

# **Of Capital and Power: Italian Late-Colonial Policies in Eritrea at the Onset of the Federation with Ethiopia**

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## ABSTRACT

Scholars of African history have often inquired into the relationship between government and business in the making of North-South relations after decolonization. The neo-colonial thesis maintained that the metropolitan governments undertook overt and covert actions to preserve the dominant position of their own multinational corporations in the newly independent African nations. Historians of British Africa have partially revisited this thesis, suggesting a more nuanced understanding of the relationship between political and economic actors. This article seeks to test these arguments in relation to the Italian case, looking at the early process of decolonization in Eritrea. In 1952, the former Italian colony passed from British to Ethiopian rule, but Italian companies maintained the dominant position they had enjoyed for decades. The analysis of the relationship between the Italian authorities, Italian companies and African administrations in Ethiopia and Eritrea suggests that government intervention was crucial to support the positions of Italian capital in the former colonies, at least in the first few years of the Federation of Eritrea with Ethiopia. But it also shows that this alliance was possible only thanks to the subjugation of the needs of capital to those of *raison d'état*. Methodologically, the article is based on material from the historical archives of the Bank of Italy, those of the Italian Ministry of Foreign Affairs, the national archives of the United Kingdom, and the historical archives of the Italian bank Banco di Roma.

## **Introduction**

In the last twenty years scholars have devoted growing atten-

tion to the economic dimension of decolonization. The “scramble for Africa” was driven largely by the competition for control of raw materials and the search for new markets for metropolitan industrial products.<sup>1</sup> The achievement of political independence in the African continent did not end the predominance of European business groups – quite the contrary. In most cases, the preferential commercial links with the former colony remained in place for years.<sup>2</sup> For the Marxist school in historiography, the delay between political and economic decolonization was due to a conscious effort to reframe direct control through the more subtle mechanisms of the market.<sup>3</sup> This interpretation saw a direct link between the enduring privileged position of European business groups and the foreign policy of home governments.<sup>4</sup> A more nuanced interpretation of the neo-colonial thesis was advanced by Cain and Hopkins in their seminal work on British overseas expansion, where they coined the concept of “gentlemanly capitalism.”<sup>5</sup> The core argument was that British imperialism was underpinned by the converging interests of a web of financial groups and a landed elite grounded in the City of London, the Bank of England and the Foreign Service. Accordingly, British policy towards the colonial and late-colonial world was driven by the search for higher capital returns and the outward-looking vision of an imperialist class that wanted “expansion (...) and dominion for the sake of ruling.”<sup>6</sup>

<sup>1</sup> G. Austin, “Capitalism and the colonies”, in L. Neal, J. Williamson (eds.), *The Cambridge History of Capitalism*, Cambridge University Press, 2014, pp. 301-347.

<sup>2</sup> Uche C.U., “British Petroleum vs the Nigerian Government: the capital gains tax dispute”, in *The Journal of African History*, 51, 2010, pp. 167-188.

<sup>3</sup> D.A. Lake, “Imperialism: Political Aspects”, in *International Encyclopedia of the Social and Behavioural Sciences*, 2001, p. 7233.

<sup>4</sup> W. Roger Louis, *Ends of British imperialism: the struggle for empire, Suez and decolonization*, IB Tauris, London, 2006, p. 29.

<sup>5</sup> P.J. Cain, A.G. Hopkins, “Gentlemanly Capitalism and British expansion overseas II: New imperialism, 1850-1945”, in *The Economic History Review*, Vol. 40, no. 1, 1987; P.J. Cain, A.G. Hopkins, *British imperialism: crisis and deconstruction, 1914-1990*, Longman, London, 1993.

<sup>6</sup> M. Greene, *Schumpeter’s imperialism, a critical note*, *Social Research*, 19, 4, 1952, p. 453.

In the last two decades the neo-colonial thesis has been criticized by many historians of British Africa. Archival research has shown that late-colonial officials were more often concerned with the political and strategic than the strictly economic dimension of the post-colonial relationship. In this perspective, the maintenance of military outposts and the control of key transportation infrastructures was deemed to be worth a diplomatic crisis with rising nationalist élites, even when this might threaten the interests of metropolitan firms.<sup>7</sup> A similar argument can be extended to the postcolonial period. British policy toward East Africa after independence, for instance, appeared to be determined primarily by broader geo-political concerns and in particular by the desire not to jeopardize London's status as a global power, not by an interest in protecting British capital overseas.<sup>8</sup>

Can this argument be extended to the decolonization of the African territories held by a minor power like Italy? In this article, I analyse the relationship between the metropolitan government and associated business groups in the former Italian colonial space, focusing on Eritrea. The Italian authorities systematically supported Italian capital in Eritrea. This policy did not stem merely from the decision to protect Italian economic groups overseas; rather, it was the outcome of a convergence of interests between those firms and Italian government circles in Rome and Africa. In other words, the thesis advanced here is that the Italian policy towards Eritrea in the first years of the Federation with Ethiopia fits with the overall analysis of Cain and Hopkins on British gentlemanly capitalism, albeit with some structural differences beyond the scope of the present analysis. Italian firms did not enjoy government support per se, but

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<sup>7</sup> R. Tignor, "Decolonization and Business: the case of Egypt", in *The Journal of Modern History*, 59, 3, 1987; R. Tignor, *Capitalism and Nationalism at the End of the Empire, State and Business in Decolonizing Egypt, Nigeria, and Kenya, 1945-63*, Princeton, Princeton University Press, 1998.

