

Italy and the Economic Penetration Policy in Central-Eastern Europe during the Early First Post-war Period*

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The relationship between Central-Eastern European countries and the greater European powers in the twentieth century were and continue to be of great interest to historians.¹ This region was extremely important in the maintenance of an European equilibrium, particularly between Germany and the other industrial powers. Already in the pre-war period, Balkan-Danubian Europe was for most industrialised European countries the ideal region where they could exchange their industrial products with raw materials and food-stuffs. Such an 'exchange structure' favoured a strong economic integration with Germany and also between the regions of the Austro-Hungarian empire that constituted a political and economically integrated entity. With World War I, the dismemberment of the Austro-Hungarian empire and the rise of the so-called "successor states", new political-economic entities needed to redirect their economies according to the new territorial situation that had been created.

During the early post-war period, France, Great Britain and Italy tried to take advantage of this situation in order to create an European

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¹ In this article, the word "Central-Eastern Europe" stands for all of the Balkan and Danubian countries with the addition of Poland and the exclusion of Greece and Albania. On Italian-Albanian relationships see A. Roselli, *Italia e Albania: relazioni finanziarie nel ventennio fascista*, (Bologna, 1986).

equilibrium favourable to their foreign policy aims. They initiated policies of economic and financial penetration in Central-Eastern Europe in order to create economic links strong enough to guarantee a political influence in those countries. There was the widespread conviction that the whole of Central-Eastern Europe and Turkey were areas where expectations of industrialisation (and therefore demand for infrastructures) could be reconciled with the financing of local industry and the exploitation of raw materials locally available. These expectations had an economic but also a political basis. In fact, economic interests were to be taken into consideration along with the political initiatives in order to make the latter more effective. Moreover, those countries that had won the war were convinced that they could exploit the victory acquiring control of an entire sphere of business activities previously under German or Austrian influence. The businessmen and foreign ministries of the victorious powers were confident to exploiting their victory, combining economic and political interests by means of the economic penetration in Central-Eastern Europe and Turkey. This would allow them to create areas of economic influence dominated by the different victorious powers. This need was particularly felt by the Italians and French who had discovered during the war a series of problems connected to their dependence on foreign countries for raw materials. The creation of an area of economic influence from which to obtain raw materials in exchange for industrial products would allow them to resolve simultaneously the problem of raw materials and food supplies and to find new markets for their domestic industrial production. This would mean a lessening of the national economic dependence on other powers which was a fundamental element in the international relationships of an industrialised country during the war. Obviously, the proximity of these areas of influence would make this kind of economic integration more effective. There were also international policy reasons that urged the undertaking of an active policy of penetration in Central-Eastern Europe. France was interested in creating an international front in order to hold back Germany and oppose Soviet

Russia. Economic penetration in Central-Eastern Europe would give an economic foundation to the political and military alliances on which the Little Entente was based. Great Britain aimed to restrict French continental supremacy and tried to prevent Germany from regaining the economic control of Central-Eastern Europe which would have strengthened German economic competitiveness. Finally, Italy was aware of the precariousness of the European equilibrium in the early post-war period. She perceived the disproportion between her international political weight acquired with the military victory and its real potentiality and tried to exploit the propitious moment in order to strengthen and consolidate as much as possible her position as an European superpower.²

Several interesting studies of diplomatic and economic history have been based on these events. However, in my opinion, they are not at all equally balanced. In fact, several French and English operations have been the subject of numerous studies while the Italian case remains practically unknown to a large number of scholars. Moreover, many of these works are limited to the study of specific aspects of economic penetration policies mainly based on the experience of individual firms, without a general and interdisciplinary evaluation of the problem. In this article I will try to obviate (at least in part) these limits, reconstructing the circumstances that characterised the Italian policy of economic penetration in Central-Eastern Europe and analysing the problem in a comparative perspective.

2. The end of the war marked a radical change in the political geography of Central-Eastern Europe and of the areas of the dissolved Ottoman empire. The ex-Russian empire also suffered serious modifications to its territorial structure handing over a part of its territories to the reborn independent Poland and suffering the annexing, at least temporary, of a part of its territories adjacent to the

² See E. Di Nolfo, *Storia delle relazioni internazionali 1918-1992*, (Bari, 2nd ed.1995), p. 163.

Black Sea. The Austro-Hungarian empire disappeared, giving place to a series of new states (the so-called "successor states") or handing over territories to states already in existence. Hungary and Austria became independent states but they were very small when compared with their pre-war size. The Czechoslovak republic emerged from the separation of Bohemia and Moravia from Austria and of Slovakia from Hungary. The Yugoslav kingdom grew out of the union of the kingdoms of Serbia and Montenegro with Bosnia, Herzegovina and Croatia. Italy obtained the city of Trieste and the Istria area while Transylvania and a part of pre-war Bulgaria were handed to Romania. Finally, Poland constituted an independent state, obtaining territories from the German, Austrian and Russian empires.

The new political structure of Central-Eastern Europe caused serious political and economic difficulties. The new Austria had a capital city (Vienna) disproportionate in size in ratio to its relatively small territory. Moreover, the Austrian financial structure was too large for the needs of the small state. In fact, the large Viennese banks, that had been created in order to serve the whole empire, remained with a network of branches and customers lost in the territories of the successor states.⁴ An analogous situation was that of the new Hungary and its banks. In contrast, Romania, Yugoslavia, Czechoslovakia and Poland had the problem of reorganising a state that had been created *ex-novo*, or enlarged in territory and population.

The reorganisation of the new states implicated the creation of new monetary systems, the reorganisation of fiscal structures, the creation of a national transportation network and the reorientation of the economic structures of the new states. While the problems related to the creation of new monetary, fiscal and transportation systems, that affected prevalently primarily the internal situation of the new states, the reorganisation of national economic

⁴ See H. Kernbauer - F. Weber, 'Multinational banking in the Danube basin: the business strategy of the Viennese banks after the collapse of the Habsburg monarchy' in A. Teichova - M. Levy-Leboyer - H. Nussbaum (ed.), *Multinational Enterprise in Historical Perspective*, (Cambridge, 1986).

