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ABSTRACT OF THESIS (Regulation 3.5.10)

Italy became one of the major exporters of arms by the early 1980s, behind only the United States, the Soviet Union, and France. Although its position was later overtaken, it remained one of Europe's main producers and suppliers, without the presence of pronounced military and foreign policy ambitions at the state level. The military industries grew as a result of Italy's close association with other Western and in particular the American defence establishment beginning in the late 1940s. The Italians had access to some of the most advanced military technology through co-production and licence arrangements with its senior allies. By the 1970s, the defence area became the fastest growing sector of the Italian economy when markets were exploited mainly in the Third World.

Although about two-thirds of the industry was state-owned, Italian businessmen acted independently in selling arms through Italian trade networks which thrived with very little government direction or intervention. The absence of government assistance actually appeared to favour the export of Italian weapons, because the lack of interest in the sector also meant that Italy maintained perhaps the most lenient export legislation in the West. As the industry expanded, manufacturers availed themselves increasingly of representatives of the foreign trade ministry, the secret services and military attachés abroad in the promotion of Italian war equipment. And as Italy came into the circle of the world's major economic powers, its politicians attempted for a time to adopt the defence industry as a tool of international prestige. However supporters of the industry did not resolve the contradiction between the low priority Italy continued to give to defence and foreign policy, and the success of the country's industrialists in supplying arms to areas of tension. As business began to decline sharply in the late 1980s for Italy's defence firms, industrialists turned to the possibility of reconversion programs.

Italy: Defence Industries and the Arms Trade 1949-1989

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CONTENTS

<u>Introduction</u>	1
<u>Chapter One: Italy's Adherence to the North Atlantic Treaty Organisation</u>	8
<u>Chapter Two: The Emergence of the Italian Military in the 1970s and 1980s</u>	45
<u>Chapter Three: Dimensions of the Italian Defence Industry and Arms Exports</u>	76
<u>Chapter Four: The Individual Sectors of the Italian Defence Industry</u>	106
<u>Chapter Five: Italian Foreign Affairs and Defence Cooperation</u>	132
<u>Chapter Six: Italian Arms Sales Outside the Atlantic Area</u>	163
<u>Chapter Seven: The Italian Trade in Arms with Pariah Nations</u>	200
<u>Chapter Eight: Government Roles in the Italian Defence Industry</u>	231
<u>Conclusion</u>	277
<u>Appendix I: Aspects of the Italian Defence Industry</u>	281
<u>Appendix II: List of Interviews</u>	284
<u>Bibliography</u>	287

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This thesis was researched and written by myself and is completely my own work.

INTRODUCTION

The Italian defence industry was relaunched after the Second World War with almost completely new foundations, with almost no indigenous technology, very little domestic demand, and almost no ideological support for sustaining a military sector. By the 1980s, it had attained the dimensions of other major secondary arms sellers, and for a time had export sales surpassing all of the European suppliers except France.

Nonetheless the Italian defence industry has received little attention and even Italians express disbelief at the size of their arms exports. The sector gained little publicity because unlike other suppliers, the Italian defence industry did not expand in response to national military or foreign policy aspirations. It thrived as an extension of Italy's foreign trade, largely detached from a society which did not hold military strength or diplomatic ambitions in high esteem.

In short, in the highly political field of arms transfers, the Italians have stripped moral and political associations from the trade. This did not stop the recipients from using the weapons for political causes, however. Italians were involved in making countries like South Africa militarily self-sufficient in some areas, in arming nations at war in Africa and the Middle East and sometimes their enemies, in building the arsenals of countries like Libya which sometimes targeted the territory of Italy itself, and in encouraging the acquisition of ballistic missiles in the Arab world and in Latin America.

Despite the lack of public support for the industry during its expansion, it was linked closely with the political and military establishments in Italy, but most often on the level of the "secret" or as one writer put it, the "subterranean" Italy. The distance between the industry and Italian political circles is an interesting aspect of the

sector's development. In other countries with strong defence industries, such as France or the United States, the government is an eager client and supporter of military production. Governments of these countries defend this sector of industry despite high costs and unfavourable market conditions because it is envisaged as an essential element of national strength and a source of employment. This has allowed defence companies to enjoy continued support despite the fact that they have chronic flaws unknown in any other economic phenomenon, exacting extremely high prices, delays in production, and other demands.

After the Second World War, the Italian government begrudgingly accepted rearmament and the renewal of the defence industry at the behest of the United States, in exchange for economic assistance. During this time there was widespread rejection of the national glorification of the military under Fascism. Further, Italy housed both the seat of Catholicism and the largest Communist party in the West. There were strong undercurrents of pacifism from these two cultures in Italy; anti-militarism was probably one of the few areas of agreement between the opposing Christian Democrat (DC) and Italian Communist (PCI) parties.

Postwar Italy produced both the most ideologically charged political system in the West, and ^{some of} the most apolitical heads of state in international affairs. While engaged in a seemingly perpetual standoff at the domestic level, Italian leaders were not convinced of the dangers of the East-West conflict at large or interested in their own defence needs for most of the postwar period. The Italian military in turn reacted to American domination by becoming increasingly passive and ineffectual in its national defence responsibilities, while tending toward isolationism and corruption. Both the military and political circles, preoccupied with internal struggles, were unable to assert a distinct Italian profile abroad.

Co-existing with the oft-cited Italian "immobilism" at state-level foreign affairs in the postwar period is an active network of *international relations* in a broader sense. It is not the apparent

inefficiency of state institutions that makes Italian politicians relatively inactive in foreign matters: it is because they largely deferred to another "class" of Italian leaders with greater mobility and a long experience in exploiting Italy's potential abroad. Italy's industrialists carried out "the substance" of the nation's foreign relations, cultivating a vast network abroad and assuring a lifeline for Italy in energy and trading partners. The larger firms even have their own offices for cultivating and maintaining foreign relations links.

Italy's foreign relations...comprise much more than the activity of its government organs. While security remains the principal goal, and foreign policy does not have the glamour it could have, the survival of Italy as a social, economic and political system depends also on the direct *transnational* relations of a multitude of groups, companies and individuals, with the outside world..."a sort of autonomous set of foreign relations outside the Foreign Ministry."¹

Not only does the government not discourage this, they actively put their functionaries at the service of the businessmen's interests.

A combination of factors encouraged the rise of military exports in particular. Italy had close contact with the United States; it was generally considered the most dependable and even obsequious NATO ally. This allowed Italians access to the most sophisticated technology and also overshadowed a potential individual political identity abroad. The low political profile for a time allowed Italians to penetrate a wide variety of markets particularly in the developing world, because their lack of political pretensions made agreements with ex-colonial governments easier to reach. These relationships intensified as Italy's economy became increasingly geared toward exports and reliant on foreign raw materials. Ties which began normally with energy-related deals grew into wider trade

¹Karl Kaiser, *Le relazioni transnazionali*, Fabio Luca Cavazza and Stephen R. Graubard, eds. , *Il caso italiano* (Rome: Garzanti, 1974), pp. 400, 415.

interdependence with many countries, which brought many outlets for Italy's weapons manufacturers.

Italy took the advantages offered by its association with one of the superpowers and turned its secondary position and close links in the Third World into strikingly profitable opportunities. Writes one of Italy's defence industry specialists, "Once again, we see the absolutely unique position of the Italian case, a country belonging to the First World with one foot in the Third, capable, in this setting, of exploiting advantages from both conditions."¹

Simultaneously, however, Italy's successful foreign trade was transforming its status among the major industrialised countries. By the 1970s Italy resembled its senior allies in material standards. In addition it faced new security responsibilities in the increasingly explosive Mediterranean. Italy's political and military leaders sought greater public legitimacy at home and acceptance in the upper circles of Atlantic leadership. They experimented with new foreign policy roles, including a tougher attitude toward the Americans on sensitive issues, and a major humanitarian aid program in the developing world. At the same time, Italian leaders recognised that the Italian defence industry reinforced Italy's image among other major arms supplying countries, and began to reassess the sector's value from a primarily commercial phenomenon to a possible extension of the Italian state.

As a consequence of the lack of national support for the industry, nearly every study of this sector in Italy must be prefaced by a caveat about the necessity of approximating figures. Official sources such as the Ministries of Defence, Trade and Foreign Affairs do not release comprehensive statistics. In the few official documents released by Italian state sources, officials often use estimates made by independent researchers in Italy, or more often figures from foreign sources, such as the Stockholm International Peace Research Institute (SIPRI) or the Arms Control and

¹Fabrizio Battistelli, *Armi: nuovo modello di sviluppo?* (Turin: Einaudi, 1980), p. 258.

Disarmament Agency (ACDA) of the American State Department. Even statistics that by law should be made public, and even facts that are not politically or militarily sensitive, habitually are left unreported. The government is either unwilling or unable to give an accurate picture of the defence sector; in the meantime the industry and its exports have grown into a major responsibility of the state as Italy's economic power increases and its foreign stature brings its greater political responsibilities.

The principal responsibility clearly lies with the government, because the government is the sole source of internal demand as well as the body which releases licences for export. The executive is therefore perfectly able to give us the fundamental dimensions of the production of armaments in Italy. But it does not do this, not even during "historic" opportunities such as the Conference on the Defence Industry in July 1984, sponsored by the military itself. The industries, both public and private, are not any better: anyone who has tried to study this sector has a long story to tell about incomplete data, unavailable budgets, unanswered questionnaires. One should also mention the Central Institute for Statistics, whose records on foreign trade are completely useless for the problem in question, since they do not have a category designed to record exhaustively the transfer of war *matériel*.¹

Large portions of the trade, especially in small arms, remain completely undocumented. One researcher estimated that only about a third of the trade from Italy was recorded.² The various underworld organisations in Italy are known to deal in arms and arms transfers. While this field is probably not as prominent as the drugs trade, *Mafia* transfers are thought to be on a very large scale, mostly with destinations in the Middle East. Coverage of

¹DeAndreis and Alessandro Liberati, "*L'Industria bellica italiana e le esportazioni di armamenti*," *L'Italia e la corsa al riarmo* (Milan: Franco Angeli, 1986), p. 263

²Interview *Archivio Disarmo*, Rome, March 1988.

underworld involvement in arms is poor and I did not explore this link during my research visit in Italy.

Nevertheless the defence industries are monitored by a number of sources, on all points of the political spectrum. "Conservative" groups include the armed forces study institute, the Centre for Advanced Defence Studies (CASD), and *Istituto Studi e Ricerche Difesa* (ISTRID). *Istituto Affari Internazionali* (IAI), which often is engaged in studies for the Ministry of Foreign Affairs, publishes a yearbook on Italian international and security affairs. Active groups funded by the political left in Italy include the Centre for the Study of International Politics, CESPI (PCI); *Istituto di Ricerche per il Disarmo, lo sviluppo e la pace* (IRDISP) (Radical Party); and the *Archivio Disarmo*, whose director published the only comprehensive study of the industry. Some of the most authoritative researchers monitor the industry and maintain data libraries on an independent basis.

Some of these groups collaborate freely among themselves, but all are forced to share sources. Researchers' estimates of the defence industry's net turnover, employment level and other data show limited variations. Study of the aeronautics industry is facilitated by the existence of a large number of journals and other documentation that, by contrast, is very scarce in other fields, especially land-based equipment. Besides deriving estimates from the available export figures and procurement budget of the Italian armed forces, researchers can elaborate data taken from reports of the Association of Aeronautics and Electronics Industries, and from financial statements published by some of the larger companies involved in defence.

Information for this study of the Italian defence industry has been culled from the yearbooks of the Stockholm International Peace Research Institute, the Military Balance, Jane's Defence Weekly and Defence Review, and other journals. The Italians produce a number of journals, notably *Rivista militare*, *Difesa oggi*, and *Informazioni difesa*. Tracing the trade in arms from other

Italian sources is much more difficult. Daily newspapers cover the trade to a certain extent, but since nearly every Italian newspaper is owned and controlled either by one of the political parties or one of the large private firms, coverage is not complete. Falco Accame, a retired naval admiral and former secret services official who now campaigns for greater controls on the Italian arms trade, claims that *Nigrizia*, a journal published by the Documentation Institute (IDOC) in Rome covering developments in the Third World, is the only place that still will publish the harshest revelations of the Italian military trade. Newspapers such as *Corriere della sera* have gradually phased out his articles. Mino Pecorelli, the editor of the journal *Osservatore politico* which exposed the arms trade and other controversial topics in Italian politics, was assassinated in 1977.

Because of the political polarisation in Italy, most Italian studies are approached with a pronounced partisan viewpoint. When sources close to the government or industry itself are involved, quantitative dimensions of the industry are often construed in order to give a particular picture of the industry. In the existing studies, there has been a tendency to analyse the sector as a primarily economic or a primarily military-industrial phenomenon. I have attempted to shed light on the successes of the Italian industry as a reflection of Italy's unique approach to the international order.

CHAPTER ONE

ITALY'S ADHERENCE TO THE NORTH ATLANTIC TREATY ORGANISATION: POLITICAL REHABILITATION AND THE DECLINE OF THE MILITARY

Introduction

At the time that Italy was offered membership in NATO after the collapse of Fascism, there was a deep divide between what the Americans hoped to derive from Italian membership, and what the Italians themselves hoped to gain from the alliance. For the United States, the suppression of the vital Communist movement in Italy was paramount; for Italy, the economic and political rewards of cooperation with the world's advanced societies was the prime goal. The Americans armed Italy against the Communist threat both in its internal and external forms. Italy yielded all responsibility for military decisionmaking to the Atlantic Alliance, and in turn received a steady stream of American-made equipment and assistance in relaunching its economy. A fusion of these two aspects - the military and the economic - was to be the military industry. The idea of building strong national armed forces bolstered by a domestic arms industry was never an aspiration in postwar Italy, but by 1949 the Italian defence industry was already able to export on a modest level to the Third World. Here as in other areas of Alliance cooperation, economic aspects of military manufacturing were of the highest concern to Italy.

Italy's Entrance into NATO: The Christian Democrat Alliance with NATO against the Italian Communists

Italy's leaders, headed by Christian Democrat Alcide De Gasperi, at first vacillated over the option of joining a military alliance linking Italy's future to the West, but later fought a keen

struggle for acceptance among Italy's future allies. The option of a neutral Italy outside the rapidly cristallizing superpower blocs appealed to many elements of Italian society, especially in the Vatican and the Christian Democrat party (DC), including for a short time, De Gasperi. But because of Italy's economic state, the prospect of arming a neutral defence posture independently was unimaginable. Italian leaders were compelled to find ways to reverse the economic devastation that followed World War II. Although Italy was hesitant about making a military alliance the foundation of its postwar reconstruction, many considered inclusion in the collective Western effort for reconstruction the most attractive option. Assuring the support of the United States became a necessity.

By far the strongest country in economic terms, it was generally considered the ultimate repository of such fundamental Western values as parliamentary democracy, the market system, and a society based upon individual freedom and individual merit.¹

The Christian Democrats then set about making Italian membership in NATO appear as the only natural choice for postwar reconstruction. This would offer the immediate effects of mitigation of the harsh peace treaty clauses, which countries such as Britain were determined to apply, as well as continuing economic aid. In the longer term, inclusion in the Atlantic Alliance offered Italy a chance to be included in the economic revival of Europe, as the Marshall Plan proposal had promised, and to hand over its defence burden to a more powerful and prosperous patron.

¹Giovanni Agnelli, "The Strategic Role of the Western Business Community," in Kenneth Myers, ed., *NATO: The Next Thirty Years* (London: Croom Helm, 1980), p. 256.

The "objectivity" of these conditions were emphasised with force, to demonstrate the inevitability, and therefore also the presumed apolitical nature of the choices being made. The foreign and military policy of the De Gasperi government was presented as that which would have advantageous returns that no other solution could offer. In the privileged relationship with the USA, we would have had the certainty of acquiring the necessary military and economic aid to reinforce that which had already been obtained during the war and continued to flood into the country in anticipation of the peace treaty.²

This *scelta di civiltà*, or "choice of civilisation" as De Gasperi depicted it, underscored the divisions in Italian society that had been dramatised by a narrow Christian Democrat victory over the Italian Communist Party (PCI) only a year before the signing of the NATO treaty. The ideological rifts dividing Europe came alive in miniature as Italians voted on their choice of postwar government.

The United States had launched an aggressive campaign to include Italy within its sphere of influence. The decision to invite Italy to join the alliance had not been unanimous among the future allies. Britain was still hoping to keep Italy in a position of subordination and to prevent spreading American military aid too thinly. Italy's limited ability to contribute to the Alliance, as well as the earlier hesitations of its leaders, cast the Italian commitment in doubt.

Some of Truman's advisers initially opposed Italian partnership, among them George Kennan, who thought that extending the Alliance to fit Italy beyond the strictly Atlantic area would heighten Soviet fears of encirclement, and that NATO would encourage a "preoccupation with military affairs to the

²Enea Cerquetti, *Le forze armate italiane dal 1945 al 1975* (Milan: Feltrinelli, 1975), p. 61.

detriment of economic recovery and of the necessity for seeking a peaceful solution to Europe's difficulties."³

But the advice of other factions within the State Department, led by John D. Hickerson, influenced the Truman administration to target Italy as an important element of the alliance. The main concern of the Americans was - and remains today - Italy's possible evolution into a Communist-ruled country. Immediately after the war, the Communists appeared to be a formidable power in Italy. Palmiro Togliatti, the PCI's founder and leader until his death in 1964, had lived in exile in Moscow between 1926 and 1944, and was one of the foremost figures of the international Communist movement. The partisans squads, which included a high proportion of Communists, had emerged as Italy's only war heroes, having proved their endurance, leadership skills and commitment to their country.

All of the advisors surrounding Truman seemed to be unanimous in their concern about Italian Communism, even those who did not initially favour extending the Atlantic Alliance. In a message to the Secretary of State in March 1948, a month before the Italian elections, Kennan wrote:

Top priority is of course due to effort to improve our basic military reserve position at home. As far as Europe is concerned, Italy is obviously key point. If Communists were to win election there our whole position in Mediterranean, and possibly in western Europe as well, would probably be undermined....For these reasons I question whether it would not be preferable for Italian government to outlaw Communist Party and take strong action against it before elections. Communists would presumably

³George Kennan, *Memoirs* (Boston: Little Brown and Co., 1967), pp. 402-410, quoted in Lawrence Kaplan, Robert W. Clawson and Raimondo Luraghi, eds., *NATO and the Mediterranean* (Wilmington, Delaware: Scholarly Resources, 1985), p. 150.

reply with civil war, which would give us grounds for reoccupation Foggia fields or any facilities we might wish. This would admittedly result in much violence and probably a military division of Italy; but we are getting close to the deadline and I think it might well be preferable to a bloodless election victory, unopposed by ourselves, which would give the Communists the entire peninsula at one coup and send waves of panic to all surrounding areas.⁴

Kennan's advice was passed over in favour of more indirect intervention in the elections. The Italian vote was heavily influenced by the US. Americans of Italian origin, many of whom sent remittances home, barraged their relatives with an aggressive postal campaign urging Italians to "vote for freedom." Even more decisive for most Italians was the fact that Congress threatened to withhold desperately needed food supplies and aid for reconstruction if Communists were included in the government of Italy. A clause in the law S.2202 which emanated from the Marshall Plan speech stated that assistance would be withdrawn in the event that circumstances arose that compromised US interests.⁵

The United States continued to counter the possibility of a leftist Italy with military measures as well. Allied supervision of Italy lasted officially until 1953, although many troops were withdrawn at the signing of the Peace Treaty in 1947. Besides the continuing presence of American units on Italian territory, the American Navy was poised to fulfill the "Truman Doctrine" which had kept Turkish and Greek Communists at bay. Truman implied that the US would respond to a Communist victory in Italy with

⁴*Foreign Relations of the United States*, Volume III, 1948 (Washington: U.S. Government Printing Office, 1974), p. 849.

⁵ "E il terrore dei russi fondò la dinastia dc," *La Repubblica*, 12 April 1988.

"what measures would be appropriate for the maintenance of peace and security."⁶

The victory of the Christian Democrats had the double effect of setting Italy on a path toward economic and political rehabilitation, and barring their Communist rivals from the highest echelon of Italian government. Although the domestic reverberations of foreign policy have been considered among the main reasons for fidelity of Italy's ruling class to NATO, De Gasperi had worked under a sort of truce with the Communists, who had been present at every stage of the political reorganisation of Italy. The Communists and Christian Democrats were soon polarised by the mounting pressure from the United States, especially following the Truman Doctrine speech.⁷ De Gasperi later rebuffed American requests to curb the Communists further.⁸

The First Postwar Rearmament in Italy

Restoration of the Italian Armed Forces

The military side of the alliance had little appeal for Italy. The idealization of warfare by Mussolini's generation had brought Italy to ruins, and the main concern of the anti-Fascist politicians was to discourage the possibility of a military dictatorship arising in Italy. PCI members were active in early attempts to set political guidelines for the new military establishment. Several served successively in the capacity of war undersecretary: Mario Palermo from June 1944 to June 1945 under the Bonomi governments, Pompeo Colajanni with the Parri and De Gasperi governments from June 1945 to

⁶*Public papers of the Presidents of the United States: Harry S Truman 1947-1949.* (Washington: Office of the Federal Register, National Archives and Records Service, 1963-1964), p. 510, cited in *NATO and the Mediterranean*, p. 140.

⁷James Miller, *The United States and Italy* (Chapel Hill and London: University of North Carolina Press, 1986), pp. 225-226.

⁸Norman Kogan, *The Politics of Italian Foreign Policy* (New York: Praeger, 1963), p. 131.

February 1947, and Franco Maranino with the De Gasperi administration until May 1947.⁹

The Army had been the main symbol of prestige for the Fascist regime. After the fall of the Fascist regime in 1943 and the surrender to the Allies, most of the military turned against Mussolini. Nonetheless the armed forces failed to become identified with the reorganisation and rejuvenation of Italian society. Top-ranking generals had preferred to flee south with the King rather than confront the German invasion. The Air Force, itself a creation of Fascism, retained associations with prominent pre-war aviators who had built it into an ambitious force. The Navy was the only branch of the armed forces to remain largely intact after the war with a fairly positive public image.

Nonetheless the Allies opposed a purge of the former military leadership and dissolved the partisan squads. Even if many top members of the armed forces had been identified with Mussolini, the Americans could count on their anti-Communist sentiments.

People also remembered how dangerous the ex-officers had been in 1919-1920; better to keep them in the army, out of harm's way. This argument served also against any talk of a "purge." Politicians of both Right and Left supported conscription: the Right wanted lots of soldiers, the Left, echoing Engels, somehow thought that conscripts would be less likely to fire on demonstrators. By 1948, with the advent of the "cold war," the army came to seem a good deal less pointless. Troops might be needed to help Allied forces in the Balkans, or to suppress a Communist rising at home. For these purposes a disciplined "professional" force was essential: any nonsense about a "nation at arms" or a "partisan army" would simply play into Communist hands. Some 3,700 ex-partisans were, in fact, allowed into

⁹Arrigo Boldrini and Aldo D'Alessio, *Esercito e politica in Italia* (Rome: Riuniti, 1974), p. 17.

the army after the war, but they included only 125 officers (one lieutenant colonel and thirteen captains; the rest were lieutenants). So the army was rebuilt more or less on the old structure.¹⁰

By 1946 the military academies of all three armed forces were reopened under allied supervision.¹¹ In February 1947 the ministries of War, Navy and the Air Force were united in the single Defence Ministry, with the goal of unifying command and bureaucracy. No attempts were made to make former officers of the Mussolini regime accountable for their part in the war, even though top-level officers had been investigated and condemned publically after earlier military disasters such as Lissa (1866), Adua (1896), and Caporetto (1917). Members of the left in Italy look back on the period with this point of view:

The failure to investigate the events of 1943 appear today clearly as a choice made in order to spare those responsible for the national tragedy, preserve the old military structures and develop an unfettered anti-popular and anti-partisan campaign, with the intent of striking down the men and the ideals of the country's second *risorgimento*.¹²

Many elements of the establishment remained rooted in the pre-war system. Besides the presence of pre-war structures, the disciplinary code of 1929 remained in force and was reaffirmed in 1965; the military also resorted regularly to the code of military secrecy dating to 1941.¹³

Italy's status as a former belligerent faded in the 1950s as the Cold War set in, but it never attempted to reverse the peace treaty

¹⁰Clark, p. 343.

¹¹Giulio Massobrio, *Bianco rosso e grigioverde* (Verona: Bertani, 1974), p. 63.

¹²Boldrini and D'Alessio, p. 20.

¹³Boldrini and D'Alessio, p. 27.

policies which limited the power of its armed forces. With a political repulsion against military matters and limited economic means, Italy's government relegated the armed forces to the background of Italian society.

After the disaster of the Second World War, there emerged in Italy a collective sentiment of repression of the political problem of war. From this sprang the renunciation of the use of force, solemnly confirmed in the postwar constitution, except in the case of self defence or defence of the democratic order. This choice went beyond considerations of other circumstances. It meant for Italy, as for Germany and Japan, a radical redefinition of its own interests and national aspirations.¹⁴

Pressure for Rearmament

For Italy, the fading role of the military and the minimal interest in planning for Italian security reflected a change of priorities. But the military held an increasingly powerful place in American society, and rearmament in Italy under US direction proceeded almost immediately. Before the peace treaty was lifted, the United States had already violated the equipment ceilings with the delivery of new aircraft, artillery and second-hand tanks and ships.¹⁵ Almost \$2 billion in military aid was given to Italy between 1950 and 1960,¹⁶ including the equivalent of approximately 35,000 freight train cars of *matériel*.¹⁷ This policy was designed to encourage Italians to take up rearmament on their own initiative, but the US was continually frustrated over the lack of Italian

¹⁴General Carlo Jean, "Sicurezza e difesa in Italia," *Rivista italiana di scienza politica*, anno XVII, No 3, December 1987, p. 377.

¹⁵Cerquetti, p. 97-98.

¹⁶*The Politics of Italian Foreign Policy*, p. 120.

¹⁷Cerquetti, p. 163.

enthusiasm for modernising their arsenal. Wrote the American Ambassador to Italy, James C. Dunn:

When I saw [Italian foreign minister] Count Sforza just before his departure to Strasbourg, I took occasion to speak to him about Italy's rearmament program. I pointed out that Italy appeared to be lagging behind other countries and said that although the Italian military authorities were now giving us some information about their plans for building up Italian Armed Forces and for the expenditure of the additional 50 billion lire, Italian government had still not come forward with comprehensive production program which would enable us to discuss Italian aid...I emphasized that in addition to importance to Italy of rapid buildup in armed strength, this appeared to be opportunity to put idle Italian factories and manpower to work, and I suggested that Italy should undertake an aggressive selling campaign with her other NATO partners.¹⁸

Italian reservations were based on fears of aggravating the internal economy, which was still plagued by high inflation and an unstable currency. During this time the Italian government focussed on the renewal of basic industries for civil consumption and assistance to the agriculture sector. In the meantime the Americans coaxed the Italians into extending the required military service in Italy to 18 months in exchange for an additional defence grant of 150 billion lire.¹⁹ The reasons for this support were clear to all: in 1950 the Minister of Defence Randolfo Pacciardi likened Italy to Korea, where American war *matériel* was flooding in as a "bastion of steel against Communism."²⁰ American officials could

¹⁸FRUS, Volume III, 1950 (Washington: U.S. Government Printing Office, 1977), p. 1500.

¹⁹Cerquetti, p. 98.

²⁰Cerquetti, p. 97.

sense that within the Italian cabinet, military policy continued to be approached with a general disbelief in the likelihood of war and a desire to subordinate rearmament expenditures to other goals.²¹ Gaps in Italy's responsibilities in alliance strategy and equipment programs were checked by continued close American supervision, while the national forces were entrusted with the tasks of checking developments on Italy's "internal front."

The Italian Armed Forces: Isolation and Freedom of Action

The Period of Subversive Activities

Marginalized within its own society and emasculated by American intervention, the Italian military latched onto the role of maintaining internal order with some enthusiasm. There were strong precedents for this in Italian history. At the time of Italian unification the Army was called "the iron thread that holds together the country."²² The Army was pitted against all but the ruling classes of the country from the time it held Italy together by force in the fight against peasant "brigandage" (1861-1867).

The Army killed thousands at a popular revolt in Palermo in September 1868; in 1898, 20,000 soldiers as well as *carabinieri* and police were called out to use cannons against unarmed workers protesting in Milan. In the face of wars with Austria-Hungary (1866 and 1915) and in Libya (1912), on the other hand, the Army's lack of preparedness was acute. In the more recent memory of Italians, during the 45 days of General Badoglio's rule in the summer of 1943 the Army was responsible for the constant repression and several

²¹FRUS, Volume III, 1950 (Washington: U.S. Government Printing Office, 1977), p. 1502.

²²Massobrio, p. 44

deaths of protestors in Milan, Bari, Florence and Reggio Emilia lashing out against the remnants of the Fascist leadership.²³

The main responsibilities for the "internal policing" of Italy fell on the various sections of the Army, rather than the other forces. One Army subdivision, the *carabinieri*, took on the role in a more literal sense than other branches, which probably considered anti-Communism an unwritten creed of the forces without translating it into action.

During every Italian war since 1814 the *carabinieri* had sent troops, intelligence officers, and military police to the army, but in peacetime they generally only fulfilled ordinary police functions.²⁴ The ranks of the military police force more than doubled by the late 1940s to 65,000 men. In addition the *Guardie di pubblica sicurezza* quadrupled from Mussolini's time to 45,000, with 20 new mobile units.

It was and is still today the largest police force of any European state: first in absolute terms, and equal in percentage of population to those of countries such as Spain and Greece...Such a deformation of the armed forces had arisen from the anxieties of the allies over public order.²⁵

Beginning in the 1960s, the *carabinieri* were implicated in a period of subversive activities which, while supposedly designed to enhance public order, unleashed a period of confusion in Italy. Not all of the plots involved the armed forces directly, but most were inspired by the prospect of a return to a military-style government. Most of the operations revealed to have been planned between 1964 and 1973 were never fully explained, but none of them proved

²³Massobrio, p. 59.

²⁴Richard Collin, *The De Lorenzo Gambit: The Italian Coup Manqué of 1964* (Beverly Hills and London: Sage, 1976), p. 29.

²⁵Cerquetti, p. 26.

strong enough to seriously destabilize Italian society. The general driving force was a desire to check the liberalising tendencies in Italy which led to the "opening to the left" in the Italian parliament in the early 1960s.

Giovanni De Lorenzo, head of the *carabinieri* and former head of the secret services, compiled dossiers with personal information on public figures, and was accused of devising a plan to use the *carabinieri* to replace existing political institutions with military leadership, and to imprison on Sardinia prominent Italians with supposedly dangerous political tendencies. A directive was issued to ensure the ability to mobilize at short notice up to 10,000 police reserves, who witnessed the plan with bewilderment. The creation of a mechanised brigade under De Lorenzo's personal command was another branch of the plot. The procurement of hundreds of M-113 tanks came conveniently at a time of Alliance requests for modernisation, but many of the tanks were diverted to *carabiniere* units not integrated into NATO. The rearmament was generally approved by the rest of the Army and by the United States, although the concentration of power in De Lorenzo's hands was unsettling to most observers.

The acquisition of new armoured cars allowed the Army to break the monopoly established by the Navy and the Air Force on the defence industry, which just in that period was attaining a new momentum. This decision was moreover looked upon favourably by the American military and industrial establishments as well, which hoped to profit from the rearmament of the Italian army.²⁶

One theory asserts that the Italian armed forces were not acting in a political vacuum, inspired by nostalgia for an old order, but that

²⁶Virgilio Ilari, *Le forze armate tra politica e potere* (Florence: Vallecchi, 1978), p. 72.

there were close ties between the ruling parties and the military throughout the postwar period. According to this argument, the subversive activity of the armed forces was not inspired by the conservative forces in Italy, but by its supposed "innovators," the Christian Democrats. At the time of De Lorenzo's activity, the Christian Democrats were negotiating the first coalition with the Socialist Party (PSI) in order to broaden their base of support, but they wanted the Socialists to comply with the DC concept of the proposed centre-left government. There is also strong evidence that at least some of the funding for the operations came from the Italian confederation of manufacturers, *Confindustria*, "to fight what it considered to be an extremely dangerous experiment or perhaps even the end of the capitalist system in Italy."²⁷

De Lorenzo's schemes, which may have existed solely for the purposes of intimidation, were never mounted. De Lorenzo became a neo-Fascist deputy in Parliament after a brief term as a Monarchist, and was never fully investigated for his alleged anti-constitutional activity because of his parliamentary immunity.

The Italian Secret Services

The secret services establishment, to which De Lorenzo was closely tied, was also implicated in a long period of allegedly illicit activity in Italy. Practices were so widespread that the organisation was completely discredited and underwent a major restructuring.

The main organ for intelligence in Fascist Italy was SIM (*Servizio Informazioni Militari*), which carried out activities as far away as Albania, Africa, and Spain. The partisan intelligence service, the SIP, *Servizio informazione partigiano*, became an efficient arm of the anti-Fascist cause, of great utility to the allies in the last stages of the struggle against Germany. After the war,

²⁷Collin, p. 17.

former SIM officers were condemned for their collaboration with the German forces, but restructuring after the war occurred on the foundations of this service.²⁸ The secret services emerged in the postwar state under the name of SIFAR (*Servizio Informazioni Forze Armate*) on September 1, 1949. Each branch of the forces was assigned the task of developing its own intelligence service on the military and technical plane.²⁹ The post of Chief of Defence Staff, created soon thereafter, coordinated these different functions. According to one account, the activity of the Italian intelligence service in the following decades could be divided into three distinct fields:

coordination with foreign secret services, and in particular with the American CIA, of which it adopted in part the same model of political conduct; widening of the sectors of control on the armed forces through the creation of files on politicians, employees of the defence and transport ministries and of private firms and so on; transformation into a pressure group at the service of the DC with the unabashed use of secret funds which were never audited.³⁰

While De Lorenzo's "filing" of political figures was widespread, SIFAR appeared to concentrate on sectors of industry, including employees of the FIAT aviation division and of the state-run television company RAI. The secret services were also implicated in the Piazza Fontana bombing in Milan (1969), the *Rosa dei Venti* attempted coup (1973), and terrorist attacks at Trento (1971), Camerino (1972), Peteano, and Brescia among other places. Plots attempted by the National Front run by Prince Valerio

²⁸Boldrini and D'Alessio, p. 339.

²⁹Boldrini and D'Alessio, p. 340.

³⁰Boldrini and D'Alessio, p. 341.

Borghese, a former Fascist submarine commander, also had the apparent collusion of the intelligence service. In one incident, Giulio Andreotti admitted that conspirators had actually succeeded in occupying the Interior Ministry in Rome on the night of 5 December 1970.³¹ The condemnation of the head of the intelligence service, General Vito Miceli, for alleged conspiracy with the Borghese group, was a further blow to the establishment. But even after public investigations began in earnest, SID continued to work with considerable freedom from democratic controls. Right-wing terrorism continued in the so-called "strategy of tension" with the aim of creating a general feeling of public instability that would invite the return of a strong military-based regime.

A reform of the Italian intelligence system was finally carried out in 1977. The largely successful fight against left-wing terrorism, primarily the Red Brigades, had resulted in a proliferation of command centres.³² The interior minister and the defence minister, at the time Cossiga and Lattanzio, carried out the reform which resulted in the law no. 801 of 24 October 1977. The main authority for national intelligence was invested in an interministerial committee (CIS) under the direct control of the prime minister; another committee (CESIS) handled the technical functions. The committees were charged with drawing up biannual reports for review by the Parliament. The former SID was renamed SISMI (Military Security Intelligence Service), but the Ministry of Defence replaced the Chief of Defence General Staff as the director of this organ. Each armed forces service henceforth carried out its intelligence operations in separate "Intelligence, Security and Situation Divisions" (SIOS). There was also the creation of an

³¹Frederic Spotts and Theodor Wieser, *Italy: A Difficult Democracy* (Cambridge: Cambridge University Press, 1986), p. 172.

³²Ilari, p. 195.

intelligence wing under the interior ministry, called SISDE (*Servizio per le informazioni e la sicurezza democratica*).

The purge of the secret services resulted in the dismissal of about a third of SISMI's workforce, whilst the internal division, which had earlier operated with more than 1300 staff, was temporarily reduced to a few hundred. Suicides of two of the services' top leaders, Captain Giuseppe Capasso and Major Giuseppe Chiaravalli, occurred in the ensuing months.³³ The renewal of the secret services establishment did not prevent it becoming embroiled in further scandals, including the P2 masonic lodge affair, in which prominent Italians from nearly every profession were accused of maintaining a secret parallel power structure in Italy.

Not much changed in the transformation from SIFAR to SID and then to SISMI. There is no doubt that if there was a desire to create a new organism which was not conditioned by the past, one would have had to effect a total change of the officials assigned to the services, especially the ones coming from the old SIFAR...Instead, a great many officials were not touched for several decades and furthermore, to assure continuity (and loyalty), wives and children were hired by the service. One may observe that while the SIFAR relationship [to other areas of the state]...seemed to be directed primarily toward the control of national political life, the link between SID and P2 essentially had the goal of bringing economic rewards (mostly at the expense of the state) from activities carried out in the country. In this light it is easy to understand the growing attention given by the secret services to the trade in arms.³⁴

³³Ilari, p. 197.

³⁴Falco Accame, "Il nostro mercato di morte," *Nigrizia*, October 1985, p. 35.

By the early 1970s it was evident that a large proportion of the top ranks of other branches of the Italian military had neo-Fascist sympathies. This was highlighted by an incident at the Alliance level, in which Admiral Birindelli made a Fascist-inspired verbal outburst at the time of the expulsion of NATO from Malta in 1972. The extent of American knowledge or backing of the ultra-right activity is not known, but certainly the plots had been encouraged by the prevailing determination to eradicate Communism at any cost. A similar propensity within the Greek system resulted in the rise of a military dictatorship three years after the De Lorenzo plot.

During the period of subversive activities the secret services and large sections of the armed forces exhibited the ability to act independently, and had the cooperation of political forces in parallel policies to those officially pursued in Parliament. The Italians were not unusual in having a thick interweaving of ties between armed forces, politics and industry. But in Italy there was also a long history of the armed forces using their power to act against general public sympathies in pursuit of their own aims. The freedom of action of the military and secret services was naturally called into play when the military used its channels for promoting sales of Italian arms abroad (see Chapter 8), when neither the armed forces or promoting the outcome of wars abroad were issues held in high esteem by the majority of Italians.

Within the Italian armed forces, in the meantime, the series of incidents seriously eroded morale and the sense of military mission within the rank and file, especially as the rest of Italian society became more open to democratisation of public institutions during the 1960s. Armed forces officers gave this view of the armed forces from within the establishment:

The armed forces have assumed a role of defence not of the nation but of certain political "powers that be," be it inside the country or on an international level,

in conformity, rather than with the principles which form the basis of the constitution, with the strategy and the interests of the DC as far as the internal situation is concerned, and with the adherence of Italy in the bloc of Western military alliances directed and controlled by the USA...The concept of defence is the one most in crisis, among officials with a certain amount of awareness. This has been a main factor in what used to be called a crisis of morale. Whom and what we are defending is the focus of most of the crises of conscience that we are now undergoing. That which we were instructed - the defence of an abstract concept, the motherland - no longer has any logical or practical meaning. Many of us are beginning to realize that, in effect, we are at the service not of the motherland, but of a fixed system, which incidentally treats us rather badly.³⁵

Italy's Early Alliance Responsibilities

The UN Trusteeship and the G-91 NATO Fighter

While at home Italian forces were fixed at 12 divisions in 1952 by NATO, Italy did make some limited international contributions in defence in the early postwar years. In the 1949 the United Nations requested that Italy administer the transition to independence of its ex-colony Somalia for a decade. This involved the dispatch of the *Corpo per la sicurezza della Somalia*, including five armoured battalions with artillery, engineering and aviation units, to supervise the rearmament of the Somali army. The United States sought to maintain influence in the former area of Italian domination in the Horn of Africa, and the mission was given over to Italy presumably under close American monitoring:

³⁵Testimony of Air Force and Navy officials, in Travaglini, Franco, ed. *Per difendere chi?* (Milan: Gabriele Mazzotta, 1976), pp. 66-67.

It can be expected that Soviet reaction...would be particularly violent to US trusteeship and that such an undertaking by the United States would give a semblance of validity to some of the oft-repeated Soviet propaganda charge[s] of US imperialism. We can be sure that, regardless of whatever arrangement is adopted, the United States will directly or indirectly pay the principal portion of the cost.³⁶

This first foreign policy task entrusted to the Italians was the beginning of subsequent active collaboration with Somalia, as will be discussed later.

By the mid-1950s, Italy was already able to make its first contribution in the field of equipment to the NATO arsenal, after a FIAT team won a contest in 1954 to provide the standard light attack plane for the alliance. The success of the G-91 was a technological victory at a time when Italy's military establishment was otherwise undistinguished among its West European allies.

With two thirds of the expenses funded by the Americans and the use of a British motor, a team of Italians put together a completely new design ahead of schedule especially adapted to the new requirements for the aircraft; the competitors were said to have presented largely derivative models. Nonetheless the French, who had presented three projects for the test flights at Brétigny, looked upon the loss of the contest to Italy as a national defeat.³⁷ West Germany signed a contract to produce the G-91 under licence in March 1959. About 350 were produced in total. In an interesting footnote to the story, Austria apparently expressed interest in acquiring the aircraft and received the head of FIAT, Vittorio Valletta, in Vienna. The offer for the G91, it was revealed, was to be

³⁶FRUS, Volume IV, 1949 (Washington: U.S. Government Printing Office, 1975), p. 530.

³⁷Giuseppe Gabrielli, *Una vita per l'aviazione* (Milan: Bompiani, 1982), p.

linked to Italian government help in mitigating the punishment inflicted on the war criminal Colonel Keppler. Valletta was said to have turned down the Austrian proposition without even consulting the Italian government.³⁸

The Jupiter Missiles

Perhaps Italy's most significant early responsibility lay in its caretaker role of NATO nuclear weapons. Italy had a history of research in nuclear technology (Enrico Fermi had conducted early experiments in his native country), and a small research program continued under the auspices of FIAT's military research and development program at least until the late 1970s.³⁹ The Navy also supervised the Center for Military Applications of Nuclear Energy (Camen) near Pisa, for many years possessing the only nuclear reactor in Italy.⁴⁰ Although Italy renounced the possibility of a national capability similar to the French *force de frappe*, it was an acquiescent collaborator in the deployment of NATO's nuclear weapons throughout the postwar period. In December 1957, in a hasty response to Sputnik, the United States received Italy's consent to the deployment of 30 *Jupiter* ballistic missiles, with a range of about 2,500 miles, at Gioia del Colle in southern Italy. Italy was the only Alliance member to agree without hesitation to the deployment on its national soil.⁴¹

In 1959 the Italian armed forces were also caretakers of *Honest John* tactical nuclear weapons, and *Nike Ajax* and *Nike Hercules* interceptor missiles. The Italian Navy also carried on its own nuclear program which brought Italian firms such as OTO-Melara,

³⁸Gabrielli, p. 165.

³⁹Alan Friedman, *Agnelli and the Network of Italian Power* (London: Harrap, 1988), p. 224.

⁴⁰Ilari, pp 38-39.

⁴¹Ilari, p. 37.

BPD and ELSAG into cooperation with American companies. The four-year program centred on the modernisation of an Italian cruiser and resulted in the *Giuseppe Garibaldi* being the first surface vessel in NATO capable of launching Polaris missiles. The *Garibaldi* retained this distinction, in secret, at least until the mid-1970s.⁴² Tests were carried out at the American base at Norfolk.⁴³ The first Italian nuclear-propelled submarine, the *Guglielmo Marconi*, came into use in 1959.⁴⁴

Why were the Italians eager to accept the deployment of missiles, when other countries required long deliberations over the implications of military destabilisation, political reverberations from non-NATO allies, and continued imposition of American policy on West European security? Only Great Britain, the Federal Republic of Germany, Turkey and Italy accepted the deployments; other NATO nations refused outright.⁴⁵ The enthusiasm of the government is in some senses curious since even some elements of the DC leadership seemed to have tired of Italy's servility to the Americans.

At the DC national congress in Florence on October 29, 1959, the national youth delegate accused Antonio Segni (Prime Minister July 1955-May 1957 and February 1959 to February 1960; President 1962-1964) of having supported Italian alignment with the French and British at the expense of the Americans several years earlier.⁴⁶ Amintore Fanfani, who held the premiership four times between January 1954 and May 1963, and was in the post when the Jupiter deployment took place, soon emerged as one of NATO's harshest critics in Italy. In 1967 Fanfani's outburst in the Italian Senate over

⁴²Ilari, p. 40

⁴³Ilari, p. 90.

⁴⁴Ilari, p. 90.

⁴⁵Cerquetti, p. 162

⁴⁶Ilari, p. 43.

American intervention in Vietnam was followed a few months later by two DC-sponsored conferences to mark the forthcoming 20-year anniversary of NATO. At both conferences, some DC members actually supported the withdrawal of Italy from the alliance when the time came to renew the treaty.⁴⁷

The internal debates of the political parties on Italy's foreign stance, often carried on for the purposes of factional struggles, did not have a major effect on the country's basically firm commitment to the alliance. At the time of the Jupiter installations the Italians apparently perceived the prestige of their role in the deployment worth the costs of continued subjugation to the American military establishment.

NATO and Nuclear Burdens: Initial Effects in Italy

The submissiveness of the government to NATO directives has been attributed to the long history of subordination to foreign rulers on the Italian peninsula, and strong pressures in the Catholic tradition toward obeying authority.⁴⁸ But it can also be explained by the continuing lack of importance given to military matters. For Italy's leaders the main priorities for NATO membership were still economic cooperation and political prestige. By 1960 Italy was on the verge of its "economic miracle;" and as for concerns of political reputation, the prospect of being entrusted with some of the most advanced technology in the form of the ballistic missiles was very appealing to the Italian government. In addition, the DC may still have been trying to secure its hold on Italian politics by evoking the powerful link to American patronage. This contrasted with the continuing opposition of the Communists, who presented a bill under Togliatti in the Chamber of Deputies in June 1958 attempting to hold off the deployments.

⁴⁷Ilari, p. 129.

⁴⁸*he Politics of Italian Foreign Policy*, p. 130.

The position of the armed forces is easier to comprehend. The Navy and Air Force, which had greater contact with NATO than the Army, accepted the nuclear missiles eagerly. Although Italy had undergone a rearmament effort after the Korean War, it was still one of NATO's weakest links. With the nuclear deployments the services gained a new measure of respect, evidently self-inflated, at modest financial and political cost.

This conferred a privileged status on us with respect to the armed forces of other countries, and always in later periods one looked back with regret upon this historic moment, idealised as a time of creativity and of international esteem of the armed forces.⁴⁹

Unlike the deployment of cruise missiles 20 years later, the nuclear program of the late 1950s provided the host countries with some level of responsibility. Under the dual key agreement the Italians purchased the missiles from the United States and their cooperation would have been required in order for NATO to use the nuclear warheads, which remained under American control.⁵⁰ The text of the Italian-American agreement, however, was not made public. In addition, when the Southern European Task Force was installed on the plain of the Veneto with conventional and nuclear units, its leadership was shared with Italy, after the organisation of a special Italian brigade to host the *Honest John* missiles.⁵¹

The integration of Italy into NATO had spawned a group within the national service with a high degree of loyalty to the ideals of the Alliance. The Italian *Istituto Stato maggiori interforze*

⁴⁹Cerquetti, p. 164.

⁵⁰Paolo Miggianno, "La politica della sicurezza italiana," Marco De Andreis and Miggianno, eds., *L'Italia e la corsa al riarmo* (Milan: Franco Angeli, 1987), p. 150.

⁵¹Lucio Ceva, *Le forze armate* (Turin: UTET, 1981), p. 377.

(Institute for Interforce Chiefs of Staff) was assigned the task after the Second World War of training the professional forces up to the level of chief of staff in Italy. But officials destined for the highest levels of Atlantic service were instructed at Alliance institutions such as the NATO Defence College.⁵² This institution, originally opened in Paris in 1951 by Eisenhower, was transferred to Rome, "as a reward for [Italy's] pro-American stance"⁵³ after the withdrawal of France from NATO command.

Italians had begun to travel to Alliance-sponsored exercises and courses abroad and had contact with their counterparts in Europe and America. In this context, Italy was seen as a component of a larger supra-national organisation. Many Italian officers developed a sense of mission for this wider organisation above their allegiance to the national military, which had been left largely untouched on its cumbersome pre-war foundations. The officials of this "NATO caste" were

characterised by a strong and visceral anti-Communism and by a limitless admiration for the American system. Many of these men, mostly young officials in the middle levels of the military hierarchy, have followed specialised courses in the United States, acquiring a good professional education. There are no figures available on their numbers, but they are undoubtedly the most efficient group and the most responsible about their role in the military apparatus...They have a right-wing ideology that scorns the outdated nostalgia of the Fascists...They are, in effect, supra-national military men, in the sense that their ties to national structures always pass through the filter of NATO to which they are bound very tightly.⁵⁴

⁵²Cerquetti, p. 106.

⁵³ Ilari, p. 129.

⁵⁴Massobrio, p. 166.

The increasing responsibilities conferred upon Italy did not inspire a commensurate growth in military competence. While some Italian officers cultivated a great deal of loyalty to NATO, there was evidently little in the way of original inputs in the early years. Italy's record as a caretaker of the *Jupiter* missiles between 1957 and 1962 was characterized by an almost total lack of expertise in the strategic uses of the force. General Nino Pasti, who held the posts both of president of the Supreme Armed Forces Council in Italy and the NATO Supreme Allied Vice-Commander for Nuclear Affairs, termed the concentration of nuclear weapons in Italian hands "dangerously stupid."⁵⁵ In response to the publication of an Army study on Italian military planning in the late 1960s, Pasti wrote:

Italy was and remains the only country of a certain importance in Europe which, since it is free from heavy nuclear burdens and from an excessive level of pride, either with regard to its particular interests or its organisations, could have, or rather should have taken the initiative in guiding the political and military discussions toward rational, effective and conciliatory solutions. Instead, the reverse happened. Once it lost its treasured source of esteem and respect...Italy did not in the least participate in the formulation of the new NATO doctrine beginning in 1963.⁵⁶

The lack of independent development in the Italian armed forces can perhaps be attributed to the fact that they "have always been the faithful executors of the will of the national ruling class, and thus of the governments which came out of it, whether they be

⁵⁵ cited in Fabrizio De Benedetti et al., *Il Potere militare in Italia* (Bari: Laterza, 1971), p. 271.

⁵⁶Cerquetti, pp. 242-243.

reactionary, Fascist or formally democratic."⁵⁷ In the postwar period the centre of power in military matters was the remote NATO leadership, in Washington, Paris and later Brussels. Italy's Centre for Advanced Defence Studies (CASD) and journals such as *Rivista militare* stuck close to the NATO line and did not stir public debate on strategic issues.⁵⁸ Some Italians cultivated a great deal of loyalty to the Atlantic Alliance, but there was little "input" in these early years at a national level. Wrote American historian Norman Kogan in 1963:

Since World War II, American scholars have become aware of the role of the military in foreign policy, and this awareness has resulted in a spate of research projects, institutes, and historical and theoretical analyses. Such an awareness is completely absent in Italy, for the role of the military instead of expanding has drastically declined. In the words of one commentator: "The political weight of the army in our country is zero," and this judgment, shared by diplomats, politicians and academicians with whom I have talked is extended to the navy, the air force, and the Combined General Staff. Three-fourths of the military budget goes directly or indirectly into wages, and the main function of the armed forces seems to be to lower the unemployment figures...The history of the Italian armed forces in united Italy does not confer great prestige upon career officers or make them venerated or glorified by the people... In the early years of Italian unity, the court was surrounded by a military atmosphere, generals were a mainstay of the court party, and the armed forces budget was high, but now this is not so.⁵⁹

⁵⁷Massobrio, p. 136.

⁵⁸Cerquetti, p. 106.

⁵⁹*The Politics of Italian Foreign Policy*, pp. 120-121.

In a sense the Italians achieved the desire to gain a sort of neutrality in military matters. As De Gasperi had wished, Italy contributed little to the massive rearmament of the West, and did little to fuel hostilities between the East and West blocs. But this overall appearance bordering on pacifism was more akin to "passive-ism" rather than a concerted effort to encourage anti-military feeling. The Italians meanwhile had other "agendas" in the field of foreign relations.

Italian Concepts of Foreign Affairs

Senior diplomat Pietro Quaroni expressed the resignation of many Italians to their place in the postwar order:

The reality is that we, like all the other states of Europe, have ceased to be independent... and we are as free to move closer to Russia as Poland is free to move closer to the United States.⁶⁰

For the most part, however, Italian leaders felt the benefits to Italy were worth the costs of subservience to the United States. From the outset, Italian leaders stressed the importance of the non-military aspects of the Alliance: political solidarity and above all economic cooperation. Economic strength is a main component of the Italian idea of security. Consequently the Italians constructed their foreign relations with the aim of maximizing economic maneuverability; their low diplomatic profile afforded them opportunities that even brought them "closer to Russia" than most other Western countries. This prevailing view among Italy's leaders can be traced from De Gasperi's proposal before Parliament over adherence to NATO, through every generation of postwar leadership.

⁶⁰Tarchiani, *Dieci anni tra Roma e Washington*, p. 53, cited in *The Politics of Italian Foreign Policy*, p. 124.