<sup>8</sup> I. Maekawa, "Neo-colonialism reconsidered: a case-study of East Africa in the 1960s and 1970s", in *The Journal of Imperial and Commonwealth History*, 43, 2, 2015, pp. 317-341, p. 334.

because of their potential contribution to the reproduction of an updated form of Italian colonial heritage in the former Italian East Africa. To sustain this argument, I will examine the various strategies adopted by Italian authorities to protect the interests of two major corporations that played a fundamental role in the Eritrean economy during the Federation and beyond. One was *Società Imprese Africane*, an agricultural company that controlled a large plantation in the western lowlands of Eritrea and would later be purchased by the textile factory of Roberto Barattolo, bringing the entire value chain of cotton under Italian control. The other was the electric power company *Società Elettrica dell’Africa Orientale* (SEDAO), originally established in Asmara after the proclamation of the Italian Empire in East Africa in 1936. SEDAO would play a critical role in the Eritrean economy, remaining in charge of the production and sale of electricity in Asmara and Massawa even under the British occupation and holding these prerogatives until the Ethiopian revolution of 1974.<sup>9</sup>

### Italy’s late-colonial ambitions in Eritrea

The process of decolonization of Eritrea presented marked differences with other African territories. In most cases the independence of African colonies was the outcome of bilateral negotiations between rulers and subjects. The decolonization of Eritrea involved multiple powers and in the end consisted in transition from one foreign rule to another, albeit an African one. Following the defeat of the Italian army in East Africa in 1941, Eritrea was placed under a British military occupation that lasted until 1952, when the country was finally federated with the Ethiopian Empire under United Nations Resolution 390 of 1950. In spite of the abrupt end of direct rule, Rome did not put aside its colonial ambitions for the *colonia primo-*

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<sup>9</sup> Government of Eritrea, Asmara power distribution and rural electrification project, Ministry of Energy and Mines, January 2004, p. 19. Available at: <http://documents1.worldbank.org/curated/en/148481468273355584/pdf/E18380v10EAOP11BLIC10AFR1EA1P110202.pdf>.

*genita*. After signature of the peace treaty with the Allied Powers in 1947, the Italian government conducted a diplomatic campaign for trusteeship of the territory. The pressure for partial restoration of the empire came from several interest groups that maintained a dominant position within the political and intellectual establishment of post-Fascist Italy. They based their claims on the allegedly benevolent nature of Italian colonialism, which was depicted as a story of development and civilization, in contrast with the harsh abuses perpetrated by other European powers.<sup>10</sup> In the case of Eritrea, this strategy was advanced in particular by the Ministry for Italian Africa (*Ministero per l’Africa Italiana*) and the Italian community in Asmara, whose ranks numbered some of the most ardent supporters of the Italian late-colonial venture.<sup>11</sup> At first, Eritrea’s fate was perceived mainly as an affair appertaining simply to Italy and the United Kingdom, which agreed on an overall settlement of the former Italian East African Empire. The Bevin-Sforza Plan envisaged the partition of Eritrea between the Anglo-Egyptian Sudan and imperial Ethiopia, according special status to the cities of Asmara and Massawa with their large Italian community. The rejection of the Plan by the General Assembly of the United Nations in 1949 constituted a turning point for Italian late-colonial ambitions in the Horn of Africa, prompting Rome to reframe its approach and support unconditional independence for Eritrea.<sup>12</sup>

After the constitution of the Federation by UN Resolution 390, Italian policy towards Eritrea was mediated by the relationship with Addis Ababa. Diplomatic relations between the two countries were

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<sup>10</sup> V. De Plano, A. Pes (eds.), *Quel che resta dell’impero: la cultura coloniale degli italiani*, Mimesis, Roma, 2014; M. Zaccaria, “Rimuovere o descrivere il colonialismo? Il lavoro degli italiani in Africa”, in A. Morone (ed.), *La fine del colonialismo italiano*, Le Monnier, Milan, 2018.

<sup>11</sup> T. Negash, “Italy and its relations with Eritrean political parties, 1948-50”, in *Africa. Rivista trimestrale di studi e documentazione dell’Istituto per l’Africa e l’Oriente*, vol. 59, no. 3, 2004; N. Lucchetti, *Italiani d’Eritrea: 1941-1951 una storia politica*, Aracne, 2012.

