

---

## *The Rise of Italian Industry and the Balkans (1900-1914)*

Angelo Tamborra

University of Rome

The economic relations between the Balkans — both within and outside the Turkish empire — and Italy during the years immediately preceding the Revolution of the Young Turks and the First World War require close analysis. This involves a study of the purely economic factors which were ultimately influenced by the international situation, in which the positions of Italy, Turkey and the other Balkan states, and consequently also their mutual relations, were deeply affected by Austria-Hungary's renewed Balkan initiatives and so by the activities of her Foreign Minister, Count Aerenthal.

It should be remembered that by the end of the century what has rightly been called « the industrial revolution of the Giolittian era »<sup>1</sup> was taking place. This was the period which « marked a decisive change in the economic life of our country ». The expansion was characterized by considerable changes in industry and especially in the metallurgical, engineering and chemical sectors which took a decisive lead over textiles, food and tobacco industries etc. This « shift towards heavy industry » was matched by the rise, or trans-

---

<sup>1</sup> Cf. R. ROMEO, *Breve storia della grande industria in Italia*, Bologna 1972, p. 65 et seq.; L. DE ROSA, *La rivoluzione industriale in Italia e il Mezzogiorno*, Laterza, Bari 1973, p. 9 et seq.

formation, of the great iron and engineering combines, especially in shipbuilding, motor car manufacturing etc.

In terms of the economic and commercial relations between Italy and the neighbouring Balkan peninsula these changes in the structure of Italian industry were of particular significance. The textile, food, tobacco industries etc. were clearly more than any other closely linked to increased consumption in Italy to the growth of the population itself, and the higher individual standard of living resulting from the economic growth of the country as a whole. But the changes in this sector relied only to a limited extent on exports — except, to some degree, in the textile industries. However heavy industry, the engineering and steel industries were another matter. Here it really did become necessary to «look abroad», both for supplies of raw materials at low prices and to find markets for various products. The Italians were also caught up then in that search for outlets and supplies characteristic of all expanding economies at that time — as were Wilhelmine Germany, France, even Russia and post-Victorian England which was attempting to regain lost ground. Entrepreneurs, financiers, government employees, public opinion — all joined in stressing the need for a great collective effort to acquire markets and to secure sources of raw materials. Yet after the massive sharing out of the colonial world of the second half of the 19th century very few areas remained and of these the nearest and most accessible were the Turkish and Balkan territories. Here raw minerals, tobacco, textiles and food-stuffs could be exchanged for heavy industrial products. Here was a market whose capacity for absorbing goods was limited only by the incredible economic and social backwardness of its peoples and by the weaknesses of its economic infrastructure, the lack of roads, railways and ports.

This link between an industrializing Italy and the Balkan countries which were attempting to emerge from extremes of social and civil backwardness was of major importance, although many were unaware of it. In addition to the traditional relationship between the two areas — which was sometimes referred to rather rhetorically as the most important factor in Genoese or Venetian mercantile traditions — the more recent experiences of the Risor-

gimento were still alive. Then the mutual dependence between the Balkans and Italy, between the Eastern question and the Italian problem had been seen — both before and after Cavour<sup>2</sup> — as a fundamental element in the process of Italian unification and in the consequent problems of its completion, particularly with regard to Venice. In the same way it now became clear in economic circles that Italy's industrial growth could be assisted by successful entrepreneurial activity in the neighbouring Balkans.

Solutions to certain Italian problems were then sought in the East. But at the beginning of the 20th century the general political situation confronting economic forces was no different to that which two generations earlier had faced political and national interests. The adversary which had to be faced was the same — yesterday Hapsburg Austria and today the Austro-Hungarian empire. It was still strong, experienced and steeped in a tradition of economic and cultural policies in the Balkans. Cooling relations with Germany after Sadowa, in 1866, had marked the beginning of the intensification of Austria-Hungary's shift towards the Danube and the Balkans. In 1878 the Congress of Berlin had acknowledged its ambitions in the South-East in entrusting the administration of Bosnia-Herzegovina to Austria. But after completing the task of making Bosnia-Herzegovina a part of the economic and industrial life of the Empire, which included the construction of railways, Austria-Hungary drew up a complete programme of railway building for the Balkans which, had it been put into effect, would have brought the Turkish empire and all the Balkan states within its economic and political orbit.

Faced by the growing political and economic strength of both Austria and Hungary's diplomacy and their financial, commercial and ruling classes, Italy felt a growing sense of unease which the Triple Alliance between Germany, Austria-Hungary and Italy in 1882 did not dispel. It was in 1885 that the Balkan crisis finally dawned on Italian diplomacy, in the person of the Foreign Minister di Robilant. Faced by the conflict between the principality of Bul-

---

<sup>2</sup> Cf. A. TAMBORRA, *Cavour e i Balcani*, Turin 1958; Id., *Imbro I. Tkalac e l'Italia*, Rome 1966.

garia under Prince Alexander of Battenberg (which had annexed Eastern Rumelia, hoping to unite the whole country) and King Milan Obrenović of Serbia (behind whose activities could be pieced together Austria's unconditional support) di Robilant acted swiftly and decisively. It was known in Vienna that Italy did not intend to make « any hasty refusal to examine or reflect on our own interest nor in view of possible complications could Italy's position be tied to that of other powers, Austria-Hungary included ». It was the Serbo-Bulgarian crisis of 1885/6 with its wider repercussions throughout the Balkans and Europe that finally, in the able hands of the Foreign Minister di Robilant, provided the opportunity to obtain from Austria, in 1887, with the so-called « second » Triple Alliance, those guarantees of a *status quo* in the Balkans (or, in default, possible compensation) which were absent in the agreements of 1882.<sup>3</sup> One must emphasize that this interest in the *status quo* in the Balkans was important and valuable not only for Italy but for all the Balkan states and especially for Turkey, whose endemic crisis opened the way to all these manoeuvres, especially those of Austria. And then from the end of the century Wilhelmine Germany too became a very real presence, both economically and militarily, alongside Austria-Hungary.

In 1841 von Moltke — the future victor over the French at Sedan — had already carried out a military mission to Constantinople to reorganize the Ottoman army along modern lines — an action that augured the collapse of the Empire. Now forty years later, another great soldier and military technician, General von der Goltz, led another mission to modernize and strengthen the Ottoman military machine, with results that proved spectacular as early as 1897 in the war against Greece. The soldiers were followed by technicians and engineers and then, most important of all, by German financiers and merchants. While a branch of the *Deutsche Bank* of Berlin was soon opened in Constantinople, German commercial enterprises succeeded in penetrating right into the most remote corners of the Empire, thanks to the diligent support of the

---

<sup>3</sup> A. TAMBORRA, *La crisi balcanica del 1885-86 e l'Italia*, in « Rassegna Storica del Risorgimento », 1968, pp. 376-379.

ambassador in Constantinople and the entire consular system in Turkey. The information it provided on the needs and preferences of Turkish consumers — who were generally of a very low economic level — combined with the adaptability of an industry in full expansion and in search of markets were essential to the successful German penetration of the entire Ottoman Empire.

Following the example set by Austria, who for years had been trying to tie the Balkan peninsula as closely as possible by a skilful policy of railway building, seeking concessions for the operation of new lines to connect up with its own central European system, German looked much further afield, to Asia Minor and Mesopotamia. As early as 1848 — the year of the Frankfurt Parliament — the German economist Roscher had pointed out that Asia Minor was the part of the Ottoman Empire that, in the case of its future partition, should accrue to Prussia, or rather to the future Germany. After the unification of Germany the prospects for expansion towards the East took on a more concrete form. The prospects were seen to be essentially commercial, a result of the industrial revolution to which all the nation's energies were geared. In about 1880 a commercial company for the penetration of Asia Minor was set up in Berlin while noted scholars began to study all aspects of the Near East, which they saw, following A. Sprenger in 1886, as « the only territory in the world which has not been subjected to the control of any one of the ambitious nations of the world... ». It « offers the most splendid field for colonization and if Germany takes this opportunity and occupies the territory before the Cossacks (i.e. Russia) lay their hands on it, she will be assured of the best share when it is partitioned ». And when the problems of the Ottoman « inheritance » became a reality and concerned the great powers as well as the Balkan nations, it was hardly surprising that towards the end of the century the Pan-Germanic association peremptorily stated Germany's « right » to receive part of this inheritance in one of its publications. Confronted with the indifference of Great Britain, the power that was most involved, the Germans were quick to introduce a vigorous policy of commercial expansion. In 1888 the *Deutsche Bank* of Berlin and the *Württembergische Vereinsbank* of Stuttgart took over the concessions which

had been granted to an Anglo-Greek group for the construction of railways in Asia Minor, and in 1889 the Germans founded the Company for the Anatolian Railways. Finally, in 1902 this company obtained the right to build the railway from Constantinople to Baghdad, with an extension to Bassora, after buying up minor concessions. In this way a single railway line from Germany connected the Near East to Central Europe. This policy, which was backed by Wilhelm II and the Reich's diplomatic machinery, found its necessary economic support in Germany's expanding industry and continued until the outbreak of the First World War. Nor was it upset by the Revolution of the Young Turks and their nationalism, since the Grand Vizier Enver Pasha continued with even greater enthusiasm the policy of establishing ties with Germany that had begun with the deposed Sultan Abdul Hamid.<sup>4</sup>