De Gasperi rejected the idea that NATO was necessary to halt potential Soviet military aggression. He publicly doubted that war was likely or even conceivable in Western Europe. He argued instead that Italy had to join NATO to guarantee continued economic aid and to assure the continued possibility for Italians to emigrate. He assured Parliament that such participation would be no hindrance to trading with the states of the Soviet bloc and announced that he was sending an economic mission to Moscow to negotiate a new trade agreement.⁶¹

Italy's lack of interest in the military direction of the Alliance was spurred also by a realisation that its role was destined to be a secondary one. In the 1950s Italy was excluded from the Permanent Group (earlier the Directive and Executive Group), composed of the US, Britain and France. Its absence from the upper echelon of Alliance leadership was a sore point throughout the postwar period, confirmed again in 1989 when the Italian Chief of Defence Staff, Admiral Mario Porta, was turned down for the chairmanship of a top NATO military committee.⁶² As a result, Italian leaders have always encouraged other aspects of the Atlantic union, a policy which also corresponded more closely to Italy's plans for its own national growth.

Economic Priorities

During a visit to the US in February 1956, President Gronchi underscored Italy's main interest in reinforcing economic cooperation within the Alliance. A few months earlier, Gaetano

⁶¹Norman Kogan, *A Political History of Postwar Italy* (London: Pall Mall, 1966), p. 55; see also *Atti Parlamentari 1948-1949, Senato della Repubblica, I Legislatura*, pp. 6534-6544.

⁶²*Financial Times*, 24 April 1989.

Martino had been appointed as one of the "three wise men" charged with studying ways of strengthening the non-military aspects of NATO. Foreign Minister Arnaldo Forlani reiterated Italy's priorities in 1978 stating that "The most important aspect of our foreign policy is its incorporation into the European Community, which itself is largely economic; even military alliances, just to take the example of NATO, retain their validity only if they succeed in dealing with problems of economic cooperation."⁶³ The tendency to see the alliance in economic terms was widespread even within the military itself; Army and Air Force officers discussing the military position of Italy in 1976 spoke of the world as divided into "two great economic blocs, capitalist and communist, [which] formed powerful military alliances."⁶⁴

And in the 1980s, when Italy began to exhibit a new military potential and a willingness to engage its forces abroad, its point of view was still unaltered. In February 1986, Andreotti, who was at De Gasperi's side during the adherence to NATO in the 1940s, made these remarks during a speech at a session of the North Atlantic Council in Brussels.

We also have a new opportunity to show our publics and the world at large that the Alliance is not just an instrument, however necessary, of military defence. In fact, too often public debate has concentrated on this particular aspect which, though constituting the indispensable bulwark of our security, is only one facet of a complex mechanism of deterrence; we can neither neglect nor take for granted the Alliance's much more essential political dimension. It is this that has provided the most enduring benefits, in terms of

⁶³Interview with Forlani in *La Stampa*, May 1978, cited in Spotts and Wieser, p. 271.

⁶⁴*Per difendere chi*, p. 71.

continental stability and the social and economic well-being of our peoples.⁶⁵

This may well have been closer to the original spirit in which the Alliance was fashioned, although the intentions of figures such as George Kennan were overwhelmed by more conservative, militarily-oriented leaders in setting patterns in the postwar West.⁶⁶

This largely economic rather than ideological concept of foreign relations led to an interesting evolution in Italy's external affairs. Political leaders and diplomats sought to reinforce Italy's solidarity with NATO and the West, and the US in particular. This gave Italy the continued assurance of belonging to a federation that largely guaranteed Italy's military and economic security. At the same time, the unfaltering and often passive loyalty divested the Italians of a responsible diplomatic role. Their low political profile allowed them to experiment in independent trade relations which became crucial for Italy's prosperity. Although the Italians often aroused the suspicions of the Americans, particularly in business dealings in Communist China or the Eastern bloc, for the most part their independent relations went unhindered in the postwar period and did not parallel the larger political trends.

The Italian Foreign Office, like all its counterparts, is engaged in promoting business abroad, maintaining a career corps of commercial counselors to help in this, and cooperating with various tourist bodies and trade-promotion agencies from other ministries and private organisations. Trade agreements negotiated with foreign countries are handled in close association

⁶⁵Giulio Andreotti, "The Alliance's Political Dimension: Time for a Renewed Commitment," *NATO Review*, No. 2, April 1986, p. 1.

⁶⁶see David P. Calleo, "Early American Views of NATO, Then and Now," Lawrence Freedman, ed., *The Troubled Alliance* (London: Heinemann, 1983), p. 9; *FRUS*, Volume III, 1948 (Washington: U.S. Government Printing Office, 1974), p. 849.

with the representatives of other ministries and the firms that will be affected. The extremes to which the Italian Foreign Office will go to promote business are somewhat unusual. When the leader of a large firm makes a foreign business tour, the ambassador himself acts as guide and host.⁶⁷

Although the Foreign Ministry generally supports the expansion of Italian trade ties and is generally staffed by some of Italy's most capable civil servants, Italian business does not always welcome public assistance, as historian Norman Kogan writes:

Italian industrialists want to do business without interference from politicians or moralists, native or foreign. They are set up to do it. The major firms have special offices manned by executives who carry on diplomatic and economic relations not only with foreign firms but also with foreign governments and their foreign and economic ministries. They can work through their own government -- or around it if necessary. If questions of "grand politics" make it inadvisable for the Italian Government to accede to their demands, they will simply bypass the Italian Government, of which they have a low opinion. They are ready to make deals and do not regard resistance to the bitter end or the pursuit of abstract ideals as the way to survival in the national or international community.⁶⁸

In the postwar period, this attitude was even extended to the politically-charged area of arms sales, which Italy pursued for commercial motives until the successes of its businessmen forced new political roles upon the Italian government.

⁶⁷*The Politics of Italian Foreign Policy*, p. 93.

⁶⁸*The Politics of Italian Foreign Policy*, p. 96.

Italy's Importance for the NATO Alliance

Alliance Facilities in Italy

Until the 1970s, Italy lived under the paradox of being nearly neutral in its strategic outlook at the same time that it became highly militarised. Italy became the focus of NATO operations on the Southern flank, and by the 1980s several major subdivisions of the NATO alliance had headquarters in Italy, including the Allied Forces Southern Europe (CINCSOUTH) at Naples (responsible for the defence of Italy, Greece, Turkey and the sea lines of communication in the Mediterranean and Black Seas), and Allied Land Forces Southern Europe at Verona, and NAVSOUTH, responsible for continuous surveillance to assure freedom of navigation in the Mediterranean. The American Sixth Fleet also uses Gaeta, near Naples, as its home base, and the commander in chief of the U.S. Navy in Europe (CINCUSNAVEUR) transferred from London to Naples in the mid-1980s, probably to counter possible Russian aims in the Persian Gulf after the invasion of Afghanistan.

From its bases in Italy, the United States is equipped to carry out all its major tasks in the Mediterranean: naval warfare, nuclear warfare, defence of the frontier with Yugoslavia, "rapid reinforcement" of Turkey or the Middle East, intelligence gathering and reconnaissance, and command, control and communications (C³), as well as supervision of maritime traffic.⁶⁹

A list compiled by SIPRI includes about 85 NATO installations,⁷⁰ but the Italian Parliament is not supplied with an accurate estimate. The government also keeps the identities of

⁶⁹Simon Duke, unpublished paper prepared for SIPRI, p. 420.

⁷⁰Duke, pp. 183-203.

Italian officials assigned to NATO secret, as well as information about which forces are assigned to national or NATO command.⁷¹

The naval and nuclear units are the most significant features of American military activity in Italy. The Sixth Fleet alone is a massive presence. The force comprises at minimum strength two aircraft carrier battle groups with at least 150 aircraft, 14 warships, as well as submarines, an amphibious unit, and other forces.⁷² Italy also provides research facilities for submarine studies. The Americans prize Sigonella, in Sicily, as a major base for intelligence-gathering on Soviet naval operations and as a maintenance centre for the U.S. Navy. Italy is the only country in the Mediterranean which does not require regular re-negotiation of base rights.

The United States also has manned nuclear operations in Italy for most of the postwar period. Of the major nuclear systems, the Jupiters were dismantled in 1962 and the approximately 108 (plus several spares) ground-launched cruise missiles (GLCMs) installed in the 1980s at Comiso, Sicily, were rendered obsolete by the December 1987 Intermediate Range Nuclear Force (INF) Treaty. But the presence of nuclear weaponry is still high in Italy. American submarines have been equipped with nuclear missiles. The US is estimated to maintain in the late 1980s 200 bombs for US fighter aircraft, 15 15mm nuclear artillery shells, 43 nuclear depth charges, and 50 warheads for anti-submarine missiles.⁷³ American servicemen also supervise aging nuclear munitions assigned to the Italian forces - 50 bombs for Italian aircraft, 100 LANCE warheads (assigned to the Missile Battalion *Volturmo* of the Italian 5th Army Corps), 70-96 NIKE-Hercules surface-to-air missile warheads (Air Force), 40 artillery shells (Army) and 20 depth bombs (Navy).⁷⁴

⁷¹ Boldrini and D'Alessio, pp. 249-252.

⁷²Duke, p. 422.

⁷³estimate by IRDISP, *Quello che gli russi già sanno e gli italiani non devono sapere* (Rome: March 1984), cited in Duke, p. 424-425.

⁷⁴Duke, p. 423-425.

After the initial rearmament programs of the 1950s, Italy received no military assistance or special benefits from the NATO basing agreements or from its close collaboration with the Americans. Italy receives some income, however, in the form of employment and business opportunities because of the presence of the bases. In the 1980s the number of Italian nationals employed at American bases amounts to about 2000.⁷⁵ Average salaries of \$17,857 annually bring American support to approximately \$36 million. The jobs of Italian citizens are guaranteed by their own government if NATO terminates their employment.⁷⁶ American military personnel in Italy are estimated at 14,900 to 17,000, with perhaps 16,000 dependents. Americans consequently pay about \$120 million in off-base housing for the personnel.⁷⁷ Contracts for services and construction bring in perhaps \$15 million per year to the Italian economy.

The costs of hosting NATO are certainly high, however. The American Navy is ^{in part} responsible for reviving the Sicilian Mafia, largely expunged by Mussolini, for assistance in Allied operations and establishment of anti-Communist leadership at the local level.^{77a} The NATO bases themselves often have constituted an invasion to local populations, despite the revenues accrued. Air traffic regulations officially imposed by NATO interfere with the lucrative tourist trade along the Adriatic near Rimini. At Livorno, two kilometres of quays were given over to the United States, and the port had to be enlarged to accommodate the increase in activity. NATO regulations

prohibit among other things building walls,
constructing buildings, opening roads, planting trees,

⁷⁵Jennifer Sims, "Economic Costs and Benefits of American Military Bases and Facilities in Italy," (Stockholm: SIPRI, March 1988) p. 7.

⁷⁶Sims, p. 6

⁷⁷Sims, p. 6

^{77a} see Romolo Menighetti, *Storia dell'autonomia siciliana dal Fascismo allo Statuto* (Siracusa: Ediprint, 1987), pp. 43-46; Rodney Campbell, *The Luciano Project: Secret Wartime Collaboration of the Mafia and the US Navy* (NY: McGraw Hill, 1977), esp. pp. 169-189; Denis Mack Smith, *A History of Sicily* (London: Chatto and Windus, 1968), pp. 526-527.

installing and using electrical and telephone lines, radio antennae, etc... Sardinia has been transformed into a sort of aircraft carrier; thousands of hectares have been confiscated from shepherds and other farmers, local autonomy is continually repressed by superior military reasoning, and while plans for local revival founder, projects for rocket propulsion and European nuclear and space research are going ahead... The support ships of the *Fulton* class are *bona fide* floating nuclear workshops...The holds of these ships contain the Subroc and MK48 atomic warheads, combustible materials of enriched uranium, and nuclear and electronic parts of the propulsion systems of the submarines being assisted. These are extremely dangerous arms, not least for the reprisals they can provoke.⁷⁸

In addition, Italian sovereignty could be limited by the American use of bases on its territory in time of emergency.

In times of tension, these bases are put in a state of alert without warning the Italian government and without any consultation with it. This has happened in 1956, during the French and British aggression in Egypt; in 1958, during the Lebanon crisis, and on different occasions during the Arab-Israeli war and the events in Czechoslovakia in 1968.⁷⁹

The Italians have challenged this control, however, by denying the Americans use of their bases during the Yom Kippur crisis and contesting American intervention at Sigonella during the apprehension of the terrorists in the Achille Lauro crisis in 1985.

As a result of the massive presence of NATO with its superior technology and advanced strategic plans, Italy's own military

⁷⁸Boldrini and D'Alessio, pp. 246-147.

⁷⁹Boldrini and D'Alessio, p. 248.

concerns were eclipsed. In a 1969 study Air Force General Nino Pasti underscored the total absence of a national defence policy.

No serious study has been undertaken, on a national basis, to examine if our armed forces respond to real Italian defence requirements...and we do not even know what political premises should form the point of departure for the formation of the armed forces.⁸⁰

This shortcoming began to be felt acutely as for the first time Italy began to face immediate threats to its security in the 1970s.

⁸⁰Nino Pasti, "*I problemi delle forze armate italiane*," *Belfagar*, no. 5, September 1969, cited in *Il potere militare in Italia*, p. 271.

CHAPTER TWO

THE EMERGENCE OF THE ITALIAN MILITARY IN THE 1970S AND 1980S

New Threats in the Mediterranean

In the early 1970s nearly every aspect of the Italian armed forces was in crisis. Their organisation and decision-making structures were outdated and ineffective, their equipment was obsolete, and the top leadership was considered to be preoccupied with internal political struggles. All of these conditions underwent dramatic changes in the following decade. A major reform had been hinted at since Giulio Andreotti during a term as Defence Minister addressed some of the problems in the 1960s. By the 1970s, the severity of Italy's defence limitations began to show itself: the Mediterranean was becoming increasingly hazardous, at a time when Italy had reached a stage of acute dependence on maintaining good relations there for its economic survival. The spur for real change in the armed forces came from the realisation that Italy might need to call upon its defences and be able to depend upon them.

The Italian military image was completely transformed as the international focus of attention shifted gradually south. Italy was no longer on the peripheral flank of an alliance; it was suddenly in the middle of the most violent, economically vital and politically changeable region in the world.

In the context of the decline of the bipolar system and the growth of the phenomena of "the diffusion of power," the Mediterranean "centrality" of Italy no longer allows it to navigate on "automatic pilot" with a low profile, as it has in preceding decades. The risk of being subjected to growing threats and violence from actors or quasi-actors aspiring to fill in

the power vacuum left by Italy in the Mediterranean basin is considerably elevated.¹

The phenomenal growth of trade and interdependence between the industrialised and developing worlds was unforeseen in the early postwar period. The Western appetite for Middle Eastern oil was matched by a heavy reliance of the developing countries on European foodstuffs, services and manufactured goods. In the early 1980s it was calculated that one billion tons of cargo pass through Mediterranean ports, and at any given moment 1,500 ships and 5,000 smaller craft sail the waters between the Suez and Gibraltar. This is equivalent to about half of all ocean traffic throughout all of the NATO's maritime zone.²

In the 1970s nearly every aspect of Italian society had become dependent on materials that passed through the Mediterranean. Italy uses the sea for 90% of its imports, and about 65% of its exports.³ Italy also has the highest dependence of Western countries on Middle Eastern energy sources; about 75% of its national requirement is imported, almost two thirds of that through the Mediterranean.

Just as the first phase of domestic terrorism was winding down, the Italians faced an unanticipated rise in random aggression from outside their territory, and often from groups they had considered to be their allies. In September 1973 Libyan planes bombed an Italian corvette as it supervised fishing activities in international waters. The Italians were instrumental in the modernisation of the Libyan Air Force in the same period. In the same year, Palestinian terrorists unleashed two attacks on the airport at Fiumicino near Rome; again, the Italians had been among the most sympathetic of the

¹Luigi Caligaris and Carlo Maria Santoro, *Obiettivo difesa: strategia, direzione politica, comando operativo* (Bologna: Mulino, 1986), pp.40-41.

²William H. Rowden, "The Mediterranean: Environment of the Sixth Fleet," *NATO and the Mediterranean*, p. 20

³Maurizio Cremasco, "A guardia del made in Italy" *Panorama*, 4 October 1977, p. 78.

Europeans to the Palestinian cause. In addition, there were mounting fears about nuclear proliferation in the area; rumours of an Israeli nuclear capability had sparked the race for a bomb in the Arab world.

Italy's military options became even more confused when new tensions in the area arose from hostilities between two members of the NATO Alliance itself. In July 1974 Turkey invaded Cyprus, opening a bitter conflict with Greece. The Alliance looked to Italy to help maintain NATO operability in the Mediterranean, especially as Greece called into question American base rights and the US had suspended military aid to the Turks. The Italians tried to maintain good relations with both of their neighbours in the Mediterranean, and simultaneously answer the American request for the transfer of naval facilities from Turkey to Italy.

Further, Italy's casual attitude toward the threat from the Warsaw Pact was also undergoing changes. Until the late 1960s, the focus of Italian defence was weighted overwhelmingly toward the Gorizia Gap, a passage along Italy's Northeast border. This concentration had been convenient in the 1950s when Italy combatted a separatist movement within the German minority in the South Tyrol. But although Hungary was only 300 km away, the Northeast border was not considered a possible flashpoint in an East-West conflict, since Italy was buffered by neutral Austria and Yugoslavia.

Until the 1960s, Soviet involvement in Mediterranean affairs was limited to military support of Egypt during the Suez crisis, and demands that its neighbour Turkey dismantle the Jupiter missiles. When Albania left the Soviet bloc in 1961 and closed the submarine base at Valona there was, for a time, virtually no Soviet maritime activity in Mediterranean waters.⁴

⁴Kaplan and Clawson, "NATO and the Mediterranean Powers in Historical Perspective," *NATO and the Mediterranean*, p. 13.

A decade later, however, the Soviet Union had more units in the Mediterranean than all of the NATO forces there combined. While the technological standard was lower than that of the American Sixth Fleet, the Russians still posed a potential threat to the trade routes that brought vital materials to the West. The Soviets also cultivated allies in Iraq and East Africa and were granted base rights.⁵ By the 1980s the Soviet 5th Eskadra used ports in the Gulf of Hammamet (near Tunisia), the Gulf of Sollum (near Libya), and near Cape Passero off Sicily.⁶

The Soviets were often as impotent as any other country attempting to win political influence in the area, but they could be expected to come to the defence of their interests, which reached an increasingly high level of concentration in the Mediterranean. In the 1980s, 60% of the exports of the USSR and half of its imports pass through the Bosphorus.

As Italy found itself unprepared, technically and strategically, to carry out any military operations, Alliance support in the area also had dipped to a new low. France withdrew from NATO operational command in 1966; in 1972 the United Kingdom abandoned its role as a Western "caretaker" in the Mediterranean and removed all of its permanent Royal Navy units from the area. The Americans called for increased military spending by other NATO allies while reducing their own commitment to Europe following the major setbacks of Vietnam and economic crisis in the United States. Sixth Fleet operations shifted focus in part toward the Indian Ocean. In the meantime Syria, Egypt, Israel, Libya, and other nations were engaged in an intensive rearmament program. Increasingly, Italy found its 8,000 miles of exposed coastline more worrisome.

⁵*Istituto Affari Internazionali, L'Italia nella Politica Internazionale 1974-1975* (Edizioni di Comunità), pp.371-2.

⁶Sims p. 21.

Reform and Rearmament of the Armed Forces in the 1970s

These solicitations for a larger defence role of the European allies, among them Italy, against external threats, coincided with new tendencies emerging within the Italian military. At the beginning of the 1970s, a new group of high officials reached the top leadership. They shared a renunciation of the role of internal "super-police" and the desire for a more legitimate role in the country, of a more military nature, typical of the forces of other industrialised countries. The restructuring of the military establishment along the lines of these new objectives was accompanied by the progressive distancing of neo-Fascist groups, and a more respectful *rapport* with the Parliament, as well as a drive to overcome its separation from civil society. And in the sphere of industry, with which the military are in direct contact for the development and production of armaments...is emerging the "defence firm which produces the national asset of security." To carry out a credible military role the new "technocrat" officers are proposing modifications of the military establishment, of the operative doctrines, and the acquisition of new arms systems.⁷

The reassessment of the Italian military establishment took the form of two programs, one to streamline forces and decision-making, and a major re-equipment campaign for all three branches of the armed forces.

Structural Changes

Immediately following the Second World War, reforms in Italy had made greater progress toward unifying the command structure than in many other countries, including the United States. Besides bringing together the various war ministries into one Defence

⁷"La politica della sicurezza italiana," pp. 121-122.

Ministry at the political level, the Italians also instituted a single Chief of Staff, with real authority over the chiefs of each of the forces, as General Luigi Caligaris points out, "a situation not brought into effect in the American armed forces, and instituted by the major European countries after a long delay."⁸

The reforms of 1964, in the midst of the alleged plots, had far-reaching ambitions. The law of 9 October 1964 called for the elimination of duplications and a new structure capable of effecting the transition from peacetime to a state of war. The *Capo di Stato Maggiore* (Chief of Staff) was given renewed authority over the individual Chiefs, as the "high technical and military counsellor to the [defence] minister." This status was later annulled in effect by the creation of the *Comitato dei Capi di Stato Maggiore* in 1968. Through this organ of collegial decision-making, the forces retained control over their own areas of authority and resisted the unifying role of the *Capo*, who was reduced to a "spokesman, arbiter and notary among the contrasting parties...The subtle reform was the product not so much of in-depth examination as of the personal rivalries among the top leaders, exercised almost to the limits of insubordination."⁹

All attempts to bring about changes in the military establishment were marred by intense inter-service rivalry at every level. Another campaign to reform the structure of the military in 1975 met with obstacles because of the

absence of a common strategic plan to refer to, which was impossible because of the inability of the parties to argue their point, and the inability to decrease the military leadership, divided and at odds with one another, in the face of the political authorities, which were also divided among themselves. The political authorities also had little desire to carry the unpleasant political burden of bringing into effect the

⁸*Obiettivo difesa*, p. 286.

⁹*Obiettivo difesa*, p. 287.

most unpopular but most essential part of the reform, that is the elimination of non-functioning or uneconomical structures, most of them civilian.¹⁰

In the early 1970s, after the armed forces returned to the public eye through the revelations of subversive activities, defence leaders first attempted to bring the practices of the armed forces more in line with social reforms which had swept Italy in the late 1960s. This was reflected in the revision of the disciplinary code in 1975¹¹ and the first recognition of conscientious objectors.

Attempts to take changes too far met with resistance from Christian Democrat Minister of Defence Arnaldo Forlani.

In one of his speeches to the Senate Defence Commission (15 October 1975), Forlani maintained that, although the time had come to relate the military experience to the social realities of the country, it was likewise necessary to "neutralise every attempt to politicise in an inappropriate manner the armed forces." Further, he declared himself opposed to the institution of military unions, and had very harsh words for the "widespread and demagogic anti-military propaganda." As one can see, these were statements that would appear almost incomprehensible in Northern European countries.¹²

Manpower Levels and Other Aspects of Personnel

The initial reforms which had responded to the changing social climate within Italy were followed by structural changes in response to Italy's external threats. The Italians began a program to bring about the "qualitative renewal of the military, to confer upon it a

¹⁰*Obiettivo difesa*, p. 288.

¹¹IAI 1975-1976, p. 443

¹²AI 1975-1976, p. 444.



higher level of efficiency in terms of personnel and equipment," according to the *Green Paper* published by the Army.¹³ A small but efficient military force had been an aim since the time of Italian integration into NATO,¹⁴ given Italy's resources, and even as the country became wealthier, its leaders hoped to cut back personnel costs to compensate for new allotments for equipment.

In fact, both expenditures rose in the 1970s. Military employees increased by 10,829 and civil employees of the military services by 4,948, by one calculation.¹⁵ The failure of the reforms was obscured in part by a return to practices of secrecy regarding official figures; halfway through the first period of the programs, Defence Minister Lelio Lagorio became reluctant to release information about manpower levels in Italy.

Besides the problems of cutting jobs in the bureaucratic and lower levels of the military, the establishment still suffered from a "reverse pyramid structure," in which the levels of men in the highest ranks of the Air Force, for example, included 20 generals, 103 colonels, 49 lieutenant colonels, and 2,505 first class marshalls beyond the limits set by law.¹⁶ Most of these could be assumed to be against sacrificing their posts for the sake of streamlining the establishment. The Army Chief of Staff General Luigi Poli finally announced in September 1985 the reduction of his forces by 25,000 over a seven-year period, to bring the Army to about 350,000 (mostly conscripts); minors cuts were also announced for the Navy and Air Force, but none for the 90,000 *carabinieri*.¹⁷

Some other changes were introduced more smoothly. Military service in the army was reduced to twelve months in 1976 as in the Air Force, and the Navy's term of service was reduced from

¹³cited in *AI 1975-1976*, p. 436.

¹⁴*FRUS*, Volume III, 1948 (Washington: U.S. Government Printing Office, 1974), p 794.

¹⁵Roberto CiccioMessere, *L'Italia armata* (Milan: Gammalibri, 1982), p. 65.

¹⁶*L'Italia armata*, pp. 65-66.

¹⁷*Jane's Defence Weekly*, 28 September 1985, p. 678.

eighteen to twelve months several years later. The Army also underwent far-reaching adjustments. The level of division in its traditional sense was eliminated and the Army was based on the brigade, reduced from 36 to 24 in number, with greater autonomy between them. The subdivision into nine mechanised, five armoured, four *alpini*, one airborne and four motorised brigades transformed the army from a primarily infantry-based force.¹⁸ The reforms aimed at enhanced preparedness and flexibility by abolishing distinctions between the Northern units of the *Esercito di campagna* and the other territorial defence brigades.¹⁹

In the early 1980s 18 brigades were stationed in the North, leaving only six brigades to cover the remaining two-thirds of Italian territory. To address this imbalance, three batteries of an artillery regiment were moved from Bologna in 1986 to reinforce the Sicilian bases of Comiso and Sigonella against air attack.²⁰ However, anti-tank and anti-aircraft capabilities in general were considered out-of-date throughout most of the 1980s.²¹ In addition, 20,000 draftees were expected to be waived from military service in 1989 in an attempt to reduce the bloated Army.²²

In this period noted military figures took seats in Parliament as Communist, Socialist and Republican deputies, including Pasti and Accame. Both of these men later moved to more radical parties of the parliamentary left and became harsh critics of the armed forces. But there was also an apparent decline in the anti-militarist stance of the Communist and Socialist parties. PCI interest in the armed forces was expressed at a conference on "Military Institutions and the Constitutional Order" in February 1974. Participants made recommendations for further structural improvements and advances in the disciplinary code, and called for better access to the

¹⁸*Jane's Defence Review*, Vol. 2 No. 4, 1984, p. 336.

¹⁹IAI 1975-1976, p. 436.

²⁰*Jane's Defence Weekly*, 1 February 1986, p. 143.

²¹*Jane's Defence Review*, Vol. 2 No. 4, 1984, p. 337.

²²*Corriere della sera*, 17 October 1988.

military establishment for members of Parliament and other outsiders. The PSI also sponsored a conference in December 1975, entitled "The Renewal of the Armed Forces with the Renewal of the State and the Country." Deputy Guadalupi went as far as to hypothesise on the importance that the military sector could have for economic progress in Italy. Guadalupi called on the support of the national trade unions in launching "a new policy, with the prospect of strengthening, rather than weakening the logistic apparatus and the support of the defence industry."²³

The Promotional Laws and the Re-Equipment Programs

The power of the military sector both to demand and to generate economic resources came into full force in Italy in the mid-1970s. Defence officials attempted to redress equipment inadequacies through a greatly increased share of the national budget, and the defence industry emerged as a lucrative exporting sector and as an active extension of the armed forces. In the 1970s the defence budget accounted for about 5% of state spending, and 2% of GNP.²⁴ This placed Italy on average eleventh among the other countries in NATO at that time, despite the fact that it had nearly doubled earlier expenditures for defence.

In the early part of the decade the armed forces emerged on the political scene with appeals for extra-budgetary outlays from Parliament. Low defence spending was cited as a main reason for Italy's strategic vulnerability. Explained an armed forces publication, "a continual decay of the operative efficiency of the military is occurring, which we cannot confront with the resources provided through the normal budget."²⁵

²³cited in *IAI 1975-1976*, p. 446.

²⁴Bruce George and Ian Lindsay, "Italy: Bulwark of NATO's Southern Flank," *Jane's Defence Weekly*, 13 July 1985, p. 82.

²⁵cited in *IAI 1975-1976*, pp. 433-434.

Naturally, the poor efficiency of the military machine in Italy as an instrument of external defence, a fact admitted even at official levels, is certainly not attributable solely to rising costs and limited budgets. This is due in part to "historical" reasons still in force (one of the main functions of the army has always been that of assuring full control over the internal situation), in part to less intentional reasons such as a mediocre and plethoric organisation, antiquated concepts of security, etc. It is true however that expenditures for defence, in relation to the dimensions of the Italian armed forces and the standards of other European states, appear low. Great Britain, for example, has about 350,000 men at arms, like Italy, and spends more than double.²⁶

The Navy Law

The three separate acts of legislation, for the Navy in 1975 and for the Army and Air Force in 1977, reflected the continuing fragmentation of the forces. Demands for special funds for rearmament first came from the Navy, which as the force directly responsible for safeguarding Italy from Mediterranean threats, felt the urgency of adapting Italy's defence to rising tensions from the south. Further, the reduction in operations of the Sixth Fleet also favoured the Navy request for special funding.

The Italian Navy also desired the means to allow it greater freedom of action, as it became clear that there were situations in the Mediterranean where Italy's interests might not coincide with those of the Alliance. By denying the use of its bases by the Americans during the Yom Kippur war, for instance, Italy had staved off an OPEC embargo. But for any more active statements of its position, Italy had little in the way of military force to fall back on.

The naval laws were approved by all of the parties except for the PCI. The Communists based their dissent, however, not on the

²⁶IAI 1975-1976, p 434.

attempt to modernise the armed forces, but on the absence of a coherent report on the proposed use of the extraordinary funding, and the "urgent need to insert the construction programs of the armed forces into a national program based on interforce needs."²⁷ The Communists did not follow up on their initial opposition to the laws, and in general were thought to be increasingly receptive toward the re-equipment of the armed forces.

This is no immaterial change of position. Mostly for economic reasons the parliamentary left seems practically to have abandoned its traditional position of opposing any expansion of the military industry. Ten-year laws could be a suitable way of effectively sustaining the industrial side of the sector.²⁸

Initially there were 13 naval projects, with budget requests totalling 223 billion lire. This figure increased over the next two years to about 1,000 billion, as the parliamentary committee assigned to the proposal had been convinced to more than double the number of contracts.²⁹ The Navy program was designed to meet a requirement which was set at 105,000 tonnes, with no other stipulations of technical capability or strategic uses.³⁰ In the 1960s, tonnage had decreased by 45,000, as 52 ships were deleted and only nine new ones ordered.³¹

The main programs included two guided missile destroyers of the *Super Audace* class, eight *Maestrале*-class frigates, two *Sauro*-class submarines, four hydrofoils of the *Sparviero* class, ten minehunters and an 18,000-tonne amphibious ship.³² Already in service were four *Lupo*-class frigates, two *Sauro* submarines, and

²⁷cited in IAI 1974-1975, p. 375.

²⁸IAI 1974-1975 pp 375-376.

²⁹IAI 1976-1977, p. 411.

³⁰Marco De Andreis, *Le armi della Repubblica* (Milan: Gammalibri, 1983), p. 81.

³¹*Jane's Defence Review*, Vol. 2 No. 4, 1984, p. 337.

³²*Jane's Defence Review*, Vol. 2 No. 4, 1984, p. 337-340.

three *Sparviero* hydrofoils. A total of about 50 helicopters was also ordered, of the AB-212 and SH-3D models. The major project centred on the construction of the *Garibaldi* cruiser.

Designed as an air-craft carrier, the vessel was nonetheless prevented from taking that name until the law no. 695 of 28 March 1923, in which Mussolini made fixed-wing aviation the sole preserve of the air force, could be repealed in Parliament. A bill to repeal the law was introduced in 1987 and received the approval of the critical Senate Defence Commission before being eclipsed by other political issues before the Parliament. The bill is expected to pass when it returns to the floor. The Air Force sought to maintain sole control over Italy's limited resources for aircraft procurement for more than sixty years, but they will have no role in *Garibaldi*'s air operations, under the Navy's plan to purchase the planes with their own funds and train their own pilots in Great Britain or the United States.³³ Until Mediterranean operations expanded, the Navy itself had not pushed for a reform of the law, because of fears that a fixed-wing capability would drain funds.³⁴

The *Garibaldi* was designed to accommodate up to 16 helicopters or up to 12 STOVL aircraft. The construction of ships for air support was long discouraged in Italy, even by Mussolini, who considered Italy itself an aircraft carrier. The *Doria* and *Veneto* cruisers had abilities as helicopter carriers, but closer to the time of the launch of the *Garibaldi* in the mid-1980s, Italian admirals looked for greater tactical support. Admiral Vittorio Marulli remarked: "the

concrete contribution which even a limited seaborne air component can give to the total capability of a naval formation in terms of air defence, ship attack and tactical air support is highly cost effective. The Falklands experience teaches us this.³⁵

³³*La Repubblica*, 2 October 1987.

³⁴*Jane's Defence Weekly*, 18 May 1985.

³⁵"Stretching Italy's Capability," interview with Admiral Vittorio Marulli *Defence Attaché*, No. 2, 1984, p. 29

The Navy intends to purchase Harrier or AV-8B aircraft for use on the ship, which was launched on 4 June 1983 at Italcantieri's Monfalcone yard. The emergence of the *Garibaldi* changed the Italian Navy from an out-dated force largely subordinated to the Sixth Fleet, to a force with considerable offensive capability.

Naval task groups will be able to go farther and stay longer at sea. The commissioning of *Garibaldi* will affect the navy's overall operational attitude as the 16 SH-3Ds she can carry will enable the conduct of large, continuous and long-range anti-submarine operations, thus greatly improving the Fleet's anti-submarine capability. *Garibaldi* will also be able to participate in amphibious operations, both as a flagship because of her very advanced C³ system, and as an assault ship because of her helicopters and the possibility of accommodating a contingent of marine troops. Her through-deck and built-in ski jump also make the *Garibaldi* an excellent platform for V/STOL aircraft.³⁶

The initial estimates, even after annual revisions, were still far short of what was eventually spent in extraordinary funding for the Navy. By one estimate, attained by adding disparate Defence Ministry figures published from year to year, outlays reached 4,452 billion lire. In addition, another 2,400 billion in 1983 prices were earmarked for completion of the program.³⁷ The Navy also increased its acquisitions through the normal annual procurement budget. Between 1976 and 1983 1,300 billion worth of equipment was acquired through these channels.³⁸

³⁶*Jane's Defence Review*, Vol. 2 No. 4, 1984, p. 340. For outline of the initial program, see *IAI 1976-1977*, pp. 411-412.

³⁷*Le armi della Repubblica*, p. 87.

³⁸*Le armi della Repubblica*, p. 88.

Army Programs

The Army re-equipment program attempted to redress the Italian deficiency in anti-tank and anti-aircraft capabilities. Leopard tanks and armoured recovery vehicles were ordered to complement some already in use. Other orders included approximately 9,000 FIAT lorries of different types, 30 radars for battlefield surveillance, 40 anti-aircraft Sistel MEI-80 missile systems, 250 anti-aircraft self-propelled 25mm guns, 500 anti-aircraft Stinger missiles and other miscellaneous systems. The main remedy for the anti-tank weakness was the Breda *Folgore* rocket launcher and the MILAN medium-range missile. About 20,000 of the latter were expected to be procured, the majority produced at a new OTO-Melara and Breda factory. In addition, the Italian army sponsored three new national armoured fighting vehicle programs, the C-1, the VCC-80 and the B-1 *Ariete*.³⁹ Improved TOW anti-tank missiles were to be delivered by Hughes Aircraft between April 1988 and April 1989 at a cost of \$84 million;⁴⁰ Saab Scania received an order from Italy in 1987 for aiming devices for helicopter-mounted anti-tank missiles worth \$23.2 million. The acquisition of the Italian A-129 *Mangusta* or *Mongoose*, the first specialised anti-tank helicopter in service in Western Europe, was also planned for the late 1980s.

The Army also launched a number of research and development programs with the new funding, notably the \$1 billion CATRIN integrated field communications system, which drew on collaboration from Aeritalia, Agusta Sistemi, Italtel, Marconi Italiana, Selenia, and Telettra.⁴¹

The Air Force Law

The Air Force program was heavily weighted toward the acquisition of a single system: the MRCA *Tornado* aircraft, produced

³⁹*International Defense Review*, July 1987, p. 857.

⁴⁰*Jane's Defence Weekly*, 15 August 1987, p. 263.

⁴¹*International Defense Review*, February 1987, p. 205.

by the Panavia consortium which brought Italy into cooperation with Great Britain and West Germany. The *Tornado* swallowed about two thirds of the total budget of about 7,400 billion lire, and its costs continued to rise. The price of a single unit was about 585 billion lire in 1983 prices. The Air Force subsequently judged the MRCA aircraft inadequate as Italy's missions evolved, and with the delay in production, even its intended functions were soon surpassed by new technology. The other main programs were the MB-339 trainer aircraft (100 were ordered to replace the MB326s) and the Selenia *Spada* missile system, which included 20 batteries and 1,000 missiles. Before the initial programs were complete, the Air Force also commissioned the AMX tactical support fighter to replace the aging G-91 and some of the country's F-104s. Up to the time of the completion of the *legge aeronautica* commissions, the Air Force relied on many planes which had been in service for more than 20 years. Anti-aircraft defence consisted only of feeble, obsolete systems. The Air Force also suffered a manpower shortage into the 1980s. Over the 1970s the number of pilots decreased from 2,600 to 1,500 and only 37 of a proposed 50 squadrons were operational.⁴²

Effects of the Leggi Promozionali

Although the *leggi* and the restructuring of the forces on the lines of other NATO defence establishments brought the armed forces a new measure of respectability, the heavy expenditures soon raised public alarm. The unbridled spending of the armed forces was in part covered by the perennial resort to military secrecy in Italy.

The parliamentary defence commissions have never had the ability to carry out investigations of military contracts, in spite of the recurrent scandals...To fully understand the reasons for the choice of certain arms

⁴²Jane's Defence Review, Vol. 2 No. 4, 1984, p. 341.

systems, the Parliament should be able to have data bases at its disposition and other information for making judgments, which on the contrary are systematically denied it.⁴³

Overruns in budget outlays for all of the rearmament programs met with protest, especially from parties such as the Radicals who undertook major research programs trying to chart the effects of the rearmament. All of the *leggi* suffered sky-high cost overruns, and more than doubled the expected time of completion in most cases. Defence officials attributed the phenomenal rise in outlays to inflation, but the 103% rise for the air force, 88% for the Army, and 54% for the Navy went far beyond national inflation figures.⁴⁴

By 1983, for instance, the financing of the Army *legge promozionale* reached 5,067 billion lire.⁴⁵ A further 3,635 at current prices was estimated to be required to complete the programs up to 1990. The Army also has consistently spent more for procurement within the ordinary budget than through the *legge*,⁴⁶ probably by disguising acquisitions in various sections of the overall budget.

In its approach to procurement, however, the Italian military was simply conforming to practices endemic within NATO, and indeed most countries concentrating resources in national security. General Luigi Caligaris pointed out the chronic problem plaguing NATO defences at the time of the 40th anniversary of the alliance:

Money is too often called into play to compensate for the inadequacies of the strategic structure. Financial inputs get more attention than military outputs. Duplication of efforts and the related waste of resources are frequent, while a specialisation of roles,

⁴³Boldrini and D'Alessio, p. 234.

⁴⁴*L'Italia armata*, p. 227.

⁴⁵*Le armi della Repubblica*, p. 91.

⁴⁶*Le armi della Repubblica*, p. 93.

missions and forces would improve the cost-benefit ratio.⁴⁷

All of the forces experienced a mass infusion of new equipment, but the *leggi* only fulfilled the intended objectives in a limited sense. The equipment programs did not spark the intended economic renewal in the Italian South, with the rewards still concentrated along Italy's prosperous Northern industrial belt. In addition, the armed forces continued to turn to foreign suppliers for many types of equipment. The equipment campaigns suffered such long delays that in some cases the weaponry was considered obsolete when it was finally delivered.

More major procurement plans were announced in 1981 and again in February 1988. The latter program involved a request of 30 thousand billion lire over ten years by the Ministry of Defence to the Italian Parliament, ostensibly to keep up Italy's responsibilities in the wake of the nuclear disarmament accords. Ministry officials claimed that greater attention was to be focussed on an integrated defence plan, but the procurement appeared to be outlined again on the needs of the separate forces. The Italian Air Force requested funds for the massive AMX program to replace the G91, as well as for four tankers, *Skyguard/Aspide* missiles, and 1008 billion lire for additional *Tornados*. The Army's main acquisitions were to be armoured tracked vehicles and a new main battle tank, while the Navy asked for 132 billion lire for the purchase of V/STOL aircraft for the *Garibaldi*, 662 billion for two *Animoso* class destroyers, 382 billion for *Minerva* class corvettes, as well as funds for the EH101 anti-submarine helicopter.⁴⁸ Research and development for the European Fighter Aircraft (EFA), the European helicopter NH-90,

⁴⁷Luigi Caligaris, "Gauging NATO's Achievements" *Jane's Defence Weekly*, 8 April 1989, p. 601.

⁴⁸"Alle armi trentamila miliardi," *Corriere della sera*, 24 February 1988 and *Jane's Defence Weekly*, 22 April 1989, p. 680.

new missile and radar systems was also to be included in the "extraordinary funding."

A positive outcome of the increased visibility of the military as a pressure group in Parliament was perceived to be a rise in the legitimacy of the Italian defence establishment, and a broadened consensus about the need to support it. This was reinforced by the vividness of Italy's security issues, as violence in the Mediterranean appeared unlikely to taper off. The laws also resulted in the creation of a major showpiece for the Italians, the *Garibaldi* aircraft carrier, which became a symbol of the revival of the Italian presence in the Mediterranean in a new form.

The Italian Military Abroad

Even before the first phase of Italian rearmament was completed, the Italians sent troops into combat for the first time since World War II. One of the first cases of Italian military projection abroad was a humanitarian mission, the dispatch of the cruisers *Andrea Doria* and *Vittorio Veneto* and the support ship *Stromboli* to assist in the rescue of Vietnamese boat people in 1979. The Italians also sent a helicopter unit to reinforce the United Nations Interim Force in Lebanon (UNIFIL) beginning in 1978 to buffer Israeli and Lebanese troops.⁴⁹

Missions of a more distinctly military flavour followed later in the 1980s. The Italians sent a contingent as part of the Multinational Force and Observers (MFO) in the Sinai, to oversee the fulfillment of the Camp David accord between Egypt and Israel and to assure safe passage through the Straits of Tiran. Italian forces participated with troops from Australia, Colombia, Fiji, France, New Zealand, the Netherlands, the United Kingdom, the US and Uruguay. While the military role of the troops was modest, the mission represented a political gesture, as only those nations in favour of an Arab-Israeli

⁴⁹Italian Ministry of Defence, *White Paper 1985*, Appendix 12, p. 162.

rapprochement participated, and not, as in other situations, the entire United Nations. The main MFO bureau is at the American Embassy in Rome, and three Italian Navy officers are among the commander's staff. The first director-general, American diplomat Leamon R. Hunt, was assassinated in Rome in 1985.⁵⁰

The dispatch of Italian troops to Lebanon in 1982 represented a much greater commitment, both in political and military terms. The Italian government had supported indirectly an earlier intervention in Lebanon, when Anglo-American forces used an air base at Capodichino near Naples as a stopover point in July 1958. Britain and the US intervened in defence of the Lebanese government in power, in order to prevent a Communist takeover. Although Italian troops were not involved, the mission was denounced by the PCI and PSI, who opposed the

classic example of economic imperialism of English and American oil companies...[and] intervention in the internal affairs of a foreign country. The Socialists had opposed Soviet intervention in Hungary, and now opposed American intervention in Lebanon.⁵¹

By the 1980s there was a much wider consensus about Italy's ability to project its force, especially in terms of missions perceived to have primarily humanitarian aims. In June 1982 Israel invaded Lebanon, and although the subsequent withdrawal was peaceful, international observers were called in to oversee the departure of PLO troops. Since UN support was divided, the operation was taken on as a special mission of United States envoy Philip Habib. Italian involvement in the ^{operation} was secured through a bilateral agreement solicited by the Lebanese government. The initial mission, Italcon 1, ended in September 1982, but after a few weeks the massacres at the

⁵⁰*White Paper 1985*, Appendix 12, p. 170.

⁵¹*A Political History of Postwar Italy*, p. 129.

Sabra and Chatila refugee camps prompted the return of the French, British, American and Italian forces, this time united as the Multinational Force (MNF).

The Italians sent 1,100 men initially, and supervised a 25 square-mile area including several of the refugee camps which had undergone the recent attacks. Italy constructed a hospital for Palestinian refugees, and increased its contingent, officially known as Italcon 2, to 2200 soldiers by November.

The military record of the Italians in Lebanon was characterised by a distinct "self-limitation in the use of force."⁵² By contrast, American and French forces responded by opening fire after the shelling against their units. Two suicide attacks in October 1983 resulted in hundreds of deaths of US and French forces, seriously weakening the Western commitment to the mission. The Italians were the last to leave after this first intervention in Lebanon, and their forces returned to Italy in February 1984 with the loss of one casualty.

It was not merely a case of protecting the Palestinian camps, but also of reinforcing the authority of the Lebanese government. By the agreement between the Italians and the British, it was assumed that Italcon 2 could be involved in combat not only for self defence, but also in any way that was "required to carry out its assignment in support of the armed forces of the Lebanese government." The composition of the contingent and the armaments changed as well. To the draftee *bersaglieri* were added largely professional paratroopers of the *Folgore* brigade, and marines of the battalion San Marco (incidentally the same units that were to form the civil protection force). Italcon 2 was equipped with medium level and heavy fire support (the latter on ships anchored in the port of Beirut). Because of the potential contradictory nature of its objectives (protecting the Palestinian camps and at the same

⁵²"*La politica di sicurezza italiana*," p. 143.

time supporting the Lebanese government is difficult, if the Lebanese government is itself aiming to chase the Palestinians out of the camps) and the armaments assigned to it, the Italcon2 mission rests on the line between peace-keeping and peace-enforcing.⁵³

The latter function involves a will to resort to force to come to the aid of an ally, and not merely acting as a passive buffer. Italy had the capacity to arm itself on level of sophistication equivalent to most other European countries, but preferred to exercise restraint, and 2,200 men and 500 vehicles in Lebanon served largely as a deterrent presence. The experience had a number of repercussions at home.

The first was the legitimation of the armed forces as an efficient and important element in Italian society. The Lebanese mission uplifted the pride of the armed forces, gave them new motivation and provided them with an opportunity to demonstrate their professionalism in the face of the scepticism and indifference of a considerable part of the public. It gave them a chance to show the politicians the importance of having ready and efficient armed forces as an instrument of foreign policy and as a means of projecting Italy's image abroad. Furthermore, by confirming that there were numerous occasions for the use of military force for "peaceful" purposes in the Mediterranean, the mission gave the military reason to demand greater attention from political parties for its needs. If the government wanted to implement a more high-profile Mediterranean policy, it had to understand the military implications and, consequently, the need for allocation of enough funds to allow the armed

⁵³"*La politica di sicurezza italiana*," p. 138.

forces to increase their capability and operational readiness.⁵⁴

On the operational level, evaluation of the experience in Lebanon brought to light deficiencies in air cover during evacuation of Italian forces, before the introduction of the *Garibaldi*, as well as a number of logistical weaknesses. In the analysis of General Caligaris,

The operations were not the product of planning and preparation by unified and competent leaders with foresight, and of a globally capable military, but rather of the efforts of a few people, who with ability and dedication be it in the military units or in Rome, carried the day.⁵⁵

In 1982 the Italians carried out a unilateral mission, largely overshadowed by the experience in Lebanon, in which the *Audace*, the frigate *Orsa* and the support vessel *Vesuvio* were dispatched to Somalia. While the experience in Lebanon was seen as act of international cooperation, the brief Italian mission during the conflict in the Horn of Africa appeared to be a gesture inspired by *politica velleitaria* or "political whim," coinciding with a period of greater independence from the Americans. Explained Defence Minister Lagorio,

In recent times Italy has considered that it would be in its interest and its responsibility to intervene in the Horn of Africa for a better balance of the parties in conflict. The Alliance does not completely cover and cannot completely cover Italian interests. Our country, as every other free and sovereign country, pursues in fact its own policies, ^{which} if they coincide in large measure with those of the Atlantic Alliance,

⁵⁴Maurizio Cremasco, "Italy: A New Role in the Mediterranean?" in John Chipman ed., *NATO's Southern Allies: Internal and External Challenges* (London and New York: Routledge, 1988), p. 222.

⁵⁵*Obiettivo difesa*, p. 292.

they do not necessarily match it in every real
 action and above all is autonomous and

independent with respect to all of the territories not covered in the North Atlantic Treaty.⁵⁶

Lagorio's assertion was more striking for the innovation in Italian rhetoric, but Italy did not subsequently carry out unilateral policies to the extent that he suggested. Another departure in Italian policy, however, was the *rapprochement* with Malta. In 1980 Italy signed an accord to guarantee Malta's neutrality, in the sense that Italy committed itself to use "any measure, not excluding military assistance,"⁵⁷ which would be judged necessary to confront threats to the island. After strained relations with Western countries and other allies, Malta had expelled all foreign bases as of March 1979. After Malta unilaterally suspended the accord with Italy in 1984, Bettino Craxi revived the friendship through a £92 million aid package in November 1986. Italy went to great lengths to maintain good relations with this country which had welcomed Soviet ships and North Korean military officers on their way to Libyan training courses.

To emphasise the Italian willingness to cooperate on a military plane, Defence Minister Spadolini and 58 officials and technicians met with the Maltese in late August 1984 to discuss civil and military defence programs.⁵⁸ The neutrality agreement was reinstated in November 1986; by that time economic ties were thickening considerably. Malta launched measures to become an off-shore financial centre. Wrote a financial columnist in Rome in March 1988:

The project was launched with the creation of a shares market open initially solely to Maltese firms and later to receive an influx of capital from every part of the world...Malta would present itself as a

⁵⁶cited in "La politica di sicurezza italiana," p. 139.

⁵⁷Accordo di Neutralità Malta-Italia, Ministero Affari Esteri, 15 September 1980, p. 30.

⁵⁸IAI '84-'85, p. 487.

crossroads between European companies and the capital of the Arab world which currently are weighted in other financial centres...Ultimately the Maltese intend to request the entrance of their island into the EEC: economic and financial stability would finally be unified with political stability.⁵⁹

Italy as "Bulwark of NATO's Southern Flank"? Testing New Roles in the 1980s

Much of the new maturity in military thinking was reflected in the publication of a comprehensive *White Paper* in 1985 under Defence Minister Spadolini. The document was only the second of its kind in the postwar period and was much more comprehensive than the 1977 *White Paper*. The Defence Ministry was now able to define its objectives in terms of five missions:

- a. the defence of the northeastern border
- b. the defence of the south and protection of the sea lines of communication
- c. the defence of the air space
- d. the operational defence of the territory
- e. peace-keeping, security and civil protection activities.⁶⁰

This updated the Italian defence model considerably. A new clarity of vision was also reflected in the declaration of four general strategic themes, "the renunciation of force as a means to resolve international controversies; second, NATO membership; third, the European dimension of the policy; fourth, Italy's Mediterranean 'specificity.'"⁶¹

⁵⁹"Malta, Paradiso fiscale a due passi dall'Italia," *La Repubblica*, 4 March 1988.

⁶⁰*White Paper* 1985, p. 39.

⁶¹Maurizio Cremasco, "Italy: A New Role in the Mediterranean?" in John Chipman, ed., *NATO's Southern Allies* (London: Routledge, 1988), pp. 219-220.

The *White Paper* outlined five missions; but the responsibilities of Italy could be reduced to two threats, the traditional enemy of the Warsaw Pact, coupled with the increasing violence of the North African and Middle Eastern region. Syria, Libya and Algeria were the unnamed threats in the *Libro Bianco's* discussion of the Mediterranean.⁶² Nonetheless, intervention in situations such as Lebanon where Italian interests were not directly at stake was also well established as one of the forces' most important roles. Italy is probably the only Western country to specifically include humanitarian duties among its primary missions.

The fourth and fifth missions gave rise to the creation of the *Forza di Intervento Rapido* (FIR) in an attempt to have combat units ready for deployment for situations such as that carried out in Lebanon. The Italians drew upon the example of the American Rapid Deployment Joint Task Force, formed in March 1980 in the wake of Iranian crisis, which became a permanent feature of the US armed forces when it was transformed into a theater command force (USCENTCOM) in January 1983. The French also introduced a *Force d'Action Rapide* in 1983.⁶³

The FIR was designed to function in conjunction with other NATO mobile forces in the event of an international emergency, and would also be available for rapid mobilisation in the case of a national emergency. No permanent units were diverted to the FIR, which would draw upon several "ear-marked" sections of the ordinary forces, comprising an airborne brigade, a mechanised infantry brigade, and a naval infantry battalion.⁶⁴

Even in this limited configuration, the FIR comprised the first Italian interforce command. This was brought about on the limited scale of the force for reasons of military effectiveness, since wider

⁶²"*La politica di sicurezza italiana*," p. 153-154.

⁶³*Obiettivo difesa*, p. 99.

⁶⁴Dexter Jerome Smith, "Italy's Changing Defence Posture," *Defence*, January 1988, p. 53.

problems of force unification still resisted change. At the time of the creation of the FIR, defence officials tried to play down its role in projecting force and emphasised its capability as a civil defence corps. But its role in enhancing Italy's increased awareness of international scenarios was obvious. Besides serving as a deterrent to possible attack, the force's utility would be one of force projection.

