External Influences on Weak State Foreign Policy: The United States and Italy during the Cold War

by

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Abstract

This dissertation examines the extent to which one country may influence the foreign policy choices of a weaker partner. It specifically examines the complex interdependent relationship between Italy and the United States during the Cold War (1945-1991). I utilize a multi-method approach, employing quantitative and qualitative methods to examine the nexus between various political and economic measures and foreign policy outcomes.

For the quantitative section, multiple regression is employed to study the influence of several economic factors—trade dependence, aid dependence, and loan dependence—on Italy’s incidence of agreement with the U.S. on UN General Assembly (UNGA) roll call votes. The quantitative section begins with the UN voting data for 1956, the year in which Italy began voting in the UNGA. Two of the independent variables examined—Italy’s dependence on imported goods from the U.S. and its dependence on U.S. loans—were found to have a statistically significant impact on the Italy-U.S. Index of Agreement (IA) on UN roll call votes.

The qualitative section of this dissertation studies the historic foreign policy relationship between the U.S. and Italy during the entirety of the Cold War. The historical record suggests that the large aid outlays in the immediate postwar period had a substantial effect in influencing Italian compliance with American foreign policy desires.

This study concludes that of the three explanations for weak state foreign policy outlined in the literature review, compliance emerges as the best explanation for Italy’s pattern of foreign policy behavior during the Cold War. However, it highlights the limitations of aid alone in
motivating the foreign policy choices of weak states, as other mechanisms will almost certainly be required to buttress development assistance programs. The results obtained from the multivariate analysis reinforce the idea that trade policy can be a potent instrument in motivating weak state foreign policy behavior. Finally, the high statistical significance of Italy’s loan dependence on its pattern of foreign policy agreement with the U.S. may have important implications for the functioning of the international system and is deserving of further study.
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Chapter 1: Introduction

Background

Foreign policy has been described as “one of the most complex functions of modern government.” It is the face that a state presents to the rest of the world and should, therefore, be based on a unified vision of the national interest. Of course, the hard part in achieving this vision is reconciling the myriad of competing notions within the state of what constitutes the “national interest.” Added to these internal pressures are significant external forces: other states, international organizations, multinational corporations, etc. that will also attempt to influence a state’s foreign policy. The task of balancing these internal and external pressures and finding the right foreign policy “mix” can be daunting.

For Italian policy makers, determining the “national interest” is made even more difficult by the Italy’s eclectic national character. Of all the countries in Western Europe, Italy is the most linguistically and culturally diverse. As historians Frederick Spotts and Theodore Weiser observe, Italy’s “astonishing diversity” is one of the first impressions of any traveler to the peninsula. They observe that, “on a small stretch of land—not more than half the size of France—are a hundred different worlds. They range from the pastures of the Alps and Dolomites on whose slopes French, German, and a form of Latin are the first language to the olive and orange groves of the South where ancient Greek, Arab, and Norman influences are

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everywhere visible. Sardinia and even Sicily retain a sense of isolation that modern transport only slowly diminishes.”²

These “hundred different worlds” did not even become a unified polity until 1860. But while a united Italy has existed only for a historically short period, the Italian influence on foreign policy and the art of diplomacy goes back centuries. As former Prime Minister Giulio Andreotti has remarked, modern diplomacy is the creation of Italians,

and with the 1648 Peace of Westphalia, it spread throughout the whole of Europe, thanks to two cardinals, Giulio Mazarine and Giulio Alberoni, who held leading positions in France and Spain respectively. Two other Italians were also the mediators of the Peace of Westphalia itself: The Papal Nuncio Fabio Chigi, the future Pope Alexander VII, and the Venetian Ambassador Alvise Contarini. It was they who introduced Italy’s diplomatic customs regarding neutrality, precedence, privileges, immunities, the diplomatic pouch, and diplomatic couriers, etc. into the six-year negotiations.³

Italian-American relations extend back to the founding of the U.S. One notable early example of this interaction was the Italian agricultural colony set up in Virginia in 1773 by Tuscan physician and merchant, Fillipo Mazzei. Mazzei, a close friend of Thomas Jefferson and Benjamin Franklin, later served as a European agent for Virginia during the American Revolution. In this capacity he purchased and shipped arms and supplies for the commonwealth until 1783.⁴ The ties between the two countries were further strengthened by the large influx of Italian immigrants to American shores during the 19th and 20th centuries. In 1900, Italian and U.S. troops would fight side by side during the Chinese Boxer Rebellion. Yet, the U.S. exercised no significant influence on Italian foreign affairs until after the First World War, when U.S. President Woodrow Wilson succeeded in having Italy’s territorial gains reduced during the Paris

Peace Conference of 1919. Wilson’s actions would play a prominent role in the subsequent rise of Italian Fascism and the disastrous twenty-year reign of Benito Mussolini. The U.S. influence on Italian foreign policy would be at its peak, however, during the Cold War, defined here as the period 1945-1991. The extent of this influence is the subject of this study.

This dissertation, therefore, will examine the extent to which an economically and militarily dominant state may influence the foreign policy choices of a weaker partner. The specific case to be examined is the complex relationship between Italy and the United States during the Cold War. This study contributes to an understanding of the factors that lead a developing or weak state to make certain foreign policy choices in response to influence from other, stronger, countries. The bulk of the previous research on this topic has focused on Latin America and has been cross-sectional in design. This dissertation differs from previous research into weak state foreign policy by its focus on a European state and by the length of the period under consideration. This study expands the current knowledge base by utilizing an international political economy (IPE) approach to identify elements that permit strong states to influence the foreign policy decisions of weak states and describe relationships between strong and weak members of political dyads.

The period to be studied commences during the heyday of Italy’s dramatic post-World War II expansion, a period when Italy transformed itself from a war-ravaged developing country into a nation of considerable political and economic power. This success was due in no small part to the economic assistance of the U.S., which had emerged from World War II with a robust economy. In contrast to the situation in the United States, the Italian economy had been severely

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damaged by the war. In 1945 Italian industrial production stood at less than 30% of its prewar level and almost all of this capability was in the North. By 1952, however, Italian industry had reached 140 per cent of its 1938 level. This remarkable progress was due primarily to a massive infusion of aid, first under the United Nations Relief and Rehabilitation Administration (UNRRA), and then the Marshall Plan’s European Recovery Program (ERP). By 1954, Italian industrial capacity had risen to 171 per cent of its pre-war level. All told, the UNRRA and ERP injected almost $2 billion into the Italian economy between 1946 and 1952.

This largesse did not come without a political price. Indeed, as the American Ambassador to Italy James Dunn stated, “Aid to Italy perhaps should be based upon a quid pro quo of necessary changes in political orientation and policies.” One early example of a “necessary change” manifested itself in Italy’s internal political structure when, under considerable American pressure, Italian Prime Minister Alcide De Gasperi excluded from his government all members of the Socialist and Communist parties. Additionally, in 1949 De Gasperi successfully lobbied for Italy’s inclusion in the North Atlantic Treaty Organization (NATO) at the behest of the American government and for the explicit purpose of ensuring American and Western European aid to the still struggling Italian economy.

In this dissertation I will attempt to determine what causal relationship, if any, exists between American economic and political dominance and Italy’s foreign policy relationship with the United States. This study will examine and evaluate the explanatory power of various theoretical models of foreign policy behavior. This research will take a focused comparative

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case study approach as advocated by Alexander George\textsuperscript{11} and will employ quantitative and qualitative methods.

\textbf{Limitations and Benefits of the Study}

Perhaps the most significant limitation of this study is that its ideographic nature tends to limit the generalizability of the findings. This does not however, invalidate the utility of the study. As George notes, “the solution to this impasse is to \textit{formulate the idiosyncratic aspects of the explanation for each case in terms of general variables} [emphasis in original].”\textsuperscript{12} Thus, a well-researched case study becomes a “particular value of a general variable that is part of a theoretical framework of independent, intervening, and dependent variables.”\textsuperscript{13} “The ‘unique historical event’ cannot be ignored,” writes noted comparativist Sidney Verba, “but it must be considered as one of a class of such events \textit{even if it happened only once} [emphasis in original].”\textsuperscript{14}

A possible benefit of this research is that it will contribute to a better understanding among government policy makers of how certain forms of economic incentives can stimulate desired foreign policies outcomes in other countries. Additionally, it will make a contribution to the ongoing research program and theory development of the determinants of weak state foreign policy. This study will also be of interest to Italian specialists in that it will provide a unique glimpse into the U.S.’s economic and political relations with Italy and the impact of those relations on the latter’s foreign policy positions during the Cold War.

\begin{itemize}
\item Ibid., 46.
\item Ibid., 47.
\end{itemize}
Organization of the Research

Chapter one will provide an overview of the research objectives. Additionally, it will present the research questions and detail the goals, scope, and significance of the work.

The second chapter is a review of relevant literature and theory. The primary theoretical focus of this research will be on International Political Economy (IPE) approaches to the study weak state foreign policy. This section will present a thorough analysis of three competing paradigms of weak state foreign policy: compliance, consensus, and counterdependence.

Chapter three will present the hypotheses and describe the methodology to be employed in the study. The dissertation will take the form of a case study employing quantitative and qualitative methods. The quantitative portion will consist of a correlational analysis and multiple regression analysis. It will examine the individual and collective effects of five factors thought to encourage political cooperation—military aid, economic aid, country-to-country loans, export dependence, and import dependence—and compare them to Italy’s incidence of voting agreement with the United States in the United Nations (UN) General Assembly. The qualitative portion will consist of an historical case study of U.S.-Italian Cold War relations.

Chapter four will consist of the quantitative analysis. This chapter will present the findings obtained from the multivariate and bivariate statistical analyses of the independent and dependent variables. Furthermore, in this chapter I will take a step back to ensure the research has addressed the original research questions and hypotheses. These results show that of the independent variables studied, U.S. loan and import dependence had a statistically significant impact on U.N. voting agreement.

The fifth chapter is an historical case study of Italian foreign policy. This chapter will examine the historical background of the study. It will provide a robust look at the foreign
policy of Italy from the 1945 until 1991. This chapter will lay out the points in which U.S. and Italian policy converged and diverged and will explicate the quantitative findings. The results of this chapter demonstrate a marked obeisance on the part of the Italian government toward the U.S. during the early postwar period (1945~1953); however, such policy agreement tapered off somewhat as U.S. aid declined and the Italian economy concomitantly revived.

The final chapter will review the results obtained in chapters four and five, explain any conclusions that emerge, and explore opportunities for further research.
Chapter 2: Literature/Theory

International politics is subject to examination from many different points of view. Many scholars attempt to explain foreign policy behavior by systematically employing a specific theoretical “lens” such as realism, liberalism, or world systems theory, to name just a few. This research joins those analyses by comparing various economic and political factors to determine their respective capacities to account for certain forms of political cooperation between strong and weak states. Neil Richardson states that, “A search for explanatory factors in international politics requires that a fundamental assumption first be made to the effect that those considered factors have some motive properties which influence nations’ political decision-making processes.”\(^{15}\) Accordingly, this chapter will examine the empirical research into what motive forces operate on the process of weak state foreign policy development.

Weak State Foreign Policy

The scholarly literature on weak state foreign policy offers a rich trove of theory relevant to the discussion of Italian foreign policy development. Three interrelated approaches, largely based on international political economy (IPE) scholarship, emerge with special clarity: compliance, consensus, and counterdependence. Summarizing recent trends in the study of weak state foreign policies, Moon notes two major approaches: a compliance model emphasizing bargaining between actors in asymmetric dyads and a consensus model highlighting the affinity

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\(^{15}\) Neil R. Richardson, “Trade Dependence and Political Cooperation Among Nations,” (PhD Diss. The University of Michigan, 1974), 34.
between elites in dominant and subordinate states. According to the dependency theory paradigm advanced by Andre Gunder Frank and others, both of these models are “pro-core” in the sense that they both predict that the peripheral state will tend to favor the foreign policy preferences of the dominant “core” state. Jeanne Hey advances a third approach, the counterdependence model. Counterdependence is an “anti-core” approach which holds that dependent countries will “willingly oppose the core in an effort to counteract the effects of dependence.”

**Compliance**

The most frequently invoked of the models is compliance. The compliance model embraces many of classical realism’s key assumptions. First, compliance relies heavily on hegemonic stability theory (HST) and the concept of power obtained through both military and economic superiority. According to this view, dominant states flex their economic and military might to influence the foreign policies of weaker states. Second, advocates of the compliance model believe that world politics hinges on a system of punishments and rewards. Weaker states will, therefore, forego their own foreign policy preferences in favor of alignment with the core, anticipating that dominant nations will penalize or reward states in proportion to their compliance.

Additionally, compliance draws considerably from Robert Keohane and Joseph Nye’s work on asymmetric “vulnerability interdependence” and its attendant power disparities.

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Vulnerability interdependence refers to the “liability to suffer costs imposed by external events even after policies have been altered.” According to Keohane and Nye, it is this latter type of interdependence that gives a dominant partner power resources over outcomes and can be employed as a tool for extracting concessions. Neil Richardson describes this situation as a bargaining arrangement in which “the foreign policy behavior of dependencies is viewed as partial payment for the maintenance of benefits” they receive from the dominant nation.

Richardson later explained that compliant behavior is deferential. It is behavior that accedes to the wishes of others. This means that its well-springs are external rather than internal to the actor. The further implication is that, as one actor complies, a second party can be said to have influenced the first successfully.

Kul Rai’s 1972 study of UN voting patterns was one of the earlier forays into the study of compliance behavior in international relations. In his study of Soviet and U.S. relations with 66 developing nations, Rai examined four independent variables—shared membership in alliances, military aid, economic aid, and trade—to determine their effect on UN voting agreement with the U.S. and Soviet Union. To measure voting agreement, Rai employed Arend Lijphart’s Index of Agreement (IA). Rai examined voting on all issues that came before the UNGA between 1961 and 1965, and also treated “the two most important issue dimensions—political and colonial” as separate dependent variables.

Rai found that most Latin American countries voted in agreement with the U.S. and against the Soviet Union, but this result was attributable more to close historical and military ties.

rather than the effect of the independent variables. Furthermore, he found that recipients of military aid tended to vote in agreement with the superpower which provided the aid, but Soviet economic aid is “much more closely related than is United States economic aid with voting in the General Assembly.” Additionally, he noted a statistically significant relationship between trade relations and voting agreement for Latin American countries and the U.S.

In Eugene Wittkopf’s 1973 study, “Foreign Aid and United Nations Votes” the author sought to ascertain whether a relationship exists between economic aid and the incidence of UNGA voting agreement with the donor country for the years 1963 and 1966. His study included ninety-six foreign aid recipients and the actual disbursements of foreign economic assistance (not commitments or military aid). He compared these aid allocations with the relative agreement index (RAI) developed by Steven Brams and Michael O’Leary for the comparative analysis of voting bodies. Wittkopf concluded that a statistically significant positive association between aid and voting agreement existed only for the United States. For other donor countries, such as France and the United Kingdom, voting agreement appeared to be negligible. Curiously, the data for this latter category indicated an inverse relationship, suggesting that most foreign aid donors were “more prone to reward their enemies than their friends.”

In “Political Compliance and U.S. Trade Dominance” Neil Richardson looked at international trade transactions between strong and weak states and posited that because the larger economy will invariably dominate the smaller one, the latter will demonstrate

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26 Ibid., 593.
“cooperative’ behavior born of dependence.”

In Richardson’s cross-sectional study of 103 countries, he hypothesized that dependent states would exhibit greater General Assembly voting agreement with U.S. than non-dependent states. Furthermore, he argued that dependencies would demonstrate increased agreement with the U.S. on salient issues related to the Cold War than on other issues. Richardson used trade and voting data from 1965 for his study. His measure of voting compliance was Lijphart’s IA. Richardson concluded that while dependencies are more likely to agree with the U.S. on salient issues than non-dependencies, there was virtually no difference between the two on all other issues. Moreover, Cold War issues generated less agreement with the U.S. for both categories than all other votes.

Building on Richardson’s study, Richardson and Charles Kegley performed a longitudinal analysis of 25 dependent nations to determine the effect of asymmetrical economic interdependence on compliance behavior. The authors define interdependence as asymmetrical whenever “actor A gains more than does actor B from their interdependent relationship.”

In this situation “B has more influence potential than does A because B can threaten to deprive A of more utilities than the converse.”

Using time series data on trade and selected UNGA roll call votes over a 24-year period, Richardson and Kegley found that asymmetric trade vulnerability of dependent states leads to their selective compliance with U.S. policy preferences. As in Richardson’s previous study, the authors found that dependent states were more likely than non-dependent states to vote with the U.S. on Cold War issues. However, this pattern of agreement seemed to be in decline over the time period of the study (1950-1973). One possible explanation put forth by the authors is that the declining hegemony of the U.S. made it difficult to

29 Richardson, “Political Compliance,” 1099.
31 Ibid.
“successfully link others’ economic vulnerability to its own Cold War politics.”\(^{32}\) Additionally, on roll call votes not salient to the U.S., they found that dependent states were “no more in accord with the United States than are the remaining Assembly members.”\(^{33}\)

Michael Dolan and Brian Tomlin acknowledge the complexity of Richardson and Kegley’s analysis and agree that “subordinate (or dependent) states exhibit considerably greater behavioral variety in their relations with more powerful partners” than was implied by previous approaches.\(^{34}\) In their study of the relations between the U.S. and Canada in the period 1963-72, Dolan and Tomlin attempt to determine the general conditions that influence foreign policy in asymmetric relations. The authors assume that the subordinate state in any given asymmetric dyad will expect that an increase in the level of interaction with the dominant state, “either in the scope or magnitude of exchanges and agreements,” will result in enhanced economic well-being and decreased political autonomy.\(^{35}\) Furthermore, they theorize that it is the interaction of “relative economic strength and relative linkage concentration that limits or expands the choices available to the subordinate state in its pursuit of the goals of economic well-being and political autonomy [and] these choices are reflected in the conduct of its foreign policy toward the superordinate state.”\(^{36}\)

Dolan and Tomlin further stipulate that during periods of strong economic performance, subordinate countries will, generally, implement foreign policies that enhance autonomy through the reduction of political ties with the dominant country. They found, however, that in the case of Canada-US relations economic well-being coincided with efforts by the Canadian government

\(^{32}\) Ibid., 217.  
\(^{33}\) Ibid., 191.  
\(^{35}\) Ibid.  
\(^{36}\) Ibid., 351.
to reinforce and extend relations with the Americans.\textsuperscript{37} They attribute this result to the fact that Canadian and U.S. economies are closely tied and thus the Canadian economy is extremely sensitive to changes in economic conditions in the U.S. They point to one study that found that a change of “1 percent in the American GNP leads to a corresponding change of 0.86 percent in Canada’s GNP over a three year period.”\textsuperscript{38} Another study found that a 1 percent increase in wages and prices in the U.S. led to a .75 percent wage and price increase in the Canadian manufacturing sector. The authors therefore conclude that the two most important variables in determining the foreign policy choices of a subordinate state in a dyadic relationship are “the extent of concentration of the subordinate states linkages with the superordinate country and the state of the latter’s economy.”\textsuperscript{39}

Kenneth Menkhaus and Kegley point out that one of the problems of previous compliance studies is the ability to obtain a valid measurement of “the relative salience of the many variables that collectively compose the ‘economic dependence’ syndrome.”\textsuperscript{40} Furthermore, most previous studies of compliance behavior have used the “dominant-state centric” model—that is, examining the foreign policy linkage between two states by measuring the degree of compliance a single dominant state commands from a number of smaller dependent states. They argue that such an approach “is structurally incapable of generating insight into the relative salience of the variables that compose economic dependence.”\textsuperscript{41} To overcome this obstacle, they propose an alternative “dependent-state centric” model which examines the compliant behavior of a single state with a number of predominant competing states. The authors maintain that such

\textsuperscript{37} Ibid.
\textsuperscript{38} Ibid., 354.
\textsuperscript{39} Ibid.
\textsuperscript{41} Ibid., 317.
an approach should help to unmask and illuminate the different types of dependence as well as
the differential impact of these dependencies. They obtain theoretical support for this
methodology from Wallerstein’s (1974) work on the world systems theory. Referring to
Wallerstein’s work, Menkhaus and Kegley argue that

   A weak state may find itself a satellite of a semiperiphery in its region with
   which its foreign policy agenda may be either competitive or collaborative.
   From this perspective competition for influence over the peripheral states can
   and does erupt between core and semiperipheral states. The dependent state-
   centric model is well positioned to accommodate the existence of this
   competition.  

