in Trieste, the Corriere di Trieste, which campaigned actively for continuance of the Free Territory in 1953-4, closed down a year ago. It was an open secret in the city that it had been supported for years by a direct Yugoslav subsidy. I was told at the U.S. Information Service that the editor of the Corriere came to the director of USIS just before the paper shut down, complaining bitterly that the Yugoslavs had discontinued their support in the interest of better Italo-Yugoslav relations, and asking if the United States would be interested in taking over the subsidy! (This delightful tale was from the Press Officer's secretary, and I was unable to confirm it.)

But if the Free Territory movement is at present limited to a lunatic fringe and the Autonomy movement has no regular newspaper backing, autonomy at least has the support of almost all the local political parties. The notable exception is the locally strong neo-fascist MSI. The Misi are, of course, Italianissimi, notwithstanding the fact that their leader, Dr. Gifter Wondrich, has a Slav name and was a collaborator with the Nazi occupation from 1943-45!

However, the degree and form of autonomy advocated varies from party to party. The reasons seem to be based on party political calculations more than on an objective weighing of the advantages. The Christian Democrats, for example, who are very strong in Udine, would prefer a combined Friuli-Venezia Giulia Region (including the provinces of Udine, Gorizia and Trieste) to strengthen their hand locally. The Social Democrats, on the other hand, favor a separate Trieste region, consisting of the former Zone A of the Free Territory.

This Social Democrat position is typical of the rationalizations employed by local politicians. Professor Medani, the personable local PSDI chief, told me that his party had stood strongly for the Free Territory in 1954, seeing the advantages of the existing arrangement, resulting from the Anglo-American occupation here and in Austria, which brought much trade through Trieste.

"Trieste is a central European port," he repeated, "and the Italian government has not dealt rightly with us, because they cannot recognize that the problem here is an international one. They have spent much money in a sincere effort to help, but because of this fundamental misapprehension, the money has been badly spent. The new mole, and the new highway tunnel (connecting Trieste with the languishing industrial zone at Zauale) cost millions, but are useless. The need is for a Free Port, and this is not granted." Autonomy is the only solution now possible, but there is no sense in a region combining Venezia Giulia with Friuli, he said, because the problems of Udine are of a completely different kind.

But a deeper reason for this position on the autonomy issue may be found in the peculiar local position of the Social Democrats. In Italy this right-wing, pro-NATO socialist party, often in government coalitions, is much smaller than the sometimes fellow-traveling Italian Socialist Party (PSI), but in Trieste, which has an old Social-Democratic tradition unchanged from Austrian days, the PSDI is the stronger of the two and has an alliance with the USI, a small Slovene socialist party. These advantages would be lost in a union with Udine.

Italians are a political people, and most of the Triestini I talked to wanted to discuss the plight of their city in these political terms - the autonomy issue, the incomprehension of Roman bureaucrats, the manoeuvring of the local parties in an effort to present a united front against the national government, the pouring of an excessive portion of development funds into housing projects for refugees from Istria in an alleged effort to build them into a solid block of Christian Democrat voters.

All of this is apparently true, but it largely misses the point, which is economic or a matter of international politics. Because the economic and international problems are so much more difficult, the Triestini prefer to look to autonomy or a Free Territory as a panacea. At best, these are only pre-requisites to a solution.

The Austrians, understandably, take a large interest in the Trieste situation. In February, 1959, Federal Chancellor Raab invited a Triestini delegation, headed by the then President of the Chamber of Commerce, Dr. Caidassi, to Vienna to discuss ways of promoting Austrian trade through the Adriatic port. The visit had unfortunate political repercussions, coming near the climax of the latest Austro-Italian troubles over the South Tyrol. Il Tempo in Rome headlined the visit as a part of "the anti-Italian campaign," and the Vienna daily Neuer Kurier said that the Triestini had come to ask the aid of Austria against Italian oppression. The source of this slanging

match seems to have been some polite words by Dr. Caidassi remembering the historical and traditional connections between Trieste and Austria.

More to the point was Raab's declaration that "Austria will continue, as she has done up to now, to consider Trieste as the 'preferred' port for the transit of her merchandize overseas." Bruno Tedeschi, the competent and reliable Vienna correspondent of the Giornale d'Italia, wrote at the time: "This means in other words, 'we are trying to ship via Hamburg the least possible in order not to engage our economy too much with the German.'"

The problem, Tedeschi went on, is to persuade Rome to provide Trieste with facilities with which to give practical grounds for this preference, which means the ability to compete with Hamburg in giving preferential rail rates and frequent departures. Rome has ignored this need. Raab and Caidassi in Vienna proposed a high-level mixed commission to investigate practical means and political repercussions of giving special concessions to encourage such a preference in Austria, Hungary and Czechoslovakia, but this was denounced in Italy as Austrian interference in Trieste affairs.