The use of the FIR, even if it is primarily linked to the defence of Italian national territory, cannot be confined to this limited sphere where, however, it is improbable that it could be brought into use, except in the case of general war. Its structure, the units assigned to it, its specific capabilities (mobility, rapid transport, armaments), make it objectively a political and strategic instrument of a new type that, with the passage of time, should be able to acquire a multi-role character which will make it prepared for tasks which the growing turbulence of the Mediterranean basin force and will force upon our country.⁶⁵

The FIR first exercised in December 1985.⁶⁶

The *White Paper* also launched a new review of both the operational and technical structures of the armed forces. Again, adjustments focussed on restoring a distinct hierarchy of authority.

The major change will be the assertion of the superiority of the Chief of Defence Staff over the individual Service Chiefs of Staff and his exclusive command in the operational area. Previously, the Secretary General of Defence oversaw both the administration and the operational areas, but he will in future be competent only in the former area. This proposal is expected to further the functional division of defence, although it may hinder overall coordination.⁶⁷

⁶⁵*Obiettivo difesa*, p. 98.

⁶⁶"*La politica di sicurezza italiana*," pp. 156-158.

⁶⁷"Italy: Bulwark of NATO's Southern Flank," p. 82.

The FIR was designed to function within this new system, as it was assigned to the Office of the Chief of the Defence Staff, thereby avoiding the individual chains of command of the separate Service Chiefs.

Settling Into a Military Role

In many respects, the *White Paper* marked the arrival of Italy in the circle of Western countries with a high level of military sophistication and political backing of the national defence posture. Italy had proved its ability to engage its armed forces abroad and exhibited a growing understanding of the political responsibilities involved in making a show of force. The experiences abroad brought a rush of confidence, especially in some circles of the Navy.

We are living in times of violent peace. And we finally are realising that the Navy is the most flexible instrument at the disposition of our foreign policy...Try to send a battalion of soldiers abroad or a combat aircraft: everyone becomes alarmed. On the other hand, if a fine ship comes into port, there are only looks of admiration and good will...We are the right hand of diplomacy.⁶⁸

The Italian military was galvanized by perhaps the most dramatic "out-of-area" episode of a NATO country, the British experience in the Falklands-Malvinas. Italian politicians had not supported British^{-inspired} sanctions against Argentina, and the general feeling among the public and in Parliament was that "the Falklands battle represents today an absurd laceration which divides the North Atlantic from the South, the East from the West,

⁶⁸Naval officers quoted in *Panorama*, 4 October 1987, p. 75.

auguring a fracture which could become incurable.⁶⁹ But the military was fired by the example of the British Navy which had shown that "military vessels are not to be cast aside, but have another century of life in them."⁷⁰ Ironically, if anything the experience of the Falklands had illustrated the vulnerability of large military vessels in modern warfare. The success of the British led Italians to aspire to a similar role,⁷¹

a military role that was not in the least merely symbolic given that, unlike what happened in the past, today the "virtual" use of force does not intimidate even the smaller nations of the Third World, according to the *White Paper*. An analysis which seems to draw upon the English intervention in the Falklands-Malvinas, to which the *White Paper* is careful to make reference. This curious analysis based on a single trial is supposed to guarantee that middle powers, among them Italy, would be in a position to do at a more or less regional level what powers such as the United States and Soviet Union did not succeed in doing on a global level.⁷²

Italy's new commitment was seen by some to verge on the perilous. Discounting the presence of other allies' naval forces in the region, including Greek, Spanish, French and Turkish forces, the Italian Defence Ministry seemed to propose that Italy was ready to take on unilaterally any threat which arose in the Mediterranean.

The expansion of the Italian military image began to slow in the mid-1980s. Politicians who had sparked the reform and expansion of the military establishment wished to place limits on its growth and use. In August 1984 the Italians participated in the de-mining of the Red Sea, at the request of the Egyptian government.

⁶⁹M. Gilmozzi, "Lo scandalo della guerra," *Il Popolo*, 5 May 1982, cited in *IAI* 1981-1982, p. 539.

⁷⁰*Panorama*, 4 October 1987, p. 75.

⁷¹*Le armi della Repubblica*, p. 104.

⁷²"*La politica di sicurezza italiana*," p. 152.

Of the over 200 objects recovered, none were mines. When an Italian commercial vessel was attacked, the Italians again sent minesweeping and escort forces alongside the multi-national navies supervising safe maritime passage in the Gulf. By now, enthusiasm was waning for prolonged out-of-area operations which appeared to give few results. Public demonstrations against Italian involvement in the Gulf began to appear, and the Gorla government finally withdrew the ships without fanfare. Italy became more discriminating about the roles it would subject its forces to in the out-of-area context. It remained armed for the most advanced type of missions, however.

This greater military force presupposes a firm political will to apply it, when and if necessary, and not only for the defence of [Italy's] own forces at sea, but also for carrying out reactive operations with the intent of neutralising the offensive capacities of the potential adversary. It seems permissible to wonder whether this firm political will exists today in Italy...In an international framework in which the hypothesis of an East-West conflict in Europe has lost much of its credibility, while factors arising from the belligerence between countries of the Third World and from indirect and undeclared war are emerging ever more forcefully...such tendencies appear to have a logical motivation. But it is necessary that they be logically inserted in the context of a military policy which has clear objectives and the knowledge of the limits of economic resources which the country can dedicate to defence expenditures.⁷³

The limits of Italy's military potential now had to be determined. Italy was reluctant to develop into a full-blown offensive power; indeed, its leaders had decided *not* to respond with military force on several occasions, notably in Lebanon and following the Libyan attack on Lampedusa.

⁷³"*A guardia del made in Italy*," p. 79.

But the growth of the Italian military did find an outlet, in the form of a significant arms exports phenomenon. These exports fell into the category not of military policy, as with most countries, but flourished more closely along the model of Italy's other trade during the same period. The military -- and its defence-industrial aspect in particular -- was seen even among some traditionally pacifist circles as one of the most promising areas of the Italian economy.

CHAPTER THREE

DIMENSIONS OF THE ITALIAN DEFENCE INDUSTRIES AND ARMS EXPORTS

Introduction

The main trends in the Italian defence industry and exports did not closely parallel the transformation of the Italian national military policy in the postwar period. Nor is there is much of a correlation between the prosperity of Italy in the postwar period and the rise of its defence industry.

Italian leaders were reluctant to infuse funds into the military industry, despite encouragement from the United States. But even without a national program the industry expanded steadily, with the different sectors naturally developing at an uneven pace according to demand from the national armed forces and from the nascent exports market.

The shipbuilding, aerospace, electronics, and heavy and light mechanical fields all reached a sophisticated level in the 1970s. Because of the absence of open political support, and the tendency of the military toward isolationism, the growth of Italian military technology remained relatively unknown outside a small circle of the upper ranks of the military, politics,^{and} industry in Italy. An increasing number of clients emerged for the Italian industry in the 1970s and the sector gradually absorbed enough technology to create specialised products designed for the openings in the defence market. This pattern of growth in the industry, which except in rare instances was neither hindered nor encouraged by an ill-informed public at large, accelerated throughout the decade until the Italians had one of the most profitable military industries in Western Europe. By the 1980s the Americans would even become clients of the Italian defence industry.

The defence industry capitalised on economic conditions which offered protection at home, and relative freedom to trade abroad. Italian businessmen dealt with the production of weaponry as almost any other industry with commercial value. As Italian industrialists developed their own independent strategies, defence production gradually found a place among the other successful ventures nurtured by Italy's entrepreneurs. The defence industry followed the commercial motives which drove Italian industrialists as in nearly any other sector. It was launched during a period of relatively low domestic demand, but by expanding on technology acquired from abroad Italian producers were able to find outlets in lucrative foreign markets. The successful exports side of the industry, for many years completely out of proportion to Italy's international military commitments, reached its peak as leaders like Craxi, Lagorio and Spadolini sought to put more military weight behind the Italian national image. In the mid-1980s, the defence industry was adopted a national asset to allow more open assistance from the state as the industry found it could no longer sustain the successes of earlier years.

Origins of the Defence Industry

The military focus of early industry in Italy has been called the "original sin of Italian big industry."¹ Italy industrialised later and at a slower pace than other West European nations. After the unification of the Italy in 1861, military production was used as a spur to industrialisation. Many fundamental areas of industry owe their prosperity to early opportunities for selling equipment to the Italian armed forces under protectionist strategies of the late 19th- and early 20th-century governments. Ansaldo, initially a private firm, was able to produce naval vessels by 1889 including much of

¹Fabrizio Battistelli. *Armi: nuovo modello di sviluppo?* (Turin: Einaudi, 1980), p.11.

the heavy machinery and engines. The Terni Steel Works was also closely tied to shipbuilding. Writes one historian:

In 1912 about 21 percent of Italian steel production went for military or transportation uses directly, that is, into state-managed or state-subsidized sectors; without the state it probably would not have been worthwhile setting up a steel industry at all.²

The shipyards of Terni-Orlando-Odero (later to be known as OTO, with a wide range of defence output) were closely linked to Vickers in Britain. Breda concentrated on artillery and guns in an attempt to eliminate domination of Krupp and Schneider as primary suppliers to the Italian forces.³ Another defence company which would later attain considerable success was BPD, formed by industrialists Bombrini and Parodi-Delfino.

Italy's largest private company, FIAT (*Fabbrica Italiana Automobili Torino*) reached its status as a major industry because of the opportunities of wartime production in the early 20th century. FIAT introduced its first airplane in 1907, branching out from concentration on the production of automobiles for the wealthy.⁴ Profits soared when the company entered military production during World War I, and at the end of the war the company jumped from 30th to third place among Italian industries. Between 1915 and 1918 its capital multiplied seven times and employment levels soared from 4,000 to approximately 40,000. FIAT supplied 92% of Italian-made tanks and 80% of the country's aircraft motors. During this time, FIAT was able to export to Italy's allies as well as covering internal demand.⁵ The feverish activity required to meet

²R.A. Webster, *Industrial Imperialism in Italy 1908-1915* (Berkeley and London: University of California Press, 1975), p. 71.

³Webster, p. 74.

⁴Clark, p. 125.

⁵*Armi: nuovo modello di sviluppo?* pp. 19-20.

military quotas was an important catalyst for the development of FIAT's industrial strategy of maximizing labour output and minimising costs.

Manufacturing machine guns and munitions led to the introduction of series production; in addition the economies that were possible in this field in the costs of management offered growing profit margins.⁶

Even when Italy's war-making ability was made the focal point of the Fascist regime and the country engaged in colonial wars, the government did not succeed in harnessing the capability of the arms industry, either as a national military asset or for potential commercial rewards. The Italian defence industry did not reach levels of production necessary to support Mussolini's military campaigns. The modest growth of the defence industry during this period could be attributed to a few business concerns which entered and withdrew from the field of defence production in response to the opportunities of the market.

A campaign to increase defence production did not occur until 1935, and even this was characterised by an acute lack of coordination among the forces' procurement plans, seen by some as the result of Mussolini's desire to keep the armed forces fragmented and therefore weak.⁷ Mussolini also concentrated on increasing the manpower levels of the Army and other branches rather than improving their technical capabilities. Italian forces entered World War II with only about 83,000 motorised vehicles, less than 8,000 units of artillery and about 3,400 armoured cars, produced with the

⁶Valerio Castronovo, *Giovanni Agnelli*, (Turin: UTET, 1971), p. 110.

⁷Fortunato Minniti, "Il problema degli armamenti nella preparazione militare italiana dal 1935 al 1943" *Storia contemporanea*, anno IX, no.1, February 1978, p. 61.

combined forces of both private (FIAT, Caproni, Breda, Lancia) and public concerns (Ansaldo, OTO, Alfa Romeo).⁸

The aeronautics industry was more efficient in preparing for Italian defence; between 1935 and 1943 almost 20,000 aircraft were delivered to the Italian Air Force, with output greatly accelerated in the early 1940s. Still, the Italians never matched the levels of other countries at war, including the 92,000 produced in Germany and the 105,000 produced in Britain between 1940 and 1943.⁹ By September 1943 the Air Force only had 749 nationally-produced bombers and fighters in its possession.¹⁰ Italian maritime output between 1935 and 1943 was 89 vessels, including submarines, with a total tonnage of 508,828.¹¹ However, military production, and especially the strategic programming that led up to it, fell short of Mussolini's ambitions to become a strong military partner to Hitler.

The extremely difficult and ruthless test of wartime exposed the defects of our military industry. The speculative and entrepreneurial component was a marked characteristic of the involvement of the private companies; the lack of adequate scientific, technical and research support did not allow us to maintain a level with other countries; the incapacity and the improvisational nature of military and political direction, carried out by the Fascist groups in power, by the corrupt monarchy and the bureaucratized military caste, did the rest, leading us into a series of defeats. In the end the country was abandoned to its own devices.¹²

Although Italy's postwar relationship with the United States and Europe began as a military alliance based on economic

⁸Minniti, p. 28.

⁹*Armi: nuovo modello di sviluppo?* p. 127.

¹⁰ Minniti, p. 41.

¹¹Minniti, p. 48.

¹²Boldrini and D'Alessio, p. 224.

interdependence, the combination of these two factors, the military industry, was relaunched as a minor responsibility for Italy. The industry developed initially as almost an outpost for American military production. For most Italian companies the commercial appeal of maintaining an arms industry had nearly disappeared, and former defence manufacturers had branched out into other fields such as production of motor vehicles for civilian use. Postwar production got its first major impetus when the United States urged the Italian government to take on its own program of domestic rearmament. Approximately \$302 million was set aside for new equipment over the years 1951-1954;¹³ defence spending in Italy, however, remained a modest priority.

Because of the high level of public ownership in the Italian defence industry, much of its development was influenced by the special Italian system of the state-holding companies. After the Second World War, the state concentrated heavily on new investments to make the national economy function; the policies of low wages and emphasis on exports were not the only strategies carried out by the government. But the public sector existed with the primary aim of promoting the private sector. One primary goal of the government "safety net" was to facilitate the return of weak businesses to private self-sufficiency. In general private market strategies were quietly left to dominate, and collective goals were not the centrepiece of government economic planning. As a result, underdevelopment of the South was never fully tackled, and its problems were exacerbated to the benefit of the North. Southern migration, building of roads and so on all benefitted the car-makers and construction companies which formed the core the wealth of the industrial belt.¹⁴ The arms industry clearly drew advantages from this general government policy of providing the financial

¹³FRUS, Volume III, 1950, p. 1503.

¹⁴Donald Sassoon, *Contemporary Italy* (Harlow, Essex: Longman, 1986), p. 36.

assistance for businesses while imposing few criteria for the type of industrial output.

In Italy, the support of the state was crucial for setting the defence industries in motion, and for "bailing out" companies which were unable to sell their products after costly development. But the real prosperity of the Italian industry arose out of the absence of public support that fuel industries in other countries. About 60% of Italian defence production in the 1980s was exported. The export-led industry succeeded mostly because the state did not take a part in constructing the rapport with foreign armed forces that would be necessary for most countries seeking to become major arms suppliers. Most of these sales, if they had been made public, could not have been supported by Italy's political leaders: the main clients were embargoed nations, political pariahs, and developing nations with low social standards and disproportionate military budgets. Lack of open political support for the defence industry in Italy, therefore, was a prerequisite for its success.

Economic Dimensions

By the 1970s, the Italian defence industry had become a unique economic phenomenon in Italy. It showed a higher rate of growth than any other area in the 1970s, and did not follow the same cycles as other industrial areas.¹⁵

The defence industry was estimated to be between 40 and 60% state owned.¹⁶ The frequent deals which brought private companies in and out of the sector made the public stake difficult to pinpoint in any given year. The state-owned firms are controlled by two holding companies. IRI (*Istituto per la ricostruzione industriale*) was created in 1933 to support banks and industries during the

¹⁵ *Armi: nuovo modello di sviluppo?* pp.229-230.

¹⁶ Michele Nones, "Il sistema difesa-industria-ricerca in Italia," unpublished paper, 15 November 1987, p 33.

depression. It is now the largest company in Europe, and even the largest outside the United States (not including oil companies). Through its approximately 600 holdings it controls a vast stake in Italy's iron and steel production, shipbuilding and shipping, the aircraft industry and Alitalia, electronics and telecommunications, and engineering firms.¹⁷ Defence production is carried out by Fincantieri, STET (including the electronics companies Selenia and ELSAG), and Finmeccanica (Aeritalia and other companies for the production of aircraft and vehicles). These are among the largest military firms in Italy are controlled by IRI, but defence, (at about 3.3%) does not constitute a major part of IRI's mammoth holdings.

On the other hand, the output of the smallest state holding company, EFIM, is considerably more dependent on the military field. About a quarter of its workforce was involved in military contracts in the early 1980s.¹⁸ EFIM controls the various Breda companies, Agusta, SIAI-Marchetti, OTO-Melara, Galileo, and Italmissile, among others. EFIM is traditionally run by appointees of the socialist parties (PSI) and (PSDI), although relations became strained when EFIM reported consistent losses in the 1970s and 1980s; IRI is generally the preserve of the DC.

In the mid 1980s FIAT, the only major private concern among Italian defence producers, was thought to have the highest output in the field, although the company denied this status.¹⁹

FIAT's involvement in military production was sporadic since the company's inception. The firm has been called the only company in Italy to have a real strategy in the defence field, since it showed considerable agility in entering and withdrawing from markets according to profit opportunities.²⁰ The company had

¹⁷Spotts and Wieser, p. 137.

¹⁸*Armi: nuovo modello di sviluppo?* p. 192

¹⁹Financial Times, *Italian Defence Industry Survey*, 28 July 1986; interview with James Buxton, Edinburgh February 1987.

²⁰Interview *Archivio Disarmo*, March 1988.

more than a billion dollars of annual revenues in defence contracts in the 1980s.²¹ FIAT's ability to find lucrative markets in this field even without the safety net of the publically-financed holding groups is evidence of the enormous opportunities that were open to Italian weapons producers with the ability to implement commercial strategies.

FIAT took on joint ownership in some projects dominated by the state-run companies. In defence it controlled in part or entirely FIAT Aviazione, Turbo Motori Internazionale, Valsella, Borletti, Whitehead, Telettra, and Iveco.²² Fiat's output included transport and armoured vehicles, propulsion systems, electronics and telecommunications systems, munitions, mines, and torpedoes.²³ A main subsidiary, SNIA-BPD, became one of Italy's most advanced electronics firms with annual sales in the range of 545 thousand million lire.²⁴

One of FIAT's top officials, managing director Cesare Romiti, had spent the first 22 years of his career at BPD, and later at SNIA after the two companies merged. BPD was originally the armaments sides of the company; "for Cesare Romiti, in fact, the arms trade had accounted for more than half of his professional life."²⁵ By the time he reached the senior levels of FIAT management, Romiti probably had greater expertise in the world arms trade than most government officials, and was well qualified to assess prospects for future military business:

The prospects [of the shipbuilding sector] do not point to expansion, and the total volume of the market in the middle term forecasts reductions both in terms of quantity and of the dimensions of the

²¹Friedman, p. 212.

²²DeAndreis and Alessandro Liberati, "*L'Industria bellica italiana e le esportazioni di armamenti*," *L'Italia e la corsa al riarmo*, pp. 305-307.

²³"*Difesa-industria-ricerca*," p 4.

²⁴Sergio Rossi, "The Italian Defence Industry in the International Context," *Defence Today*, February-March 1988, p. 46.

²⁵Friedman, p. 207.

new work under construction. The second-hand market, ships transferred at very low cost or as direct gifts, will be controlled by the two or three richest and best equipped nations. And this situation is not limited to the maritime sector: it certainly holds true for aircraft and combat vehicles as well. In addition, the attention that the International Monetary Fund has shown for the indebtedness of a few countries because of their arms procurement policies suggests future pressures for a "chill" in this type of import. These countries will have no choice but to content themselves with military aid remunerated in the essentially political currency of ties to one of the two blocs. This is a type of transfer that, at present, Italy is certainly not in a position to plan by itself, but that must be resolved in the context of specific roles to be agreed upon with our principal ally.²⁶

There is also a high incidence of foreign ownership in the Italian defence industry. By the mid 1980s this had reached a level of about 30%.²⁷

Employment Levels and Economic Concentration of the Italian Defence Industry

One area of general agreement among researchers was the size of the workforce of the defence industry. Estimates usually hovered at 80,000 workers during the peak of the late 1970s and early 1980s, although some sources, mostly those close to the Ministry of Defence (such as Defence Ministers Spadolini and Lagorio, and direct of CASD General Carlo Jean) included the workforce of subcontractors and other related fields to bring the estimates to 92,000 and even as high as 100,000. ²⁸ Figures for employment fluctuated very little during the 1980s; however the numbers

²⁶cited in DeAndreis and Liberati, pp. 297-298.

²⁷"*Difesa-industria-ricerca*," p. 4. It is not certain whether licences are included in this calculation.

²⁸Sergio Rossi, "Italy," Nicole Ball and Milton Leitenberg, eds., *The Structure of the Defense Industry* (London: Croom Helm, 1983), p.221.

represented a major jump in employment in the sector over an earlier period. Fabrizio Battistelli's estimates show employment in 38 major companies more than doubling from 1968 to 1978, from 36,000 to 74,000.²⁹

The approximately 50 major defence companies constitute a highly concentrated area of the Italian economy. There are perhaps 500 companies involved in military production in Italy,³⁰ but in 1980 one source estimated that the ten largest firms accounted for 42.5% of total defence sales measured that year, and 62% of the personnel employed.³¹ In a larger pool, 25 companies had 75% of total defence sales and 81% of the workforce.

Most of the firms were distributed over only five of Italy's 20 regions.³² In general, production was concentrated in the industrialised North of Italy, but the region of Campania, which includes Naples, employs about 20% of the defence industry workforce, the highest regional concentration. Aircraft production offers the greatest number of jobs in this area, followed by electronics and shipbuilding. Lombardy also has a high percentage of the nation's defence industry employees (about 18%), but as in the other highly-industrialised regions of the North, the contribution of military-related work to local employment is fractional. Liguria, with electronics firms as well as important shipbuilding centres at Genoa and La Spezia, Piedmont with aircraft and mechanical production, and Latium with a high concentration of electronics, do not rely heavily on the defence industry for sustaining local industry.³³ Military industry supporters have cited the important employment opportunities the field could bring to depressed areas of the south, and firms are encouraged by state

²⁹ *Armi: nuovo modello di sviluppo?* pp. 208-209.

³⁰ Rossi in Ball and Leitenberg, p. 238.

³¹ Rossi in Ball and Leitenberg, p. 221.

³² Rossi in Ball and Leitenberg, pp. 238-243.

³³ Rossi in Ball and Leitenberg, pp. 240-241.

subsidies to build plants in areas of high unemployment. Little to date has emerged from these plans.³⁴

Productivity and Sales

Figures on productivity in the defence sector also show tremendous growth. This is perhaps the most difficult economic aspect to quantify. It is impossible to derive exactly the figures in defence from the annual turnover figures released by firms whose output is only partly directed to military use. The amount of work actually produced by the company after licenced production and purchase of foreign components is also extremely difficult to trace.³⁵ In some areas, especially shipbuilding, the incidence of foreign-bought components is very high, but the value-added is rarely specified when firms release costs for the sale of the equipment. Because of the problems in obtaining data, researchers estimate a margin of error of at least 10%.³⁶ Nonetheless the patterns of marked expansion are a significant indication of the industry's dynamism and overall economic performance.

The increase by nearly ten times over the first period examined is a striking pattern, unmatched by any sector of civilian industry.³⁷ Estimates of value-added figures showed a similar steep rise, with an average 24.7% annually in the 1970s, against a non-military average of 17% per year over the same period.³⁸ The growth index of gross investments also grew much faster in defence, reaching the figure of 4.4 against 2.87 for total Italian industry. Another indication of productivity, sales per employee, shows that defence

³⁴DeAndreis and Liberati, p. 280.

³⁵*Atti Parlamentari, Senato della Repubblica, Legislatura VIII, "La consistenza dell'industria bellica italiana,"* p. 115; De Andreis and Liberati, p. 269 ff.

³⁶De Andreis and Liberati, p. 273.

³⁷Rossi in Ball and Leitenberg, p. 230.

³⁸Rossi in Ball and Leitenberg, p. 232.

was two to five times more successful than the civilian sectors.³⁹ The criteria for the calculations, however, are not made known, and may not take into account duplications. The growth rates within the defence industry also do not reflect its modest size in comparison to the rest of Italian manufacturing: in 1984, defence accounted for only about 2.1% of the national value added level of all of Italian industry.⁴⁰

The Industrial Area of the Armed Forces

Another small percentage of defence production is covered by the production and repair facilities run directly by the armed forces. Before the First World War, nearly all of the nation's military equipment was supplied and repaired at these centres. The more efficient commercial circles within Italy quickly surpassed the productivity of the national arsenals, which were hindered by the bureaucracy and limited resources of the armed forces. Today it is estimated that the facilities produce only from two to five percent of the equipment procured by the armed forces every year.⁴¹ Modernisation of facilities and salaries for scientists and specialised technicians did not keep pace with other careers.⁴²

The defence industrial area is today a sclerotic apparatus, characterised by outdated plants and by an under-used workforce, whose average age is very high and utility practically nil. The prolonged absence over the past 30 years of rational and efficient management of the human and material resources of the military establishments has brought on a marked deterioration, which in turn greatly favours

³⁹DeAndreis and Liberati, p. 277.

⁴⁰DeAndreis and Liberati, p. 278.

⁴¹*White Paper 1985*, p. 74 cites 5%; Carlo Jean, "La strategia industriale del sistema difesa" *Conferenza Difesa-Industria*, Rome, 3-4 July 1984, p. 46, cites 2%.

⁴²"*Difesa-industria-ricerca*, " p. 23.

companies, both public and private, which are active in military production.⁴³

A large number of the facilities run by the armed forces claim the capability to produce artillery, mortars, munitions, missiles, guns and related equipment. The Army Arsenal at Naples was responsible for the initial development of the 105/14 howitzer but production was quickly taken over by OTO-Melara when its commercial potential became clear.⁴⁴ But much of the sector is devoted to addressing daily needs of the armed forces, such as preparation of food and beverage of an abysmal standard, printing services, clothing production, and so on. A commentator writing in 1974 made these observations about the industrial services:

The Italian Army is only in part a modern army: within it survive outdated, uneconomical and useless structures that no one wants to eliminate for fear of disturbing the order of things... It is almost incredible, but factories exist for the production of *mortadella* (such as the Second Experimental Unit of Maddaloni, near Caserta), as well as chemical and pharmaceutical laboratories which produce medicine, distilled liquors such as anethole, etc. The Military Chemical and Pharmaceutical Institute in Florence takes charge of all of that, and also of the definition of the characteristics that food and drink destined for the troops should have in order to be edible. It is clear that no one has taken a survey of the military "experts" who do not seem to notice, however, that often the pasta is inedible, the tins of meat very often date to the Second World War, and that the notorious hard-tack is often more than 30 years old.⁴⁵

The industrial area of the armed forces perhaps still plays a role in acquiring foreign know-how and building systems which,

⁴³*Armi: nuovo modello di sviluppo?* p. 196.

⁴⁴*Armi: nuovo modello di sviluppo?* p. 197.

⁴⁵Massobrio, pp. 316-317.

because of their highly sensitive nature, are difficult fields for the more independent firms, even those owned by the state. This could include the area of nuclear, biological and chemical (NBC) weapons. It is possible that chemical weapons are produced in Italy.⁴⁶

Italy was the first country to contravene the Geneva Convention's prohibition of the use of toxic gas, in Ethiopia in 1935 and 1936.⁴⁷ "NBC" weapons have since been used on numerous occasions (Japan in China in 1936; Egypt in North Yemen, the US in Vietnam; Vietnam in Laos and Kampuchea; the USSR in Afghanistan, Iraq in Halabja)⁴⁸ but the superpowers are thought to hold the only major stockpiles.

The Italians retain a number of facilities relating to chemical weapons, including three storage sites at Scanziano Belfiore, Lago di Vico, and Santa Lucia-Civitavecchia. The latter facility was reported to be undergoing expansion at the same time that President Reagan asked the Italians to house part of his \$5 billion program for new chemical weapons.⁴⁹ The amount of weapons in Italy is probably not high, especially compared to stockpiles in other NATO countries like West Germany. However, Zaire was alleged to have Italian-made napalm bombs, and part of the Iraqi arsenal may have been acquired in Italy.⁵⁰

A military analyst suggested that other situations when the industrial facilities of the armed forces might be called into production would be when a small quantity of equipment of low technological content is ordered and would not offer the economies

⁴⁶A top Italian defence official could not deny that chemical weapons are produced in Italy during an interview in April 1988.

⁴⁷Russell Warren Howe, *Weapons* (London: Abacus, 1981), p.15.

⁴⁸*The Economist*, 4 June 1988, p. 26.

⁴⁹*L'Italia armata*, pp. 312-313.

⁵⁰IAI 1976-1977, p. 428, note 8; *Armi: nuovo modello di sviluppo?* p. 268; De Andreis, "Le esportazioni di armi italiane a Iraq e Iran," *Le esportazioni italiane di armi: due casi*, Centro studi di politica internazionale (Cespi): *Note e ricerche*, n.18, March 1988, p. 6.

of scale necessary to attract other sectors of the defence industry, or when the equipment or spare parts are needed urgently and ordering from the industry would be too time-consuming.⁵¹

The low technological capacity of the armed forces' industrial facilities, however, combined with the inevitable slowness associated with state institutions in Italy probably make it unlikely that these facilities can step in and adapt to a wide variety of equipment requirements of the armed forces. Usually the commercially-oriented area of the defence industry is contracted in all but the rarest examples, and simply paid by the Ministry of Defence whatever is necessary to complete the work.

Because of the sophistication of modern equipment, repair work is not even possible in many cases in the armed forces facilities, and is often included as part of the producer's responsibilities in the procurement agreement. And with the exception of ships, Italian military equipment is more often replaced and modernised before it is sent for extensive repairs. A "reserve capacity" in the industrial sector of the armed forces is no capacity at all unless it can have the ability to enter at short notice into production of equipment that when produced privately usually requires years of research and investment in sophisticated machinery. The main reason for maintaining these establishments is really the employment opportunities they offer to a bloated, under-used workforce.

The Italian Ministry of Defence has attempted to optimize the efficiency of the maintenance and repair sector and studies undertaken in 1976 and 1981 expressed the aims of

--subdividing maintenance activities between military and civilian facilities in order to protect the interests of both sides and guarantee speed, efficiency

⁵¹ "La strategia industriale del sistema difesa" p. 46.

and maximum flexibility within the military structure, especially in an emergency
 --eliminating smaller and useless factories
 --containing drastically the financial burden of restructuring to be distributed over several fiscal years
 --setting up some maintenance centres, also for the Air Force.⁵²

Even after rationalisation efforts were underway in the 1980s, a participant at a Senate hearing remarked on the paradoxical fact that the establishments employed nearly as many people as the defence industry itself, without attaining even a fraction of that sector's productivity.⁵³ A curious part of the rationalisation program was an increase in the number of facilities, and the employment of 15,000 new workers⁵⁴. Ministry of Defence officials are faced with the dilemma of wanting to enlarge or hold steady public sector employment at the same time that they need to contract the industrial facilities for them to reach even minimum efficiency.

Research and Development

Another function usually fulfilled in large measure by nationally-owned establishments in other countries are research and development projects. On a world scale, military research and development devour an increasing share of resources. SIPRI estimates that 10% of worldwide defence expenditures are directed to R & D, and such projects employ more than half of the world physicists and engineers. In addition, between every generation of

⁵²White Paper 1985, p. 74.

⁵³"La consistenza dell'industria bellica italiana," *Atti parlamentari, Legislatura VIII*, p. 114.

⁵⁴*Le armi della repubblica*, p. 99.

new technology, the Independent European Planning Group (IEPG) estimates that costs rise 5-10% annually.⁵⁵

The ceaseless pattern of inflation has affected the earnings even of major companies such as Boeing.⁵⁶ The United States spends the most on development programs, diverting about 10% of its defence budget to research. European countries spend about a third of the American figures;⁵⁷ France and the FRG each spend about 4-5% of their own defence outlays.⁵⁸

While in other countries, military research represents a significant diversion of national funds and the foundation of many nations' technological wealth, in Italy there is no such phenomenon.

In the military [research] establishment little of great validity is accomplished, money is thrown away, more often than not the practice is to buy outright and engage in illegal dealings. The involvement of Italian scientists is rare, those who do collaborate are professionally discredited.⁵⁹

Other countries at one time had similar divisions in their national research communities. In postwar France the arms industry initially had few friends in the theoretically-oriented university scientific community. R & D was carried out in the old-fashioned state arsenal system. But research was transformed under de Gaulle when expenditures tripled to cover the development of

⁵⁵General Luigi Stefani, "Cooperazione internazionale e sfida tecnologica," presented at CASD, 2 June 1988, p. 4.

⁵⁶*Jane's Defence Weekly*, 28 October 1987.

⁵⁷Stefani p. 11.

⁵⁸Rossi, "Il sistema economico della difesa," *Conferenza Difesa-Industria*, p. 34.

⁵⁹*Armi: nuovo modello di sviluppo?* p. 305.

nuclear forces, and defence research brought "scientists, technicians and military *élites* together."⁶⁰

R & D in Italy

Such a revolution never occurred in Italy, which in the 1980s still produces a very small amount of the technology used in its defence *matériel*. As weapons systems advanced in the 1960s, however, some indigenous research became essential, even if the aim was only to adapt or modernise existing technology. In Italy most of this work is conducted at the expense of the firms. Costs for research are reflected in the contracts for the purchase of the completed systems. Naturally the prices may not correspond exactly to the costs incurred by the company for individual systems, but are adjusted according to the customer and the conditions of the sale. In a sense the national armed forces fund R & D indirectly, by paying higher prices for nationally-produced weaponry to offset the "technological inflation" suffered by the firms in the R & D stages. The investments for research and development cost as much as 15% of the turnover.⁶¹

Since private research dominated, the largest private firm FIAT had an important role in developing scientific facilities. Research centres for gas turbines at Sangone, for avionics at Caselle, a wind tunnel and experiments in electronics were all funded by FIAT. President of FIAT Aviazione, Giuseppe Gabrielli, a celebrated engineer and test pilot, was a professor at the Turin Polytechnic until 1973. This position allowed him to

realise a fruitful collaboration between university
and industry which while enriching the university

⁶⁰Edward A. Kolodziej, *Making and Marketing Arms: The French Experience and Its Implications for the International System* (Princeton: Princeton University Press, 1987) p. 193.

⁶¹ "Il sistema economico della difesa," p. 43.

with fascinating experiences also permitted me to hire a great number of the best students in the technical offices and laboratories of FIAT. I brought about further collaboration between university and industry as national delegate of AGARD (Advisory Group for Aerospace Research and Development) thereby using the opportunities, the means and the valuable knowledge that the institution promoted and continues to promote in the interests of NATO countries.⁶²

Gabrielli's activity was one of a few rare instances of close university-industry cooperation until the 1980s. Even in the case of FIAT, suspicion was mutual between the two fields: the company's president Vittorio Valletta was remembered to have considered "with incredulity and a certain scepticism the opportunities that the universities could offer."⁶³

Italian universities were very late to develop the rapport with the military establishment that became commonplace in other countries. The Italian universities were generally as separatist and ill-managed as the armed forces. Cooperation between academic institutions and the electronics industry increased in the 1980s. To preserve confidentiality, sometimes the name of the firm and the purpose of the research are released only to the scientists directly involved in the project. Italian participation in the Strategic Defense Initiative (SDI) research, with the promise of generous American contracts, was the first time that university and military scientists made a serious attempt at collaboration. Private industry sometimes cooperates with the *Consiglio Nazionale delle Ricerche* (CNR), or National Research Council.

⁶²Gabrielli, p. 87.

⁶³Gabrielli, p. 147.

Sources of R & D Funding

State-sponsored R & D for defence is one of the lowest among industrialised countries, whether measured as a percentage of GNP or as the proportion of all the country's funds for scientific research. About 11% of public financing for R & D in Italy went for military purposes; this is a modest figure as Italy spends only about 0.7% of its GNP on research. This notwithstanding, by the 1980s, Italy considerably increased its R & D efforts in various areas. The promotional laws of the 1970s were a significant spur to the development of new military equipment and to close cooperation between the armed forces and industry.

The *leggi promozionali* allowed the Italian military a procedure for rapidly acquiring advanced and expensive equipment, because for the most part Italian political circles were now convinced of the need to bring Italy in line with the standards of its NATO allies, to pose an adequate response to the instability in the Mediterranean. By pinpointing advanced equipment, Italy favoured its nascent electronics industry in particular. A third of the outlays were directed to systems in this field, which subsequently developed some of the most advanced systems in the world. Naval systems were especially emphasised, as Admiral Vittorio Marulli, head of the Navy, explained in 1984:

Over the last 20 years in the field of command control communications and active and passive sensors, the Italian Navy has evolved an incentive policy for industry in order to establish national sources of supply. The strategic and economic motives are obvious. Our electronic industry had at that time acquired sufficient experience in the building of instruments under licence to be able to proceed independently. Such abilities have been since widely demonstrated with the success achieved in

foreign markets against strong international competition.⁶⁴

The advanced new inventory also gave Italian companies incentives and funding to embark on joint ventures with European and American partners, as will be discussed later, thereby replenishing the national industry's technological base.

In 1984 another bill was passed in the Italian parliament allocating 996 billion lire over six years for the development of three new systems: the Italian-Brazilian AMX fighter, the CATRIN field intelligence system, and the Italian-British EH-101 helicopter project. By this time, the Ministry of Defence was able to publish in its *White Paper* a lengthy list of the projects under development.⁶⁵

Public funding from a variety of sources amounted to approximately 700 to 800 billion lire in the late 1980s.⁶⁶ The state sponsors R&D through a number of channels. In real terms, public funding quadrupled over a fifteen year period. As a part of total public outlays for research, military R&D also doubled in four years and as a percentage of the military budget, the value trebled.⁶⁷

Sources of public funding include the Ministry of Defence, various Funds for Research, as well as the state-holding companies.⁶⁸ The Ministry of Defence makes outlays for research projects under two headings of the defence budget. A small amount is allocated specifically to "Expenditures for Scientific Research"; the 5 billion lire under this heading in 1981 increased to 22 billion in 1986. Most of the research directly funded by the Ministry of Defence is absorbed into programs for "Modernisation and Renewal of Defence."

⁶⁴"Stretching Italy's Capability" *Defence Attaché*, No. 2, 1984, p. 32.

⁶⁵*White Paper* 1985, pp. 188-192.

⁶⁶"*Difesa-industria-ricerca*," p. 34.

⁶⁷"*Difesa-industria-ricerca*," p. 27

⁶⁸"*Difesa-industria-ricerca*," pp. 24ff.

The two *Fondi per la ricerca* in Italy are controlled by two different ministries in the Italian government. The Fund for Applied Research, created in 1968 and managed by the *Istituto Mobiliare Italiano* (IMI) for the Ministry for Scientific and Technological Research, releases about 50 billion lire annually to national projects, including a high incidence of civilian research. The Ministry of Industry created the Rotating Fund for Technological Innovation in 1982. Outlays for military research reach perhaps 50 billion lire annually in addition to civilian work; chemicals, aeronautics, electronics, the automobile industry, and components are among the areas emphasised by the fund. There is little coordination between these two funds and their resources are wasted to some extent by the creation of redundant projects. An example of the duplications in publically-financed projects is the case of the Aermacchi MB339 and the SIAI-Marchetti S-211 fighter planes, which were supported by different funds and entered into direct competition.

The state-holding companies also finance research costs for the military industry. In 1987 these firms invested 578 billion lire in military R & D, more than what the Ministry of Defence itself funded.⁶⁹ The state-holding firms release funds through their *enti di dotazione* or endowment funds, but the main strategy for most firms developing new systems, within the private or public sphere, is to put forward the research costs in the development stages and recoup the expenses when the weapons are priced for sale.

Overall, the R & D structure in Italy is highly fragmented and the research base to support the industry's ambitious commercial aims does not exist. One military analyst observed:

The unified approach of the process from research and development to production in industry requires a similarly unified approach in the decision-making

⁶⁹"Difesa-industria-ricerca," p. 33.

and operative functions of the [Ministry of] Defence. The organs devoted to research should be redirected under the responsibility of a renewed and strengthened National Direction for Armaments in such a way as to include all of the research, and not just inter-service and international projects, in a single plan, related to the more general activity of procurement.⁷⁰

The Industry-Defence Committee created by the Ministry of Defence in 1984 has been almost completely impotent in this coordination process. The most striking feature to note however is that the Italians made considerable advances *without* the presence of an alliance between the nation's scientific and defence industry communities. They became major manufacturers and exporters of weaponry before the effort to introduce a research base in the 1980s, in a field that pivots on technological strength.

Italian Defence Exports 1949-1972

Immediately following the Second World War, when Italy's political life and military stance were relatively unformed, arms exports had already begun. In the late 1940s, military production employed about 3,000 people; the first product was probably the G-46 trainer. Seventy of this model were sold to Argentina, and ten to Syria. The G-55 was sold to the same clients, as well as to Egypt. After 1949, the Italians exported 50 Vampire aircraft, produced under DeHavilland's licence, to Syria which transferred them to Egypt. In 1950, Macchi sold 50 single motor fighter planes directly to Egypt. Production of this model dated from the war years.⁷¹

Between 1950 and 1960, exports increased as Italian military manufacturers acquired a number of licences, mostly for aircraft. The shipbuilding industry was also active; foreign outlets for

⁷⁰ "Difesa-industria-ricerca," p. 41.

⁷¹ "Il nostro mercato di morte," p. 26.

Italian-made military frigates and corvettes included Venezuela and Indonesia. In 1957 Israel and Iran also bought light ships for military purposes.⁷²

During the 1950s, the aircraft industry acquired a technological base which permitted a subsequent boom in exports in the following decade. In generating a pool of clients, the weapons industry dealt from its early years in politically delicate areas. Italian firms sold arms to Perón right up to his downfall, and Fidel Castro claimed that Italian and English armaments manufacturers were the last to sell weapons to Batista before his overthrow in Cuba.⁷³ In the early 1960s, Italy was already condemned at the United Nations because of its increasing cooperation in arming the South African regime of apartheid. Italian government policy in areas of tension, as will be seen later, remained effectively unaltered until the 1980s.

Italy's politicians were forced to acknowledge this area of Italian industry by the mid-1960s, both because of the prestige of entering the circle of the top world suppliers, and because of the political embarrassment provoked by Italy's range of weapons clients. As a middle-level supplier, Italy had the crucial advantage over other developing industries such as Argentina's or India's of having access to the high technology of the United States and NATO. While the Italian defence industry remained dependent on outside sources for technology at the production level, it discovered gaps in international exports markets that the larger countries left untapped, either because of political reasons or because profits were too modest.

⁷²"Il nostro mercato di morte," p. 26.

⁷³*he Politics of Italian Foreign Policy*, p. 94.

Arms Exports 1972 to the Present

Changes in Patterns of World Military Transfers

New conditions emerged which paved the way for the expansion in Italian weapons exports. Changing policies of the major supplier countries created new opportunities for smaller sellers to fill markets. The major alteration in arms transfers was the change in status of the superpowers from donors to sellers of weapons. The United States and Soviet Union began to supply strategically important allies in the 1960s with weapons in exchange for payment, instead of arming their allies with gifts of surplus or obsolete stock. The continued failure of more direct types of military intervention, especially by the Americans in Vietnam, and the Soviet need for hard currency confirmed the new trend in arms sales.

Weapons came to be seen increasingly in economic terms, and smaller suppliers with more modest political ambitions began to market armaments for their commercial value. The Americans also placed a new emphasis on burden-sharing within the Atlantic Alliance. European industries which were hard-pressed to meet Alliance commitments increasingly sought to effect longer military production runs, and exported a greater proportion of their armaments to offset costs.

Simultaneously, new demands of recipient countries radically changed world patterns in arms sales. The developing countries became the major importers of arms and many of these nations also began to exercise tremendous leverage because of their riches in raw materials, especially oil. In the 1950s, the developing world had received a negligible amount of arms transfers, and accounted for about 50% of the trade by the 1960s.⁷⁴ During the 1970s over three quarters of world arms sales were directed to Third World

⁷⁴*Armi: nuovo modello di sviluppo?* p. 235.

countries.⁷⁵ Former French, British and Portuguese colonies underwent liberation movements; arms were ordered in vast quantities both for use in conflicts arising from the new political instability, and as symbols of prestige for the newly-formed governments. Military spending increased more than three times as fast as in the industrialised countries in the 1970s. More than a third of the major importers of arms in the developing countries also ranked among the poorest nations in the world, with annual per capita income averaging less than \$500.⁷⁶

The oil-producing nations became the greatest new consumers of armaments. In the early 1970s exports of the Organisation of Petroleum Exporting Countries (OPEC) were worth about \$100 billion per year.⁷⁷ Armaments became one means for the industrialised countries to counter the rising costs of energy and raw materials which were purchased from the developing countries. France, for example, is thought to have covered about 24% of its oil purchases with arms sales in the 1970s.⁷⁸

Italy has also sealed its own fine arms-for-oil deals. If in this field the most clamorous contract was that made by Agusta on 24 February 1977 with the Shah (50 CH-47 *Chinook* helicopters worth \$425 million in exchange for 5 million tonnes of oil to AGIP), other agreements occurred in the various exchanges between Italy and other oil producers such as Libya, Venezuela, Iraq, and on a more limited scale, Saudi Arabia, Kuwait, and Indonesia.⁷⁹

⁷⁵Andrew J. Pierre, *The Global Politics of Arms Sales*, (Council on Foreign Relations; Princeton: PUP, 1982)p. 36.

⁷⁶Pierre, p. 36.

⁷⁷SIPRI *Yearbook 1975*, p. 199.

⁷⁸Edward A. Kolodziej and Bokanga Lokulutu, "Security Interests and French Arms-Transfer Policy in Sub-Saharan Africa," in Bruce Arlinghaus, ed., *Arms for Africa* (Lexington, Mass.: Lexington Books, 1983), p. 144.

⁷⁹*Armi: nuovo modello di sviluppo?* p. 279.

The demand for arms also increased because of the fact that these new stores of arms in the Third World were often used in combat, unlike the arsenals of the Western countries. The Middle East War of 1973, for example, both unleashed a new cycle of rearmament to replace the depleted stocks of the countries at war and provoked a local arms race. The war consumed \$2.5 billion in US equipment and it took four years for the Americans to renew pre-war levels. In the surrounding region many nations increased their purchases of arms steeply in preparation for later conflicts. All of these conditions provided opportunities for West European suppliers, including Italy, to increase arms exports to the Middle East.

Expansion of Italian Military Exports

The Italian arms industry had reached a degree of preparedness by the late 1960s which enabled it to expand in response to the opening of new markets and its need to adjust its balance of payments. In 1972, exports accounted for only one fifth of the turnover of the Italian arms industry, or about 100 billion lire. In the following year exports began to increase at an average rate of 21% until 1985; in the second half of the 1970s the yearly rate of increase reached as much as 36%.

Italy had already established commercial connections in many countries which were now seeking to buy arms, and did not suffer some of the political obstacles of the ^{other} ex-imperialist countries. The industry had reached a technological level through its cooperation with other Western countries which would satisfy foreign customers, and was about to embark on an even greater expansion because of the refurbishment of the Italian armed forces under the program laws. By the 1970s, Italy's politicians were also expressing cautious interest in the economic potential of this area of Italian industry.

Between 80 and 91% of Italian exports went to the Third World, and more than half of all the country's arms exports went to the oil-producing nations. This was a greater concentration than that of any other major supplier; the US exported about 50% to the Third World, the USSR about 75%, France 80% and the UK 73%.⁸⁰ Italy's dependence on foreign sources for energy and raw materials is acute. Along with Japan it is the most dependent country on outside energy sources in the world, and only in the late 1980s began in earnest to develop alternative sources. It was in large part because of the rise in oil prices in the 1970s that Italy's respectable trade record of the previous decade fell into deep crisis. By August 1976 the foreign debt to the International Monetary Fund (IMF), the EEC, West Germany and other international capital sources had reached a high of 17 billion.⁸¹

By region, Africa (including OPEC members) received the greatest amount of Italian arms exports, accounting for approximately a third of the transfers. Libya was the highest recipient, with about \$700 million of Italian war materiel in its arsenal by the early 1980s. The Middle East and Latin America were the next highest consumers of Italian arms. In the period 1979 to 1983, when Africa received 31% of Italian weapons exports, the Middle East bought 27% and Latin America 23.5%. After Libya, Venezuela was Italy's most important customer, with about \$550 million in purchases. Somalia and Iraq both imported arms worth \$410 million from Italy.⁸² Italy had a wide range of smaller customers which provided a steady clientele for the Italian industry.

In the period 1979-1981, Italy reached the ranking of fourth largest exporter of major weapons systems in the world, after the

⁸⁰*SIPRI Yearbook 1985*, p. 346.

⁸¹Donald Sassoon, "The Making of Italian Foreign Policy," in William Wallace, ed., *Foreign Policy Making in Western Europe* (Westmead, Farnborough, Hants.: Saxon House, 1979), p. 92.

⁸²*Archivio Disarmo, Scheda COD IB no. 13*, Rome, 5 May 1986.

Soviet Union, the US, and France. The Italian weapons exporters had maintained such a low profile that a major study published in the same year made almost no reference to the Italian trade in arms.⁸³ Italy held a 4.3% share of the world market, followed by the UK with 3.6% and the FRG with 3%.⁸⁴ By the middle of the decade, however, conditions began to change to the disadvantage of many Italian suppliers. Many Third World armed forces had satiated their desire for arms; tensions in the Persian Gulf eased, and many of Italy's former customers themselves became aggressive armaments exporters. In the late 1980s Italy had fallen to eighth place among world exporters, behind the USSR, the USA, France, the UK, China, the FRG and Czechoslovakia. In 1988 alone it fell below all of those countries as well as Sweden and the Netherlands; it was also nearly surpassed by its client Brazil. Exports of major systems were thought to bring in about \$397 million to Italy.⁸⁵ The surge of the previous decade had come in response to forces outside of Italy, and when the Italian share of the arms market dropped steeply, manufacturers were forced to devise new strategies. Their new aim was to enlist government support for the industry, and to seek broader outlets in "legitimate" markets, such as joint ventures within NATO.

⁸³Andrew Pierre's Council on Foreign Relations study of world arms industries does not mention the dimensions of the Italian trade and does not list it as one of the world's major suppliers.

⁸⁴*SIPRI Yearbook 1982*, p. 176.

⁸⁵*SIPRI Yearbook 1989*, p. 199.

CHAPTER FOUR

THE INDIVIDUAL SECTORS OF THE ITALIAN DEFENCE INDUSTRY

The Italian Aerospace Industry

Origins

The tradition of Italian aviation dates back to Leonardo da Vinci, but the first experiments in aircraft production began in the early 1900s.¹ The company Aermacchi claims to be the oldest in Italy, and the second oldest in the world.² Giovanni Agusta, Giovanni Agnelli of FIAT and the first of the Piaggio industrialists were also aircraft enthusiasts who introduced aviation production to their family businesses. Agusta produced the AG-1 glider in 1901; FIAT began airplane construction in 1907 and motor production a year later. Piaggio had made a fortune in shipbuilding and railroad construction before entering the aeronautics field in 1915.

The Italians undertook many experimental projects in the field of aviation, including production of the largest aircraft built during World War II, a quadrimotore constructed by Piaggio,³ and a plane designed for testing pressurization for other aeronautics developments.⁴ Aviation pioneers such as Italo Balbo spurred the development of aircraft technology in Italy in the early 20th century. But the aerospace industry did not succeed in producing aircraft in the quantities necessary to support Mussolini's military contribution to Axis forces.

Accustomed to dependence on stronger foreign military industries, the Italians followed American initiatives when aircraft production resumed after the creation of NATO. The Italian Air

¹Dexter Jerome Smith, "Italy's Changing Defence Posture", *Defence*, January 1988.

²*Atti parlamentari, IX Legislatura*, 14 March 1986, n. 4, p. 1.

³*Atti parlamentari, IX Legislatura*, 14 March 1986, n. 4, p. 8.

⁴*Atti parlamentari, IX Legislatura*, 14 March 1986, n. 4, p. 8.

Force was among the earliest beneficiaries of the Mutual Defense Aid Program.⁵ In the aerospace field, however, American collaboration in the early years was considered by some in retrospect as a hindrance to industrial growth, rather than a spur to expansion and innovation. The supply of free American equipment

in effect was a grave impediment for the Italian aeronautics industry to following up efforts to update technology, since the supply of support material for the aircraft -- equipment, motors and spare parts -- was automatically passed to American firms.⁶

Italy and the World Aircraft Industry

As Italy remained a client of the American aeronautics establishment, it was naturally affected by the larger trends of the world industry. Military demand sparked an explosion in world aircraft production. In the first three decades after the war, 76 different types (and 144 variants) of aircraft were put into service by the US, USSR, France and the United Kingdom.⁷ The fast expansion of the industry was fueled by extremely high investments for research and production. Unit costs of military aircraft rose as much as five-fold from one generation to the next, both in Europe and the US.⁸ The spiralling costs were responsible for the decline in the 1970s of construction of fighter aircraft in the United States, which is now carried out by only four companies. Companies engaged in

⁵FRUS, Volume III, 1950 p.

⁶Ministero del Bilancio e della programmazione economica, *Relazione Caron*, Rome 1970, p. 42, cited in *Armi: nuovo modello di sviluppo?* p. 129

⁷Howe, p. xxv.