Austria-Hungary and Germany, then, made equal progress both in the Balkans and in the larger Ottoman Empire, each maintaining a clear division of tasks, of zones of influences and of exploitation. For Italy, of course, the area of greatest interest and most urgent concern was the Balkans, although she also began to see Asia Minor as a source of raw materials (coal from the Eraclea basin) for her expanding industries. Therefore it was hardly surprising that Italy was encouraged from all sides to follow a single policy, to make her presence more directly and actively felt, not only on the political scene but also in the economic and commercial life of the Balkans and the Levant. In other words the Italians saw and became aware that the policy of maintaining the *status quo* within the terms of the Triple Alliance had now become purely formal and static, and was no longer sufficient. The economic and commercial activity of Austria-Hungary was modifying the situation to her own advantage. It was no longer merely a diplomatic and territorial question, but was now affected and conditioned by economic interests.

All of the policies of Milovan Milovanović — Serbia's minister at the Quirinale from 1903-7, and then Foreign Minister from the Bosnian crisis of 1908 until his death in 1912 — were thus aimed

---

<sup>4</sup> For these problems see A. TAMBORRA, *L'Europa centro-orientale nei sec. XIX-XX*, Milan, Vallardi, vol. II.

at drawing Italy into the Balkans. Faced with Austria's activities and the absence of Russia it became more urgent than ever for Serbia to find support and « counterbalances » elsewhere. In fact there were not many alternatives and the only one that was both close and accessible was Italy. So for Milovan Milovanović, Italy's active presence in the Balkans became really desirable. In his view this would leave Austria confronted by Russia in the East and by Italy in the West. He declared explicitly: « Italy must make herself strong, involve herself with us and increase her power in the Balkans. We need not fear that this initiative on the part of Italy will have harmful consequences for the Balkan nations. Her interests are identical to ours ».<sup>5</sup>

Milovan Milovanović, whose political stature has been recognized, was certainly considering Serbia's needs and acted accordingly, but he also bore in mind those of all the other Balkan states as well, including Turkey. His influence on the attitudes of the Italian ruling class of the period must have been considerable since he had access through Masonic societies to the highest circles in the Italian capital, including King Vittorio Emanuele III. He was also a friend of men of the importance of Giovanni Giolitti, Tommaso Tittoni, Sidney Sonnino etc. As Djordjević stresses, through these contacts Milovanović « constructed his political system, introduced Italy into the Balkan labyrinth, addressed himself to major political interests and always bore in mind Serbia's real interests. He provided a stimulant to Italian policies so that Italy became the protectress of the 'ententes' between the Balkan states ».

Identical expectations and hopes were also to be found in Montenegro. Here members of the ruling class, such as Ramadanović and especially Mjusković, the Minister of Finance in 1905 and then Foreign Minister, according to a letter of 14th March 1905 from the French consul at Scutari, A. Alric, to the Foreign Minister Delcassé « rêvent de voir l'Italie entâmer résolument, jusque dans le Monténégro, une lutte d'influence contre l'Autriche-Hongrie ». Of course the Italians were uneasy about Russia's absence from the Balkan scene and the Italian general consul at Scutari, Leoni,

---

<sup>5</sup> Cf. D. DJORDJEVIĆ, *Milovan Milovanović*, Belgrade 1962, p. 66.

« désire depuis quelque temps la prompte cessation de la guerre russo-japonaise. Il me semble craindre que son pays ne soit laissé en tête à tête avec l'Autriche-Hongrie quant au règlement du sort de la moitié occidentale de la Péninsule des Balkans ». <sup>6</sup> But there was also firm encouragement for Italy to play a more active role in the Balkans even in the economic field from France, which after the Visconti Venosta-Barrère and the Prinetti-Barrère agreements of 1900 and 1902 was the party most directly interested in weakening the Triple Alliance.

The most authoritative mouthpiece of this encouragement was a French publicist, Charles Loiseau. He was a diligent and well informed observer of Balkan problems of which he had had direct experience during the years he had spent in his youth as secretary to the Croatian bishop J. J. Strossmayer, and also through his family relationship with Ivo and Lujo Voinović of Ragusa. He was a reliable source of information and an advisor on Balkan questions to the French ambassador in Rome, Camille Barrère. In 1901 he published an essay in Paris which made a considerable stir and bore the significant title « *L'équilibre adriatique, l'Italie et la question d'Orient* ».

His immediate aim in this work, as in other articles and speeches, was to persuade Italy to « free herself » from the Triple Alliance, to join the 'entente' with France and Russia (and so bring closer the moment of 'revanche' against Germany). He argued that Italian positions in the Adriatic were compromised to the extent that Venice had fallen to seventh place among Italian ports, behind Savona and Chiavari. At Brindisi, like Venice, four fifths of the shipping was accounted for by the Austrian 'Lloyd', the Hungarian 'Adria' and by the English 'Peninsula' shipping companies. His views were undoubtedly exaggerated and prejudiced, and were based on out-dated statistics which were corrected by an economist, Jacopo Trochio, for example, in an article on « The Balkan railways and the future of the port of Venice » in the *Rassegna Nazionale* (vol. CXXI, year XIII, September-October 1901).

---

<sup>6</sup> *Archives du Ministère des Affaires Etrangères*, Paris, Monténégro, Politique étr., Dossier Général III, 1905-1910.

However Loiseau's entire argument was valid where he suggested that Venice's position might be strengthened by linking its port to Lombardy by a river network which would give it the function of intermediary with the neighbouring Balkan peninsula. But most important of all, in contrast to Austria's railways programme (which with the section from Sarajevo to Mitrovica would complete the unbroken communication between Vienna and Salonika) Loiseau gave his influential support to a programme of interest to both Italy and more broadly speaking the West as a whole. This envisaged a transversal railway line from the Danube to the Adriatic, from Niš to Scutari of S. Giovanni di Medua or Antivari (Bar).

Trochio wrote that this plan had already been discussed in Italy in « meetings held by financiers interested in undertaking the task » and he found the prospects attractive. « After the Adriatic has been connected with the Black Sea by the magnificent artery of the Lower Danube a new direct outlet for the Latin countries for trade with Russia, Bulgaria, Serbia, Montenegro and Albania will be opened up. France, Italy and Switzerland will no longer need to use the Central European routes for their trade with the land-bound Balkan countries, for their trade will now take the Venice and Adriatic route. The fact that the great centre of Lombard (Italian) industry could open a new and important export market through Venice is of particular importance to us. The two Balkan lines, the one built by Austria and the other which we shall build to compete with it would run in diametrically opposite directions, almost as if to symbolize the opposing ambitions of the Latin nations aspiring to strengthen their hegemony over the seas and the German race desiring to win it ».