<sup>12</sup> A. Morone, “Introduzione”, p. 11, in A. Morone (ed.), *La fine del colonialismo italiano*, Le Monnier, Milan, 2018.

re-established in 1951, but full normalization was achieved only with the treaty governing Italian war reparations in 1956. The UN resolution that federated the former Italian colony with the Ethiopian empire raised immediate concerns for the fate of Italy's substantial business community in Eritrea, as the imperial government had already shown its determination to take full control of strategic sectors of the Ethiopian economy at the expense of the Italian firms that had been established during the occupation between 1936 and 1941. The fear was that when Ethiopia extended its sovereign prerogatives over Eritrea, the economic conglomerates there would suffer the same fate. In fact, in the years before the 1947 peace treaty with the Allied Powers, the agency responsible for the provisional management of Italian property – the Custodian of Enemy Property – had carried out large-scale confiscation of plants, equipment, and machinery. Even in the absence of formal nationalization, Italian entrepreneurs, subjected to various forms of pressure, had been obliged to sell their stocks at artificially low prices.<sup>13</sup> Large housing, transportation and energy firms were assigned to relatives of the Emperor, with the clear purpose of enlarging the power base of the royal house and consolidating patron-client networks.<sup>14</sup> The 1947 peace treaty cleared up the future of Italian property in the former colonial dependencies. The Italian government renounced all claims over state entities and properties belonging to the Fascist Party or its auxiliary organizations, in exchange for recognition of the principle of private ownership and the restitution of private goods to their legitimate owners.<sup>15</sup> The relationship with the Ethiopian Crown remained problematic, however. Italian manoeuvres to obtain the trusteeship of Eritrea and Somalia were regarded with concern by Emperor Haile Selassie, who was struggling in international *fora* to enforce Ethiopia's claims for sovereignty over

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<sup>13</sup> H.M. Akalu, *The British and Ethiopian disposal of Italian property in Ethiopia, 1941-56: a historical review of the theory and practice of the Custodianship of Enemy Property*, Canadian Social Science, vol. 15, no. 2, 2019, p. 30.

<sup>14</sup> M.L. Santangelo, *L'economia italiana post-coloniale in Etiopia ed Eritrea, 1941-74*, PhD dissertation, University of Cagliari, 2014, p. 55.

<sup>15</sup> H.M. Akalu, *The British and Ethiopian disposal*, p. 32.

Eritrea in order to gain access to the sea.<sup>16</sup> No wonder that the diplomatic relations between the two countries were not restored until after the visit to Ethiopia of the under-secretary of state Giuseppe Brusasca in 1951, when the United Nations had already passed its resolution for Federation with Eritrea.<sup>17</sup>

Brusasca's trip did not resolve all pending disputes. The Ethiopian attitude towards the Italian government and business community was influenced by a strong anti-Italian party within the inner circle of the Crown, composed of young technocrats such as the brothers Aklilu and Mekonnen Habte Wolde. Federico Bezzi, a prominent member of the Italian community in Addis Ababa and close advisor to the Italian Embassy, advised that "we should be aware that there will be no better conditions for our economic initiatives even after the signing of the reparations agreement, at least not as long as influential groups close to the Emperor and hostile to us remain in power."<sup>18</sup> This statement partially captured the Ethiopian perspective: an agreement on war reparations was the *sine qua non* for a fresh start in bilateral relations. Talks got under way in October 1952, after the visit of Ethiopian Foreign Minister Ylma Dersessa to Rome, and were concluded only four years later, after both sides had revised their original stance.

Notwithstanding this difficult relationship between Italy and Ethiopia, during the Federation period and beyond the Eritrean economy continued to be dominated by economic groups associated with the former colonial power. Italian firms owned all the major enterprises in manufacturing, the import-export trade, and commercial agriculture. Among the most prominent were *Cotonificio Barattolo* in Asmara, one of the Empire's largest textile establishments, the *Elaberet Estate* managed by De Nadai, which produced cotton and

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<sup>16</sup> H. Marcus, *Ethiopia, Great Britain and the United States, 1941-74*, Clarendon Press, Oxford, 1994.

<sup>17</sup> G. Calchi Novati, *Re-establishing Italo-Ethiopian relations after the war: old prejudices and new policies*, *Northeast African Studies*, vol. 3, no. 1, 1996, pp. 27-49.