structures were a crucial point for the international relationships of these new states, too. The end of the Hapsburg empire destroyed the complementarity of the railway lines in those regions and caused serious imbalances in the distribution of the mining, agricultural and industrial resources among the various successor states. Austria kept the iron mines and the metallurgical industries but it lost the Moravian and Bohemian coal mines (handed over to Czechoslovakia). Austria also lost the Silesian coal mines and Galicia's oil fields (given to Poland). Hungary instead lost a large part of its forest resources, concentrated in Transylvania and in Bukovina, which went to Romania. Austria and Hungary also lost vast territories used for wheat production. Due to this redistribution of resources, Czechoslovakia inherited the core of the mining resources and industrial installations of the empire. Austria (Vienna particularly) inherited a large portion of the remaining industrial installations and the main banks which developed their activity in the vanished empire. Hungary became an agricultural country with a still relatively weak industrial sector. Romania, Bulgaria and Yugoslavia were instead predominantly agricultural countries.⁴ The territorial claims of Austria and Hungary, who demanded the restitution of at least a portion of the territories of which they had been deprived, came therefore to have a solid economic base. In their view, the territorial modifications had broken the complementarity considered essential to the economic survival of the two states. In contrast, the states favoured by the redistribution of the resources of the empire saw their acquisitions, or even their national independence, threatened by the revisionist aspirations of

⁴ See A. Basch, *The Danube basin and the German economic sphere*, (London, 1944); F. Hertz, *The economic problem of the Danubian States. A study in economic nationalism*, (London, 1947); J. R. Lampe - M. R. Jackson, *Balkan Economic History, 1550-1950. From Imperial Borderlands to Developing Nations*, (Bloomington, 1982); M.C. Kaser, - E.A. Radice, *The Economic History of Eastern Europe 1919-1975*, (Oxford, 1985); L. Pasvolksy, *Economic Nationalism of the Danubian States*, (New York, 1928); G. Ránki, *Economy and foreign policy. The struggle of the great powers for hegemony in the Danube Valley, 1919-1939*, (New York, 1983); A. Teichova, *An economic background to Munich-International business and Czechoslovakia 1918-1938*, (Cambridge, 1974); A. Teichova, 'L'Europa Centro e Sudorientale, 1919-39', in *Storia economica Cambridge*, vol.VIII, tomo II, (Torino, 1992), pp.335-40.

the defeated countries. These states realised that they had to exploit their resources in order to become economically and politically stronger and they believed the initiation or continuation of the process of industrialisation was desirable in order to reduce economic and financial dependence on the other Danubian countries. A new problem arose: how to find the funds to support the economic reorganisation and the industrialisation of the successor states, integrating their economies internationally, while avoiding the economic problems of the new states which could endanger their political autonomy?

The financial resources with which to reorganise the national economies could be obtained in three ways. First, it would have been possible to create a balance of payments surplus. In order to do this it would have been necessary to increase exports and to decrease imports. Unfortunately, during the first few years following the end of the war the successor state governments were forced to adopt a policy diametrically opposed to this in order to prevent the export of products necessary for the maintenance of the population and the resumption of industrial activities. Also in the following years it was difficult to increase agricultural exports because of the competition from overseas countries. Secondly, it would have been possible to sustain industrialisation and the self-sufficiency (at least in part) of the countries thanks to the intervention of the state. In fact, in all the successor states the governments sustained both agricultural and industrial sectors.⁵ Finally, it was possible to involve foreign capital in the national economies. This would have allowed these countries to obtain resources through the issuing of government loans and the direct involvement of private capital in the successor states' economies. However, the recourse to foreign capital created problems of political-economic dependence because the victorious European powers, from which the capital could have flowed, conceived of the economic penetration of new regions as a means to create

⁵ See N. Spulber, *The state and economic development in Eastern Europe*, (New York, 1966).

subordinate markets for their industries and to establish forms of political control in these regions.

3. Economic penetration was experienced in all of Central-Eastern Europe and Turkey. In every case Austria with its large banks represented a key element for the economic penetration in the successor states. In fact, to control banks meant to control their remarkable share portfolios and to utilize them in the finance and control of the largest firm.⁶

The economic penetration projects carried out by the victorious powers conflicted with the financial difficulties connected with the penetration of Central-Eastern Europe. In order to control whole regions or economic sectors in different countries the control of the most important firms' share holdings was not sufficient. It was necessary to be able to finance the controlled firms that needed to renew plants and equipment rendered useless by the lack of maintenance during the war period. The governments of the European victorious powers counted on interesting their largest banks in the economic penetration of Central-Eastern Europe. Therefore, banking expansion became the cornerstone of the entire policy of economic penetration. With the shattering of the Hapsburg empire, several Viennese banks' branches remained inside the borders of new countries. The other successor states did not accept such a strict dependence on Austrian finance and threatened to nationalise these branches. This opened the road to the penetration of the victorious powers' banks that acquired groups of branches or helped them to constitute independent banking firms. With this aim in mind, Western European banks gained control of several Viennese establishments. The most famous cases are those of the Anglo-Oesterreichische Bank and Länderbank tied respectively to English and French interests.⁷

⁶ See Cabinet Minutes and Memoranda, 1916-39, Great Britain, Cabinet Office, Nendeln: Kraus, 1977-78, G.T. paper n. 6111, 15 Aug. 1919.

⁷ See A. Teichova, 'Versailles and the expansion of the Bank of England into Central Europe' in H. Matis (ed.), *The economic development of Austria since 1870*, (Cambridge, 1994), pp. 329-50.

The direct and total acquisition of large banks' capital already in existence was only one of the forms of banking penetration in Central-Eastern Europe. In other cases Western European banks and Central-Eastern European banks co-operated. Moreover, Western European banks took the place of those of the defeated countries, as in Romania where French and English capital replaced Austrian. In general we can observe a certain tendency of French and English banks to renew relationships of co-operation with the same Austrian banks with which they had business before the war, but were now able to rely on a balance of power that had changed in their favour.

The victorious European powers aimed to acquire wide control over Central-Eastern Europe through the control of lines of communication to which trade flows were subordinate. Particular attention had been paid to the Danube.⁸ At the same time, there was new interest in the control of the airlines that connected the capital cities of the successor states. The attempt to control lines of communication was perhaps the only real attempt at global economic control of Central-Eastern Europe. Generally, it was aimed at the economic control of specific regions or resources and industrial sectors.

The projects of regional economic control had been conceived primarily by foreign Ministries, and banks were invited to co-operate in order to reach objectives that interested the various Departments of Foreign Affairs more than the banks themselves. The latter, in support of their commercial strategy, preferred to focus their attention on the control of single industrial establishments (like the Skoda works in Czechoslovakia and the Steaua in Rumania) or at least on sectors believed to be profitable. Not accidentally, different plans for sectorial or industrial control were successful, while practically all the plans for regional economic control failed.⁹

⁸ See A. Teichova - P. Ratcliffe, 'British interests in Danube navigation after 1918', *Business History*, n.3 (November 1985), pp. 283-300.

