# МЕЃУНАРОДНА НАУЧНА КОНФЕРЕНЦИЈА

## ВЛИЈАНИЕТО НА ГОЛЕМИТЕ СИЛИ ВРЗ БЕЗБЕДНОСТА НА МАЛИТЕ ДРЖАВИ



## INTERNATIONAL SCIENTIFIC CONFERENCE

## THE GREAT POWERS INFLUENCE ON THE SECURITY OF SMALL STATES

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## UDK:327:33(497:1:496.5) SOVIET AND YUGOSLAV ECONOMIC INFLUENCE IN ALBANIA 1945-1948: DESTABILIZING THREAT OR A FACTOR FOR ECONOMIC GROWTH<sup>20</sup>

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#### Abstract

The paper analyzes Soviet and Yugoslav economic influence in Albania in the period between 1945 and 1948. The first research question is what that influence means: a destabilizing threat or a factor for economic growth and development of Albania. In this context, the purpose of the research paper and the second question is to explore the development of the Albanian state between Yugoslavia and the Soviet Union 1945-1948.

Due to the friendship that was established during the Second World War, Yugoslavia was the first country to recognize the state of Albania on 28 April 1945. The Soviet Union did the same on 10 November 1945. Yugoslavia helped Albania in the ideological, political, economic, military and cultural spheres. Albanian leader Enver Hoxha was constantly sending signals to the USSR wishing for direct cooperation. That was the reason why Enver Hoxha visited Moscow in mid-1947. Since then, the pro-Soviet direction had been clearly perceived, although Enver Hoxha talked commendably about Yugoslavia. The highlight took place after the adoption of the Resolution of Inform - Bureau, when Albania prematurely terminated all agreements with Yugoslavia.

This paper draws on researches from the Archive of Yugoslavia and the Diplomatic Archive of the Republic of Serbia in Belgrade, as well as on relevant literature and magazines. In the paper, among the other methods, we used the comparative method which compares the economies of Yugoslavia and Albania and indicates the similarities between these two countries and the method of analyzing archive economic and political documents. In the introduction, we discuss the economic underdevelopment of Albania after the Second World War, which was a reason why that state needed a strong neighbor and help. In the second part, we present the beginning of Albanian trade development relying on Yugoslavia and the USSR. The third part of the paper analyses the friendship between Yugoslavia and Albania, while in the fourth part we discuss the crisis in the relations between the two countries. The last part of the paper illustrates how

<sup>&</sup>lt;sup>20</sup> This article is a contribution to the project *Transition and Transformation – Historical Heritage and National Identity in Serbia in the 20<sup>th</sup> Century*, No. 47019, financed by the Ministry for Education, Science and Technological Development of the Republic of Serbia.

Albania turned from Yugoslavia to the USSR. The conclusion at the end of the paper infers that in the immediate post-World War II period, Albania recovered economically. In this part of the paper we raise the question why Yugoslavia provided economic assistance to Albania and discuss different assumptions.

*Keywords:* Yugoslavia, the USSR, Albania, Economic relations, Period after the Second World War

## **1. INTRODUCTION**

Albania was an agrarian country with a low level of development of rural households. About 80% of the population was engaged in agriculture, mainly livestock, which was well developed because of the rich forests and pastures. Albania possessed useful ore which could help its development - oil, chromium and copper ores, but they were not exploited sufficiently. Traffic was poorly developed. A railway line in the country was virtually non-existent. The main communications were roads and dirt roads. Albania did not have a developed maritime transport, even though it had two big ports on the Adriatic Sea - Vlore and Durres. Medieval feudalism was the basis of their society until the agrarian reform. Industry was poorly developed as well. Companies were only present in the domestic market. Trade was mostly medium and small. In addition to farmers, workers and traders, there were also small groups of former feudal-beys and intelligence originating from bey and commercial orders. From the above, we can see that Albania was not a sufficiently developed country to be able to rely on its own strength [1].

Albania needed a strong neighbor and help for its economic and political organization. Yugoslavia had its own interests in a small country such as Albania, which is the reason why the two countries began to develop mutual relations and cooperation, which ran with greater or lesser misunderstandings until their final termination by Albania in 1948 and its turning against Yugoslavia. During World War II, Yugoslavia endured the brunt of the fight [58] and after the war, protected Albania from interference from Western allies. In order to achieve balance in the Balkans and to strategically defend Albanian borders, Yugoslavia was a natural ally against Italian penetration, and against Greece, which had requested a review of its northern border [59] (p. 113).