⁸Ulrich Albrecht, "The Federal Republic of Germany and Italy: New Strategies of Mid-Sized Weapons Exporters?" *Journal of International Affairs*, Vol. 40 No. 1, summer 1986, p. 134.

commercial aircraft production outside of the Eastern bloc declined as well from eight to five firms between 1959 and 1986.⁹

Aeronautics is perhaps the sector where many major features of the defence establishment are most pronounced. It is most affected by frequent mergers and takeovers, recourse to consortia for sharing research and development costs and effecting economies of scale in production, and the frequent use of high "mediation fees" to ensure the success of contracts. In Italy price containment is not encouraged by the high level of state ownership, which permits firms to carry losses and protects them almost unconditionally from bankruptcy.

In its advanced stage of development in the 1980s the Italian industry was not immune to the greater problems of world aeronautics industries, in which an emphasis on high performance military applications and an inability to contain costs was holding back progress of the sector:

The [Second World] war and the subsequent dependence on the military market can be said to have stunted the development of the aircraft industry, to have shifted the industry from the design emphasis characteristic of the early phases of an industry, which involved increasing returns as each new investment yielded important innovations, to the design emphasis characteristic of the later stages of an industry, more aircraft per aircraft, without ever going through the stage of production engineering...The military market froze the structure of the aircraft industry.¹⁰

⁹*Atti parlamentari, IX Legislatura*, 13 March 1986, p. 2.

¹⁰Mary Kaldor, *The Baroque Arsenal* (London: Andre Deutsch, 1982), pp. 87-

Early Postwar Collaboration

At the start of the postwar period, FIAT, Agusta, Macchi and Piaggio had converted mostly to civilian production,¹¹ but by the 1950s all of these companies had been attracted again to the military aircraft field. In 1949, FIAT and Macchi acquired the licence to build 150 Vampire fighters from the British firm DeHavilland. Then at its peak, DeHavilland was especially noted for the fact that it was one of the few companies in the world to produce motors, like FIAT. As a result of the agreement, "a vast network of collaboration was set in motion between the British and Italian industries...In addition, military pilots and technicians were sent abroad to finish their training."¹²

Cooperation with American companies began to overshadow the early Anglo-Italian partnership when FIAT received the licence to produce the F-86K Sabre fighter-interceptor in 1956. This project, part of the American Mutual Weapon Development Program, "mobilised the entire Italian aeronautics industry."¹³ Technology was received from the US to manufacture the planes and the Italian industry invested heavily in new machinery both for assembling the planes and carrying out the finer electronics processes involved in the avionics systems. The new equipment acquisitions were considered "*bona fide* jewels of technology" for the nascent industry in Italy.¹⁴

Italian aeronautics scored its first postwar success with the construction of FIAT's G-91 for NATO. Macchi's MB-326 tactical support aircraft and several Piaggio models also represented technological achievements for the Italians. In the case of the MB-

¹¹*Armi: nuovo modello di sviluppo?* p. 129.

¹²Gabrielli, p. 125.

¹³Gabrielli, p. 142.

¹⁴Gabrielli, p. 143.

326, about 850 models were exported over 20 years, and licences to produce the plane were sold to Australia, Brazil and South Africa.¹⁵

Aermacchi tied its fortune to the trainer jet MB-326 which was widely exported besides being in service in the Italian armed forces. In this case the foreign orders were particularly significant, since they illustrated the competitive potential of models designed in Italy without the support of NATO or the USA. Aermacchi entered into collaboration with Lockheed, which bought some of its shares and enabled Macchi to produce the light multi-role AL-60 aircraft.¹⁶

In 1961 Italy participated as a junior partner in the NATO consortium for the production of the Lockheed F-104G along with West Germany, the Netherlands, Belgium and the US; the American firm retained export rights for the aircraft.

State Involvement and the Creation of Aeritalia in the 1960s

The industry was given special assistance under Andreotti's tenure at the Ministry of Defence in the mid-1960s. He announced to a parliamentary commission that "we have sought to lend government assistance, within the limits of our budget, to the various Italian aeronautics industries," and when opportunities for international collaborations arose, "a certain level of assistance was furnished to private firms on the part of the government."¹⁷ The aeronautics industry was evidently an increasingly important symbol for this politician who had witnessed Italian developments since the time of De Gasperi. During a public speech at the opening

¹⁵*Armi: nuovo modello di sviluppo?* p. 130.

¹⁶Boldrini and D'Alessio, p. 227.

¹⁷Giulio Andreotti, cited in Carlo Federici, "*Verso un complesso militare industriale?*" *Il Potere Militare in Italia*, p. 187.

of an international air show, Andreotti heaped praise upon FIAT's Gabrielli:

We now have the joy of considering the field of aeronautics not only as a glory of the past, but as an active living reality. We can see through the 50 billion lire worth of aeronautics production, and through the modest exports (31 billion last year), an affirmation of the great importance of our types of aircraft, and here I would like to state that the plane that shone most brilliantly [was] the G-91 which by winning an international competition, a NATO competition, has not only brought benefits to an industry, and to a complex of industries, but also has done a great good for our country...Professor Gabrielli, you may not have the fame of a diva or a great sports champion, but I believe that you can carry on your conscience the certainty that you have rendered a great service to the dignity of our country.¹⁸

Between 1966 and 1969 the Caron Commission undertook an investigation in the Italian Parliament into the possible rationalisation of the Italian aeronautics industry. The sector had profited greatly from cooperation led successfully by FIAT-Aviazione, which united Aerfer, Macchi, and Piaggio SIAI in the construction of the G-222 transport plane for the Ministry of Defence. Recalled Gabrielli:

The division of labour [in building the G-222], which began from the development phase of the project, occurred for the first time in Italy. An intense collaboration was established among hundreds of technicians, engineers, and specialised designers...besides, naturally, the complicated relations of the administrators and accountants. The men of the different firms did excellent work and the

¹⁸quoted in Gabrielli, p. 176.

collaboration was experienced in a truly praiseworthy spirit.¹⁹

In 1969, FIAT-Aviazione, Air-Fer and Salmoiraghi were combined under a new company, Aeritalia, with partial state control (under IRI's subsidiary Finmeccanica) and some private shareholdings (through FIAT). The mixed ownership of the company ended when FIAT pulled out in 1976.

This still left Aermacchi, Piaggio and other firms in open competition. Further rationalisation followed in 1981, when Aeritalia took shareholdings in other aerospace companies in Italy.²⁰ The merger followed the trend of other European industries, such as the British sector which nearly 20 years earlier had reduced over 30 firms into groups concentrated around helicopters (Westland), fixed-wing airplanes (British Aerospace) and motors (Rolls Royce).²¹

Once the problem of fragmentation had been partially addressed, Italy was prepared to enter the international market and greatly increase its production. By the late 1960s aeronautics had already reached a level of relative maturity among defence-related industries in Italy, and was prepared to respond more efficiently to the large demand that appeared in the following decade. Rapid growth followed in the 1970s and 1980s, even by the standards of the booming defence field.

Between 1968 and 1978, production leapt by 15 times, compared to the average 1,000% growth of the rest of the defence industry. Profits and employment also increased at a slightly greater pace in aerospace than in other types of defence production.²² From 1975 to 1980, the turnover was estimated to have tripled, from 460 million (current lire) to 1,500 million. Employment levels rose from an

¹⁹Gabrielli, p. 207.

²⁰*International Defense Review*, April 1982, p. 437

²¹*Atti parlamentari, IX Legislatura*, 14 March 1986, p. 19.

²²"*Il sistema economico della difesa*," p. 235.

estimated 31,500 to 40,700²³ thus finally regaining the levels under Mussolini.²⁴ In the 1980s, aerospace confronted obstacles but nevertheless recorded steady growth, such as a 15% increase in turnover recorded between 1983 and 1984.²⁵ During this time about 60% of the aerospace industry in Italy was geared toward defence,²⁶ but production continued to be spread among a number of firms which often had competing interests even under the umbrella of the state-holding system.

Aeritalia and the MRCA Tornado

From its inception Aeritalia embarked on the *Tornado* project with West Germany's Messerschmitt-Bölkow-Blohm and British Aerospace, to build the successor to the F-104. Of all of these companies that came together in the Panavia consortium based in West Germany, Aeritalia was the smallest. It was responsible for building all the wings at its production centre near Turin.²⁷ Italy's initial share of 15% was reduced to 12.3%, and the Italian Air Force agreed to acquire 100 models.²⁸ By 1988, 809 aircraft had been produced, and with renewed orders from West Germany, Oman and Saudi Arabia, Panavia projected that sales would reached 1,000 aircraft.

²³Angiola Contini and Sergio Parazzini, "L'industria militare italiana negli anni '70" in *Spese militari, tecnologia, e rapporti Nord-Sud* (Milan: Vita e pensiero, 1982), p. 206.

²⁴Boldrini and D'Alessio, p.226.

²⁵*Financial Times, Italian Defence Industry Survey*, 28 July 1986.

²⁶"Il sistema economico della difesa," p. 42.

²⁷Dexter Jerome Smith, "Italy's Defence Industry," *Defence*, January 1988, p. 58.

²⁸Contini and Parazzini, p. 213.

The defects of the aircraft were evident from its inception, and although the *Tornado* continued to be sold in Europe and the Third World well into the 1980s, most countries, including Italy, simultaneously drafted plans for its successor.

This "splendid machine" is, in fact, an expensive compromise between the differing requirements of national armed forces and the differing capabilities of national arms manufacturers. The RAF wanted *Tornado* for long-range strike and strategic air defence...the Germans wanted a plane for battlefield support, and the Italians wanted a plane for air superiority. None of these roles is easy to reconcile...In the end, *Tornado* cannot satisfactorily fulfill any of its roles, except perhaps the long-range nuclear mission, which does not require a heavy payload...Even in its nuclear strike role, *Tornado* will have many "wasted characteristics," like its STOL capability.²⁹

The costs of the *Tornado* were certainly higher than Italy would have paid if it continued as a client of the American industry. Italy's role both as a customer and supplier in major aircraft projects could have been substituted with contracts for American aircraft, as outright purchases or under licenced production.³⁰ Nonetheless, Italy adhered to the successor program launched in the 1980s, the *European Fighter Aircraft* (EFA).

Aeritalia experienced continuous expansion throughout the 1980s. From a turnover of only 50 billion lire in 1971, the company surpassed the 1,600 billion mark in 1986, with 55% attributed to foreign sales.³¹ Between 1986 and 1987 the company's turnover again increased by 13% to 1,586 billion lire with a 40% rise in

²⁹*The Baroque Arsenal*, pp. 189-190.

³⁰*Financial Times, Italian Defence Industry Survey*, 28 July 1986.

³¹*Il sole-24 ore*, 6 March 1987, p. 11.

earnings.³² The group was involved in 30 joint ventures in the late 1980s (although not all in the military field). Foreign collaborators include aeronautics companies in the United States (Boeing, McDonnell-Douglas, General Electric, Pratt & Whitney), the United Kingdom (British Aerospace), France (Aérospatiale, Matra), the Federal Republic of Germany (MBB, Dornier), Brazil (Embraer), Spain (Casa), and the People's Republic of China.³³

Piaggio

Aeritalia also began to take partial ownership of the Piaggio group. When Aeritalia purchased 34% of the company's shareholdings in February 1988, Piaggio employed 1,700 workers at two facilities in Liguria, and its annual turnover stood at about 186 billion lire.³⁴ Piaggio aimed to keep its status as essentially a private concern, remaining under the leadership of Rinaldo Piaggio. While its real specialisation was business aircraft, it also became involved in many of the major projects undertaken by state-owned concerns. Piaggio was involved in production of the G-222 transport plane and of the *Tornado* with Aeritalia, and built engines and components for the Agusta A-129 Mangusta helicopter and the Aeritalia-Aermacchi-Embraer AMX fighter.³⁵

Aermacchi

Another of the well-established firms, Aermacchi, joined FIAT in co-production of the DeHavilland Vampire fighter in the early postwar years. Macchi had an independent success in the form of the MB-326 and the more recent MB-339 trainers, which sold several

³²*Corriere della sera*, 20 March 1988.

³³*Il Sole-24 Ore*, 11 Jan 1987.

³⁴*La Repubblica*, 19 February 1988.

³⁵*Jane's Defence Weekly*, 14 Sept 1985.

hundred models. Like the other firms, most of Macchi's work pivoted on collaborative efforts, with FIAT and with Aeritalia. The latter bought a 25% share in Macchi as a result of favourable results of their cooperation.³⁶ Collaborative work on the Tornado and the G-222 transport plane was followed by the development of the AMX. The aircraft was billed as a successor to the G-91 and the F-104G, but was also believed to be designed to cover functions in which the multi-role *Tornado* was found inadequate. From its programming stage, the development of the AMX represented a departure in Italian aeronautics - and indeed in the world aircraft industry. The Brazilian Air Force and aircraft company Embraer were Macchi's collaborators on the AMX, and this time had a significant input during the planning stages, in contrast to the era beginning 10 years earlier when the Brazilians produced approximately 190 MB-326 trainers under Macchi's licence. With the AMX, a major Western company took into consideration the requirements of a less developed nation in planning a new aircraft. The Brazilians had a 30% stake in the project and were expected to deliver their locally-produced models in the spring of 1989. The aircraft was consigned to the Italian Air Force in November 1988.

FIAT

In the field of aviation, FIAT was one of the most successful and innovative Italian concerns. Following the Second World War, FIAT-Aviazione cooperated on the licence-production of the Vampire and the F-86K, and later developed its own model, the G-91. FIAT merged its aviation production with Finmeccanica in 1969, and began to withdraw from building complete military aircraft, in favour of production of motors. FIAT sold its shares in Aeritalia in 1976 as a final break from full-scale production. Instead the company sought to increase its two thirds share of the motor-

³⁶*Atti parlamentari, IX Legislatura, 14 March 1986, p. 6.*

producing field, which it had entered relatively late in comparison with its rivals Piaggio and Alfa Romeo Avionics.³⁷ FIAT sought to rationalise the industry by simply driving less competitive firms out of the market. Most other countries, even those with large military industries, have only one or two companies producing motors.³⁸ FIAT's new strategy focussed on increasing its civilian production to 50% of the firm's activity, through joint ventures with Pratt and Whitney, Rolls Royce, MTU of West Germany, and several Japanese firms.³⁹ FIAT concentrated its efforts in the production of motors and mechanical components at the expense of repeated offers to enter the helicopter and aircraft ventures. The Director General of FIAT-Aviazione depicted this voluntary act of rationalisation as a favour to the aeronautics world in Italy:

Beginning in 1970 we began to realise that military production alone, destined for Italian defence purposes, could not allow us to expand the firm the way we would have liked. Therefore we began to cast around to construct a network of collaboration, above all with the United States. The result of this is that today we have a military production that responds to the requests of our government for the nation's defence.⁴⁰

Agusta and Italian Helicopter Production

Italy's place in the helicopter market is dominated by Agusta. The company also produces fixed-wing aircraft such as the S-111 trainer, a competitor of Aeritalia's MB-336. The company's emphasis on helicopter production dates from 1952 when it began a long tradition of work under licence from the American firms Bell,

³⁷*Atti parlamentari, IX Legislatura, 25 March 1986, p. 7.*

³⁸*Atti parlamentari, IX Legislatura, 13 March 1986, p. 10.*

³⁹*Atti parlamentari, IX Legislatura, 14 March 1986, no. 4, pp. 19-20.*

⁴⁰*Atti parlamentari, IX Legislatura, 14 March 1986, no. 4, p. 19.*

Sikorsky and later Boeing Vertol and Hughes. During this time helicopters were first used on a large scale during the Korean War and world production expanded rapidly. Agusta received exclusive rights for the export of two Bell versions, the 204B and 205, for Europe, North Africa and the Middle East. Independently designed models were first introduced in the 1960s, usually using American or British motors.

Agusta's absorption into the Socialist-controlled EFIM state-holding firm began in 1973 and reached 98% by 1984. The public sector served as a safety net in the early 1980s when the company encountered loss-making years. In these same years Agusta had consolidated a reputation as one of the leading helicopter manufacturers in the world. Agusta accounted for approximately a quarter of all the Italian aeronautics turnover, with a heavy reliance on exports. Former president of Agusta Raffaello Teti estimated that sales to approximately 85 foreign clients accounted for four-fifths of the company's production.⁴¹ Agusta claimed to hold a 15% quota of world helicopter production beginning in the 1970s, which the company planned to increase.

Agusta became a "common denominator" in joint European helicopter production⁴² and in the mid-1980s began infusing the equivalent of 25% of its turnover into research and development.⁴³ After the success of the A-109 model, Agusta embarked on an ambitious project to develop an anti-tank helicopter, without the collaboration of other countries, at a time when France and West Germany were beginning a similar project. The A-129 *Mangusta* anti-tank helicopter was developed for the Italian army at a cost of

⁴¹Raffaello Teti, "L'industria aeronautica," *Rivista militare*, July-August 1987, p. 12.

⁴²"European Helicopter Projects," *Financial Times*, 10 April 1987.

⁴³Teti, p. 12.

700 billion lire for the Italian army and failed to receive foreign orders in its early years.

One of the strange features of NATO procurement is that France and West Germany were in 1984 ponderously setting forth on the development of a dedicated anti-tank helicopter for service after 1991, while in Italy an exactly similar machine is already flying. The A-129 is Western Europe's only helicopter in this class, and it has been planned to meet the needs of all customers until at least the year 2000...Equipment includes...for the first time on a helicopter an integrated multiplex system to centralise management of all systems.⁴⁴

The design had the unprecedented status for an Italian helicopter, however, of being adopted by a European consortium for the production of the new *Tonal* project.

The collaboration with Westland on the EH-101 naval and utility helicopter resulted in production of 150 units for the Italian Navy and for the British Navy and Army. There were few other orders to offset the £650m costs of the system, which made it the most expensive helicopter ever produced in Western Europe. Chief of the Italian Navy, Admiral Vittorio Marulli, described the new helicopter's roles:

It is the only ASW [anti--submarine warfare] helicopter of the 1990s generation...[and] will be equipped with radar, an integrated acoustic system...an ESM system, and possibly night vision equipment. The combat system will be completely automated and will be connected via data link to other air/sea forces. In short, the EH-101 is designed to be the first truly multi-role naval helicopter,

⁴⁴B. Gunston, *Illustrated Guide to Future Fighter and Combat Aircraft* (London: Salamander, 1984), pp. 138-139.

capable of carrying out both ASW and anti-ship operations completely autonomously⁴⁵.

Agusta was shaken by its involvement in the unsuccessful European consortium attempting to acquire Westland in 1986; Teti attributed the ^{difficulties arising from the Westland affair} to the tremendous pressure placed on the four European manufacturers of helicopters to counter the equal number of highly successful American producers.

Agusta's marked dependence on exports forced the company to resort to new strategies, including more aggressive marketing and the pursuit of the most sophisticated technology to satisfy potential customers. Huge losses in the early 1980s were reversed by strong profits in 1987, and Agusta anticipated continuing demand from the military, for instance, for the NATO helicopter (NH-90). But Agusta's corner of the military market shrank steadily in the 1980s and the company began to test its strengths in the civilian sector. In the field of helicopters for use by business executives, Agusta even began to penetrate the American market, with a production centre in the Eastern United States.

Ties in the United States were important to the company, because despite Agusta's strong leanings toward European and particularly British cooperation, scientific collaboration with the United States also remained essential for its livelihood.⁴⁶ As will be discussed later, the international cooperation which had brought high standards to Italian industry became an even greater necessity, both for gaining the necessary input to the industry in terms of know-how and capital, and for finding an outlet for the products. Agusta, like most Italian defence firms, was dependent on its international network at every stage of its production. Teti wrote of Agusta in 1987:

⁴⁵*Defence Attaché*, No. 2 1984, pp. 30-31.

⁴⁶"*L'industria aeronautica*," p. 14.

Agusta's strategy showed a marked dependence on international markets and collaboration. A decisive incentive to this process came from new programs, already in process or just launched, that we sought to open for collaboration with all of those countries, and there are many of them, which could possibly be interested in developing them with us.⁴⁷

A former lawyer with specialisation in navigation law and an experienced pilot, Teti resigned in November 1988 in protest of the political interference in the company's activity.

The Shipbuilding Sector

High Level of State Ownership

The shipbuilding sector was brought under state supervision earlier than any of the other sectors. A law introduced under Mussolini in 1937 grouped all companies in naval production with over 100 billion lire in capital under the auspices of IRI, established four years earlier. This effectively brought 80% of the shipbuilding industry into the hands of the state which had fostered its emergence a half-century earlier as an extension of the national steel industry. Shipbuilding in Italy developed as a primarily loss-making sector⁴⁸ and with only a small ratio of defence to civil production, about one to ten, the opposite of the aeronautics industry.⁴⁹

The government took further measures to concentrate the industry with the establishment in 1959 of an autonomous wing of IRI, Fincantieri, which united Finmeccanica's shipbuilding subsidiaries, Navalmeccanica, Ansaldo, and Cantieri Riuniti

⁴⁷*L'industria aeronautica,* p. 13.

⁴⁸*Armi: nuovo modello di sviluppo?* p. 224.

⁴⁹*Armi: nuovo modello di sviluppo?* p. 132.

dell'Adriatico.⁵⁰ At that time Italy held about 4-5% of world production. The Caron Commission which revitalised the aeronautics industry also made recommendations for the shipbuilding industry which sparked a seven-year restructuring program. The major elements of the sector were organised around Fincantieri and EFIM's holding, Cantiere Navale Breda as well as Piaggio, the only private element. A new company for turbine motor production was created within Finmeccanica; diesel motors were consigned solely to Grandi Motori Trieste, in which FIAT and Fincantieri each had a 50% stake. EFIM's policy

gave rise to an enormous expansion of the facilities, a doubling of the workforce (from 1,350 to 2,880 over the decade 1968-1977), to a duplication of the productive capabilities of the Fincantieri shipyards and a struggle with no holds barred for the acquisition of foreign contracts. The results of this strategy...were a further aggravation of the precarious productive and financial balance of the sector, which was force-fed with investments but wanting for contracts. In the summer of 1979 Cantiere Navale Breda was finally given over to Fincantieri, its former competitor.⁵¹

In the late 1970s and early 1980s, Fincantieri and its subsidiary Italcantieri emerged as the main focus of the sector in Italy, with increased shareholdings in important shipyards which had been successful in civil production and were reconverted to military uses, including refitting of old warships.⁵²

Shipbuilding has experienced greater state protection than other sectors related to defence, but it has also encountered the greatest economic difficulties. With the rise in air travel as a means

⁵⁰*Armi: nuovo modello di sviluppo?* p. 133.

⁵¹*Armi: nuovo modello di sviluppo?* p. 140.

⁵²*International Defense Review*, April 1982.

of transport for both goods and people the world shipping industry went into severe decline in the postwar period.⁵³ Italian shipbuilding in the 1950s was hit by the rise in world competition primarily from Japan, combined with the drop in demand. Employment fell from 27,500 in 1957 to 18,700 in 1969.⁵⁴ After unions accepted rationalisation measures, shipyard workers in Genoa and Trieste went on strike in November 1967.⁵⁵ A subsequent upsurge in production was soon brought to an end by the crisis in the petroleum industry in 1973. The government nonetheless attempted to maintain employment levels, especially at shipyards in the South.

Expansion of Italian Shipbuilding

The necessity for the government to make a choice between maximizing the industry's efficiency to the greatest extent possible and subsidizing its continued losses in support of the industry's jobs was partially avoided by the emergence of another factor: an increase in demand from the nation's armed forces. The Naval Law sparked a tremendous rise in production in the domestic sphere, which was followed by a string of contracts for foreign navies. In the early 1980s Italy became Europe's leading warship builder.⁵⁶ Its dependence on military orders for 40% of its production is "exceptionally high" by Western standards.⁵⁷

⁵³*Armi: nuovo modello di sviluppo?* p. 132.

⁵⁴Daniel Todd, *The World Shipbuilding Industry* (London: Croom Helm, 1985), p. 298.

⁵⁵*Modern Italy*, p. 375.

⁵⁶Antony Preston, "Italy's Naval Industry," *Defence*, January 1988, p. 60.

⁵⁷Michael Brzoska and Thomas Ohlson, *Arms Transfers to the Third World 1971-1985* (Oxford: Oxford University Press, 1987), p. 79.

Under Fincantieri the naval industry increased its production of defence vessels in the 1980s by 40%.⁵⁸ Frigates and destroyers were produced at Riva Trigoso and fitted at Muggiano, while submarine production was concentrated at Monfalcone. Intermarine built specialised minehunters at Sarzana. Industry leaders claimed that despite the period of success in foreign sales, the industry's structure was geared primarily toward domestic needs. The boom in international orders was covered by taking advantage of the facilities' excess capacity and re-opening disused yards for short-term use. Thus the sector did not make international sales a critical part of its industrial strategy. It remained the closest to a real wing of the state, designed to fill the flow of orders from the Italian Navy, and providing jobs which are in turn protected by a state-subsidized lay-off program. The output of the shipbuilding industry, unlike other sectors, was for the most part a catalogue of the Italian fleet. Smaller firms trying to break into the market on primarily international orders, such as Pichiotti, Crestitalia, Cantieri Liguri and Azimut faced considerable risks.⁵⁹

Production in the 1980s included *Minerva*-class corvettes as well as a series of minehunters, a field in which the Italians excel. This type of vessel was brought into use during Western efforts to free the Suez and the Persian Gulf of mines during Middle East conflicts in the 1980s. The Italians have a large share of the minehunting market with their *Lerici*-class model.⁶⁰ The Italian Navy has supported an innovative, autonomous industry in submarine building throughout the postwar period. Aside from several generations of the *Sauro* class, the Italian Navy also operates

⁵⁸ "Il sistema economico della difesa," p. 42.

⁵⁹ *Navy International*, June 1986, p. 332.

⁶⁰ *Navy International*, p. 329.

four small *Enrico Toti*-class submarines dating to the 1960s and two USN Tang vessels.⁶¹

The focus of recent Italian shipbuilding was the construction and launching of the *Giuseppe Garibaldi*. The new flagship of the Italian fleet, delivered in July 1985, was the biggest ship produced by Fincantieri since World War II.

By the late 1980s the Italian military shipbuilding industry faced steep decline. Domestic orders were expected to keep shipyards open; activity centred on the construction of the destroyers *Animoso* and *Ardimentoso*, at about \$1.1 billion, to replace the aging *Impavido* series. Substantial foreign orders, especially along the lines of the Iraqi order (see Chapter 7), were not anticipated. Like West Germany and the Netherlands, Italy sought to increase its share of the refitting market for old ships; but this business was usually reserved for the original suppliers.⁶² In March 1988 IRI's Fincantieri announced a new rationalisation plan intended to cut 20% of its workforce, or about 4,500 jobs. Unlike similar measures 20 years earlier, the redundancies did not appear to provoke widespread protest since they were couched in terms of early retirement and incentive plans.⁶³ Although Fincantieri termed the move a "recovery plan," it was evident that the Italian shipbuilding sector was facing severe reductions.

Electronics

The electronics industry has penetrated every corner of the defence field. Advanced technology in its many forms, radar, information systems, communications, avionics, missiles and

⁶¹*Jane's Defence Weekly*, 23 August 1986.

⁶²*Jane's Defence Weekly*, 19 December 1987, p. 1426.

⁶³"Fincantieri prepares for competition," *Italian Business Trends*, March 1988, p. 40.

miscellaneous components, have made electronics systems an inextricable feature of modern weaponry. The explosion of advanced technology is the most significant development in its field since the Second World War.

Aside from nuclear weapons which, with their terrifying destructive capability, have monopolised public interest and as a result have overshadowed every other innovation, in the realm of conventional weapons the major innovation is represented by the entrance on the industrial scene of a new actor: electronics. In the space of 15 years, this sector has conquered the principal role...If we put the events of the past 40 years in historical perspective, we can see that the place occupied by the metal and mechanical industry since the rise of the industrial warfare (that is, from the time of the American Civil War), and culminating in the Second World War, has now been overtaken by electronics.⁶⁴

Italy began to place more emphasis on electronics when demand for conventional weaponry rebounded in the 1960s. Nuclear weapons represented a technical solution to the problem of meeting the threat from the Warsaw Pact, since no Western country wanted to pay the price to match the Eastern bloc tank for tank. As NATO doctrine went through a series of revisions, nuclear retaliation was no longer considered the most effective response to every hypothetical act of aggression. The Alliance reorientated its defences on the doctrine of "flexible response," a graduated scale of military actions, which would range from the use of a variety of conventional weapons before the nuclear threshold.

NATO *members* were forced to support the tremendous development costs for the partial withdrawal from the "nuclear

⁶⁴Michele Nones and Secondo Rolfo. "L'elettronica per la difesa in Italia e in Europa," *Strategia Globale*, April 1984, p. 63.

umbrella." Mines, missiles and intelligence systems emerged as the new "technological solution" to perceived threats from the Eastern bloc and from new unpredictable forces in the Third World. Electronics even produced its own technological offspring, in the form of a new field of systems to coordinate and integrate the electronics systems themselves.⁶⁵ Research in countries with strong scientific endowments advanced at such a pace that the relationship between technology and doctrine often came into question: did defence needs determine technological innovation, or did the scientific capabilities available determine the military doctrine?

At the end of the 1960s and the beginning of the 1970s, the expansion of the industry on a world scale came into full force, as electronic systems had crucial applications in every aspect of warfare. Innovations emerged at an astounding pace. Swift obsolescence kept the lifetime of many systems very short, while rising costs made new procurement a major strain on the budgets of Western armed forces.

Electronics in Italy

Investment by international electronics companies in Italy was the point of departure for the domestic sector. The Swiss companies Oerlikon-Buehrle and Contraves set up Italian subsidiaries between 1949 and 1952 and began making artillery and electronic apparatuses. General Electric ran a factory in Italy, supervised from 1950 on by its subsidiary CGE-FIAR. This company produced the Italian Army's first radar system.⁶⁶ The Italian state also set the industry in motion with the creation of various companies within IRI's Finmeccanica division beginning in the 1950s. These firms were supported by mixed private and public ownership and included the establishment

⁶⁵Nones and Rolfo, p. 65.

⁶⁶*Armi: nuovo modello di sviluppo?* p. 131.

of the company that would become Selenia,⁶⁷ which grew to be Italy's largest electronics interest by the 1980s.

The first two decades of the industry were devoted mainly to licenced production, but collaboration in international projects was another means of bringing the Italians the level of know-how and prestige that would prepare them for an enormous expansion in the 1970s. Notable collaborations in the early years included work with the European consortium for the Hawk missile, adopted by NATO forces in 1959, and the production of radar for the F-104G aircraft.⁶⁸

By the 1980s, the Italian industry was among the most productive and profitable in the world in this competitive and costly field, for both civilian and military purposes. The electronics field is perhaps the supreme example of the Italians making something out of nothing. How did they penetrate a market that requires producers to find substantial investments and push the frontiers of the field with every new project?

Italian Strategies

Most of the success can be attributed to the attention to creating products that were highly "personalized,"⁶⁹ or highly adaptable. This meant producing components of weapons which were not fulfilled by other nations' suppliers, or producing weapons that were interchangeable with products in use which could be adapted to survive generational changes. Italy has succeeded in re-working technology of mid-level sophistication that was made available through various forms of international collaboration. Although the Italians found customers for some of their highly advanced output, most of their sales fell into the middle range of the market. "There is never a requirement for tomorrow's technology," one

⁶⁷*Armi: nuovo modello di sviluppo?* p. 131.

⁶⁸*Armi: nuovo modello di sviluppo?* pp. 131-132.

⁶⁹*Armi: nuovo modello di sviluppo?* p. 223.

industrialist explained of the defence industry's relation to the Italian Navy.⁷⁰ Systems with a low technological content could be delivered within a relatively short period of time, perhaps five years.⁷¹

Designing systems that can be altered to fulfill different requirements has been a source of success for the Italian industry. The *Albatros* missile system, for instance, was introduced by Selenia in the 1970s for naval purposes when sales in warships were reaching a peak. In the 1980s, however, the system's basic structure with a "semi-active guidance system" was transformed into the *Spada* land-based battery, using Italian *Aspide* anti-aircraft missiles. The *Aspide* itself was a well-worn model which received gradual modifications over its ten-year lifespan and was a tremendously successful export. The *Aspide* missile was later modified to replace the NATO *Seasparrow*, and as a further example of the Italians' concentration on versatility within a single system, *Seasparrow* launchers had the possibility of being refitted to take *Aspide* rounds and if necessary converted back to the *Seasparrow* system.⁷² Still another instance of Italian marketing in the 1980s is the case of SNIA's rocket launcher designed in part for export to three unspecified Middle Eastern clients: the calibre is the same as the Soviet BM-21 model which is widely used in the Third World.⁷³

Another key to the progress of the electronics sector is the recourse to consortia and joint ventures both within Italy and with foreign concerns. In the case of Elettronica, collaboration with Plessey resulted in the acquisition of a 35% stake in ^{the} Italian company by the British firm. Uncertainties about Plessey's future were perhaps partially responsible for continuous loss-making years in

⁷⁰"Italy's Naval Industry."

⁷¹"Italy's Naval Industry."

⁷²"Italy's Naval Industry."

⁷³IAI 1983-1984, p. 187.

the 1980s during which Elettronica laid off one seventh of its workforce. Elettronica is one of the most dependent of all Italy's electronics firms on defence sales. As its military contracts continued to shrink, the firm was considering branching out into bio-medical engineering.

The electronics field is highly fragmented in Italy. There are about 54 companies which manufacture for defence.⁷⁴ Small firms are scattered about the country, each usually specialising in limited projects which sometimes face stiff competition even among domestic firms. The most successful companies have come together in consortia when their survival depends on involvement in "complete packages" such as the complete technology for the sale of a warship. The Melara Club groups ten such suppliers from different fields for coordination of naval warfare systems.⁷⁵ Selenia-ELSAG, Elettronica, Elmer, Breda, and OTO-Melara (guns and missiles), and FIAT's Whitehead (torpedoes).

Whitehead and ELSAG also came together in a consortium known as WELSE to counter Italy's gap in production for underwater warfare. Although the Italian Navy's increasing submarine activity would suggest the presence of an industry to support it, national forces still rely on an American-designed surveillance system that is ill-adapted to Mediterranean waters.⁷⁶ The foreign concern Oerlikon-Buerhle maintained a high military turnover, falling perhaps seventh after FIAT and the IRI and EFIM companies.⁷⁷

Officine Galileo, located in Tuscany, has about a 70% dependence on military contracts with a highly skilled workforce of

⁷⁴Nones and Rolfo, p. 81.

⁷⁵"Difesa-Industria-Ricerca," p. 9.

⁷⁶"Equipped for Many Tasks," *Italian Defence Industry Survey*, *Financial Times*, 28 July 1986.

⁷⁷"Difesa-industria-ricerca," p. 4.

about 1,400.⁷⁸ Galileo also had the special status among military contractors of enjoying close collaboration with the wider scientific community.

Much of Galileo's research is undertaken in collaboration with universities and research centres in a tight network of consultation and cooperation. To relaunch its commitment in the field of optic electronics, Galileo put forward a proposal in 1986 to found the Consortium for Optronics Excellence (CEO), with the University of Florence's departments of Physics, Electronics and Engineering, and the Institute of Electromagnetic Wave Research.⁷⁹

The new collaboration with the universities evidently required the defence firms to compromise some of their basic objectives.

At the presentation of the consortium's project the academics discovered a surprise clause which stated that the research was to be carried out under the strictest secrecy, prohibiting the publication of the results of the studies in any form whatsoever. Arguments burst out and the researchers' objections prevailed: not only was the cloak of secrecy lifted, but Article 2 of CEO's statute explicitly stated that the research carried out would not have military applications.⁸⁰

This reflected the willingness, or indeed the necessity, of the military-orientated industries to make long-term plans along strategies that eventually would take them out of the defence sector.

⁷⁸"Camere termiche al posto delle armi," *L'Unità*, 5 March 1988.

⁷⁹Mario Pianta, "Esplosivo: La conversione del militare," *Politica ed economia*, no. 11, November 1987, p. 56.

⁸⁰Pianta, pp. 56-57.

CHAPTER FIVE

ITALIAN FOREIGN AFFAIRS AND DEFENCE COOPERATION

The New Limits of Italian-American Relations: The Cruise Missile Deployment and the Achille Lauro Incident

By the time Italy became established as a major arms seller in the 1980s, its foreign relations had begun to take on a new shape. The policies of the Socialists, themselves a new phenomenon at the head of the Italian government, represented a new approach of Italian leaders to the country's foreign interests. There was a growing realisation within Italy that the country was now firmly established as one of the top industrialised countries. From this came a desire both to consolidate economic successes and to gain greater recognition, both among Western allies and as trading partner and humanitarian donor in the Third World.

Two major foreign policy issues defined the new boundaries of Italian-American relations during this period. The first is the Euromissiles case. The acceptance by the Italians was crucial for letting European deployment go forward; without the acceptance by another continental NATO country, West Germany appeared ready to refuse the missiles. Besides this external effect, the deployment marked an important change in Italian politics as well. The support for the deployment by the PSI was generally seen as a prelude to the premiership of Craxi, the first time the post of prime minister was held by a Socialist and the longest-lasting term to date.

Evoking the backing of Atlantic allies became less effective as an instrument of internal politics. Italy's foreign policy stance was defused as an issue of domestic struggle by 1977, when all of the major parties, including the PCI, declared a consensus about the "twin pillars" of Italian foreign policy: NATO and the European Economic Community. The resolution, approved 19 October in the Senate and 1 December in the Chamber,

expresses positive approval for the direction and the work of the Italian government at the international level and in the context of the Atlantic Alliance and of EEC commitments, which represent the fundamental points of reference of Italian foreign policy.¹

The PCI did not make its formal break with Moscow until after the imposition of martial law in Poland in 1981, but fractures had been evident from the time of the invasions of Czechoslovakia in 1968 and Afghanistan in 1979. With the 1977 Resolution, the PCI became the only European Communist party to accept NATO. Nonetheless the ideological make-up of the Communist Party made it impossible for its leaders to endorse openly the most difficult elements of Alliance membership such as arms modernisation.

The Socialists and Italian Foreign Affairs

The Euromissile issue legitimised the PSI because their backing of the deployment brought them into the group of confirmed Atlanticists in Italian politics. Craxi is generally believed to have been ill-informed about the strategic significance of the missiles.²

On the other hand, Italy had been excluded from the Guadeloupe summit at which the deployment was discussed. Italians were thus deprived of the information and arguments needed to make a decision about the case whilst at the same time generally expected by the Alliance to take on the responsibility.³

Since the strategic implications of the deployment were lost on all but a few experts, the missiles are generally considered to have had above all political reverberations. Abroad the Socialists strengthened ties with the German Social Democrats, and at home, Craxi finally drew an unmistakable distinction between his "acceptable" party and the other party of the left, the PCI. While the

¹This text of the Parliamentary resolution provided by Ministry of Foreign Affairs.

²Maurizio Cremasco, "The Political Debate on the Deployment of Euromissiles," *International Spectator*, vol. XIX, no.2, April-June 1984, p. 117.

rival PCI leaders could endorse Italy's adherence to NATO and the EEC in the abstract, they were still reluctant to show support for many American initiatives and were not the recipient of US favours. The American ambassador Richard Gardner had been urging the PSI to make a formal break with the Communist Party for about two years.³

It is difficult to say to what extent the Euromissiles question was exploited by the Socialist Party to achieve various conceivable ends: as a symbol of its "differentness" with respect to other parties of the Italian left; as a means for establishing a new balance of power with respect to the Christian Democrats, the Socialists, too, could show their "loyalty" to the Atlantic Alliance by backing, though not unconditionally, its rearmament decisions; as an act of responsibility aimed at gaining the consensus of those who shared the Socialists' reformist ideas but were wary of their willingness to take Italy's security and defence needs into due account; or as an external sign (directed at Washington in particular) of the Party's maturity in the field of particularly controversial and difficult foreign policy choices.⁴

Craxi enjoyed four years as the head of Italy's government and as the creator of a distinctly new Italian image abroad. But while he had made clear his opening to the Americans with the Euromissiles debate, he also was careful to set the limits on Italy's service to the American cause. The Socialist prime minister was accepted by the Americans as being more pragmatic and business-minded than his DC predecessors; the drop in Italian inflation and rise in productivity which occurred during his term in office proved to be greater national successes than the economic reforms attempted simultaneously under American President Ronald Reagan. By some accounts, Italy replaced Britain as the fifth industrial power in the world. In February 1987 Craxi insisted that Italy should no

³"Quando Craxi usò i Cruise contro il PCI," *La Repubblica*, 5 February 1983.

⁴"The Political Debate on the Deployment of Euromissiles," p. 119.

longer be excluded from international economic decision-making by a reduction in consultation from the Group of Seven to a Group of Five.

Challenging the Americans

Craxi was conscious of Italy's new strengths, both in its economy and in its foreign image, and in his third year in office he was able to challenge the Americans over major issues of foreign policy. The first event which marked a change in Italian attitudes was the Achille Lauro incident, an act of terrorism on a scale which had not been seen previously, with hundreds of passengers at risk. Italian diplomatic connections in the Arab world assisted in bringing the hijacking to an end at a port in Egypt. The Americans had suffered the loss of invalid Leon Klinghoffer, and were determined to bring the terrorists to justice. But the Italians resented the subsequent interference of the American military, which landed at the base at Sigonella on Sicily where the terrorists were awaiting transfer to Rome. The American officers attempted to take custody of the terrorists, and then shadowed an Italian military aircraft which transported the terrorists to the mainland.

In what would have been a normal procedure in earlier decades of Italian-American relations, the Italian government now saw an unacceptable level of arrogance in the American intervention. Craxi's government released the Palestinian Mohammed Abbas believed to have been the main actor in the hijacking; Abbas departed for Yugoslavia and was thought to have moved on to Southern Yemen, which has no diplomatic relations with the US.⁵ Hard-line Atlanticist Giovanni Spadolini withdrew his support from Craxi's coalition in response to the Prime Minister's outspoken protests in the Italian Parliament against the Americans. This was the first time an Italian postwar cabinet had collapsed over an incident of foreign policy.

⁵"US Hopes to Keep Close Italian Ties," *New York Times*, 18 October 1985.

Craxi and subsequent leaders did not question Italy's fundamental commitment to the Atlantic Alliance; but they now hoped to effect a better distribution of power with the Alliance and win American respect for the Italians' perceived sphere of influence. Andreotti made these remarks on the Alliance:

The greater complexity of international relations, with more protagonists than ever with legitimate aspirations, implies that our Alliance should not seek uniformity, but rather allow for complementary contributions by the individual NATO allies. It is by this means that we retain our political flexibility, within the firm limits of our principles and our defence needs, and which accounts for the adaptability of the Alliance as a whole, as well as of its individual members, to the changing international scene.⁶

Defence Cooperation with the USA

In Italian-US joint production of defence systems, which came to the forefront of their relations in the 1980s, the direct rewards for Italy were mainly political. Italy profited from tapping into the American technological base in the postwar period, but bilateral exchanges with the US served mostly to underscore political ties, rather than bring economic opportunities to Italy. In every joint venture, the heart of the system was provided by the Americans, while the Italians often fulfilled the responsibility of subcontractor.

For many years Italy received American licences for production and made almost nothing of its own design. The attempts to branch out into a better division of labour met with difficulties as the Americans tried to retain their authority over the projects. In this phase, for example, was the case of Italian tank modernisation as the M-47 became obsolete. Despite the existence of several models

⁶Giulio Andreotti, "The Alliance's Political Dimension: Time for a renewed commitment," *NATO Review*, vol. 34, no. 2, April 1986, p. 2.

within NATO (AMX in France, the British Chieftain, the German Leopard), the United States achieved an accord to produce the M-60AI with OTO-Melara, FIAT and Lancia.

This was not a technical choice, but a political compromise which the Italian government came to under the pressure of the United States, with consequences which very quickly turned out to be disastrous, since the tank was revealed to be untransportable on the [Italian] railway system; nor was it appropriate for the needs of our army. The acquisition was suspended, and we turned to the German Leopard tank, which was to be supplied by the end of 1976, even though many agree that this equipment is already obsolete.⁷

But for Italy the connection with the Americans was still an essential part of its political identity. In response to requests by the French to help loose Europe of its dependence on the Americans in the early 1960s, the DC stated "anti-DeGaulism" as the basis of its policy.⁸ This made sense for the modest defence industry as well, which was just beginning to enjoy the fruits of collaboration with the US.

In the privileged relationship with the US, explicitly underscored in every setting, whether in the context of the Community, the Atlantic Alliance, or in bilateral relations, the Italian industry sought a way to save itself from the threatening proposals of restructuring and rationalisation which could have led to the creation of two or three aeronautics groups in Europe, inevitably under French-Anglo-German domination.⁹

⁷Boldrini and D'Alessio, p. 239.

⁸Marcello Omodarme, "L'europeismo dimezzato," *Politica internazionale*, vol. X no. 2, February 1982, p. 32.

⁹*Armi: nuovo modello di sviluppo?* p. 124.

Italy was a participant in many of NATO's early joint ventures directed by the Americans. In the early years of the Alliance, the predominance of the American industry assured a certain level of uniformity within NATO forces.¹⁰ The first formal co-production agreements, both for combat aircraft, were signed in April 1953; of these Italy was included only in the American F-86, of American design, which was assembled in Italy. The first project which involved joint development and production within the Alliance was the FIAT G-91. Many of this model were still in service in the early 1980s. Subsequent co-productions were generally shared among the NATO industries, but the Italians continued to buy a great proportion of its equipment directly from the Americans.

The Ruffini-Brown Accord signed in September 1978 between the American and Italian defence ministers was an attempt to implement a "two-way street" system that would adjust the balance in transatlantic arms procurement more in favour of Italian producers. American dominance was always marked; the proportion of military sales between the US and Italy was about 9:1 in 1978; between the US and West Germany it was 13.4:1 in the late 1970s, and 3.1:1 between the US and Great Britain.¹¹

American producers were generally reluctant to see a correction in the proportions of defence sales; many saw American sales to European armies as a form of compensation for the heavy US contributions to NATO defence on the Continent. The Italian industry, on the other hand, was poorly equipped to implement the agreement, because of the lack of permanent Italian staff assigned to the task in Washington, because of lack of forward planning by the companies, and by the perpetual lag in technology.

Nevertheless Italy attempted to take advantage of continuing gestures by the US in the field of arms cooperation: the NATO Long Term Defense Program (NLTD) introduced in 1978, Defense

¹⁰*NATO Facts and Figures*, (Brussels: NATO Information Service, 10th edition), p. 161.

¹¹"*Il sistema economico della difesa*," p. 57.

Secretary Caspar Weinberger's proposals for cooperation in the field of new technologies (1982); the Currie Commission on transatlantic industrial cooperation; and the Nunn amendment, which set aside \$1 billion in special funding in the American defence budget for enhancing US-European cooperation in armaments. Of 21 US-European co-productions within NATO in the mid-1980s, Italy was involved in eight projects, including the *Sea Sparrow* system, the NATO frigate, and various electronics projects.

Despite the remaining imbalances, it was a major turning point for Italy when it began to sell military *matériel* to the Americans. Beretta won a major contest in the early 1980s to replace the American Army standard issue handgun. In the test phase the firm was selected over the American Smith and Wesson. The US was expected to purchase 315,900 units, of which just under half would be produced at a new Beretta factory in the United States. The Italian company Isotta Fraschini won a deal to supply 32 engines to US Navy *Avenger*-class vessels, and Agusta was contracted to update *Sea King* helicopters by June 1990. The US Navy also ordered OTO-Melara cannons in the 1980s. These agreements marked the first time in 20 years that work for the US Navy had been contracted to foreign companies. In the spring of 1988, Fincantieri signed an agreement with the National Steel and Shipbuilding Company of San Diego to provide designs for submarines, frigates and corvettes for joint marketing.¹² The US Marines also agreed to buy Selenia air traffic control systems.¹³

In overall trade, the US was Italy's third most important customer, with 18,357 billion lire in sales in 1985 and 15,604 billion lire in 1986.

¹²*Jane's Defence Weekly*, 14 May 1988.

¹³Interview with Pasquale Romeo (US Air Force), and John Bender (US Navy), Office of Defence Cooperation, US Embassy, Rome 22 April 1988.

Italy and Europe

Ties with the Major Allies

Although the Italians remained firmly in the American camp at the political level, they experimented with an increasing number of ventures which excluded the Americans in favour of completely European ventures. This new tendency had been foreshadowed by the activity of Italy's main producer, FIAT, which had followed an independent strategy in arms cooperation:

There is a fact which creates a permanent paradox within the Italian military industry: the "Europeanism" of FIAT which -- whatever the reasons may be (the multinational perspective that allows the Agnelli group not to fear its European partners, competitiveness with regard to American industry, etc.) -- constitutes objectively a contradictory element in the pro-American strategy and the state arsenal mentality dominating the Italian military industry.¹⁴

Greater interaction with Italy's European partners was seen as a way of mitigating the heavy dependence on the United States and of exposing Italian industries to new profitable opportunities. There was a growing divergence of interests between the Americans and the Italians. Italy increasingly found common ground with their West European neighbours, while the Americans continued to push policies which were hard to pass over on the Italian public, such as the provocation of Libya, and abrupt changes in policy between administrations.¹⁵

There was naturally a strong base of economic ties between Italy and other European countries. In overall trade, West Germany and France already received the greatest amount of Italian exports. Aldo Moro supported enhanced European unity "because it would allow us to have good and dignified relations with our major

¹⁴*Armi: nuovo modello di sviluppo?* pp. 149-150.

¹⁵Interview with General Carlo Jean, Rome 25 March 1988.

ally."¹⁶ For the sake of promoting common market solidarity Italy has imposed high-priced community products on its consumers, and it has not been aggressive in securing community subsidies for which it would be eligible. Italian businessmen and politicians have attempted to pay closer attention to EEC directives and have been among the most active in anticipating the abolition of trade barriers in December 1992.

Despite its reputation as one of Europe's most troubled economies, Italy surprised its neighbours by effecting a "second economic miracle" in the early 1980s, with a faster growth rate than any other European nation. Italy was continually frustrated, however, by its inability to penetrate the highest echelon of Western decision-making and continued to regret its exclusion from important international summits, such as the Guadeloupe meeting (4-6 January 1979), the summit at the Council of Europe (27-28 April 1980), the French initiative toward to USSR (18-19 May 1980), the North-South summit at Cancun and other events. Italy had forfeited a chance at a prominent European role because of its servility to the Americans; by the time it emerged as an economic power the United States had long taken for granted the cooperation of its ally and rarely bothered to consult. But increasingly Italy sought to strengthen its European ties, both by exhibiting the willingness to criticize the Americans, and by engaging in a number of more tangible fields of cooperation within Europe.

One of the most successful areas for forging Italy's new bonds within Europe was defence. Here, technological and entrepreneurial skills proved stronger than the ability to assert a political presence. But Italy was not the only country which was unable to put into practice a coherent vision for European arms production. Alliance industries remained divided and competitive because of persisting national priorities, including different operational requirements and procurement practices, industrial

¹⁶Donald Sassoon, "The Making of Italian Foreign Policy," William Wallace and W.E. Paterson, eds. *Foreign Policy Making in Western Europe*, p. 99.

capabilities, employment considerations and the desire to promote national currencies. As former British Minister of Defence Michael Heseltine pointed out, Europe has four main battle tanks (MBTs) that cannot fire the same ammunition, 11 firms working on anti-tank weapons in seven countries, 18 firms in seven countries making ground-to-air weapons, eight in six nations making air-to-air missiles, and so forth.¹⁷

European arms cooperation afforded a number of opportunities for Italy to penetrate the circles of its more senior allies. Cooperation was more important for Italy than perhaps any of the other countries, because of its inherent weaknesses in research and its limited defence spending.

International cooperation is essential particularly for the production of more complex and advanced weapon systems entailing considerable research, development and production expenditures incompatible with the funds available and the limited national requirements. The most advanced and efficient form of international cooperation is represented by specialised productions within the Atlantic Alliance and Europe. Therefore, each country should concentrate on the production of one or more types of weapon systems which it would supply to the whole Alliance with a considerable reduction in unit costs. Obviously this is unfeasible, not only [because of] the lack of the necessary strategic and political consensus, but also [because of] the problems descending from the industrial reconversion and the mobility of the labour force which would be necessary to achieve a complete specialisation. A partial specialisation, however, is feasible. This applies both to single components (e.g. aircraft engines) and to various types of weapon systems.¹⁸

¹⁷Robin Beard, "NATO Armaments Cooperation: Picking up the Gauntlet," *NATO Review*, no. 1, February 1987.

¹⁸*White Paper* 1985, pp. 80-81.

Although Italy had strong bilateral links with other European countries and their industries, the activity never seemed to add up to a coherent defence role for Italy. It was constantly being overshadowed by the publicity over other cases of bilateral cooperation, namely Franco-German and Anglo-German relations. Italy felt its exclusion keenly enough to complain to the French during a state visit in Rome about the strengthened military links between France and the FRG.¹⁹

European Defence Projects

The MRCA was the "first truly European program in every sense, from the feasibility study, to the development of the prototype, to the production in series."²⁰ The *Tornado* project represented a significant commitment of the Italians to continuing in the aerospace sector, and from the point of view of the technology acquired and the place earned for Italy among Europe's defence producers, the experience was considered a success. It was only through commitment such as the *Tornado*, and later the EFA, that a small European industry could develop its own major production lines and technological base, and cultivate markets independently of the Americans. The price of independence for the European aircraft companies was very high, and the rewards for avoiding the American aircraft monopoly came more in prestige than in making economies in European procurement budgets. In related fields, such as motor production, companies like FIAT chose to continue their close collaboration with the Americans and had favourable results in renewing the Italian technological base.