⁹ See Georges Soutou, 'La politique économique de la France en Pologne (1920-1924)', *Revue Historique*, 509, pp 85-116; G. Soutou, 'Les mines de Silésie et la rivalité franco-allemande, 1920-1923. Arme économique ou bonne affaire?', *Relations Internationales*, 1 (1974), pp.135-54; J. Bouvier - R. Girault - J. Thobie, *L'imperialisme à la française, 1914-1960*, (Paris, 1986).

4. The question of Italian economic penetration policy in the successor states and in the Mediterranean basin countries which had come into being after the collapse of the Ottoman empire, involved politicians and economists as well as industrialists and bankers. Obviously, each group faced the problem in a particular perspective according to its own interests. Politicians emphasised the role of economic penetration abroad in the field of international relations. Economists turned to theory hoping for the end of government controls on foreign trade and a policy of liberalisation of private enterprises abroad. Industrialists and entrepreneurs were also hostile to certain government regulations, but did not reject state intervention for foreign expansion, even asking for state support in order to improve coordination and sustain private business financially. Bankers also felt the need to widen the Italian banking network abroad in order to sustain Italian trade. Nevertheless, this eventuality had to be subordinate to real commercial needs and to the possibility of obtaining capital with which to support this action.

The first general plan of Italian economic expansion abroad was formulated by the industrialist Pio Perrone. The famous economist Vilfredo Pareto and the industrialist Pio Perrone were the protagonists of an interesting debate on the Italian currency problem and its consequences for Italian industry. Pareto accused the industrialists of employing their own capital in operations with speculative and monopolistic aims. Perrone replied expressing his opinions about the lack of hard currency and Italian economic relationships with other countries. Perrone held that the uncertainties in economic and customs legislation were serious obstacles to the planning of industrial market strategies. Perrone insisted particularly on three points: Italy's needs for raw materials, the creation of a large Italian mercantile fleet, and Italy's commercial relationships with foreign countries. In Perrone's view, with regard to the economic policy that Italy should follow in the post-war period, these three problems were closely connected. He complained, in fact, that due to the scarcity of raw materials and Italian shipping Italy remained

dependent on foreign countries not only for coal supplies but also for their transportation. This, among other disadvantages, involved large payments to foreign countries which increased the Italian problem of a scarcity of hard currency. Finally, Perrone argued that the raw material, transportation and currency problems could be resolved by redrawing Italy's internal and international economic policy with emphasis on economic penetration in Central-Eastern Europe and in the Levant.¹⁰ This solution would have produced a series of advantages to Italy, and its industrialists (chiefly for the iron and steel industrialists) who would obtain simultaneously orders for the building of ships, markets for industrial manufactured articles and cheap raw materials. The position taken by Perrone was important because it reflected the whole ship-building and steel sectors of which the Genoese industrialist was one of the greatest exponents.

The emphasis placed on overcoming Italian currency problem emphasises the extent of the contrast that existed in Italy during the early post-war period regarding which economic development strategies. In fact, the currency gap problem that hampered Italy could be solved in two ways. One consisted in an imperialistic redrawing of Italian foreign and commercial policy. This was the plan advocated by Perrone and various industrial and political groups with nationalistic inspirations like the "central committee of action for national claims" of Giovanni Giurati and Oscar Sinigaglia. This programme aimed to eliminate the currency obstacles to Italian foreign trade by means of direct contacts with Eastern European countries that produced goods necessary for the Italian economy. Italy would obtain wheat from Romania and the Ukraine, oil from Romania and the Caucasus, coal from Turkey, paying with machinery and the provision of infrastructures¹¹ The second solution, instead, was based on internal economic

¹⁰ See V. Pareto - P. Perrone, *Il problema dei cambi e l'industria nazionale*, (Roma, 1920), p.19.

¹¹ See R. A. Webster, 'Una speranza rinviata. L'espansione industriale italiana e il problema del petrolio dopo la prima guerra mondiale', *Storia Contemporanea*, 1980, pp. 219-281.

development supported by the influx of dollar loans from the United States. This was the plan pursued by Nitti and by the industrialists in the electrical industries during and after the war. In this context, the problem of Italian economic expansion abroad was connected with the larger matters of Italian foreign policy, development strategies and the forms of Italy's international financial integration in the early post-war period.

Several conflicts also arose within the Italian government. In May 1919 the Minister of the Treasury, Stringher, and the Minister of Industry and Commerce, Ciuffelli, had a letters concerning exchange of ideas about the problems of Italian commercial penetration in the successor states. Stringher stressed his opposition to government policy that gave a free hand to Italian exporters in depreciated currency areas. In fact, those countries would pay imports from Italy only with their national currencies while Italy required hard currencies for its payments in America and England.¹² Stringher's assertion revealed that the currency problem was predominant in the eyes of the Minister. In contrast Ciuffelli, who represented within the government the interests of industrialists and merchants, supported the need to sustain the rise of Italian exports in Central-Eastern Europe. In the controversy between the two ministers the Prime Minister Vittorio Emanuele Orlando intervened. Orlando expressed his preoccupation with the lack of Italian initiative in the field of commercial penetration which contrasted with the large efforts of French and British businessmen. He invited the deputy Prime Minister, Colosimo, to co-ordinate the action of the two Ministers chiefly on currency matters. On June 4 Colosimo contacted the two Ministers and the following day Ciuffelli replied, confirming his disagreement about the line of conduct of the Department of the Treasury and (implicitly) his opposition to Italian monetary policy. Stringher wrote to Colosimo in Rome and to Orlando in Paris, underlining emphatically what the politicians

¹² See Historical Archive of the Banca d'Italia (hereafter HABI), Stringher papers, b. 21, sez.304, fasc.2, sf. 7.

failed to understand: Italy did not have the financial means to pursue a policy of economic expansion abroad.¹³

5. The history of foreign Italian economic expansion abroad is above all the history of the foreign expansion of the large Italian banks and of the industrial and commercial activities that they undertook or supported. This did not entirely stress from the banks' predominance in Italian economic life. The impossibility of intervening on the part of the State also contributed to define the Italian strategies of economic penetration. At the same time Italian banks' alliances with local entrepreneurs and financiers made possible the establishment of a network of Italian affiliated banks in Central-Eastern Europe during the first years of the post-war period.