Menkhaus and Kegley’s “focused comparative study” of Somalia applies the state-centric
model to an analysis of Somali foreign policy between 1976 and 1980. The authors argue that
the model is particularly useful in this instance because Somalia was engaged in relations with an
unusually diverse number of “patron” states and its dependence on these states had significantly
fluctuated over time. The authors acknowledge the limitations imposed by the short time
period under consideration, but maintain that the five year period is nonetheless useful inasmuch
as it encompasses Somalia’s shift in alignment from an eastern orientation toward the West and
Saudi Arabia. Accordingly, they examine three dependent variables—export trade, aid, and
military assistance dependence—and examine their impact on Somalia’s foreign policy
compliance with its dominant states: Italy, the Soviet Union, Saudi Arabia, and the United States.
To measure compliance the authors employed Lijphart’s IA. Ultimately, the authors found little
association between overall economic dependence and a pattern of compliance on foreign policy.
However, they did find a distinct positive association between export trade dependence and
compliance behavior. This relationship was particular salient for Saudi Arabia, which during the
period under study was Somalia’s most significant export market. In contrast, no such pattern

42 Ibid., 321.
emerged when considering the impact of aid allocations. For example, the United States was Somalia’s largest contributor of bilateral aid between 1976 and 1980 and yet UN voting agreement during the period was extremely low.  

Kegley and Steven Hook found similar results regarding foreign aid allocations in their study of the Reagan administration’s 1986 policy initiative directly linking U.S. foreign aid to recipient voting behavior in the UNGA. The authors note that there remains uncertainty regarding both the purposes and efficacy of American foreign assistance programs. As Morgenthau observed, “Of the seeming and real innovations which the modern age has introduced into the practice of foreign policy, none has proved more baffling to both understanding and action than foreign aid….Nothing even approaching a coherent philosophy of foreign aid has been developed.”

In this context, the authors argue that the Reagan administrations effort’s in foreign aid-giving offer useful insights about the uses and limitations of foreign aid. Early in his presidency, President Reagan ordered a reassessment of U.S. multilateral relationships and the impact of foreign aid allocations. This action was precipitated by growing frustration within the administration over the erosion of support for American diplomacy in the UNGA. Numerous developing countries—many receiving substantial aid distributions from the U.S.—routinely voted against U.S. interests. Reagan vowed to hold these countries accountable and maintained that continued aid allocations would be contingent on their allegiance in the General Assembly. UN Ambassador Jeanne Kirkpatrick voiced this sentiment in her 1983 testimony before a Senate subcommittee, “We must communicate that it is not possible to denounce us on Monday, vote

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43 Ibid., 324.
44 Ibid., 337.
against us on important issues of principle on Tuesday and Wednesday, and pick up our assurances of support on Thursday and Friday.\textsuperscript{47} Kirkpatrick’s successor, Vernon Walters, argued that aid should be explicitly linked to recipients’ voting agreement. Congress agreed and passed legislation authorizing the president to restrict foreign aid to those countries found to be routinely in opposition to U.S. positions in the UNGA.\textsuperscript{48}

Kegley and Hook sought to determine the effectiveness of this linkage strategy by observing “changes in aid and voting patterns after the policy initiative was announced, in the context of the temporal setting which immediately preceded the ‘intervention.’”\textsuperscript{49} The authors employed a cross-lagged longitudinal multiple regression analysis to determine if a clear nexus emerged between the two variables over time. Their findings indicated that the 1986 policy change had little effect on voting agreement and, interestingly, the poorer aid recipients—presumably those with the most to gain by agreeing with the U.S.—were actually slightly more defiant than those with the largest levels of income. The authors conclude that clearly, “the resilience of aid recipients…demonstrates that their policies were driven more powerfully by interests other than by the economic threat of a hegemon” and thus confirm to some extent the evidence put forth by Menkhaus and Kegley that “subordinate states do not act compliantly toward core states on which they are economically dependent.”\textsuperscript{50}

Adrienne Armstrong expanded on the previous research in this area by examining the effects of both trade and economic aid on foreign policy compliance. Her study “The Political Consequences of Economic Dependence” examined U.S. and Soviet economic exchanges with 24 other countries to determine under what conditions economic dependence will be most

\textsuperscript{46} Ibid.
\textsuperscript{47} Ibid.
\textsuperscript{48} Ibid., 297.
\textsuperscript{49} Ibid.
successful in influencing political compliance. She employed a cross-sectional research design that looked at the 24 countries over four time periods spanning 16 years. Armstrong notes that those countries that export essential commodities with relatively inelastic demand—oil, for instance—are able to exert considerable economic leverage over their trading partners. Additionally, wealthy countries can also exert influence through foreign aid loans and grants, which create a “fundamentally…asymmetrical relationship and a nonreciprocal form of exchange.” According to Armstrong, trade and aid dependence create a dyadic power relationship between the dominant and dependent nation; however, this asymmetric dyad only comes into play when the dominant country perceives a benefit outweighing the cost involved in utilizing its power and the dependent country perceives that the “economic punishment involved exceeds the cost of complying with the demand of the coercing country.” In this conception, then, it is opportunity costs and the resulting power asymmetries they create which account for compliance behavior.

For her study, Armstrong employed measures of the overall importance of trade to a dependent nation. Additionally, she examined trade concentration in terms of both the number of trading partners and specific commodities involved. She also looked at military aid and economic aid. Armstrong constructed separate IAs for votes on salient issues involving East-West conflict and all other roll-call votes. She then performed a multiple regression analysis and found that most of the independent variables in her study had some impact on compliance behavior, although many of the relationships were weak or not significant. She found that military aid had the greatest impact on U.S. relations with other countries, while, interestingly,

50 Ibid., 308.
52 Ibid., 405.
economic aid had a negative impact. She also found trade to be an important predictor of the compliance behavior of U.S. trading partners. For the Soviet Union, she found that economic aid was the single biggest predictor of political compliance in the 1950s and early 1960s, but trade dominated in the late 1960s. However, these last results were not statistically significant.\textsuperscript{53}

Peggy James and Kunihiko Imai introduce the concept of \textit{situational power} into the compliance literature. Situational power refers to the ability of a dependent state to exploit its position as an object of competition between dominant states. As James and Imai note, in situations where “major powers are vying for positive reactions from developing countries, the [developing countries] may be able to \textit{play the major powers off each other} [emphasis in original], receiving incentives from both powers and allying with neither.”\textsuperscript{54}

James and Imai test this proposition by conducting an examination of the foreign policy behavior of 67 non-communist developing countries. They examined the impact of arms transfers, trade, and economic aid on levels of agreement with the U.S. and the Soviet Union in UNGA voting. They also examined the degree of competition between the major powers for influence in these countries. Their findings suggest that as a developing country becomes more developed, it becomes more able to take advantage of the competition between rival powers. Arms transfers also appear to have a statistically significant relationship with compliance behavior in both Soviet and U.S. dyadic relationships. Interestingly, James and Imai did not find a similar relationship between compliance behavior and economic aid and trade. They acknowledge, however, that these latter findings conflict with the results of previous studies and therefore raise “a question about the relative reliability of [their own] findings.”\textsuperscript{55}

\begin{flushleft}
\textsuperscript{53} Ibid., 427.
\textsuperscript{55} Ibid., 1117.
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Consensus

Whereas compliance borrowed heavily from the realist perspective (and, to a lesser extent, world systems theory) consensus is firmly rooted in dependency theory. Consensus thus conceptualizes influence as a long-term structural relationship between dominant and dependent nations in which opportunities and the necessity for bargaining are severely limited.\textsuperscript{56} Key to the consensus model is the emphasis on values shared by elites in the dominant and dependent state.

Consequently, dependent state foreign policy will comply with dominant state foreign policy not because of short-term bargaining, but because of what Moon describes as “constrained consensus” on various issues. According to Moon, consensus manifests itself in a pattern of reward behavior “which as dependency grows becomes increasingly unnecessary and infrequent…but also a wide range of penetrative and dependency-producing transactions which undermine the very autonomy of the decision-making unit.”\textsuperscript{57} Thus, longitudinal analysis should expose much greater stability in voting behavior over time—and much less correlation with economic incentives—than one would expect under a compliance model.

Accordingly, Moon attempted to develop a counterfactual baseline to determine “what the [foreign policy] actor would have done in the absence of external influence.”\textsuperscript{58} To do this, Moon followed the approach suggested by Herbert Simon that “direct measurements of influence are obtained when we can observe the ration of change in behavior of influensee to change in behavior of influencer.”\textsuperscript{59} Employing correlational analysis on time series data, Moon examined the relationship between UNGA roll-call voting and foreign-aid measures for the U.S. and

\textsuperscript{56} Moon, “Consensus,” 316.
\textsuperscript{58} Moon, “Consensus,” 315.
dependent countries from 1946 to 1974. He hypothesized that if a compliance relationship exists—that is, both nations in an asymmetrical dyad are “engaged in conditioning behavior in which each responds to the behavior of the other, they should leave behind a statistical record in a time-series correlation.”

By contrast, the consensus model should show a very different relational pattern. To determine the plausibility of the consensus model, Moon looked at the influence of domestic regime change as an explanatory variable and posited several potential outcomes. First, regime change in the dependent country should be a significant criterion variable for both UN voting behavior in the dependent nation as well as aid behavior in the dominant nation. Second, there should be a major change in the level of aid given whenever a regime change involving a major shift in dependent state foreign policy occurs. Third, in the absence of such a large change, there should be little change in foreign aid. Fourth, “there should be no longitudinal correlation between aid and UN voting net of regime effects.” His results led him to state that the consensus model provides a better explanation for the foreign policy behavior of weak states than does the compliance model. This is because there is a “similarity in foreign-policy orientation that largely washes out the correlation between aid giving and foreign policy” and that “the more concentrated is the contact with the United States, the more likely a nation is to manifest a foreign-policy orientation similar to that of the United States.”

Following up on Moon’s 1985 study, William Dixon and Moon examined the impact of political system similarity on international trade flows. The authors theorized that similarity in political system and foreign policies should manifest enhanced trade in a dyadic relationship. Their theory is predicated on the standard “gravity theory” of international trade, which

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60 Moon, “Consensus,” 313.
61 Ibid., 317.
stipulates that the “gross value of bilateral trade flows to be a multiplicative function of the absolute size of each nation’s economy.” This formulation also includes a “resistance term” composed of factors representing the geographic distance between nations, the presence of common borders, relative export prices, the presence of regional customs unions, and the general political climate between nations. William Dixon and Bruce Moon extend this list to include the similarity in domestic governing arrangements and practices, and similarity in foreign policy orientation. They tested this proposition by conducting a quantitative study on U.S. exports to 76 importing countries over an 18-year period employing a pooled time-series research design. The authors conclude that American exporters seem to have considerably greater success in penetrating markets of nations that possess democratic political structures and demonstrate high levels of voting agreement with the U.S. on UN roll call votes.

The work of Mark Haas is similarly focused on the impact of elite similarity on foreign policy development. The degree of *ideological difference* between two leaders in a dyadic relationship can help explain foreign policy behavior. His core hypothesis is that “ideologies…are likely to impact leaders’ foreign policies by affecting their perceptions of the threats that others pose to their central domestic and international interests.” Accordingly, the greater the difference in ideologies between elites in different states, the less likely they will be to cooperate and the more likely conflict between the two will become.

Haas explains three different causal mechanisms relating ideological differences to foreign policy choices: demonstration effects, social identity, and communications theories.

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62 Ibid., 318.
64 Dixon and Moon, 5-9.
66 Ibid., 5.
Demonstration effects refer to the process whereby institutions, behaviors, and beliefs held by elites in one state are emulated by leaders in other states. These effects manifest the transnational nature of political ideologies, whereby political developments in one country can have profound implications in other countries.\(^67\) Social identity theory takes as its starting point the universal tendency to classify people into “in-groups” and “out-groups.” The in-group is simply the group in which one belongs and is composed of people sharing at least one common trait. As one scholar puts it, “An in-group is composed of people you refer to as ‘we’; an out-group is made up of people you call ‘they.’”\(^68\) Politicians from different countries who share the same ideological objectives form the “transnational ideological group” whose members will “tend to derive positive utility from one another’s gains vis-à-vis opposing ideological groups…[and] perceive losses in their own power from increases in the power of opposing ideological groups in other states.”\(^69\) Communication theory holds that the communications process between two leaders can be greatly affected by the differences in their ideologies. President John F. Kennedy expressed this point precisely in a letter to Soviet leader Nikita Krushchev: “I am conscious of the difficulties you and I face in establishing full communication between our two minds. This is not a question of translation but a question of the context in which we hear and respond to what each other has to say.”\(^70\)

By employing historical case studies, Haas demonstrates how these causal mechanisms influence leaders’ perceptions of threat and their consequent foreign policy choices. He found that demonstration effects and social identity theories to be particularly salient, and that there was “a clear correspondence between the ideological distance dividing state’s leaders and their

\(^67\) Ibid., 7.
assessments of the likelihood of international conflict and domestic subversion.”

Communications theory was also found to be an important factor, although not as robust as the first two.

**Counterdependence**

According to Jeanne Hey, one significant problem associated with the consensus and compliance models is their failure to account for instances when dependent states implement policies that run counter to the desires of their dominant partners. Both Moon and Hagen allude to this anti-core behavior in suggesting that foreign policy change will accompany domestic regime change. However, they do not fully address possible rationales for this behavior. As Hey argues, “Instances in which dependent leaders willingly oppose the core in an effort to counteract the effects of dependence must be accounted for in dependent foreign policy theory.”

In an attempt to correct this deficiency, she advances a *counterdependence* theory, based on the term coined by Singer to refer to “the psychological state of individuals or groups in the process of altering a relationship from one in which they felt dependent and/or inferior, to one in which they feel equal.”

As Singer elaborates,

> When feelings of dependence become too painful to be endured and counterdependence occurs, it is often accompanied by resentment and anger directed at the individual or group upon whom one previously perceived himself to be dependent and who is viewed as the cause of the pain he experienced during dependence and is now experiencing during counterdependence.

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70 Qtd. In Haas, 13.
71 Haas, 212.
73 Ibid.
75 Ibid.
According to Hey, negative affect is the key to counterdependence. In this context, affect is defined as “the actor’s current sentiments as manifested in his/her behavior….In foreign policy affect becomes the discernible current feeling of a government toward another government or other external entity.” Negative affect, then, is generated under the adverse economic conditions of dependency and is transformed into anti-core foreign policy.

Accordingly, much of the recent research into counterdependent behavior takes the form of case studies focused on Latin American states facing the “dilemma of dependence.” These studies have focused on attempts by dependent state regimes to balance their need for Western assistance with the desire to express popular resentment against and maintain freedom of action from dominant states.

An excellent illustration of this concept is provided by Jesse Biddle and John Stephens who examine Jamaican foreign policy from 1962 to 1987. During this period, Jamaican foreign policy underwent dramatic changes, evolving “from a very pro-West stance in the first decade of independence, to a radical Third World stance under Michael Manley, to a rabidly pro-US policy under Edward Seaga.” Biddle and Stephens build on previous dependency work, particularly that of Moon, by employing a qualitative approach to specify “the exact mechanism by which dependence is translated into foreign policy choices.” Their study consists of an historical analysis, as well as interviews with Jamaican and American business elites and policy makers. They conclude that, even though prominent Jamaican businessmen favored good relations with the U.S. throughout the study period, political elites during the Manley period moved to a

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7 Ibid.


militantly Third World-orientation that strongly opposed the presence of U.S. business interests in Jamaica. The authors explain that, while pro-West foreign policies did produce impressive economic results, they also had contradictory consequences—growing unemployment and inequality—which “produced social discontent and potential for mobilization against the system.”

Prolonged dependence on the U.S. “caused resentment among Jamaican voters and leaders which generated a foreign policy designed to counteract that dependence. Counterdependence thus anticipates an opposite foreign policy reaction from compliance and consensus.”

Similarly, Richardson describes a situation in which dependent state leaders defy their dominant economic partners out of animus. As Hey notes in her analysis of the Richardson study, Richardson’s concept of defiance “corresponds to counterdependence in that both anticipate anti-core behavior to result from leaders’ negative affective responses to external dependence.” Consequently, Richardson performs a correlational study to test the hypothesis that the UN voting agreement with the U.S. was low when dependency was high. He found, however, that of the 23 cases examined, his hypothesis could only be confirmed in three of them.

While noting the deficiencies of both the compliance and consensus models, Hey also acknowledges the limitations of counterdependence in dependent foreign policy studies. Accordingly, she argues that “no single theory will account for all or even most of dependent foreign policy behavior” and hypothesizes that all three models will come into play depending on the extant conditions. To test her hypothesis, Hey utilizes case studies of Ecuadorian foreign policy in the 1980s, noting that this time period was “an ideal environment” because “during the

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80 Ibid. 412.
81 Ibid., 429.
82 Hey, “Counterdependence,” 245.
83 Ibid.
1980s, Ecuador’s economic crisis intensified the nation’s reliance on and vulnerability to markets and creditors…particularly the U.S.” Furthermore, “Ecuador depended heavily on the U.S. in all areas identified as important indicators…namely trade, aid, foreign investment and credit.” She examines foreign policy under two different presidents: Osvaldo Hurtado (1981-1984) and Leon Febres Cordero (1984-1988). While both of these leaders faced nearly identical economic and international environments, they “held vastly different ideological orientations, a variable anticipated to be an important factor in determining the applicability of the different foreign policy models.”