Luigi Albertini's influential *Corriere della Sera* also took a hand in correcting the essentially politically orientated argument put forward by Loiseau, and from then on was constantly aware of the question of relations between Italy and the Balkan and Turkish East. In the article « The power balance in the Adriatic » of 16th-17th July 1901 the Milanese newspaper immediately stressed that Italy's minor role in the Adriatic « was not brought about by the Triple Alliance but by our negligence: but if and when we wake up we shall find the watchful policy of the Austrians contesting our

passage». This was illustrated both in the case of shipping and in that of the Albanian schools. «The opposition comes from Austria who is barring our way to the East. Behind Austria is Germany». Of course, the newspaper remarked, this should not lead Italy to «join the Franco-Russian entente» for even if «there is some truth in what Loiseau says, this latest proposal is highly debatable as France and Russia would act in their own interests just like Austria and Germany». There remained, then, no other alternative but a more active Italian involvement, and not only in economic matters, throughout the Balkan and Turkish East. The newspaper returned to the subject again some days later, on 23rd-24th July 1901 in «Italy and the new Eastern question». «Loiseau's advice is very practical and sound. Venice is the cornerstone — as Pietro Verri used to say — of the communications between the European continent and the East through the Adriatic and the Mediterranean. With little expenditure we can adapt the inland waterways connecting Lombardy and the Adriatic to the needs of trade and send through Venice and the Adriatic the trade which now has to travel across the Alps.

In considering the construction of the Sarajevo-Mitrovitsa railway which will join the two lines already in existence, that is Vienna-Sarajevo and Mitrovitsa-Salonika, Austria intends to close the Adriatic route to the Serbs; Serbia, the whole Balkan peninsula and Russia on one hand, and Italy, Switzerland and France on the other would find it to their advantage to build a line which would intersect it, running from Scutari via Podgoritsa to Kladovo on the Danube where it would link up with the Romanian and Russian railways. The Vienna-Salonika line which crosses the Balkan peninsula from North-West to South-East would then be matched by a line from Kladovo to Scutari which would cross it from North-East to South-West. Lombardy, Switzerland and France would then be put into direct communication with the Danube and the Black Sea by the stretch of sea from Venice to Scutari». A few months earlier, on 10th February 1901, the Prince of Montenegro himself, Nicolas Petrović-Njegoš, had put forward the idea of a railway from Niš on the Adriatic Sea with outlets at Antivari and S. Giovanni di Medua in an interview with the *Figaro* in Paris — in

December he was to begin negotiations in Paris for a loan, but without success. (*Corriere della Sera*, 19th-20th February and 5th-6th Decembre 1901). The newspaper warmly approved this proposal as one that met the hopes of both Italian and international public opinion.

As can be seen, Austro-Hungarian and German activities in both the Balkans and the Ottoman Empire meant that political questions were inextricably linked with the problem of finding sources of raw materials and outlets for Italy's expanding industry. In this context what first struck Italians and others when, with economic ambitions in mind, they looked beyond the Adriatic was the basic lack of infrastructures, of shipping routes, disembarkation ports suitable for steam ships of adequate tonnage, and above all of railways from the Adriatic coast to the Danube, Constantinople and the Black Sea. All of these could be built only with the aid of a financial system which had still to be created. As a result financial and entrepreneurial adventures in the Balkans advanced hand in hand — the first creating the essential basis for the second. Even if these two activities cannot be isolated from each other they ought however to be distinguished for reasons of clarity.

One ought to remember that in the twenty years which in Italy corresponded to the « industrial revolution of the age of Giolitti », that is between 1898 and 1913, « new relations... were being established between banking and industry ». Towards the end of the century four great Italian banks were founded, or transformed as a result of initiative and capital that were partly, and in some cases predominantly, German: the *Banca Commerciale Italiana* of Milano, the *Credito Italiano* of Genoa, the *Banco di Roma* and the *Società bancaria italiana* of Milan.

These banks, were built on the German model of the mixed bank and operated both in the field of ordinary credit together with long and medium term commercial credit to industry. They were essential if the entire Italian industrial effort was to find the basic structures that could support it. « In a country afflicted with an immense shortage of capital available for industrial investment » — as Romeo' says — « the large-scale call for national savings was

in fact an essential condition for development... The sovereign importance these banks assumed in industrial investment is then historically one of the most important characteristics of Italian economic development... in which the necessity of speeding up development forced the country to mobilize savings more intensely and directly than had been the case in England... ».<sup>7</sup> Now this highly important relationship between banks and industry was also found, almost as a natural corollary, in Italian entrepreneurial activities in Turkey and the Balkans. But before examining this relationship and illustrating the financial system which supported, and so provided the real basis for, these entrepreneurial activities, we should look first at individuals and their activities.

Among the first to 'look to the East', to respond to and carry out these appeals for concrete entrepreneurial activity beyond the Adriatic, was a group of enthusiastic, courageous and enterprising Venetians. One of them was Giuseppe Volpi. Although he was still unknown at the turn of the century in his own country, he was already noted for his business activities in Hungary, Serbia and Turkey, and in a very short time became the acknowledged leader. He was joined by others after 1901. Volpi later wrote to the Foreign Minister Tittoni on 25th April 1906: «in 1901 a group of Venetian financiers led by, among other gentlemen, the Senator Count Nicolò Papadopoli-Aldobrandini, Count Girolamo Marcello, Count Ruggero Revedin, Count Piero Foscari, Count Amedeo Corinaldi, Commendatore Roberto Paganini and myself, formed a modest company with a capital of 1,500,000 francs which was called the *Società per le Miniere d'Oriente* and was based in Salonika. Its immediate aim was to study and undertake prospecting for mining in the Ottoman Empire, in order to establish positive incentives for founding an Italian company in Turkey which would study the economic situation and the possibility of greater expansion ». The mining activity there had a «happy outcome»; the company made itself known and succeeded in «enlarging the basis of its operation. Five years' practical experience of the Turkish market gave it knowledge of everything that was required and of the profits that

---

<sup>7</sup> R. ROMEO, *op. cit.*, pp. 69-71.

might be expected there for the nation's industry and commerce ».<sup>8</sup> This was an authentic market survey, in terms of outlays and returns, and followed the best traditions of Italian commercial practice.

Immediately after this Volpi became interested in Montenegro, a state that still had an archaic tribal structure based on the predominance of the Petrović-Njegoš over a small group of families and where the only profession considered honourable was fighting. But even in this incredibly backward area, whose economy still revolved around forestry and pasture, changes had begun to take place. Contact with Europe through the marriages of Prince Nicolas' daughters, hostility to Austrian policy that was aimed at the economic subjection of the little state, the growing feeling that Tsarist Russia could no longer be relied upon for any aid beyond gracious gifts of money which were sunk into ever-empty coffers, all persuaded Prince Nicolas to seek, or at least receive favourably, Volpi's projects. In 1903 the so-called *Sindacato italo-montenegrino* was formed in Venice (« among a few friends and with modest funds » as Volpi later recollected) the president of which was Piero Foscari. His first activity was the establishment in 1903 of the *Regia cointeressata dei Tabacchi* (State Tobacco Monopoly) in Montenegro, an Italian company which became Montenegrin with headquarters ostensibly in Podgorica, although it was in fact based at the Vianelli Palace in the Campo San Provolo in Venice.

The establishment of the tobacco monopoly was the only way to give Montenegro's finances a regular source of income and Montenegro obtained a loan from the company which was guaranteed by a concession of fifteen years' administration of the monopoly. The economic results were immediately apparent. A tobacco factory was established in Podgorica employing more than 340 workers, and experimental plantations were also introduced by Italian settlers from Lecce, which soon employed 7,000 families in the cultivation of tobacco. Of course there were strong reactions to the introduction of the monopoly in a country with patriarchal customs where tobacco was sold on stalls and at street corners at a very low price.

---

<sup>8</sup> *Archivio Storico del Ministero degli Esteri* (A.S.M.E.), Rome, carte Tittoni, busta 5, fasc. 2.

The Minister for Home Affairs later reported to the Foreign Minister on 28th September 1909: « It is from this that the deep and implacable hatred stems towards those men responsible for establishing this enterprise, who unfortunately are Italians ».<sup>9</sup> But the government of Montenegro maintained the monopoly in the face of angry opposition and complaints. The State Tobacco Monopoly increased its capital as early as 1905 to 2,500,000 crowns, with an income that grew from 79,607.07 Austrian crowns in 1907 to 155,219.26 in 1910.<sup>10</sup> These results, which had been anticipated from the beginning, inspired Volpi and his friends to aim higher and look further afield. After their prestigious and consolidated economic activities in Montenegro, Serbia and Turkey they were the first to take up the Austrian railway « challenge » in the Balkans and drew up an ambitious plan. This was to make Montenegro the bridgehead of the Italian economic and commercial penetration of the Balkans, to establish a system of communications which, starting from Venice and Italy, would reach Antivari and from there a railway — albeit only a Bosnian 76 cm. gauge track — would run to Vir Pazar and the Lake of Scutari, with the further aim, which remained more hypothetical than real, of proceeding as far as the Danube. This programme was of value not only to Montenegro, as it, of course, affected the entire Balkans, including Turkey, which would be brought closer to the Adriatic by lines of communication that could be used throughout the winter.