In 1919 the *Banca Italiana di Sconto* established a bank in the Caucasus, the *Banca Italo-Caucasica di Sconto*, with centres in Tiflis, Baku and Batum, but the crisis that led to its bankruptcy in 1921 blocked its efforts for a systematic penetration in the successor states. In the Caucasus the metallurgical firm *Ilva* and the *Banca Italiana di Sconto* through the *Banca Italo-Caucasica di Sconto* operated jointly and in 1920 obtained a concession for the exploitation of the Tkvartcheli coal fields. After the crisis of the *Banca Italiana di Sconto*, the *Banca Italo-Caucasica di Sconto* was temporarily kept in existence through hopes of exploiting the Tkvartcheli concession.¹⁴ The *Credito Italiano* expanded its banking structure in Central-Eastern Europe through participation in the capital of the *Banque Générale de Roumanie* in Bucharest, and the establishment of the *Banca di Credito Italo-Viennese* and the *Tiroler Hauptbank* (in co-operation with the *Deutsche Bank*) in Innsbruck. However, these efforts did not produce appreciable results and the shares of the *Banque Générale de Roumanie* were liquidated around 1921. In contrast, the *Banca*

¹³ See Central Archive of the State (hereafter CAS), Presidenza del Consiglio, Guerra Europa, fasc. 19-29-15.

¹⁴ See Webster, 'Una speranza rinviata'; A. M. Falchero, *La Banca Italiana di Sconto 1914-1921. Sette anni di guerra*, (Milano, 1990), pp. 159-180; Historical Archive of the Credito Italiano (hereafter HACI), Banca Nazionale di Credito, VCDA, 16 Dec. 1922.

Commerciale Italiana succeeded in setting up a stable network of banks in Central-Eastern Europe. During 1919 the *Banca Commerciale Italiana* established the *Banca Commerciale Italiana and Bulgaria* with its headquarter in Sofia and the *Banca Italiana Orientale* with its headquarter in Fiume. Also in 1919 the *Società Italiana di Credito* was established in Milan with a branch in Vienna. In 1920 and 1921 the *Banca Ungaro-Italiana* was created in Budapest and the *Banca Commerciale Italiana e Romana* in Bucharest while shares were taken in the *Boemische Union Bank* in Prague and in the *Export Bank* in Vienna. The *Banca Ungaro-Italiana* also took over the *Banca Italiana Orientale*. At the end of the twenties the *Banca Commerciale Italiana* completed its banking network in Central-Eastern Europe and in the Balkan peninsula. Between 1926 and 1927 the *Banca Commerciale Italiana* co-operated in the reorganisation of the *Bank Handlowy* in Warsaw which merged with the *Banque des Pays Polonais Réunis* and strengthened its connections with the *Banca Commerciale Italiana*. The latter acquired ten per cent of the Polish bank's capital. In 1928 the *Banca Commerciale Italiana* acquired the *Hrvatska Banka* in Croatia while the following year it established the *Banca Commerciale Italiana e Greca* in Athens.¹⁵

Italian banks engaged in Central-Eastern Europe (particularly the *Banca Commerciale Italiana*) established a close relationship of co-operation with Camillo Castiglioni, chairman of the *Allgemeine Depositenbank* in Vienna. Camillo Castiglioni had become the bank's chairman at the end of the war thanks to the support of the *Dresdner Bank*. He had planned a very aggressive policy that aimed to acquire important shareholdings in firms that frequently belonged to the sphere of influence of other large Austrian banks like the *Creditanstalt*.¹⁶ He was successful in creating an industrial "Konzern" for his bank made up of a hundred firms. The financial support of the *Banca Commerciale Italiana* and the political support of the Italian

¹⁵ See R. Di Quirico, 'Il sistema Comit. Le partecipazioni estere della Banca Commerciale Italiana tra il 1918 ed il 1931', *Rivista di Storia Economica*, 1995, n.2, pp.175-217.

¹⁶ See E. März, *Austrian banking & financial policy. Creditanstalt at a turning point 1913-1923*, (New York, 1984), pp. 358-9.

Department of Foreign Affairs, with which Castiglioni was in close contact, contributed to his entrepreneurial success.

An interesting example of the relationship between the Italian Department of Foreign Affairs, banks and Castiglioni was the Italian attempt to bring Austrian Styria under economic control. The plan began to take shape quite late. At that time it was evident that the Italians would not have been able to put the whole of Austria under their economic protectorate. This possibility had appeared when the Italians succeeded in acquiring control of *Alpine Montan Gesellschaft*, the most important Austrian iron-mining company. The control of the *Alpine Montan* was strongly desired by the Italian government and by the chief of the armistice military mission in Vienna, Colonel Segre, who succeeded in preventing the nationalisation of the firm and having its shares purchased by *Fiat*. In 1921 however, *Fiat* sold their shares to a holding company controlled by the German steel-industrialist Hugo Stinnes. This fact provoked the disappointment of the Italian government and public opinion. When asked about his role in the affair, Castiglioni affirmed that the sale had been desired by *Fiat* and that he had instead refused to give up the 50,000 shares that he held together with the *Banca Commerciale Italiana*, obtaining a written agreement from Stinnes. According to this agreement, every important decision regarding the *Alpine Montan Gesellschaft* had to be taken with the common consent of Stinnes and Castiglioni.¹⁷ The *Banca Commerciale Italiana* disengaged, at least officially, from the *Alpine Montan* business in June 1923 giving up its shares to Castiglioni. He became a crucial factor for Stinnes in order to maintain the majority control of the company. Actually, the shares of the *Alpine Montan*, controlled by Stinnes, Castiglioni and the *Banca Commerciale Italiana* were put together in a holding company named *Promontana* with its headquarters in Switzerland. This company, which controlled the *Alpine Montan*, which was to provide for the restocking of coke for

¹⁷ See Historical Archives of the Italian Department of Foreign Affairs (hereafter HAIDFA), Archivio del Commercio 1919-23, Austria 28.

the company, acquiring it from Stinnes at Germany's internal price, thus gaining from this operation due to the devaluation of the mark.¹⁸ Stinnes died in the first half of 1924, and the Italian Department of Foreign Affairs began to fear that *Alpine Montan* would pass into French hands (to *Schneider-Creuzot*). However, Castiglioni's position in *Alpine Montan* was still very strong because of his role in the S.T.E.W.E.A.G firm. The *Steirische Wasserkraft und Electricitäts Aktiengesellschaft* (S.T.E.W.E.A.G.) had been established in 1921 with its headquarters in Graz with the aim of exploiting Styria's hydroelectric power. The Austrian crisis of 1922 threatened to make it bankrupt but in 1923 the *Società Finanziaria di Elettricità* of Milan took an interest in S.T.E.W.E.A.G. providing it with capital and technical assistance. The Italian authorities supported Italian financial intervention in S.T.E.W.E.A.G. in order to acquire strong economic influence over the region by means of controlling a source of energy necessary for Styria's industrial development. During 1922 the Governor of Styria, Rintelen, who also was chairman of S.T.E.W.E.A.G., approached the Italian consul in Gratz, Idone, in order to suggest the involvement of Italian capital in the exploitation of Styria's hydroelectric resources. Idone informed the Italian Legation of Vienna. In June 1923 the Castiglioni-Stinnes partners took an interest in the business. They proposed to reorganise and modernise *Alpine Montan* through the introduction of the electric furnace, already broadly used in Italy and applicable in Styria by way of the exploitation of local hydroelectric resources. Castiglioni and Stinnes had further increased their importance in the Austrian iron industry by creating the *Schoellerthalwerke*, another firm that was interested in using the electric furnace.¹⁹ Informed by the Italian Legation in Vienna, Mussolini, who was also the Italian Minister for Foreign Affairs, put pressure on the industrialist Feltrinelli, who sent two technicians to Styria, and also on Castiglioni, who agreed to support the Italian commitment. In July 1923 the *Società Italiana*

¹⁸ See Historical Archive di Banca Commerciale Italiana (hereafter HABC1), VCDA, 18 May 1921.