<sup>18</sup> ASMAE, Direzione Generale Affari Politici 1951-57, Busta 880, DGAP Ufficio III, Ap-punto, 23 December 1953, p. 2.

tobacco for internal consumption and export, the Ceramic Factory of Carlo Tabacchi, the agricultural firm *Società Imprese Africane*, the electric power company *Società Elettrica per l'Africa Orientale*, the brewery of Luigi Melotti, and Dum Company Ltd. of Tullio Camerino.<sup>19</sup> The Italian firms, in turn, were a major source of employment for the local economy, with up to 20,000 Eritreans hired by Italian entrepreneurs.<sup>20</sup> The links with the former metropolitan economy also prevailed in foreign trade. In 1949, when Eritrea was still under British occupation, the Italian market was the main outlet for the country's exports.<sup>21</sup> Federation did not change this trajectory. On the contrary, in 1953 exports to Italy had increased from £1.6 million to £4 million and imports from £200,000 to £2 million.<sup>22</sup>

Scholars have already investigated some of the underlying reasons for this privileged status. In part, the reproduction of Italian economic dominance was supported by the legal framework of the Federation laid down by Resolution 390, which safeguarded the pre-existing rights of foreign nationals residing in the country and provided for an international court of arbitration in case of dispute, thereby shielding Italian economic interests from nationalization.<sup>23</sup> Another factor was the friendly attitude of the new Eritrean administration, which adopted a pro-industrial policy and encouraged Italian investment in commercial agriculture in the lowland areas.<sup>24</sup> In addition, high import tariffs on selected agricultural and industrial goods protected Italian firms from the competition of British groups,

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<sup>19</sup> For a more in-depth description of the composition of Italian firms in Eritrea at the onset of the Federation, see: D. Strangio, "Imprese Italiane in Africa e sviluppo economico", in *Storia Economica*, 2-3, 2008, pp. 255-283.

<sup>20</sup> T. Negash, *Eritrea and Ethiopia: the Federal Experience*, Nordic Africa Institute, 1997, p. 124.

<sup>21</sup> D. Strangio, "Verso l'Indipendenza? La federazione Etiopico-Eritrea nelle fonti dell'archivio storico di Banca d'Italia", in *Africa: rivista trimestrale di studi e documentazione dell'Istituto Italiano per l'Africa e l'Oriente*, 64, 1-2, 2009, pp. 1-41, p. 26.

<sup>22</sup> Archivio Storico Banca d'Italia (ASBI), Banca d'Italia, Studi, Pratt., n. 520, fasc. 1 - p. 359.

<sup>23</sup> Archivio Storico Ministero Affari Esteri (ASMAE), Affari politici 1951-1957, Busta 938, Lettera da DGAP III a consolato Asmara, 25 September 1953.

<sup>24</sup> T. Negash, *Eritrea and Ethiopia*, p. 123.

which had gained a significant share of the Eritrean economy in the previous decade. Finally, the transformation of the border between Ethiopia and Eritrea from international into internal offered new opportunities for expansion southward, relieving Italian conglomerates from the constraints of a saturated domestic market.<sup>25</sup>

The most important factor, however, was the enduring protection that the Italian government offered to metropolitan business groups in the former colony. The government records on the war reparations negotiations in 1952-1954 clearly show that the Italian bargaining strategy was dominated by economic concerns. For Rome, the financial package under discussion was a tool to consolidate the presence of Italian business. The idea, in fact, was that a portion of the reparation payments should subsidise Ethiopian participation in joint ventures with Italian majority control. Moreover, these joint ventures would employ Italian skilled manpower, encouraging new emigration towards Africa and renewing the connections between the metropolitan and the post-colonial economies.<sup>26</sup> This economic focus did not mean that Italian diplomacy harboured no geopolitical ambition; on the contrary, the diplomatic campaign in favour of the Italian business community was closely interlinked with the defence of Eritrean autonomy within the Federation.<sup>27</sup> For a good part of the Italian staff in the Foreign Ministry and the Ministry for Italian Africa, the maintenance of the special tie with the *colonia primogenita* was instrumental to resisting its complete incorporation into the Ethiopian Empire and so preserving “the Italian heritage in the black continent at a time when colonialism had been a historical reality of progress and civilization.”<sup>28</sup> And Italy’s war

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<sup>25</sup> D. Strangio, “Verso l’Indipendenza? La federazione Etiopico-Eritrea nelle fonti dell’archivio storico di Banca d’Italia”, in *Africa: rivista trimestrale di studi e documentazione dell’Istituto Italiano per l’Africa e l’Oriente*, 64, 1-2, 2009, pp. 1-41, p. 30.

<sup>26</sup> ASMAE, Direzione Generale Affari Politici 1951-57, Busta 803, Riunione prima dell’arrivo della delegazione etiopica, 20 September 1952.

<sup>27</sup> L. Puddu, “Eredità coloniali: il movimento indipendentista eritreo e il ruolo dell’Italia”, in *Afriche e Orienti*, XXI, 1, 2019.