In order to carry out this programme it was first of all necessary to remove, or at least avoid, a kind of right of preemption that had been granted to Austria by Clause 29 of the 1878 Treaty of Berlin which ratified the independence of Montenegro. According to this clause the little state — whose outlet to the sea at Antivari (Bar) and the fortress of Spizza (Spis) were acknowledged — had to « reach agreement with Austria-Hungary on the right to build and maintain a road and railway through the new Montenegrin lands ». Consequently the Austrian government had brought pressure to bear for some time so that the concession of the railway line from

<sup>9</sup> A.S.M.E., carte Tittoni, busta 5, fasc. 3.

<sup>10</sup> Cf. M. DJUROVIĆ, *Crnogorske Financije 1860-1915*, Titograd 1960, p. 387.

Antivari to Vir Pazar should go to an entrepreneur of their own choice. How then could the Italo-Montenegrin Syndicate, in other words Volpi, «relieve» Austria of the railway concession which in Austrian hands would have completed the economic subjection of the little state? There was only one way — to try to take the government of Vienna by surprise by acting together with Montenegro.

In the words of the French journalist Charles Loiseau to the French chargé d'affaires in Rome, Albert Legrand, on 6th August 1906 (after a revealing conversation with Paganini): «d'accord avec M. Gavro Vukovitch (Vuković), ministre des Affaires Etrangères du Monténégro, M. Volpi... imagine la combinaison suivante»: following the insistence of Baron Kühn, the Austrian Minister in Cetinje, that the construction of the railway should be entrusted to an Austrian group, «M. Vukovitch feindrait de prendre au sérieux les propositions du baron Kühn et l'inviterait à formuler par écrit, de façon à se procurer une preuve écrite de l'assentiment du gouvernement impérial au principe d'une ligne à voie étroite de la baie de Antivari à Vir Bazar. Ce document acquis, le Syndicat italien se découvrirait et formulerait des propositions parallèles, qu'on s'arrangerait ensuite de façon à agréer de préférence à celles du candidat du baron Kühn. Cet honorable diplomate tomba dans la piège, présenta un entrepreneur (Koll ou Kolz?) et mit dans les mains de M. Vukovitch une déclaration qui comportait le consentement de son Gouvernement au principe de la construction de la ligne en question. Il s'aperçut de son erreur quand le gouvernement se mit à discuter la personnalité, d'ailleurs douteuse, de M. Koll (?) et à entâmer des pourparlers avec le syndicat italien. Mais il était un peu tard pour la réparer d'autant plus que M. Vukovitch, à la suggestion du dit Syndicat, fit entrevoir l'éventualité de soumettre le cas au tribunal de la Haye. C'est grâce à cette surprise que les Italiens entrèrent dans la place».

This bold and risky initiative brought face to face a small group of Venetian financiers, and then later the greater part of the Italian financial world, on the one hand and on the other the mighty Austro-Hungarian empire, and was based on very precise objectives.

« De l'aveu des fondateurs de la Compagnie du port d'Antivari, leur but a été surtout politique et consiste:

1) à empêcher le Gouvernement austro-hongrois d'installer un de ses ressortissants au Monténégro, comme concessionnaire du port d'Antivari et du chemin de fer;

2) à s'assurer un débouché maritime et le bénéfice d'un précédent » and then to obtain the concession to build a normal gauge railway from the Adriatic to Niš through the Timok valley to the Danube, with outlets at Antivari and S. Giovanni di Medua.<sup>11</sup>

Obviously the concession for the port and the Antivari railway were only the beginning of a longer and more forceful economic drive towards the heart of the Balkans which would involve the operation of an Italian railway from the Adriatic to the Danube with a final link-up with the Turkish system as a competitor and alternative to the Austrian Vienna-Salonika railway. This ambitious plan, which was readily supported and adopted by Tommaso Tittoni, the Italian Foreign Minister, who was especially active in Cetinje through Cusani Confalonieri, the Italian representative there, explains how the « mobilization » of important Italian industrial and financial circles proved to be speedy and effective. Had a port and a narrow gauge railway to Montenegro remained the sole objective in view very few would have become interested, because if it was worthwhile economically it was also limited. But when there was more ambitious talk of a great trans-Balkan railway that would take Italian industry to the Turkish and Balkan markets, in competition with more experienced Austrian industry, Italian financiers and entrepreneurs could not fail to respond to the appeal by Volpi and his colleagues. These were then the means and projects that led to the direct intervention of Italian capital in the Balkans, with the creation of the *Compagnia di Antivari* formed between 1904 and 1905. Half the initial capital of four million Austrian crowns was subscribed by the *Banca Commerciale Italiana*,

---

<sup>11</sup> *Archives du Ministère des Affaires Etrangères*, Paris, Monténégro, Politique étr., N. S. 5, Dossier Général III, 1905-1910, the chargé d'affaires in Rome, A. Legrand, to the Foreign Minister Léon Bourgeois, Rome 6th August 1906.

thanks, as Volpi wrote, « to the very generous help of Commendatore Otto Joel » the general director of the *Banca Commerciale Italiana*, « who took charge of the business ».

The Antivari Company was legally established on 5th December 1905 as a Montenegrin company based at Cetinje but with entirely Italian capital. The remainder of the capital was provided partly by the Venetian group involved in the State Tobacco Monopoly (i.e. Volpi and his colleagues) and partly by the following representatives of Italian finance and industry, whose names and the forces they represented provide an authentic illustration of the growing involvement of the Italian economy in the Balkans: Amedeo Corinaldi, the president of the Paduan Chamber of Commerce; Attilio Odero, president of the United Shipyards, vice-presidente of the Savona Steel Company and a director of the *Elba*, *Terni*, *Ferriere Italiane*, *Ilva* and *Navigazione Generale Italiana* companies; Carlo Raggio, a director of the *Banca Commerciale Italiana* and the *Ligure Lombarda* company, and also managing director of a business under his own name; Clemente Maraini the parliamentary deputy; Giovanni Tempini, the president of the steelworks of the same name in Brescia; Luigi Canzi, the president of the *Banca cooperativa* of Milan; Giorgio Mylius, of Milan; Avvocato Ronaldo Ricci of Genoa; Ingegnere Giuseppe Orlando, president of the *Terni* and *Officine Galileo* companies, managing director of *Ilva* and director of *Breda* and *San Giorgio* companies, who became vice-president of the Antivari Company; Luigi Marsaglia of Turin, joint owner of the banking concern of the same name and director of the Sardinian section of the Railways Company; Marco Besso, who represented the *Assicurazioni Generali* to the company; Tommaso Bertarelli, the president of the main board of the *Banca d'Italia* (the presence of the largest Italian banking institution in the Balkan enterprise was important from then on); the *Banca Zaccaria Pisa* of Milan; Cesare Trezza of Musella, president of the Italian Chamber of Commerce in Paris; Ernesto de Angeli of Milan; Alberto Vonwiller, owner of the Milanese bank of the same name and also director of the *Credito Italiano* of Genoa, *Manif. Juta* and the *Officine meccaniche di Genova* and vice-president of the *Soc. Ital. Ind. Gas* etc.; the journalist Vico Mantegazza of the *Corriere della Sera*, well

known for his services in Turkey and the Balkans; Senator Alberto Treves de' Bonfili of Venice, one of the most prominent figures in both Venetian and Italian economic circles and president of the *Soc. Ven. di Navigazione a Vapore*, the *Società delle Guidovie centrali venete*, the *C.I.G.A.*, the *Immobiliare Lombardo-Veneta* of Milan, the *Sylos of Venice*, the *Società Coloniale Italiana*, vice-president of the *Credito Italiano*, director of the Milanese *Società per la Navigazione Fluviale e per la Navigazione interna* etc.; Ingegnere Ernesto Breda, managing director of the Breda company and director of *Innocenti Mangili* and *Vagoni Frigoriferi* of Milan and also president of the *Società per i commercio di macchine agricole* of Piacenza; the Senator Count G. Rossi-Martini, representative of the shipping industry as president of *Lloyd italiano* in Genoa, *Italia* in Naples and director of *La Veloce*, the *Genoese Navig. Ital. a Vapore* and the *Banca Commerciale Italiana*; Deputy Cesaroni of Florence, Ingegnere Vittorio Ottolenghi and Deputy Cornaggia Medici of Milan, Senator Erasmo Piaggio, president of *Lloyd Italiano* and the *Società italiana per l'industria dello zucchero* and a director of the *Banca Commerciale Italiana*.<sup>12</sup>