¹⁹ See HAIDFA, Archivio del Commercio 1919-23, Austria 33, Promemoria Idone, 22 June 1923.

Industriale Transalpina was formed. It put together *Edison*, S.A.D.E., *Società Nazionale per le Elettriche Imprese*, *Banca Unione*, *Credito Italiano*, *Banca Commerciale Italiana*, *Banca Nazionale di Credito*, besides the *Società di Credito Commerciale* and the *Banca di Credito Italo-Viennese* which were the Viennese affiliates respectively of the *Banca Commerciale Italiana* and *Credito Italiano*. Finally, in March 1924, the *Società Finanziaria di Electricità* was set up with its headquarters in Milan, in order to manage the Italian group's interests in S.T.E.W.E.A.G. Obviously, a plan of this kind would have required considerable capital that initially was to be raised in the United States in the form of debentures. These debentures (approximately 3.5 million dollars) were finally registered in Italy.²⁰ The *Alpine Montan* business was a failure for the Italians. In fact, with Stinnes' death and the crisis of the Castiglioni House the majority of the company's shares fell definitively under the control of the *Vereinigte Stahlwerke*. S.T.E.W.E.A.G. remained, instead, in Italian hands until the annexation of Austria by Germany in 1938. Nevertheless, it was not able to play an active role in the Italian plans for the economic control over Styria.²¹

Another very interesting case is that of Italian participation in the lumber industry and particularly in the *Foresta Romana* firm. At the end of 1919 the *Banca Commerciale Italiana* bought from the *Credit-Institut Ungarischer Holzhändler* of Budapest the share holdings and credits that this bank held in 22 of the main lumber companies in the successor states and created the *Foresta, Società anonima per l'industria ed il commercio del legname*, with its headquarters in Milan and a capital of 50 million lira.²² The aim of this company was to obtain control of lumber trade in the Mediterranean.²³ The *Foresta's* experience is the most revealing

²⁰ See CAS, IRI, serie rossa, cart. 128.

²¹ See A. Confalonieri, *Banche miste e grande industria in Italia 1914-1933, vol. 1 L'esperienza della Banca Commerciale Italiana e del Credito Italiano*, (Milano, 1994), p. 733.; HAIDFA, Archivio del Commercio 1919-23, Austria 33, Idone letter to Orsini.

²² See HABCI, VCDA, 23 Oct. 1919.

²³ See HABCI, VCDA, 6 Mar. 1920.

example of how the managers of *Banca Commerciale Italiana* operated in those years in terms of industrial strategy. The *Foresta*, more than in Romania, also operated in Austria, Czechoslovakia, Yugoslavia. In 1920 the capital of the firm was increased from 50 to 100 million lira. In 1921 the *Polka Foresta* (affiliated to the *Foresta*) had been set up in Poland. Moreover, the firm acquired 25 sawmills and furniture factories with the aim of creating a sort of vertically integrated timber business through which to transform the raw lumber semi-finished articles (lumber and shaped wooden components) and thence into finished products (furniture). The transportation network problems in Romania compelled the group to directly manage the transport of lumber. It acquired 8 locomotives that plied the 250 kilometers of railway line that the *Foresta* had acquired in a concession through the *Società del Mar Nero*. The *Foresta*, as structured in its first years of activity, was impossible to manage. The company had been created by merging firms in financial difficulty, of which the *Banca Commerciale Italiana* had obtained control in a particularly favourable moment. The *Foresta* produced and traded in economically diverse regions whose local conditions strongly influenced the cost structure of the firm. Producing and dealing in the various countries was at times advantageous, and at times less so, due to the wide fluctuations in the exchange rates of the successor states' currencies. In the end, the Hungarian partners of the *Banca Commerciale Italiana* proved unable to manage the *Foresta's* business. These problems induced the *Banca Commerciale Italiana* to drastically reorganise the company. In mid-1922 the *Foresta's* managing group was replaced with trustees of the *Banca Commerciale Italiana* and Pilzer von Thonet Mundus, a well-known entrepreneur of the furniture sector, was appointed technical director and, later, general manager of the firm. Finally, between 1922 and 1923, the *Foresta's* possessions in Austria, Yugoslavia, Hungary and Czechoslovakia were liquidated. The *Foresta* restricted its field of action to Romania where, in 1923, it gained control of another important forest enterprise, *Goetz*. The share holdings of *Foresta* and *Goetz* were combined under the

control of a holding company created in Zurich, the *Foresta Romana Holding*. However, these provisions were not sufficient to solve the problems of the company which continued to perform at a low level of profitability and only thanks to the *Banca Commerciale Italiana* funds. It was decided then to change strategy, abandoning the idea of vertical integration and aiming at the production and trade in lumber and semi-manufactured goods. With this objective in mind, in 1923 the *Foresta* acquired almost all *Goetz* shares, attempting to create an international firm in the lumber sector.²⁴ This attempt at reorganisation also failed and from 1924 onwards the *Banca Commerciale Italiana* tried to disengage from the lumber business adding new partners to the *Foresta's* administration in order to recover at least part of its investment.