The subject of this paper is the Albanian economic and political development after the Second World War under the influence of the Soviet Union and Yugoslavia. This paper analyzes the relationship and friendship between Yugoslavia and Albania and the Yugoslav economic assistance to Albania. In last two parts of the paper we discuss the crisis in this relationship and how Albania turned to the USSR. In our paper we conclude that the Albanian reliance on the Soviet Union and Yugoslavia, in the period between 1945 and 1948, contributed to Albanian economic development, but also had an impact on the state and political level.

### 2. THE BEGINNINGS OF ALBANIAN TRADE DEVELOPMENT RELYING ON YUGOSLAVIA AND THE USSR

Due to the friendship that was established during the war, Yugoslavia was the first country to recognize the state of Albania on 28 April 1945 [53] (p. 791). The Soviet Union did the same on 10 November of the same year [45] (p. 233). Velimir Stojnić was appointed as the first Yugoslav diplomatic representative, and the Yugoslav military mission was renamed as the Yugoslav Mission [54] (p. 42).

Even before the official recognition of the Albanian state, Yugoslavia signed two agreements with Albania on 20 February 1945. The first agreement was shaped as a military alliance for the struggle against the German occupying forces, which was supposed to be extended in the post-war years [49] (pp. 513-514). This agreement on alliance was also a way of binding Albania to Yugoslavia, which would make up the basis for the Balkan federation [60] (p. 335). The second agreement was on economic cooperation between Yugoslavia and Albania, which abolished the "customs border between Yugoslavia and Albania" [49] (p. 514). With this agreement, the total value of the exchange of goods would account for approximately 40 million Dinars [2].<sup>21</sup>

In addition to Yugoslavia, Albania relied on the Soviet Union. The Soviet representative to Albania was Colonel Sokolov [3]. In September 1945, Albania and the Soviet Union signed an agreement by which the Soviets provided grains and technical experts for the oil industry and mining, and Albania would, in turn, send to the USSR tobacco, dried fruits, copper ore and oil [4]. The Soviet aid was 100,000 quintals of grain [5]. Following consultation with the Yugoslav side on the needs of Albania, it was decided that the Soviets would send to Albania weapons for three full infantry divisions, as well as military instructors. It was agreed that several economic experts would come, as well as engineers for the exploitation of oil resources and engineers to organize the industrial production. The Soviets took it upon themselves to send 5,000 pairs of shoes, and the uniforms or material needed for their production [65] (p. 145).

Albania looked up to Yugoslavia. They began the expropriation of factories, "enemies of the state" and introduced a tax on the "war profits" (any income obtained from the sale of goods to the occupiers) [45] (p. 236). Albania's state-owned bank was founded on 1 February 1945 and took over all the activities of the former Albanian National Bank [6]. All banking and credit institutions were nationalized and the import and export of currencies was prohibited [55] (p. 67).

New industrial plants were built and the destroyed ones were rebuilt. Near Vlore, a plant for distillation of alcohol, sulfur oil, olive oil and refined oil was built [7]. Oil production in the Kucova was restored [8]. The new bridge near Kuca on the river Semana was commissioned, which connected the Kucova oil fields

<sup>&</sup>lt;sup>21</sup> Under the agreement, Yugoslavia delivered to Albania 2,991 tons of wheat, 5,717 tons of corn, 106 t of beans, 2,000 tons of cement and other materials. Yugoslavia delivered the goods worth 20,169.258.20, and Albania 18,375.256.20 Dinars.

with central and northern Albania [9]. There was an autonomous Albanian petroleum company founded for the distribution and sale of liquid fuels [10]. In addition, the state made efforts to improve agriculture in Elbasan. Irrigation canals were made and they worked on the cultivation of rice and olive trees [11]. In order to consolidate the country after the war, an agrarian reform was implemented. The Government of Albania asked from the Yugoslav Government 20 site surveyors [12]. Courses for technical staff in Ljushnje were organized and 20 groups of technicians for the execution of agrarian reform were formed [13].