Although the project was not considered a complete success, the EFA was launched by the same partners with the added participation of Spain. Aeritalia's share in the joint project increased to 21%. With the addition of Spain, Italy was no longer

¹⁹*Jane's Defence Weekly*, 5 December 1987.

²⁰Boldrini and D'Alessio, p. 237.

the junior partner in the consortium. The project had greater chances of success than the *Tornado* since the EFA was launched in a time "likely never to be repeated, [when] the five nations all have approximately the same fighter requirement and the same timescale."²¹

Italy's Finmeccanica joined the European consortium for the production of the NATO *Hawk* missile in 1959. Almost thirty years later, the Italian and French defence ministers, Valerio Zanone and André Giraud, agreed to build a short-range surface-to-air missile intended to be the successor to the *Hawk*, for deployment in 1996.²² The Italian electronics sector had had successful collaboration with the French in the *Otomat* missile, which was produced from the mid-1970s with Matra. The Italian contribution remained on the technological plane, while questions of strategy were left to others. In the 1980s, France expressed interest in creating an AWACS force with Spain and Italy for the Southern flank. This was part of a wider French concern about defence of the Mediterranean, for which the Italians had been unable to arouse interest.

Another Alliance-wide consortium was the Future International Military/Civil Airlifter (FIMA), which included Lockheed, British Aerospace, Aérospatiale and MBB, as well as Italian and Spanish companies. This was designed to replace the C-130 Hercules at the beginning of the 21st century.²³

Cooperation with NATO's Mediterranean Partners

Italy transferred few political pressures with its arms technology, and armed forces in the Mediterranean region saw cooperation with the Italians as a way of developing their industries without increasing dependence on the United States. In this sense Italy acted as a second headquarters for NATO in the Mediterranean, and Alliance members in the area were eager to increase

²¹Gunston, p. 64.

²²*Financial Times*, 29 October 1988.

²³*Jane's Defence Weekly*, 19 December 1987.

cooperation with Italy's defence industry beginning in the 1970s. In wider economic relations, Italy was also considered an important link to Northern Europe for Greece and Spain during preparations for inclusion in the EEC. Craxi discussed the possibility of setting up a triangular cooperation program with Italy, Portugal and its African ex-colonies (Angola, Mozambique, Capo Verde, etc.).²⁴

Within the NATO Alliance, Turkey was Italy's biggest customer for military equipment, followed by Greece and Spain. Turkey purchased Agusta-Bell helicopters in the 1960s, and the F-104S Lockheed Starfighter in the following decade. It continued to purchase large orders of helicopters: 56 Agusta-Bell 205A-1s were delivered to the Turkish Army, 12 AB-212s were delivered in 1980-1981, and a further order of 40 AB-205 helicopters was agreed upon in 1983. In 1977 Aermacchi was accused of giving \$2.5 million to Turkish politicians to favour a deal to set up local production of the MB-339; the contract never went through.²⁵

Aeritalia began negotiations in 1984 to launch licence production of 50 G-222 transport planes in Turkey, after an initial sale of two model units. The total value was expected to reach \$553 million, of which Italy was to receive immediate payment of \$43 million. The United States promised to guarantee a low-rate credit agreement, to help compensate for the heavy imbalance in arms sales between the US and Turkey.²⁶

In the mid-1970s Selenia began deliveries of 200 *Sparrow* air-to-air missiles. In the 1980s Italy received a number of significant contracts in the electronics field, mostly to arm four German-made *Meko 200* frigates. Other sales included the *Contraves Sea Guard* and *Sea Zenith* defence systems, OTO-Melara cannons, and *Aspide* missiles for use with *Sea Sparrow* launchers.

Greece began purchasing Agusta-Bell helicopters in 1969; deliveries continued in 1975 and 1978. In addition, 300 armoured

²⁴IAI 1933-1984, p. 484.

²⁵Battistelli, p. 274, n.27.

²⁶*Jane's Defence Weekly*, 26 May 1984.

personnel carriers were thought to have been transferred from Italy in 1974. About 120 Selenia *Aspide/Sea Sparrow* systems, co-produced with the United States, were delivered in 1978-1979. Twenty helicopters of the model 300C by Breda-Nardi were delivered in 1985 for army and civilian missions. In 1985 an order for six new frigates for the Greek Navy was received.

Spain was also a customer for Italian helicopters in the 1970s and 1980s; models included the AB-205, the AB-212 (ASW), the SH-3D Sea King, and the AB-312 Griffon. About 75 were purchased in total. In a contract for 200 *Aspide* missiles signed in 1985, 40% of the production was assigned to the Spanish industry. Electronics purchases from Spain in the 1980s included equipment for *Descubierta*-class corvettes, and 13 *Skyguard* anti-air batteries armed with about 100 *Aspide* missiles. The sale of the OTO T20-model turret was followed by licence production of 235 units.

Although its biggest Alliance market was among the Mediterranean countries, Italy also sold military equipment to other NATO countries, including Denmark, the Netherlands, and even France and West Germany, mostly in the field of electronics. Belgium purchased 22 SIAI-Marchetti SF-260 trainers for delivery beginning in 1976. A Selenia radar system was in the running for the updated version of the NATO *Nadge* on the Southern flank in the mid-1980s; 12 to 17 systems would be produced if the model won the competition. Canada expressed interest in the *Spada/Aspide* anti-air battery systems for its facilities in West Germany and was a potentially large customer for the EH-101 produced with Westland.

Other European destinations for Italian weapons included Austria, which purchased 24 Agusta-Bell helicopters in 1978-1980 and the Republic of Ireland, which bought 11 SIAI-Marchetti 260W *Warrior* trainers between 1976 and 1979 and OTO-Melara howitzers. Finland purchased a small number of AB-212 *Griffon* helicopters in 1985.

Italy and "Star Wars"

Italy took an interest in European space programs from their early years. Italy joined the ELDO (European Launcher Development Organisation) and ESRO (European Space Research Organisation) in 1965, with FIAT as the national representative. As prime contractor for Italy, FIAT supervised the construction of structures for satellites. The national research body, the CNR, created a program to study some of the astronomical, physical, biological and medical problems related to man in space. The Air Force backed a space-related program at the engineering department at the University of Rome under Professor Luigi Broglio. After its inception in the late 1960s, Aeritalia became a collaborator with NASA.²⁷

In the 1980s Italian companies became involved with the European Hermes program and took a 14% share in the French Helios military satellite.²⁸ But the SDI proposals appeared to offer it greater responsibility and opportunities for growth than any of the previous projects.

However, contracts for SDI with Italy and other American allies, including West Germany, Britain, France, Japan, and Israel, never materialised on the levels promised by the United States. Non-American firms received about 1 percent of all SDI contracts; the country with the largest amount of funding, West Germany, received \$50.5 million, roughly the share of all SDI contracts granted in the state of Utah.²⁹ Although Italy was one of only three nations to sign a government-to-government agreement, it received about \$10.4 million in contracts, about the same amount awarded to French firms, whose government did not "sign on."

The project advanced in two phases, the first devoted to research and the second to more advanced development. Of the

²⁷Gabrielli, pp. 150-151.

²⁸*Jane's Defence Weekly*, 19 December 1987.

²⁹Bernd W. Kubbig, "SDI Partners: Much Ado about the Wrong Issue," *International Herald Tribune*, 30 March 1988.

approximately 60 deals initially offered to Italy, only a handful were later approved. In Phase One, Italy headed one of the seven multinational consortia engaged in preliminary development and research projects; included in this subdivision were the Italian concerns SNIA-BPD (FIAT), FIAR, Microtecnica, and the *Istituto Affari Internazionali*, and the American companies ORI, EER, Fairchild Space, W.J. Shafer Associates, and the ITT Research Institute.³⁰

When the Americans made awards of \$4.5 million to each of five international consortia in the development stage, Italy headed one of the divisions and participated in two of the others. The main firms were SNIA-BPD, Selenia and Selenia Spazio, Aeritalia, Contraves and FIAR.³¹ The Americans evidently pressed the Italian government to maintain maximum secrecy on the issue; the US also retained the rights to realise and market any technology or software produced by the European research.

FIAT was hopeful about opportunities for SDI work; in the early 1980s its relations with the US were strained by the conflict with Ford over the highly contested sale of Alfa Romeo, and accusations of FIAT transfers of ballistic missile technology to the Third World (see Chapter 6). FIAT was eager to find outlets for its advanced laboratories at SNIA which had been thwarted on other fronts. But of 17 proposals developed by FIAT's subsidiaries alone, only two by SNIA-BPD received American approval. Selenia advanced a project for electronic sensors which could detect the firing of enemy missiles. Although Selenia considered its chance of success slim compared to American competitors, it considered investment in the project necessary in the long term "to promote more easily its technology in the corridors of the Pentagon."³² But the possibility of the various foreign subcontractors of the US

³⁰*Rivista Italiana Difesa*, March 1987, p. 10.

³¹*Rivista Italiana Difesa*, January 1988; *Aviation Week and Space Technology*, 3 August 1987.

³²*La Repubblica*, 12 September 1986, p. 5.

having an effect on the larger country's policy were as yet unimaginable. One of the directors of Aeritalia remarked,

Participation in SDI is inevitable for any industry; the world is evolving towards a widening of the dynamics which inexorably are carrying the technologies of the Pacific (USA and Japan) towards the stars, rather than European-based technologies. Certainly there is the risk that through the SDI operation the USA will skim off the best of the European proposals to insert into their data banks, but it is a risk to which we are forced to subject ourselves. This is why an accord which safeguards European industries is necessary, and perhaps is already too late.³³

The SDI contracts had repercussions on several levels. First of all, Craxi's government (including Foreign Minister Andreotti) received considerable heat for pushing through the deal with the Americans during the summer recess of the Senate and Chamber of Deputies, and renegeing on a promise to make any agreement public and subject to parliamentary vote. All of the Italian parties, for different reasons, seemed to oppose Andreotti's clandestine handling of the SDI agreement: the Republican party regretted that the opportunity of a show of united support in Parliament for the initiative had been missed, and the PCI condemned the whole project for encouraging an arms race in space, diverting resources from other programs, and constituting an "essential stumbling block" in East-West relations.³⁴ Veteran DC leader Fanfani, then president of the Senate, issued a harsh formal letter to Craxi, saying that as far as the "space shield" was concerned, "I have the same point of view as the PCI."³⁵ Andreotti himself admitted that the spinoffs of the research would amount to practically nothing for Italian society, and that Italian firms might be reduced to "simple

³³*La Repubblica*, 12 September 1986, p. 5.

³⁴*La Stampa*, 9 September 1986, and *La Repubblica* 14 October 1986.

³⁵*La Stampa*, 9 September 1986.

operatives of the contracts and would be put in the impossible situation of trying to make some use of the research."³⁶

International fears about adverse effects on East-West trade and a drain of Western scientists into the military sector did not come true, but as the Reagan administration passed on the program to President George Bush, there were still doubts about the project's viability and its compatibility with the ABM treaty.³⁷ Fears about the eventual deployment of the system had stirred European politicians soon after the launching of the research: a meeting between Craxi and British Prime Minister Margaret Thatcher in February 1987 resulted in a common request to the Americans that they consult their European allies closely before putting the system into action. By all accounts, however, the expensive venture looked to yield few results, especially after the US House of Representatives voted to cut \$1.8 million from the 1990 SDI budget (although a third of this was restored in a subsequent vote).³⁸ The Italian cooperation with the US on this issue stood as an example of the continued willingness to be present in largely symbolic acts of collaboration.

Italy and the Socialist World

Italy's peculiar place in NATO is perhaps better understood by a look at its relations outside of the West, as in particular with NATO's adversaries. Italy was one of the first non-socialist countries to implement policies of cooperation, mainly on an economic plane, behind the Iron Curtain. Collaboration was facilitated by Italy's stable and unquestioned membership in NATO, its low level of political responsibility among Western countries, and the presence of an aggressive class of industrialists.

³⁶Andreotti, Chamber of Deputies, 4 June 1986, cited in *La Repubblica*, 12 September 1986, p. 5.

³⁷"SDI Partners: Much Ado about the Wrong Issue."

³⁸*Jane's Defence Weekly*, 5 August 1989; *International Herald Tribune*, 29 September 1989.

The Roots of the Italian Ostpolitik

Italy is tied to Eastern Europe unlike any other Western country because of the presence of Italy's "two churches," the Communist Party and the Catholic Church, whose rivalry within Italy is played out on a larger scale behind the Iron Curtain. Although the PCI resisted Moscow's influence in many important matters, it kept channels to Moscow open until the late 1970s. Rome's role as a spiritual centre for East European Catholics, especially in Poland, was heightened by the election of the first non-Italian pope in 455 years, the Polish Karol Jozef Wojtyla.

While Italian Catholics and Communists shared important ideological ties behind the Iron Curtain, an equally significant role was played by Italy's capitalists. The Italians have a record of productive trade links within the Eastern bloc that have been unmatched in depth and duration until West Germany launched its *Ostpolitik* in the 1970s.

Italian-Soviet cooperation took place almost completely outside the context of East-West relations. Although trade developed with the consent of both the Soviet and Italian governments, the Soviets placed much less political weight on involvement with Italy and relations progressed even when the superpower conflict reached its lowest points. The Italians, without shedding their identity as a Western country or sacrificing relations with their NATO partners, built a parallel set of relations within the Eastern bloc. Italian exchanges in this area had a long history -- the Kremlin itself had been built by Italian architects in the 14th century -- and the Italians forged a new form of cooperation which was eventually adopted by other countries as a possible means of attenuating East-West hostilities through increased economic interdependence. Italian business leaders saw their activity as distinctly beneficial to the West.

Clearly business has a key role to play. The methods of Marco Polo are preferable to those of the Crusaders. The flag has often followed, not preceded

trade. Business headquarters are often better than embassies for purposes of mutual understanding. But Western governments must recognize that the geography of business does not coincide with political, ideological or military geographies.³⁹

During the First World War, Russia was a customer of FIAT's arms production sector. The Vice-President of the Duma Protopov brought a delegation to a FIAT factory and Giovanni Agnelli made an agreement for the supply of 6,000 tanks and related spare parts, for about 240 million lire.⁴⁰

Following the Second World War, the Soviet Union vetoed the Italian entry into the United Nations five times during the 1950s. This was mostly because of residual resentment over Mussolini's massive invasion of the Soviet Union, and to show disapproval of the NATO-inspired Italian government which suppressed the strongest Communist movement in the West. But interestingly, economic relations already showed a promising future in the first decade after the Second World War. When the Soviets sought export markets for their newly-exploited oil fields, Enrico Mattei, leader of the Italian state-run hydrocarbons interest, *Ente nazionale idrocarburi* (ENI), responded immediately. In the late 1950s the Soviet share of oil imports to Italy rose from 4% to 16%.⁴¹ In exchange ENI found outlets for its fertilisers and synthetic rubber products, and opened the way for an expansion of Soviet-Italian ties.

Other Italian enterprises -- mainly belonging to the state-controlled IRI group, were brought into the deal on terms which were never fully disclosed. It can be assumed, however, that by doing all this Mattei not only provided some material advantages for ENI (who made such exports possible by oil imports) but also broadened the ranks of people who supported

³⁹"The Strategic Role of the Western Business Community," p. 259.

⁴⁰Agnelli, pp. 108-109.

⁴¹P.H. Frankel, *Mattei: Oil and Power Politics* (London: Faber and Faber, 1966), p. 138.

the whole transaction, a support which was particularly useful in the face of opposition to it in Italy and in the USA where, obviously, anti-Soviet sentiments were being given a still sharper edge by the propagandists of the oil companies.⁴²

In 1962 Italian troops were put on alert during the Cuban missile crisis. But Italy's official stand clashed with economic ties which were already firmly in place. Soviet premier Khrushchev recalled that America had been angered when Italy agreed to sell tankers to help the USSR supply Cuba with petroleum. The Americans accused Italy of contravening the spirit of economic unity in the West. Remarked Khrushchev,

The lesson of the whole incident was that if a capitalist country sees the chance to make some extra money from trade with a Communist country, it couldn't care less about economic solidarity.⁴³

Italy's main private concern, FIAT, soon re-emerged as probably the most important actor in Soviet-Italian relations. FIAT's long history of ties in Russia formed a basis of mutual trust which later allowed FIAT to launch a project in the Soviet Union which became the centrepiece of the eighth Soviet Five-Year Plan. In 1966 FIAT sent about 2,500 technicians to set up an automobile plant in the Volga Valley, in a town renamed Togliattigrad in honour of the Italian Communist leader. Some of the most skilled Soviet workers were diverted to this project, and over 2,000 were brought to Italy for special training.⁴⁴ The result was mass production of the *Zhiguli*, modelled after the FIAT 124.

This contract, successfully implemented at a time when official relations between East and West were still at a deadlock, became the

⁴²Frankel, p. 140.

⁴³Strobe Talbott, transl. *Khrushchev Remembers*. (London: Penguin, 1977), p. 522.

⁴⁴Avi Shlaim and G.N. Yannopoulos, *The EEC and Eastern Europe* (Cambridge: Cambridge University Press, 1978), p. 142.

model for economic deals when Brezhnev subsequently sought to widen Soviet exposure to Western trade and technology. In the late 1960s imports of Western technology increased sharply in the USSR.⁴⁵ Agreements for science and technology exchange with Italy and France in 1966 were followed by accords with Great Britain in 1968, with Sweden in 1970, with Canada in 1971, the United States in 1972, and Japan and West Germany in 1973.

Eastern Europe became an important outlet for West European industries, which were increasingly unwilling to project business strategies in accordance with political trends in the superpower relationship. The United States, by contrast, maintained a policy of "linkage" between economic accords and political conditions. Trade agreements became a major part of the 1972 détente accords, but the USSR did not implement this aspect of the agreements because of US pressure about emigration and humanitarian practices in the Soviet Union.

Cooperation of companies like FIAT did not undergo the same political tests. One reason was the considerable independence afforded Italian industrialists abroad by their government. In many cases the commitment of the Italian businessman to Western ideals was as strong as that of any other "Atlanticist." But these ideals and concepts of freedom and progress often differed from -- or in some cases simply pre-dated -- the concept of the East-West order that the Americans followed. Wrote Gianni Agnelli,

I frankly do not believe that military aggression against NATO countries by the Soviet bloc is at all likely...As a strong believer in the superiority of our system, I feel that trade developments with Eastern Europe serve the cause of peace because, by contributing to increased prosperity, they avert the risk of tensions reaching a breaking point and leading to armed confrontations. Here, too, plain

⁴⁵John P. Hardt and Kate Tomlinson, "Soviet Economic Policies and Western Europe," in Herbert J. Ellison, ed., *Soviet Policy toward Western Europe*, (Seattle and London: University of Washington Press, 1978), p. 165.

trade is not enough, and new instruments, including joint ventures and licensing, must be found to encourage transformation of those societies.⁴⁶

By the end of the 1980s, Agnelli's ideas had become pedestrian among Western industrialists taking advantage of East European overtures in the field of trade, but they were not stated as confidently when military relations were still at a standstill. The suggestion of Italian industrialist Carlo De Benedetti made on French television in 1985 of instituting a type of "Marshall Plan" for Eastern Europe was slowly adopted by Western countries, including the United States which committed considerable sums in aid for the recovery of Poland in 1989.

Today, Hungary and Poland have become Italy's closest partners in the region, and Eastern Europe as a whole is the second largest market for Italy after Western Europe.⁴⁷ Most of the major Italian banks have offices in almost all of the major East European capitals.⁴⁸ In 1975 Italy was responsible for about a fifth of all Western credits to Comecon countries to support its economic exchange there.⁴⁹ Italy is the Soviet Union's third most important partner in the West. Large firms dominate; FIAT and Pirelli are expanding ties at astronomical rate. IRI is involved in the largest "turn-key" contract granted by the USSR to a foreign country. The siderurgical factory at Volski represented the largest contract in the history of Italmobiliare, IRI's subsidiary. The 100-hectare "Italian city" employed more than a thousand Italian technicians and workmen and was estimated to bring profits to the company of approximately 2,000 billion lire. In 1986 Italy suffered a £499 million trade deficit with the USSR, in part because of energy imports.⁵⁰ In

⁴⁶"The Strategic Role of the Western Business Community," pp. 259-261.

⁴⁷Interview with General Carlo Jean, Rome, 25 March 1988.

⁴⁸*The EEC and Eastern Europe*, p. 183.

⁴⁹Italo Santoro, "Le scelte economiche nella politica estera italiana," Natalino Ronzitti, ed., *La politica estera italiana* (Edizioni di Comunità, 1977), p. 191.

⁵⁰*Financial Times*, 13 April 1987.

the early 1980s Italy imported over 4.5 million barrels of crude oil from the Soviets; this increased to nearly 8 million in 1984. Natural gas imports also increased; together the gas and oil imports constituted 17% of Italy's requirement.⁵¹

Perhaps as a result of the Italians' willingness to commit themselves to practical cooperation of mutual benefit, Italian leaders have enjoyed a considerably better reception among leaders of Eastern Europe than many other Western heads-of-state. Andrei Gromyko made a state visit to Rome and the Vatican in the mid-1960s, one of a very small number of state visits in an era of cautious conciliation that was symbolised mostly by visits of foreigners to Moscow. Twenty years later Italian prime ministers were the first Western leaders to visit Gorbachev after his rise to party secretary and again in the aftermath of a crucial Politburo^{meeting} called to decide the course of *perestroika* in September 1988. During a speech in New York, he cited Italy's prudence in not pursuing the arms build-up that spurred other Western nations in the postwar period. General Jaruzelski also travelled to Rome, to visit the seat of Catholicism in the mid-1980s, when much of the opposition in Poland identified closely with the Church.

Italian-East European relations have not been cordial throughout the entire postwar period, however. Relations reached a low when the assassination attempt against Pope John Paul II in 1981 was linked to the Bulgarian secret services. After the imposition of martial law in Poland, the PCI broke formally with Moscow, and the government suspended its contracts temporarily for the Soviet pipeline. All of the Italian parties were critical of the Russian occupation of Afghanistan in the 1980s.

In the mid-1980s the new Italian interest in military matters came under attack by the Soviets, especially because of the installation of the cruise missiles and the presence of Italian warships in the Persian Gulf. The Soviet newspaper *Novosti* went

⁵¹Jane's Defence Weekly, 1 June 1985.

as far as to call Italy "a nuclear hostage of the USA" and "*gendarme* of the world" because of the cruise missiles and the Lebanese mission.⁵²

Businessmen remained the most dynamic representatives of Italy in the Eastern bloc, sought to gain the maximum returns from their trade links while at the same time discouraging a marked dependence in any area. Under Mattei, for instance, Italian reliance on Soviet energy was consciously counterbalanced by overtures to the American company Esso.⁵³ The content of trade relations during the 1980s still remained consciously apolitical, an attitude which has sparked protest from the Americans, who considered Italy to be a "sieve to the East."⁵⁴ Selenia, Olivetti, and OTO-Melara are among the Italian firms accused of transferring politically-sensitive technology to the East, although ironically an Italian has always held the top post of the agency designed to regulate technology leaks to the East, COCOM (Coordinating Committee for Multilateral Export Controls).⁵⁵

Italy is even alleged to have sold arms within Eastern Europe. The sale of an air traffic control system to the Soviet Union was blocked because of its possible military uses.⁵⁶ The Tuscan electronic company Galileo was accused of selling equipment to Rumania and other Eastern bloc countries. Galileo used the British Independent Trading Company as an intermediary. When questioned about the transfers, the lawyer of one of Galileo's directors replied, "The material is not covered by military secrecy and there is documentation that the contracts undertaken for the Rumanians had the approval of the Ministry of Defence and the Chief of Staff."⁵⁷

⁵² IAI 1983-1984, p. 471.

⁵³ Frankel, p. 142.

⁵⁴ Friedman, p. 213.

⁵⁵ Friedman, p. 217.

⁵⁶ Interview with Pasquale Romeo (US Air Force), and John Bender (US Navy), Office of Defence Cooperation, US Embassy, Rome 22 April 1988.

⁵⁷ "Il nostro mercato di morte," p. 27.

In addition, Beretta was accused of selling weapons to Bulgaria in the 1970s.⁵⁸

Another East European country, Italy's neighbour Yugoslavia, pressed the Italians for increased military exchanges in the 1980s. After the disputed Trieste was turned over to Italy in 1954, relations had been stable, and the Treaty of Osimo in 1975 provided for future military cooperation. In the early 1980s Yugoslavia acquired the licence to produce FIAT *Campagnola* jeeps, and purchased tracked snow vehicles for its police and armed forces from a Bolzano manufacturer. In February 1985 Craxi made the first official visit in 20 years by an Italian head of government to Belgrade, during which the Yugoslavs pressed for increased cooperation and financial aid from the EEC. In June 1986 the Yugoslav Air Force Chief of Staff visited Agusta's Cascina Costa factory.

China

While military exports were not the major component of Italy's trade with the Eastern bloc, the business strategies developed behind the Iron Curtain were put to use in other areas where defence sales showed greater potential. Italian businessmen had a strong interest in trade with China beginning in the 1950s; Mattei had made accords with Peking in 1958. Trade objectives did not always merge with the positions of Italy's politicians or with US policy.

The late right-wing Christian Democrat senator and businessman Teresio Guglielmone actively promoted trade with Communist China and headed business missions to Peking when his own party was denouncing the Chinese Communists for bloody persecutions of Chinese Catholics. The retired Monarchist senator and ex-career diplomat Baron Raffaele Guariglia also worked for economic contacts with mainland China and visited Peking for trade

⁵⁸Interview with Mr. Grignolo, Ministry of Defence, Rome 21 April 1988.

purposes. All Italians, from Left to Right, inside and outside the government, regard their country's refusal to recognize Red China as ridiculous and bow only reluctantly to American pressures on this issue.⁵⁹

When China sought to increase ties in the West in the 1970s, the Italians were cautious about making a public show of support. Mao's overtures to the West included requests for military-related trade. Fanfani made a state visit to China in 1975, following Helmut Schmidt's successful trip. After Soviet premier Leonid Brezhnev protested Western military assistance to China, West Germany ceased its cooperation, while France and Great Britain continued because of the favourable economic returns. Italy initially vacillated about its policy toward Peking. The government sent *Ardito* and *Lupo* vessels to Shanghai for a promotional visit, but did not allow sales to the Chinese naval forces to go through.

With Peking making commercial deals with major countries contingent on them agreeing to sell arms, Italy found itself under even heavier Soviet pressure than Britain, France and Germany. Moscow was threatening to withhold oil and gas -- the Soviet Union supplies 25 percent of Italy's natural gas and 7.5 percent of its oil [in the early 1980s]. Not surprisingly, when China began exporting oil to Western Europe in 1978, Italy was the first country to be offered some. Italian armaments of interest to Peking included the OTO-Melara *Otomat* ship-to-ship missile, the Selenia *Aspide* surface-to-air and air-to-air missile, Galileo target control devices and Agusta helicopters. Rome was talking of initial sales of over \$300 million.⁶⁰

In June 1978 the Vice-Chief of Staff Chang Ai-Ping brought a team to Italy with the specific aim of strengthening channels to the

⁵⁹*The Politics of Italian Foreign Policy*, p. 94.

⁶⁰Howe, p. 713.

Italian defence industries. The long list of the firms visited included all the major Italian interests in the field: Officine Galileo, ELSAG, Selenia, Contraves, Elmer, Elettronica, OTO-Melara, Microtecnica, Aeritalia, Breda Meccanica Bresciana, Simmel, SNIA Viscosa, FIAT-Aviazione, Beretta, Valsella, Oerlikon Italiana, Italcantieri, and Whitehead Motofides.⁶¹

A Chinese military delegation visited Rome again in 1979. There were frequent exchanges at the political level, especially between delegations of the Chinese Communist Party and the PCI and PSI. The President of the Chamber of Deputies, Communist Nilde Iotti, visited China in October 1981. But in general, trade prospects were considered disappointing: less than 1% was used of a line of credit worth \$1 million conceded by the Italian government in 1979. Trade concentrated in the field of textile plants; ENI also has good prospects for gaining the rights to explore in Chinese waters; Olivetti supplied machinery to the People's Bank of China.⁶²

After military ties were increased, relations began to pick up considerably. An unpublished technical and military accord was signed by Spadolini and Zhang Aiping in 1984, which was thought to cover future collaboration in defence electronics, and training of Chinese military and civil personnel with the Alpine Corps and at the *Scuola Militare di Paracadutismo* at Livorno.⁶³

The American industrial world took the news of the accord rather badly, and for a very simple reason: outside of the Atlantic area, it was interpreted (and probably in part correctly) as an alternative on the part of the Chinese to an analogous accord signed last year by China and the United States (and which should have concerned radar, anti-tank and anti-air missiles and so on), an accord that has remained dead-letter up to now because the Chinese want to acquire technologies, while the Americans want to

⁶¹IAI 1978-1979, p. 213.

⁶²IAI 1981-1982, pp. 469-470.

⁶³*Jane's Defence Weekly*, 27 April 1985.

sell products. In the specialised American press comments are appearing to the effect that Italy "is too easily disposed toward transferring technology which in reality is of American origin...and it is easy to anticipate that at the next COCOM meeting...planned to take place in Rome this June, there will be heated debates."⁶⁴

In 1985 Chinese officials visited an OTO-Melara factory. Production of howitzers in collaboration with the Chinese company Norinco followed,⁶⁵ and Deputy Chief of Staff Roberto Jucci led a delegation to Peking in October 1985. Selenia received orders for the *Aspide* missile, possibly with an option for local production in China; the system was chosen over the British *Sky Flash* system and the American *Sparrow*.⁶⁶

At the same time, China offered new markets to Italian business. The spate of contracts which followed the military accords confirmed the belief by some that arms sales were the key to increasing inter-governmental confidence and overall trade links. Telettra, a FIAT subsidiary, signed a contract with the Chinese government to set up a 2,500-km microwave digital radio system, the longest in China, worth 45 billion lire.⁶⁷ FIAT also signed a deal in March 1985 for the production of lorries in China with Hanjing Motor Company. During the first three years 300 Chinese technicians were to receive training in Italy.⁶⁸ China was also expected to become a major client of IRI as a deal in telecommunications was under negotiation. Diplomatic relations increased cautiously toward the end of the decade; Andreotti made a state visit to Peking on March 24-27, 1988, with little publicity in Italy; the main topics of discussion were thought to be the Iran-Iraq

⁶⁴"La Cina è vicina, la Nato è lontana," *Rivista Italiana Difesa*, No. 6, June 1985.

⁶⁵*Jane's Defence Weekly*, 31 August 1985.

⁶⁶*Jane's Defence Weekly*, 21 June 1986.

⁶⁷*Corriere della sera*, 11 February 1987.

⁶⁸*La Repubblica*, 28 March 1985.

conflict and increased exchanges in the field of healthcare between Italy and China.⁶⁹

⁶⁹*La Repubblica*, 23 March 1988.

CHAPTER SIX

ITALIAN ARMS SALES OUTSIDE THE ATLANTIC AREA

Paving the Way for the Trade with the Developing Countries

Italy had a greater dependence on military exports to the Third World than any other major supplier. This is partly because the quality of most Italian armaments was more suited to the armies of the poorer countries rather than to NATO. In addition, Italy was able to exploit markets that were left open by larger suppliers, either because of a lack of strategic interest, or the modest quantities required. In addition some countries were avoided by other suppliers because of ongoing wars or internal repression.

The Italian arms trade was spurred by the presence of an independent, export-oriented business community geared toward expanding relations with almost no geographic coherence or political strategy. Only in rare cases, such as Libya, were there attempts to make political support a major part of the trade in arms.

Italian export policies in the postwar period are epitomised by the strategies launched in the 1950s by oil executive Enrico Mattei. His techniques still permeate Italian foreign commerce, including the trade in arms. His ties in Africa, the Middle East and even Eastern Europe paved the way for future collaborations of other Italian business interests.

A Christian Democrat and ex-partisan, Mattei was highly skillful in gaining concessions for ENI's oil exploration and construction projects from countries of the Third World, at a time when Italy largely still could be categorized in that sphere. Mattei sought to detach his company and his country from associations with Italy's ideologically-driven Western allies. The result was that ENI was able to bring a steady supply of energy back to the Italian peninsula, while at the same time assuring expansion of contracts for Italian construction firms and the export of labour. Mattei's

approach was not always popular at home and he died in mysterious circumstances in a plane crash in 1962. But it is generally agreed that Mattei did much to establish Italy's broad network of contacts in the Third World on favourable terms for both Italy and the host countries. Government assistance was not often instrumental in seeing through these deals, but their success did not exclude a positive effect on the Italian government's image abroad.

ENI did get in on the ground floor in several countries, not *in spite of* its governmental background but simply *because of it*; there emerged a solidarity of governments who felt (rightly or wrongly) that they had more in common with each other than any of them had with private-enterprise oil companies. It became clear in the process that such traditional revulsion was directed against the British, American or French governments -- imperialists all -- but not for instance against an Italian government-sponsored operator representing, one assumes, a country whose overseas possessions had been lost just in time to wipe off the blemish of colonialism...[Mattei] shrewdly showed off in Asia and Africa his impressive achievement at home -- the petrochemical plant in Ravenna and the laboratories in San Donato...[which] also housed a *Scuola di Studi Superiori sugli Idrocarburi* where overseas students were taught and kept at ENI's expense alongside Italians...There could have been no more persuasive an image than the one he presented to underdeveloped parts of the world -- that of the successful underdog.¹

Mattei's philosophy and techniques (including training of foreign nationals in Italy) were still at work among business leaders such as Fiat's president, Gianni Agnelli, in the 1980s, who called for

a departure from standard government and multinational policies of the past. Greater attention

¹Frankel, pp. 100-101.

must be given to joint ventures, long-term licensing and cooperation agreements, training programs emphasizing the role and autonomy of the host country.²

Aid for the Developing World

The commercially-motivated defence industry was largely a product of the perennial Italian quest for access to energy sources and export markets. While Italy's trade relations are still dominated by its vulnerability in the face of oil suppliers, the country also has become involved increasingly in humanitarian aid programs, primarily in Africa and the Middle East. The embryonic programs of the 1960s, when Italy in recent years had itself been a recipient of aid, were greatly stepped up with the formation of a new department in the Foreign Ministry and an increased budget in the 1980s. Italy was one of the few Western countries in this period to be stepping up its support for developing countries and ranked among the highest per capita donors in the world.

The Funds for Development

The Department for Development Cooperation was founded in 1979. As in many areas of Italian politics, tasks were distributed among the parties, as the PSI, the DC, the PRI, and the PSDI each took charge of a different geographic area, under the overall direction of the Ministry of Foreign Affairs. In the 1980s this post was often occupied by Christian Democrat Andreotti, but the close association of the Socialist party with Somalia was one of the most significant aspects of the Italian foreign aid program.

With a budget of 500,000 billion lire, the Italians were the fifth largest donors of humanitarian aid in the mid-1980s, in terms of percentage of gross national product, about the same position they hold on the ladder of world arms sellers. With a world average of

²"The Strategic Role of the Western Business Community," p. 260.

0.36% of GNP directed toward aid programs, the Italians are well over 0.4%. The annual donation amounts to about 100,000 lire for each Italian.

The ability to be wealthy patrons in problem-ridden areas of the world reflected a certain prestige on the Italians that was lacking in their relations with countries that overshadowed them from the North. Because of their middle position, both in terms of political weight and their crucial strategic situation between the northern and southern worlds, the Italians enjoyed a unique level of cooperation with Third World countries, where political favours were not automatically expected on either side, and mutual gains appeared to flow steadily from the Italian commitments.

Through the humanitarian aid projects, Italians participated in what one Italian commentator termed "a privileged form of foreign policymaking."³ But the program does not appear to be vehicle for Italian influence abroad in the traditional sense. Major donors such as the United States^{often} attach political strings to their involvement in the Third World and are concerned primarily with eliminating Communist power groups, even at the expense of democracy, in countries where they send aid. The Italians by contrast follow their own foreign policy directives: they are most concerned with casting wide ties abroad that will lead to generally friendly relations and expanded trade opportunities. An economic journal made this observation about Italian industrialists: "Private businessmen say they would like their government to give more Third World aid, which would mean greater government support and spinoff for their activities in the poorer countries."⁴ Remarkd Agnelli,

There have been many Angolas and few Egypts. It is imperative for the West to organize industrially and economically in order to offer acceptable technologies, sounder development prospects, better

³"I conti in tasca alla nostra bontà," *Corriere della sera*, 21 March 1988.

⁴*Middle East Economic Digest*, vol. 22 no. 38, 22 September 1978, supplement on Italian trade, p. viii.

standards of living, as well as more credible military support when needed.⁵

Italy's humanitarian role was both laudable and very limited. Italian leaders were prone to making contradictory statements in the field of human rights, since the real actors in Italian international affairs were guided by a sense of "the market" rather than political convictions. Italians showed little interest in taking a stand on the Eritrean dispute or on their relations with South Africa where an official embargo was annulled by thriving economic relations, including arms sales. In addition, Article 10 of the Italian constitution states that Italy shall receive all political refugees, but in reality an estimated 10,000 to 20,000 are expelled annually.⁶

Military Assistance Programs

Humanitarian aid was balanced by another type of aid: the role of the Italian military in training and assistance programs. Although the Ministry of Defence plays down the existence of training programs, foreign personnel have been trained at Italian military academies and by Italians abroad since the 1960s. The programs were not controlled by the Italian parliament. Writes the *Archivio Disarmo* in Rome:

Military education, given the ever greater sophistication that armaments have reached, is becoming increasingly important. Our country, which does not regulate this sensitive issue, has trained and continues to train military personnel from countries in a state of war (Iran, Iraq, Libya, Ethiopia, Somalia), with guerrilla movements (Peru and Guatemala) or governed by military regimes which reached power through *coups d'état* and do not respect human rights (Turkey, Tunisia, Sudan, Zaire, Bangladesh, Pakistan, etc.). In fact, the law

⁵"The Strategic Role of the Western Business Community," p. 259.

⁶Interview with economist Alberto Castagnola, Rome, 14 March 1988.

which regulates the admission of foreign military officials to Italian military academies, no. 995 of 3 December 1970, does not stipulate any restrictions about the country of origin. This aspect of our foreign policy, as with almost everything that is related to the arms trade, is covered by official secrecy. In addition, the courses for foreign military personnel in Italy are even financed by the funds for cooperation with developing countries (law no. 38/1979).⁷

A Ministry of Defence official claimed that the training occurred in modest numbers. He could not confirm the sources of funding for the program, claiming that he and his superior would be "sent to prison" if he related the information.⁸

Italian military leaders expressed the same view, speaking about the rise of Islamic fundamentalism in the region surrounding Italy:

This ideology, which affects all aspects of life, leads to a *de facto* intolerance of, and hostility towards, the Western way of life and systems of government and could eventually result in attempts upon Italian national security...from state-sponsored terrorism to mistreatment of civilians and diplomats, from the denial of energy resources to threats to vital shipping lanes. Even when the Iran-Iraq conflict has hopefully come to an end, there would still be no real guarantee that further tensions would not arise.⁹

When linked to arms transfers from Italy, as was often the case, training probably occurred at the request of Third World armed forces unfamiliar with Western technology and military practices.

⁷ *Archivio Disarmo, Formazione di personale militare straniero in Italia, Scheda codice F.A. no. 3., 28 February 1986.*

⁸ Interview at Ministry of Defence, Rome March 1988 (interviewee requested anonymity).

⁹ General Riccardo Bisogniero, "Italian Defence - Evolving to Meet a Rapidly Changing World Situation," in *NATO Review*, no. 5, October 1987, p.14.

But as the Italian state funded its growing humanitarian program, it often found that recipient countries expected social assistance to be followed by military transfers. This was often considered the ultimate show of support for a developing nation. In the 1980s the Italians were still reluctant to expand their military sales and training programs, although in many regions, particularly in Africa, Italians were continually pressed to do more.¹⁰

Africa

In the mid-1970s, when the Italian defence industry was still in a period of relative immaturity, it supplied more arms to Africa in millions of dollars than the United States, the United Kingdom, Poland, Czechoslovakia or Canada. Only the Soviet Union, France and West Germany sold more in the area.¹¹ While the importance of the continent in the eyes of some of the world's major suppliers, such as the US, was eclipsed by other concerns in the 1970s, military conflict was endemic on the African continent and supplies of arms increased throughout the decade to supply burgeoning, inexperienced armed forces.

This continent, which is targeted by the great powers for its enormous mineral resources and its strategic position, is the area with the largest number of wars in progress: Morocco against the Polisario movement, Libya against Chad, Ethiopia against Somalia, undeclared wars between Angola, Mozambique and South African-backed forces, besides innumerable small internal wars. Naturally in this context the role carried out by different arms supplier nations, technical assistance and training, is very important.¹²

¹⁰Interview with Cristina Ercolessi, Rome 18 April 1988.

¹¹Elaborated from Bruce E. Arlinghaus, "Linkage and Leverage in African Arms Transfers," Arlinghaus, ed. *Arms for Africa* (Lexington, Mass.: D.C. Heath, 1983) p. 8.

¹²"Gli aiuti militari italiani ai Paesi Africani," *Archivio Disarmo, Codice IB*, n. 6, 10 November 1984.

Although Italy was probably introduced to some countries in the area through military deals, defence assistance was so widespread that the Italian presence made little impact. Italy held the same place in the world, about fifth, on the scale of humanitarian donors and exporters of major arms systems. Both strategies appeared to enlarge the Italian network of trade. As defence exports declined sharply in the late 1980s, Italy's main presence was that of benefactor and economic partner.

East Africa

Italy also became one of the largest contributors to the campaign for drought relief in Kenya, Uganda, Somalia, Ethiopia, the Sudan and Djibouti. Italian aid was increased to the Sudan in the 1980s, where allocations of \$8 million in 1981 (0.5% of the total Italian aid program) increased four years later to over \$65 million (8.3%).¹³ The Sudan is seen as a key actor in the strategic stability of the Horn of Africa and the development of its agricultural potential is sponsored by many Western countries. Djibouti has also been marked as a priority country for Italy in the future.

The Horn of Africa was the area of greatest concentration for the Italian aid program. Somalia maintained steady relations with Italy, despite the fluctuations on its internal political scene. Somalia, Ethiopia, and Eritrea were colonised by Mussolini and stripped from the Italians in 1941. Italian troops returned to Somalia from 1949 to 1959 to oversee its recovery under a United Nations program. In 1969 Siad Barre came to power and launched a repressive regime. The Italian Socialist Party has a strong affinity for the Somalian leadership and Italian firms with Socialist backing have a notable presence in the country. During his premiership, Bettino Craxi

¹³Cristina Ercolessi, unpublished paper on "*Programmi per i paesi in via di sviluppo*" prepared for *Centro per gli studi di politica internazionale*, Rome: 1988, p. 4.

solidified relations with the government of Siad Barre through an exchange of visits. The Italians' association with the Somali president came under fire as evidence of the regime's harsh policies emerged. Siad Barre was also accused of pocketing part of a \$70 million loan arranged by Italy for building a factory with ENI in 1988.¹⁴ Italian favouritism for Somalia was diffused with increased aid to Ethiopia, an attempt to show greater sensitivity to the Eritrean issue, and allocations of aid to other destinations such as the Sudan and Djibouti.

In the 1980s, Somalia still received an average of 12.3% of the Italian development aid budget, or about \$288 million in the period 1981-1985. Rome has continued to promote the university founded in Somalia by Italians, which is responsible for the relatively high number of Italian speakers in the country.

During the same period, Italy's former colony became the third largest recipient of Italian arms, despite its meager domestic resources. Many deliveries may be in the form of gifts since Somalia's main trading product is bananas. A year after Italian troops ended the United Nations trusteeship in 1959, eight F-51D Mustangs were transferred to the Somali government from an Italian-controlled air force unit. In the 1960s Italy continued to transfer aircraft on a gift basis. Three Douglas C-47s and four Beech C-45 planes were delivered in 1960, and eight Piaggio P-148 and two AB 47G-2 planes in 1962. In 1980 and 1982 Italy delivered from four to six G-222 transport planes that were built as part of the production run for Libya. Agusta sold AB-212 helicopters in 1980 with delivery following two years later; four P-166 transport planes were transferred in 1981. The latter model may have been directed for civilian uses, however; the Italian Air Force uses it for aerial

¹⁴*La Repubblica*, 7 April 1988.

photogrammetry. S-211 trainers were ordered in 1985 but it was uncertain when delivery would take place.¹⁵

In land systems, 100 M-47 Patton main battle tanks were delivered to Somalia in 1985. Fifty were subsequently ordered. These transfers formed part of a new technical and military assistance program launched by Craxi in the autumn of 1985. He refused the sale of Leopard tanks, however, because of ongoing hostilities between Somalia and Ethiopia. Craxi made a public statement regarding the Italian relationship with Somalia, an unusual gesture when Italian weapons sales were involved.

Somalia is, for us, a great friend, and our position in the Ethiopian-Somalian war of attrition is not equally balanced. We think the Cuban forces and Soviet military advisors should return home [from Ethiopia]. But we do not think that a superiority of Somalian armed forces could prevent an Ethiopian attack. A negotiated solution is needed to prevent a serious conflict in a vital part of the world.¹⁶

All of Italy's 500 M-47s were to be returned to the United States for refurbishing and thus the exports to Somalia also required American approval. Somalia also received 220 Iveco lorries. The shipbuilding industry had one order from Somalia which resulted in delivery of the Type 6614 attack patrol craft in 1979-1980.

With the aim of effecting a gradual *rapprochement* between Ethiopia and the West, Italy made Addis Abeba the primary recipient of aid funds. In 1986 Ethiopia received 88 billion lire, about 16 billion more than the Somalians.¹⁷ In 1988 about 1,500 Italian nationals were employed as humanitarian aid workers in Ethiopia. They were the first to furnish direct assistance in resettling refugees,

¹⁵Sources of information on Italian arms transfers included the yearbooks of SIPRI and the *Istituto affari internazionali*, *Jane's Defence Weekly*, *Rivista militare*, and *Rivista italiana difesa*.

¹⁶"Italian M-47s to reinforce Somalia," *Jane's Defence Weekly*, 12 October 1985.

¹⁷IAI 1984-1985, p. 500.

and sent hard-working crews to the area despite a series of kidnappings of Italian nationals. Irrigation projects, road construction and storage facilities for harvested food products were tackled in ensuing years. Italian workers are said to be extremely committed and serve long terms in the field.

The Italian presence in Ethiopia is criticised by some political forces in Italy, namely the Republican Party, which is preoccupied by the suppression of opposition political groups and the Soviet Union's renewed interest in the country. Nonetheless, Italy became Ethiopia's major Western trading partner in the mid-1980s and its "privileged interlocutor" in the West.¹⁸ Ethiopia gave evidence of its desire to open to Western countries with the signing of a contract for \$200-250 million in credits from Italy.

As a result of the improved relations between the two countries, new business opportunities materialised. Economic contracts passed on concessionary terms to the developing countries are a short step away from aid programs, and can have reverberations of far greater importance in the recipient country than in the parent firms. Ethiopian leader Menghistu Haile Mariam laid the foundations for a new factory for spare parts launched in Ethiopia by the Italian company La Fata, based in Turin. The factory was significant in setting the Ethiopian economy back on its feet since agricultural and industrial development had come nearly to a standstill because of the impossibility of repairing machinery. Production of spare parts at home was estimated to save over \$50 million per year for Addis Abeba.

In contrast to the Somalians, the Ethiopians were not thought to have requested arms from Italy.¹⁹ There was a limited trade in aircraft, however. Six Agusta Bell-204 *Iroquois* helicopters were delivered in 1968; the next agreement did not come until the 1980s, with the delivery of SF-260TP trainers. Some of these were stated to be designated for civilian use.

¹⁸IAI 1984-1985, p. 500.

¹⁹Interview Cristina Ercolessi, Rome 18 April 1988.

Other Areas

Italian involvement in other areas of sub-Saharan Africa is high as well. In 1982-1985, Italy was the second largest source of aid for Mozambique and Angola. Of aid coming from non-COMECON countries, Italy provided almost 20% and 16% respectively of total aid to these countries. In contrast to the Horn of Africa, Italian aid has tended to go more toward promoting a general process of economic reform in these areas, rather than supporting specific development programs under Italian supervision.²⁰

In October 1981 Italy became the first Western country visited by President Samora Michel since the independence of Mozambique in 1975. A few months earlier Mozambique had announced its adherence to COMECON, despite the declaration of a desire to launch a policy of "active non-align^{ment}ment."²¹ Following an agreement on economic, technical and scientific cooperation, Italy became the largest trading partner in the West for Mozambique. Recent collaboration has been based on a \$500 million collaboration with IRI in the construction of a carbon mine at Moatizo and the reactivation of a railway line linking inland areas to the coast. IRI's subsidiary Finsider would gain about three million tons of carbon per year from the operation. Other contracts for expanding telecommunications, geological, agricultural and industrial projects have been estimated to be worth hundred of millions of dollars.²² In this area of high economic concentration for Italy, however, military contracts do not appear to have been involved.

Italy, and in particular ENI, is an important commercial partner for Angola, but relations with Italy in the 1980s grew primarily as a result ^{of} Angola's search for European support in isolating South Africa. The Angolan President Jose Eduardo Dos Santos was

²⁰Ercolessi, p. 1.

²¹IAI 1981-1982, p. 467-468.

²²IAI 1984-1985, p. 502.

received by President Alessandro Pertini and Foreign Minister Andreotti, and was a guest of Craxi at Villa Madama during a state visit in September 1984. The Italian government condemned the South African attack on Angolan territory in 1981. Italy has not emerged as an outspoken defender of Angolan rights, however, partly because of the Italians' trade relations with the South African regime.

Nigeria

Sales to Nigeria were embargoed by the Italian government in 1968. The Nigerians had been at war for more than a year over the Biafran secession, which became one of the bloodiest conflicts in recent African history. Authorities in Rome revoked the licence to sell 26 MB-326 planes; the Nigerians turned to the Soviet Union to fulfill their requirement. The reasons for this rare case of a government prohibition on exports were not clear. Perhaps Italian leaders wished to make a public stand in an area where large profits were not at risk.

In 1978 sales from Italy resumed with the order of five Aermacchi MB-326GB aircraft. The Nigerians also purchased Italian-French *Otomat* ship-to-ship missiles between 1977-1981, and placed an order for *Aspide* missiles in 1978 and again in 1982. Twelve MB-339A trainer/strike aircraft were ordered in 1983, and G-222 transport planes were delivered in 1984. Nigeria also bought Italian-made Palmaria self-propelled howitzers between 1983 and 1986. In the naval sector, a large order for 15 Intermarine gunboats was sealed in 1978, followed by a deal for two *Lerici*-class minehunters in 1983. The Nigerian police ordered *Jet Explorer 530* patrol vessels between 1983 and 1984. In 1987 Fincantieri's yard at Genoa received an order for a \$15 million refit of the Nigerian Navy's Vosper Mk3 corvette.

A new military government came to power in Nigeria on New Year's Eve 1984. One of the main goals of the regime was to reduce

the staggering amount spent on bribes in connection with arms imports. Discontent was mainly over dealings with Western suppliers. In recent years, the country was a client of both the US and the Soviet Union. Its armed forces are small but the country is by far the strongest military force in West Africa, and because of its oil revenues, Nigeria is the only nation in the area with continuing large arms imports. In the mid-1980s, military sales from Italy rose dramatically. An arms researcher in Rome described Nigeria's importance for Italian weapons exports:

Nigeria, considered a "giant" among African nations in economic potential and population, is the fourth most important African client for our defence industry, after Libya, Egypt and Somalia. Proof of this is the fact that in 1984 and early 1985 the aircraft industry exported a value of 230 billion lire, reaching almost 20% of all Italian [military] exports.²³

About 12,000 Italians work in Nigeria, where there is perhaps \$1 million in Italian business interests.²⁴

Zimbabwe, Zaire, and Other Countries

Zimbabwe also has Italian-made armaments in its arsenal. Much of this was acquired through transfers from South Africa. The Rhodesian government acquired six to seven Piaggio P-166 planes in 1967. Transfers of Aermacchi-Lockheed AL-60 planes and seven Aerfer-Aermacchi AM3C planes from South Africa in 1967 and 1971 have been denied by Italy. *Impalas* built under Italian licence in South Africa (see Chapter 7) were also thought to have been in use in the country since 1976. Most transfers to the country after its independence in 1980, usually in the form of military aid, came from China, North Korea and the United Kingdom. Wider economic trade was opened when Rober Mugabe made Italy the first

²³Luciano Bertozzi, "Anche in Nigeria," *Nigrizia*, October 1985.

²⁴IAI 1983-1984, p. 509.

stop on a European tour in May 1982. Italy sold ten S-211 trainers in 1982 as well as five SF-250 *Warrior* trainer/COIN. Two AB-412 *Griffons* were ordered in 1983.

Italy sent an Air Force delegation to Zambia in the late 1960s which was followed by deliveries of MB-326GB and SF-260MX planes in 1969.²⁵ Agusta also sold a series of helicopters to Zambia in the following decade. Five Iroquois were purchased in 1969, a further 25 models between 1973 and 1976, and an additional seven in 1981; one Agusta Bell 212 in 1971; and ten AB-47G in 1977. SIAI-Marchetti sold eight SF-260s in the early 1970s, and received an order for 18 more in 1978.

Zaire received military equipment from Italy as part of a 1964 agreement which included 12 (NA) T-6G Harvard, 12 Piaggio P-148 planes, and two Douglas C-47 aircraft. Orders for the Aermacchi MB-326 in various versions and the SIAI-Marchetti SF-260M trainer followed throughout the 1970s and early 1980s.