<sup>28</sup> ASMAE, Affari politici 1951-1957, Busta 1009, Situazione politica in Eritrea 1955, Telepresso 3 da DGAP Ufficio III a Londra, Parigi, Washington, p. 5.

reparation payments too had to be turned to this purpose. The Italian consulate in Asmara maintained that economic initiatives should be concentrated in Asmara and Massawa, providing an economic lifeline to Italian business groups there.<sup>29</sup> The Ethiopian government wanted a lump-sum payment to be spent at its own discretion, which Italian diplomacy found unacceptable. If Addis Ababa enjoyed full autonomy in the allocation of these resources, the Italian consulate predicted, there would be “significant waste of wealth and labour, with a positive effect on Ethiopia and a negative one on Eritrea.”<sup>30</sup>

The following two sections describe the overt and covert actions of the Italian authorities on behalf of two specific firms: *Società Imprese Africane* and *Società Elettrica dell’Africa Orientale*. These corporations enjoyed various forms of support from the government in Rome: given the particular nature of their business, the two conglomerates were part of a restricted club of “economic groups that we consider vital,” to quote the Foreign Ministry’s Directorate for Political Affairs.<sup>31</sup> The defence of Italian firms at the founding of the Federation was a matter of “national interest” per se, especially at a time when the Italian community was struggling to recover from the distress of the British occupation.<sup>32</sup> Private capital was, however, also deemed to be an indirect instrument of foreign policy, whose lasting goal was the reproduction of the imperial heritage in an up-dated form.

### **Società Imprese Africane**

The political logic behind the government’s support for Italian

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<sup>29</sup> ASMAE, Direzione Generale Affari Politici 1951-57, Busta 803, Tel from Asmara consulate to Rome, 22 December 1952.

<sup>30</sup> ASMAE, Direzione Generale Affari Politici 1951-57, Busta 803, Tel from Asmara consulate to Rome, 22 December 1952, p. 2.

<sup>31</sup> ASMAE, Direzione Generale Affari Politici Ufficio III, 1948-60, Busta 62, Appunto riservato, 18 aprile 1956, allegato a firma Direzione Generale Affari Politici, p. 2.

<sup>32</sup> ASBI, Banca d’Italia, Studi, pratt., n. 520, fasc. 1 - p. 398, Tel da Asmara a Roma, 20 January 1955, p. 5.

capital in Eritrea emerges clearly from the correspondence on the fate of *Società Imprese Africane* in the months prior to Federation. Along with other companies suspected of being under public control, *Società Imprese Africane* had been repeatedly threatened with expropriation by the British authorities. Nor did this change with the transition from British to Ethiopian rule. Once in power, the new Eritrean administration headed by members of the pro-Ethiopian Unionist Party immediately called again for nationalization. The argument adduced by Asmara was that the corporation's ownership structure was unclear and that the Italian government appeared to have a suspect influence over its management. In other words, the Eritrean authorities accused the Italian government of having cheated the British administration by concealing the fact that, de facto, *Società Imprese Africane* was government-controlled and therefore susceptible to expropriation under the 1947 peace treaty. As we shall see, these suspicions were far from baseless. Perhaps more interesting is the Italian diplomatic response, which is instructive as to the fundamental factors shaping Italian support for metropolitan business groups in Africa. For the Foreign Ministry, *Società Imprese Africane* was to be protected at all costs as "an example of the Italian industrial heritage and a business of primary importance, whose regular operation is of paramount interest to the attainment of our political and economic ends."<sup>33</sup> Italian diplomacy was ready to use every possible means to protect what was deemed to be a strategic asset in forging postcolonial relations with Eritrea. This stance emerges clearly from the confidential documents that describe the Italian government's effort to provide covert financial support to *Società Imprese Africane*.

In 1951, with Federation imminent, the company's managers were struggling to find new sources of funding for their ambitious development plans. To understand the constraints under which *Società Imprese Africane* was operating, recall that under the British ad-

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<sup>33</sup> ASMAE, Direzione Generale Affari Politici 1951-57, Busta 803, Telespresso 20, 4 February 1952.

ministration the firm had been forced to concentrate exclusively on grain crops, as the British authorities had banned food imports for the more important objective of ensuring the stability of the Sterling and reducing the financial burden of the military occupation. At the same time, however, the British administration was worried about the unrest that rising food prices in the colony might provoke, which explains the effort to expand internal production.<sup>34</sup> With British rule now coming to an end, the company's Italian management was eager to convert the plantation to cotton, which appeared to be a more promising crop in light of the growing local demand. Fresh capital worth an estimated 90 million Italian lire was deemed necessary to renew the irrigation system and the cotton gin, which had been abandoned for a decade.<sup>35</sup> The company did not have these resources, but the government was ready to resolve the problem. Within the Italian administration, there coexisted a variety of views on how to attain this goal. According to the Ministry for Italian Africa, the most effective way to satisfy the corporation's financial requirements was direct state intervention in the form of a loan. The alternative was raising fresh capital on the market and expanding the firm's ownership. This solution, however, was thought to be risky, as it might attract foreign investors and jeopardize Italian state control over the Board of Directors.<sup>36</sup> The Foreign Ministry, on the other hand, was of the opinion that the government should develop a more nuanced relationship with the Italian firm. The reason for such reticence was that the SIA had managed to ward off expropriation by the Custodian of Enemy Property by concealing its state ownership from the British authorities. In the Ministry's opinion, this early success might be undone by a formal government loan, which "would appear suspicious and prompt more careful investi-

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<sup>34</sup> National Archives of the United Kingdom (TNA), WO 230/133, Tel from OETA, Asmara, to CFA, Nairobi, October 1941, p. 4.