### 3. THE FRIENDSHIP BETWEEN YUGOSLAVIA AND ALBANIA IN 1946

One of the main concerns of the Albanian leadership was to improve the economic situation of the Albanian population. They looked up to Yugoslavia and the Soviet Union. However, there were large differences in their economies. Yugoslavia was one year ahead compared to Albania. On the other hand, Soviet specialists were not sufficiently familiar with the Albanian situation and therefore were not able to adapt their skills to the Albanian needs. Nevertheless, Albania began to evolve in the industrial, commercial and agricultural field [14].

The Albanian leadership believed that the economic problems would be solved in cooperation with Yugoslavia. Thus, the Yugoslav leaders compiled a list of the most urgent needs of the Albanian industry. It was about further functioning of the oil plants, mills, breweries and other small plants of the food industry, leather and textile industries. Also, the Albanian tobacco factories were supposed to be supplied with cigarette paper. Particular help was needed for the printing companies in personnel and machines [15].

In May 1946, an Agreement was signed on trade and payments between Yugoslavia and Albania. This agreement replaced the agreement dated 25 February 1945 and was to remain valid until 31 December 1946 [16].

In order to continue and strengthen the cooperation between Yugoslavia and Albania, Enver Hoxha, upon an invitation from Yugoslavia, paid an official visit to Yugoslavia in the period 26 June – 2 July 1946 [55] (p. 74). The visit was conducted in the spirit of friendly and cordial manifestations [17]. During the visit of the Albanian leadership to Belgrade, agreements on economic cooperation, payments and loans were signed on 1 July 1946 [54] (p. 48). Yugoslavia was committed to support the development of the Albanian industry and economy by providing technical assistance and sending experts. An agreement on the establishment of economic Albanian-Yugoslav societies was reached. A Treaty on Friendship and Assistance was signed on 9 July 1946 in Tirana [50] (pp. 152-154). On the same date, the Convention on Cultural Cooperation between Yugoslavia and Albania was signed [47] (p. 290). <sup>22</sup> In July 1946, the Agreement on Cooperation in Maritime Navigation between Yugoslavia and Albania was signed [18]. In addition, Enver Hoxha insisted on establishing parity of currencies,

<sup>&</sup>lt;sup>22</sup> For more information, see: Bondžić, 2004; Bondžić, 2011; Petrović, 2002; Slavković, 2012.

because he believed that it was an integral part of the harmonization of the Albanian and Yugoslav plans [19]. Therefore, an agreement on the coordination of economic plans, the Customs Union and the equalization of currencies was signed between the two countries on 27 November 1946 in Belgrade [20].<sup>23</sup>

In October 1946, after major floods in Albania, which caused substantial damage, economic aid arrived from Yugoslavia [21]. In early December 1946, help from Yugoslavia arrived in Durres in wheat (100,000 quintals) [22].

According to the Soviet opinion, the Yugoslav economic assistance was highly appreciated and they considered it as an important stage in the process of strengthening the relationship between Albania and Yugoslavia. However, they expressed doubt as to how the agreements on bilateral economic cooperation would be implemented in view of the low level of development of the Albanian economy, lack of expertise and limited Yugoslav assistance due to their own poor economic situation [65] (p. 142).

### 4. CRISIS IN THE YUGOSLAV-ALBANIAN RELATIONS IN 1947

At the beginning of 1947, the Albanian leadership continued with the plans for modernization of the Albanian economy and reconstruction efforts. Albania and Yugoslavia signed an Agreement on Trade in June 1947. The Yugoslav loan to Albania was 2 million Dinars. For the purpose of controlling the implementation of this agreement, representatives from both sides were appointed, who were supposed to meet every three months in Belgrade or Tirana, and the agreement was to be in force until 31 December 1947 [23].