The instances of Italian banking expansion in Central-Eastern Europe, the *Foresta*, the *Alpine Montan* and the S.T.E.W.E.A.G. were particularly meaningful experiences because each one of them showed a different pattern of relations between private and government sectors in the process of economic penetration in Central-Eastern Europe. There was a clear convergence of interests between private owners and government in the process of banking expansion in Central-Eastern Europe. They realised that a direct presence in those areas was indispensable in order to open up new markets for Italian industry and to support trade, to exploit the possibilities of integration between Italian and local economic sectors, to succeed in boosting in Italian political influence in that region and finally to gain profits for the banks that were engaged there. In an international context like that of the early post-war period in which close competition between the three European victorious powers existed as each sought to enlarge its own sphere of political influence, the refusal to create a zone of economic influence would have been like renouncing a dimension of national independence. In fact, economic dependence on other countries also involved a form of political dependence and in the Italian case political

²⁴ See IABCI, VCDA, 23 Oct. 1923.

dependence on the other victorious powers that conflicted with Italian foreign policy aims. The *Foresta* case was, on the other hand, a private business and the Italian government did not hinder the efforts of a large national bank which desired to take over a business that was considered economically profitable. The importance of this case is that it represents an obvious example of the problems and incongruities in the process of economic penetration in Central-Eastern Europe in that period. The race to corner shareholdings without a well-organised industrial plan, the creation of large complexes that were impossible to manage due to the lack of experience and managers, the enormous financial inputs demanded, the impossibility of reconciling a multinational operations with the specific conditions of the various countries, were not specific problems of the *Foresta* but were common to many enterprises in Central-Eastern Europe in the early post-war period. Finally, the *Alpine Montan* and the S.T.E.W.E.A.G. cases were operations undertaken due to explicit pressures by the Italian government with its co-operation and co-ordination.

6. If we reflect on the Italian experience of economic penetration in Central-Eastern Europe, two general strategies can be identified by which the promoters of the different initiatives were inspired.

One of these strategies was clearly inspired by the English and French penetration pattern and it was based on the co-operation between the *Banca Commerciale Italiana* and Castiglioni. In 1920 Castiglioni established a syndicate called "*Sindacato azioni Barone Skoda*" which successfully acquired remarkable share quotas in important Austro-Czech-Slovak industries like *Daimler* and *Pulverfabrik Skoda*.²⁵ Castiglioni abandoned the *Depositbank* chairmanship in 1922 and plunged into a new financial adventure. Following the example of the French and English who controlled two of the greatest Viennese banks, Castiglioni set up a syndicate, putting together the *Dresdner Bank*, *Boehmische Union Bank* and *Banca Italo-Ungherese*, affiliate of the *Banca*

²⁵ See HABCI, VCDA, 6 Mar. 1920.

Commerciale Italiana. In August 1922 this syndicate obtained control of one of the main Viennese banks, the *Union Bank*.²⁶ At the end of 1922 the *Union Bank's* capital was increased from 400 to 800 million crowns. Castiglioni acquired a substantial portion of the new shares aiming to control a majority of the *Union Bank* shares and to transform it into an Italian bank with the help of the Italian government.²⁷ The syndicate led by Castiglioni owned approximately 900,000 shares but a concurrent group led by the young Austrian financier Sigmund Bosel, acquired in Germany and Austria a share-holding of about 700,000 shares and launched a battle for control of the bank.²⁸ On 1 March 1923 the Bosel group offered to acquire the 900,000 shares controlled by the Castiglioni syndicate. Within the syndicate initial solidarity lessened. In fact, the *Dresdner Bank* decided to accept the offer and sold its shares, forcing Castiglioni to abandon the business.²⁹

From the Bosel take-over of the *Union Bank*, a network of interests and conflicts emerges. It clarifies (at least in part) the reasons for Castiglioni's interest in the great Viennese bank. In fact, the *Union Bank* controlled the *Veitscher Magnesit Werke*. Once control of the bank was obtained and, consequently, that of the mining company, Bosel made an agreement with the Weinmann group that controlled blast-furnaces and coal mines in Upper Silesia. Bosel exchanged a holding of shares in *Union Bank* for shares of the *Laura Hutte* firm in Weinman's hands. Moreover Bosel and Weinmann tried to acquire 40 per cent of the *Bismark Hutte* shares (also in Upper Silesia) with the explicit aim of making the *Union Bank* the financial reference point for local industry and acquiring control of the coal resources in that region. In this operation Bosel could rely on French support and particularly on the *Schneider-Creusot* group (that had a financial stake

²⁶ See HAIIDFA, Archivio del Commercio 1919-23, Austria 28, letter of Legazione d'Italia a Vienna to Ministero degli Affari Esteri, 21 Aug. 1922.

²⁷ See HAIIDFA, Commercio 1919-23, Austria 28, letter of Legazione d'Italia a Vienna to Schanzer, 4 Sep. 1922.

²⁸ See Historical Archive of French Department of Foreign Affairs (hereafter HAFDFA.), Serie B, Autriche, doss.85.

²⁹ See HAIIDFA, Archivio del Commercio 1919-23, Austria 28, letter of Legazione d'Italia a Vienna to Ministero degli Affari Esteri, 10 Mar. 1923.

in *Veitscher Magnesit Werke*) and on the *Banque Clarin*, that had acquired 200,000 *Union Bank* shares from Bosel. The *Banque Clarin* also controlled the *Sociétés des Pétroles de Dabrowa*, a firm that managed a series of oil firms in Galicia and in which the *Union Bank* had shares. The plan for controlling the Upper Silesia coal resources forged by Bosel contrasted with the similar plan of the old ally of Castiglioni, Hugo Stinnes, who aimed to control the main resources needed by the Austrian metallurgical industry. The plan conceived by Castiglioni and his Italian and German allies, when they obtained control of the *Union Bank*, had probably been inspired by similar aims. It was in contrast to French objectives who had favoured (and perhaps inspired) Bosel's activity.³⁰

Probably Castiglioni and his allies aimed to control the whole of Austria's metallurgical and mechanical engineering industries and perhaps part of those of the successor states. At first glance, Castiglioni's plans seem indefinite and not co-ordinated. Attempts to create a large auto group merging *Daimler*, *Austro Fiat* and probably *Puchwerke* and *BMW*,³¹ the interests in the metallurgical industry symbolised by *Alpine Montan Gesellschaft*, *Schoellerstahlwerke* and *Feinstahlwerke*, together with the control acquired by the *Banca Commerciale Italiana* (with or without Castiglioni) in mechanical firms like the Hungarian *Slick-Nicholson* or the *Astra* in Romania, and finally the acquisition of the *Union Bank*, could have been parts of an integrated plan of regional economic control or attempts to create a steel group of European

³⁰ See HAFDFA, serie B, Autriche, doss. 85, 20 Aug. 1923 note.

³¹ See D. Bigazzi, 'Esportazione e investimenti esteri: la FIAT sul mercato mondiale fino al 1940', in *Fiat 1899-1930 storia e documenti*, (Milano, 1991), pp. 77-168; R. Notel, 'Moneta, banca e industria nel periodo fra le due guerre in Austria e Ungheria', in *Le istituzioni finanziarie degli anni trenta nell'Europa continentale*, edited by Banco di Roma, (Bologna, 1982), p. 128.