Italian economic activity in Zaire is high; besides about \$60 million in annual donations, the Italians are active in projects to make use of the country's enormous energy potential. Italian firms participate in power projects on Zaire's waterfalls along the river Congo; the longest electrical line in the world, the Inga-Shaba, operates with Italian technology. AGIP also has a 50% stake in the restructuring of the Moanda refinery to take advantage of recently-discovered off-shore oil beds.

Tanzania purchased a small amount of helicopters from Agusta during the 1970s; these included the model 47G-36-2, the 206A *Jet Ranger*, the 206B-2 and the AB-205. *Chinook* helicopters were delivered in 1982. Tanzania also ordered *Seneca* vessels from Crestitalia in 1985. In 1978 Tanzania was invaded by the Ugandans but drove them out a year later. Uganda has a small number of Italian aircraft in its arsenal, including the *Iroquois* helicopter and the AB-206A *Jet Ranger*.

²⁵Gianluca Devoto, "Il commercio delle armi," *Il potere militare in Italia*, p. 239.

The Congo received 17 MB-326GB jets in 1969 for training and anti-guerilla functions, and 12 SIAI-Marchetti SF-260MX trainers.²⁶ Three Piranha CPB were ordered in 1979. Ghana and the Central African Republic were also clients of Aermacchi and SIAI-Marchetti beginning in the late 1960s. Gabon bought Intermarine patrol boats in 1977 and Kenya received *Otomat-2* ship-to-ship missiles in 1986 for mounting on British-made ships.

North Africa

Besides having a major role in arming Libya (see Chapter 7), Italy is also one of Tunisia's main suppliers, along with the United States and France.²⁷ Aermacchi sold eight MB-326 aircraft in 1965, eight of the MB-326K model in 1977 and an additional 12 in 1979. SIAI-Marchetti delivered 12 SF-260W Warrior trainers in 1974 in a deal that included spare parts, training and support equipment. Aeritalia sold three G-222 transport planes on a credit basis for \$4.7 million each in 1976. Agusta delivered 12 of an order of 18 AB-205 helicopters to Tunisia in 1979. One hundred Type 6614 attack patrol craft were thought to have been delivered in 1979. In the 1980s, transfers included 100 Iveco lorries, 400 *Campagnola* jeeps and Beretta machine pistols. Three thousand FIAT-made tanks were on order in 1980, but no notice of delivery has been made public. In the early 1980s several dozen Tunisians were trained at the Italian Air Force Academy at Pozzuoli.²⁸ An Italian Air Force unit has been posted in the country as well.

Italy is also an important trading partner for Tunisia, with the second highest volume of trade among the Europeans. The Tunisians asked for Italian assistance in improving economic relations during Italy's EEC presidency, especially because of their anxiety over the imminent entry of Portugal into the community. Italy has sponsored loans for agricultural development.

²⁶"*Il commercio delle armi,*" p. 239.

²⁷Brzoska and Ohlson, p. 23.

²⁸"*Il nostro mercato di morte,*" p. 34.

Tunis also became the headquarters for the Palestine Liberation Organisation, and during a state visit on the 6-7 December 1984, both Prime Minister Craxi and Foreign Minister Andreotti met with PLO President Yassir Arafat. The controversial visit was arranged without prior consultation with the US, and did not gain the support, as Italian leaders had hoped, of other European leaders. In June 1984, Arafat had been received privately by Craxi, Andreotti, and President Sandro Pertini in Rome at the occasion of the funeral of PCI leader Enrico Berlinguer. As the PLO modified its strategy other European leaders gradually fell in line with Italian support for the organisation.^{28a}

With a 25-year contract signed between Algeria and ENI, Italy is the nation's biggest hydrocarbons client and 12,000 Italians work in the country. Algerian gas is cheaper than Soviet or Dutch products since Italy receives a 36% discount as part of its status as a major client. Algerian gas was originally part of an attempt to diversify Italian energy sources, but the dependence has become uncomfortably high.

Despite a close relationship with Algeria because of the gas pipeline to Italy, military transfers from Italian companies remained at a modest level. Ten Italian-made coastal patrol boats were delivered from 1976, and OTO-Melara and Breda sold naval cannons in 1981 and 1982. The Algerians sought to increase war-related trade with the Italians, but Italy appeared reluctant to create too much interdependence between the two countries.

Algiers sought a deal with FIAT in 1986 for the construction of an automobile plant, but in general, attempts to balance trade relations with a flow of exports from Italy were not successful in the 1980s.

Morocco was a steady client of Italian defence industries in the 1970s and 1980s. Deliveries were heavily concentrated in the field of helicopters. Agusta first sold 12 AB-205 Iroquois helicopters in 1968. Sales of the AB-206 and the AB-212 followed in the mid-1970s. Between six and 18 Agusta CH-47C were believed to be delivered in 1980; the AB-212 and 19 of the AB 206B-2 were ordered in the same year. SIAI-Marchetti also had a contract to sell 28 SF260 aircraft to Morocco in 1976; delivery was not confirmed. In 1983 about 24 *Aspide* missiles were acquired. Between 1979 and 1986, Italy was one of the Western countries which sent a total of \$2.5 billion in military

^{28a} IAI 1984-1985, pp. 60-66; IAI 1983-1984, pp. 502-503.

assistance to aid Morocco in its ongoing struggle against the Polisario movement, estimated to cost a total of \$1.7 billion annually. The US, France, FRG, and probably Saudi Arabia and South Africa were the other countries helping to arm Morocco.²⁹ Italy was also reported to have supplied arms clandestinely to the Polisario rebels.³⁰

The Middle East

The Italians had a special advantage in holding long-standing trade ties, and to a certain extent, a common heritage with the countries in the Middle East and Mediterranean whose oil possessions brought them immense power in the 1970s.

Italy's relations are balanced on a thick network of economic ties that flourish even in moments of deepest political conflict. Exchanges occur mainly in two spheres: the supply of hydrocarbons to Italy and the export of various Italian goods. As one researcher points out, Italy has not been able to balance these exchanges with certain areas: Italian exports to the countries like Libya and Algeria are generally less dynamic than markets in the most populated countries such as Egypt and Morocco, or the richest ones (in the Persian Gulf).³¹

An active presence in the area was necessary to help offset the costs of energy imports, but Italy had a dynamic trade in the Middle East long before its economic importance came to have the global effects of the 1970s. Rich interaction continued after the region's economic power was established. In 1973 the region received perhaps 5% of Italian exports; the figure rose to 13% in 1978. Exports to OPEC rose 43% in 1977, a 25-30% increase in real terms. During

²⁹Stephanie Neuman, "Arms and the Superpowers," *Foreign Affairs*, Summer 1988, p. 1049.

³⁰Interview with Falco Accame, Rome 20 March 1988.

³¹Maurizio Cremasco and Giacomo Luciani, "The Mediterranean Dimension of Italy's Foreign and Security Policy," *The International Spectator*, vol. XX, no. 2, January-March 1985, p. 29.

that year Italy marked a 73% increase in trade with Ethiopia, and 20% with Egypt.³² By the end of that year Italy still ran a trade deficit with many oil countries, including \$1,866.2 million with Saudi Arabia, \$1,883.4 million with Iraq, and \$294.1 million with Libya.³³ In the mid-1980s the Arab countries received 12-13% of Italian exports, and were the source of 15% of Italy's total imports.³⁴

An Italian industrial official described the difficulties in engaging in business with the oil-producers:

They are the absolute arbiters. If they decide to stop the contract, to cut off payment, or to kick you out, you have no defence...There are no agreements between governments to protect you. You go at your own risk.³⁵

In the late 1970s the Italian foreign trade ministry launched new efforts to assist Italian businessmen in the oil-producing nations, and in socialist countries. Over two years, Minister Rinaldo Ossola travelled to more than 20 countries, mostly in these two areas. He made these remarks on the special role of Italian businessmen in the Middle East:

The biggest private Italian groups have in fact their own representatives in all of these countries, and only avail themselves of government support in particular cases. But it is just these smaller firms that form the backbone of the Italian economy, both because of their efficiency and because of their operational flexibility. Our firms have found very interesting outlets in these markets because they are extremely pliable in meeting momentary requirements. So it is not surprising if we look at the Italian market share in this area, that we find

³²MEED, 22 September 1978, p. viii.

³³MEED, 22 September 1978, p. iii.

³⁴Pier Giovanni Donini, "*Gli interessi economici: una concentrazione pericolosa?*" *Politica internazionale*, no. 1 January 1986, p. 35.

³⁵MEED, 22 September 1978, p. xiii.

perhaps only Japan has been more successful in trade and industrial collaboration in the last five to six years.³⁶

However, ties in the political and military field show different trends. Italy's trade ties are so deep-rooted that it has developed a political network which operates at a different level from that of other forces competing in the area. Italy generally supports the Arab cause and prominent leaders such as Andreotti and Craxi played down Italy's American connections when promoting the interests of their own country in the Mediterranean in the 1980s. Italy's "greatest efforts seem to be directed toward remaining neutral and impartial with respect to the many conflicts in the Arab world, thus giving rise to perplexities and misunderstanding among both the Arab countries and our Western allies."³⁷

But Italy has extended help at the diplomatic level to mediate in political rivalries in the area, and its long-standing support for the Arab side in the Palestinian question was brought to fruition in the Venice Declaration in 1980, in which the European Community members declared their support for the rights of the Palestinian people. Italy's intervention is seriously sought by many North African and Arab nations looking for a voice in Western Europe. By keeping open relations with all the countries of the Mediterranean littoral and making frequent tours of the area, Italian leaders generally enjoy a high level of esteem among governments in the region. When efforts to improve the local political climate failed, Italian economic relations seemed to suffer very little.

Italy's military presence is almost antithetical to its economic presence. Apart from its membership in NATO, which in itself causes distrust in Libya and Algeria basically because they do not believe in the geographic limits of the Alliance, Italy is in any case

³⁶MEED, 22 September 1978, p. viii.

³⁷"The Mediterranean Dimension of Italy's Foreign and Security Policy," p. 29.

inserted in a Western context for "out-of-area" operations and has actually deployed military forces in the Sinai in support of the Camp David accord and in Lebanon to contain not only Israel but also Syria. Its most recent commitment in the Gulf of Suez is less significant from all points of view, but was certainly perceived as a move in support of Egypt. In line with this schizophrenia, Italy's diplomacy has wavered over the past few years between seeking closer ties with countries like Egypt, Jordan and Saudi Arabia and attempts to revive political relations with countries like Syria, Libya and Algeria, interspersed with half opening toward Arafat, without any indication of an overall design.³⁸

Italy did have a "military presence" in the Middle East, in the form of its steady supply of weaponry. Here Italian arms manufacturers responded to the commercial opportunities that were already bringing enormous profits to many areas of Italian industry. Although Third World military spending levelled off in the 1980s, according to US government sources, the Middle East was still spending an average 18% of GNP on weapons between 1985 and 1988, and received about two thirds of the arms sent to the Third World. This reflected a 12% drop between 1984 and 1987 and a 15% decline in 1987. In the Third World the USSR continued to be the largest supplier, following closely by the US. The next largest suppliers, at a significant distance from the major sellers, were France, China, the UK and Italy; the place of the FRG dropped more rapidly than any of the major suppliers over the 1980s.³⁹

Egypt

Egypt became one of Italy's top five defence clients by the early 1980s. One of the staunchest supporters of the movement of non-aligned states in Africa and the strongest single military power in

³⁸"The Mediterranean Dimension of Italy's Foreign and Security Policy," pp. 29-30.

³⁹*Jane's Defence Weekly*, 12 August 1989.

the Arab world, it was one of Italy's most reliable allies. Although Egypt still maintained a trade surplus because of heavy oil sales to Italy, Italian companies carried out a wide spectrum of industrial activity inside the country. Italian firms won a UNESCO contract for 6,500 million lire (about \$7.49 million) in the 1970s to salvage ancient Egyptian monuments on the Nile. ENI's subsidiary AGIP was active in Egypt from the early 1950s, and discovered two of the country's main oil fields in the Sinai (later occupied by Israel). Egypt and AGIP carried out joint exploration and production of oil in the Nile delta and Sinai peninsula in the late 1970s. Cooperation also includes Italian funding for food programs, telecommunications, health and transport, to improve areas neglected because of the heavy Egyptian military budget.

Assistance was also sought from Italy in the field of military exports. There were some ties in the aircraft field: 20 SIAI-Marchetti *Bravo* trainers made with Switzerland were probably delivered in 1977, and CH-47C and SS-61R helicopters were delivered in the early 1980s. But transfers were concentrated above all in the naval sector. Six fast attack patrol craft were ordered by the Egyptian coast guard in 1980 and a delivery of *Lupo*-class frigates was projected for an indefinite date. Missiles for naval use included *Otomat* ship-to-ship missiles (1978-1979); and *Aspide* missiles. Eighteen *Skyguard* air defence systems with Oerlikon 35mm cannons and *Sparrow* or *Aspide* missiles were delivered by Contraves in 1982-1983, and Selenia/ELSAG took on modernisation of two frigates, the *Najim Alzafir* and the *Al Nasser*, with two *Albatros/Aspide* missiles, two anti-air defence systems and various equipment made by Breda and OTO-Melara in 1985. Laser and anti-air systems were ordered in 1984-1985, along with Luigi Franchi rifles.

Saudi Arabia

Saudi Arabia was another major Middle Eastern customer for the Italians. Transfers began in 1968 with 16 AB-206A Jet Rangers and 24 Iroquois helicopters. Before the eruption of the Lockheed

scandal, Italians acting as "go-betweens" with diplomatic passports were given the tasks of setting up a triangular aircraft consortium between Lockheed, Italy and Saudi Arabia, sealing a deal to supply the Saudis with a tanker fleet, and guaranteeing oil supplies for Italy. One acted with the support of President Leone and the foreign minister but without the knowledge of ENI, in a similar arrangement to secure oil supplies in the period 1973-1975. The contracts were lost after the death of King Faisal.⁴⁰ The revelation of this activity was one of the reasons behind the resignation of President Giovanni Leone.

In the mid-1970s other types of industrial collaboration expanded. Saudi Arabia became Italy's top client in construction by the end of the decade, with 523,000 million lire (\$603.2 million) in contracts in 1977. Italy won a contract to build a complex in Riyadh called Prince Fawaz City, to include a power station, a hotel, university facilities, a municipal centre, and housing for 12,000 people. In addition, by this time more than 30% of Saudi roads were built by the Italians.⁴¹ *Sauro*-class submarines and the construction of a new naval base were also under consideration.

Although the Saudis were apparently cautious about widening economic collaboration because of reservations about Italy's political stability in the 1970s,⁴² military sales from Italy continued. Further deliveries of Agusta-made helicopters came in 1977, 1978 and 1985. Italy began delivery of an order of 200 VCC-1 attack patrol craft, some armed with TOW systems, in 1982. Beretta won a deal to supply the Pm 12/S machine pistol in 1983, and the Firos 25 launcher system made by BPD was under consideration by the Saudis in the same period. Italy has also participated in various lucrative contracts with Saudi Arabia through European consortia. A sale of 72 155/39 howitzers, made through a partnership between OTO-Melara and German and British manufacturers, delayed delivery of the model to

⁴⁰MEED, 22 September 1978, p. v.

⁴¹MEED, 22 September 1978, p. xiii.

⁴²MEED, 22 September 1978, p. vii.

the Italian Army. Italy also had a 10% stake in the *Tornados* sold to Saudi Arabia in 1984 and 1988. By this time, the country had become Italy's most important trading partner in general in the Middle East, replacing "risky" partners such as Libya.⁴³

Syria, Israel, Lebanon, and Other Clients

Syria was an early client of the Italian defence industry; FIAT first sold 26 of its G-59 aircraft in 1950. Later sales came mostly in the form of helicopters. Syria bought *Chinook* and *Sea King* helicopter along with more than 40 Agusta AB-212s and A-109 helicopters in 1977. Further orders for these models continued into the early 1980s. Lockheed *Hercules* transport planes co-produced with Italy were sold to Syria in 1976. These military agreements were also part of a broader economic relationship: by the late 1970s Italy was Syria's biggest single export market, with \$307.6 million in purchases. This left Italy with an \$87.7 million trade deficit. The Italians attempted to offset imports of Syrian oil and cotton (in the latter field, Italy was second only to China for the Syrians) with construction of hotels and a \$140 million thermal power plant. Arms sales may well be another important factor, although transfers are left unreported as much as possible because of Syria's role in Middle East conflicts.

Israel purchased three motor torpedo boats from Italy in 1956-1957 at a cost of \$300,000 each. Twenty-five *Iroquois* helicopters were bought from Italy in 1968-1969. One hundred M-113 tanks were thought to have been "triangulated" from Italy to Israel through Greece.⁴⁴ In 1985, Italian-Israeli defence cooperation was raised to a more legitimate plane as the chiefs of staff of the two countries agreed to meet regularly in the mid-1980s and joint ventures in technology were discussed. Israel's consternation over Italian assistance in the Iraqi nuclear program and steady Italian support for the Palestinian cause was partially quelled during a state visit by

⁴³Donini, p. 38.

⁴⁴*Panorama*, 10 April 1988.

Shimon Peres, Israel's Prime Minister, with Craxi in Rome in March 1985. Peres also met with Agnelli during the visit.⁴⁵

Nonetheless, Italy had wider involvement in supporting Israel's foes, among them Palestinian forces, who were believed to have received Italian helicopters and Beretta arms since the early 1970s.⁴⁶ Lebanon began purchasing Italian military equipment, including Aermacchi and Marchetti planes, in the 1950s. Orders for fast patrol boats, *Aztec* patrol vessels and AB-212 helicopters made it an important client for Italy in the late 1970s and early 1980s. Fifty armoured transport vehicles made by OTO-Melara were ordered in the early 1980s. Both Jordan and Kuwait have purchased arms from the United States as well as the Soviet Union in the 1980s. Italian sales to Jordan included Aspide missiles, Beretta rifles, and "triangulated" armoured tanks and bombs; Kuwait received Agusta helicopters between 1968 and 1970.

Other Middle Eastern sales included collective contracts from the United Arab Emirates, which placed large orders for the OF-40 main battle tank (which carries the NATO-standard 105mm gun and is a close copy of the German Leopard tank). The order for 30 A-129 Mangusta helicopters was expected to be the first export sale of Agusta's multi-purpose helicopter, and represented the first time the Italian government actively assisted export efforts of the arms industry. Oman also ordered a number of AB 206 *Jet Rangers*, as well as *Iroquois*, *Sea King* and AB-212 helicopters between 1970 and 1977. Palmaria 155m SPH and OTO-Melara compact cannons, as well as Breda 40/70, were on order in the 1980s. Oman later purchased eight *Tornados*, with some of the profits directed to Italy.

⁴⁵*Jane's Defence Weekly*, 9 March 1985, p. 392.

⁴⁶*Panorama*, 10 April 1988 and *Corriere della sera*, 16 March 1988.

Latin America

In Latin America and the Far East, where Italian political relationships were less active than in Europe and the Middle East, broad trade ties were generally slow to develop. Italian defence exports there show that industrialists pursued openings in specific markets rather than following a coherent strategy. In many cases, however, inter-governmental links were strengthened in the 1980s.

Italy received a series of naval contracts from Latin American countries early in the postwar period, and some of these nations were responsible for propelling Italy to its peak in arms exports because of the acquisition of a number of large systems. Italy identified more closely with these countries than did other major suppliers, because of some similarities in the countries' positions with respect to the international system. Brazil and Argentina already had budding industries searching to widen a military-technological base after the Second World War. Unlike the Italians, however, Latin American nations did not have channels through which they could have continuous access to new technology. Instead many turned to Italy for the acquisition of licences to build their domestic industries.

The Latin American military sector occupies an important power position, with the result that demands for armaments are usually met. In many cases, the military actually forms the government, so that the procurement of weaponry presents less of a problem.⁴⁷

During the 1970s when Italy launched a number of important licence agreements with these countries, the Italian industry itself consistently held the highest number of foreign licences,⁴⁸ but it was still able to assist third parties in increasing their military-industrial

⁴⁷David K. Whynes, *The Economics of Third World Military Expenditure*, (London: Macmillan, 1979) p.94

⁴⁸ See *SIPRI Yearbook* various years; Italy has since been overtaken by Japan.

strengths. In the late 1980s many Latin American countries were important exporters of weaponry in their own right and have become competitors in markets where Italy traditionally was strong. At the same time, as Romiti predicted, they began to decrease purchases from countries like Italy, because of the enormous external debt (\$360 billion in 1985), a decline in regional tensions, and the replacement of military dictatorships with civilian rule.⁴⁹

Venezuela

In the early postwar period, Italian military sales to Venezuela were probably limited to the sale of frigates between 1955 and 1960.⁵⁰ Although the Venezuelan government was wary of cooperation with firms such as ENI in the Venezuelan oil production, trade in other areas was more successful. By the end of the 1970s Venezuela became the second largest recipient of Italian arms, after Libya.⁵¹ Venezuela had bought three fast *Almirante*-class frigates in 1956 which were later modernised in Italy in 1961-1962. Cantieri Navali Riuniti (CNR) built six *Lupo*-class frigates for Venezuela beginning in 1975. The deal caused an uproar in Venezuelan politics over the alleged bribes associated with the contract.⁵² This was not the first incident of alleged Italian meddling in Venezuelan politics: the Italians had been unpopular in the country in the late 1950s after pressuring the Italian immigrant population there to support the dictator Jimenez, who had arranged \$1 billion in contracts (probably non-military) for Italian firms but was subsequently overthrown.⁵³

The Italian sale to Venezuela's Navy in 1975, however, opened the way for close cooperation between the two countries. Venezuelan shipbuilders obtained the licence to produce 21 additional frigates, and to arm the vessels ordered a large delivery of

⁴⁹SIPRI Yearbook 1986, p. 342.

⁵⁰"Il nostro mercato di morte," p. 26.

⁵¹Archivio Disarmo, Codice IB n. 13, 15 May 1986.

⁵²Armi: nuovo modello di sviluppo? p. 274, n. 27.

⁵³The Politics of Italian Foreign Policy, p. 94.

Otomat Mk2 ship-to-ship missiles (an Italian co-production with France), two Agusta-Bell 212A helicopters (co-produced with the United States), and 48 Selenia *Aspide-1A* air-to-air missiles.

In March 1982 the Venezuelan foreign minister Zambrano visited Rome, and following talks with his Italian counterpart Colombo, as well as Spadolini and President Pertini, signed two cooperation accords. The Venezuelans favoured Italian businesses in their country, and allowed IRI to become the first foreign country to receive special financing agreements for industrial projects.⁵⁴ In 1983 a contract for five military patrol craft was under negotiation. Venezuela also bought eight G-222 planes with an option to order eight more; S-61R helicopters were delivered in 1984 along with 54 Breda anti-aircraft cannons 40/70 for the Venezuelan Army. An undisclosed number of Beretta machine pistols were also delivered in 1983-1984.⁵⁵

Brazil

Brazil was one of only four emerging countries, along with Argentina, India and South Africa, with some capacity to produce more than simply light arms after the Second World War.⁵⁶ Most Latin American nations had been embargoed during the war and had little contact with modern military industries. Brazil, however, had sent an expeditionary corps to Italy⁵⁷ and thus made an early contact within the European military establishment, albeit with one of its weaker links.

In the postwar period, Brazilian-Italian military cooperation had focussed on co-production agreements or licenced production in naval and aircraft projects. Licenced production dates to 1970, when

⁵⁴IAI 1981-1982, p. 475.

⁵⁵IAI, 1983-1984, p. 178.

⁵⁶*Armi: nuovo modello di sviluppo?* p. 254.

⁵⁷ Peter Lock and Herbert Wulf, "Economic Consequences of the Transfer of Military-Oriented Technology," in Mary Kaldor and Asbjørn Eide, eds., *The World Military Order* (London: Macmillan, 1983), p. 210.

Brazil acquired the licence to begin a ten-year stint of making 200 AT-26 armed trainers (which took the name *Xavante*). In 1972 the Brazilian company Embraer began a long relationship with the Italian aeronautics establishment. The first project was licenced production of MB-326GB planes; about 112 were built in Brazil. About three *Silvercraft* SH4 planes were imported in 1973 prior to the beginning of another round of licenced production. Some of these were re-exported to Togo and Paraguay.⁵⁸ Embraer also acquired the licence to build the MB-326K to replace the *Xavante*. The first outside sale of the aircraft went to Togo in 1976, and included a training mission. In the mid-1980s Libya became a major customer for Embraer and other Brazilian arms manufacturers. A dozen colonels and other members of a Libyan delegation visited Brazil in January 1988 to order more than £1 billion worth of tanks and missiles in a proposed weapons-for-oil deal.⁵⁹

In 1980 *Sauro*-class submarines and *Maestrale*-class frigates were sold to the Brazilians, and H-3D *Sea King* helicopters were probably delivered in 1983 and 1984. During the same period the Brazilian Navy bought the *Orion* radar system produced by Selenia and Ferranti of the United Kingdom. Beretta machine pistols were also delivered in 1983-1984.

Italy's cooperation with Brazil beginning in 1980 on the AMX fighter/ground attack plane represented defence cooperation of a new kind. After initial interest of Sweden's Saab was eliminated, the project's proportions were set at 48% for Aeritalia, 30% for Embraer, and 22% for Aermacchi. The sharing of the development and production with a less advanced industry had not occurred before in the launching of a major aircraft. The project was reinforced by a 1983 government-to-government accord. The plane was designed to replace the G-91 trainer, and its producers claim that it was an aircraft "without any competitors" because of its advanced

⁵⁸*Armi: nuovo modello di sviluppo?* p. 252, note 15.

⁵⁹*The Independent*, 22 January 1988.

design.⁶⁰ China, Spain and Argentina expressed interest in acquiring the AMX, which entered service in Italy in 1988, and was scheduled for delivery in Brazil the following spring. In launching the co-production, Italy could tap into markets where Brazil had established itself, for instance in Egypt and Peru.

Peru

Peru purchased five Piaggio P-136L aircraft in 1956-1957, and four *Rio*-class patrol boats in 1960 worth \$120,000 each. After the Italian industry began to accelerate its exports in the 1970s, Peru became a major customer for a variety of Italian military systems. Italy was probably the main supplier to the Peruvian Navy in the 1970s. In the same period the Peruvian Air Force and Army purchased most of its equipment from the USSR.⁶¹ Italy sold a number of *Lupo*-class frigates to Peru in 1974, as well as an estimated 15 AB-212 helicopters to equip the frigates. SH-3D *Sea King* helicopters were also delivered in 1978. Two additional *Lupo*-class ships were to be built under licence production beginning in 1979. In the mid-1970s Italy also sold approximately 100 *Otomat* missiles for the *Lupo* frigates, and the same number of *Selenia Albatros/Aspide* missiles. Two *Superalpino*-class frigates were built in Italy for sale in Peru, followed by the licence production of an additional four for the Peruvian Navy. A similar arrangement involved the *Maestrale*-class frigate, which was also built under licence, beginning in 1980 after the acquisition of two ready-built models. The licences were held by SIM Callao in Peru.

In the mid-1980s, Peru took the initiative in cutting military spending in Latin America by cancelling licensed production of 66 Italian MB-339AK trainer/ground attack aircraft; President Garcia, in

⁶⁰"AMX: La risposta ad un'esigenza," *Difesa oggi*, n. 91-92, November 1985.

⁶¹Brzoska and Ohlson, p. 32.

power since the summer of 1985, simultaneously annulled part of a French order for *Mirage-2000* fighters.⁶²

Argentina

Italy has always been an important trade partner of the Argentine Republic and Italian immigrants have made up the largest single ethnic group in the nation. From 1857 to 1958 Italians constituted approximately 46% of the total immigration into Argentina, leading even the Spaniards who made up 33%...they also brought badly needed new industrial skills...Italian blood has given Argentina some of its greatest men in the past century and a half, including the patriot general Manuel Belgrano in the independence period, intellectuals like José Ingenieros and Risieri Frondizi; several presidents, including Carlos Pellegrini, Juan Domingo Perón, Arturo Frondizi, and Arturo Illia; industrial giants and...shipping magnates, and generals of the caliber of Pablo Ricchieri.⁶³

As a consequence of the high number of Argentines of Italian origin (estimated at 1,300,000 out of 28 million in the early 1980s), good relations with Italy are seen as a way of improving the domestic mood in Argentina. President Alfonsín visited Rome in October 1984 and Pertini visited Argentina twice. Argentina is very important for Italy for both imports and exports; Italian investments in Argentina are second only to those of the United States.⁶⁴ Argentinian-Italian relations were solidified through increasing government-to-government contacts in the 1980s. The Italians

observed only temporarily the EEC directive calling for a moratorium on trade with Argentina following the Falklands-Malvinas conflict.

⁶²SIPRI Yearbook 1986, p. 342.

⁶³Ione S. Wright and Lisa M. Nekhom, *Historical Dictionary of Argentina* (Metuchen, NJ and London: Scarecrow Press, 1978), p. 429.

⁶⁴IAI 1981-1982, p. 477 note 139; IAI '84-'85 pp. 510-511.

Italy aimed for Argentinian military markets as early as the Fascist era, when Italo Balbo's transatlantic flight had served a promotional function for Italian-made aircraft in the Americas. In the 1950s the Italians finished delivery of 70 FIAT G-46 aircraft. In 1951 Argentina also purchased three transport vessels for military purposes. Sales of aircraft increased in the 1970s. In 1974 Argentina purchased two to three Aeritalia G-222 transport planes, and eight Aermacchi MB-326GB planes for the Navy; these aircraft were delivered in 1975 and 1976. Agusta A-109 Hirundo helicopters were ordered in 1977; 10 MB-339A trainer/strike aircraft were delivered in 1981. The delivery of S-61R helicopters in 1984 is unconfirmed.

Defence Minister Spadolini visited Argentina in September 1985 to discuss possible joint production of strike fighter aircraft, similar to the AMX program between Italy and Brazil. In 1988, Defence Minister Valerio Zanone signed another treaty during a visit to Argentina paving the way for further military cooperation. A platoon of Italian mountain troops was expected to visit Argentina in 1989, followed by a return visit by their Argentine counterparts. In addition, joint naval exercises were projected for 1990, with an exchange program for the air forces to follow.⁶⁵

In 1987 Aeritalia and the Fabbrica Militar de Avione signed an economic accord to increase cooperation during a visit by the Argentine Minister of Defence, José Juanarema, to Aeritalia's factory in Torino-Caselle. Joint development of aircraft with Italy was seen as a possible way to modernise the Argentine Air Force, which was still equipped largely with American-built *Skyhawks* acquired between 1966 and 1976. Nineteen of this model were destroyed during the Falklands-Malvinas conflict. Aeritalia could not rely on British cooperation for the motors for the aircraft project, and aimed at cooperation with General Electric. Argentina had already rejected an offer to receive A-4 planes from the United States, a more advanced aircraft similar to the AMX. This was possibly a gesture to

⁶⁵*Jane's Defence Weekly*, 29 October 1988.

relax tensions between the Argentine government and its armed forces, which had recently undergone trials against generals of the former military dictatorship. The president of Aeritalia, Renato Bonifacio, saw the contract with Argentina as evidence of his company's status as a world aircraft manufacturer: "The choice made by the Argentine government confirms the levels attained by Aeritalia, whether in terms of international credibility or in quality."⁶⁶ In the 1980s Argentina became a client of the Italian electronics industry, and purchased Palmaria 155mm SPH, OTO-Melara 127/54 cannons for arming German *Meko* frigates, and Breda torpedoes and cannons, among other systems.

The FIAT subsidiary SNIA-BPD was allegedly involved in the Condor II intermediate range ballistic missile project developed in Argentina with West European technology and partial Egyptian financing. The Condor's range of several hundred miles would make the Falklands, for example, an easy target. The Italians were implicated when the United States issued protests against SNIA and the West German MBB for their part in the violation of the Missile Technology Control regime (MTCR), a treaty launched in April 1987. The treaty aimed to enforce export controls for rocket propellants and electronic guidance systems for missiles, not just nuclear material. SNIA had been suspected in the 1970s, before FIAT acquired the firm, of assisting Brazil and South Africa in missile programs, but had never been brought to account. Pakistan, India, Libya, South Korea and Taiwan were the other countries with suspected missile programs which the MTCR aimed to check.

SNIA was believed to have sold most of its technology for the Condor project between 1984 and 1986. The company has one of the most sophisticated rocket-testing and nuclear-reprocessing facilities in Europe, at its Colleferro laboratory near Rome. The company was slow to respond to US government enquiries and when the Americans continued their protests at the diplomatic level, the

⁶⁶*Rivista italiana difesa*, no. 5, May 1987.

Italians responded that the cooperation was intended for the purpose of building sounding rockets for atmospheric research.

SNIA was persuaded to withdraw from the project only when success in other areas was threatened by American reprisals. One of SNIA's most important future prospects was the SDI program. American officials made it clear that space contracts would be cancelled, not only as a reprisal against SNIA's activity in Argentina, but also because they would not be willing to entrust the company with sensitive new technology.⁶⁷

A combination of circumstances allowed Italy to withdraw from the project without the public condemnation that MBB received. In 1988, the Italians agreed to accept F-16 jets expelled from Spanish bases and to accept the associated costs. They were also only one of a very few European countries fully supporting the SDI program at the government level. In addition, US attention was probably side-tracked by Chinese missile sales to Saudi Arabia, also in early 1988. By April of that year, the US lifted an unpublicised ban on American technology transfers to SNIA and the incident ended quietly.

Other Latin American Recipients

Among Italy's smaller clients in Latin America were Ecuador, Paraguay, Bolivia, Chile and Colombia. Ecuador was an important client for the Italian shipbuilding industry in the 1970s; six corvettes of the class *Esmeralda* were ordered in 1978, and deliveries continued into the 1980s. These vessels were similar to the *Wadi*-class ships built for Libya. Ecuador also purchased 12 SIAI-Marchetti SF-260 trainers in 1977, and ordered approximately 72 *Aspide* A-1 air-to-air missiles in 1979. Before the rise of Pinochet, Italy sold two newly-built *Midget* submarines to Chile in 1972. Bolivia purchased six SIAI-Marchetti SF-260C trainers in 1978-1979. Colombia produced *Midget* assault submarines under Italian licence beginning

⁶⁷Friedman, p. 228. For a full account, see "The Missile Case," pp. 221-234.

in 1972 and was thought to have acquired AB-212 helicopters for use on naval vessels. At an unknown date sometime between 1971 and 1984 Paraguay acquired Beretta-made SC-70 rifles. In the Caribbean, Haiti received SIAI-Marchetti trainers in 1983 and 1985.

ASIA

Italian sales in Asia increased dramatically in the 1980s. Collectively, the Far Eastern nations were a significant source of business for the Italian shipbuilding industry. In the 1950s Italy sold frigates to Indonesia, an oiler naval vessel and four *Savitri*-class defence craft to India, and six patrol boats of the *Seruwa* and *Hansaya* classes to Sri Lanka. Pakistan bought Italian-American ships for military uses in the early 1960s; the Philippines and Indonesia bought patrol boats. Malaysia and Indonesia each acquired four *Lerici* minehunters for delivery in the 1980s; the vessel was also in service in South Korea. In 1983 Pakistan ordered 18 Crestitalia patrol craft. India purchased Italian electronics systems for its *Vikrant* aircraft carriers and frigates.

Thailand

Thailand was the major client in the Far East, with purchases varying from SIAI-Marchetti trainers in 1973, to *Ratcharit* fast patrol boats, made by Breda, in 1976-1979, and the MV-400 fast attack craft in the early 1980s. Thailand also purchased a wide variety of Italian-made naval electronics systems, including Selenia, Breda and OTO-Melara weapons. The Italians set up a consortium with Thai producers to carry out some of the work.

Malaysia

Malaysia purchased Agusta helicopters and 12 Mb-339K trainers in the early 1980s, with an option for 14 additional units. In the mid-1980s Marconi Italiana and the Malaysian government created a

military consortium with a 30 and 70 percent share respectively. Italian military personnel provided on-site training following the delivery of the *Lerici* minehunters; the Malaysian Navy requested the continued presence of Italian advisors.⁶⁸ In February 1987 Deputy Defence Minister Vittorio Olcese completed a fact-finding mission along with Italian industrial leaders to explore the suitability of the Malaysian capital as a base for producing defence equipment to be sold in Asia.

Other Asian Clients

Singapore was a major customer for SIAI-Marchetti beginning in the 1970s; transfers included the SF-260X, the SF-260W, and the S-211. Twenty-four of the latter were made with local assembly by SAMCO. The Singapore-run company exacted high demands on SIAI-Marchetti, including financial concessions which almost caused the Italian firm to back out of the deal. Other Italian trade in the area was limited to two firms, a semiconductors concern, SGS, with 2,300 employees, and Olivetti, which employed 1,900 in Singapore.⁶⁹

The Philippines bought 48 units of the SF-260 model in 1973-1974. A year later the XT-001 model, a virtual duplicate of the Marchetti trainer, appeared in the Philippines, which suggests that a licensing agreement may have gone through. South Korea produced FIAT equipment and attack patrol craft under licence in the late 1970s and early 1980s; an unspecified number of *Lerici* minehunters were also in use. The South Koreans purchased 30 Breda cannons and an underwater de-mining system. Taiwan bought *Otomat* ship-to-ship missiles in 1977. Burma acquired a number of armed SIAI-Marchetti trainers between 1975 and 1985; Sri Lanka brought in further orders for the aircraft in 1985.

⁶⁸*Jane's Defence Weekly*, 14 February 1987.

⁶⁹*Corriere della sera*, 10 October 1988.

In other fields, Italian imports were only about 1% of the total purchased by India, but relations took on new momentum with the extension of \$400 million in new credits from Italy to India.

Shortly before the death of Indira Gandhi, Spadolini visited India in October 1984 during his term as minister of defence.

In this case as well, the exchange of "merchandise" discussed was directed to the military arsenal, and in the end the economic and financial accord resulted in the furnishing of Italian armaments to India at a value of 900 billion lire. According to sources in the Italian delegation, the political content of the contract was no less important than the economic side, in that New Delhi was demonstrating the desire to diversify its sources of armaments which until then were supplied in large part by the USSR (of which the defence minister Ustinov had visited India a few months earlier with an entourage of 50 people.)⁷⁰

An accord for increased technical and military cooperation provided for anti-terrorist training of about 100 Indian Army officers in Italy.⁷¹ Italy was hoping to receive orders from India, as well as from Thailand, Indonesia and the Philippines, for the A-129 *Mangusta* helicopter. American military offers, however, continue to win much of Italy's potential business in Southeast Asia.

⁷⁰IAI 1984-1985, pp. 507-508.

⁷¹*Jane's Defence Weekly*, 11 April 1987.

CHAPTER SEVEN

THE ITALIAN TRADE IN ARMS WITH PARIAH NATIONS

Italy's biggest markets for arms were among nations which were officially embargoed by other countries. Although many countries violated these embargoes, Italy was perhaps the only country with a major dependence on "illicit" trade for its industry's survival. For the Italians, the trade was often not illegal because prohibitions were often non-existent or appeared in the form of loosely-worded public relations statements. In the 1970s, the Italian trade was characterised by heavy concentration at either end of the African continent, with transfers significant mostly for their *quantity* to Libya on the Mediterranean littoral, and a program of military cooperation with South Africa which afforded *qualitative* enhancement to that country's military establishment. Sales from the Persian Gulf war in the 1980s provided a further outlet for Italian armaments.

Libya

Colonial Ties

The name Libya itself was introduced by the Italians in 1934 when they controlled the regions of Cyrenaica, Tripolitania and Fezzan.¹ The Italians controlled Libya from 1911 until they were driven out by the Allies in 1942. Under Fascism, one of the ablest men in Mussolini's regime, aviator Italo Balbo, acted as governor of the colony. The Italians left little of value, apart from some construction of roads and buildings, and reaped equally few

¹Bernard Reich, "Socialist People's Libyan Arab Jamahiriya," David E. Long and Reich, eds., *The Government and Politics of the Middle East and North Africa* (Boulder, Colo.:Westview Press, 1980), p. 360.

benefits. The discovery of large quantities of oil occurred after the departure of the Italians.

Although the Italians were not popular in Libya under King Idris, anti-Western feelings heightened even further after Moammar Ghedaffi took over in a bloodless *coup* in 1969. The British were expelled from bases in Tobruk and the Americans from Wheelus Field. In July 1970 the property of Italians and Jews was confiscated. The Libyans also exhumed Italian cemeteries, an act still not forgiven by Italians.

Unlike countries such as the Shah's Iran, Libya aimed to build a military establishment without relying on one source of support, and rather than being a major regional ally of one of the superpowers, attempt to fashion itself as the fulcrum of an Arab union. Ghedaffi tried repeatedly in the 1970s and 1980s to unite Muslim nations in an anti-bloc, anti-Zionist federation. Part of this drive included earnest Libyan support for an Arab nuclear bomb, and for an international terrorist movement to undermine Israeli and American interests. Plans for a union of Libya and Egypt under a single leader (initially to be Anwar Sadat) reached an advanced stage; after the collapse of the plan a similar union with Tunisia also failed. Ghedaffi's fanatical approach alienated many Arab leaders. Libya's determination to remain free of international power blocs eventually was compromised by its dependency on Soviet military hardware and training.

During the formative years of the Ghedaffi regime, Italy gradually became an important ^{partner.} It was a close neighbour geographically, and ranked among the advanced countries of the industrialised world. Most of all, its leaders showed a keen willingness to cooperate with Ghedaffi. Italian commercial agreements were vital in setting in motion aspects of the

developing Libyan economy, and a decade after Ghedaffi's rise to power, Italy was Libya's most important trading partner.²

Italian Military Assistance to Libya

Military support was an especially strong feature of the Italians' relations with Ghedaffi. Soon after the colonel's faction took over, Italy again sent its aviators and was instrumental in organising and equipping the Libyan Air Force. The supply of raw materials, especially crude oil, was undoubtedly an important return on the relationship for Italy. But because of the geographic proximity of Libya, the Italians felt a greater need to forge mutual good relations than in many of their commercially-motivated connections in the Middle East.

The Italian-Libyan relationship had many of the markings of a patron-client relationship that characterised the policies of other countries, including training of troops and the mutual desire to influence each other's actions through the arms relationship. In helping to build Libyan Air Force officials, Italy sent advisors for many years to man facilities in Libya. The Italian supervisors worked mostly with Italian-made equipment, and in the 1970s Libya became the largest recipient of Italian arms.

The extent of the arms transfers to Libya shows the lengths to which the Italian government went to bolster its special relation with Libya. The first transfers date to 1971. Fifteen years later, General Viviani gave this account of Italian aid to Libya:

We sold Ghedaffi arms - and a great many arms; we organised his secret services, we furnished advisors for the modernisation of the armed forces. Libya asked for arms through diplomatic channels. The Foreign Minister gave the assignment to the secret services...This was how we flooded them with M-113 tanks, 105mm howitzers and machine guns, rifles,

²MEED, 22 September 1978, p. iii.

bombs and other goods, all after having bitterly disputed with the Americans.³

The transfer of 152 M-113 tanks is an interesting case in the Libyan-Italian relationship. In order to meet the quantities needed for the deal, the Italians disarmed several of their own military units such as the *Folgore* and the *Ariete*, and returned them to OTO-Melara. The government then authorised their resale to Libya under the cover of new equipment. While officials quelled the protests of the armed forces, whose chronic complaints about equipment shortages were justified this time, they also took on a battle with the United States over the deal.

The Italians also had a significant oil agreement at stake at the time of the tank transfers. On 30 September 1972, Italy and Libya signed an agreement for the concession of 50 million barrels of crude oil. For every barrel ENI also allegedly set aside three cents on the dollar for payoffs to intermediaries, or *padrini*.⁴ Italy also sold six two-tonne attack submarines (known as *maiali*, or pigs) and two 70-tonne submarines, considered some of Italy's most "secret" systems of that time, according to an ex-member of the Italian intelligence services. American opposition disappeared apparently after Italy purchased American anti-tank TOW and Lance missiles produced by Hughes, amounting to 42 billion lire.

Libyan military personnel were trained at the *Centro Incursori* at La Spezia and at a centre established in Libya. In gratitude for the assistance by the Italian secret services and armed forces, Ghedaffi was reported to have "sent precious gifts to the men of the services, [and] jewels for their wives that could not be refused for fear of offending the colonel."⁵ Ghedaffi was indeed

³cited in Falco Accame, "*Alla faccia dell'Italia!*" *Nigrizia*, July-August 1986.

⁴"*Alla faccia dell'Italia!*"

⁵"*Alla faccia dell'Italia!*"

offended when he discovered that the shipment of tanks had been entirely second-hand, and attempted to seek damages. The fact that the Italian government disarmed operative military units for the sake of the Libyan sale was also protested during an interrogation of Defence Minister Spadolini by left-wing deputies in June 1985, when an investigation by the Roman magistrature was opened. However in 1987 a 15-year period would have elapsed since the events had taken place and it was unlikely that prosecution could be undertaken before the wrongdoings were annulled under the Italian system.

Reinforcing Ties in the Face of US Opposition

The Italians also pushed through a controversial deal to export 20 G-222 transport planes to Libya, against the wishes of the United States. When American hostilities toward Ghedaffi were on the rise, US officials attempted to block Western military trade with Libya from any source. In the case of the Aeritalia transport planes, the US vetoed export licences for the planes' General Electric motors in 1978. Italy went through with the deal, substituting Rolls Royce motors. Despite the Italian dependence on American technology, exporters retained a considerable ability to evade US control of its use.

In December 1976 Ghedaffi bought a \$415 million stake in FIAT, just under 10% of total stock. The deal came as a surprise in Italy, and was reported to have been arranged when Ghedaffi and Agnelli were both guests of Moscow. The deal made Libya the second largest shareholder after the Agnelli family and rescued the company from a period of crisis. Libya offered more than three times the price it would have paid on the Milan stock exchange, and its investment represented about a quarter of Italy's total balance of payments deficit in 1976.⁶

⁶Friedman, pp. 173-178.

By 1972 Libya had become Italy's most important economic partner in the developing world. ENI and IRI both had lucrative contracts there. About 20,000 Italians worked in Libya under Ghedaffi. AGIP extracted about 40,000 barrels per day of Libyan oil. Another deal involved collaboration in developing untapped oil wells 120 km northwest of Tripoli. The IRI firms Italmobiliare and Nuova Italsider also secured significant contracts for increasing steel production in Libya.⁷ By the mid-1980s, Italy exported to Libya, about 50% of its total exports to the EEC.⁸ Even so, an Italian head of government did not visit Libya until Andreotti, as Prime Minister, took a delegation including Foreign Minister Forlani in November 1978. Andreotti's standing invitation to Ghedaffi to visit Italy so far has not been accepted.

Italian-Libyan relations went through frequent periods of strain because Ghedaffi was increasingly associated with international terrorism. An embargo on arms shipments to Libya was officially announced in 1979. Military and economic ties with the Libyans had not prevented attacks on Italian soil and against some of the 20,000 Italian nationals living in Libya. Ghedaffi periodically reopened the issue of reparation payments for Italy's colonisation of the territory, a topic that the Italians were unable to bury despite repeated gifts to the Libyans, including a heart surgery hospital. Italian resentment against Libya also flared up periodically, as when reports that Italian fishermen were taken prisoner and forced into slave labour for two years by the Libyans.

Relations at the diplomatic level were again smoothed over in 1982 when important Libyan officials visited Rome. At that time Italy was the only country which had not completely severed relations with the Libyans. The Army Chief of Staff Umberto Cappuzzo visited Libya in July 1984 and was rumoured to have

⁷IAI 1984-1985, pp.484-6.

⁸IAI 1984-1985, pp. 484-485.

reopened the possibility of furnishing arms to Ghedaffi's regime.⁹ In the same month, Andreotti attempted to bring out Italy's role as conciliator as tense American-Libyan relations threatened to de-stabilize the entire Mediterranean. Andreotti's conversation in Ghedaffi's camp were reported by the Italian minister a few days later to President Reagan in a meeting in Los Angeles after the Olympic Games. Neither the Americans nor Ghedaffi was willing to alter the US-Libyan standoff, but the Italians were momentarily a focus of interest for both countries.

Cultivation of Libya was not backed unanimously even in Italy, however. The Republican Party in particular repeatedly called for stiff public protests against Libya; they challenged the decisions to put forward the exchange of Italian hostages for Libyan terrorists held in Italy and a new treaty for cultural and scientific exchange during the time of heightened hostility in 1986.¹⁰ Craxi reproached his European allies for their unwillingness to identify openly Ghedaffi's role in fomenting terrorism.

In return, Libyans remain uneasy with the Italians, especially because of their close ties with the Americans. The installation of cruise missiles in Sicily was a major worry for all of the North Africans, and became a source of contention between Craxi and Ghedaffi. After the Americans bombed Libya in April 1986, the Libyans targeted the Italian island of Lampedusa, which housed a LORAN NATO facility, for their reprisals. The missiles landed in the sea near the island. After the Lampedusa incident, Ghedaffi's shares in FIAT were forcibly bought over at the urgent request of the Americans, who threatened to take reprisals against FIAT in field of arms and space contracts. The investigation of the representative of the Libyan bank holding the shares in FIAT for terrorist acts in Rome further cooled Italian-Libyan relations.

⁹IAI 1984-1985, p. 484.

¹⁰*La Repubblica*, 11 October 1986.

Libya has since diversified its source of arms suppliers, but military transfers from Italy may not have ceased completely.

South Africa

The UN Embargoes

The Italian government has issued formal diplomatic protests against the South African regime on several occasions. In the 1980s it has sent steady funding to front-line states such as Mozambique which shelter South African refugees and are vulnerable to economic and military pressure. However Italian arms sellers began violating bans on exports to South Africa from the beginning of the United Nations campaign to isolate the regime of apartheid. On 7 August, 1963 the UN adopted Resolution 181 condemning the racist policies of the South African government and issued a "solemn appeal to all states to cease immediately sales and gifts of arms, munitions of any type and military vehicles to South Africa."¹¹ France and Great Britain abstained from the vote.

When another resolution was passed in December condemning a number of nations for assisting South African domestic arms production, France and Great Britain approved the measure with the stipulation that they would not refuse South Africa equipment for its external defence. The United States continued openly to supply war *matériel* which could be claimed to have civilian applications. It was clear, however, that all of South Africa's military aims were concerned with defending its internal racist policies.

The Republic of South Africa provides the most graphic example of the expansion of defence for the

¹¹cited in Gianluca Devoto "Il commercio bellico tra Italia e Sud Africa," *Le esportazioni italiane di armi: due casi*, p. 65.

purposes of internal repression. The annual domestic defence budget tripled during the 1960s and arms importation likewise grew -- by the late 1960s, South Africa was purchasing more foreign arms than the nations of the rest of sub-Saharan Africa combined. One factor in explaining this growth, therefore, is the desire to protect vested interests against newly-independent neighbours hostile to the apartheid regime. However, as the Minister of Defence observed in 1963, "the first task of the defence forces is to help the police maintain law and order"...The defence forces' "hardware" is also orientated towards anti-guerrilla warfare, comprising tanks, personnel carriers, ground-attack aircraft, helicopters and so on.¹²

The retreat of South Africa's former major suppliers, especially Britain, made room for expansion in military trade with the French and Italians, who confirmed the condemnations of South Africa but did not observe the international sanctions. In the period 1966-1970, the value of arms exports to South Africa from the UK, US and Canada dropped from 68% to 17% of the total, or from \$450 million to \$180 million, while the French share of the sales increased from \$200 million to \$640 million, a rise from 30% to 61%. The Italians, who had previously sold no arms to South Africa, jumped to a 22% share of the total, which meant about \$230 million by the end of the period.¹³

The percentage of Italian arms supplying South Africa appears low: at their height they were just 5% higher than the share of the Anglo-Saxon countries when they had almost disappeared from the market. But Italian involvement in South Africa in the 1960s was very significant for a number of reasons. Precisely during the time that the first embargoes were to be in

¹²Whynes, pp. 22 and 24.

¹³Elaborated from "*Il commercio bellico tra Italia e Sud Africa*," Table 1, p.48.

effect, the South African government succeeded in effecting a tremendous expansion of its domestic arsenal. Because of the marked growth in procurement, the Italians' 22% share represented a greater volume of arms by the mid-1960s than a few years previously.

Most importantly, the Italians aided the South African government in several ways in its attempt to shield itself from the international embargoes. Besides directly transferring aircraft, Italy assisted the South African military in what it was looking for the most: the ability to expand domestic production of armaments and thus avoid political conflicts with foreign suppliers.

Italian Assistance to the South African Defence Industry

Aermacchi first signed a contract in 1964 for the sale of MB-326 aircraft that would later be produced in South Africa under the name *Impala*. Two hundred were sold, and in the same year, the Italians also sold the licence to the Atlas Aircraft Corporation to produce an additional 234 units in South Africa. While Italian transfers of complete systems probably ended in 1969, licence production continued through several phases. A contract signed between Aermacchi and Atlas in late 1971 or early 1972 launched local production of one of Italy's most advanced systems, the MB-326K, known as the *Impala 2* in South Africa, to be fitted with two cannons, external attack pylons and advanced motors. Macchi's role consisted in providing the frames for four models and furnishing a steady supply of components. The production of perhaps 100 models in that series was conducted in 1982-1983. Italy and Australia each had a requirement for about 100 units for training purposes, a third of the number in the possession of South Africa. According to the *Military Balance*, the South

African Air Force assigned the MB-326 to the following missions: 80 for ground attack, 24 for attack, 39 for training, 93 on reserve.¹⁴

The creation of an affiliate company in South Africa absolved the Italians of some of the responsibility for arming the regime. But Italy also provided a steady supply of components and spare parts, with a current value of about 5 billion lire in 1966-1975, and 25 billion lire in the following decade. In 1985 a member of the FIM-CISL union, Elio Pagani, described the relations between South Africa and Aermacchi:

As far as licence production of the MB-326 and MB-326KC is concerned, certain pieces of machinery (central plating, longerons, landing gear) and certain machine-produced fusions were sent to South Africa (mostly through the Gondrand firm in Como). In any case a flow of information and spare parts still continues even if the assignment of Aermacchi personnel at South Africa's Atlas ceased as of December 1982 with the return of Mr. Raffaini, whose task was to dispatch to the head firm bi-monthly reports on the production situation and the flight activity carried out by the airplanes in South Africa. There are also still direct relations between the South African Air Forces (SAAF) which use the Aermacchi aircraft...Constant contact is also maintained between the commercial director and the office in charge of dispensing licences with the Atlas Aircraft Corporation, which has offices in number 9 via Staurengi in Varese (200 metres from the Aermacchi offices).¹⁵

At the same time, Aermacchi assisted the British in selling the Rolls Royce Viper II turbojet engines. It is not clear how much value-added the Italians claimed in the transfer of this technology, or whether they in effect acted as a "triangulation"

¹⁴*The Military Balance 1987-1988*, p. 138.