The Soviet leadership believed it was right that Albania was under the auspices of Yugoslavia, as long as Yugoslavia faithfully followed the Soviet state. However, when Yugoslavia began to show signs of independence in its policy towards Albania, the Soviet state began to react. Also, the Yugoslav representatives in Albania noticed that some Albanian leaders increasingly turned to the USSR, that more and more Soviet experts were coming to Albania and the Albanian press popularized the Soviet Union more than Yugoslavia [54] (p. 56). Enver Hoxha did not give up trying for Albania to establish a direct contact with the USSR. After several meetings with the Soviet plenipotentiary Minister Čuvahin, he managed to get an invitation to visit Moscow [63] (p. 121). Enver Hoxha visited Moscow on 14 - 26 July 1947 [24]. In addition to the discussions on the economic and cultural relations between the two countries, the USSR approved Albania a small loan and promised to equip a factory for production of agricultural machines [45] (p. 239). Stalin was not yet ready to alienate Albania from Yugoslavia, stressing that the cooperation with Yugoslavia was the "right path". However, after Enver Hoxha's visit to the USSR, Albania started to increase propaganda in favor of the USSR and there was a growing tendency to diminish their cooperation with Yugoslavia [54]

 $<sup>^{23}</sup>$  Based on cancelation of customs border, the border space was considered to be a friendly zone [51] (p. 101).

(p. 60). The Central Committee of the Communist Party of Yugoslavia reacted to the changed behavior of the Central Committee of the Communist Party of Albania and in November 1947, sent a letter in which they strongly objected to Albania due to the non-implementation of the economic agreements and accused Enver Hoxha of changing their policy toward Yugoslavia after his return from Moscow [56] (p. 407).

Despite the shaken relations between Yugoslavia and Albania, Albania was developing with the Yugoslav economic help. The Yugoslav loan helped the most in the development of the Albanian industry. In 1947 and early 1948, they began with the construction and completed several factories which were supplied from Yugoslavia. There were Yugoslav experts working there and the Albanians looked up to the Yugoslav techniques in construction [25]. The assistance from Yugoslavia consisted of development projects and plans, deployment of skilled personnel for the installation, commissioning of factories and technical management [50] (pp. 182-183). Yugoslavia sent to Albania a sugar factory with the capacity to cover one third of the Albanian needs in sugar up to 1948, a sardine factory and a jam factory, which were completed and put into operation in June 1948. Then, with the development of the textile industry, Yugoslavia acquired a high-capacity cotton spinning mill for Albania in America, with Albanian funds. They also delivered to Albania a hemp processing plant and built a factory in Rogožina, and a textile factory in Tirana. Following Yugoslav advice, reparation deliveries that Albania had received from Germany were used to build a metal factory for production of spare parts and agricultural machines, which was completed with machinery from Yugoslavia. Albania received two sawmills with installation and operation qualified personnel. They installed a modern printing house with machines supplied from Yugoslavia, as well as automatic telephone exchange [26]. The largest hospital in southern Albania was built in Gjirokaster and in Peshkopi they built the first high school in the northeastern part of Albania [27].

Yugoslavia helped build the railway Durres-Peqin (43 km) on the old Italian route of Durres-Elbasan. Albanian and Yugoslav youth worked on the railway and it was opened to traffic on 7 November 1947 [28]. Yugoslavia was engaged in the construction of a hydroelectric power plant in Velika Selita near Tirana that was supposed to supply the electricity industry of Tirana and Durres [29]. Yugoslavia also helped build a water supply system for the population of these areas [50] (p. 187). According to archival sources by the end of 1947, a loan in the amount of 1.356.811.698.49 or 83% was used. By 31 December 1947 goods of Yugoslav production were delivered or were on their way to Albania, worth 912,637.758 or 80% [30].

The Albanian Government gave loans to poor farmers for the purchase of seeds, chemical fertilizers and agricultural machines [31]. They put into operation three bridges that had been destroyed during the war. The bridges were made of reinforced concrete and connected Peshkopi with Tirana, Elbasan and Skadar [32].

The company for road construction worked on asphalting the national road Tirana-Durres, in length of 43 km. It was of great importance because it linked the capital with the main Albanian port. They also built locally important roads which linked isolated areas with central points in Albania, such as Berat-Čerovoda, which was 32 km long [33]. Albania's state electricity company completed the installation of power stations in Pekinj, which supplied electricity to the entire city and the workers on the railway line Durres-Elbasan [34]. In early February, a power plant in Kuks was put into operation [35]. A transmission line between the power station in Kucova and the oil-fields in Patos was set up, which provided electricity for the production of oil and for draining the Malić Lake [36]. At the same time, they organized specialization courses for workers [37]. The Albanian state adopted the Regulations on salaries of workers and clerks. Thus, the workers' wages were increased from 25% to 34% and salaries from 13% to 41%. They also adopted the Regulation on social security of workers and employees, which prescribed the insurance for contribution amounting to 15% of the remuneration, hence, lower than in Yugoslavia [38].