³² The *Union Européenne Industrielle et Financière* (UEIF), established in April 1920 by the *Banque de l'Union Parisienne* and the *Schneider-Crousol* group, was successful in acquiring control of *Skoda*, the most important Czechoslovak mechanical engineering firm, and of *Berg-und-Hütten Werksgesellschaft*, which was the principal mining and metallurgical company in the country. These shares were added to other shares in mining and metallurgical industries and, also in the banking sector. See C. Ph. Beaud, 'The interests of the Union Européenne in Central Europe' in Teichova-Cottrell, *International Business*, pp. 375-397.

dimensions on the model of the initiatives undertaken by the French *Schneider-Creusot*.³² In fact the different protagonists in this struggle had converging interests. Castiglioni, with interests in the Austrian engineering industry was the pivotal point of this association. He would try to bring together Stinnes, who controlled the coke supplies, with the *Banca Commerciale Italiana* that had interests in the engineering industries in Italy and Central-Eastern Europe, and the *Dresdner Bank*.

The year 1923 was a turning point in the Italian economic penetration of Central-Eastern Europe. With the failure of the Union Bank operation there were no more points of reference for the Italian efforts of penetration in the successor states. Notwithstanding the loss of control of the Union Bank, in 1923 Castiglioni controlled or participated in numerous banking and industrial firms. He controlled the *Export und Industries Bank* in Vienna and owned a series of shareholdings in various firms many of which were also tied up with the *Banca Commerciale Italiana*. In June 1923, however, the *Banca Commerciale Italiana* decided to give up a portion of these shares and sold them to Castiglioni. This fact constituted a change of strategy by the *Banca Commerciale Italiana*, probably due to the failure of the *Union Bank* operation. Nevertheless, it did not mark the complete end of co-operation between Castiglioni and *Banca Commerciale Italiana*.

Besides the plan of economic penetration centred on Austria through Castiglioni's activities, there was another project of economic expansion abroad inspired by Perrone and the iron and steel industrialists and aimed at the Black Sea region and Anatolia. In the pre-war period, the interest of the Italian Department of Foreign Affairs had been in the Anatolia region. With the end of the war, Italians aimed to gain control of the region, as envisaged by the agreements stipulated with the allies when Italy entered the war. Italians were chiefly interested in the Heraclea zone. This zone had a strategic importance for Italian economic expansion plans. In the Heraclea region there were important coal mines that enable the Italians to obtain coal (even if insufficient in quantity for Italian industrial needs) and, above all, to supply fuel for Italian ships going towards the Black

Sea.³⁵ In this way, it would be possible to create a maritime connection at competitive costs between Italy and the Black Sea region. This would enable Italy to exchange Italian goods in Romania, Bulgaria, the Caucasus and the Southern Ukraine for raw materials and wheat from those regions. Therefore, the control of the Heraclea area was the fulcrum of Italian expansion policy in the Black Sea region and in the Balkans. The fundamental principles of this plan must have been well known to the economic operators interested in working in those regions. There was, in fact, a series of operations and plans that are fully understood only if interpreted in the widest perspective of a global economic penetration project sustained by the creation of sea transport lines. The foundation of the *Banca Italo-Caucasica di Sconto*, the projected opening of a *Banca Commerciale Italiana* branch in southern Ukraine or in the south of Russia (in Odessa or Rostov), the opening of *Banca Commerciale Italiana*, *Banca Italiana di Sconto* and *Banco di Roma* branches in Constantinople, stemmed from the knowledge of a coherent plan of penetration in the Black Sea region. Although excluded from the control of internal communication in the successor states and well aware of the difficulties and costs of transport area in those zones, the Italians did not abandon their involvement in firms for which low-cost transportation (e.g. the lumber business) was indispensable. In the author's view, this is evidence that Italian activity in this regions was directed at sea transportation. It was the same programme of Italian economic expansion supported by Perrone and the iron and steel industrialists and based on the exchange of Italian manufactured articles for raw materials and agricultural products in regions with low costs, and involved the development of a powerful mercantile marine. A policy of this kind, which sought to recreate the pre-war situation when Genoa was the main port for the importation of wheat from the Ukraine, would mean production and profits for the iron and ship-

³⁵ See M. Petricoli, 'La resa dei conti: diplomazia e finanza di fronte alle aspirazioni italiane in Anatolia (1918-1923)' *Storia delle relazioni internazionali*, n.1, 1986, p.76; HAFDEA, correspondance politique et commerciale, serie E, Levante, doss. 427, 28 Apr. 1920 letter.

building sector. This would solve the problem of their reconversion to peace-time production without being obliged to drastically reduce plants and profits. Moreover, it would enable the Italians to avoid the currency deficits without, however, resolving the problem of how to find the necessary capital for the initial financing of a plan of this kind. Implicit in a realistic analysis of the potentialities of the private sector of the Italian economy and of the Italian financial system was the realisation that only the state could have taken on such heavy burdens and financed this plan of expansion. What happened in the Black Sea region between 1919 and 1923, therefore, had a remarkable influence on the following events experienced by the Italian economy and on the Italian iron and steel crisis in 1921.

The *Banca Commerciale Italiana*, by means of the *Società Commerciale d'Oriente*, had already obtained, before the war, the concession for the exploitation of a coal deposit in the Heraclea area. This firm had shares in the Heraclea mines, precisely in the *Société Ottomane d'Heraclee* of which it held 12,000 shares (equivalent to approximately 2.4 million French francs out of a total capital of 15 million francs).³⁴ This firm exploited the concession of Zongouldak, obtained by the French in 1894. Close to the French concession there was another concession that belonged to the *Société des Charbonnages Reunis de Bender-Eregli*, a company established at the end of 1913 with headquarters in Belgium but controlled by Hugo Stinnes. At the end of the war, the Belgian shareholders obtained the confiscation of the company by their government and refused to transfer it to the reparations commission, in contrast with the objective of the *Société Ottomane d'Heraclee* that aimed to gain the concession with the help of the *Ministère des Affaires Etrangères*.³⁵ The Belgians sold the company to the *Banca Commerciale Italiana*, which bought 32,000 Bender-Eregli shares paying approximately 8.7 million lire.

³⁴ See M. Petricioli, *L'Italia in Asia Minore. Equilibrio mediterraneo e ambizioni imperialiste alla vigilia della prima guerra mondiale*, (Firenze, 1983), p.21; HAFDFA, correspondance politique et commerciale, serie E, Levante, doss. 427, 14 May 1919.

³⁵ See HAFDFA, correspondance politique et commerciale, serie E, Levante, doss. 427, 20 May 1919 and 8 Jul. 1919 letters.