Hey draws several interesting conclusions from her case studies. For example, she finds that Ecuador, “early in [the] post-military government era, reveals that dependent foreign policy can be much more complex than current dependent foreign policy theories anticipate.” To illustrate, she finds that in a number of instances foreign policy is not just the domain of the executive branch or of a small body of political elites. Echoing Graham Allison’s work on organizational and bureaucratic foreign policy models, Hey observes that the legislature and various interest groups were able at times to force the executive branch to alter its foreign policy choices. Hey also found several examples of counterdependence, “demonstrating that economic dependence on the U.S. does not necessarily lead a country to follow U.S. foreign policy wishes, even on critical issues such as military operations and debt policy.” Additionally, she observes that consensus has considerable explanatory power, “but only when the policymaker is unhindered by domestic opponents and fundamentally agrees with core leaders.” Finally, her

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84 Ibid. 242.
85 Ibid., 247.
cases suggest that compliance is not the most dominant foreign policy model and emerges only when the dependent country is vulnerable and the dominant country is willing to exert pressure.  

**Summary**

This chapter has provided a review of the literature on three models of weak state foreign policy development: compliance, consensus, and counterdependence. The first next section dealt with the literature on the compliance model as described by Richardson, Rai, Wittkopf, and others. The compliance model relies on the concept of power obtained through both military and economic superiority and the idea that dominant states flex their economic and military might to influence the foreign policies of weaker states. These states will, therefore, forego their own foreign policy preferences in favor of alignment with the core, anticipating that dominant nations will penalize or reward them in proportion to their compliance. In contrast to compliance, the consensus model conceptualizes influence as a long-term structural relationship between dominant and dependent nations in which opportunities and the necessity for bargaining are severely limited. Key to the consensus model is the emphasis on values shared by elites in the dominant and dependent state. Consequently, time-series analysis should expose much greater stability in voting behavior over time—and much less correlation with economic incentives—than one would expect under a compliance model. The counterdependence model accounts for instances in which state leaders willingly oppose the core in an effort to counteract the effects of dependence. The next chapter focuses on the methodology to be employed in the dissertation. It also introduces the research question and hypotheses.

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87 Ibid.
Chapter 3: Methods

Research Questions and Hypotheses

Taken as a whole, the previous research outlined in the literature review would seem to indicate a positive relationship between various economic measures and the incidence of UN voting agreement between Italy and the U.S. However, despite the significant economic and cultural linkages between the U.S. and Italy, one cannot fail to notice that Italy has also shown a strong European affinity as well as a capacity for independent maneuver which has tended to weaken these linkages. The research reviewed for this dissertation leads to the following research questions and subsequent hypotheses.

Research Question:

Does the type of economic linkage between Italy and the U.S. increase, decrease, or have no effect on the incidence of foreign policy agreement between the two countries?

The research question is recast into research hypotheses as follows:

- Hypothesis 1: Italy’s incidence of agreement with the U.S. on UNGA votes is directly correlated with its export dependence on the U.S.

--- Previous studies have shown that asymmetric trade vulnerability leads to selective compliance with U.S. policy preferences. Furthermore, Dolin and Tomlin argue that a subordinate state in any given asymmetric dyad will expect an increase in the level of interaction with the dominant state that will result in enhanced economic well-being and
decreased political autonomy.\textsuperscript{89} I argue that this expected decrease in autonomy will necessarily lead to greater compliance behavior of the dependent state. Other studies bear out this relationship particularly in its application to export trade dependence.\textsuperscript{90}

- **Hypothesis 2:** Italy’s incidence of agreement with the U.S. on UNGA votes is directly correlated with its import dependence on the U.S.

  — As with export dependence, import dependence is a component of trade vulnerability leading to compliance with US preferences. Additionally, Armstrong notes that those countries that export commodities with inelastic demand such as petroleum products and strategic metals will be able to exert considerable economic leverage over their trading partners.\textsuperscript{91}

- **Hypothesis 3:** Italy’s incidence of agreement with the U.S. on UNGA votes is directly correlated with its military aid dependence on the U.S.

  — Armstrong observed a weak positive correlation between military aid foreign policy agreement.\textsuperscript{92} Additionally, in their study of the effect of arms transfers, trade, and economic aid on levels of agreement, James and Imai discovered that arms transfers alone appear to have a statistically significant relationship with compliance behavior.\textsuperscript{93}

- **Hypothesis 4:** Italy’s incidence of agreement with the U.S. on UNGA votes is not related with its economic aid dependence on the U.S.

  — Some of the earlier studies into the compliance-aid relationship found a positive correlation between UN voting agreement and the receipt of military and/or economic

\textsuperscript{88} Richardson and Kegley, 217.
\textsuperscript{89} Dolin and Tomlin, 350.
\textsuperscript{90} Menkhaus and Kegley, 317.
\textsuperscript{91} Armstrong, 404.
\textsuperscript{92} Ibid., 421.
\textsuperscript{93} James and Imai, 1105.
aid. In one of the original forays into this line of research, Wittkopf concluded that a statistically significant and positive association between aid and UN voting agreement existed, but only for the United States. Later researchers, however, found different results. Kegley and Hook, for example, found that aid donations bore little fruit in the Reagan administration’s efforts to increase the level of UN voting agreement among U.S. dependencies. Armstrong discovered no relationship between economic aid and compliance.

- Hypothesis 5: Italy’s incidence of agreement with the U.S. on UNGA votes is not related to its loan dependence on the U.S.
  - For this study I add concessional loans as another aid component. According to Burnside and Dollar, the addition of loans yields a truer estimate of overall foreign aid. Previous studies have not itemized loans as a component of economic aid. I predict, however, that concessionary aid loans will have a similar effect as aid in the form of direct grants.

Research Design

This study is designed to explore the relationship between the influence one country may exert on another country and the pattern of foreign policy agreement between those two countries. This dissertation has both quantitative and qualitative components. The unit of analysis is state/year. The two countries to be examined in this study are the United States and Italy. For the quantitative portion (chapter 4) I will examine U.S. aid (both military and economic), trade, and loan disbursements and compare them to Italian voting compliance with the U.S. in the UNGA from 1956 to 1991. The qualitative section (chapter 5) will take the form

\[92\] Wittkopf, 886.
\[93\] Kegley and Hook, 296.
\[94\] Ibid., 421.
of an historical case study and will examine relations between the U.S. and Italy during the entirety of the Cold War (1945-1991).

There are several reasons for choosing the period 1956-1991 for the quantitative study. First, availability of data is an issue inasmuch as Italy did not become a member of the UN until 1955 and did not begin voting until the 1956 plenary session. Second, choosing 1991 as an end date enabled me to simultaneously control for two environmental factors: the Cold War and governing political party. The Cold War ended in 1991 and by choosing this year as an end date for the study I was able to control to some extent for the effects of a bipolar international environment and the relative stability during the Cold War era. Additionally, the year 1991 roughly coincides with the end of Christian Democratic Party’s dominance in Italian politics. The Christian Democrats controlled every Italian government since 1948, the so-called “First Republic.” This changed with the elections of 1994 following the downfall of the major Italian political parties as a result of the massive Mani Puliti corruption investigation. By keeping the study within the timeframe of Christian Democratic dominance, I am able to control for the impact of domestic politics on foreign policy development in Italy. Regime change is, therefore, not a factor.

Operationalization and Measurement

The principle concepts employed by this study are: 1) political cooperation; 2) trade dependence; 3) aid dependence; and 4) loan dependence. The balance of this section turns to the measures and indicators of these concepts.

Independent Variables

Trade Dependence

As Wallerstein argues, trade is one of the main components of the economic dependency syndrome. Trade dependence can only be instrumental in motivating a state’s foreign policy behavior if it is a significant factor in the dependent state’s economy. For this reason one needs to take into account both the absolute level of trade and the size of the state’s economy. A useful measure of the robustness of an economy is a state’s gross domestic product. Therefore, trade dependence will be expressed as a percentage of annual GDP and operationalized as follows:

- **Export Dependence:**
  \[ \text{ExDep} = \frac{E_{ia}}{\text{GDP}_i} \]
  where \( E_{ia} \) = value of exports from Italy to the U.S.
  \( \text{GDP}_i \) = gross domestic product of Italy
  \( \text{ExDep} \) = the ratio impact of exports upon total economic size

- **Import Dependence:**
  \[ \text{ImDep} = \frac{I_{ia}}{\text{GDP}_i} \]
  where \( I_{ia} \) = value of imports from the U.S. to Italy
  \( \text{GDP}_i \) = gross domestic product of Italy
  \( \text{ImDep} \) = the ratio impact of imports upon total economic size

Aid and Loan Dependence

Numerous scholars have examined the political implications of foreign aid. Many of them argue that aid in the form of direct payments of economic and military aid, as well as loans, can make the recipients’ voting behavior in the UNGA compatible with the donors’ interests.
Economic aid, as used in this study, is defined by the U.S. Agency for International Development (USAID) as comprising those funds that are donated to countries and fall into the following categories: USAID and Predecessor funds, U.S. Department of Agriculture funds, Department of State funds and other economic assistance. Military Aid consists of those funds coming from the Foreign Military Sales Program, Military Assistance Program grants, Cooperative Threat Reduction and similar programs. Loan data consists of Export-Import Bank loans and other non-Concessional U.S. loans, including those made by the Overseas Private Investment Corporation (OPIC). As is the case with trade, these variables are also influenced by their size relative to the overall economy and are expressed as a percentage of GDP.

- US economic aid dependence (EconAIDDep)

\[
\text{EconAIDDep} = \frac{\text{Ecia}}{\text{GDPi}}
\]

where \( \text{Ecia} = \) total U.S. economic aid to Italy

\( \text{GDPi} = \) gross domestic product of Italy

EconAIDDep = the ratio impact of economic aid upon total economic size

- US military aid dependence (MilAIDDep)

\[
\text{MilAIDDep} = \frac{\text{Milia}}{\text{GDPi}}
\]

where \( \text{Milia} = \) total U.S. military aid to Italy

\( \text{GDPi} = \) gross domestic product of Italy

MilAIDDep = the ratio impact of military aid upon total economic size

- US Loan Dependence (LoanDep)

\[
\text{LoanDep} = \frac{\text{Lia}}{\text{GDPi}}
\]

where \( \text{Lia} = \) total value of loans amount from the U.S. to Italy

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GDPI = gross domestic product of Italy
LoanDep = the ratio impact of loans upon total economic size

**Dependent Variable**

I operationalize Italy’s political cooperation with the U.S by using the compliance index based on UN voting data developed by Arend Lijphart (1963). As Dahl notes, compliance, power, and influence are central concepts in the study of political power. One of the major indicators researchers have used to detect these factors has been the pattern of voting in the UNGA. Deutsch argues that “the weight of power or influence of an actor can be measured most easily wherever we are dealing with a repetitive class of similar outcomes such as votes in the UN General Assembly”.

Some have criticized the use of UN voting data to determine foreign policy orientations because “there is no certainty that dominant states actually attempt to enforce compliance by rewarding or punishing weak states for the positions they take on General Assembly resolutions.” Against this line of criticism, defenders of the use UN voting argue that it is through their votes on UN global issues that states “take a public stance and thereby reveal their foreign policy positions and allegiances.” Furthermore, “hegemonic powers visibly tend to attach…importance to how states vote on these resolutions, and expend diplomatic and economic resources attempting to influence that voting.” Menkhaus and Kegley argue that UN voting is the best measure available:

99 See Derouen; Burnside and Dollar; Kegley and Hook; Palmer et al.
For those seeking to measure the level of compliance of dependent states foreign policy with the preference of those on whom it is dependent—whether it be termed deference, alignment or accommodation, the pattern of it United Nations voting record may be the best measure available, given the deficiencies of alternative indicators.103

Lijphart’s index of agreement is a modification of Herman Beyle’s “index of significant cohesion of pairs.”104 Unlike other measures of voting agreement, the method has the advantage of performing both the “identification of blocs and measurement of their cohesion…” simultaneously on the basis of the voting records.”105 According to John Mueller, Lijphart’s approach “keeps the investigator much closer to the data [and] seems far less elusive and far more interpretable” than other statistical measures.106 The index is calculated for each year of the study as follows:

- **Index of Agreement (IA)**

  \[
  IA = \frac{f+1/2g}{t},
  \]

  where

  - \(f\) = number of votes on which the pair agrees (yes-yes, no-no, abstain-abstain);
  - \(g\) = the number of votes on which the pair partially agree (yes-abstain, no-abstain)
  - \(t\) = the total number of votes on which the pair voted.

As Richardson observes, an important component of the Lijphart index is that abstentions represent a midpoint position between No and Yes. This coding rule has particular applicability to General Assembly voting where a country may wish to demonstrate that it is “against” a certain measure without offending its supporters.107

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103 Ibid., 329.
Time Lag

There is a dearth of *a priori* information on the proper time lag to use when determining the effect of economic influences on UN voting. Therefore, I have relied on the criteria suggested by Armstrong, who employed a two-year time lag based on several considerations. First, according to Aaron Wildavsky,\(^{108}\) two years is the approximate time it takes for budgetary and allocation procedures to be fully implemented. Second, the effects of aid and loans will not be felt by the recipient country until sometime in the future and it is expected that that compliance will be at its highest when these funds are actually received. Finally, the effects of a change in trade relations will not be immediate and will entail a “lag” in political response.\(^{109}\)

Data Sources

The data used for the quantitative study were taken from several sources. UN voting data is drawn from Erik Voeten’s UN database at the George Washington University, Department of Political Science web site: http://home.gwu.edu/~voeten/UNVoting.htm. Trade and GDP data were taken from *International Historical Statistics: Europe 1754-2000* by economic historian Brian Mitchell. I obtained the data on U.S. aid and loans to Italy from the USAID’s “U.S. Overseas Loans and Grants: Obligations and Loan Authorizations (Greenbook)” July 1, 1945-September 30, 2007, available at http://gbk.eads.usaidallnet.gov/. Historic exchange rates for converting Italian lira to U.S. dollars were obtained from the University of British Columbia, Sauder School of Business web site: http://fx.sauder.ubc.ca/.

Analysis Technique

Based on the data for the years 1956-1991, there were 35 observations. The study employs multiple regression analysis with ordinary least squares (OLS) for estimations. The

The purpose of regression analysis is to analyze relationships among variables and is carried out through the estimation of the relationship between a dependent variable (y) and one or independent variables (x).

To determine the relationship between economic factors and foreign policy agreement between the U.S. and Italy, the index of agreement for each of the 36 observations is regressed against the five independent variables. Because the data consist of time series data, heteroscedasticity may be an issue. According to Beck and Katz,

Both the temporal and spatial properties of TSCS [time series cross-section] data make the use of ordinary least squares (OLS) problematic. In particular, models for TSCS data often allow for temporally and spatially correlated errors, as well as for heteroscedasticity.\textsuperscript{110}

To allay fears of heteroscedasticity, Beck and Katz recommend retaining OLS parameter estimates but replacing the OLS standard errors with panel-corrected standard errors, a procedure this has been adopted in this study. Besides heteroscedasticity, autocorrelation can also be an issue with this type of data. Durbin-Watson tests will be performed to determine the presence of autocorrelation. The Durbin-Watson statistic ranges in value from 0 to 4. A value near 2 indicates non-autocorrelation; a value toward 0 indicates positive autocorrelation; a value toward 4 indicates negative autocorrelation. The Durbin-Watson tables of upper (dU) and lower (dL) bounds developed by Savin and White are used to test the null hypothesis of zero autocorrelation against the alternative of positive first-order autocorrelation, since positive autocorrelation is seen much more frequently in practice than negative autocorrelation.\textsuperscript{111} Additionally, I will analyze variance inflation indicators (VIFs) which quantify the severity of multicollinearity in an

\textsuperscript{109} Armstrong., 414.
\textsuperscript{110} Nathaniel Beck and Jonathan N. Katz, "What to do (and not to do) with Time-Series Cross-Section Data," \textit{The American Political Science Review} 89. 3 (Sep., 1995): 634.
OLS regression. Generally, a VIF over 5 indicates the presence of multicollinearity. An autoregression will also be performed as an additional test for multicollinearity.

**Summary**

This chapter provided a discussion of the research design chosen to determine the influence of the U.S. on Italian foreign policy development during the Cold War. It addressed the research design, outlined the research questions and hypotheses to be tested, the sources of data, the statistical analysis methods to be employed and potential problems with the model—heteroscedasticity, multicollinearity, and autocorrelation—that might exist. This background provides a solid foundation for future researchers to duplicate and critique the methods used in this research. The next chapter provides a comprehensive discussion of the results and quantitative analyses performed for this research.
Chapter 4: Quantitative Analysis

Results

This chapter presents the results of the quantitative portion of the study. The purpose of this study is to examine and evaluate the economic relationship between the U.S. and Italy and determine the sources of foreign policy compliance behavior of the latter. I have hypothesized that Italy’s foreign policy compliance as manifested in its pattern of agreement with the U.S. on roll-call voting in the UNGA (Table 1, Column 1) is correlated with certain indicators of its level of economic dependence on the U.S.

To examine this research question a correlation analysis was performed on dependent and independent variables (Table 2) to determine the general independence of the predictor variables from one another and the general effect of the predictor variables on the independent variable. The findings show some correlation between the predictor variables. Economic aid dependence and export dependence showed an inverse correlation of -.6691. Similarly, military aid dependence and import dependence were inversely related with a correlation of -.6585. Both of these results were statistically significant at the 10% level, indicating a potential problem with multicollinearity. The dependent variable was found to be highly correlated (.6431) with Italy’s export dependence as well as loan dependence (.575). The first of these results was statistically significant at the 10% level, but loan dependence was not significant (although, with p = .136, just barely).

Just two variables in the multiple regression model (Table 3) were found to be relevant: Italy’s import dependence on the U.S. and, to a lesser degree, its dependence on U.S. loans. The
results show that both of these variables were significant at the .05 level. Therefore, hypotheses two and four are confirmed. With a coefficient of .109, the model shows that for a unit change in loan dependence there is an average change of .109 in the IA between Italy and the U.S. Furthermore, with a coefficient of .153, the model shows that for a unit change in import dependence there is an average change of .153 in the IA. With an adjusted $R^2$ of .6182, the regression model explains 62% of the variation in the dependent variable (IA). The Durbin-Watson test statistic is 1.26. According to N. E. Savin and Kenneth White, the lower bound (dL) of the Durbin-Watson test statistic for a sample size of 35 with 5 regressors is .987. The upper bound (dU) is 1.587. Since 1.26 is between the upper and lower bounds, the test for autocorrelation is inconclusive. However, since 1.26 is well below 4 it is safe to say that any autocorrelation that may exist is not a significant factor in the model. The White’s test statistic is 21.87 with a p-value of .347 indicating the null hypothesis of no heteroscedasticity is accepted. Multicollinearity is not an issue inasmuch as all variance inflation factors are less than 2.1 (well short of 10). Additionally, auxiliary regressions of the independent variables on each other yield no adjusted $R^2$s larger than the adjusted $R^2$ for the original model.