<sup>35</sup> ASMAE, Direzione Generale Affari Politici 1951-57, Busta 803, Tel da Ministero per l'Africa Italiana, 8 May 1951.

<sup>36</sup> ASMAE, Direzione Generale Affari Politici 1951-57, Busta 803, Tel da Ministero per l'Africa Italiana, 8 May 1951.

gation, with irreparable consequences.<sup>37</sup> Better to postpone any evaluation “until the political future of Eritrea is settled,”<sup>38</sup> in order not to endanger the negotiations under way with the United Nations for the establishment of an international court of arbitration for the protection of Italian assets in Eritrea.

While they may have disagreed over how to support *Società Imprese Africane*, the two ministries concurred on the central point: Italian control should be preserved at all costs, because the corporation could become a crucial asset for Italian policy in the region. This determination should be seen in light of the financial constraints under which they were now forced to operate, following the settlement of the colonial question in international *fora*. The Ministry for Italian Africa, in particular, was to be closed down within months and its staff transferred to the Foreign Ministry. That is, Italian diplomacy would suffer a drastic cut in the political funds previously available to cultivate a preferential relationship with the Muslim élite in the Eritrean lowlands.<sup>39</sup> The presence of *Società Imprese Africane* would provide an alternative means to preserve these ties, since the company offered substantial employment opportunities for the local population and would thereby help maintain Italian influence in the society of the western plains. This conclusion is reinforced by the fact that, in spite of its prudent stance as regards a government loan, the Foreign Ministry forcefully rejected full privatization via the best-offer principle. At the beginning of 1952, the Italian Treasury received an offer from an American financial group for some of the corporation’s shares. Italian diplomacy did not discard the idea of reducing the state’s participation, as this could dissipate the threat of expropriation. But the Ministry also stressed that “privatization should be realized through the sale of shares to Italian rather than

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<sup>37</sup> ASMAE, Direzione Generale Affari Politici 1951-57, Busta 803, Tel 16575 da Ministero Affari esteri, 26 October 1951.

<sup>38</sup> ASMAE, Direzione Generale Affari Politici 1951-57, Busta 803, Tel 16575 da Ministero Affari esteri, 26 October 1951, p. 2

<sup>39</sup> ASMAE, Affari politici 1951-1957, Busta 938, Appunto per il Segretario Generale, 26 May 1953.

foreign financial groups, especially if we want to dispel the danger of losing Italian ownership of the firm.”<sup>40</sup>

### **Società Elettrica per l’Africa Orientale**

*Società Elettrica per l’Africa Orientale* was an electrical power corporation that would play a critical role in the Eritrean economy until the seizure of power by the military government of the Derg in Ethiopia in 1974. It was the sole distributor of electricity in Asmara and Massawa, where it served consumers and industrial users alike. It is no wonder that, once the Federation was established, the Eritrean administration attempted to expropriate the company, arguing that it was indirectly controlled by the Italian government. Here, however, by contrast with *Società Imprese Africane*, the argument appears to have been baseless. Upon closer inspection, moreover, the ambition of placing electricity generation under public control was more the result of pressures from government circles in Ethiopia than a spontaneous initiative on the part of the Eritrean administration.<sup>41</sup>

The grey eminence behind the offensive against *Società Elettrica per l’Africa Orientale* was the Ethiopian Electric Light and Power Agency, a state-owned corporation with a monopoly on electricity generation in the entire Ethiopian territory, with the sole exception of Eritrea. The nationalization of Italian plants in Ethiopia had been critical to the creation of the agency, which was able to start up production with no significant investment, the Custodian of Enemy Property having awarded it ownership of electric plants built by the Italian *Compagnia Nazionale Imprese Elettriche* during the occupation of 1936-41. Once the Federation was established, the Agency was determined to repeat the same scheme in Eritrea. The ultimate goal was to abrogate the privileged status of *Società Elettrica per l’Africa Orientale* and take control of a strategic sector of the Eritrean economy.

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<sup>40</sup> ASMAE, Direzione Generale Affari Politici 1951-57, Busta 803, Tel 62/44219 da Ministero Affari esteri.

<sup>41</sup> ASMAE, Direzione Generale Affari Politici 1951-57, Busta 943, SEDAO, Tel 220 da uff. III a Asmara, 13 February 1954.