At the same time, another Italian firm, the *Terni*, got control of the Niren Deré mines, also in the Heraclea area.³⁶ At that point the control of the mining resources of the Heraclea area became a purely political matter. In July 1919 the Italians demanded that the Allies recognize all the coal deposits situated in Minor Asia along the coast of the Black Sea between the bay of Bender-Eregli and the city of Ineboli, and also part of the oil basin of the Van lake region in Eastern Anatolia as Italian property, including the necessary concessions for the basin's exploitation and transportation of the oil.³⁷ The *Société d'Heraclee* feared that Italians would obtain what they demanded to its own disadvantage and asked for a solution that did not result in damage. The solution was the signature of the so-called "tripartite agreement" between Italy, France and Great Britain. This agreement gave the Italians all the concessions in the Heraclea basin, including the infrastructures for mineral transportation and shipment, with the exception of the concessions already granted or requested before 30 October 1918 by the citizens of allied or neutral countries. After 1930 and once agreed level of production had been reached, the Italians would transfer 25 per cent of their production to the *Société di Heraclee*.³⁸ The same agreement also envisaged the establishment of a company for the management of the German railroads in Turkish territory. However, these plans involved high costs which Italian banks were not prepared to pay and which should have been furnished by the Italian State. Like his predecessor Stringher, the Minister of the Treasury, Meda, was also forced to refuse the funds necessary for the operation.³⁹

As time passed, the situation in Turkey became less favourable for foreign control and the Kemal Ataturk revolution prevented the establishment of strong foreign influence in the region. The Italians

³⁶ See Petricioli, 'La resa dei conti', p. 77.

³⁷ See HAFDFA, correspondance politique et commerciale, serie E, Levante, doss. 427, 15 Jul. 1919 note.

³⁸ See HAFDFA, correspondance politique et commerciale, serie E, Levante, doss. 427, Ministère des Affaires Etrangères to Haut Commissaire français à Constantinople, 26 May 1920.

³⁹ See Petricioli, "La resa dei conti", pp. 80-5.

opted for economic penetration and created the *Sinducato per lo sviluppo degli interessi italiani in Oriente* [Syndicate for the Development of Italian interests in the East], whose main director was again Bernardino Nogara, the former director of the *Società Commerciale d'Oriente* and manager of the operations conducted up to that point. This syndicate obtained, in addition to the concession for the Heraclea coal basin exploitation, two other concessions for the construction of a port in Heraclea and for a railway line that joined Heraclea to Angora with consequent ramifications.⁴⁰ Later, it was decided to exploit only the coal basin concession inasmuch as the carrying out of all three of the projects would have been financially too onerous.

During the early 1920s, other international events contributed to the failure of the political-economic expansion plan based on the control of the Heraclea. The constitution of the Soviet Union and the end of the Ukraine and Caucasian area republic frustrated Italian aspirations in the Black Sea. The Turkish-Greek conflict and the victory of Kemal Ataturk also frustrated the attempts (not only Italian) to submit Turkey to the control of European powers. Finally, the 1920-21 international economic crisis struck those sectors of the Italian industry which were the strongest promoters of the economic penetration policy in the ways proposed by Pio Perrone. This caused a change in Italian industrial development strategies that were no longer based on integrated iron and steel metallurgy but concentrated on the electrical and chemical industries.

7. The pattern of Italian economic expansion in Central-Eastern Europe was only partially different from that of the French and English. France and England had already begun to expand in the pre-war period and could rely on closer contacts with large local banks than the Italians. After the victory it was therefore possible to exploit these contacts in order to conquer new positions, making alliances with Austrian banks then disadvantaged with the Germany. The Italians tried to do

⁴⁰ See HABCI, Nogara papers, cart. 9.

something similar but could not rely either on large financial resource or on positions attained during the pre-war period. They were forced to adapt to the situation by making alliances with small banks (as in the case of the *Depositenbank*) or by creating new establishments in countries in which the local banking system was underdeveloped as in Romania and Bulgaria. In certain cases the Italians made alliances with German banks, as in the *Union Bank* case. It also seems that there was a plan for transferring to Italian hands the control of the important German banking business in Turkey.⁴¹ Evidently, certain German banks thought about relying on the Italians, whom were financially the weakest of the victorious powers, in order to perpetuate their control which had been so predominant in these regions before 1914. On the other hand, the Italians perceived in this union a good opportunity to penetrate Central-Eastern Europe. However, this kind of alliance was not successful probably because of the difficult German situation in the early twenties and Italian financial weakness which caused the failure of all the most remarkable operations faced by Italo-German syndicates.

The Italians scarcely ever succeeded in competing with the English and the French in order to gain control of the most important economic assets in Central-Eastern Europe. They engaged instead in industrial and commercial sectors such as lumber or tobacco that, even if attractive for the profits that they could guarantee, did not respond at all to the grandiose plans of economic integration formulated in the early post-war period.

The whole experience of Italian economic penetration in Central-Eastern Europe during the early first post-war period, had been based on the coexistence of economic and political interests although mixed in different proportions according to each case. Banks and industrialists sought lucrative business emphasising the patriotic value of their operations, while the Italian government tried to involve them in the realisation of economic penetration plans with international political objectives. In this respect, the Italian experience resembles closely

⁴¹ See L. De Rosa, *Storia del Banco di Roma*, vol. II, (Roma, 1984), p. 200.

the French where the same type of dualism was highlighted between foreign policy interests and the interests of banks and industries. Also, with regard to the limits of economic penetration policy there is a strong similarity between the Italian, French and British experiences. In fact, both the English and the French encountered serious problems in finding the funds with which to finance the initiatives in Central-Eastern Europe and contrasts between the monetary authorities and the governments arose because of the irreconcilability between policies of monetary stability and policies of economic penetration.⁴² From our point of view we could say that the Italian, French and English problems differed only with respect to the more limited Italian resources. However, in the Italian case a strong connection existed between the policy of economic penetration abroad and the strategy of internal industrial development. In the French case this relationship does not seem so important.⁴³ In the English case it seems that there was never a relationship between economic penetration in Central-Eastern Europe and internal industrial development strategy, even at the level of simple plans.

We can, however, conclude that a certain similarity existed between the objectives and the problems of economic penetration in Central-Eastern Europe between Italy, France and Great Britain. The three countries experienced similar conclusions to their policies in their region in the period between the mid-1920s and the outbreak of World War II.

⁴² See Rånki, *Economy and foreign policy*, pp. 33-46; Bouvier - Girault - Thobie, *L'imperialisme à la française*, pp. 162-72; M. L. Recker, *England und der Donaauraum 1919-1929*, (Stuttgart, 1976), pp. 35-79.

⁴³ See Bouvier - Girault - Thobie, *L'imperialisme à la française*, pp.149-61.