Bivariate regression analysis with the IA and import dependence (Table 4) still yields a coefficient of .2243 and an adjusted $R^2$ of 0.4952, which was statistically significant. When loan dependence is regressed on IA (Table 5) we obtain a similar statistically significant result with a coefficient of .2127 and an adjusted $R^2$ of .1722.

Discussion

Following the compliance model, nations should demonstrate a high degree of compliance based on the receipt of aid donations, particularly when the donor nation makes the

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112 Ibid.
continued receipt of such aid contingent on the recipient state’s compliant behavior. This expectation was typically implicit, although in the case of the Reagan administration, aid allocations were explicitly linked to the voting behavior of recipient countries. Indeed, early studies of the impact of aid donations seemed to confirm this intuitive outcome, but these studies were limited by the availability of data and their cross-sectional designs. Later studies arrived at different conclusions. For example, Kegley and Hook examined the Reagan linkage strategy which expressly linked aid and UN voting. Their longitudinal study found no clear nexus between the two variables. Counterintuitively, they also found that poorer aid recipients were slightly less likely to vote in agreement with the U.S. than wealthier recipients. They conclude that “the resilience of aid recipients…demonstrates that their policies were driven more powerfully by interests other than by the economic threat of a hegemon.” This seems to be the case of Italy’s relationship with the U.S., since neither military aid nor economic aid was found to be significant in this study.

It seems likely, however, that this lack of responsiveness to the U.S. “carrot” was by 1956 more a function of the low level of such aid and its attendant minimal impact on the overall Italian economy. As Figures 1 and 2 clearly indicate, military and economic aid dropped off dramatically beginning in the early 60s, indicating that there may be a threshold at which aid allocations become an ineffective inducement. Both categories of aid were substantial, however, in the immediate postwar period, but since Italy did not become a member of the UN until 1955 there is no roll-call voting record or similar substitute to arrive at an Italy-U.S. IA prior to the 1956 plenary session. Nonetheless, anecdotal evidence from the historic record suggests that Italy was heavily influenced by the huge U.S. aid receipts during the period Marshall Plan period (1948-1952).

113 Kegley and Hook, 297.
Additional support for the compliance model is found in the result showing concessionary loans to have had a statistically significant impact on Italy’s voting agreement with the U.S. This unanticipated result may have something to do with the obligatory nature of loans, which come with more “strings” attached—primarily in the form of an explicit repayment requirement—than aid donations. Additionally, the timely repayment of such loans impacts directly on a nation’s future credit worthiness, a non-trivial consideration for any country in the midst of rapid economic expansion. In his study of the political effects of international lending, Sinclair determined that governments are increasingly more accountable to external lenders and more aware of the implications of poor debt security ratings. Therefore, “local policy decisions will be judged from the perspective of these external interests, within the context of assumptions about a liberal trade order and the free movement of capital within the [global political economy]” 114. It seems logical, therefore, that Italian policymakers would place special emphasis on good relations with Italy’s creditors and that this emphasis would manifest through policy agreement with the creditor nation on any number of issues.

The impact on the Italian economy of its exports to the U.S. (Table 1, Column 6) was found to have a slight inverse relationship with the IA (−.096) which was significant at the .10 level. However, because of the small size of the coefficient and the relatively high p-level (.075), I argue there is essentially no relationship between Italy’s export trade dependence and its IA with the U.S and the result is likely to be spurious. This outcome may be the result of the relatively low asymmetry in the interdependent relationship between the two countries. Richardson found a positive correlation to exist between exports and voting agreement, but only for those countries whose exports to the U.S. account for at least 10% of GDP. Italy’s exports to

the U.S. have historically been low in comparison to its exports to other countries, particularly those in Western Europe.

Italy’s dependence on U.S. imports (Table 1, Column 5) had a noticeable effect on the IA between the two countries. This result is largely consistent with previous studies of this nature particularly as it relates to asymmetric trade vulnerability. Dolan and Tomlin note the importance of “relative linkage concentration that limits or expands the choices available to the subordinate state in its pursuit of the goals of economic well being.” These linkages, then, are reflected in the conduct of its foreign policy toward the dominant state.\(^{115}\) Thus, in the case of the Canada-U.S. relationship, they found that strong economic relationships tended to reinforce and extend relations with the U.S. Armstrong finds a similar pattern at work, noting that exporters of commodities with inelastic demand such oil and strategic metals are able to exert considerable leverage over their trading partners. This conclusion fits well with the case of Italian-U.S. trade relations. Italy is a notably resource-poor country. As John Clark Adams and Paulo Barile note, Italy contains “exportable quantities of sulfur and marble, but other and more important materials (iron, copper, precious metals, coal, oil) are found, if at all, in insufficient quantities to supply the internal market.”\(^{116}\) Conversely, American subsoil wealth in these important commodities is substantial. As Armstrong notes, the weaker country in a dyadic relationship will only submit to the demands of the stronger country to the extent that it perceives the “economic punishment involved exceeds the cost of complying with the demand of the coercing country.”

The overall decline in the level of agreement between the U.S. and Italy from the 1960s onward (Figure 3 and Table 1) is consistent with the general decline of support for the U.S. in the

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\(^{115}\) Dolan and Tomlin, 351.
UNGA analyzed in the counterdependence research.\textsuperscript{117} As Richardson speculates, this trend may have been the result of “the growing resentment and resistance of poor countries in general to their perceived economic dependence, a movement of nationalistic assertiveness.”\textsuperscript{118} While a description of modern Italy as “poor” may seem incongruous to today’s reader (Italy’s economy now ranks as the eleventh largest in the world\textsuperscript{119}), it should be remembered that for most of the period considered in this study Italy was near the bottom among Western European countries in terms of its standard of living. Table 6 gives some comparative figures on the level of living for various countries within the Organization for Economic Cooperation and Development (OECD) (formerly known as the Organization for European Economic Cooperation). In 1959, Italy ranked fourth from the bottom, with just three countries—Greece, Spain, and Portugal—having relatively lower standards of living.

Richardson and Kegley also argue that the trend of declining foreign policy agreement with the U.S. may be the result of the U.S.’s declining hegemony, particularly beginning in the 1970s. They note that “it may be that 1970 marked the passing of a period during which the United States could successfully link others’ economic vulnerability to its own Cold War politics.”\textsuperscript{120} While the economic relationship between Italy and the U.S. remained asymmetric throughout the study period, a resurgent Europe as well as the discovery and exploitation of significant energy resources throughout the Middle East reduced the impact of this asymmetry over time.

\textsuperscript{116} John Clark Adams and Paolo Barile, \textit{The Government of Republican Italy} (New York: Houghton Mifflen, 1972), 188.
\textsuperscript{117} Richardson and Kegley.
\textsuperscript{119} “CIA World Factbook; Italy; Economy,” \textit{Central Intelligence Agency (CIA)}, www.cia.gov/library/publications/the-world-factbook/geos/it.html#Econ (accessed Feb 1, 2010).
\textsuperscript{120} Richardson and Kegley, 217.
Summary

In conclusion, the results of the quantitative portion of the study show a positive correlation between IA and U.S. loan and import dependence. Although neither of the measures of aid examined in this section was found to be significant, the loan and import results demonstrate the influence of economic measures on foreign policy decision-making. These latter results thus add credence to the explanatory power of the compliance model. However, as will be discussed in the concluding chapter, these findings leave room for future research. The next chapter takes the form of an historical case study and will provide illustrative examples of the influence of the U.S. on Italian Cold War foreign policy.
Table 1: Values of Independent and Dependent Variables, 1956-1991

<table>
<thead>
<tr>
<th>Year</th>
<th>U.S.-Italy Index of Agreement</th>
<th>Econ. Aid Dep., % GDP</th>
<th>Mil. Aid Dep., % GDP</th>
<th>Loan Dep., % GDP</th>
<th>Import Dep., % GDP</th>
<th>Export Dep., % GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>1956</td>
<td>0.84</td>
<td>0.99</td>
<td>7.73</td>
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<td>0.61</td>
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<td>2.56</td>
<td>0.55</td>
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<td>1.74</td>
</tr>
<tr>
<td>1958</td>
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<td>0.04</td>
<td>0.79</td>
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<td>0.44</td>
<td>0.16</td>
<td>0.85</td>
<td>2.51</td>
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<tr>
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<td>1.93</td>
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<td>1.98</td>
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*There were no UNGA votes in 1964.
Table 2: Correlation Analysis between variables

<table>
<thead>
<tr>
<th></th>
<th>usIndAg</th>
<th>UsexpDEP</th>
<th>USImpDEP</th>
<th>EconDEP</th>
<th>MilDEP</th>
<th>LoanDEP</th>
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<td>Pearson</td>
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<tr>
<td></td>
<td></td>
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<td>R Standard Error</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>t</td>
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<td></td>
<td></td>
</tr>
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<td>Pearson</td>
<td>0.6431</td>
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<td>R Standard Error</td>
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<td>t</td>
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<td>0.1662</td>
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<td></td>
<td>t</td>
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<td>Pearson</td>
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<td>-0.3123</td>
<td>-0.6585</td>
<td>-0.426</td>
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<tr>
<td></td>
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<tr>
<td></td>
<td>t</td>
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<td>LoanDEP</td>
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Table 3: Multiple Regression Analysis  
OLS, using observations 1956-1991 (N = 35)  
Dependent variable: usIndAg

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<th>SE</th>
<th>t</th>
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</thead>
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<td>MilDEP</td>
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</table>

*p<.05, **p<.001.

Table 4: Binary Regression Analysis, Import Dependence  
OLS, using observations 1956-1991 (T = 35)  
Dependent variable: USIndAg

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<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>SE</th>
<th>t</th>
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</thead>
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*p<.05, **p<.001.

Table 5: Binary Regression Analysis, Loan Dependence  
OLS, using observations 1956-1991 (T = 35)  
Dependent variable: USIndAg

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>SE</th>
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<tbody>
<tr>
<td>USLoanDEP</td>
<td>0.212682*</td>
<td>0.0748438</td>
<td>2.8417</td>
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<td>const</td>
<td>0.734449**</td>
<td>0.0223871</td>
<td>32.8068</td>
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</table>

*p<.05, **p<.001.
Table 6: Selected indicators of levels of living, 1959

<table>
<thead>
<tr>
<th>Country</th>
<th>GNP per capita</th>
<th>Calories consumed per capita per day</th>
<th>Passenger cares per 1000 inhabitants</th>
<th>Telephones per 1000 inhabitants</th>
<th>Radio sets per 1000 inhabitants*</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S</td>
<td>2685</td>
<td>3150</td>
<td>328 (^1)</td>
<td>372 (^1)</td>
<td>----</td>
</tr>
<tr>
<td>Canada</td>
<td>1980**</td>
<td>3140 (^1)</td>
<td>250</td>
<td>282</td>
<td>----</td>
</tr>
<tr>
<td>Switzerland</td>
<td>1460</td>
<td>3240</td>
<td>83</td>
<td>283 (^2)</td>
<td>260 (^2)</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>1276</td>
<td>3290</td>
<td>84 (^2)</td>
<td>148 (^2)</td>
<td>284 (^2)</td>
</tr>
<tr>
<td>Belgium-Luxembourg</td>
<td>1233</td>
<td>2930 (^2)</td>
<td>71 (^2)</td>
<td>113 (^2)</td>
<td>265 (^2)</td>
</tr>
<tr>
<td>Norway</td>
<td>1230</td>
<td>3190 (^2)</td>
<td>44 (^1)</td>
<td>184 (^1)</td>
<td>280 (^1)</td>
</tr>
<tr>
<td>Denmark</td>
<td>1212</td>
<td>3510 (^2)</td>
<td>69 (^2)</td>
<td>----</td>
<td>287 (^2)</td>
</tr>
<tr>
<td>France</td>
<td>1148</td>
<td>2870 (^2)</td>
<td>111 (^3)</td>
<td>92 (^3)</td>
<td>240 (^3)</td>
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<tr>
<td>West</td>
<td>1113</td>
<td>2973</td>
<td>74</td>
<td>97 (^2)</td>
<td>274 (^2)</td>
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<tr>
<td>Germany</td>
<td>900</td>
<td>2890 (^2)</td>
<td>40</td>
<td>130</td>
<td>228</td>
</tr>
<tr>
<td>Netherlands</td>
<td>729</td>
<td>3080</td>
<td>49</td>
<td>87</td>
<td>266</td>
</tr>
<tr>
<td>Austria</td>
<td>601</td>
<td>3504</td>
<td>56</td>
<td>49</td>
<td>173</td>
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<tr>
<td>Ireland</td>
<td>568</td>
<td>2680</td>
<td>29</td>
<td>59</td>
<td>125</td>
</tr>
<tr>
<td>Italy</td>
<td>341 (^2)</td>
<td>2650</td>
<td>4 (^2)</td>
<td>20 (^2)</td>
<td>64 (^1)</td>
</tr>
<tr>
<td>Greece</td>
<td>300 (^1)</td>
<td>-----</td>
<td>6 (^1)</td>
<td>50 (^2)</td>
<td>74 (^2)</td>
</tr>
<tr>
<td>Spain</td>
<td>219 (^2)</td>
<td>2460 (^1)</td>
<td>12 (^2)</td>
<td>----</td>
<td>67 (^2)</td>
</tr>
</tbody>
</table>

* The figures on ownership of radio sets are undoubtedly too low, for in Italy, and probably in other countries, many set owners fail to declare their sets to avoid paying the annual license fee.

** Canadian dollars

\(^1\) 1957, \(^2\) 1958, \(^3\) 1960

Figure 1: Graph of Military Aid Dependence of Italy on U.S.: 1954-1989
Figure 2: Graph of Economic Aid Dependence of Italy on U.S.: 1954-1989
Figure 3: Graph of Index of Agreement (IA) for Italy vs. U.S.: 1956-1991
Figure 4: Graph of Export Dependence of Italy on U.S.: 1954-1989
Figure 5: Graph of Import Dependence of Italy on U.S.: 1954-1989
Figure 6: Graph of Loan Dependence of Italy on U.S.: 1954-1989
Chapter 5: Historical Case Study

Overview

Italian-American relations during the Cold War are often portrayed as having been of the “master and servant” variety and typically given little attention in recent studies. One author describes the Italians as largely “quiescent” during this period and “content with the United States dictating the overall direction of its foreign policy.”[121] The historical record, however, casts doubt on this conclusion. This study will examine this record, with a particular emphasis on the country’s relationship with its closest ally, the United States. It will demonstrate the mechanisms by which the U.S. attempted to influence Italian actions on the world scene as well as the Italian responses to these American efforts. It will also look at Italy’s attempts to influence its superpower ally and compare how the relations between the two countries changed over time. This chapter will conclude that while obeisance to the U.S. is often depicted as the norm of Italian foreign relations during the Cold War, this does not seem to have always been the case. Italian foreign policy generally conformed to American desires in the immediate postwar when the Italian need for American development aid was at its greatest, but in later years Italian policymakers were clearly willing to deviate from this path when the situation dictated.

U.S.-Italian Cold War Relations: Prologue

In the immediate postwar period Italian leaders were concerned with rebuilding their shattered economy and restoring Italy’s prestige in the international community. The U.S. was interested in containing communism and protecting its wartime prosperity from overproduction.
These interests, then, determined the mechanisms to be used and the ultimate goals of such actions.

The U.S. had several mechanisms for exercising its influence in the immediate postwar. Militarily, the U.S. was without peer. It had emerged from World War II as the world’s lone nuclear superpower, maintaining a monopoly on nuclear weapons until the first Soviet atomic bomb test in August, 1949. Furthermore, and despite the post-war drawdown of its conventional forces, the U.S. was endowed with substantial non-nuclear military capabilities. Besides possessing these formidable military capabilities, the U.S. was also the world’s preeminent economic power. During the war, the U.S. had been spared attacks on its homeland and thus preserved an intact and robust economy. Consequently, it was at an enormous advantage in its dealings with the war-torn and economically devastated countries of Western Europe. These prodigious military and economic capabilities combined to give the U.S. enormous status as the “Leader of the Free World,” with the attendant ability to influence world opinion and motivate key policymakers through what would later be known as “the information instrument of power.”

The contrast between the situations in the U.S. and Italy at this time could not have been starker. According to Filippo Andreatta, Italy faced considerable challenges in 1945. First, Italy had just suffered a disastrous and humiliating military defeat as the result of Fascist dictator Benito Mussolini’s toweringly inept foreign policies. This Fascist legacy damaged the Italian state by generating suspicion in and damaging its credibility with the Western Alliance. Additionally, Mussolini’s militaristic and aggressive rhetoric had alienated large segments of Italian society who now “sought in pacifism and neutrality the peace of mind that had been

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denied them in previous decades.”  

Second, in 1945 Italy was an economic disaster, the result of over 20 years of autarky under Mussolini and five years of war. Italian society was primarily agricultural in nature, with most of the industrial capacity having been destroyed by the 1943-45 fighting. A staggering two million were unemployed and inflation had reached an annual rate of 50 percent. Furthermore, the war’s depletion of foreign currency and capital prevented the government from re-building lost infrastructure, importing emergency food supplies, and resuming foreign trade.  

Third, Italy was a divided country. The last two years of the war had seen outright civil war between the supporters and opponents of fascism. No sooner had it recovered from this destructive internal conflict than the country staged a constitutional referendum that abolished the monarchy by a narrow margin. Subsequently, a “profound political cleavage emerged between an extremely popular Communist Party and the coalition of pro-Western democratic parties.” In addition to this new political bifurcation was the centuries-long animosity between the developed industrial North and the impoverished agricultural South.  

Thus, the ability of the Italian state to actively influence events was severely constrained. However, the Italians did possess some intrinsic advantages in its dealings with the U.S. First, Italy’s strategic position on NATO’s southern flank and bordering the Eastern Block gave it a significant bargaining chip in its relations with the U.S. American policymakers were highly fearful of losing the strategic depth provided by a pro-U.S. Italy and the influence of the PCI—Western Europe’s strongest communist party—on Italian domestic politics only served to

122 Filippo Andreatta, "Italy at a Crossroads: The Foreign Policy of a Medium Power after the End of Bipolarity,” *Daedalus* 130, no. 2 (spring, 2001): 47.  
exacerbate this anxiety. Moreover, despite its recent history as an ally of Nazi Germany, Italy still enjoyed the good will of the American government and people. Historian Leopold Nuti argues that not only did the Americans not view Italy as a traditional enemy, but “the warm feelings of the Italo-American community for its old homeland were a precious asset for Italian foreign policy, which American politicians could not afford to neglect.”