To better understand the Ethiopian government's behaviour, let us take a closer look at the individuals who had a stake in the Ethiopian Electric and Light Power Agency. The company's monopoly was a source of immense wealth for its shareholders. Formally, the Agency was a government-controlled corporation, but its profits went in large part to the private coffers of the Emperor's favourite son, the Duke of Harar and Prince Makonnen Haile Selassie.<sup>42</sup> The director of the Agency was a relative of the powerful Minister of Finance, Mekonnen Habte Wolde, who was also the head of the Association of Ethiopian Patriots. Mekonnen Habte Wolde was well known in western diplomatic circles as the spearhead of Ethiopian economic nationalism. According to the Italian ambassador, "his political influence spread well beyond the prerogatives of his ministry [...] affecting every aspect of the country's economic life from his own nationalistic perspective."<sup>43</sup> And his younger brother Aklilu Habte Wolde was one of Haile Selassie's most trusted collaborators (he would serve as Prime Minister from 1960 to 1974). At the onset of the Federation with Eritrea, Mekonnen Habte Wolde was practically at the peak of his career: he ran the Ministry of Finance and had succeeded in appointing his own protégés to head the powerful Development Bank of Ethiopia, a pillar of Ethiopia's nascent banking sector.<sup>44</sup>

Archival documents do not provide any indication of the content of the negotiations between the Eritrean administration and *Società Elettrica per l'Africa Orientale* following the establishment of the Federation. What we do know is that by December 1953 the company had successfully navigated the troubled waters of the transition from British to Ethiopian rule, avoiding nationalization. In that month it signed a new contract with the Eritrean administration extending its

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<sup>42</sup> H. Muluken, *A diplomatic history of Ethio-Italian relations, ca. 1941-1991*, PhD dissertation, Addis Ababa University, 2014, p. 119.

<sup>43</sup> ASMAE, Direzione Generale Affari Politici Ufficio III, 1948-60, Busta 53, Tel 2177/722, 19 November 1957.

<sup>44</sup> TNA, FO 371/96769, Enclosure to Busk's dispatch of 29 November 1952.

concession for thirty more years, to 1996. Under the accord the Italian company was to build new dams and power plants in order to expand electricity generation and lower the prices charged to Eritrean customers.<sup>45</sup> The successful conclusion of these negotiations might be ascribable to the Italian firm's readiness to meet the Eritrean requests for fresh investments in infrastructure at least halfway. Nonetheless, this success would likely have been impossible without the political support of other members of the Ethiopian elite, such as the Bitwoded, Andargatchew Messai, named the Emperor's Representative in Asmara. We lack direct evidence on whether and why the Bitwoded may have interceded on behalf of *Società Elettrica per l'Africa Orientale*. Significantly, however, in 1956 the Italian consul in Asmara nominated him for the highest honorary title of the Italian Republic: *Cavaliere della Gran Croce dell'Ordine*. The case made for this proposal is highly indicative of his importance in protecting the Italian business community. The consul argued that Messai had "established a line of conduct based on collaboration with Italians, granting them the possibility to continue their activities. He maintained this political commitment in difficult times, in the face of Ethiopian government circles that were well known for their hostility to us."<sup>46</sup>

Even after the extension of the concession, the nationalist party in Addis Ababa did not renounce its ambition to enforce state control over the Eritrean electric power sector. If full nationalization was no longer an option, the Ethiopian Electric and Light Power Agency was nonetheless ready to pursue a more subtle strategy of pushing Italians out of the company's management. This possibility stemmed from an internal dispute among the Italian shareholders, i.e. between the CEO, Nemore Fontana, and the minority that held 20% of the share capital, represented by the Lanzo family. The details of this dispute are set out in a report that the management of *Società Elettrica*

<sup>45</sup> ASMAE, Direzione Generale Affari Politici 1951-57, Busta 943, SEDAO, Appunto riservato allegato a Tel 220, 13 February 195, p. 2.

<sup>46</sup> ASMAE, Direzione Generale Affari Politici Ufficio III, 1948-60, Busta 62, Telespresso 4433, 22 August 1956.

submitted to the Italian Foreign Ministry, whose content needs to be read bearing in mind the bias of the writer. Apparently, the Lanzos were against the 1953 agreement with the Eritrean administration and in favour of the total liquidation of the company, because the new agreement obliged *Società Elettrica* to build additional power plants to meet the new production target, requiring shareholders to put up fresh capital, which the Lanzos opposed for their lack of liquidity. The majority had decided to enter into the negotiations with the Eritrean administration regardless of the position of the minority. The latter, in turn, decided to approach the Ethiopian Electric and Light Power Agency to offer its stake in *Società Elettrica*. Upon receipt of this news, the management decided to ask the Italian authorities in Rome to intervene, contacting the Lanzos to convince them to sell their stock to Fontana and keep the Ethiopians out.<sup>47</sup> The archives of the Foreign Ministry provide no additional evidence on the progress of the dispute. An internal document of the Italian bank Banco di Roma, dated 1961, shows that *Società Elettrica* had remained firmly in Italian hands, with Fontana holding 100% of the company's stock through the indirect contribution of several Swiss companies.<sup>48</sup> Other records of Banco di Roma indicate that in the course of the 1950s *Società Elettrica* benefited from substantial financial advances from the bank, which probably contributed to the resolution of the dispute.<sup>49</sup> The fact that Banco di Roma was indirectly controlled by the Italian government and that the local affiliates operated in close coordination with the Italian legations in Asmara and Addis Ababa suggests that Italian diplomacy took the matter seriously.<sup>50</sup>

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<sup>47</sup> ASMAE, Direzione Generale Affari Politici 1951-57, Busta 943, SEDAO, Appunto riservato allegato a Tel 220, 13 February 1954, p. 5.