¹⁵"*Il nostro mercato di morte.*" p. 37.

point for the British. The engines were produced under licence by Piaggio, which in turn exported the licence to South Africa. Between 1966 and 1975, Italy exported about 165 Viper motors worth 10 billion lire, according to the Italian government statistics bureau, ISTAT. Even Labour governments in Britain were not willing to prohibit the transfer of the engines.¹⁶

The other aircraft supplied during the period were delivered in smaller quantities, but nonetheless amounted to a substantial addition to the Italian aircraft already in South African military hangars. All of the aircraft had the option of being armed and some were re-exported to other areas of tension in sub-Saharan Africa. After the MB-326 transfers, the most significant of the aircraft deals was a series of bi-motor P-166S planes made by Piaggio. Two orders signed in 1968 and 1971 provided for the sale of about ten models for maritime surveillance. Deliveries occurred in 1969-1970 and 1973-1974. Ten single-motor transport planes of the model AL-60 were bought from Aeromacchi in 1967; this plane was built in Italy under licence from its American designer Lockheed. At least seven AL-60s were re-sold to Rhodesia. Along with Aeritalia, Aeromacchi sold 40 AM-30 aircraft (renamed *Bosbok* in South Africa) between 1973 and 1974, and a similar model, the C-4M, was built under the name *Kudu* by Atlas under Italian licence beginning in 1975. About 40 of these came into use in the South African Air Force. The motors for these planes were of American origin, but it is not known how much work Piaggio carried out on the equipment before transferring it to South Africa.

The Italian defence industry provided a number of other systems during the same period. Italian shipyards modernised two vessels in 1964-1966, and South Africa bought three Italian frigates in 1968-1969. Fire control systems made by Elettronica-San

¹⁶Asbjørn Eide, "South Africa: Repression and the Transfer of Arms and Arms Technology," *The World Military Order*, p. 204.

Giorgio were also purchased with Selenia radar systems. In land systems, South Africa acquired anti-air batteries made by Oerlikon Italiana, with *Super Fledermaus* fire control systems made by Contraves.

In addition South Africa has received massive quantities of small arms since the early 1960s. These sales often were of relatively low commercial value compared to systems such as the *Impala*, but it was often through public exposure of some of the many smaller shipments that the existence of a booming arms business was made public in Italy. Representatives of the Danish Seaman's Union, who were often responsible for transporting the equipment, revealed the thriving trade in small arms between Italy and South Africa in an Italian publication in 1986. Ships with destinations stated as Portugal, Belgium or South American countries instead often sailed to South Africa, frequently with cargoes of Beretta pistols. Beretta's association with South Africa dates to 1963 when the sale of 1,400 pistols was followed by the concession of the licence to Musgrave, a South African firm, for indigenous production. This fact was not made public until an Italian business daily printed the information in November 1978.¹⁷ Various types of munitions and explosives were also regularly transported and a new model of Valsella mine was recorded as patented under South African law in August 1980.¹⁸

Pressures to Halt Cooperation

Throughout this period the United Nations continuously condemned the policies of the South African regime and the cooperation of other states in providing armaments. The Resolution 282 of 23 July 1970 caused Canada to discontinue its supply of spare parts, and France declared that it would no longer

¹⁷"Il commercio bellico tra Italia e Sud Africa," p. 60, n. 54.

¹⁸"Il commercio bellico tra Italia e Sud Africa," p. 60, n. 55.

export systems such as light armoured vehicles and helicopters which could be used for anti-guerrilla purposes. However the flow of arms to South Africa was still to reach its peak between 1972 and 1976. On 4 November 1977, Italy was condemned in various international fora for its disregard of the embargos, but repeatedly denied that it had ever granted licences to South Africa for military production. In June 1979 the Italian representative at the United Nations published a response to the Security Council about the issue of Italian assistance with the MB-326 aircraft:

The last export licence relative to this contract was granted by the Italian authorities before the approval of Resolution 311 (1972), although the operation was carried out at a later time, and related to four frames of the model MB-326K produced by Aermacchi (and not complete airplanes, as was erroneously published). From that time, no other export licence has been granted to the Italian company, nor complete licences regarding spare parts. Thus the technical cooperation between Aermacchi and Atlas is completely terminated and today Aermacchi has neither investments nor offices or personnel in South Africa. Following the ban on authorising export licences for armaments to South Africa, imposed by the Italian government in 1972, Atlas Aircraft has autonomously developed its own version of the MB-326K, known as *Impala 2*, the design of which derives only in part from the Italian prototype.¹⁹

Despite official restrictions on Italian activity in South Africa, the assistance in supplying the know-how and equipment to launch some types of independent military production in the late 1960s was irrevocable.

¹⁹"Lettera di risposta del rappresentante dell'Italia all'ONU," 29 June 1979, cited in *Cespi* study, p. 69.

The Persian Gulf States

The arms build-up conducted by the Shah of Iran in the 1970s and the Iran-Iraq War in the 1980s provided two of Italy's most lucrative outlets for weapons production. In the first case, Italy capitalised on the Shah's drive to modernise the Irani Air force, and subsequently the Italians supplied both sides in the Persian Gulf War. Economic relations with both sides also remained fairly steady during the conflict.

Iran

Like Italy itself, Iran stationed American personnel on its territory beginning in the mid-1940s. The United States also began to provide a massive program of arms donations to Iran, as part of a strategy to thwart Soviet access to Irani oil sources and to the Indian Ocean. US military aid rose from \$166 million in the period 1949-1953 to \$387 million during the years 1953 to 1960. Over the full arc of this period, 1949 to 1970, American aid to Iran equalled the \$1,500 million sent by the US to South Vietnam (excluding the cost of American forces).²⁰

Despite the attempt by the Americans to make Iran a barrier against Soviet expansion, the build-up never became a real military challenge to the Soviets. The weaponry was prized by the Shah primarily for the stature it brought him among Middle Eastern powers, and for its use in internal repression. In the years 1967 to 1977, the Shah's ambition to become the foremost military power in the area sparked off an unprecedented procurement program. The Shah acquired American equipment, such as the *Tomcat* jet fighter, that was considered too expensive or too sophisticated by West European armed forces. On other occasions

²⁰Ulrich Albrecht, "Militarised Sub-Imperialism: The Case of Iran," *The World Military Order*, pp. 163-167.

Iran received American aircraft even before delivery to US forces, or put costly systems into production (such as the *Condor* missile) which had been cancelled by the US Congress. "By 1975," wrote one observer, "the Shah possessed almost all conventional weapons systems below the nuclear threshold."²¹

A small part of the acquisitions was covered by the American funding, but most of the \$14.8 billion worth of equipment ordered between 1950 and 1979 in this phase was purchased with the Shah's fortune in oil revenues.²² The Americans were also heavily involved in the extraction of Iranian oil. By the mid-1960s the Shah had begun to look for ways to restrain the dominating American presence in Iran.

The most powerful of the firms using Iranian oil were based in the US. Hence the obvious way for the Shah to increase his own bargaining position in the long run seemed to be the reduction of a one-sided military-technological dependence on the US. The Shah first ordered more than 200 helicopters from Italy; these were manufactured under American licence.²³

The Shah also invested in new destroyers, hovercraft and supply ships from Britain and West Germany, and helicopters and rocket launchers from France. Military transfers from the US were still to reach a peak and the status-conscious Shah preferred to purchase the more sophisticated American equipment. But by diversifying his sources of supply, the Shah eased his total dependence on the United States while still building a high-quality arsenal. The Italian weaponry he acquired consisted mainly of advanced American designs produced under US licence.

²¹ "The Case of Iran," p. 167.

²² *Jane's Defence Weekly*, 2 September 1989.

²³ "The Case of Iran," p. 166.

Italy was eager to pursue its connection as arms seller to Iran for a number of reasons. Iran became an important Middle East trading partner in the 1970s as the Italians increased energy imports from the Gulf. At the time of the fall of the Shah in 1979, Italy's crude oil imports from Iran accounted for 13.2 % of its total oil imports.²⁴ When combined with Iraq, the Persian Gulf area furnished a quarter of Italy's requirement. Italy was also Iran's fourth largest client in non-oil products, after the USSR, the FRG and the United States, and had the seventh highest level of exports to Iran. Iran became the third largest importer of Italian goods in the Middle East in the 1970s, but Italy was unable to cut back oil imports as the UK had done, and still carried from an acute trade deficit.²⁵

Italy had begun its tradition of supplying arms to Iran by selling warships to Reza Khan against the wishes of Great Britain in the 1920s.²⁶ In the 1970s, the Italian firm Contraves fitted four British-made frigates with *Sea Hunter* systems, and a *Sea Killer* anti-ship launcher made by Sistel. The equipment was supplied through two orders, in 1970 and 1975, which were worth 42 billion lire to the Italians.²⁷

Italian firms expanded sales to Iran at a tremendous rate in the 1970s, building on contacts made in the previous decade. Aircraft was the main emphasis.

In 1969 Agusta began to honour its commitments with Teheran dating to the year before. According to the information released at that time, the deal comprised a series of contracts including 70 AB-206, 56 AB-205, 11 AB-212, 10 SH-3D and about 20 CH-47C. It is not an exaggeration to say that at the beginning

²⁴Istituto Affari Internazionali, Paper 1784, *Italia e Iran: Opzioni e politiche*, p. 1.

²⁵MEED, 22 September 1978, p. xxvi.

²⁶"The Case of Iran," p. 160.

²⁷"Le esportazioni di armi italiane a Iraq e Iran," p. 4.

of the 1970s this firm had practically two clients, the armed forces of Italy and of Iran.²⁸

The delivery of helicopters continued throughout the decade. A total of about 450 Italian helicopters reached Iran from Italy between 1969 and 1981. The largest single deal was signed on 24 February 1977, in which 50 *Chinook* CH-47 units with a value of \$425 million were to be built in exchange for 5 million tonnes of oil to AGIP.²⁹

Iranian military personnel were also brought to Italian academies for training during the time of the Shah. Massive international assistance in the technological and strategic training of the Shah's armed forces included help from major NATO countries and Israel.³⁰ The number of Iranians trained in Italy is not known, but the practice was extensive enough that Italian minesweepers making radio contact with Iranian patrol boats during the Gulf War were answered enthusiastically in Italian.³¹

Under the Shah, Iran's interest in Italian arms was extended also into the fields of energy and civil construction. At the time of the fall of the Shah about 15,000 Italians were working in Iran.³² The state-run firm SNAM received a contract to lay a pipeline from Iran through the USSR, West Germany and Northern Europe. Other Italian activity included the construction of power plants, a 450-km highway, enormous grain silos, 1,600 flats in Teheran, and 500 schools.³³

In one of the biggest contracts ever awarded to a single country, the Italians also took on construction of the Bandar Abbas complex. The \$900 million contract involved dredging an

²⁸ *"Le esportazioni di armi italiane a Iraq e Iran,"* p. 3.

²⁹ *Armi: nuovo modello di sviluppo?* p. 279.

³⁰ "The Case of Iran," p. 169.

³¹ Interview with Minister Guido Lenzi, Diplomatic Counsellor to the Minister of Defence, Rome, 11 March 1988.

³² MEED Vol. 22 n. 38, 22 September 1978, p. iii.

³³ MEED Vol. 22 n. 38, 22 September 1978, p. xiii.

expanse of sand and constructing 8 km of quays, 7 km of breakwaters, housing for 2,000, schools, shops, sports facilities, as well as road and railway access to the new port. Planned for completion in 1980, the site had five docks for large container ships; a pipeline and shipyard were in the design stage.³⁴ Construction continued during the war.

Economic activity continued despite the freeze in political relations after the fall of the Shah. IRI received a technical and commercial delegation in Milan in October 1983, led by a member of the Iranian government, Shekaniez; Italy's foreign minister and trade minister also met with the delegation to discuss possibilities for increasing trade. Officially the Italian government continued to protest against the Gulf War and the activities of Iranian opposition groups in Italy.³⁵

When Iran made new overtures to the West at the conclusion of the war, Italy was one of the first countries to respond. Foreign Trade Minister Renato Ruggiero visited Teheran in August 1988 and sealed contracts for Italian companies worth about 2,000 billion lire. Disputes over the debts owed to Italy because of the Bandar Abbas project were settled when Iranian Prime Minister Mir Hussein Moussavi visited Rome in January 1989, his first official visit to a European government.³⁶

Iraq

Italian assistance to Iraq was more sporadic but no less significant. Before Iraq became a significant customer for the Italian arms industry, the country was targeted as an outlet for a wide range of economic ventures. In January 1977 Ministry of Industry Carlo Donat-Cattin visited Iraq and returned with \$600

³⁴MEED Vol. 22 n. 38, 22 September 1978, p. xv.

³⁵IAI 1983-1984, p. 506.

³⁶"Italy and Iran agree debt deal on Bandar Abbas," *Financial Times*, 18 January 1989.

million in contracts for Italian businesses. The ENI subsidiary SNAM also was contracted to produce a 100,000-tonne-per-year refinery, worth \$138 million. Italy was the largest importer of Iraqi oil after France. In the late 1970s Italy's trade deficit with Iraq matched that with Saudi Arabia, at about \$1,000 million.³⁷

Until 1980, military contracts consisted of a delivery of two twin-engine Piaggio P-166DL2 aircraft in 1977, together worth 1 billion lire, and equipped for aerial photogrammetry; the transfer of the licence to produce two outdated models of Beretta pistols to Iraq's General Organization for Technological Industries; and several hundred OTO-Melara howitzers, model 105/14.³⁸ The absence of aircraft deals was notable, compared with the heavy emphasis in in this field in trade with other countries in the region. The Italians profited briefly from the Soviet embargo in 1982 to supply the Iraqis with aircraft, but encountered a number of obstacles. President of Agusta Teti expressed this complaint in a hearing before the Italian parliament:

I would like to recall that for about two years we have been waiting to obtain the licence to export seven helicopters to Iraq, but the Americans have always tried to impede this export of ours, justifying their behaviour by citing the sensitive international position of that country. Incidentally, however, the American company Bell has sold 44 helicopters to Iraq.³⁹

Nuclear Assistance and the Italian-built Fleet

The most significant military deal between Italy and Iraq went to the shipbuilding industry. In 1980 the Iraqi government ordered an entire fleet from Cantieri Navali Italiani (CNI).

³⁷MEED Vol. 22 n. 38, 22 September 1978, p. xxi.

³⁸"Le esportazioni di armi italiane a Iraq e Iran," p. 5.

³⁹Testimony of R. Teti, *Atti parlamentari*, 7 March 1986, p. 5.

Researchers in Rome recorded the extent of the deal, which meant about \$2.6 billion for Italy.⁴⁰

It comprised four frigates, six corvettes and a supply ship, as well as support equipment (among which a floating dock), spare parts, training of technicians and officials, all for a value estimated at around 1,500 billion [lire] at that time. In filling out the contracts, almost all the Italian defence industries took part.⁴¹

When the Iraqis provoked the outbreak of the Gulf War a few month after the signing of the deal, the agreement became an embarrassment for Italy. Payment for the fleet had already been arranged but the Italians almost certainly did not go through with the transfer. The Foreign Minister Andreotti reported that "We have blocked delivery on the ships which Iraq has paid for: they are still in Italy, except for two which are docked at Alexandria in Egypt."⁴² Unlike small munitions, for instance, the massive delivery would be almost impossible to disguise, and the harbour where the ships were to be received was blockaded since the outbreak of the war.

In the 1970s Italy assisted the Iraqis with the beginnings of their nuclear program. The Italians themselves had not developed an independent nuclear force in the 1950s, as France and the United Kingdom did. Even with a high energy dependence on foreign sources, civilian nuclear programs had not thrived in Italy either. After a 20-year program, Italy's three nuclear power stations furnished just over one percent of the nation's energy requirement in the 1980s,⁴³ and after a referendum in November 1987, Italy opted out of maintaining

⁴⁰Steve Weissman and Herbert Krosney, *The Islamic Bomb* (New York: Quadrangle, 1981), p. 266.

⁴¹"Le esportazioni di armi italiane a Iraq e Iran," p. 5.

⁴²"Le esportazioni di armi italiane a Iraq e Iran," p. 6.

⁴³*Financial Times*, 24 February 1987.

civilian plants and pursuing nuclear research.⁴⁴ While Italy never exploited nuclear power either as a source of energy or for military purposes, its period of experimentation in the field produced a body of highly-skilled engineers who had worked with fast-breeder reactors and an advanced prototype of the Candu natural uranium reactor. The Italians were reluctant signatories of the nuclear Non-Proliferation Treaty in July 1968, and included as a condition of their adherence the stipulation "that Italy could apply its own controls to the exports of nuclear materials."⁴⁵

In the 1970s the Italian nuclear energy agency, the *Comitato Nazionale per l'Energia Nucleare* (CNEN) won a series of contracts from Iraq. CNEN harnessed the cooperation of engineering teams at SNIA Viscosa, which had already built hot cells, or laboratories for working with radioactive materials. In August 1975 SNIA accepted the sum of \$1,670,000, which it considered very low, to eliminate competition from Poland and India. The Italian firm agreed to build

three small inter-connecting hot cells (2 x 1.5 x 4 meters each) ten glove boxes for remote manipulation of radioactive materials, and some Pyrex Micromixer-settlers with Tygon or Teflon tubes. The lab would permit easy and safe handling of highly radioactive substances. It could also be used for dissolving irradiated uranium oxide, such as in spent nuclear fuel, and extracting the plutonium. Or in other words, reprocessing -- one key to a bomb.⁴⁶

A CNEN delegation, led by senior official Enzo Clementel, signed a ten-year agreement in January 1976 to assist the Iraqi Energy Commission in the development of peaceful atomic

⁴⁴Antonio Ciampi, "Exit the *Mostra Navale*," in *Defense and Armament Heracles International*, No. 69, January 1988, p. 15.

⁴⁵Ilari, p. 131.

⁴⁶*Islamic Bomb*, p. 98.

energy. Two years later, SNIA embarked on a much bigger agreement, worth \$67 million. The Iraqis were to receive a highly sophisticated complete set of facilities including a fuel fabrication lab, all for working with uranium or other substances in the nuclear fuel cycle. The four new labs were scheduled to open in late 1980. In anticipation the Italians trained about 100 Iraqi scientists and technicians.⁴⁷

In 1980s the United States launched a public attack on the Italians after observing the activity of SNIA for five years. The Italians were taken aback at the American reaction. They had never made any secret of their cooperation with the Iraqis. They were also less important for the Iraqi nuclear program than the French, who supplied the bulk of the know-how and equipment, and had been assisting Middle Eastern countries in nuclear programs since the 1960s.

In attempting to block the cooperation between SNIA and the Iraqi Energy Commission, the Americans held a bargaining chip. In February of the same year, the Iraqis and Italians had also sealed the contract for the purchase of the 11 new Italian ships and related electronic equipment. The purchase of the fleet was seen widely as a payment for the willingness to supply Iraq with sensitive nuclear technology. The *Lupo*-class frigates included in the deal were intended to be used with General Electric gas turbine engines acquired with export licences from the US. The American authorities were taking

a new look at Iraq's ambitious military build-up, including its fast-moving nuclear program. In the end, Washington granted the export licences, possibly because the Italians could have gotten the engines from G.E.'s British competitor Rolls Royce. At the time, however, the Italians saw the public attack on their nuclear sales to Iraq as carrying with it

⁴⁷*Islamic Bomb*, p. 100.

a hidden threat. Either they cut their continuing nuclear ties to Baghdad, or Washington would deny the export licences on the naval engines. Yet if Italian officials showed any hint of giving in to American pressure on the nuclear contracts, the Iraqis could cancel the lucrative naval order.⁴⁸

CNEN's generally pro-American director, Umberto Colombo, emphasised Italy's reluctance to withdraw from the nuclear assistance program, and told an interviewer, "The point is, should we not respect the contracts, could we ever sell the frigates? We are not the only supplier of frigates, you know."⁴⁹

In the wake of the dispute, the science attaché following the case at the American Embassy in Rome received a threat on his life. The case began to receive considerable publicity in Italy and the United States. Colombo claimed that it was ridiculous to believe that a country like Italy, without the capability or desire to build a nuclear weapon of its own, would be able to supply the technology to a third party. Subsequently a SNIA official partially retracted Colombo's statements but insisted that it was unlikely that the laboratories could yield sufficient levels of plutonium to produce a bomb. A SNIA official claimed that the labs could produce "with difficulty" 300 to 500 grams per year.⁵⁰ A plutonium bomb of the size that destroyed Nagasaki would require five to eight kilograms. However, the official speculated on the possibility that the Iraqis could adapt oil industry equipment to expand their "hot cell" laboratories.

Dr. Colombo had been a university classmate in the US of the Vice-Chairman of the Iraqi Atomic Energy Commission, Dr. Abdul Rizam el-Hashimi, and through his contact with the Iraqi minister claimed to believe that the Iraqis were looking ahead to a

⁴⁸*Islamic Bomb*, p. 267.

⁴⁹*Islamic Bomb*, p.267.

⁵⁰*Islamic Bomb*, p.101?

time when the depletion of oil would lead to a dependence on civilian nuclear power. But this notion was contradicted by public statements made by the Iraqi government at the highest level. As early as September 1975, President Saddam Hussein gave an interview to the Beirut magazine *al-Usbua al-Arabi* describing the purchase of reactors as "the first Arab attempt at nuclear arming."⁵¹ After the Iraqi program was severely damaged by the Israeli attack on the Osirak reactor in 1981, Hussein was even more outspoken. "Peace-loving nations should now help the Arabs to acquire atomic bombs as a counterbalance to those already possessed by Israel."⁵²

Even though the Italians had not developed nuclear armaments for themselves and considered nuclear power plants a limited and essentially civilian pursuit, their clients in the Middle East bought the Italian technology evidently for its military and political applications. As in many cases, such as the arming of South Africa, the cooperation of the Italians was not enough to meet all of the needs of the client state; Italy's role in Iraq could have been filled by a number of other countries including some in the Soviet bloc. But the Italians' partial contribution to the program allowed the Iraqis to attain a level of technology which eventually disturbed the balance of power in the region enough to bring a response from the Israeli Air Force. In the 1980s Arab countries are still seeking ways to acquire nuclear technology and Iraq has allegedly become involved in the Argentine *Condor II* missile project.

Italian Arms Sales in the Iran-Iraq War

In the long conflict in the Persian Gulf in the 1980s, Italian military trade increased with both sides. The opportunities of the

⁵¹*Islamic Bomb*, p. 27.

⁵²*Islamic Bomb*, p. 27.

war, rather than any loyalties to the nations involved, guided Italian transfers. Toward the end of the war, cooperation was weighted more heavily with the Iraqis, but never became as concentrated as French sales, which reached such a high level that France had a vested interest in seeing Iraq emerge as the victor. Iraq spent about four times as much as the Iranis on defence during the period.⁵³ The Persian Gulf War, one of the longest conflicts in modern times, provided a surge for most of the world's arms suppliers, including emerging exporters such as China, Brazil and Spain. Despite widely-declared embargoes, deliveries came from nearly every part of the world, from the socialist bloc as well as Western suppliers, from several Arab nations, Israel, the Far East and South America.

At a time when most other Third World nations, supplied by dropping oil earnings or foreign debts, were curtailing their arms purchases, the Iran-Iraq war kept the arms market from dropping sharply. Several dozen nations were involved in arms sales to Iraq or Iran, including all five members of the United Nations Security Council.⁵⁴

The \$27 billion (1985 dollars) worth of major weapons delivered during the eight-year war sparked an upturn in acquisitions by all of the other Persian Gulf countries: some of the contracts led well into the 1990s. All of these countries, along with the protagonists of the war, were expected to continue their modernisation programs. The prospects of rising procurement budgets in the Middle East offered the possibility of reversing an economic trend which had severely cut back the export power of Western industries, as Teti described in 1986:

⁵³*Jane's Defence Weekly*, 29 May 1987.

⁵⁴SIPRI, *Information Sheet on Iran-Iraq War 1980-1988: Military Costs and Arms Trade*, 17 August 1988, p.4.

The recent episodes concerning the lowering of the cost of petrol generate some degree of perplexity in us. It is known that the press has placed great emphasis on related events; one hears of a miracle for Italy, of a marvelous moment out of which we must derive the maximum benefit. Our evaluation of all of this is rather different. For the present, the sharp decline in the price of oil represents a notable advantage for our country. For the middle and long term, however...the result that will come of it is that those same oil-producing countries will no longer acquire products from the industrialised countries, including Italy.⁵⁵

After 1981 the arms trade between Italy and Iran consisted mainly of delivery of spare parts, and the trade in secondary equipment was intensive enough to show little contraction in military trade figures between the two countries. Foreign Minister Andreotti reported that the last set of helicopters paid for by Iran had not been delivered because of the outbreak of hostilities,⁵⁶ and an embargo on sales to the Gulf was declared in the Italian parliament on 4 June, 1984. The Iranian ambassador in Rome affirmed that the Italians had adhered to the embargo and had prevented the delivery even of equipment for which they had received payment.⁵⁷

However Italy, along with many West European countries, was eventually implicated in the "arms-for-hostages" scandal which was made public in November 1986. It is possible that the helicopter delivery was released as part of the American plan to bring about the release of hostages and a *rapprochement* between Iran and the West.⁵⁸ During the same time, extensive Italian military trade to the Persian Gulf was exposed. Some of this was

⁵⁵ Teti, *Atti parlamentari*, 7 March 1986, p. 5.

⁵⁶ "Le esportazioni di armi italiane a Iraq e Iran," p. 4.

⁵⁷ *La Repubblica*, 14 April 1988.

⁵⁸ *La Repubblica*, 14 April 1988.

shipped by air from Rome's Leonardo da Vinci airport directly to Teheran, such as a shipment of 48 cases of spare parts for machine guns and anti-aircraft cannons, probably labelled as agricultural supplies. Arms were also thought to be diverted to the Persian Gulf on Danish merchant ships calling at the Italian ports of Talamone and Ortona. The Vice-President of the Danish Seamen's Union, Henrik Berlau, said in an interview in late 1986, "For all of the [redacted] shipowners and the sailors involved in these transports, a stopover at Talamone automatically means knowing that we will be loading arms."⁵⁹ Berlau described the loading process in Italy of one of the illegal shipments:

Two military customs officers in green uniforms...remained on board throughout the time of loading, and spoke with the captain, I think in English because the captain does not know Italian. We were told not to smoke once the cargo was loaded and to have the extinguishers at hand at all times. At the end of the loading operations, the crates were closed inside the containers, at a total of 80 tonnes.⁶⁰

According to Berlau, the cargo never reached the Italian-built port at Bandar Abbas in Iran, because of danger of bombardment from Iraq.

Italy was also involved in a European consortium supplying the Gulf War which was exposed by a Swedish customs investigation in 1987. An international group of arms manufacturers banded together to take advantage of Iran's monthly requirement for an estimated 500,000 to 1 million artillery shells and 50 to 100 tonnes of gunpowder;⁶¹ a few contracts were undertaken for Iraq as well. Subcontractors

⁵⁹*L'Espresso*, 23 November 1986 and *Panorama*, 25 January 1987.

⁶⁰*L'Espresso*, 23 November 1986 and *Panorama*, 25 January 1987.

⁶¹*The Independent*, 27 May 1987.

allegedly were hired to fill a stream of orders without being told of the destination of their products. In 1984, Tirrena Industriale of Italy accepted a £30 million contract for 5,300 tonnes of gunpowder for Iran and found it could not meet the requirement. It subcontracted work to Nobel Krut, Nobel Explosives in Scotland, Belgium PRB, Holland's Muiden Chemie and France's SNPE. When Italian officials clamped down on exports to Iran, the deal was sidetracked to a South African source which also used Swedish, Dutch, Norwegian and Finnish manufacturers, with the Swedish businessman Karl-Erik Schmitz acting as intermediary. Yugoslavia was stated as the official recipient.⁶²

Iranian students at the Faculty of Architecture in Venice and at other universities were thought to have come to Italy with the main purpose of assisting arms transfers to their home country.⁶³ When questioned on the military trade to Iran, the Treasury Minister Giulio Amato claimed that there had never been an official embargo, only "guidelines which can be translated into government directives;"⁶⁴ the Minister for Foreign Trade responded that he had never been informed of an embargo.⁶⁵

Despite a long history of close trade ties, Italian backing of the Iranian cause was still tentative. Support for Khomeini's regime was seen by some in Italy as a possible countermeasure to France's support for Iraq, so that West European countries could maintain contact with all of the important actors in the region. Commercial trade remained the most salient aspect of Italian-Irani cooperation; political links yielded few fruits, despite the recommendations of the Institute for International Affairs in Rome in a 1984 study:

⁶²*The Independent*, 29 May 1987.

⁶³"Pool europeo per Khomeini," *Il Messaggero*, 23 March 1988.

⁶⁴*L'Incontro*, January 1987, p. 2.

⁶⁵"Italy implicated in Iran arms supply debate," *Jane's Defence Weekly*, 29 November 1986.

A presence which is in some sense friendly and cooperative by the Western countries which are in a position to carry this out is necessary and invaluable for the interests of all of the West. Limitations arise in the political and military conditions. A policy of economic cooperation, assisted by the cautious supply of military means, appears thus to be an option open to Italy, in its own interests and in those of the Atlantic Alliance.⁶⁶

The extent of Italy's support for Iraq was also made public during the same period. In 1988, when Iraq was spending about 50% of its GNP on defence,⁶⁷ it was revealed that it had placed its first order in 1981 with the FIAT subsidiary Valsella for about \$100 million worth of land mines. With only a third of the first contract delivered, the Iraqis hastened to order a new shipment worth an estimated \$124 million. The business with Iraq amounted to about 90% of Valsella production.⁶⁸ The company was so overwhelmed by the orders that it was required to export the shells to a subsidiary in Singapore to fit explosives. One commentator described the dimensions of the mine deal which went unhindered by Italian government regulations:

The exact number of mines (pardon: shells!) which were sent to the East is not known: but judging from the account of the final value of more than \$120 million, the number must be at least a billion. Quite a few, for Singapore, which is after all an island of little more than 500 km²; it would be as if the Italian Army, in order to defend the island of Elba against disembarkments, ordered half a million mines, a quantity which you probably will not find in all of the arsenals of our country. The truth is, whoever granted the permission certificates must have had a prodigious knowledge of history, which tells us that

⁶⁶*Italia e Iran: Opzioni e Politiche.*

⁶⁷*Jane's Defence Weekly*, 26 August 1989.

⁶⁸*La Repubblica*, 11 March 1988.

in early 1942 in spite of the body of water which separates it from Malacca, Singapore was invaded by the Japanese.⁶⁹

Other Italian sales to Iraq since 1984 included radar systems from Selenia and Marconi Italiana, munitions and howitzers from OTO-Melara, five Agusta helicopters (model AB-212) and 30,000 munitions from Beretta.

When Iran and Iraq suspended fighting in August 1988, France and Britain were thought to be replenishing the Iraqi arsenal; the USSR sent defence equipment to Iran. Beginning in August 1988, Italians sent representatives as part of a group of 350 unarmed military observers to monitor the Gulf War ceasefire.⁷⁰

⁶⁹Leone Grimaldi, *Panorama Difesa*, No. 43, April 1988.

⁷⁰*Jane's Defence Weekly*, 12 August 1989.

CHAPTER EIGHT

GOVERNMENT ROLES IN REGULATING AND PROMOTING THE ITALIAN DEFENCE INDUSTRY

Arms Exports and the Italian Legal Process

Although the Italian state was not instrumental in the rise of the military industry, it has primary responsibility for controlling exports. As the arms commerce increased rapidly in the 1970s, the government gradually was forced to take a more active and more public role in the sector. Explained the Italian international relations yearbook of 1974-1975 :

The pressures of the industry are beginning to give fruits. In the past the policy of the government was not to encourage the exports of arms, or at the very least not to encourage them officially, to put up with them, and at any rate to make their existence as little known as possible. But in the past two or three years, spurred by the economic crisis and the trade deficit, the situation has almost reversed.¹

During the industry's commercial phase, the official government policy on exports remained understated or often completely secret. This appeared to be to protect the industry from public disapproval rather than to control the destinations of Italian arms. When public intervention was necessary to stall the industry's decline in the late 1980s, political controls of every kind became more strict and government officials became more candid about the trade in arms. This was part of an attempt to present the defence industry as a necessary and legitimate extension of the state and preserve it for its political role, while its commercial momentum waned.

¹IAI 1974-1975, p. 402.

Legislation

A committee for "examination of questions concerning export of special materials and products" was established on 24 March 1974 to oversee the flow of arms from Italy. The guidelines under which it worked remained confidential, as did its membership. It is likely that high-ranking representatives of the Ministries of Trade, Foreign Affairs, Defence and Finance sat on the committee. Legally, firms are required to obtain authorisation even in the stage of commercial negotiations. The Defence General Staff receives the request from the defence company, and then consults with the political departments concerned, the Ministries of Foreign Affairs, Industry, and Foreign Trade. SISMI and the Secretary General for Defence (who also acts as National Armaments Director) are consulted on "military and technical aspects." According to the *White Paper 1985* all of these groups "evaluate the political, technical and economic advisability of the export in question and can, if necessary, prevent the opening of negotiations."² If a deal has been concluded, an export permit must be obtained. The Ministry of Foreign Trade conducts the first review, in cooperation with the interministerial committee on exports. The Ministry of Finance is also heard.

These policies were backed up by sparse legislation in Italy. In 1926 and 1931 laws were passed in Italy requiring licences to sell war *matériel*. The Law 1161 from 11 July 1941 was still in effect and allowed the industry and the military to withhold information about the Italian arms business from Parliament and the public. A law in effect since 1931 required that a licence be obtained from the Ministry of the Interior for the import of all military equipment as well.³ This did not prevent the use of Italy as an important stopover base for illegal "triangulations" sales. Law 801 of 24

²*White Paper 1985*, Appendix 15, p. 186.

³Interview with Minister Formica, *La Stampa*, 20 November 1986.

October 1977 reinforces the state secrecy on documents and information relating to the military. The bill number 610 of 6 July 1987, introduced by the deputy Masina and others, attempted to define more closely government regulations surrounding production and exports of armaments.

Long-standing legislation has not prevented illegal trade by other countries, sometimes with the collaboration of politicians. Although the Italians began exporting armaments on a modest level under American supervision before the end of the 1940s, West Germany for instance officially had a ban on selling arms until 1955. This prohibition was in fact broken many times, because, according to Ulrich Albrecht, "The authority of the state is simply not sufficient to enforce a veto over the will of powerful economic actors."⁴

State and industry in Europe find themselves in a commonality of interests looking to expand arms exports which renders traditional political determinants of delivery or non-delivery to certain countries obsolete. All West European nations stress reservations, even scruples, towards shipping arms outside the Atlantic Alliance. In comparing these pronouncements, it is difficult to determine whose language is most restrictive. At the same time, it is noted among the internal and international elites that assurances of non-delivery to crisis areas are a necessary *façon de parler* designed to address the moral concerns of large segments of the public. There is hardly an area in West European politics in which the discrepancies between what is said and what is done are greater.⁵

In the West German constitution, for instance, government control over military exports is officially established, with a policy

⁴Ulrich Albrecht, "The Federal Republic of Germany and Italy: New Strategies of Mid-Sized Weapons Exporters," *Journal of International Affairs*, New York, Vol 40 (1), 1986, p. 136.

⁵"New Strategies of Mid-Sized Weapons Exporters," p. 134.

that states that weapons are not to be sold in areas of tension.⁶ However when the rules were re-drafted in April 1982 under Helmut Schmidt, the prohibition against exports to areas of tension was lifted. Exports were to serve West German "vital interests," which could be interpreted as commercial interests rather than considerations about supplying repressive or belligerent regimes. In Italy no such public declarations were made and then contradicted. Article 11 of the Italian constitution, which condemns force as a means of solving international conflict, does not mention arms sales. The secrecy of regulations in Italy, or their non-existence, did industrialists and politicians the favour of not being forced to contradict official policy.

The Italians are known to have had one of the most lenient export policies in Western Europe. But the 1980s saw an end to the legitimacy of nearly every country's arms exports policy. Many Western suppliers were implicated in the Iran-Contra scandal, and even sellers which were presumed to have followed relatively scrupulous policies, such as Sweden, were shown to have contradicted their own self-imposed codes of practice.

Paradoxically, the continuing reliance on a number of outdated laws and the ambivalence of Italian politicians over supporting this controversial but lucrative sector sometimes made the export process difficult and extremely time-consuming for companies seeking to sell their products legally. Italian exports are also sometimes slowed by the necessity of gaining American approval, for systems made under licence. The process can take up to two years. According to an anonymous client, the Italians became notorious among their recipients for "their fixation for wanting to circumvent laws, which leads them to resort to subterfuge even when it is not necessary."⁷

⁶Regina Cowen, "West German Transfers to Sub-Saharan Africa: Commercialism versus Foreign Policy," *Arms for Africa*, p. 162.

⁷*Armi: nuovo modello di sviluppo?* p. 274, n. 27.

Arms and Political Scandals

The involvement of the parties and the political support network for the arms industry is not well-documented, beyond the well-known divide between the Christian Democrat supervision of IRI and the control of EFIM by the socialist parties. With the astronomical prices associated with weapons deals, the industry has also tempted politicians to have a hand in the clandestine activity of the field.

While the Ministry of Foreign Affairs is considered to be fairly inactive and "apolitical" in this field,⁸ the secret services are widely believed to be much more involved. There are no restrictions against the common practice of intelligence personnel acting as intermediaries.⁹ Falco Accame, formerly associated with the secret services, suggested that the intelligence services enjoyed relative impunity and operated widely in the Third World for Italian interests (especially in Libya); at the same time they were not often equipped to assess wider considerations of international politics when dealing in arms sales.

The experience of recent years in the sector of armaments shows that the secret services often avoided any formal control, enjoying the privilege of administrative responsibility...tenaciously defending their position with the continual invocation of military secrecy. It appears more and more likely that the generalised recourse to this institution (which is never regulated in Italy) has acted as a means of covering possible violations of laws.¹⁰

"Kickbacks," or *tangenti*, which amounted to perhaps five to 20 percent of a weapons contract in the 1970s, rose to about 30% on

⁸Interview with Gianluca Devoto, Rome 18 April 1988.

⁹Falco Accame, "Controllo sulle armi, una legge-groviera," *Il Manifesto*, 9 December 1987.

¹⁰"Il nostro mercato di morte," p. 31.

average in the following decade.¹¹ The Italians experienced their first major arms-related scandal in the Lockheed affair. In the wake of a \$60 million deal for the sale of 14 C-130s to the Italian Air Force in the 1960s, top-ranking Christian Democrat ministers were accused of receiving bribes. A total of \$1,680,000 was transferred to various members of the party, using accounts in Liechtenstein, Panama and Switzerland. Ex-Defence Minister Mario Tanassi (PSDI) was sentenced to 28 months in prison; five others also received jail sentences.¹²

Officials at Aeritalia were accused of transferring \$2.5 million to Turkish politicians to favour a deal for local production of the MB-339, which later fell through. Elevated *tangenti* paid to Venezuelan Christian Democrats in relation to the acquisition of Cantieri Navali Riuniti's *Lupo* frigates caused friction in Venezuelan politics.


Other contracts whose values seem inexplicably high probably involved intermediary fees, such as the \$425 million deal for 50 Chinook helicopters sold to Iran in 1977, and two sales to Libya in the mid-1970s involving \$150 million for 200 SF-260 planes and 160 billion lire for 200 armoured cars made by FIAT.¹³ In one of the Libyan deals, a number of Italian and Libyan officials were suspected of misusing funds related to the arms-for-oil deal. These included officials of ENI, including Andreotti's brother, various high defence officials, a foreign ministry official charged with armaments, the diplomatic advisor at the Italian Embassy in Libya, a SNIA armaments executive, as well as the director of Italconsult, who was the son of former president Antonio Segni. An

¹¹IAI 1976-1977, p. 432 n. 19; Battistelli, "Tendenze e Contraddizioni del Mercato delle armi," *Politica Internazionale*, no. 5, May 1987, p. 117.

¹²Howe, pp. 454-455.

¹³IAI 1976-1977, p. 432, note 19.

investigation was carried out in Rome which failed to find evidence of wrongdoing.¹⁴

Andreotti himself was considered to be a staunch defender of the industry, as this  picture, published in the review *Osservatore politico* in 1977, attests:

Prime Minister Andreotti has a passion, rather a hobby...He is extraordinarily attracted to tanks, cannons, missiles and military equipment in general...To satisfy his interest, Andreotti has opened in La Spezia an office in Piazza della Libertà which he has entrusted to the direction of the Hon. Pietro Zoppi...Through this office Andreotti is constantly kept up to the minute on everything happening in the factories and above all in the offices of OTO-Melara. As soon as a new tank is put into production or a cannon is modified, Andreotti is informed of it.¹⁵

Exiled Prince Vittorio Emanuele was involved as a mediator for Italian business in Iran from his base in Switzerland in the 1970s,¹⁶ possibly in the field of military contracts. To seal the famous accord for the sales of ships to the Iraqi government a Syrian mediator was employed at the cost of 130 to 180 billion lire. This payment was authorised by former Defence Minister Giovanni Spadolini after some hesitation; other government ministers disapproved of the payment, hoping to discourage the possibility that the funds could return to Italy in the form of payments to politicians and their parties.¹⁷ The contract with Iraq was also associated with the PSI and Ferdinando Mack Di Palmerstein in particular.¹⁸ Eight billion lire in middle-man fees

¹⁴*Osservatore politico*, 13 November 1976, 9 February 1977, 11 March 1977 and 13 November 1977, cited in Galli, pp. 158-159.

¹⁵*Osservatore politico*, 18 February 1977, cited in Galli, p. 159.

¹⁶MEED, p. iv.

¹⁷Gianluigi Melega, "Armi che scottano," *Politica internazionale*, n. 5, May 1985, p. 15.

¹⁸Interview with Gianluca Devoto, Rome 18 April 1988.

for the sale of Intermarine minesweepers to Malaysia also caused a brief uproar in Italy.¹⁹ The existence of mediation fees were impossible to justify with regard to contracts, including probably the Iraqi fleet deal, which were negotiated directly on a government-to-government basis. "Payoffs" probably occur within the national procurement process as well.

As in every industrialised country, there is also considerable mobility between the top ranks of the military and industry management. Since military leaders and arms company executives have been among the prime targets of left-wing terrorists in Italy, even the harshest critics of the sector have been reluctant to publish names. But ex-generals and admirals have been appointed to high posts in Aerfer, Contraves, Finmeccanica, and more recently, OTO-Melara.²⁰

The New Arms Exports Bill: A Turning Point?

In December 1986, responding to national disapproval over a number of highly publicised cases of illegal trafficking, the Minister of Foreign Trade Formica introduced tighter guidelines on exports. The decree demanded more meticulous paperwork on the quantity, type of weapon, means of payment, country of destination, and other details of each transfer. Exporting companies were also expected to provide information regarding:

Any special characteristics of the transfer (inclusion of foreign materials, temporary transit or national importation, foreign expenditures, payments for intermediation, and conformity to the regulations encoded in the Ministerial Decree of 12 March 1981

¹⁹"Controllo sulle armi, una legge-groviera." *I*

²⁰Ilari, pp. 32 and 89; Miggiano, "Alla fiera delle armi," *Scienza-Esperienza*, November-December, 1987.

and successive modifications; transfers not requiring verification of payments, training courses, etc.).²¹

Information such as the amount of value added, and the importance of sales in counter-trade agreements (such as arms-for-oil deals) would be obtainable if the regulations were implemented. For the first time, the government also stressed the fact that the purposes for which the weapons would be used in the recipient country would now be considered.

The subsequent phase of investigation, to be carried out in conjunction with the other ministries and associated departments and if necessary with the assistance of other consultative organs, will be devoted to verifying the reliability of all of the documentation presented, and to estimate the feasibility of the operation in economic, political and national security terms, with particular regard to assessing the possibility that the importing country may use the *matériel* to be exported.²²

As Italy's arms trade gained more publicity, mostly for past illegal trade which had long since slackened, a bill was introduced by Minister of Defence Valerio Zanone, Minister of Foreign Trade Ruggiero and other representatives of the government. The aim was to examine more rigorously the political consequences of Italian arms sales, "in observance of the UN Charter, the Statute of Human Rights and the Non-Proliferation Treaty."²³ The bill also called for the establishment of a register of all arms exporters in Italy, and of an Interministerial Committee for the Exchange of

²¹Decreto 4 December 1986, Ministero del Commercio con l'Estero, (Legge Formica); *Gazzetta Ufficiale della Repubblica Italiana*.

²²*Ibid.*

²³*Disegno di Legge, Camera dei Deputati, X Legislatura, number 2033, 9 December 1987, "Nuove norme sul controllo dell'esportazione, importazione e transito dei materiali di armamento, nonché dell'esportazione e transito dei materiali di particolare interesse strategico."*

Defence Material (CISD) under the supervision of the Prime Minister, to

inform the public administration and the firms, in the framework of policies and general directives, of the limits of our exports of war *matériel*. It will also be the committee's duty to intervene swiftly in the case of unexpected international crises which might require modification of the directives in force.²⁴

The bill also proposed to prohibit the import and export of all NBC weapons, and to control the transfer of state employees, including military officials, to posts within the defence industry under a limited period of time. It also proposed to make negotiations for exports a purely government-to-government responsibility. In the past, private officials had in effect acted as Italian ambassadors in conducting sales with state representatives in foreign countries. The indications on punitive measures to be taken against Italian companies infringing upon the regulations, and the stress on verifying "end-users" showed that until that time control of the industry's exports had not been legally enforceable. Cases of "triangulation," especially the Valsella mines transferred through Singapore to the Gulf War, attest to the laxity of this aspect of state controls. The new bill also favoured European trade by offering reduced red tape for exports with European destinations, in the hopes of discouraging the industry from resorting to the "dirty" markets of the past.

Company officials considered the proposed legislation an attack on the industry. The bill was perceived as a blow to the sector by many industrialists. Teti attributed the steep drop in exports, and the resulting threat to employment levels, to the government's negative approach.²⁵

²⁴*Disegno di Legge*, number 2033, 9 December 1987.

²⁵*Jane's Defence Weekly*, 8 October 1985.

I wonder why the state took on the burden of the defence industry -- the majority of which is in the state-holding companies -- and then imposes so many restrictions, that will in practice impede exports.²⁶

The proposals were designed to present the industry as a legitimate sector of the Italian state, but one military analyst commenting on its uncertain future complained,

As exporters, we find greater difficulties today internally than on the foreign market...The defence industry has become progressively criminalised, with the confusion between arms traffickers and companies which operate fully within the limits of the law.²⁷

Promotion of Arms Exports: The Role of Italian Politicians and the Armed Forces

In the actual marketing process, representatives of the Italian state did not aggressively encourage weapons sales. Its commercial strengths aside, the international activity of the industry was reportedly considered by the Ministry of Foreign Affairs in the early 1970s as "a destabilizing factor and thus globally damaging for other exports."²⁸

Various types of "promotional" activity were nonetheless carried out by representatives of the government and armed services. One indirect but highly important form of support for the arms industry was the acquisition by the Italian armed services of Italian-made products. The presentation of the *legge navale* related that "it is universally known that the first thing that a foreign client wants to know is whether the armed forces of the producer

²⁶cited in "Un'Industria in Via d'Estinzione," *Interarma News*, Number 3, 1988, p. 79.

²⁷"Un'Industria in Via d'Estinzione," p. 77.

²⁸"Il commercio delle armi," p. 242

nation intend to be equipped with the *matériel* being offered."²⁹ The first Italian *White Paper*, published in 1977, also acknowledged the importance of "showing faith" in Italian products for the purposes of sales abroad, as "an indispensable condition for promoting contracts and bringing about their positive conclusion."³⁰

In addition, exhibitions and demonstrations conducted by the armed forces constituted an important source of advertisement for the industry. Defence attachés abroad were officially not allowed to "advertise" for the industry, except in the capacity of putting local armed forces in contact with Italian firms.³¹ The Italian Navy however maintained an *ufficio promozione industrie navali*, and the secret services have circulated instructions among military personnel abroad to do what was in their power to help Italian arms exports.³²

The Navy made a two-month tour of Mexico, Panama, Ecuador, Peru, Columbia and Venezuela between 1974 and 1975. The tour was officially for promotional reasons, and was followed by the acceleration of Latin American contracts with Italian shipyards.³³

After participating in rescue operations of the Vietnamese boat people, the Italian Navy embarked on another promotional tour with its *Ardito* and *Lupo* ships. The tour lasted from 18 July 1979 to 3 February 1980, and involved visits to 21 countries at a cost of 9 billion lire. The tour was probably responsible for sparking Iraqi interest in acquiring the Italian-made fleet.³⁴

The government also attempted to assist the industry by creating a Defence-Industry Committee in response to the

²⁹cited in *IAI 1974-1975*, p. 402.

³⁰*White Paper 1977*, p. 306, cited in *Armi: nuovo modello di sviluppo?* p. 262.

³¹Interview with Mr. Grignolo, Ministry of Defence, Rome 21 April 1988.

³²*Armi: nuovo modello di sviluppo?* p. 260.

³³*IAI 1974-1975*, pp. 403-404.

³⁴*Armi: nuovo modello di sviluppo?* p.271, note 25.

Conferenza Difesa-Industria of July 1984. The committee's tasks included overseeing R & D and procurement processes, and coordinating these activities with developments within NATO. The document published at the Committee's establishment also stated these objectives among its main responsibilities:

--to make proposals for promoting, in an organic and coordinated framework, possible specific interventions of various Ministries to sell abroad those products exceeding domestic requirements;

--to make proposals for directing and coordinating the activity of military attaches abroad in the specific sector.³⁵

Aside from its regulatory and occasional promotional roles, the government assisted the military industry in a number of other ways. One of its major tasks was to bring a sense of legitimacy to the sector by lending political support more openly. The government attempted to step up the presence of politicians at events such as first test flights of new Italian aircraft, and public statements about the economic contributions of the industry to the Italian economy were heard with greater regularity.

The government attempted for a long time to rationalise the aircraft sector, which suffered from fragmentation and keen competition. The *polo aeronautico* was first discussed after the Caron Commission recommendations in the 1960s. But since the top posts in the state-owned industries are divided among party appointees, none was eager to see the elimination of competing firms and a reshuffling of power with uncertain results. Although an investigation into rationalisation was renewed in the late 1980s, industry and party leaders did not agree on concrete plans.

The government attempted to shield the military industries from public criticism by citing the 80,000 jobs provided during the

³⁵White Paper 1985, Appendix A.14, p. 184.

1970s and 1980s, as well as other jobs in secondary industries. The employment issue was a powerful weapon in the face of pacifist objections to military production. An industry official defended his case to critics in this way:

We are wretched people, who without any help, from the government or from anyone else, keep afloat our industries, and attempt to maintain these jobs. You must not look upon us as fanatical merchants of cannons, absolutely not, we are people seeking work and that is all...For us, the thousand tanks or the hundred tanks or the ten missiles represent work hours...If we could truly make tractors, I give you my word, we would prefer to make tractors.³⁶

Supporters also attempted to depict this largely peripheral sector of the thriving Italian economy as a potential fuel for industrial growth in a broader sense, as it had been perceived in the United States for several decades.

The fact that the Ministry of Defence can count upon national sources of production to satisfy its own needs permits on the other hand the synchronisation of the military with the economic growth of the country, [the possibility of] devoting to it a predominant part of available financial resources. In fact, the funds assigned to defence re-enter the cycle of the Italian economy.³⁷

In fact, many of the funds assigned to defence simply went into arms production, which for its survival remained geared toward exports, with little productive effect on Italian industry.

³⁶G. Stefanini, *Sul modello dei nostri partners-concorrenti europei, il ruolo dell'industria italiana dei prodotti militari per la necessaria ripresa economica del paese*, in *Aviazione di linea, difesa e spazio*, 1977, n.113, pp. 161-162, quoted in Battistelli, *Armi*, p. 265.

³⁷Riccardo Bisogniero, "Programmi nazionali d'armamento e iniziative dell'industria Italiana," *Difesa-Industria, Quaderni dell'Istrid*, Rome, 1987, p. 12-13.

Italian state assistance usually stopped short of financial aid for exports in the 1970s and 1980s. For many years when Italian firms were negotiating a deal with Saudi Arabia worth at least \$3 billion for the purchase of nine *Sauro*-class submarines and the construction of a completely new naval base, including warehouses, barracks and a mosque, the Italian government was unwilling to offer any financial or political backing for the proposal.³⁸

Italian chances in a bid to sell nine other submarines worth \$1 billion to South Korea in 1988 were certainly low compared to the opportunities for a West German competitor which counted on the support of its government for finding credit arrangements. As long as Italian sellers had open channels to ample markets in the Third World, they were able to keep sales high with little government financial support. But industrialists became critical when competition for foreign contracts became acute.