We have recorded at length the individual men and financial groups which, with the all-important commitment of Otto Joel of the *Banca Commerciale Italiana*, were involved in the Antivari company, in order to give a clear picture of the expectations aroused in Italian industrial circles when they turned their attention to the Balkans. The range of participants, all of whom were to a varying degree representatives of different managerial boards, the presence of the major banks which were themselves partners in a variety of industrial concerns, the range of industries — engineering, ship-building, iron and steel, food and transport etc. — all illustrate the variety of interests that were now concentrated on Antivari, on the railway through Vir Pazar, Montenegro and even the Balkans as a whole. But again one must stress that the cream of Italian finance and industry would not have shown so solid an interest in these affairs had they not seen the prospects for development beyond and

---

<sup>12</sup> *A.S.M.E., carte Tittoni*, busta 5, fasc. 3, Promemoria s. d. See also F. BONELLI, *La crisi del 1907*, Turin 1971, pp. 221-229.

outside Montenegro that might be realized as a result of a great trans-Balkan railway from the Danube to the Adriatic.

The Antivari company — whose first directorial board was composed of Ing. Paganini as president, Giuseppe Volpi as managing director, and Vico Mantegazza, Piero Foscari, Giuseppe Orlando, Guglielmo Marconi, Ottolenghi, Ing. Piola Daverio and Deputy Cornaggia Medici as directors — immediately went to work, as soon as detailed preliminary studies had been drawn up under the direction of Paganini, a famous and widely experienced railway engineer. Less than three years after the signature of the sixty year agreement with the Montenegrin government (14th-26th June 1906) the railway between Antivari and Vir Pazar was opened on 1st January 1909. On 23rd October 1909 the port itself, which contained some 4,500 metres of quayside, was opened to traffic with the docking of the ship *Molfetta* of the *Puglia* shipping company. Other enterprises quickly followed: the free port was established with the beginnings of an embryonic industrial zone as well as a regular shipping line on Lake Scutari etc. But these projects were not easy to carry forward due both to environmental difficulties and to successive political crises in the Balkans and Europe; with the outbreak of the World War in June 1914 the first installation to be bombed by the Austrian air force belonged to the company and the railway line was not rebuilt.

As we have stressed, the objective of all the Italian entrepreneurs, with Giuseppe Volpi and the Antivari Company as the spearhead, was the Balkans and the entire Ottoman empire. And this was taking place just at the time when the Italian economy had to face the grave economic crisis of 1907 which resulted basically from a real crisis of over-production. In the difficult situation in which they found themselves the various industries were forced to rely even more heavily on the banks and the already onerous ties of dependence grew even tighter.<sup>13</sup> So the decision of the Venetians and the *Banca Commerciale Italiana* to intensify the search for new

---

<sup>13</sup> R. ROMEO, *op. cit.*, p. 99; F. BONELLI, *op. cit.*, *passim*; K. E. KIROVA, *Italijanska ekspanzija v vostočnom sredi-Zemnomorja (v načule XX v.)* (Italian expansion in the Eastern Mediterranean at the beginning of the 20th century), Moscow 1973, pp. 118-232.

outlets capable of absorbing surplus industrial production was spontaneous. In 1908, for example, the *Rivista Commerciale d'Oriente* in Venice — the organ of the *Regio Museo Commerciale* that had been created on 5th March 1907 — made a « warm appeal » to Italian industrialists in an article on « The establishment of industry in the Ottoman empire ». « In view of the extraordinarily favourable conditions for the development and establishment of industries in the Ottoman empire they, the Italian industrialists, wish to use the opportunity and are attempting not to be overtaken by industrialists of other nations who have already sent explorers and technicians to study the East ». The *Museo* offered its services in providing all forms of information and help.<sup>14</sup>

This in fact was exactly what Volpi and his group were already doing in financial terms with the firm support of the *Banca Commerciale Italiana*. On 19th February 1907 the *Società Commerciale d'Oriente* was founded in Venice, in the Campo San Provolo, with an initial capital of three million gold francs, later raised to five million. Its president was Otto Joel, the director of the *Banca Commerciale*, who took such an active part in Italy's industrialization. Giuseppe Volpi was the director and among the members of the board were to be found Pietro Fenoglio who, as well as being one of the chief directors of the *Banca Commerciale*, was also president of *Zolfi Siciliani*, a director of the *Metallurgica Franchi Griffin* and four electrical companies, president of the *Fabbriche riunite degli Agricoltori italiani* of Milan and the Italian union of producers and consumers of fertilizers and chemical products; Giuseppe Sahadun, director of the *Comit, Magona d'Italia*, the *Società per le Industrie forestali*, and others. The head office was established in Constantinople and other offices were opened in Scutari in Albania and in Antivari. The managers were Ingegnere Bernardino Nogara and Angelo Zannotti.

This was then an authentic finance company and backing organization which at once took a financial interest in the Turkish empire. Its first investment was in coal from the Eraclea basin which led to the founding of the *Società di Navigazione del Corno*

---

<sup>14</sup> « Rivista Commerciale d'Oriente », Nov.-Dec. 1908, year II, No. 17-18, p. 5.

*d'Oro* in partnership with the *Deutsche Orient Bank* and it also financed public and private building operations. But after 1908 when the *Banco di Roma* had also appeared on the Turkish scene there were fears that there would be competition between the two. This fear was expressed by Luigi Fontana Russo, an economist who was particularly concerned with problems of commercial policy. He was manager of various credit organizations and organizer of the federation of Italian shipbuilders as well as a professor at the University of Rome. In *Il Commercio Veneto* on 11th February 1911 he argued that « European capital flows more copiously and rapidly than ever towards the Levant », but he stressed the recent activities of the *Banco di Roma* and expressed the hope that it would act in agreement with the *Società Commerciale d'Oriente* for this was « a focus for operations which has been functioning for some time and so has a network of customers and is acquainted with the market and which could therefore offer useful service... The union of the two institutions would be desirable for sound tactical reasons which suggest that it is better to amalgamate it rather than divide, to fuse rather than separate, the forces involved », all the more so since many banks « have been established on the shores of the Bosphorus ». The cause of this, one must add, lay in the new conditions that had been brought about in Turkey by the Revolution of Young Turks in 1908.

An understanding between the two was reached shortly after. In the report of Boppe, the French chargé d'affaires in Constantinople, to Paris on 11th March 1911 it was stated that the *Società commerciale d'Oriente* « se consacrerá désormais uniquement aux affaires commerciales et industrielles, laissant les affaires de Banque proprement dites au Banco di Roma ». It was now apparently ready to attempt more expansion, as a result of the agreement with the *Banco di Roma*. It was encouraged in this both by the Italian ambassador in Constantinople, Baron E. Mayor de Planches in a speech to the Italian Chamber of Commerce in the Turkish capital, and also by certain members of the Turkish government who hoped to see « les grandes maisons italiennes participer d'une manière plus active aux grandes affaires de travaux publics en Turquie ». Because of this, Boppe's report concluded, « il sera en tout cas intéressant

de suivre son action ». <sup>15</sup> Finally, another financial enterprise undertaken by Volpi and the Antivari company — in agreement with the *Banca Commerciale Italiana* — was the establishment of the *Banco di Scutari* or *Azienda A. Tozzi e Co.* at the end of 1906. It was formed as an Italian limited company by Signor Tozzi as manager and acting partner (he was in fact merely an employee provided by the Venice branch of the *Banca Commerciale*) and Giuseppe Volpi, the limited partner, who provided the capital of 50,000 *lire*. In fact Tozzi « sees himself only as a dependent of the Antivari company » and so « the Bank of Scutari is merely a subsidiary bank of the Antivari company, which also provides the funds ». As for relations with the *Banca Commerciale Italiana*, the responsibility was assumed by the Antivari company and so the Bank was able to act simply as an ordinary correspondent. <sup>16</sup>

Of course the Tozzi bank did not have an easy life. Although a year later, at the end of September 1908, the impressions gained by Arturo Hertel — an employee of the *Comit* who was invited to inspect the accounts and the entire activities of the bank until then — were « rather unfavourable » yet in his opinion there was no question « of advising that this our indirect creation should be abandoned as it is now destined to provide financial assistance for the expansion of trade and the introduction of various goods through the different enterprises of the Antivari company ». Here Hertel foresaw the possibility that management of the bank might subsequently be taken over directly by the *Banca Commerciale*. <sup>17</sup> The company remained intact until 1913 when as the result of an agreement drawn up on 25th June 1913 between Ismail Kemal, the head of the provisional government of Albania, Felix Kuranda for the *Wiener Bank Verein*, and Otto Joel for the *Banca Commerciale Italiana*, the Bank of Albania was founded. <sup>18</sup>

Naturally not all the Italian industrialists and business men looked to the future and concerned themselves with gaining a firm

<sup>15</sup> *Archives du Ministère des Affaires Etrangères*, Paris, Italie. Banque, Bourse etc. II, 1908-1914, Boppe to the Foreign Minister Pera II, March 1911.