<sup>48</sup> Archivio Storico Banco di Roma (ASBR), XI.4.2.2. Fac. 11 busta 1, Tel da filiale di Asmara a Roma, 19 May 1961.

<sup>49</sup> ASBR, BANCO DI ROMA, 1880 – 1993\UFFICI\FIDI ESTERO\AFFARI GENERALI\5. Asmara\ fascicolo 1 Affari generali, Letter from Asmara to Rome, 31 August 1962.

<sup>50</sup> ASMAE, Direzione Generale Affari Politici 1951-57, Busta 803, Telespresso 20, 4 February 1952.

The arguments advanced by the management of *Società Elettrica* in support of its petition also show how the firm was perceived by the Italian authorities as a pillar of Italian foreign policy in Eritrea. The entry of the Ethiopian Agency as a shareholder in the company was depicted as an existential threat to Italian interests. The Agency would be able to exploit this as an opportunity to drive the Italian shareholding majority out and bring the entire electric power sector under public control. Such a development was deemed to be fatal to the Italian effort to preserve the autonomy of the former colony, because the Ethiopians would be tempted “to exploit the means of pressure available to the company, especially in the realm of tariffs, hydro-electric plants and the related exploitation of water resources [...] with the serious risk of harming the consolidation of the Eritrean autonomy and with no compensation for Italy [sic].”<sup>51</sup> Once the risk of a hostile takeover by the Ethiopian government was dispelled, *Società Elettrica* was asked to show its adherence to Italian “national interests.” This implied a business strategy not limited to profit maximization but also encompassing indirect economic support to selected customers in Asmara and Massawa. This conclusion can be drawn from the fact that the company applied different prices for electricity, subsidizing those groups that were deemed to be of particular importance for the preservation of Italian political influence in Eritrea. For instance, it granted lower tariffs to small customers, favouring the sections of Eritrean society that were more accustomed to electric lighting, such as the Italian community and the local ruling élite. In addition, the firm indirectly subsidised Roberto Barattolo’s textile factory, which exceptionally paid just 6 Ethiopian cents per KWh.<sup>52</sup> While we lack direct evidence of the reasons for this discount, we can assume that they were similar to those applying in the case of *Società Imprese Africane*. Barattolo’s industrial establish-

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<sup>51</sup> ASMAE, Direzione Generale Affari Politici 1951-57, Busta 943, SEDAO, Appunto riservato allegato a Tel 220, 13 February 1954, p. 5.

<sup>52</sup> *Il Giornale dell’Eritrea*, “I problemi dell’industria elettrica nel governatorato generale dell’Eritrea”, 4 May 1965.

ment was by far the largest employer in Eritrea, hence an important means of pressure in the relationship with the new Eritrean administration.

## Conclusions

The trajectory of the relationship between the Italian authorities and business groups in Eritrea in the decade of the Federation with Ethiopia (1952-1962) has some similarities with the concept of “gentlemanly capitalism” developed by Cain and Hopkins to describe British overseas expansion. The sudden loss of the African colonies with military defeat in 1941 prevented Italy from properly working through the end of its empire in East Africa. Instead, a few interest groups in Rome and Asmara sought to preserve the colonial heritage despite the new conditions imposed by UN Resolution 390 of 1950. The protection of Italian economic predominance became one of the main objectives of the Italian policy toward Eritrea. Italian diplomacy used both overt and covert means to preserve the position of Italian corporations, successfully shielding *Società Imprese Africane* and *Società Elettrica per l’Africa Orientale* from nationalization. This diplomatic umbrella was not intended for the mere accumulation of higher profits; on the contrary, this protection came at a cost. In return, the two companies were expected to serve the “national interest” even where this translated into a lower return on capital. This fit the case of *Società Elettrica per l’Africa Orientale*, which granted lower tariffs to selected Italian and Eritrean customers. The same applied to *Società Imprese Africane*, which was forced to decline an attractive American offer for some of its stock, in the name of preserving the firm’s Italian identity. Italian groups enjoyed political support because they were considered useful in restoring Italian political influence in the former colony, acting as a vanguard of Eritrean autonomy against the centralizing forces of Addis Ababa. To summarize, Italian foreign policy on Eritrea was driven by the converging interests of a profit-oriented business community on the ground

and a metropolitan bureaucratic class that nurtured late-colonial ambitions and sought non-economic benefits such as the preservation of the imperial heritage. Italian diplomacy actually hoped to supplant direct domination with more subtle, market-oriented mechanisms, but at the same time the *Farnesina* was also determined to tame the capitalist drive for profit maximization in the name of the *raison d'état*.

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