At the moment Hungary and Czechoslovakia are preferring to use Rijeka, despite their strained relations with Belgrade and the fact that concessions granted them in that port are inferior to what Trieste could theoretically offer. The Austrian province of Styria - including two important industrial districts - also makes use of Rijeka. Representatives of the Hungarian and Czech governments have reportedly indicated willingness to prefer Trieste, with its better port and warehousing facilities and more frequent departures, but conditions have not been favorable. At present one million tons of merchandise (400,000 tons of it from Austria alone) that could be going via Trieste is passing through Rijeka. The great Yugoslav advantage is in railroad tariff concessions, amounting, I am told, to free passage through to Rijeka, designed as part payment for Soviet bloc and Austrian goods for which the Yugoslavs lack hard currency. Economic language is speaking louder than political.

"Practically," the Giornale d'Italia concluded with reference to the Vienna talks last year, "Trieste could furnish the interested states 'comprehensive' tariffs if she had the 'comprehension' (not only economic) of the government in Rome, which favors Genoa and Naples." What is required is speedier departures, reduced railroad tariffs and improved warehousing - all of them needing government subvention. Austria might be willing for political reasons to pay a little more via Trieste than via Hamburg, but not so much more that it becomes counterproductive and uneconomic. "Since de Gaspari," concludes the Italian paper, "no one has understood this except Fanfani."

The Roman answer has generally been one of impatient exasperation. Trieste has already been favored with millions in investment funds, improved highways, housing projects, a new industrial port with sizeable tax concessions to lure new industries in (they have not come), shipbuilding contracts for new bottoms that will bear the Trieste name as a homeport (but often work out of Naples or Genoa

and never see the upper Adriatic again). What more can the ungrateful Triestini ask?

Part of the answer is a local reflection of a common Italian complaint: that assistance is applied sporadically, without adequate comprehensive planning, and with too high a percentage sidetracked in various forms of graft or porkbarreling. There is a fine new mole, but it remains unused because the Pontebbana railway line, over which most of Trieste's commerce must come since the Südbahn and the Tauernbahn both run through Yugoslavia, and the Venice line both remain single-tracked. The highway to Tarvisio is deplorable, although the Austrians have made great improvements to this same road on their side of the border. Adequate railway tariff concessions are never made.

These economic problems are the direct result of Roman disinterest, and to this extent Trieste's problem is a political one. But one leaves this loveliest of port cities with the basic question still unanswered: if all these things were granted that the Triestini desire, would there be more than a marginal improvement? Short of full internationalization, which is highly unlikely in the foreseeable future, can the city ever prosper in the changed world in which it finds itself?

Symbolic of this dilemma is again the railroad situation. Improvement and double-tracking of the Pontebbana line - which, carrying traffic for Venice and Central Italy as well as for Trieste, is overstrained - and preferential tariffs on it would undoubtedly help and are within the power of Rome to grant. But they provide no full substitute for the use of the half-rusting rails of the old Südbahn via Ljubljana, largely double-tracked even before 1918 and much the shorter way to Vienna or Budapest. Yet these rails lie in an unsympathetic Yugoslavia, interested only in discouraging Trieste transit traffic.

The Triestini are right to grieve the loss of the Free Territory, although the exigencies of international power politics may have demanded it, and although it remained a permanent international danger-spot. What can replace it?

One Trieste economist mentioned what might be a new direction for hope: the Common Market, which (he said) will prevent the Germans from giving concessions on the railroads and highways to Hamburg that the Italians do not give on the routes to Trieste. Then the Adriatic port's nearness to Vienna and to Port Said could be turned to advantage again.

But it is significant that he was the only man to mention this among the dozens I talked with. When none of Trieste's hinterland is in the Common Market, and while much of it lies still within the Soviet orbit, is there much hope here either?

Seven years ago Trieste filled the headlines of our newspapers. Now nothing is heard from it. Seven years ago I first visited the

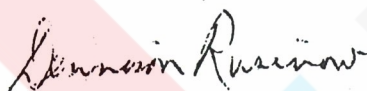
city when the bullet-scars were still fresh on the columns of the church of San Antonio. The question foremost in my mind as I went back this spring: Is the Trieste problem solved or only dormant?

The Anglo-American decision of October, 1953, substituted Italian forces for Anglo-American ones in Zone A. It changed little else. The Italians accepted with thanks, but refused to give up formal claims to Zone B. The Yugoslavs protested and continue to regard Zone A as terra irredenta. The economic problems were untouched, even aggravated by the withdrawal of occupying forces here and in Austria.

Perhaps the attitudes of the Triestini have changed a little: their worst fears of the consequences of union with Italy confirmed, discontent and bitterness increasingly overwhelms their sense of Italianità. If it remains subdued in expression, it is only because of fear of the Slav neighbor.

The Trieste problem is only dormant.

Sincerely,



Dennison Rusinow

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