<sup>16</sup> *Archivio Storico della B.C.I.*, Banca Commerciale Italiana, Milan, Antivari, 957/59, the Venice branch to the Director General O. Joel, Venice 15th December 1906.

<sup>17</sup> *Ibidem*, 927/75 and 76. Arturo Hertel to Toeplitz, Scutari-Bari 27th Sept. 1908.

<sup>18</sup> *Archivio Joel*, Paris, fasc. 17 Bank of Albania (1913).

and prestigious foothold in the Turkish empire, based on honest and sound business conduct. Some sought only to make money but were prevented by hasty Italian diplomatic intervention which was determined that nothing should prejudice the first tangible Italian economic initiatives in the empire. So when Perrone of *Ansaldo* in Genoa insisted at length in 1907 that the ambassador in Constantinople, Imperiali di Francavilla, should make felt « his personal influence with the Sultan in order to obtain for the Ansaldo company the contract for the modernization of the Turkish fleet » the ambassador refused outright: « apart from reasons of decorum, it would be dishonest to force the Turkish government into an onerous contract that is of no practical use: the Turks themselves, from the Grand Vizier down to the humblest naval officer, know perfectly well that ships of a type much more modern than the Turkish ships (which are over thirty years old) are now obsolete in all the navies of the world ». Perrone and his colleagues considered that the order for a cruiser costing eight million francs which was acquired by Imperiali, « despite the wretched state of Turkish finances... was insufficient to their ambitions ». Even the clause that provided for the building of the ship by Italian workmen in the shipyards of the Golden Horn, which Perrone had wanted to insert, was rejected by the Sultan « who does not wish, for reasons of peace and personal safety, to have a colony of Italian workmen in the capital of his Empire ».<sup>19</sup>

As we have seen, French diplomacy and high finance closely followed the changes in Italian policy toward the Balkans, but especially with regard to economic and commercial expansion. But in fact as time passed, there was a considerable fall in the amount of German capital involved in Italian operations. For this reason — as Counsellor Laroche noted in a report from Rome to the French Foreign Minister on 29th October 1907 — as a result of the German withdrawal from the Italian market, Italy « se trouve dans une pénurie de capitaux en face d'une industrie qui

<sup>19</sup> *Archivio Centrale dello Stato*, carte Ugo Brusati, busta 9, fasc. V, 231, Major-General Vittorio Trombi (on a mission in Macedonia) to the King's general aide-de-camp General Ugo Brusati, San Remo 10th October 1907.

offre tous les gages d'une prospérité future. Il faut que de l'étranger il vienne d'autre fonds pour remplacer ceux qui sont rentrés en Allemagne. Si nous avons conscience de nos intérêts politiques et économiques, c'est nous qui devrions prendre la place vacante. Mais il faudrait le faire avec méthode et en prenant nos précautions nécessaires... Si nos capitaux se décident à jouer un rôle digne de notre puissance financière sur le marché italien, il sera nécessaire de les faire accompagner et d'obtenir l'élimination graduelle du personnel allemand et des italiens inféodés à la finance allemande ».<sup>20</sup> At the request of the Quai D'Orsay French high finance had in fact wasted no time, for after the *Banque de Paris et des Pays Bas* and its group had gained an interest in the *Banca Commerciale* (in about 1906) it had followed immediately with a request to participate in the Antivari company. The meaning was very clear: France did not intend to remain uninvolved in the development of a great trans-Balkan railway system which was anticipated from the activities of the Italians. In fact this offer of direct participation was politely declined, and as Giuseppe Volpi, the managing director of the Antivari company, stated verbally and by letter to the Foreign Minister, Antonio di San Giuliano, on 18th January 1906, « Commendatore Joel, the general director of the *Banca Commerciale Italiana* which, as Your Excellency known, is financially the most important partner in this business, is opposed to granting this request for partnership without previous authority from Your Excellency in order to show that caution which we are attempting to follow throughout these matters and to demonstrate once more the incomparable disinterestedness of the *Banca Commerciale* and especially of Commendatore Joel ».<sup>21</sup>

We do not know what directive was given by San Giuliano although it was probably communicated directly, as Volpi himself suggested, to Ingegnere Paganini, « who resides in Rome at his

<sup>20</sup> *Archives Nationales*, Paris, série F. 30, carton 308. Italie. Situation économique et financière etc. Banques, Bourse. Dossier Général. Dossiers particuliers, 1860-1916, Laroche, directeur des Consultats et des Affaires commerciales, to the Foreign Minister, Rome 29th October 1907.

<sup>21</sup> *A.S.M.E.*, Montenegro, busta 482, Rapporti politici 1901-1909, Giuseppe Volpi to the Foreign Minister Antonino di San Giuliano, Venice 18th January 1906.

villa in Via Nomentana ». But in the later correspondence between the company and the *Banca Commerciale Italiana* there is no trace of any direct intervention by the *Banque de Paris et des Pays Bas*, so the latter must have had to be content simply with taking an interest in the enterprise in a general way, and only in so far as its share in the *Banca Commerciale* allowed. But the competition from French industry and finance in the Balkans and the whole Ottoman empire was very fierce and left little room for Italians to take the initiative. The following is the bitter conclusion drawn by the Italian ambassador in Constantinople, Imperiali di Francavilla, in a letter to General Trombi, who was on a mission in Macedonia: « Speaking of the Ansaldo affair and the desire of Italian financiers and industrialists to acquire business and concessions in Turkey, our ambassador has pointed out to me how the Ottoman empire is bound hand and foot to Germany financially, and even more so to France, which has 1,560 million francs sunk in the East. The empire always needs money and when, as at present, the Imperial Bank refuses because it does not have sufficient guarantees, it is to the French banks that it turns... So if our great credit institutions and our industrialists want to invest their capital in Turkey they must reach agreement with the 'big hats' in France and follow in the footsteps of the French financiers rather than cross them. With our meagre forces we cannot struggle with the giant French capitalists' super-power: it is in Paris that the financial world of the East is ruled. England herself is now abreast of France in financial matters, and does it in order to create obstacles and hinder German encroachment more than anything else. We, even united with German financial powers, can never compete with the French ». <sup>22</sup> The financial situation, then, left little freedom of manoeuvre, at least in terms of major and large-scale economic enterprises. This situation was described very clearly by Imperiali and a year later the greatest leaders of Italian politics and finance, (including Giolitti, di San Giuliano and Stringher) had to adapt themselves to it when the negotiations for Italian participation

---

<sup>22</sup> *Archivio Centrale dello Stato*, carte Ugo Brusati, busta 9, fasc. V.2.31, Trombi to Brusati, San Remo 10th October 1907 quot.