In 1989 it was revealed that a major Italian bank, the *Banca Nazionale del Lavoro* (BNL), had authorised export credits to Iraq through its office in Atlanta, Georgia. The credits amounted to 3,700 billion lire, or about \$3 billion, exceeding all of the credits issued legally by Italian banks in 1988 (2,800 billion lire).³⁹ The credits to Iraq were thought to be associated with the Iraqis attempt to finance part of the Condor II missile project with Egypt and Argentina.⁴⁰ This affair brought on the resignation of the head of the BNL and investigations in Italy. Whatever the involvement of the Italian authorities may have been, the illegal credits did not constitute a case of public support for the Italian arms industry, as did financing arrangements of other foreign governments.

³⁸Massimo Zamorani, "Meno armi all'estero, piu disoccupati qui," *Il Giornale*, 11 March 1988.

³⁹"Il caso BNL: scene di truffa," *L'Espresso*, 17 September 1989.

⁴⁰Lawrence Freedman, "Arms deals and burned fingers," *The Independent*, 22 September 1989.

The government's policies were not always welcomed by the defence industry's leaders, who like their French counterparts "remained jealous of their autonomy while energetic in their pursuit of government subsidies and support."⁴¹ The President of the *Associazione delle Industrie Aerospaziali* (AIA) Enrico Gimelli gave this explanation for the decision of the Italian companies to pull out of the Farnborough Air Show in 1988:

It has become impossible for Italian firms to collaborate and compete with the firms of other countries which are given substantial government aid. It is more and more difficult for us to maintain the market shares which have been laboriously obtained.⁴²

Gimelli broadened his criticism to include all Italian industries aiming at export markets: "The government has not given the financial and economic help which has been given by other governments to their national industries and it is to the credit of Italian industry to have reached fifth place among Western industrialized countries."⁴³

Official Rationales for Maintaining the Italian Defence Industry

When the industry faced a steep decline in orders, it could not be maintained without increased public support. This required leaders to publicise justifications for the sector. Defenders of Italian military production attempted to depict the industry as an essential element of Italian national sovereignty, an important means of assuring technological progress, and as a tool of foreign policy for influencing Italy's allies.

⁴¹*Making and Marketing Arms*, p. 237.

⁴²*Defence and Armament Heraclès International*, no. 71, March 1988.

⁴³*Jane's Defence Weekly*, 12 December 1987.

Just as a military-based economy had failed to assure technological advances and increase foreign affairs leverage in other countries where it was implemented, the weapons industry did not perform these functions to a marked degree in Italy. Instead the industry complemented two diffuse elements of Italy's international activity: its ability to carry through trade agreements with a diverse array of foreign countries, and its aspirations to be treated as a political and economic equal among its major Western allies.

These two goals of the industry were not reconcilable. During its rise to economic success, the Italian arms trade seemed to eschew any political code in response to the sector's tremendous commercial potential; at its turning point in the late 1980s, it appeared to discard considerations of cost and efficiency in favour of politically-inspired European joint ventures. While the industry appeared to have a future in European cooperation, the thriving trade with the Third World, which had been responsible for its expansion, decreased dramatically.

Arms Production and National Security Goals

As the defence industry in Italy expanded, its supporters began to refer to it as an extension of the armed forces in the press and at occasional conferences on the topic. The aim was to make the industry's existence appear indispensable for the nation's security. In theory, this is the prime function of any defence industry, and it was the main reason cited in the Italian Defence *White Paper* in 1977 for the industry's existence in Italy. The Head of the Chiefs of Staff, General Riccardo Bisogniero, described the industry in these terms:

The defence industry, just like the centres for research and technology, constitutes in fact a fundamental component of the national defence; it represents an essential element of the public service

rendered by the military for national independence.⁴⁴

The attempt to justify the industry as an instrument of national security, after it had grown in response to economic stimuli, is fraught with contradictions. The industry clearly did not come into being with the aim of attaining this goal, and it is unlikely ever to bring Italy military self-sufficiency, even at a modest level. The assertion that it existed to contribute to the country's independence is disproved by the fact that the sector's major growth came in response to foreign markets, not only to national demand. The Italian Defence *White Paper* of 1985 acknowledged this fact:

The national armaments industry, consisting of a number of remarkably heterogeneous firms, developed in the 1960s and 1970s as a consequence of entrepreneurial efforts to meet the increasing foreign demand rather than within the framework of a specific industrial development plan.⁴⁵

At the *Conferenza Difesa-Industria* in Rome in July 1984, Sergio Rossi presented one of the major introductory papers with the assertion that a strong Italian defence industry is an indispensable element of Italian sovereignty, but that such an industry should never be expected to exist without participating in "technological and industrial alliances in the European and Atlantic spheres."⁴⁶ The following statements are what Rossi calls the "three levels" at which the industry functions:

In the first place, an efficient and technologically advanced defence system constitutes an indispensable premise for guaranteeing an adequate level of national self-sufficiency in supplying the

⁴⁴ "Programmi nazionali d'armamento," pp. 12-13.

⁴⁵ *White Paper* 1985, p. 74.

⁴⁶ "Il sistema economico della difesa," p. 4.

means and materials necessary for the operability of the armed forces. This is an objective which can only be renounced with great difficulty, within reasonable limits, lest we lose the capacity to conduct an autonomous defence and security policy.

Secondly, a modern economic defence system must take account of the need to reach technological and production accords with other members of NATO...This is necessary, above all in the next few years, to maintain the national defence and its industry at the most advanced industrial and technological levels in the West. Such levels are not in fact attainable or maintainable in certain sectors using only Italian resources and know-how.

To realise the economies of scale necessary for a sufficient rationalisation of production, satisfied only in part by limited internal military demand, the defence sector must be able to continue to export to other areas of the world a consistent portion of the national production of armaments. Such a policy, however compelling, must be conducted not within the framework of an anachronistic desire for power, but rather in a spirit of cooperation and of consolidating international security on the critical axis of instability of North-South relations.⁴⁷

In effect, the first statement outlined a goal for the arms industry in Italy, but the other remarks underlined the difficulties in attaining any degree of self-sufficiency because of the weaknesses of the Italian industry at every stage of production. In the early 1980s the Italian industry was dependent on external factors to a greater extent than other Western producers, for technological input, know-how in the production process, and ample demand in foreign markets to absorb the finished product. Rossi is one of the most prominent Italian specialists in defence and his theses, despite

⁴⁷ "Il sistema economico della difesa." pp. 5-6. Emphasis in original text.

their contradictions, appeared in almost exactly the same form a few months later in the same Italian Defence *White Paper* which described the industry's mainly commercial origins.

The Industry and Military Self-Sufficiency

The Italians did begin to supply their forces with a greater quantity of nationally-made *matériel* in the 1970s. When the interest in national strategy and improved defence in Italy surfaced in the 1970s, the industry was already well established, especially in the field of exports. Italian military strategy developed more slowly than the industry itself, and remained ill-defined even in the late 1980s when arms production was on the wane.

The re-equipment programs of the 1970s attempted to improve the nation's ability to react to threats from the Mediterranean and to move closer to NATO standards in general. The experience in Lebanon, when the armed forces lacked adequate air cover, and the Libyan attack on Lampedusa in April 1986 were among the events which prompted renewed infusion of funds for Italian military procurement.

In the 1980s, the *Garibaldi* aircraft carrier and the CATRIN battlefield communications system were two examples of Italian industrial developments responding to national military needs. In 1984, by one estimate the Italian industry provided the national armed forces with 80 percent of its requirement.⁴⁸ This figure represented a reversal of the Italian situation in the 1960s, when the industry only satisfied 30 to 40 percent.⁴⁹ But as the armed forces finally came to grips with lacunae in their defence, the main improvements were made by turning to systems produced internationally. The major modernisation plans for the Air Force

⁴⁸ "Il sistema economico della difesa," p. 53.

⁴⁹ "Programmi nazionali d'armamento ," p. 13.

are based on the *Tornado* and future acquisition of the EFA, both manufactured only partially by Italy.

Italy was the largest importer of armaments in the world, including production under licence, in the early 1980s.⁵⁰ Italy had 11 percent of the share of arms and arms technology imported within the industrialised world in 1982, followed by Greece, Japan, Spain, and the Netherlands. At one point the Italians appeared to be importing fewer arms, because they were exporting proportionally much greater quantities. As Rossi observed, "The deficit in 1972 [in the balance of trade in the armaments sector] was transformed into a surplus of 250 million (1981 constant dollars) in 1976-1977, which then almost quadrupled to \$825-1,000 million in 1981-1982, mostly as a result of Italian exports to the developing countries."⁵¹

In addition, usually at least a quarter of the manufactured product which was exported -- often including crucial components such as the motor -- was made up of equipment of foreign origin or made under foreign licence.⁵² Writes another Italian researcher, Prof. Michele Nones, "the incidence of foreign ownership is also significant, at about 30% if indirectly-controlled industries are included, which confirms the high level of internationalisation of the Italian economy."⁵³

The notion that Italy would ever be able to fulfill defensive roles entirely with Italian-made equipment is not credible, even at the peak of its military-industrial production. Italy still turns to foreign suppliers to meet national requirements at tremendous cost to the Italian state. Twenty *Patriot* surface-to-air missiles are being acquired from the United States in the late 1980s, at a cost of \$3 billion, to replace the NIKE missile systems defending the

⁵⁰ "Il sistema economico della difesa," p. 56, derived from SIPRI data.

⁵¹ "Il sistema economico della difesa," pp. 53-55.

⁵² *Armi, nuovo modello di sviluppo?* p. 276.

⁵³ "Difesa-industria-ricerca," p. 4.

northeast border. This was the largest new order placed with the US military industry in 1987.⁵⁴

Most importantly, since the industry developed in response to demand from foreign markets, production for national purposes was sometimes made a secondary priority. The armed forces themselves did not make demands on the industry to serve their needs first. The industry's state of development at its peak showed that it did not develop primarily as an extension of the Italian military establishment.

Italian dependency on its exports to absorb about 50% of its production was high; by comparison the FRG exported about 11% of its output and France 36% in the mid-1980s.⁵⁵ The Italian industry as a result developed programs far in excess of its own needs. As Rossi explained later in the Defence-Industry Conference presentation,

As the figures themselves demonstrate, the industry is over-developed with respect to the needs of our armed forces: but if this is a physiological characteristic arising out of the need to rationalise and effect economies of scale, it is also true that the industry, especially in the past, has advanced according to its own independent strategies. It has planned and produced largely with an eye to exports, often adapting new projects only later to the real needs of national defence.⁵⁶

In many cases, it is clear that the exigencies of the arms trade often dominated the interests of the Italy's own armed forces. Besides the case of the disarming of an Italian unit in order to sell tanks to Ghedaffi, the Italian military was known to acquire systems which were not essential for its own defence for the purposes of promoting sales abroad. Sometimes the Italian

⁵⁴SIPRI 1988, p. 180.

⁵⁵IAI 1984-1985, pp. 201-202.

⁵⁶"Il sistema economico della difesa," p. 84.

military had to wait to receive orders until foreign customers could be accommodated. For instance, Malaysia received four *Lerici*-class minehunters before the Italian Navy, although Italy had ordered the ships from Intermarine earlier.⁵⁷

In the US and USSR export weapons were often "downgraded" versions of the technology reserved for national forces. The American defence industry has produced systems especially for export, such as the FX fighter designed for Third World markets, and the XM-1 turret and F-16 aircraft, whose original features were altered in order to attract European buyers.⁵⁸ The practice of gearing production for export can be seen to a much greater extent in the Italian industry. When Italian producers developed systems to meet the demand of foreign military forces, the result was that they developed both lower quality weaponry aimed towards some markets, but also developed technology which went far beyond national strategic needs, including a ballistic missile capability (marketed in the *Condor II* in Argentina) and nuclear know-how (transferred to Iraq).

A Technological Asset?

At a conference at the *Centro di alti studi per la difesa* (CASD) in 1967, the president of Finmeccanica announced, "From now on it will be necessary to consider the defence budget not only as a complex of strictly military expenditures, but...also as an investment for the technological progress of the country."⁵⁹ Italy indeed underwent an increase in R & D programs in the following 20 years, and in the process military research was overshadowed and in some cases surpassed by other priorities. In a study on the

⁵⁷IAI 1983-1984, pp. 185-186.

⁵⁸*Baroque Arsenal*, p. 199.

⁵⁹S. Magri, *L'apporto delle produzioni per la difesa allo sviluppo tecnologico ed economico del paese*, CASD 3 May 1967, cited in *Armi: nuovo modello di sviluppo?* p. 135.

state of scientific research in Italy by the national research centre, CNR, the main reasons for funding R & D in the 1970s and 1980s were listed. Among the rationales were "improvement of the economy (including energy, agricultural and industrial productivity)," "general fostering of knowledge," "improvement of living conditions (including ecology and human health)," followed by defence and space research. Although the share of public funding for defence research grew from 3.4 to 6.1% between 1975 and 1985, it evidently remained a modest national goal. With such a small part of such a small budget devoted to military research, technological progress did not stand out as a compelling reason for the maintenance of the Italian industry.

Nonetheless, many supporters of the Italian defence industry claimed that civilian industry could profit from stronger national military capabilities. The arguments used were mostly borrowed from debates in countries where military applications came to dominate national scientific communities. As the Italians spoke of harnessing a military-industrial model for economic growth, its long-term application in other countries, especially the United States, had already shown few positive effects on national economies.

In the United States, where significant amounts of funding were infused in the military-industrial establishment, very few major developments arose from military research. Government support was shown to be important in early or late stages of technological development, when a product was not sufficiently cheap or efficient to meet commercial standards. Overall, government funding for military industries led to wasted resources, grossly inflated spending, and a decline in performance. Most major contributions to civilian technology in the postwar period, such as the transistor, the integrated circuit, and the microprocessor, were all financed by private funds.⁶⁰

⁶⁰*Baroque Arsenal*, p. 91.

Among the perennial problems encountered by companies seeking to survive through military orders was the requirement for ultra-high performance, uncertainty about future orders, and keen competition. Many of the big innovating manufacturers in the United States and elsewhere moved out of the military market and sought high volume, non-military users which they considered more accessible and less encumbered by constraints of military systems.⁶¹

Riding the crest of the arms boom in its middle years, Italy was not in a position to foster significant scientific research with wide effects outside of the military industry.

The argument for military R & D as a technological "flywheel" for the entire economy is more an axiom or a myth coming from the mouths of its supporters than a thesis based on proven facts...The great commitment to military shipbuilding in the last 20 years in Italy does not seem to have sparked a corresponding improved capacity for competitiveness in the sector of large civil shipbuilding. In the aeronautics sector, strong support on the military side has resulted in the fact that Italy has only recently, with the ATR-42, put its capacity for civil production to the test. Other sectors in which the spinoffs in the civil sector could bring results, such as that of biomedical equipment, have yet to be subjected to the test of the market. The process of spinoffs from the military to the civil in Italy seems slow and bristling with difficulties, to the extent that one wonders whether the choice of directly funding civil research might not have given better results...The experience of the civil defence program, with outlays directly to the Ministry of Defence of about 600 billion lire to buy and develop certain equipment, should make one reflect. Those

⁶¹*Baroque Arsenal*, pp 93-95.

funds, with few exceptions, were in fact used for developing armaments.⁶²

Technological communication with other industrialised countries was certainly an effect of the arms industry: but this is largely for the purposes of maintaining the defence industry itself and rarely had a "spinoff" value. Three of eight major research projects in the late 1980s involved foreign collaboration: the EH-101, the EFA, and the NFR NATO frigate.⁶³ Official statements surrounding the defence industry's technological aspects exposed two conflicting goals in Italian policy. Italy became more self-sufficient but simultaneously narrowed its channels abroad.

When Italian leaders cite the wide-ranging benefits of military high technology, a comparison with Japan is useful. As a percentage of GNP, Japanese defence spending is low among the industrialized countries. As one of the defeated nations after the Second World War it began its national reconstruction with strong moral prohibitions against rearmament. Like the Italians, the Japanese renounced military force as a means of solving conflict, in the Constitution of 1947. Like Italy, Japan was an important focus in American strategic thinking, and remained a loyal and cooperative ally throughout the postwar period. The Japanese remained much more detached, however, from American military programming than Italy.

In the field of military production, the Japanese case shows an interesting reversal of the process that characterized much of Western technological planning of the postwar period, that Italy belatedly tried to emulate in its defence industry of the 1970s and 1980s. Japan grew to be the second largest economy in the world without building its economy on a military-industrial base, and without relying on a defence establishment to spur the wave of

⁶²Paolo Miggianno, "*La ricerca militare non produce sviluppo*," *Politica ed economia*, February 1987, p. 57.

⁶³"*La ricerca militare non produce sviluppo*," p. 57.

technological innovations that came out of the country. In recent years the Japanese have come to be technological leaders in many fields of defence production because of the applications of *civil* technology to military products, not the reverse.

An example is a kind of paint developed in Japan which, when used on high-rise buildings, protects against electronic waves and brings better television reception. This is used as part of the technology for allow the American B-2 *Stealth* bomber to evade detection by radar.⁶⁴ The Japanese have also developed anti-submarine warfare (ASW) systems for their own anti-Soviet defence which, as one writer said, "if marketed internationally, would put other countries' products in the shade."⁶⁵ Japanese manufacturers are now increasingly tempted to market their technology in the defence world, but the technological lead they have achieved in many fields was not based on a military-industrial model.

West Germany, which also had a self-imposed taboo about the military industry after the war, later entered the sector using technology which had been successful in their civilian industry, such as "engine, transmission, tracks and so on in the case of tanks, cold metal drawing technology in the case of small arms production, rather than advances in what are considered 'military technologies,' that is, military electronics, airframe design, jet engines, or large guns."⁶⁶

Despite the well-known difficulties of applying military development to the civilian world, and examples of other countries which based unparalleled economic success on specifically non-military economies, the Italians as late as the 1980s

⁶⁴Reinhard Drifte, *Arms Production in Japan* (Boulder and London: Westview Press, 1986), p. 6.

⁶⁵Malcolm McIntosh, *Japan Rearmed* (London: Pinter, 1986), p. 33.

⁶⁶Michael Brzoska, "The Federal Republic of Germany," in Ball and Leitenberg, p. 115.

still considered encouraging the defence research sector as a investment in national technological strength.

The real issue, when making international comparisons in this field, becomes that of making explicit political and military goals. Technological development is crucial for our economic and social system. Even in the military field, technological developments are necessary, and above all collaboration with other countries, to be able to reduce the cost of armaments and exports to the Third World. Much could have already been done without any increase in the outlays for military R & D, if only the authorities were concerned with checking the results of the funding assigned to them. The way of focussing on the military for technological development is misguided, with negligible returns to the civil sector, which shows either the power of military pressure groups and the defence industry, or the existence of whimsical desire to carry out the role of military "middle power."⁶⁷

Italian Arms and Foreign Policy

Until the 1960s, most countries exported arms for security and foreign policy reasons. A national armaments industry was rarely seen primarily as an economic asset. In France, for instance, "the economic activity of the arms industry was not included in national accounts. Producing arms was viewed as a necessary public expense to provide for France's security, to underwrite its foreign policy objectives, and to restore the nation's lost grandeur."⁶⁸ The desire to maintain a strong national defence and influence strategic developments at an international level was at the root of many of the major national armaments industries relaunched in Europe after the Second World War. In the 1970s and 1980s when the effectiveness of arms transfers as a tool of

⁶⁷"La ricerca militare non produce sviluppo," p. 58.

⁶⁸*Making and Marketing Arms*, p. 135.

foreign policy was increasingly in doubt, arms industries were supported for their other perceived advantages, especially their role in adjusting foreign trade deficits.

Italy entered the field in earnest, however, when the economic potential of arms exports had become the sector's most salient aspect. The Italians went through a reverse process, in which the government was forced to acknowledge the political power and foreign policy connotations of arms exports as a result of their economic viability. As a result the government also encouraged a shift to more acceptable markets, namely stable NATO arsenals.

The Italians do not use their arms exports as a tool of foreign policy in the traditional sense. But the existence of their weapons industry, the technological and industrial cooperation with other Western countries, and the ability to offer armaments abroad all act on Italy's foreign trade and international reputation.

Arms Sales and Political Leverage

Some industrialists and analysts close to the defence establishment began to realise the implications of the large arms trade for Italian foreign policy.

Every other state, of whatever its type, from East to West, considers this one of the most important instruments of its foreign policy and thus promotes the expansion of this industry according to political directives which parliaments and governments are called on to develop, to use as an instrument which can serve to reinforce the international friendships of our country, to reinforce export channels, to reinforce the possibility of gaining contracts of any

type in the countries with whom these relations are cultivated.⁶⁹

The arms trade, however, could not be fully integrated into Italian foreign policy for a number of reasons. The Italians simply did not have a traditional foreign policy at the state level which an arms policy could complement. They also lacked several factors, including the status of monopoly seller and the willingness to exhibit restraint in selling, that normally allow countries to exert leverage through arms sales.⁷⁰

The Italians delivered arms to Somalia under Socialist Defence Minister Lelio Lagorio and Prime Minister Bettino Craxi with the apparent objective of consolidating cooperation on diverse levels, from university education to construction works. The African country's inability to pay for the military equipment attests to the fact that Italy saw the transfer as a political gesture. The Italians also used military sales and training as a major feature of its friendship with Ghedaffi's Libya. This did result in favourable trade relations, including the supply of oil to Italy. But Italy's stark dependence on what Libya offered -- namely a steady source of energy and an outlet for Italy's swollen military production -- made the country more of a trading partner in the traditional sense than a political client-state.

The notion that arms transfers can fulfill foreign policy objectives is highly disputed.⁷¹ The American expulsion from Iran in 1979 and the Soviet break with Egypt in 1972 are two examples of military policies which have failed. In the Horn of Africa, Somalia and Ethiopia changed allegiance with respect to the superpowers, sparking a reshuffling of military arsenals. Increasingly, the United States and the USSR also find themselves on the same side in

⁶⁹Sen. Paolo Battino Vittorelli, *"Politica di Esportazione dei Materiali per la Difesa," Difesa-Industria, Quaderni dell'Istrid*, Rome, 1987, p. 157.

⁷⁰*Baroque Arsenal*, p. 198.

⁷¹see Pierre, pp. 18-24.

conflicts, especially in the Middle East, when there is a common objective to see an end to hostilities.

The Italians also openly sold to countries, especially in Africa, because of the *lack* of political pressure. This was one way of increasing sales for Italy, and helped regional powers diversify their source of supply, usually from American domination. This practice in itself is paradoxical for a country like Italy which, if it makes any official statements of foreign policy, usually backs American policy to the letter.

It remains difficult for the mid-sized industrial nations to define a coherent foreign policy position regarding arms transfers because of possible conflicts with the positions of the superpowers. Simply adhering to American positions is not an attractive policy; in that case Italy and the FRG would only be able to deliver arms to those nations which are eligible for US weapons, thereby limiting their markets to direct competition with often superior American producers. Italy's foreign policy interests, in particular the need to maintain balance *vis-à-vis* Libya and the Arab coastal states of the Mediterranean run counter to American policies. In contrast to the global calculus of the superpowers, the European nations are regional powers with limited foreign policy objectives. Very rarely will a European administration come to the conclusion that there is a shortage of arms in some area of the world and encourage its defence industry to fill that gap.⁷²

The distance between Italian foreign-policymaking organs and the self-propelled industry also precluded an active coordination in the field of arms policy. FIAT, the largest manufacturer of war equipment in Italy, evidently felt little sense of obligation to the military establishment. The firm absorbed new companies and expanded production as market opportunities presented

⁷²"New Strategies of Mid-Sized Weapons Exporters," pp. 131-132.

themselves, and left the field just as readily, as soon as profits dipped.

It was often difficult for the Italian government to align its interests with the pull of the industry towards Third World exports. Situations which the political world in Rome greeted with a sigh of relief, such as a decrease in Libyan or Iranian military activity, or a drop in oil prices, represented bad news for companies like Agusta with large export dependencies. The industry's successful trade could not be termed as completely favourable for Italy when Italian relief workers in Africa treated casualties of Italian-made mines and guns, Italian-trained Libyan pilots attempted to drop missiles on Italian territory, and when shipping lanes in the Gulf heavily travelled by European vessels were endangered by Italian mines and missiles.

One will recall that when the problem of the mines laid by unidentified terrorists in the Suez was presented to Palazzo Chigi [the Italian prime minister] in the summer of 1984, and the decision was taken to send an Italian Navy unit to participate in the de-mining operations, initially the Radical Member of Parliament Francesco Rutelli and later the Egyptian press revealed that the mines had been clandestinely laid by Libya and were of Italian origin. Our government denied this, stating that mines of that type had been sold to a company not in Libya, but in Bolivia. This did not exclude the possibility that through an intermediary the mines had found their way into Libyan hands. This gave rise to a grotesque and disconcerting paradox: Italian sailors assigned the task of eliminating the risk presented by explosives made in Italy (with profits for the producer firm and losses for the national defence budget).⁷³

⁷³Sergio Turone, *Partiti e mafia: dalla P2 alla droga* (Rome and Bari: Laterza, 1985), pp. 63-64.

In some of its exports, the fact that Italians might be losing control over their own foreign affairs occurred to some leaders. When Italy was used as a "triangulation" point, it sometimes risked becoming an outpost for other countries' industries and foreign objectives, especially of the United States. This was evident in the case of South Africa, where the Americans officially declared an embargo in protest of apartheid. When American-designed aircraft were sold to South Africa through Italy, the Italians were the ones who received the formal condemnation of the UN.

Ever since the first UN embargo was imposed in 1963, South Africa has been able to obtain US military hardware and technology of "third countries" which produce US arms under license or which incorporate US components into domestically-produced weapons. Because certain countries have relatively lax arms-export controls (such as Italy), or because they are predisposed to ignore the embargo (for example Israel, which has been the victim of embargoes itself), they have become major conduits for arms transfers to South Africa. (Many of these countries are also centres of the "black market" trade in arms to the pariah countries or to underground guerrilla groups)...To appreciate the significance of such transfers, it is only necessary to turn again to the inventory of the South African air force, as compiled by the IISS. Of the 156 fixed-wing aircraft incorporating at least some US technology, some 77 were acquired directly from the United States...while the remainder were acquired from third-country sources. Included in this category are 19 Piaggio P-166S maritime patrol planes, 40 Aermacchi AM-3C *Bosbok* light transports, and 20 Atlas C-4M Kudu scout planes. In addition, the SAAF possesses some 25 US-designed Agusta-Bell AB-205A troop-carrying helicopters.⁷⁴

⁷⁴Michael Klare, "Evading the Embargo: Illicit Transfers to South Africa," *Journal of International Affairs*, vol. 35, no. 1, Spring-Summer 1981, p. 25.

Frustration over the reverberations of sensitive arms transfers was evident in an interview with Foreign Trade Minister Formica in 1986, at a time when Italy was increasingly coming under public attack for involvement in the Iran-Contra scandal. By this time, said Formica, if there was any foreign policy guiding Italian arms transfers, it was

the foreign policy of others...We do not want to become a crude instrument of undeclared maneuvers of international politics. We must say frankly that it is a violation of the spirit of the Alliance to damage political commitments which have been publicly and solemnly adopted. One cannot on the one hand send Whitehead [missiles] to Italy with the request from Washington not to supply arms to Iran and then use Italian channels to do just that. It is a matter of principle: it is an issue of political coherence and national sovereignty. The same also applies on the level of practical, concrete actions.⁷⁵

The Arms Industry: Industrial and Political Prestige

Italian arms do not act as a traditional instrument of foreign policy, but they do affect Italy's international relations in a number of ways. In the 1980s, Italian leaders represented national interests more actively in international economic summits, sent Italian troops to the Middle East and developed greater expertise in world affairs. The Italian foreign policy profile became more distinct. The near-complete resemblance to other NATO countries in standard of living and economic output also gave Italians the confidence to assert more political weight abroad.

At its peak of development, the military industry served the purpose of representing Italy's industrial progress and its ability to

⁷⁵"*Armi, ci usano per traffici sporchi*," *La Stampa*, 20 November 1986.

act on the same stage as other advanced Western countries. One important reason for maintaining defence production was not the output of the industry as much as its existence and growth, as an economic "process," and as a symbol of Italian industrial progress. This is important for other countries including France, as Edward Kolodziej explains:

The arms industry may also be seen not as a product but as a process. The engineers and technocrats in control of the arms complex are particularly attracted to this characterization. Under this guise, the lethality of the product or its commercial possibilities are of lesser consequence than the scientific, technological, and industrial processes -- or the collection of these processes -- that animate the work of those engaged in designing and producing arms...Fallout is measured by the advancement of technological units and economic agents capable of survival and growth in an international market. From this perspective it is more important that the arms complex survives and grows as a competitive system than that it simply sells goods and services, classified as military or civilian end-items. Both arms products and processes may also be seen as status symbols of a nation's power and position. The arms industry becomes as much an end in itself as a tool of foreign policy.⁷⁶

The industry in Italy did gain a high reputation in the 1980s; even American military leaders acknowledged an Italian world lead in advanced helicopters and some types of electronics manufactured by Selenia.⁷⁷ Italian researchers in the 1980s recommended increased government investment in the military because of the prospects for advancing Italian industry:

⁷⁶*Making and Marketing Arms*, p. 215.

⁷⁷Interview with Colonel Robert Costa, Chief, Office of Defense Cooperation, United States Embassy, Rome, 22 April 1989.

The experience of the promotional laws demonstrates that in terms of costs, it is necessary to promote military and financial planning which takes into account requirements, availability and productive capacities. The outcome must be not only the satisfaction of the needs of the armed forces, but also indirect results, namely a more solid and efficient industrial structure.⁷⁸

The country's traditional image of military weakness and a low international profile had favoured the Italian trade in arms in the early years of its expansion. But after a rapid development through the semi-legal trade, the sophistication of Italian-made arms achieved parity with other Western industries supplying NATO forces. Defence cooperation became a vehicle for increased participation with Italy's allies. Defence Minister Spadolini openly supported projects such as the EH-101 helicopter co-production with Westland with public statements such as this:

[The EH101] offers a new contribution to the building of a European industry capable of producing high-technology systems which can compete on the international market. More intensive joint industrial activity between the Europeans will bring only greater technological and industrial impetus, but will also be an important opportunity for political unification for the Europe of the future.⁷⁹

The sector grew sufficiently in Italy to become a "common denominator" in areas such as European helicopter and jet fighter production, which were designed for the more acceptable export outlets of European defence forces. This brought a greater measure of respectability to the Italian industry than when its main recipients were embargoed nations of the Third World.

⁷⁸Nones and Rolfo, p. 73.

⁷⁹"Dall'alleanza Agusta-Westland nasce l'elicottero plurioso Eh101," *Sole-24 Ore*, 13 January 1987.

Industrialists tried to transform the sector from a mainly commercial asset into a vehicle for European integration and increased technology acquisition for Italy. The political world in Italy came to acknowledge arms production as part of a broader international identity, and as one concrete and successful area of cooperation with allies from which it still sought acceptance. The Italians also saw this as a way of tackling the problem of stiff competition with other Europeans for arms contracts.

Spadolini, perhaps in an attempt to emulate other NATO defence leaders, began to involve Italy's defence producers in his active relations with foreign armed forces. As defence minister, he signed a number of Memoranda of Understanding with countries such as China and several African nations which included mention of contracts for the sale of weapons technology. Zanone appeared to continue the trend towards the end of the decade. As individuals, however, Italian politicians are much less active than their counterparts in other European countries in the promotion of military hardware abroad. The Italians have no counterpart to Margaret Thatcher as an aggressive seller of aircraft in the Middle East. The French Socialist president Francois Mitterrand was also active in promoting arms, and toured Southeast Asia, for example, with the specific aim of expanding French strategic sales there.⁸⁰

Despite the attempt to embrace the arms industry as an extension of the Italian state, its expansion and period of success unfolded in the context of the Italian entrepreneurial wave which renewed many sectors of the Italian economy. IRI officials claim that there is a *primato della politica* or a "pre-eminence of politics" regarding arms exports, and maintain that destinations of Italian weaponry are ultimately under the jurisdiction of the Minister of Foreign Affairs.⁸¹

⁸⁰"Meno armi all'estero, piu disoccupati qui."

⁸¹Romano Prodi, *Atti parlamentari, IX Legislatura (Camera)*, 25 March 1986, p 16.

However, during the "boom" period, Italy's arms exports fell into essentially the same category as its other trade. The commerce in arms was conducted with a wide variety of international actors, including countries which have tense relations with other NATO allies; it was often related to deals to secure energy imports; and most of the essential operations were negotiated and carried out by businessmen, with low participation by representatives of the Italian state.

The Future of Italian Defence Production: An Industry on the Road to Extinction?

By the late 1980s, when employment prospects were called into question by the industry's crisis, it became clear that one of the most effective solutions for the crisis in military production was its gradual elimination.

The industry began to decline much faster than it had expanded. The major importers, notably Iran and Iraq, had stabilised their purchases; many other Third World countries had reduced imports or sought to upgrade existing systems. In response to the drop in demand, many Italian defence firms began considering cutting back personnel or leaving the field completely. In 1986 most of the private firms were in deficit, and few were able to convince the state holding companies to bail out the industries in crisis.⁸² The public companies enjoyed greater security, but prospects of a return to the productivity of earlier years were poor.

Defence firms were increasingly wary of searching out sensitive export outlets. Negative publicity had not enhanced Italy's reputation abroad, and weighed heavily in the minds of politicians seeking re-election.⁸³ The industries were also reluctant to defy US controls and cause controversy with their major allies

⁸²Interview with Mr. Grignolo, Ministry of Defence, Rome 21 April 1988.

⁸³Interview with Michele Nones, 15 March 1988.

since the Atlantic area provided the most promising arena for future activity for the industry. Weapons were symbols of political solidarity in Europe, and as such represented a much more palatable endeavour to present to the Italian public than the earlier policy of supplying wars in the Third World. This also went along with Italy's desire to be firmly established in the most sophisticated political and industrial circles: the high-technology SDI program brought much greater prestige than the Italian deals in Libya and elsewhere.

Companies which secured a significant share of domestic orders did not feel an immediate crisis; EFIM's subsidiary OTO-Melara counted on steady national contracts for the new C-1 *Ariete* armoured car; FIAT's Iveco had numerous orders for armoured transport cars including the *Centauro* and the *Puma*. SNIA and Aeritalia also reported sufficient numbers of orders to sustain business. But since about 60% of Italy's industry was geared to foreign sales, much of the sector was struck by the rapid drop in its ability to sell abroad.

In one year [the defence industry] dropped...among world exporters by 67%, while turnover stands at about 6,500 to 7,000 billion lire. Faced with this crisis, many companies are taking steps: some are thinking of reducing personnel, others are studying reconversion possibilities. The President of IRI, Romano Prodi...has spoken of the necessity to proceed with a rapid industrial reconversion. The Minister for State Holdings is thinking along the same lines: in fact a commission to study the reconversion of the public armaments industries has been established.⁸⁴

Reconversion had taken place successfully at an earlier time in the history of the defence industry. FIAT, Macchi, Piaggio, and Agusta had all converted their war production after the Second

⁸⁴"Addio alle armi," *L'Espresso*, 4 June 1989.

World War into civilian fields, mostly automobiles and motorcycles. They were attracted back to military production by the new economic incentives which appeared when the Italians were absorbed into NATO. However, most firms did not become completely dependent on military sales for their survival. The Italian defence-industrial sector had an advantage in not being a mature industry in comparison to the major sellers. Italian firms were able to adapt quickly, and to skip over stages that had been shown to be unprofitable in other national industries. By the same token, the industry had not become the national commitment that it represented in many other countries; thus it appeared to be a relatively simple decision for some of the firms to branch out into civilian production.

The possibility of diverting military production to civilian applications was first explored by groups with long-standing moral objections to the Italian defence industry. The *Archivio Disarmo* conducted a study on the economic viability of reconversion programs, aimed at the cluster of electronics companies near Rome with heavy dependence on defence. The goal was to

establish contacts with professional associations, (such as geological groups), agencies for civil defence and aid to the Third World, associations which care for the handicapped and promote research on particular illnesses -- all organisations with express important social needs which are not addressed, which could offer a real demand for the production of alternative goods by the converted industries. The next phase of the research will result in a more detailed plan not for individual companies, but for the whole ensemble of electronics industries in Latium.⁸⁵

Calls for the elimination of the industry had long been heard from Catholic leaders as well as representatives of various leftist

⁸⁵Mario Pianta, "Esplosivo: La conversione del militare," *Politica ed economia*, n. 11, November 1987, p. 56.

groups in Italy. Pope John Paul II spoke about about the need for arms dealers to "subordinate profit to moral criteria."⁸⁶ Several left-wing and Catholic groups, including ACLI, *Mani tese*, MLAL, *Missione Oggi* and *Pax Christi* formed the Committee against the Merchants of Death to condemn Italian arms sales, especially to South Africa.⁸⁷

Italians are now witnessing a real "people's crusade" against the "merchants of death," highlighted by the mass demonstrations against and political resistance to the Italian naval detachment sent to the Gulf, by continuous interceptions of loads of military equipment and supplies on third-country ships transiting by way of Italy, by the jailing (and later release) of the senior managers of the Valsella Company -- accused of clandestine arms sales to Iran and Iraq (charges that will probably be dropped) -- and by the abrogation via referendum of some laws regulating Italian nuclear activity, particularly the possibility of taking part in international cooperation programmes in this sector -- including for civilian purposes.⁸⁸

Political leaders could not be said to have played an instrumental role in guiding the field through the time of crisis. When given the political choice of promoting an arms industry or placing priorities elsewhere, early Italian governments, as we have seen, had not been attracted to military production. Perhaps the most "militarist" politicians came from the "lay" parties, who enjoyed miniscule popular support but came to hold high office in the 1980s (among them defence ministers Lagorio, Spadolini, and Zanone).

The party that was the most closely associated with the industry was the largest one, the DC. Although many DC leaders

⁸⁶"Wojtyla contro i mercanti di morte," *Corriere della Sera*, 18 April 1988.

⁸⁷"I cattolici contro i mercanti di morte," *La Repubblica*, 11 March 1988.

⁸⁸Antonio Ciampi, "Exit the Mostra Navale" *Defense and Armament Heracles International*, No. 69, January 1988, p. 15.

had strong ties within the defence industry, the sector was never fully accepted as a product of the political sphere. Politicians from all the parties were uncomfortable coming to the sector's defence, even when the military enjoyed a higher profile in the 1980s. Members of the DC, for instance, were seen to be among the arms exporters' harshest critics, and had introduced the most restrictive proposal for exports controls in the Chamber of Deputies.⁸⁹ There was a basic reluctance to be associated with the armed forces. The military was a fundamentally unpopular organisation, because of its associations with Fascism and the Second World War, the experiences of the country's young males who were forced to pass through the backward, harsh system as part of the national service, and public cynicism over its tendency toward subversive schemes.

The decline of the defence industry was not a sign, on the other hand, that pacifist forces had made particular gains in Italy. The Communists had always opposed any measures linking Italy to Western-inspired militarism. But the PCI did not make Italy's status as an arms seller the crux of its opposition to the ruling parties, and preferred to concentrate on domestic policies such as trade relations and the corrupt practices of the DC. Supporting NATO and the West had become an inextricable part of the party's search for legitimacy and its hope of future government participation. As Sen. Vittorelli observed, the stance of the PCI became almost identical to that of the other parties (except the extreme left). Those who call for disarmament are often seen to be asking for further subordination to the US.⁹⁰ The peace movement never moved from a cultural undercurrent to a powerful lobby. Criticisms of government military policy were muffled even on occasions such as the installation of cruise missiles on Sicily.

Further, there was the persistent conflict of interest within the Italian left between the desires to uphold a moral code and to

⁸⁹Interview with Sen. Paolo Vittorelli, 28 March 1988.

⁹⁰Interview with Vittorelli, 28 March 1988.

maintain employment at its maximum levels. Opponents of the defence industry, who saw in the arms race a continuing means of oppressing the working class, were often in the same "camp" as those representing the thousands of arms industry employees in the unions, especially the metalworkers.

A large part of the industry was filled with engineers and highly-skilled workers; conversion plans would also have to concentrate on replacing jobs in scientific areas. But there was also a section of the workforce at the assembly level with representation from the unions. Most of the defence industry workers were not aware of the moral and political implications of their production until union leaders of the *Federazione dei Lavoratori Metalmeccanici* (FLM) began a program of continuing education called *Cento Ore* (100 Hours). German researcher Ulrich Albrecht describes one of the union's attempts to bring home the realities of the arms trade to its workers:

The newly-federated FLM has a unique structural element: in firms above a certain size it can appoint a permanent secretary for "international matters." Naturally, in the armaments sector these international secretaries are immediately confronted with the question of weapons exports. Several of them have reacted in unusual ways. In the large helicopter plant of Count Giovanni Agusta in Gallarate in northern Italy (where Bell helicopters are produced under license for export to countries which would probably be unacceptable as clients of the US government), the international secretaries presented the employees with parts of a helicopter which had been shot down in Africa and asked them if they really wanted their handiwork to help suppress liberation movements. The workers, who recognized their own work in the riveted tail end of a Bell UH-1D, had to answer uncomfortable

questions from the representatives of the liberation movement whom the secretaries had invited.⁹¹

Opposition to the arms industry began to grow slowly among its employees. The unions made a number of initiatives on the topic of reconversion that, as one observer wrote, "were often reticent, sometimes courageous, but never succeeded in making reconversion a primary theme of trade union politics."⁹² Instead, modest efforts such as a conference held in November 1987 and the call for a Reconversion Fund attempted to keep alive the moral issues surrounding the industry.

It was not the peace groups or the left-wing unions, however, that finally sparked an interest in reconversion, but the firms themselves. The stimulus for significant changes in the defence sector was the realisation of its decline in economic value. The decline in figures was confirmed by the withdrawal of the Italian group at the Farnborough Air Show in 1988 (except in international projects), and the cancellation of the International Naval Show at Genoa, the *Mostra Navale*.

Assertions that the military industry might soon become unviable in Italy were not merely threats to the state; other industries in Western Europe had reached the critical stage where national military production was called into question.

Mid-sized industrial countries are increasingly confronted with the question of whether, given the resource costs of modern weapons, they will continue to have a national arms industry or not. Some countries, such as the Netherlands, have opted out of the arms race. The legendary Dutch firm Fokker no longer produces fighter planes of its own design (but continues with the production of small passenger aircraft). England finds itself forced to give up the production of large-caliber guns, once the symbol of its maritime power, for reasons of cost.

⁹¹"New Strategies of Mid-Sized Weapons Exporters," p. 136.

⁹²Pianta, p. 57.

The Federal Republic of Germany and Italy, on the other hand, insist on maintaining an independent armaments industry, not for the traditional reason of autarky, but for reasons of technology and employment policies.⁹³

The industry had arisen essentially as an export phenomenon in Italy, as an extension of the country's foreign commerce in general. Defence industries are normally sustained by the presence of active military and foreign policy goals. The Italians did experiment with new roles in the 1980s: they rehabilitated their military, both in material terms and in public image, and they won greater respect for their place among the industrialised countries of the world. Supporters attempted to include the defence industry as in this context of Italy's wider national responsibilities. General Jean remarked at the Defence-Industry Conference in 1984, "Decisions for the future of the industry must be integrated with the general policies of the state, which constitute the primary unifying factor of the strategies of all the different sectors."⁹⁴

But the arms industry did not appear to function as an extension of the state. The economic side of the industry had matured more rapidly than strategic thinking in Italy. The industrial sector began to decline perhaps before Italian leaders had learned to exploit it fully for its political weight. Nonetheless the short-sightedness of adopting it as a national responsibility just as world military exports declined sharply was clear. Further, individual progress in the military field could not be developed as a national objective. While arms sales gave many countries, like France, the means of being independent, Italy did not really want to be independent: its higher goal was to "belong," and to gain the recognition it felt its loyalty and prosperity deserved.

⁹³"New Strategies of Mid-Sized Weapons Exporters," p. 142.

⁹⁴"*La strategia industriale del sistema difesa*," p. 11.

Once the limits on the opportunities for new technologies, exports and profits had become clear in the late 1980s, there seemed to be few justifications for keeping alive a defence industry of the same dimensions in Italy in the future.

CONCLUSION

The defence industry in Italy has not received the same attention devoted to major military industries in other countries. This has occurred in spite of the fact that Italian military production reached strikingly large dimensions in the 1970s and 1980s. It has been my aim to provide a picture of the dimensions of military production in Italy since the Second World War: the quantitative features of the industry, the different types of production carried out in the major sectors of aerospace, shipbuilding and electronics, and the clients of Italian weaponry who allowed the sector to become highly profitable. The importance of the industry is indisputable: it was the fastest growing sector of the Italian economy, and was linked to other aspects of Italy's economic livelihood, including its access to oil and to steady trading partners. Nonetheless, the military industries remained poorly documented. In Italy, study was restricted to a few specialists, and the arms trade received decreasing coverage in national publications; in the English-speaking world, the rise of Italy's arms trade went almost completely unnoticed, as can be seen for instance from its omission from a comprehensive Council on Foreign Relations study in the early 1980s.

Italy's role as an arms seller received little attention in part because so many features of modern Italian society make the country an unlikely candidate for the status of a major producer of war *matériel*. Thus besides giving an account of the size and characteristics of the industry I have also sought to explain the

sector's expansion through a study of the political, military and economic background of Italy during the same period. It was a political commitment which brought Italy into the fold of Western countries in NATO, and Italian political leaders never failed to reaffirm their solidarity with the Atlantic cause. But a commercial drive was the most salient feature of Italian postwar activity; the Italians' trade relations even brought them into unusually close contact with the supposed adversaries of the NATO Alliance. For Italy, the arms trade was primarily a commercial pursuit. This reflected the Italians' desire to reap economic advantages out of political and military alliances, since they were unable or unwilling to exert strong leadership among their major allies.

The Italians maintained the image of a passive diplomatic presence and a mediocre military power for most of the postwar period. For these reasons, as well, a widespread trade in arms went relatively unnoticed. Because of Italy's low profile, it did not have political goals to contradict when it cultivated a robust trade in arms with pariah nations; in addition the United States and other countries targeted Italy as a suitably "out-of-the-way" stopover point for the supply of arms or arms technology to Africa, Iran and other destinations.

The presence of a large defence industry in Italy has eluded many observers because politicians did not want to take public responsibility for the industry as an extension of the state. A powerful defence capability did not respond to general aspirations of the public at large. When news of Italy's trade in arms did reach newspapers and journals, the defence industries were accepted as another example of secretive and even subversive activities of the state which were commonplace in the postwar period. Despite the sector's dynamism, profits usually went back into the hands of a

small cluster of interests close to production: mostly the firms themselves, and occasionally political and military leaders with close connections to the industries. Military production did not significantly alter employment figures, generate national prosperity or foster scientific progress. The sector in fact reached its peak when Italy was contributing a gradually decreasing part of its national wealth to defence.

When the profitability of military production began to decline, Italy was left with a string of companies with production capacities overextended beyond national needs that were still highly dependent on shrinking foreign markets. When the survival of companies and jobs came into question, industrial and political leaders examined the possibility of reconverting many of the military industries. When most of Italy's defence firms were faced with crisis, it was commercial, not strategic considerations, which again determined the future course of the industry.

The effects beyond Italy of its widespread arms trade are more difficult to measure. While it is generally clear that weapons sales enhanced Italy's economic status more than its military or political presence in the Third World, arms assistance had greater significance for some of its clients. Italy aided some countries in diversifying their sources of supply, notably India, South Africa, and the Shah's Iran; this provided the means for these countries to exert a more independent role in regional politics. In addition, Italy certainly can be claimed responsible for fueling wars and repressive movements by providing the material means for continuing conflicts. Italy's weapons were usually sold not to the sterile arsenals of NATO countries, but to Third World nations. When the majority of Italian weapons were transferred, they were put to use. Italy acted as a bridge between the industrialised world

and the developing nations, over which Western countries generally had little influence. Italians transferred equipment, including some of the most advanced and lethal technology, with little regard for its destination and possible uses. Most importantly, they were willing to sell the ability to continue making armaments, through licences and co-production, that would allow a wide range of foreign countries to deploy the systems long after the defence industries were abandoned in Italy as economically unviable.

APPENDIX I

ASPECTS OF THE ITALIAN DEFENCE INDUSTRY

Italian Military Expenditure as Percentage of GNP

1971	1972	1973	1974	1975	1976	1977	1978	1979 ¹
2.9	3.1	2.9	2.8	2.5	2.3	2.4	2.4	2.4
1980	1981	1982	1983	1984	1985	1986	1988	1989 ²
2.1	2.1	2.3	2.3	2.3	2.3	2.2	2.4	2.3

sources: ¹ SIPRI Yearbook 1981, p. 166.

² SIPRI Yearbook 1989, p. 188.

Expenditure for Armaments in Italy 1975-1982 (excluding *carabinieri*) million constant lire (1975); (current)

<u>year</u>	<u>expenditure</u>
1975	639 (639)
1976	712 (830)
1977	731 (1,007)
1978	870 (1,347)
1979	982 (1,759)
1980	961 (2,084)
1981	959 (2,467)
1982	1,096 (3,271)

source: Cicciomessere (1982), p. 42.

Exporters of Major Weapons Systems 1979-1981

USSR	36.6%
USA	33.6%
France	9.7%
Italy	4.3%
UK	3.6%
FRG	3.0%
Third World	2.4%

source: *SIPRI Yearbook 1982*, p. 176.

Dependence of Exporters on Sales to Third World 1980-1984

Italy	91.0%
France	80.6%
USSR	76.8%
UK	73.5%
FRG	61.0%
USA	48.2%

source: *SIPRI Yearbook 1985*, p. 346.

Exports of Italian Armaments By Area 1979-1983

<u>destination</u>	<u>\$ million (current)</u>	<u>% Italian arms expts.</u>
Africa	1,485	31.9
Middle East	1,255	27.0
Latin America	1,090	23.5
Asia	410	8.8
Industrialised countries*	410	8.8

*NATO, other European, Australia

source: Archivio Disarmo, *Industria militare italiana: Esportazioni* (1986).

Principal Importers of Italian Arms 1979-1983

<u>country</u>	<u>\$ million (current)</u>
Libya	700
Venezuela	550
Somalia	410
Iraq	410
Egypt	320
Thailand	230
Saudi Arabia	200
Argentina	180
Ecuador	180
Iran	150
Turkey	150
Nigeria	120
Greece	110
Lebanon	110
Peru	110
others	720
total	4,650

source: Archivio Disarmo, *Industria militare italiana: Esportazioni* (1986).

Military Sales of the Principal Italian Firms, 1985
(billion current lire)

FIAT	1,273	}	1,818
SNIA BPD	545		
Breda (including Breda Meccanica Bresciana, Officine Galileo, OTO-Melara, SMA)			1,060
Aeritalia			900
Agusta			570
STET			570
Fincantieri - CNI			500
Oerlikon-Buhrle			480

source: Archivio Disarmo data base, 1988

Turnover of Defence-Industrial Sector in Italy 1968-1984
(billion lire)

<u>1968</u>	<u>1969</u>	<u>1970</u>	<u>1971</u>	<u>1972</u>	<u>1973</u>
274	314	380	468	582	759
<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	
917	1,248	1,804	2,180	2,655	

source: Battistelli (1980), pp. 208-209

<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>
3,000	3,400	4,000	5,200	6,000

source: De Andreis and Miggiano (1986), p. 273.

APPENDIX II

INTERVIEWS

On. Falco Accame, Chamber of Deputies, Rome, 27 March 1988.

Fabrizio Battistelli, Archivio Disarmo and Department of Sociology, University of Rome, various dates February-April 1988.

John Bender (US Navy), Office of Defense Cooperation, US Embassy, Rome, 22 April 1988.

Gianni Bonvicini, IAI, Rome, 30 March 1988.

James Buxton, Financial Times, Edinburgh, February 1988.

Marco Carnovale, IAI, Rome, various dates March-April 1988.

Alberto Castagnola, IDOC, Rome, 25 March 1988.

Col. Cividino (Navy), Italian Embassy, defence section, London, February 1988.

Col. Robert A. Costa, Chief, Office of Defense Cooperation, US Embassy, Rome, 22 April 1988.

Marco De Andreis, IRDISP, Rome, various dates, February-April 1988.

Gianluca Devoto, CESPI, 18 April 1988.

Cristina Ercolessi, CESPI, 18 April 1988.

Mr. Grignolo, Ministry of Defence, Rome, 21 April 1988.

General Carlo Jean, CASD, Rome, 25 March 1988.

On. Lelio Lagorio, President of Defence Commission, Chamber of Deputies, 23 March 1988.

Minister Guidi Lenzi, Diplomatic Counsellor to the Minister of Defence, Ministry of Defence, Rome, various dates March-April 1988.

Claudio Lodici, assistant to President of Senate Giovanni Spadolini, Rome, various dates March 1988.

Col. Lo Faso, Ministry of Defence, Rome, 11 March 1988.

Paolo Miggiano, IRDISP, Rome, various dates, February-April 1988.

Michele Nones, LIUSS, Rome, various dates March 1988.

Paolo Ramazzotti, Archivio Disarmo, 18 March 1988.

Pasquale Romeo (US Air Force), US Embassy, Rome, 22 April 1988.

Admiral Scagliusi, ISTRID, Rome, 7 March 1988.

Enrico Serra, Ministry of Foreign Affairs, Rome, 23 March 1988.

Stefano Silvestri, IAI, Rome, 31 March 1988.

Sen. Paolo Vittorelli, ISTRID, Rome, 28 March 1988.

John Wyles, Financial Times, Rome, various dates February-April 1988.

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