Indeed, the end of the war brought about the reestablishment of linkages between the Italians and the Italian-American community (which by 1945 numbered over eight million). Well-known Italians such as De Gasperi, Sforza, and Italian ambassador Alberto Tarchiani took part in speaking tours across the country. Their lectures were enthusiastically received by Italian-American audiences who could be counted on to exert pressure on their elected representatives to support U.S. aid efforts in Italy. The U.S. government was also not averse to taking advantage of this “Italian connection” for its own ends. For example, the United States Information Service (USIS) launched a vast multimedia campaign directed specifically at the critical 1948 election in Italy. According to C. Edda Martinez and Edward Suchman, Italian-Americans in 1948 were encouraged to use familial connections to influence the Italian vote. “By their letters, cards, telegrams, radio broad-casts, and other means of communication, these Americans tried to persuade the Italians not to vote for the Communist candidates.”

According to Nuti, “The search for a preferential relationship with Washington, therefore, actually began before the end of the war.” Furthermore, this privileged relationship actually preceded the onset of the Cold War: the postwar fear of Soviet expansionism strengthened but did not create it. The armistice and the co-belligerence, in short, had a twofold effect on postwar Italian thinking: they revealed Italy’s

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125 Andreatta, 48.
powerlessness but they also pointed to the relationship with Washington as a possible solution to the country’s predicament [emphasis in original].

Even though some Italian diplomats thought that it might be possible to “play the Russian card” in an attempt to produce some leverage in the negotiations with the Western powers, it soon became clear that developing good relations with the Americans was the only real lever Italy could hope to use in its efforts to regain some of its previous standing. It seems clear, therefore, that in the immediate postwar period the American influence in Italian affairs was at its strongest. In contrast to the period after 1955 examined in depth in chapter four and in the second part of this chapter, the compliance model of weak state behavior described by Richardson, Armstrong, and others seems to have predominated at this time.

As noted in the literature review, compliance draws heavily from Keohane and Nye’s work on asymmetric interdependence—the idea that one party in an interdependent relationship stands to gain disproportionately more from the relationship than the other party. Richardson describes this situation as a sort of bargaining arrangement in which “the foreign policy behavior of dependencies is viewed as partial payment for the maintenance of benefits.” It should be understood, however, that we are not referring to absolute asymmetry—that is, completely one-sided dependence—in the relationship between the U.S. and Italy during this period. While Italy benefitted enormously from the American largesse in the form of massive amounts of aid, the U.S. also benefited by creating a market for its vast productive surplus and by appeasing the Italian-American community, a powerful domestic constituency.

Perhaps the most notable manifestations of this early compliant behavior were the elections of 1948 and the Italian government’s accession to NATO in 1949. Prime Minister Alcide De Gasperi clearly understood the potential game-changing nature of the 1948 elections.

127 Ibid., 93.
Confronted with American threats to withdraw ERP aid and to possibly take military action, De Gasperi and his allies in the DC fought hard to defeat the Left in the 1948 elections and excluded them from any participation in the government.

**The Truman Doctrine and the 1948 Election**

One of the key U.S. actions taken after the war to influence the global balance of power was the announcement of the Truman Doctrine. This doctrine came about after the collapse of the uneasy collaboration between the U.S. and Soviet Union following World War II. Since assuming office following the death of Franklin D. Roosevelt in April 1947, President Harry Truman had felt the need to take a stand against what he considered “Russia’s remorseless desire for expansion.” In March 1947 Truman outlined his plan to contain the Soviet menace primarily through economic means, but by military means if necessary:

> It must be the policy of the United States to support free peoples who are resisting attempted subjugation by armed minorities or by outside pressures…The seeds of totalitarian regimes are nurtured by misery and want. They spread and grow in the evil soil of poverty and strife. They reach their full growth when the hope of a people for a better life has died. We must keep that hope alive.

Italy’s role in the emerging U.S.-Soviet rivalry was substantial. The British Ambassador to Rome, Victor Mallet, underscored Italy’s importance in this contest between the two superpowers: “The events in the last quarter and the position of the Italian Government since it entered the New Year,” he observed in 1947,

> contain revealing evidence of the way in which Italy is shaping in the struggle between East and West and of the form in which her political life is likely to emerge from the crisis of next spring’s elections. The scene has been—and is—completely dominated by the bitter rivalry between the Communists and their opponents, reflecting the world-wide ‘cold war’ between the Union of Soviet Socialist Republics and the United States of America. A record of

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130 Qtd. in Ginsborg, 78.
Italian affairs during this period, foreign and at home, inevitably resolves itself into an account of the strategic positions won or lost by the contending groups.\textsuperscript{131}

As Mallet presciently notes, the election of 1948 would have significant implications for the future direction of Italian foreign policy. Due to Italy’s proximity to communist Yugoslavia, the Truman Administration considered it an important front in the Cold War. Beginning in the fall of 1947, and peaking in the first quarter of 1948, American anxiety over the possibility of the Soviets gaining a foothold in Italy grew to reflect fears of a Soviet-dominated Europe.\textsuperscript{132} This fear was bolstered by the strong showing of the Communist party in the Italian Constituent Assembly elections in 1946 and the Communist \textit{coup d’État} in Prague in February 1948. Thus, key American officials, including President Truman, were by early 1948 desperate to halt “‘the Red flood’ before it could trickle and flow into Italy and Western Europe.”\textsuperscript{133}

Although the Truman Doctrine openly protected Iran, Turkey, and Greece due to their important geo-strategic location, Truman also promised to protect any other country similarly threatened by Communist aggression, including Italy. “If…it becomes apparent that the freedom and independence of Italy…are being threatened directly or indirectly,” noted Truman after the withdrawal of the remaining Anglo-American occupation forces in December 1947, “the United States …will be forced to consider what measures would be appropriate.”\textsuperscript{134}

As a consequence, “to prevent what the United States considered the worst possible scenario—the fall of Italy to communism—beginning in 1948, U.S. policy toward Italy was expressed as covert political, psychological, and military intervention in the internal affairs of the

\textsuperscript{131} Qtd. in Kimber Marie Quinney, “The United States, Great Britain, and Dismantling Italian Fascism, 1943-1948” (PhD diss. University of California, Santa Barbara, 2002), 248-249.
\textsuperscript{132} Quinney, 248.
\textsuperscript{133} Ginsborg, 98.
\textsuperscript{134} Norman Kogan, \textit{Italy and the Allies} (Cambridge: Harvard University Press, 1956), 206.
country.” USIS propaganda efforts were stepped up dramatically and displays of U.S. military might became commonplace. These latter events took the form of the stationing of U.S. warships in Italy’s major seaports as well as increased field maneuvers with American troops and tanks very much in evidence. Thus, under considerable American pressure, the postwar coalition of the DC, the Italian Socialist Party (PSI), and the Communists (PCI) fell apart with election of April 1948. De Gasperi’s Christian Democracy (DC) won an absolute majority in both houses of parliament and the Left was excluded from participation in any government ministry for over a decade.

**The Marshall Plan and Italy’s Accession to NATO**

Another clear example of the compliance model in operation is the Italian accession to NATO. Although De Gasperi always emphasized the ideological aspects of the Atlantic Alliance (particularly to his American audiences) he made no secret of his belief that the Italy’s NATO membership was essential to Italy’s economic development. In his March 27, 1949 speech to the Italian Senate, he promoted Italian acceptance of NATO membership not as a way of countering the threat of Soviet expansion but rather, “to obtain economic aid for reconstruction and development.” In this instance we see an example of the Italian Prime Minister explicitly tying a foreign policy outcome to the continued receipt of aid from the U.S.

In addition, De Gasperi seems to have employed a variation of situational power, a concept introduced by James and Imai into the compliance literature. Situational power refers to the ability of a dependent state to exploit its position as an object of competition between

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135 Quinney, 249.
dominant states. As a devout Catholic and founder of the DC, De Gasperi was ardently anti-communist. However, he was obviously not averse to using the implied threat of a communist-dominated Italy to obtain favor with the U.S. Alberto Tarchiani, the first postwar Italian ambassador to the U.S., was also adept at this technique. As John Harper observes, Tarchiani’s diplomacy “alternated the image of an abject Italy with the bright prospect of future Italian-American partnership” almost always employing the “red peril” to obtain U.S. support.

While halting the advance of Communism was certainly a driving force behind American intervention in Italy in the late 1940s, ideology was not the sole motivation, particularly in the area of economic aid. At war’s end, nearly two thirds of the world’s industrial capacity and three fourths of its invested capital was in the United States. Unless the U.S. could find reliable trading partners and outlets for its excess goods, it faced a return to the ruinous economic conditions of the Great Depression. Western Europe obviously had vast potential, but its economy and therefore its buying capacity had been dealt a severe setback by the ravages of almost six years of war. The U.S., whose industrial and agriculture infrastructure had emerged unscathed from the war, would therefore use its vast resources to help turn around the economies of Western Europe and provide outlets for America’s productive surplus.

Italy was thus an early target of the U.S. “economic instrument of power” or what Singer termed the “attractive instrument of power.” By mid-1943, U.S. military forces were providing development aid to liberated areas in southern Italy. However, these early efforts by the Allied Military Government (AMG) to prop up the Italian economy as well as reestablish Italy’s public administration were poorly executed and ultimately unsuccessful. Famine and a surge in black

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market activity occurred as a result of rampant inflation, the latter exacerbated by the AMG’s widespread issuance of allied banknotes.\textsuperscript{141} Real relief only came with the establishment of the United Nations Relief and Rehabilitation Administration (UNRRA), a largely American-funded effort to provide relief to areas liberated from the Axis powers after the war. Originally proposed by President Franklin Delano Roosevelt in 1943, UNRRA was managed by an American staff and disbursed over $450 million in the form of food, fuel, and medicine to be sold on the Italian market. UNRRA was ultimately responsible for a remarkable 45% of estimated imports to Italy and accounted for 4.2% of the Italian Gross Domestic Product (GDP) for 1946.\textsuperscript{142}

After the war, the Truman administration ramped up its unilateral efforts at boosting the economies of Western Europe. Secretary of State George C. Marshall made the U.S. goals explicit in his 1947 commencement address at Harvard. During his speech, he announced the beginning of the European Recovery Program (ERP), soon to be known as the Marshall Plan:

\begin{quote}
The remedy lies in breaking the vicious circle and restoring the confidence of the European people in the economic future of their own countries and of Europe as a whole….Aside from the demoralizing effect on the world at large and the possibilities of distances arising as a result of the desperation of the people concerned, the consequences to the economy of the Unites State should be apparent to all. It is logical that the United States should do whatever it is able to do to assist in the return of normal economic in the world, without which there can be no political stability and no assured peace.\textsuperscript{143}
\end{quote}

Concrete steps to implement the Marshall plan immediately went into effect. In August of 1947, the U.S. canceled one billion dollars in war claims against Italy and released $60 million of Italian assets frozen in the U.S. since 1941. Additionally, the U.S. redeemed over ten million

\textsuperscript{140} Singer, 60. \\
\textsuperscript{142} Ibid., 242.
dollars worth of scrip given in payment to Italian prisoners of war and donated twenty-eight surplus freighters to help make up for Italy’s war-time merchant shipping losses. In September of that year, Truman asked Congress to implement “emergency measures for stopgap aid to see Italy through the winter until the Marshall Plan could be worked out.” At its peak, the ERP contributed over $600 million per year to fund industrial and infrastructure projects in Italy. Between 1946 and 1952, the UNRRA and ERP together injected almost $2 billion into the Italian economy.

Intense propaganda campaigns also formed part of the Marshall Plan. For example, a “train for Europe,” filled with staple goods and food supplies, travelled throughout Italy and other recipient countries to publicize the work in progress and the results already obtained. The print press, radio, and television were also part of the propaganda effort. “The program for recovery in Europe was undoubtedly a weapon in the Cold War.” Indeed, Rigas Raftopoulos observes that

During the last weeks of the [1948] election campaign, State secretary George Marshall made it publicly clear that ERP aid for Italy would have been cancelled if the Italian communist party (PCI, Partito Comunista Italiano) had won the election. Election success for De Gasperi…represented one of the first major achievements of [the] US strategy of containment.

It should be noted that while the Marshall Plan was an important step in creating Italy’s lasting alliance with the U.S., it was not until the summer of 1948 that Rome openly advocated an official political and military commitment. De Gasperi knew that a major political commitment with the Americans would anger both the leftist opposition and the left wing of his

144 Holt and van de Velde, 168.
own party. At that time, joining the Atlantic Alliance could have created a serious problem for the governing coalition.\textsuperscript{147} However, “the international environment was going to assume the shape of the confrontation between the two superpowers involving the alliance systems related to them. In Italy this tension was well reproduced by the confrontation between the Christian Democrats, close to the USA, and the Communists, close to the USSR. In this condition joining the Atlantic Alliance became for Italy a necessity of foreign and interior policy.”\textsuperscript{148}

Norman Kogan emphasizes the “interior” benefits of Italy’s NATO membership. While much was made at the time of the “nominal threat” of Soviet military might, Kogan maintains that few contemporary Italian policymakers actually believed that Russia posed an actual military danger to Italy and that “war [was] considered beyond the realm of possibility.”\textsuperscript{149} Economic and domestic political factors, argues Kogan, drove Italian foreign policy. In his March 27, 1949 speech to the Italian Senate De Gasperi pushed for Italian entry into NATO not because he thought war was likely, but rather “to obtain economic aid for reconstruction and development.”\textsuperscript{150}

While not all Italian policymakers took the Soviet military threat seriously, there does seem to have been a genuine fear of the USSR’s Italian comrades: the PCI. Despite Foreign Minister Carlo Sforza’s rather disingenuous statement in 1948 that “there was no communist danger in Italy,” Italian policymakers believed that the PCI, because of its direct organizational links to the Soviet Union, posed a direct existential threat to the state.\textsuperscript{151} To them, therefore, NATO also provided a hedge against a significant internal danger. The published statements of prominent political and governmental leaders of the time reveal this widespread belief. For

\begin{flushleft}
\textsuperscript{147} Tripodi, 4.
\textsuperscript{148} Ibid.
\textsuperscript{149} Kogan, Politics, 136.
\textsuperscript{150} Ibid.
\end{flushleft}
example, Giovanni Lalagodi, the former Secretary General of the Liberal Party, characterized the foreign policy of Western solidarity as “part of the necessary national policy against the persistent internal Socialist-Communist threat.” Similarly, fascist party leader Roberto Michelini declared that his party voted in favor of Italy’s pro-Western orientation to prevent an “opening to the left.” Regarding Michelini’s statement, Kogan observes “no one who knows the Fascists believes that they have any sympathy or appreciation for their British, French, or American allies, or for the democratic and liberal political and cultural values that are supposedly the ideological underpinning of the Atlantic community.”¹⁵²

According to Andreatta, Italy’s accession to NATO in 1949 culminated six years of successful foreign policy maneuvering which resulted in Italy’s reentry into the international community:

Even though the country faced daunting political, economic, and international challenges in the 1940s, successive governments succeeded in securing its membership in the Western alliance, providing a stable environment in which to consolidate democracy and economic growth. In the years that followed, Italy’s standing progressively improved while its major interests were protected—and this is what a successful foreign policy should accomplish by any standard.¹⁵³

To fulfill its NATO commitments, the U.S. began efforts to rapidly reequip the Italian armed forces. Between 1949 and 1952 total U.S. military aid to Italy amounted to $846.1 million.¹⁵⁴ In June of 1951 Admiral Bostwick Carney arrived in Italy to take control of NATO forces in southern Europe. Setting up his headquarters in Naples, Carney stressed the key role that Italy would play in the Mediterranean theater of war. “From now on,” Ginsborg relates, “the Italian armed forces were integrated into a Cold War vision of European geo-politics. American

¹⁵¹ Ibid.
¹⁵² Kogan, Politics, 137.
¹⁵³ Andreatta, 47.
and NATO bases spread through Italy, providing the military aspect of the all-conquering American model of the 1950s."

From a domestic political economy perspective, however, the relationship between Italy and the U.S. could hardly have been described as “the command-and-obey variety.” For although De Gasperi believed Italy’s accession to NATO was vital to ensuring continued U.S. economic assistance, it does not appear that American policymakers could always rely on Marshall Plan aid to motivate Italian action onto their preferred path. The direction and level of aid flows in the period 1948 to 1952 clearly demonstrates this. More than $1400 million ERP funds reached Italy, or some 11 percent of the total European aid disbursed during this four-year period. 20 percent of the Italian funds were loans made available under very favorable terms and 80 percent were grants in the form of goods. One of the few conditions imposed by the Americans was that the Italian government would establish a counterpart fund equivalent to the sums received in dollars. This fund was to be used for projects approved by the American-created European Cooperation Administration (ECA). The Marshall aid received by Italy between 1948 and 1952 represented around two percent of the Italian economy. While not an insignificant sum, as Ginsborg relates “on a purely quantitative level, it was thus an important but not decisive element in Italy’s economic development in these years.”

ECA head Paul Hoffman roundly criticized the Italians’ use of ERA funds. He noted at the time that the Italian government had failed to develop any effective system for public administration, no effective plan for the use of the funds had been developed, and certain areas of the economy such as textiles and steel were favored based on insider influence. Additionally,

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155 Ginsborg, 148.
156 Ibid.
157 Ibid., 158.
158 Ibid.
Hoffman and other American officials complained bitterly that no steps had been taken to correct the many deficiencies in the Italian tax system.\textsuperscript{159}

It should be noted that ERP funds were geared toward traditional development and economic growth “based on the optimistic assumption that socioeconomic engineering would remove the grounds for radicalism and indirectly serve to neutralize the PCI.”\textsuperscript{160} However, even though the PCI were effectively barred from the governing coalition, the American government’s desired outcome—the complete elimination of the communist party in Italy—never materialized. Consequently, the emphasis on aid-giving shifted to a ‘negative’ or repressive form aiming to eliminate the party outright.\textsuperscript{161} To this end, Marshall Plan was transformed into the Mutual Security Agency, which was oriented more toward military production. Furthermore, the Italian government was “asked to act more resolutely domestically toward ‘subversive’ trade unions and political groups.”\textsuperscript{162}

Mario Del Pero states that besides this \textit{overt} aid, the U.S. also contributed large sums of \textit{covert} aid, mainly in the form of secret payments to the governing coalition through the Central Intelligence Agency (CIA).\textsuperscript{163} Such aid was intended to bolster the DC’s political position. However, the payments may have had the unintended effect of actually \textit{diminishing} the anticommunist ardor of the DC leadership. As U.S. ambassador to Italy Clare Boothe Luce observed in 1955 “the very maintenance of the Communist threat” was the one factor that could

\begin{flushleft}
\textsuperscript{160} Mario Del Pero, “American Pressures and Their Containment in Italy during the Ambassadorship of Clare Boothe Luce, 1953-1956,” \textit{Diplomatic History} 28, no. 3 (June, 2004): 411.
\textsuperscript{161} Ibid.
\textsuperscript{162} Ibid.
\textsuperscript{163} Ibid., 408.
\end{flushleft}
“be safely relied upon to put into the hands of ‘anti-Communist’ politicians goodly sums of money for which they need render no public accounting.”