in the great trans-Balkan railway scheme drew near. In the meantime the new situations that were developing throughout the Balkans and Turkey were such as to call for even more decisive political and economic action. At the end of 1906 Austro-Hungarian foreign policy had been taken over by a man whose temperament and views differed greatly from those of his predecessor. Count Agenor Goluchowski, who had for years supported the Russian policy of «keeping the Balkans on ice» as he liked to call it, was succeeded in the Ballhausplatz by Count Alois Aerenenthal. He had a strong personality, was full of self confidence, ambitious and arrogant but at the same time was an able and well informed diplomat. From the very beginning he directed his attention toward the Balkan peninsula. He wished to move from the occupation of Bosnia-Herzegovina to its annexation, to create — as he said — «an independent Albania under our protection, a Montenegro dependent on our good will and a Greater Bulgaria tied to us by bonds of gratitude». This was all part of a vast programme of economic and commercial penetration and a major railway programme. «Thanks to our Bosnian possession», he declared on 27th January 1908 to the Hungarian delegation, «we are also a Balkan power and so it is our task to interpret the signs of the times and exploit them. It is in such terms that I wish to speak of circumspect commercial policy». To this end Aerenenthal outlined a vast railway programme which would establish «a direct link between Vienna-Budapest-Sarajevo, Athens-Piraeus, which would also be the shortest route from Central Europe to Egypt and the Indies» while he also envisaged a line from Cattaro (Kattor) to the shores of Montenegro. «Such a policy», concluded the Austro-Hungarian Foreign Minister, «would facilitate our task of maintaining our commercial position, even if the political and commercial situation were to change and it would ensure for us new lines of communication in the south of the Monarchy».<sup>23</sup>

Aerenenthal's ambitious programme for Austria was immediately received with great unease in Italy. The person who most fully

---

<sup>23</sup> Text in V. MANTEGAZZA, *La Turchia liberale e le questioni balcaniche*, Milan 1908, pp. 40-42.

expressed this unease was Vittorio Racca, a well known railway engineer, who (on 1st February 1908) warned that as the realization of the Austrian plan « would alter the present state of affairs in the East entirely to our disadvantage, Italy must understand fully the seriousness of the problem so that she can foresee and forestall ». Apart from affecting Serbia most directly in economic and military terms this plan would in fact deal « a tremendous blow to Trieste and the Adriatic » but « it would also have the great advantage of ruining Venice, Ravenna, Ancona, Brindisi, Bari and Antivari. Thus Italy would witness the economic death of the Adriatic and the extinction of all of her economic and political influence in the Balkans: it would not be worth her while to rely on Montenegro and Albania, even if she could, because the two countries would be strait-jacketed by the Austrian railways and would have to become Austria's humble servants ». Thus there remained only one alternative for Italy — to proceed with her project of building transverse railways in the Balkans, either from Antivari to Niš and beyond, from S. Giovanni di Medua to Uskub (Skopje) or from Valona to Monastir. And should Aerenthal have invited Italy to take part, Racca concluded, Austria would have « the Balkan railway from North to South, and we would have the one from East to West ».<sup>24</sup>

Faced with the expectation of Austria's renewed economic and political activity in the Balkans it becomes clear that with regard to economic, financial and commercial policy as well as railway building, a specific combination of international interests was taking shape which took no notice of the Triple Alliance. And this combination was virtually directly opposed to both Austria-Hungary and German. For Italy it constituted both another step forward in loosening the ties of the Triple Alliance and also a decisive, concrete approach to the Franco-Russian entente. It was so much more decisive in that it was not a question of diplomatic obligations of no real concern which could easily be avoided through reservations or by the habitual recourse to a useful *rebus sic stantibus*

---

<sup>24</sup> V. RACCA, *Le progettate ferrovie austriache nei Balcani e l'Italia*, in « Rivista Italiana delle Comunicazioni e Trasporti », Rome, 1st February 1908.

clause, but concerned activities that were fully employing major financial energies of the interested countries. Aerenthal's speech and, what is more, his plans to complete the link between Vienna and Salonika which were now under way met an immediate response. The general director of the *Banca d'Italia*, Bonaldo Stringher, for example, summed up a financial meeting held in Milan on 16th June 1908 on the subject «The Danube-Adriatic financial consortium» by arguing that following a concession granted by the Sublime Porte to an Austrian group for a stretch of railway (intended to link Uvacz and Mitrovitsa and thus making communications between both the Austrian monarchy and the German empire with the Aegean Sea shorter and speedier, with ambitions in the direction of Suez and the East) others had also come forward. Due to the intervention of the Serbian government which felt directly threatened by this Austrian initiative, the Ottoman Imperial Bank — whose capital was predominantly French and English — requested, through its subsidiary, the *Jonction Salonique-Constantinople* Railway company, a concession for a major transverse railway from the Danube to the Adriatic. «Given the economic and political importance» — argued Stringher — «of another line intended to... join the Danube and the Adriatic by a railway through Serbia, the Vilajet of Kossovo and Albania running from Turnu Severin and ending at the coast opposite Bari, our Foreign Minister thinks it vital that Italy should not remain uninvolved in the enterprise... but that she should take an active part, employing her energies to this end». For this reason Tittoni invited the *Banca d'Italia* — and thereby the general director, Bonaldo Stringher, a stolid, austere Friulian, a man of the greatest ability who was also a staunch patriot and since 1900 had ruled Italy's economic and financial life with a firm hand — to collect the capital necessary «for major participation». At the same time the relevant negotiations with the French group around the Ottoman Imperial Bank were to be started «with diplomatic support».<sup>25</sup>

---

<sup>25</sup> *Archivio Storico della Banca d'Italia*, Operazioni Fin. 291 VII, «Sul Consorzio finanziario Danubio-Adriatico», B. Stringher's private papers.

The intervention of the *Banca d'Italia* was welcomed by the French government and by the Ottoman Imperial Bank, and led Italy to join the combine. On 5th June 1908 an agreement between France, Italy, Russia and Serbia was concluded which established a financial consortium named the 'Danube-Adriatic group' for the construction and operation of a railway line from the Western Serbian border to S. Giovanni di Medua as well as a port. Shareholding in the company was organized as follows: 1) The French group (Ottoman Imperial Bank, State Railways etc.) with the Ottoman Imperial Bank at its head, 45% and five members on the board; 2) The Italian group, headed by the *Banca d'Italia* (the composition of which we shall study later) 35% and four members on the board; 3) The Russian group (Petersburg International Trade Bank, Russian Bank for Foreign Trade, Volga-Kama Commercial Bank, Discount Bank of Petersburg and *Banque du Nord*) 15% and two executive members; 4) the Serbian group: 5% with one executive member. It was presumed that the president would be a Frenchman and the vice-president an Italian.<sup>26</sup>

At the wish of the representatives of the Ottoman Imperial Bank, Rod Hottinguer and G. Auboyneau, the negotiations, which were first limited to the French and Italian groups, were extended to include the Russians and Serbs as well, in order to avoid giving the business an exclusively «Franco-Italian appearance». As for the port, Stringher informed Tittoni that «the gentlemen from the Ottoman Bank have no desire to become involved in the problems of the Adriatic port which they gladly leave entirely to the Italians».<sup>27</sup>

England was the country that remained outside the cartel, despite her capital investment in the Ottoman Public Debt, although she participated indirectly through her share in the capital of the Ottoman Imperial Bank. The *Times* of 9th June 1908 complained at this «conspicuous absence» that «will, doubtless, cause some surprise in England», especially as France and Serbia favoured the direct participation of British capital and even hoped for a more

<sup>26</sup> *Archivio Storico B. d'I.*, Rome, Op. Fin. 291 II, The records of the Paris meetings of 1st and 5th June; K. E. KIROVA, *op. cit.*, pp. 233 *et seq.*

<sup>27</sup> *Ibidem*, busta 208 V, Divisa estera acquistata e ceduta (Foreign exchange bought and sold), B. Stringher to the Foreign Minister Tommaso Tittoni, Paris 13th April 1908.

direct English presence in the Balkans. The English newspaper gave as fact — although this was not confirmed by events — that it was the Italians who had put up the major opposition. It also put forward the hypothesis that England did not wish «to give umbrage to Germany», so strengthening the suspicion that the Italian group was merely a cover for German capital. The Italian group was headed by the *Banca d'Italia*, and after a general agreement in April-June 1908 its organization was defined as follows by the *Banca d'Italia*: *Banca Commerciale Italiana* 32%, *Credito Italiano* 23%, *Banco di Roma* 23%, *Società Bancaria Italiana* 10%, *Banca Zaccaria Pisa* 7%, *Società Commerciale d'Oriente* 4%, various private individuals 1%. Among these «various private individuals» were the major representatives of Italian finance and industry, some of whom had already held shares in the Antivari company, which continued to be the spearhead capable of drawing Italy's leading capital concerns. Among these investors were to be found Treves and Co., Piaggio and Bros., *Ditta Carlo Raggio* of Genoa, Pietro Baragiola of Como (who was a director of the *Società Bancaria Italiana*, vice-president of the *Lariana* shipping company and a director of other companies), Senator Luigi Medici del Vascello, president of the Savona steelworks and director of the *Società Bancaria Italiana*, Giuseppe Da Zara, director of the *Società Bancaria Italiana*, president of the *Società Veneta* and director of steel and cement, and Marchese G. Durazzo Pallavicini.<sup>28</sup> Apart from the great banks, which supported the Italian industrial effort, however, the fact that representatives of Italian finance and industry were involved in an enterprise which — if it had been realized — would have undoubtedly injected a great deal of energy into the still very backward economy of the Balkans and Turkey is extremely important.