### 5. 1948-ALBANIA TURNED FROM YUGOSLAVIA TO THE USSR

Enver Hoxha followed the development of the Yugoslav-Soviet relations in the early 1948, the talks between Yugoslav leaders and the Soviet authorities and the objections raised by the Soviets towards the Yugoslavs because of the engagement in Albania, especially because of the integration of the Yugoslav-Albanian armies without consulting the Soviets [48] (p. 134). Josip Broz Tito was aware that the relations with Albania were changing. In his communication with Enver Hoxha, he advised him that there was a lack of Albanian confidence in the Yugoslav aid and intentions [39]. The situation definitely aggravated, when the Resolution of the Cominform was issued in Bucharest on 28 June 1948 [57] (pp. 300-302). On 29 June, the Central Committee of the Communist Party of Albania supported the Resolution and turned against the Central Committee of the Communist Party of Yugoslavia [64] (pp. 110-111). Due to the deteriorating relations and treatment of Yugoslav citizens, the Yugoslav government requested a meeting with an Albanian delegation in Belgrade for the purpose of regulating the issue of their economic cooperation [40]. Then, in early July, in face of the new situation, Yugoslavia suspended, until further notice, all deliveries of goods to Albania [41].

In September 1948, the Albanian Prime Minister signed a trade agreement with the Soviet Union in Moscow. As part of that agreement, the Soviet Union was supposed to deliver to Albania devices for a sugar factory, a textile factory and a leather processing factory [42].

As for the economic cooperation between Yugoslavia and Albania, it should be noted that in the Yugoslav budget for 1948 there were three billion Dinars planned for the harmonization of the economic plans with Albania as an expense, and one billion as revenue. Materials and goods of Yugoslav produce worth 1.910 million were supposed to be supplied to Albania, and goods worth 585 million Dinars were to be bought for Albanian needs abroad, while the rest of the loan of 505 million remained unutilized. In addition, Yugoslavia was to invest 1948 300 million in machines and installations in the Albanian-Yugoslav Societies which mainly had to be purchased abroad. From the Albanian loan of one billion, Yugoslavia was supposed to export 565 million, and the rest was supposed to be spent on the needs of the country [43]. From 2 billion in loans in 1948, 1.454.222.364.93 was spent. From the loan of 3 billion Dinars in the first half of 1948 (by 2 July 1948), 2.041.793.389.66 Dinars was spent (with a loan of 2 billion) [44].

## 6. CONCLUSION

In conclusion, it should be noted that in the immediate post-World War II period Albania recovered economically. Factories, hydroelectric power plants, railways, hospitals, schools and other important objects were built. Postal services began to develop and electricity entered Albanian homes. Albanian villagers received government assistance for their agricultural work, the agrarian reform was implemented, which abolished the feudal system in the country, the working class was evolving and unions were established. The standard of living of the Albanian families and workers improved. Albania was economically developing with Yugoslav assistance in loans and other means. The value of the economic aid that Yugoslavia sent to Albania in the period 1945-1948 was about 33 million Dollars [45] (p. 238). Also, Yugoslavia took over the budgeting of the Albanian army, and in the period from 1945 to 1948, Albania was supplied with weapons and equipment in the amount of 704 791 400 Dinars, and Albanian officers were trained in Yugoslav schools [59] (p. 72).<sup>24</sup>

Finally, the question should be why Yugoslavia provided economic assistance to Albania, when it was itself in a difficult situation after the Second World War. There are different assumptions – in the opinion of Albanian historians, Yugoslavia was trying to subdue Albania, while according to Yugoslav historians and contemporaries, Yugoslavia wanted to help the underdeveloped Albania. There is a possibility that by helping Albania, Yugoslavia wanted to strengthen the Eastern bloc countries, which were under the protection of the USSR. The unification of Yugoslavia and Albania would strengthen the Yugoslav foreign policy position, as it would allow it to have access to the Mediterranean, gain more strategic importance and enhance its role in the Balkans.

<sup>&</sup>lt;sup>24</sup> More about the cooperation between the Yugoslav and Albanian armies, see: Dimitrijević, 1996.

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