It seems, therefore, that despite the enormous inflow of American aid, the Americans could exercise only limited control over Italian policy decisions. On the one hand, the Italians were largely compliant with U.S. wishes on the larger more visible foreign policy matters such as joining the NATO and keeping the Left out of government. On the other hand the Italians were far less willing to acquiesce to American desires on domestic policy issues of public administration and finance and outlawing the PCI. This latter detail expresses the limitations of economic and financial incentives as instruments of power. As Singer remarks, “Wealth is one principal source of power; but wealth and power are not simple equivalents.” In later years, as U.S. relief aid dwindled to almost nothing and the Italian “economic miracle” took hold, American influence on a wide range of issues would become even more attenuated.

Yet, despite Italian intransigence on some domestic issues and ensuing American criticisms, it cannot be denied that by the early 1950s Italy’s international status had been transformed by its relationship with the United States. In January 1947, De Gasperi embarked on a State visit to directly petition the Truman Administration for more economic aid and political-military support. “On a political level this would have symbolized a closer political relationship and open alignment with the American Super-Power, helping Italy egress from the wilderness of international diplomatic isolation.” As Christopher Seton-Watson relates,

[Italy] was welcomed by President Truman not as an ex-enemy but as a potential ally. The U.S. had been little involved in fighting Italy between 1941 and 1943, and did not therefore share Britain’s persistent feeling of hostility and suspicion. Thanks largely to Sforza’s diplomatic skill, Italy participated as an

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164 Ibid.
165 Singer, 69.
equal in the work of the [ERP]…In August 1947 Marshall told De Gasperi that Italy’s ratification of his Plan ‘has removed the last barrier created by fascism between Italy and the other peace-loving sovereign nations.’ The result of the 1948 Italian election strengthened the U.S. commitment and did much to diminish British…doubts about Italy’s democratic credentials.  

**The American Card**

As the Italian economy rebounded and American aid relief tapered off, the ability of the U.S. to influence Italian policy decisions clearly began to diminish. While Italy sought out “independent maneuvering areas” on the international stage, it found itself more and more in conflict with the U.S. in areas such as Middle East oil politics and its relations with Israel. The economic “carrot” became less of a factor in relations between the two countries, particularly as the Italian “Economic Miracle” gained traction. This comports with Dolin and Tomlin’s observation that during the period of strong economic performance, subordinate countries will generally effect foreign policies that “enhance autonomy through the reduction of political ties.”  

Furthermore, the American military instrument of power became less influential as the Soviet threat (never taken that seriously to begin with) began to recede into the background of the Italian psyche. Richardson and Kegley elaborate on this concept of the U.S.’s declining hegemony, particularly beginning in the 1970s. They note that “it may be that 1970 marked the passing of a period during which the United States could successfully link others’ economic vulnerability to its own Cold War politics.”  

While the economic relationship between Italy and the U.S. remained asymmetric throughout the study period, a resurgent Europe as well as the discovery and exploitation of significant energy resources throughout the Middle East, reduced the impact of this asymmetry over time.

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168 Dolin and Tomlin, 351.
169 Richardson and Kegley, 217.
Even as the U.S. hegemony waned, one could cite numerous examples of how Italian policy-makers used the Atlantic relationship to their advantage throughout the Cold War. Nuti observes that playing the “American card” was usually a “safe route” in that it usually allowed Italian politicians to simultaneously “pursue the country’s national interest, stabilize domestic politics and enhance their personal career[s].”170 Two crucial strategic decisions made by Italian leaders in different time periods demonstrate this tendency.

In July, 1958, Prime Minister Amintore Fanfani personally communicated to President Dwight D. Eisenhower his country’s acceptance of the American proposal to deploy PGM-19 “Jupiter” medium-range ballistic missiles on Italian soil. This daring initiative made Italy the first NATO country to accept the nuclear weapons offered by Washington to its allies the previous year. Fanfani’s willingness to accept the deployment had little to do with a desire to bolster the Alliance’s military capabilities vis-à-vis the Soviets (never a priority with Italians). It did, however, have much to do with political concerns, both domestically and within Europe. The Jupiter deployment gave the Italians a nuclear capability of sorts that would improve its international prestige. The British had become a nuclear power six years earlier and France had just recently announced their own atomic program (which would result in the creation of a weapon in 1960). From an economic and political standpoint, an Italian nuclear program was out of the question. But a close relationship with Washington and the NATO option allowed Italy to at least partially counterbalance the nuclear status of its traditional European rivals.171

Playing the American Card was not limited to politicians in the DC. The leader of the PSI, Bettino Craxi, played a vital role during the impassioned debate on the deployment of Pershing II missiles in Europe in late 1979. At the time, parliamentary approval hinged on the

170 Nuti, 95.
171 Ibid., 96.
governing coalition obtaining the Socialist vote. Following stormy deliberations, Craxi secured his party’s approval for the deployment. At a time when the Socialists rarely voted in favor of government initiatives, Craxi skillfully managed to overcome the vocal opposition within his own party and signaled his approval of the Italian government’s agreement on the Pershing II deployment. Later, as the first Socialist Prime Minister of postwar Italy, Craxi announced in his very first parliamentary speech in 1983 that he would fulfill the pledge made by Francesco Cossiga to deploy the missiles “if the disarmament negotiations with the soviet Union did not reach a positive conclusion.” In the meantime, the American cruise missiles deployments had become the subject of heated debate, both in the halls of government and in the streets of Western Europe. Nuti observes that “The Italian decision to deploy the Cruise missiles played a crucial role in the implementation of the entire NATO project and turned Italy into a real pivot of the Atlantic design.” Furthermore,

Craxi was certainly aware of the deep political implications of his gestures in 1979 and 1983: with his stance on this critical issue, he signaled to the White House that he could be as strong an Atlanticist as any Christian Democrat, thus using the test of Atlantic firmness against both his Communist enemies and his Christian Democrat allies.

In both the Jupiter and Pershing II episodes, the Italian government acquiesced to the U.S. requests to place missile bases on Italian soil, but only because the deployments served the domestic political purposes of powerful Italian officials. When Italian and American interests did not harmonize in this manner, the result could be quite different. The U.S. government’s push for the establishment of the European Defense Community (EDC) offers a case in point.

In negotiations led by the Italians, the EDC treaty was signed in May 1952 in response to the American call for the rearmament of West Germany. The intention was to create a pan-

172 Ibid., 97.
173 Ibid.
European military defense force as a means to harness West Germany’s military potential and as an alternative to the German accession to NATO. Additionally, Italian Prime Minister De Gasperi, under considerable pressure from the “Eurofederalists” led by Altiero Spinelli, inserted a clause into the EDC treaty that foresaw the development of a political union alongside the EDC’s military one.

Marco Rimanelli observes that this development reflected De Gasperi’s prescient understanding that “America and Europe had become inextricably intertwined in both common security and integration.” He further notes that “the United States would not have agreed to defend Europe unless she developed a regionally integrated politico-economic-military structure. Thus to force the country to accept unpopular ‘Atlanticist’ military build-ups, *it was vital to disguise this through European integration* [emphasis added].” De Gasperi, therefore, pressed for the “creation of a supranational political institution in full control of foreign policy and the integrated European Army.” This “supranational institution” envisaged by the Italian Prime Minister would also absorb “all economico-financial [sic] functions necessary to achieve complete military, political and economic integration of the Continent.”

In the event, the EDC treaty failed to achieve ratification and the drive toward comprehensive European integration came to a rather abrupt halt. A number of factors in Italy contributed to the failure of the EDC. Prime Ministers De Gasperi and then Mario Scelba faced considerable opposition to the treaty from both the Left and the Right in Parliament. “The Left opposed a politico-military European integration which would doom her quest for a ‘non-aligned nationalist’ Italy outside the blocs, while the government was split by resistance to any post-war ‘association’ with West Germany and a dissenting DC-Right seeking to exploit the EDC to re-

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175 Ginsborg, 160.
annex Trieste. Additionally, the death of Joseph Stalin in 1953 greatly diminished the fear of Soviet invasion—the vital “glue” holding the holding European defense plans together.

The actions of the Italians, as well as the British and French, in derailing the EDC proved deeply troubling to the American government, which threatened to withdraw altogether from NATO and remove its forces from Europe. To mollify the Americans, London initiated a compromise in October of 1954 allowing a rearmed West Germany and creating the Western European Union.

The rejection of the EDC treaty heralded the end of the “federalist and idealist” phase of European integration and made way for a “functionalist” one based on a more narrow economic foundation. Based on the success of the European Coal and Steel Community (ECSC), the idea of a European Common Market was immediately adopted and vigorously pursued by Italy’s Foreign Minister Gaetano Martino. At the conference of Paris in February of 1957, the six members of the ECSC decided to enlarge the concept into an “effective European Economic Community (EEC) to harmonize national socio-economic policies within a Continent-wide trading area.” On March 25 representatives from Belgium, France, Italy, Luxembourg, the Netherlands and West Germany signed the Treaty of Rome, formally creating the EEC. Its purpose was that of constructing “a Europe brought together by means of the development of common institutions”

Rimanelli argues that European integration played a prominent role in Italian post-war foreign policy and was grounded in a “politico-psychological need to attain equal international

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176 Rimanelli, 736.
177 Ibid.
178 Ibid.
180 Ginsborg, 160.
181 Rimanelli, 737.
182 Ferrara, 115.
status from the ruins of Fascist imperialism.” He contends, however, that rather than being the preeminent driver of democratic Italy’s diplomacy, integration was coequal with Atlanticism, “reinforcing the parallel Atlantic and American ties.”183

**Neo-Atlanticism and the Middle East**

The Italian officials most involved in determining Italy’s foreign policy in the postwar era did their best to strengthen the economic and political bonds joining together the Western nations. “This policy reflected a sure understanding of Italian needs and interests. Sforza and De Gasperi saw that in a game of independent prestige politics, Italy could never rank higher than fourth among the powers of Western Europe: this was the reckless sort of competition that had led Mussolini to disaster…Such was the wisdom that nearly a century of hesitation and experiment in Italian foreign policy had taught.”184

Not all of their successors, however, followed this example. As Rimanelli notes, some high-profile Italian politicos would throughout the succeeding decades continued to display their “thirst for a dramatic international ‘presence’ and diplomatic mediations.” He further observes that these were “politicians who refused to accept the international and domestic constraints imposed on Italy by the Cold War bipolarism and her Western alignment.” 185 No doubt emboldened by Italy’s newfound economic prosperity, many post-Gasperi leaders felt no obligation to “toe the line” on U.S. concerns.

In late 1953, for example, Prime Minister Giuseppe Pella had attempted to engineer a nationalist push to re-annex Trieste and Istria as a precondition for Italy’s ratification of the EDC. This was a blatant attempt to stir up nationalist support for Pella’s floundering DC coalition which had fared poorly in the recent elections. In the end, the U.S. and Allied Powers

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183 Rimanelli, 738.
184 Hughes, 248.
agreed to restore to Italy the northern “Zone A” of the Free Territory of Trieste, but refused to support the proposed annexation of the portion of the Istrian peninsula (“Zone B”) that had been a *de facto* part of Yugoslavia since 1945.  

Similarly, beginning in 1955 President Giovanni Gronchi openly pursued a “nationalist” foreign policy clearly at odds with Foreign Minister Gaetano Martino’s Euro-Atlanticist policies. In early 1956, Gronchi openly pushed for a greater flexibility in Western dealings with Communist China and advocated a twenty-year neutralization and union of East and West Germany—a move much favored by the USSR which sought an emasculated united Germany. Gronchi’s personal diplomacy also “sought to demote the Atlantic Alliance which relied on West-Germany’s 1955 membership to consolidate NATO’s Central Front along the Inter-German border.” When Prime Minister Mario Segni and Foreign Minister Martino were informed of Gronchi’s pronouncements, they publicly castigated Gronchi and immediately reaffirmed the Italian commitment to the Sforza’s Euro-Atlantic policies and the government’s loyalty to the United States. But the damage had been done. “Gronchi’s freewheeling diplomacy had weakened the vital legacy of close U.S.-Italian relations that De Gasperi, Sforza and Tarchiani had painstakingly built in the second postwar: despite assurances to the contrary on both sides, in American eyes Italy in the 1950s-1970s became once again an uncertain, unpredictable ally.”

Following the permanent demotion of Anglo-French colonial influence as a result of the 1956 Suez Crisis, Gronchi saw an opening to again take an active role in Italian foreign policy. Gronchi became a leader in the nascent “neo-Atlanticism” then beginning to take hold among

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185 Rimanelli, 740.  
186 Romano, 91.  
187 Rimanelli, 741.  
188 Ibid.
certain elite groups within Italy. Advocates of this line rejected the NATO alliance as purely military in nature. Rather, they viewed it as “an instrument of the political and economic collaboration of the Western nations.” In addition to this new approach to Atlantic policy, the “neo-Atlanticists” demanded that Italy play a more active part in political and economic initiatives, particularly with regard to the new nations of the African Mediterranean and the Middle East.

The neo-Atlanticists, led by Gronchi and now with the support of DC Prime Ministers Amintore Fanfani (1958-1959), Aldo Moro (1960, 1963-1968), and Foreign Minister Pella (1957-1960), engaged in initiatives which reflected a growing sense of frustration over Italy’s apparent inferiority in the Atlantic Alliance.

Italian foreign representatives at the time tried to find “autonomous maneuvering areas” between Soviet and American influence where, it was thought, Italy’s prestige could be brought to bear. Here, many Italians believed they could operate “with the advantage of ‘clean hands’ from any shadow of colonialism with which [Italy] had emerged—unwillingly—from the war.” Furthermore, Italy had a longstanding tradition of cultural and economic exchange with the Islamic world. Hence, the Neo-Atlanticists believed Italy was in an ideal position “to mediate between the West and the newly emancipated Arab states and to thwart Soviet influence in the Third World.”

Ideally, Neo-Atlanticism would establish a connection between Italy’s participation in NATO and its Middle East foreign policy. Since the beginning of the Cold War, Italy had been

190 Ferrara, 128.
191 Saiu, 127.
192 Allessandro Brogi, "Ike and Italy: The Eisenhower Administration and Italy’s ‘Neo-Atlanticist’ Agenda," *Journal of Cold War Studies* 3, no. 3 (summer 2002): 8.
considerably less concerned than most other NATO allies over the Soviet military threat. Additionally, Italy’s leadership “consistently stressed the importance of economic cooperation over the Atlantic Pact” while simultaneously trying to limit the expansion of NATO’s military dimension. Moreover, Italian leaders argued that

Economic reconstruction within a multilateral framework…was the best weapon against the risk of internal (Communist) subversion; and multilateralism would also secure for Italy the quickest route to economic modernization. Above all, by proposing multilateral aid schemes for the Middle East in the late 1950s, the Italian government wanted to emphasize the growing economic interdependence within NATO itself and to narrow the economic gap between Northern and Southern Europe.193

Thus, Italian policymakers engaged in a number of sometimes-quixotic foreign policy forays in attempts to bolster Italian influence in the Middle East. For example, in 1953 Italy launched an effort to become a member of the Middle East Defense Organization (MEDO), which was then being negotiated by Turkey, Egypt, the United Kingdom, and the United States. In 1955, Prime Minister Scelba inquired about Italy’s possible inclusion in the Baghdad Pact, the successor to the failed MEDO. These efforts were aimed primarily at securing for Italy a position as an economic and strategic lynchpin between the Mediterranean region and the Western Allies. However, Rome had consistently vetoed separate Mediterranean and Balkan pacts since 1948. Most damaging to Italy’s interests, neither Scelba nor De Gasperi could satisfactorily explain to the United States “the logic behind Italy’s apparently divergent proposals regarding military arrangements in the Mediterranean.” To do so, as Secretary of State John Foster Dulles later explained, would have required the Italian leaders to admit that they were simply trying to “extract more money” in the form of military aid derived from their Pact membership. Ultimately, the Americans concluded that the Italians were simply interested in

193 Ibid., 10.
further prestige, “without being able to offer a vital contribution or new ideas in return” and any plans to include Italy in the Baghdad Pact were shelved.\footnote{Ibid., 25.}

Another unsuccessful attempt at playing an influential role in Mediterranean affairs was Italy’s proposed “Pella Plan.” In 1957 Pella offered his own alternative to a proposed West German multilateral aid plan for the Middle East. It was the first major Italian initiative in the field of development aid and envisioned a common fund managed by the Organization for European Economic Cooperation (OEEC) that would dispense low-interest loans to Middle Eastern countries. Most of the funding would come through the recycling of the money owed by Marshall Plan recipients to the U.S. Obviously, the major financial burden would fall on the U.S. Treasury and in the end the plan was dismissed by Dulles as just another “ill-disguised attempt to ‘pull more money’” out of the United States.\footnote{Elena Calandri, “Italy’s Foreign Assistance,” \textit{Contemporary European History} 12, no. 4 (2003): 511.}

While most of these early efforts at influencing events in the Middle East produced lackluster results, some proved worthwhile. For example, in 1956 the DC party chairman Amintore Fanfani was tapped by the Eisenhower administration to help mediate the Suez Crisis—a clear indication that the American government recognized, to some extent, Italy’s “special role” in Mediterranean affairs. Additionally, Italy took part in several successful development programs in the region—donating funds to the Libyan and Somali national budgets, setting up scholarships for students and technicians from developing countries, and signing a bi-lateral economic and technical co-operation agreement with the United Arab Republic in 1959.\footnote{Ibid.} However, there was one area—obtaining foreign petroleum concessions—that bore substantial economic fruit for Italy and provided secure foothold in the Middle East. This
success in international oil politics, however, would pit Italian interests in the region against those of the United States and its European allies.

**Enrico Mattei and Italian Energy Policy**

Italy’s activities in Middle East oil politics provide an illustrative example of the Italy’s willingness to defy its superpower benefactor when the situation warranted—a clear demonstration of counterdependence. Furthermore, *Ente Nazionale Idrocarburi* (ENI) chief Enrico Mattei’s freewheeling Middle East oil dealings reveal the ability of non-executive branch actors within the government to exercise influence over foreign policy. In deviating so dramatically from established norms of international oil politics, the activities of the ENI in the 1950s also provide an example of Allison’s bureaucratic bargaining process in action. This process results in a maximization of the influence an organization has in a particular policy area—in this case, foreign energy policy. Mattei’s efforts succeeded in consolidating his own power and influence within the government while at the same time driving Italian foreign policy in a direction very much against the desires of Italy’s largest benefactor at that time: the U.S.