The presence of the *Banca d'Italia*, which both organized the activities of the Italian group and conducted the Paris negotiations, is a factor of fundamental importance. At the request of the Foreign

---

<sup>28</sup> *Archivio Storico B. d'I.*, Rome, busta 289, B. Stringher to the Prime Minister Giolitti, Rome 13th May 1911 with «Promemoria sull'Impresa Danubio-Adriatico»; F. BONELLI, *op. cit.*, pp. 221-223.

Minister Tommaso Tittoni, Bonaldo Stringher, the man who controlled the leading economic and financial forces of the country, did not hesitate to involve the leading Italian financial institutions in the front line, in an enterprise of such importance at the Danube-Adriatic railway. In Italy much was expected, then, of this initiative, in terms of Italy's greater economic expansion abroad, in the Balkans, and there were also political hopes. But political developments prevented the realization of the enterprise. The Revolution of the Young Turks in July 1908 was an attempt to bring a breath of fresh air into the ancient empire, but the obstacles, difficulties and hostilities which were presented not least of all by men and ways of thought were too great to permit any really new departure. Giuseppe Volpi, who stands above all others in lucidity and knowledge of Turkey, warned of this. It is worth reading in its entirety what Volpi wrote to Bonaldo Stringher (who wanted to see him to receive the latest news on Turkey) immediately after the Young Turks' rise to power on 21st August 1908: « the present events in Turkey, which I follow daily through the original and extensive reports of our Directors in Constantinople, have a significance that cannot yet be assessed. Men are still changing, the old institutions continue to resist; but badly directed and ready for destruction as they were, they will shortly give rise in that State to a degree of chaos that we can barely imagine as yet. All the foreigners involved in Turkey will have to sustain the impact of a storm the first warnings of which we are now feeling. But it will be advisable to submit stoically and we shall emerge from it with greater profit than before — I believe that within a few years Turkey will be one of the biggest fields for profitable economic action. The concessions in progress have all come to nothing. The present Minister of the Public Works, His Excellency Gabriel Effendi Narodounghian, is an Armenian of great talent, a true lawyer — but he is a member of the old regime and so is terrified lest any of his actions should bring about his disgrace. I do not think he will grant new railway concessions, I know him personally *very well* and our Directors in Constantinople maintain friendly relations with him; for years he was our legal advisor for the *Eraclea* business. The old network of customers has fallen or is

about to collapse and I also believe that the leading foreigners who have been conducting business with the old regime will have to withdraw, at least for some time. The Ottoman Bank will increase its prestige now that it is the official state bank, but will completely lose its commercial importance, if it has not done so already. Its directors are too compromised with the old regime and it will have to undertake some internal reforms if it is not to be forced to do so.

In conclusion, the Danube Adriatic concession will not be annulled because the present government will annul nothing, but it will not be observed and the interested parties will be given time to consider whether new negotiations should be established with the new regime. But I will not move a finger at Cospoli without first having the pleasure of talking to you... ».<sup>29</sup>

In fact the plans for railway construction went ahead after an initial lull. Studies of the layout of the land began, even with the collaboration of Italian engineers; Volpi and the Antivari Company insisted that plans be made for linking the terminus of the trans-Balkan line, S. Giovanni di Medua, with Antivari, in order that Montenegro should not be excluded. But finally the Balkan Wars of 1912-13 and then the outbreak of the First World War together put an end to these plans. In spite of the crisis, however, the financial partnership between Italy and Turkey remained quite intact. Other undertakings, apart from those we have already referred to, were started. Early in January 1909 an Italo-Ottoman committee was formed in Milan under the chairmanship of Luigi Luzzatti to further closer economic collaboration with Turkey. This committee, after meetings held in Rome, probably at the *Banca d'Italia*, presented a plan in May 1909 for a 'Bank for Italo-Ottoman economic expansion' with the following promoters: Luigi Luzzatti, president, Commendatore Castelbolognesi, vice-president of the *Credito Italiano*, the Deputy Silvio Crespi — of the cotton industry — Professor Isidoro Goldfinger, of Milano, Ernesto Pacelli, president of the *Banco di Roma*, Cavaliere Ettore Rusconi, Commendatore Bonaldo Stringher, general director of the *Banca d'Italia*, the *Banca Commerciale Italiana* and the *Società Commerciale*

---

<sup>29</sup> *Archivio Storico B. d'I.*, Rome, busta 289.

*d'Orient*, that is Giuseppe Volpi. According to a memorandum from Isidoro Goldfinger, significantly enough, to the king's general aide-de-camp General Brusati (who must certainly have submitted it to Vittorio Emanuele III, who had always had the guiding hand behind foreign policy and was personally interested in the question of relations with the Balkans). « This business must be the product of the interested parties themselves, that is of the industrialists and capitalists who could find in the Ottoman empire either a market for their own products or else a fruitful field for the employment of capital and their personal energies ». The bank should support the enterprises already under way and create new ones, acting as the « institutions which is the most likely to further Italian economic penetration abroad ». The ultimate objective of the promoters was that it should represent « the requisite complement » in case « we succeed in establishing a strong bank based on Italo-Turkish capital ».<sup>30</sup> Later, between 21st and 24th October 1909, the first conference of Italian exporters to the East was held in Venice. Between the beginning of May and the beginning of June 1910 Turkish economists and politicians came to Italy and visited in particular Bari, Venice and Naples, after touring the principal industrial installations in the country.<sup>31</sup> Volpi's *Società Commerciale d'Oriente* and the *Banca Commerciale* continued their active involvement right up to the end, and a new bank, was founded between 1911 and 1912 under an agreement between the Bank of Busto Arsizio and the *Crédit Français*. It bore the name of the *Società italiana di Credito provinciale* and quickly absorbed a number of small local banks. It made a loan of fifteen millions to the city of Smyrna (Izmir) in 1914 « for the construction by Italian companies of buildings and other public works ».<sup>32</sup> So Italian interests con-

<sup>30</sup> « Rivista Commerciale d'Oriente », Venice, January 1909, pp. 1-3; *Archivio Centrale dello Stato*, Rome, carte Brusati, busta 9, fasc. V. I. 30. A memorandum bearing no signature but on Isidoro Goldfinger's headed paper, entitled, « Progetto della Banca dell'espansione italo-ottomana », Milan, May 1909.

<sup>31</sup> « Rivista Commerciale d'Oriente », Venice, February 1909 and May 1910.

<sup>32</sup> E. GALLI DELLA LOGGIA, *Problemi di sviluppo industriale e nuovi equilibri politici alla vigilia della prima guerra mondiale: la fondazione della Banca Italiana di Sconto*, in « Rivista Storica Italiana », 1970, fasc. IV, pp. 838-839.

tinued and expanded in Asia Minor too in the field of public works, railways and mining surveys.

In general, then, a vast network of entrepreneurial activity, economic relations and financial investments was built up between Italy, Turkey, and the Balkans in the period under examination, despite political events which, as always, created obstacles and difficulties. Italy's expanding industry expected much from these activities while some, like the famous geographer Carlo Maranelli, even saw the Balkans and trade with the far shore of the Adriatic as a possible solution to the Southern problem.<sup>33</sup> Behind all these considerations and projects, however, always stood Venice and the Adriatic, which was seen as an area of transit towards the East. Across the sea the entire Balkan and Turkish world welcomed Italian involvement in the area — an involvement which followed then in the wake of a tradition which was both traditional and recent.

---

<sup>33</sup> C. MARANELLI, *Sui rapporti economici con l'altra sponda dell'Adriatico*, a paper given at the sixth Italian Geographical Congress, Venice 1907, in « Considerazioni geografiche sulla questione meridionale », Bari 1946.