Italy’s energy policy in the immediate postwar period was almost exclusively Mattei’s creation. As head of ENI, a state-owned energy holding company, Mattei oversaw the acquisition of the vast hydrocarbon resources necessary to feed Italy’s rapid post-war economic expansion. As Jane and Andrew Carey observed in 1958, the “need [for energy] can hardly be overstated, in view of Italy’s poverty in sources of energy and her rapidly rising consumption of energy….Italy’s energy consumption has doubled since 1949 because of a rising standard of living and increasing industrial production.”

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197 Christensen and Redd, 254.
198 Jane Perry Clark Carey and Andrew Galbraith Carey, “Oil for the Lamps of Italy,” *Political Science Quarterly* 73, no. 2 (June 1958): 235.
Mattei initially rose to national prominence as one of the top DC operatives in the wartime resistance movement. After the war, Mattei capitalized on his war record and secured the chairmanship of the state-owned oil company *Azienda Generale Italiana Petroli* (AGIP). In this capacity he led the search for domestic sources of energy which resulted in the discovery of substantial natural gas fields in near Milan as well as the Po Valley of central Italy. But despite the additional discovery of substantial oil deposits in the Po Valley and Sicily, Mattei realized that Italy’s energy needs could only be satisfied through a massive program of importation.\textsuperscript{199}

To this end Mattei ventured abroad, securing oil deals in Egypt, Iraq, and the USSR, “this last a country with which Italy would continue to develop major and rewarding trade ties.”\textsuperscript{200} It was Mattei’s negotiations with Iran, however, which dramatically altered the environment of Middle East oil politics and greatly enhanced Italy’s political status in the region. He did this by defying the oligopoly of seven American and British oil companies—the *Sette sorelle* (Seven Sisters)—and brokering a game-changing oil exploration and development deal with the Iranian government.

In March, 1956 ENI signed a complex agreement with the National Iranian Oil Company for the development of the Iranian oil fields. Mattei agreed to pay all of the costs of exploration in exchange for an Iranian promise to subsidize half the cost of operations when and if oil was found. Mattei further agreed to split the profits from the venture 25%-75% in favor of the Iranians. This arrangement effectively undercut any competition from other oil companies, which typically took a full half of the profits.\textsuperscript{201}

Mattei’s machinations infuriated the Seven Sisters, five of which were American. “The psychological effect of this innovation was considerable,” inasmuch as “it appeared to raise the

status of the government from that of a tax-gatherer, of a receiver of bounty, to that of a co-
industrialist, of a true partner, without, however, involving the government (or the national 
company acting as its agent) in the risk of a total loss due to no oil at all being found."202

To policymakers in Washington, however, the economic ramifications were less 
important than the potential political impact. Mattei’s deal with the Iranians came less than three 
years after the U.S. Central Intelligence Agency (CIA)-led coup d’état which had overthrown the 
government of Iranian Prime Minister Mohammad Mosaddegh and restored the Shah of Iran, 
Reza Pahlavi, to power. The coup had resulted in the “de-nationalization” of the Iranian oil 
industry and gave Britain and the U.S. the lion’s share of the country’s oil business.203 While the 
Italian presence in the region’s oil market remained modest, the already tense atmosphere in the 
Middle East was only exacerbated by the creation of a “contract with terms overwhelmingly 
favorable to a producer country [which] posed the risk of rekindling fervent...nationalism.”204

The Shah was certainly no revolutionary, but Mattei was able to exploit this lingering 
resentment against the United States over several issues. First, Pahlavi had been disappointed by 
what he considered a paltry amount of U.S. foreign aid funding to Iran. Second, he felt slighted 
by his lack of authority and status in the Baghdad Pact. Now galvanized by the deal with ENI, 
the Shah openly challenged U.S. authority in the region, even threatening to join the Non-
Aligned Movement. Thus, from the American point of view, Mattei’s “meddling” in the region 
disrupted Dulles’s carefully crafted “Northern Tier” concept of Soviet containment.205

201 Carey and Carey, 248.
202 Frankel, 116
204 Brogi, 27.
205 Ibid.
In addition to the Iranian venture, Mattei was able to secure a similar concession in Morocco, which also included exclusive refinery rights and some foothold in the sales of fuel oil and gasoline. Furthermore, believing that he would be in a favorable position to obtain a concession from an independent Algerian government, Mattei cultivated contacts with the Algerian National Liberation Front (FLN) revolutionary organization. While it appears that Mattei “intended all this as a means of regaining leverage for future cooperation with Washington, the consequence was to turn most American officials against him.”²⁰⁶

It should be recognized, however, that while his actions did not seem to be “in accord with the official NATO-based foreign policy of the Italian Republic, Mattei was less of an interloper than he was reputed to be.”²⁰⁷ As P.H. Frankel puts it, “he never supplanted the official Italian policy and he probably never meant to do so; he only represented the ultra-violet band of the Italian spectrum.” Still, the general impression at the time seemed to be that Italian foreign policy was the province of Mattei and his strongest supporter, President Gronchi (whose ceremonial role as head of state constitutionally did not include the creation of foreign policy). Even worse, from Washington’s viewpoint, Mattei and Gronchi were the most vocal advocates of an “opening to the left”—bringing the Socialists and Communists into the government coalition.²⁰⁸

Mattei’s personal influence in the Middle East politics came to an abrupt end when he was killed in a plane crash near Milan in late 1962. The official government inquiry into the crash ruled it an accident, but it was widely rumored at the time to have been an act of sabotage. Decades later, Sicilian Mafia boss Tommaso Buscetta boss revealed that “Mattei was killed at the request of the American Cosa Nostra since his policy was detrimental to important American

²⁰⁶ Ibid., 28.
²⁰⁷ Frankel, 140.
interests in the Middle East.” According to Buscetta, the “hit” most likely originated with American oil companies and had the support of other high level officials within AGIP and the DC. \(^{209}\) Buscetta’s account has never been confirmed, but if true it testifies to the extraordinary threat Mattei posed to the established order of international oil politics.

**Amintore Fanfani, the Middle-East, and Improving U.S.-Italian Relations**

Recognizing the growing rift in relations with their superpower ally, the Italians took steps in the late 1950s to improve relations between the two countries. Upon assuming his second premiership in July, 1958, Amintore Fanfani immediately demonstrated his pro-US attitude by resuming negotiations on the staging of medium-range ballistic missiles (MRBMs) on Italian soil. Furthermore, he permitted the Americans to use the Capodichino airport in southern Italy as a staging base for Operation *Blue Bat*, the July 1958 U.S. military operation in Lebanon. \(^{210}\) These moves did much to ingratiate Fanfani with President Eisenhower, who viewed the Italian premier as the consummate political “insider.” American government officials approved of Fanfani’s strong-handed methods since they enabled him to “reclaim the prerogatives that Mattei and President Gronchi had informally usurped from the government” and “check their initiatives and to tame their neutralist impulses.” \(^{211}\) Complementing this perception was the growing awareness in Washington of the connection between Italian domestic politics and Neo-Atlanticism. The American chargé d’affaires in Rome, John Jernigan, had argued in September 1957 for making a “greater show of informing and consulting the Italians on all matters affecting the Middle East.” Such an approach, it was suggested, would instill a greater sense of national pride and “remove [any] pretext for uncoordinated actions and give the

\(^{208}\) Brogi, 28.
Foreign Office and other realistic elements ammunition to defend themselves against [the] freewheeling [of] Gronchi [and others].”

Fanfani himself understood the American consultations were more “show” than substance, but he had a strong desire to form a more genuine partnership with Washington. Thus he revived the Pella Plan, omitting the financial and political provisions that had so concerned Washington the previous year. Additionally, the new plan envisioned a non-aggression pact between all the Arab countries and Israel and specified UN control rather than European guidance. Moreover, Fanfani offered to contribute $100 million from Italian coffers as the first disbursement of the plan.

Fortunately for Fanfani, Washington had recently completed a reevaluation of U.S. policy toward the Middle East which comported favorably with Italy’s Mediterranean designs. Although the military intervention in Lebanon had had a favorable result with almost no American casualties, President Eisenhower believed the long term consequences were likely to be negative. With Pan-Arab propaganda escalating under the leadership of Egyptian President Gamal Abdel Nasser, Eisenhower sought to lessen the role of military force in Middle East affairs and focus more on development aid and multilateral political initiatives. “Fanfani’s strategy amounted to a revitalized economic aid package coupled with an attempt to reach an understanding with the Egyptian leader.” Consequently, in August Eisenhower announced the creation of a “Development Authority” for the Middle East which incorporated several of the new Pella Plan provisions and sent Fanfani a preliminary draft of the proposal in acknowledgment of his contribution. Additionally, Eisenhower pledged to hold regular conferences between the two countries to discuss Mediterranean affairs and expressed cautious
approval of Fanfani’s proposal for an expanded diplomatic presence in the Middle East. “The Italian government took all these concessions as signs of an emerging special relationship.”

The “special relationship” was short-lived, however. Fanfani had overreached by attempting to become the mediator for all Middle East issues, including the Arab-Israeli conflict and the Algerian insurgency, instead of sticking with his original brief of reconciling Nasser and the U.S. Additionally, and ultimately more damaging to Fanfani’s agenda, he had found himself under attack by his political opponents in Italy. The collapse of Fanfani’s second premiership in January 1959 signaled the end of Neo-Atlanticism. With the conservative Antonio Segni now in charge, Italy “resumed a low profile in international affairs….without insisting on a special Italian competence in Mediterranean affairs.”

In the 1960s, Italy was primarily concerned with resolving its own Mediterranean interests with the sometimes conflicting European Community (EC) goals for the region. Italy supported the EC’s creation of a free-trade area in Sub-Saharan Africa because it favored Somalia—still an Italian dependency—and because the African exports did not compete with Italian products. However, even though Italy still nominally viewed itself as the “defender of the Mediterranean countries,” it opposed the extension of the free trade regime to the agricultural producers of North Africa, which would directly compete with Italy’s still-developing agricultural south. Ultimately, “the preservation of Italy’s agricultural sector was therefore one of the obstacles to the implementation of a comprehensive EU policy towards the

213 Ibid., 30.
214 Ibid., 31.
215 Ibid., 32.
Trade agreements between the EC and Morocco and Tunisia were eventually signed, but the products in competition with those of Italy were excluded.\textsuperscript{217}

Italy supported the EC’s Global Mediterranean Policy (GMP) in the 1970s which was aimed at integrating the Mediterranean countries (loosely defined since it also included both Syria and Portugal, neither of which borders the Mediterranean) not only in trade relations but in providing financial assistance and cooperation in such areas as science, the environment, and industry. Italy’s support for the GMP, however, put it in conflict with the U.S., which, along with Britain, West Germany, and the Netherlands, was opposed to the measure since it feared that any EC trade preferences would damage its own trading arrangements with the individual countries. While a number of bilateral agreements were eventually negotiated, the GMP lost traction and faded away.\textsuperscript{218}

As Maurizio Carbone notes, Italy’s support of the GMP can be explained by a number of factors. “First, Italy tends to favor multilateral initiatives, either as a ‘natural reflex’ or to strengthen its credibility in international affairs” Second, its participation “served to ‘cover’ controversial political initiatives as a result of its pro-Arab tradition and its support of the Palestinian Liberation Organization (PLO).” Third, “it was seen as a natural extension of the process of European integration”—still an important goal for Italian policymakers.\textsuperscript{219}

The Mediterranean thrust of Italian foreign policy became more energized in the 1970s, primarily as a result of the Yom Kippur War and the subsequent worldwide oil shock. Italy, which was dependent on outside sources for 85% of its energy needs, exploited its historic ties with Libya to become a major importer of Libyan oil and natural gas. In 1974 Italy concluded a

\textsuperscript{217} Ibid., 158.
\textsuperscript{218} Ibid.
deal with the Libya for the importation of 30 million tons of crude oil. The deal was accompanied by another agreement under which Italy was to offset part of the costs of the crude purchase by making investments in Libyan petrochemical infrastructure as well as steel and agriculture production. Italy also established significant economic ties with Algeria, concluding deals for the large-scale importation of Algerian liquefied gas and to develop a major gas pipeline.\textsuperscript{220} Italy’s relations with Egypt in this time period increased substantially when ENI secured the contract to investigate potential oil deposits in the Gulf of Suez and Italian industrial giants Fiat and Olivetti began opening factories in Egypt. Significant oil deals were also made with Iraq and Iran.\textsuperscript{221}

\textbf{Italy and Israel}

After its founding in 1948, Israel invested a great deal of effort in establishing friendly relations with Italy. Likewise, Italy desired good relations with the new Jewish state, but was constrained to a large extent by “pragmatic factors in which relations with the Arab world, the USA and the Vatican, all played important roles.”\textsuperscript{222} Throughout the 1950s, the political atmosphere in Italy generally favored Israel. The PSI position mirrored that of the Socialist International, which was then pro-Israel. The Communists followed the lead of the Soviet Union, which had been the second country to recognize Israel and was a strong supporter of the Jewish state until 1955. However, Soviet-Israeli relations steadily worsened in the latter 1950s. The Vatican supported the 1947 UNGA Resolution 181, which partitioned Palestine, but it failed to recognize Israel for another forty-five years. Some experts argue the Vatican may have feared

\textsuperscript{219} Ibid.
\textsuperscript{221} Nick Cumming-Bruce, “Italy Doubles Exports as Trade Drive Intensifies,” \textit{Middle East Economic Digest} 18, no. 43 (Oct 1974): 1263-1267.
\textsuperscript{222} Jacob Abadi, “Constraints and Adjustments in Italy’s Policy toward Israel,” \textit{Middle Eastern Studies} 38, no. 4 (Oct 2002): 63.
the backlash recognition would create for Christians in Arab countries in light of the Palestine issue. Furthermore, Vatican authorities may have wanted safeguard the Christian holy places in Jerusalem, at that time controlled by Jordan. Even so, the Catholic DC for the most part followed the American line and was substantially pro-Israel in the 1950s.

By the time of the Arab-Israeli Six-Day War in June 1967, Italian opinion had shifted markedly in favor of the Arabs. International Socialism and Communism had abandoned Israel in favor of the Arabs and their Italian co-ideologists followed suit. Prime Minister Aldo Moro of the DC now led a center-left coalition government which attempted to take an “equidistant” approach favoring UN mediation in the Arab-Israeli conflict. As Romano notes, however, Moro’s deference to the UN demonstrated tacit support for the Arabs since “the influence of the ‘Third World’ at the UN had been steadily growing” and therefore, “its declarations seemed by any objective standard to be pro-Arab.”

Economic factors also weighed heavily on Italy’s relations with Israel. Israeli products accounted for just .18 percent of Italy’s total imports in 1973, but Israel was a major consumer of Italian goods, importing over 83 billion lira’s worth of Italian products that year. However, Italy’s economic dependence on the Arab countries, particularly Egypt, far surpassed Israeli-Italian trade in scale and importance. In fact, according to Romano, at the time of the Six-Day War, Italy’s involvement in the Egyptian economy surpassed that of any other western country. Another factor which militated against a more pro-Israel policy was Italy’s physical proximity to the Arab world and its vulnerability to Palestinian terrorism.

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224 Romano, 144.
225 Cumming-Bruce, 1277-1278.
226 Romano, 143.
Thus, Italy found itself in the position of straddling alliances. On one hand, its memberships in the EU and NATO required a certain degree of agreement with the foreign policies of the organizations’ other members. On the other hand, Italy had to tread very carefully in its dealings with the Arabs so as not to disrupt the vital flow of gas and oil fueling its post-War economic recovery. Besides these practical considerations, Abadi argues that Italy’s vacillating foreign policy toward Israel and the Arab states may have been partially rooted in its historical thirst for enhanced prestige and “its desire to establish a hegemony that it had been denied in the past.”

Not surprisingly, Italian and American policymakers have sometimes found themselves on opposite sides of the Arab-Israeli divide. For example, Prime Minister Aldo Moro (1974-1976) was openly opposed to the U.S.’s pro-Israel position and was one of the first European leaders to speak in favor of the Palestinian cause. During his meeting with the Saudi Arabia’s King Faisal in 1974, he said that “Italy supported the demands of the Arab states, and Saudi Arabia in particular, for a just solution of the Middle East conflict.” He even went so far as to blame the U.S. for supporting Israel and thereby preventing a just solution to the conflict.

The Achille Lauro Affair

The 1985 Achille Lauro affair presents an even starker example of Italian divergence from American policy preferences. The fact that the Italians—in direct violation of their extradition treaty with the U.S.—were willing to completely ignore U.S. demands to handover the Palestinian hijackers of the Achille Lauro cruise ship demonstrates the extent to which the Italians felt unconstrained by deference to their superpower ally. Moreover, the fact that Italian

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227 Abadi, 71.
228 Ibid., 83.
intransigence on this point nearly resulted in armed conflict on the tarmac at Sigonella airport attests to the stunning degree that the interests of both countries diverged by 1985.

The “Achille Lauro Affair,” the armed standoff between Italian state police and American soldiers for jurisdiction over captured Palestinian terrorists, began when four terrorists from the Palestinian Liberation Front (PLF) seized the Italian cruise ship Achille Lauro in Egyptian waters on October 7, 1985. The hijackers demanded that Israel free 50 Palestinian prisoners in exchange for the lives of the over 750 West German, Italian, British, and American passengers and crew. To demonstrate their determination, they shot and killed a disabled American tourist, 69-year-old Leon Klinghoffer, and threw his body overboard. After a two-day drama, the Egyptian government in coordination with Rome and unaware that Klinghoffer had been murdered, provided the hijackers with safe passage [to PLO headquarters in Tunis] in exchange for freeing the ship and its passengers.”

Once the murder was discovered, however, President Ronald Reagan ordered U.S. Navy fighter aircraft to intercept the Egyptian airliner flying the hijackers to freedom in Tunisia. The fighters forced the airliner to land at the American naval air station at Sigonella, Sicily. Upon landing, the airplane was surrounded by a force of about 80 U.S. special operations troops, but they were in turn surrounded by some 300 Italian military police. Washington ordered the American on-scene commander to arrest the terrorists and return them to the U.S. for prosecution. The Italian authorities, stunned by the unilateral U.S. military maneuvers, refused to comply and “direct communication between Reagan and [Italian Prime Minister Bettino] Craxi was required to resolve the situation.”

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231 Faherty, 45.
Craxi refused to hand over the PLF hijackers to American authorities, believing that since the crime had occurred on an Italian ship the hijackers should be tried in an Italian court. Faherty argues, however, that the “real policy division occurred when Craxi denied an express request from Reagan himself to detain the PLO representatives that accompanied them.” PLO operative Muhammad Zaydan (aka Abu Abbas) was of particular interest to the U.S. Although not one of the hijackers, Zaydan had boarded the aircraft in Cairo and was wanted by the Federal Bureau of Investigation for terrorism. But the Italians steadfastly refused to hand over Zaydan, eventually expelling him from the country via a secret Yugoslav airlines flight.

The failure of the Italians to hand over the Palestinian terrorist was a clear violation of Italy’s extradition treaty with the U.S., which allows for the provisional arrest of a suspect by one nation at the request of another. Antonio Cassese notes four reasons for the attitude of the Italian authorities. First, they did not want Zaydan’s arrest to “set off a chain of violence against Italian national, interests, and possessions.” It should be understood that Italy had just emerged from the Anni di Piombo (“Years of Lead”) characterized by over a decade of socio-political turmoil and terrorism that had left thousands of Italians dead and injured. Now, with domestic terrorism finally in check, the Italian government wanted to prevent foreign terrorists from initiating a new wave of violence. Second, the Italians wanted their valuable ocean liner returned, and “the Egyptians were not prepared to let the Italian liner leave Port Said for Italy and finally put a stop to the whole drama.” Third, the Italians feared for the stability of the Egyptian government. The American actions had “so humiliated the Egyptians by intercepting the Boeing 737 that the extremist factions…had become inflamed. The precarious Mubarak government was now close to breaking point.” Finally, the Italian government may not have

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232 Ibid.
wanted to weaken the position of the PLO, which it considered to be a key player in the effort to achieve peace in the Middle East.\textsuperscript{233}

Ultimately, the incident can only be viewed as highly damaging to U.S.-Italian relations. The Americans felt betrayed by their Italian allies. For the Italians, there would remain bitterness against an ally who apparently “preferred violence to law, leaving behind an unfortunate legacy that has polluted international law and aggravated political and diplomatic relations between the states.”\textsuperscript{234} As Faherty relates, “the lesson for the Italians was clear. The exercise of military muscle in an ally’s territory when neither American lives nor property were at stake would be downplayed by not forgotten. Their cold War partner obviously thought little of Italian sovereignty or international law when it conflicted with American self-image or policy goals.”\textsuperscript{235}

The lingering resentment from the \textit{Achille Lauro} affair no doubt influenced the Italian government’s decision to withhold support for the Reagan administration’s proposed military operations in the Persian Gulf in 1987. The American government was reacting to the Iranian emplacement of Silkworm missile sites near the strategically important Straits of Hormuz and calls by the Kuwaiti government for help in protecting its shipping against Iranian threats. At a conference in Venice, Fanfani demurred on a request by President Ronald Reagan to provide mine sweepers for the operations, arguing that the “United Nations was the appropriate forum to deal with Gulf problems.”\textsuperscript{236} Similarly, Italy’s limited contribution to the Persian Gulf War in 1991 indicates the extent of the strain on Italian-American relations by the end of the Cold War.

\textsuperscript{234} Cassese, 80.
\textsuperscript{235} Faherty, 46.
With 62% of the Italian general public in opposition to the war, the Andreotti government chose not to contribute ground troops and continued to support the Soviet peace plan after all other western leaders had rejected it. Eventually, Italy did provide a limited military contribution in the form of several air squadrons, but given the domestic opposition to the war Prime Minister Giulio Andreotti was forced to “emphasize the more domestically popular European coordination efforts” while deemphasizing the pro-American side.

Summary

This chapter has presented a thorough examination of Italian foreign policy and U.S.-Italian relations during the Cold War. The U.S. influence on Italian foreign policy was especially strong in the immediate postwar era as large amounts of aid relief flowed into Italy. Two notable manifestations of this influence were the Italy’s exclusion of the Left from the government following the 1948 general elections and the Italian accession to NATO in 1949. Both policy outcomes came about partly in response to a threatened withdrawal of American Marshall Plan funds. Later, as the Italian economy rebounded and American aid relief subsided, the ability of the U.S. to influence Italian policy decisions clearly began to diminish and Italy found itself more and more in conflict with the U.S. in areas such as Middle East oil politics and its relations with Israel. Examples of such conflict include the Achille Lauro incident and the attempts by Enrico Mattei and other “Neo-Atlanticists” to usurp the established order in the Middle East. But even as the U.S. hegemony declined, one could cite numerous examples of how the Italians attempted to use the Atlantic relationship to their advantage, for instance, the 1959 and 1979 agreements on American missile deployments. Throughout the 1960s, the Italian government was largely concerned with resolving its Mediterranean interests with the sometimes conflicting EC goals for the region. In the 1970s, Italian activities in the Mediterranean basin
and Middle East became even more energized as a result of the Arab-Israeli conflict and the oil crisis. Italy’s foreign policy, in contrast to that of the U.S., shifted in favor of the Arabs primarily because of Italy’s dependence on Middle Eastern oil producers for the bulk of its energy needs. The negative repercussions of the 1985 *Achille Lauro* hijacking incident would sour U.S.-Italian relations for the remainder of the Cold War. The next and final chapter will review the results obtained in chapters four and five, explain any conclusions that emerge, and explore opportunities for further research.
Chapter 6: Conclusion

Although not all of the proposed hypotheses were confirmed, the results obtained in this study align to some extent with the theory outlined in the literature review. As previously noted, compliance is rooted in the realist notion of asymmetric power disparities. In this context, world politics hinges on a system of rewards and punishments in which the weaker nation will engage in bargaining with the dominant country—“the foreign policy behavior [of the weaker nation] is viewed as partial payment of benefits.”

The compliance model posits that states receiving foreign aid can be expected to accede to the demands of donor nations, particularly when the donor nation makes the continued receipt of such “gifts” contingent on the recipient state’s compliant behavior. U.S. aid allocations during the Reagan administration are an explicit example in which aid allocations were linked to the voting behavior of recipient countries. Indeed, early studies of the impact of aid donations seemed to confirm this intuitive outcome, but these studies were limited by the availability of data and their cross-sectional designs. Later studies arrived at different conclusions. For example, Kegley and Hook examined the Reagan linkage strategy which expressly linked aid and UN voting. Their longitudinal study found that no clear nexus between the two variables to have emerged. Counterintuitively, they also found that poorer aid recipients were actually slightly less likely to vote in agreement with the U.S. than wealthier recipients. They conclude that “the resilience of aid recipients…demonstrates that their policies were driven more powerfully by interests other than by the economic threat of a hegemon.” Clearly, this seems to

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have been the case with U.S.-Italian relations, at least for the three and a half decades considered in chapter four. It seems likely, however, that this lack of responsiveness to the U.S. “carrot” was by 1956 more a function of the low level of such aid and its attendant minimal impact on the overall Italian economy. By contrast, in the immediate postwar period when U.S. aid was at its highest, the compliance model of weak state behavior seems to have predominated.

Perhaps the most notable manifestations of this early compliant behavior were the elections of 1948 and the Italian government’s accession to NATO in 1949. Prime Minister De Gasperi clearly understood the potential game changing nature of the 1948 elections. In fact,

During the last weeks of the [1948] election campaign, State secretary George Marshall made it publicly clear that ERP aid for Italy would have been cancelled if the Italian communist party (PCI, Partito Comunista Italiano) had won the election. Election success for De Gasperi…represented one of the first major achievements of [the] US strategy of containment.²³⁹

Therefore, confronted with American threats to withdraw ERP aid and to possibly take military action, De Gasperi and his allies in the DC fought hard to defeat the Left in the 1948 elections and excluded them from any participation in the government.

Another clear example of the compliance model in operation is the Italian accession to NATO. Although Prime Minister De Gasperi always emphasized the ideological aspects of the Atlantic Alliance (particularly to his American audiences) he made no secret of his belief that the Italy’s NATO membership was essential to Italy’s economic development. In his March 27, 1949 speech to the Italian Senate, De Gasperi promoted Italian acceptance of NATO membership not as a way of countering the threat of Soviet expansion but rather, “to obtain economic aid for reconstruction and development.”²⁴⁰ In this instance we see an example of the Italian Prime Minister explicitly tying a foreign policy outcome to the continued receipt of aid

²³⁸ Kegley and Hook, 297.
²³⁹ Raftopoulos, 17.
from the U.S. In addition, De Gasperi seems to have employed a variation of situational power, in which he portrayed Italy as an object of competition between the U.S. and the Soviet Union.

A statistical result from this study consistent with the compliance model is that loan dependence was found to have a significant impact on Italy’s voting agreement with the U.S. This result may have something to do with the obligatory nature of loans, which come with more “strings” attached—primarily in the form of an explicit repayment requirement—than in-kind or monetary grants. Additionally, the timely repayment of such loans impacts directly on a nation’s future credit worthiness, a non-trivial consideration for any country in the midst of rapid economic expansion. In his study of the political effects of international lending, Sinclair determined that governments are increasingly more accountable to external lenders and more aware of the implications of poor debt security ratings. Therefore, “local policy decisions will be judged from the perspective of these external interests, within the context of assumptions about a liberal trade order and the free movement of capital within the [global political economy].”

It seems logical, therefore, that Italian policymakers would place special emphasis on good relations with their country’s creditors and that this emphasis would manifest through policy agreement with the creditor nation on any number of issues.

The impact of imports from the U.S. into Italy also had a noticeable effect on the IA between the two countries. This latter result is largely consistent with previous studies of this nature, particularly the compliance literature relating to asymmetric trade vulnerability. Dolan and Tomlin note the importance of “relative linkage concentration that limits or expands the choices available to the subordinate state in its pursuit of the goals of economic well being.”

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240 Kogan, Politics, 136.
242 Richardson and Kegley, 192.
These linkages, then, are reflected in the conduct of its foreign policy toward the dominant state. Thus, in the case of the Canada-U.S. relationship, they found that strong economic relationships tended to reinforce and extend relations with the U.S. Armstrong finds a similar pattern at work in her study of U.S.-Central American relations, noting that exporters of commodities with inelastic demand such oil and strategic metals are able to exert considerable leverage over their trading partners. This conclusion fits well with the case of Italian-U.S. trade relations. Italy is a notably resource-poor country. As Adams and Barile note, Italy contains “exportable quantities of sulfur and marble, but other and more important materials (iron, copper, precious metals, coal, oil) are found, if at all, in insufficient quantities to supply the internal market.” Conversely, American holdings in these important commodities are substantial. According to Armstrong, the subordinate country in a dyadic relationship will only comply with the demands of the coercing country to the extent that it perceives the “economic punishment involved exceeds the cost of complying with the demand of the coercing country.” Clearly, selective voting in agreement with the U.S. in the General Assembly was an acceptable price to pay for the continued supply of these vital raw materials. Likewise, as the sources for these materials expanded, Italy’s incidence of foreign policy agreement with the U.S. decreased accordingly.

As the Italian economy rebounded and American relief efforts decreased, however, the influence of U.S. aid as a motivator of Italian foreign policy clearly began to diminish. In fact, as Italy sought out “independent maneuvering areas” on the international stage, it found itself more and more in conflict with the U.S. in areas such as Middle East oil politics and its relations with Israel. The aid “carrot” became less of a factor in relations between the two countries.

243 Dolan and Tomlin, 351.
particularly as the Italian “Economic Miracle” gained traction. This comports with Dolin and Tomlin’s observation that during periods of strong economic performance, subordinate countries will generally effect foreign policies that “enhance autonomy through the reduction of political ties.”\footnote{Dolin and Tomlin, 351.} Furthermore, the American military instrument of power became less influential as the Soviet threat (never taken that seriously to begin with) began to recede into the background of the Italian psyche. Richardson and Kegley elaborate on this concept of the U.S.’s declining hegemony, particularly beginning in the 1970s. They note that “it may be that 1970 marked the passing of a period during which the United States could successfully link others’ economic vulnerability to its own Cold War politics.”\footnote{Richardson and Kegley, 217.} While the economic relationship between Italy and the U.S. remained asymmetric throughout the study period, a resurgent Europe as well as the discovery and exploitation of significant energy resources throughout the Middle East, reduced the impact of this asymmetry over time.

Consequently, the level of agreement between the U.S. and Italy began to decline, albeit not dramatically, beginning in the mid-1950s. This result is consistent with the counterdependence research which demonstrates a decline of support for the U.S. among all nations in the UNGA for the same period.\footnote{Richardson and Kegley.} One scholar conjectures that this trend may have been the result of “the growing resentment and resistance of poor countries in general to their perceived economic dependence, a movement of nationalistic assertiveness.”\footnote{Neil R. Richardson, “Economic Dependence and Foreign Policy Compliance: Bringing Measurement Closer to Conception,” in The Political Economy of Foreign Policy Behavior, ed. Charles W. Kegley, Jr. and Pat McGowan (London: Lynne Sage, 198), 214.} While one
would hardly described the eleventh largest economy in the world as “poor,” it should be remembered that for much of the period considered in this study Italy was near the bottom among Western European countries in terms of its standard of living (see Table 6).

Besides the quantitative measure of declining foreign policy agreement shown in chapter four, two historical examples clearly illustrate this trend: 1) Enrico Mattei’s disruption of the long-establish system for obtaining Middle East oil concessions; and 2) the *Achille Lauro* affair. Mattei’s freewheeling Middle East oil dealings reveal the ability of non-executive branch actors within the government to exercise influence over foreign policy. In deviating so dramatically from established norms of international oil politics, the activities of ENI in the 1950s not only exhibit counterdependent behavior as described by Singer and Hey, but also provide an example of Allison’s bureaucratic bargaining process in action. This process results in a maximization of an organization’s influence in a particular policy area—in this case, foreign energy policy. Mattei’s bureaucratic bargaining efforts succeeded in consolidating his own power and influence within the government while at the same time driving Italian foreign policy in a direction very much against the desires of Italy’s largest benefactor at that time: the U.S.

The 1985 *Achille Lauro* affair presents an even starker example of Italian divergence from American policy preferences. The fact that the Italians were willing to completely ignore U.S. demands to handover the *Achille Lauro* hijackers in direct violation of the extradition treaty between the two countries demonstrates the extent to which the Italians felt unconstrained by deference to their superpower ally. Moreover, the fact that Italian intransigence on this point nearly resulted in armed conflict on the tarmac at Sigonella airport attests to the stunning degree that the interests of both countries diverged by 1985.

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The *Achille Lauro* incident no doubt dampened cooperative relations between the two countries for the remainder of the Cold War. The Italian government’s refusal of the Reagan administration’s request for help in countering the Iranian threat to shipping in the Persian Gulf demonstrates how the relationship had cooled by 1987. The Italians showed a similar reticence in providing forces for the 1991 Persian Gulf War. In the latter case, however, the Italian government eventually demonstrated consensus with the Americans and (more importantly, by then) the Europeans by providing several air force squadrons for combat service in the Gulf.

According to Moon, the key to the consensus model is the emphasis on values shared by elites.\(^{251}\) We see evidence of this model in the Fanfani’s efforts to shore up relations with the Americans after the quixotic and ultimately unsuccessful efforts of the Neo-Atlanticists to position Italy as a power player in Middle Eastern politics. Additionally, while Italy frequently found itself opposing U.S. interests in the 1960s and 1970s by, for instance, supporting the GMP, it would consistently demonstrate unwavering support in other areas such as the basing of nuclear weapons on Italian soil.

This study has several implications for the study of U.S.-Italian relations as well as the functioning of the international system in general. First, as this study has demonstrated, the notion that Italy was “slavish” or “quiescent” in its relationship with the United States during the Cold War is simply not true. As the historical examples in chapter five illustrate, Italy charted its own course in “international waters,” only hewing to the American line when it converged with Italian interests. Ultimately, of the three explanations for weak state foreign policy outlined in the literature review, compliance does emerge as the best explanatory model for Italy’s pattern of foreign policy behavior and this result is largely consistent with the literature on the nexus

\(^{250}\) Christensen and Redd, 254.

\(^{251}\) Moon, “Consensus.”
between trade dependence and compliance behavior. However, the other two models also figured prominently at various times during the Cold War. As Hey notes, “[the creation of] foreign policy can be highly complex and subject to numerous international and domestic political pressures” Thus, no one theory will account for every dependent foreign policy scenario. Instead, the conditions under which different explanations pertain should be identified and studied.252

This study also highlights some of the limitations of foreign aid in motivating the foreign policy choices of weak and dependent states. At the time when Italy was heavily dependent on the U.S. to bolster its war-devastated economy, it was largely compliant with the desires of the U.S. government regarding the major foreign policy decisions of the day. This compliant attitude was no doubt also influenced by other American “motivators” such as the threat to withhold aid, propaganda campaigns, and the threat (for the most part implicit) of direct military intervention. It should be noted, however, that even though the U.S. seemed to “hold all the cards,” particularly during the period of ERP aid, the Italian government was still able ignore and even defy the U.S. on occasion. One cannot help but conclude, then, that aid programs directed at even the most destitute of states (and the Italy of 1945 certainly fits this description) cannot be relied on to work in vacuo. Other mechanisms will almost certainly be required to buttress development assistance programs and, even then, the desired foreign policy outcome is by no means certain.

The results obtained from the multivariate analysis reinforce the idea that trade policy can be a potent instrument in motivating weak state foreign policy behavior. The statistically significant relationship between import dependence and foreign policy agreement demonstrates the exposure of resource-poor states to persuasion (and coercion) by those states with larger

resource endowments. Additionally, the high statistical impact of Italy’s loan dependence on its pattern of foreign policy compliance has important implications for the functioning of the international system in general. The influence a lender nation may exert over its debtors is an especially important consideration given the extraordinarily high debt loads carried by both major industrial and developing economies today. The U.S., for example, has seen its national debt skyrocket in the last decade to over 85 percent of GDP (second only to Japan and Italy), with almost 30 percent of this debt held by foreign entities. Future analyses in this area, therefore, will be of interest to both IPE scholars and policy-makers.

**Future Directions**

Clearly, there is a vast agenda for further study on the nexus of economic dependence and weak state foreign policy. Although this research provides an initial baseline for the impact of economic indicators on the degree of foreign policy cooperation between the U.S. and Italy, several areas are worthy of additional research. More study is needed to determine with greater fidelity the relationship between U.S. export trade and Italy’s foreign policy agreement. Factor analysis of the different components of trade—for example the impact of strategic metal and energy imports to Italy—would be useful. Additionally, a cross-sectional time series analysis of the impact of foreign debt holdings on foreign policy agreement is a much needed addition to the research.

With regard to U.S. aid disbursements to Italy, this study only examined *overt* aid—that is, aid disbursed through normal, unclassified U.S. State Department and military channels. However, Del Pero notes that the U.S. also contributed large sums of *covert* aid, mainly in the

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form of secret payments to the governing coalition through the Central Intelligence Agency (CIA).\(^{254}\) To the extent that the necessary data is currently available and unclassified, future studies should examine the impact of U.S. covert aid outlays on Italian foreign policy as well as the foreign policy decisions of other weak states.

Another area that may be of some interest is role played by foreign direct investment on foreign policy development. Chapter four examined five economic factors with the potential to influence foreign policy agreement, however direct foreign investment was not included because of the difficulty in obtaining the required data. Most databases that contain foreign direct investment information list only the total amounts invested in a particular country and do not delineate individual amounts input by investor nations. Such information is obtainable, however, in specialized databases and publications available in Italy.

\(^{254}\) Del Pero, 408.


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