

Italian colonies and enterprises in Eritrea (XIX-XX Centuries)

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This work aims to depict Italian Business activities in Eritrea, from settlement to the proclamation of the empire. During the period in which Italy had full control, the exploitation of the colonies went through different phases, with varying degrees of importance, depending on the economic conditions, the reaction of local populations, the possibility to send resources to the Mother country and to other international markets. Thus, colonial «economic policies» reflected such phases. The sources and documents utilized were cross-checked against other types of evidence, which contributed to the reconstruction of the historic and economic situation. This included, among others, newspapers from that period, reports by the Chamber of Commerce of Eritrea and Ebiopia, personal documents of eminent personalities of that time, together with a revised survey of economic activities conducted during the years of the foundation of the empire by the fascist regime. All these documents have made it possible to gain an insight into private business activities in Eritrea and to draw a comparison with other Italian colonies. Eritrea was Italy's first colony, in terms of its foundation date. It was also the most important for Italy and for many Italians, and their families, who were born or lived there for a long time. Throughout the period of the Italian presence, Eritrea was the only African possession where Italian colonialism was able to deploy all its resources, which were limited due to its intrinsic weakness, contrary to the colonialism of the major European powers.

1. Introduction

This article aims to depict Italian business activities in Eritrea, from settlement to the proclamation of the empire. The Italian colonies in Africa were established in regions that, on the whole, had very few natural resources (with the exception of Ethiopia, where colonization did not last long, and Libya, whose oilfields were never touched), and so presented scant opportunity for the future colonial power to accumulate great wealth.

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Eritrea was Italy's first colony, in terms of its foundation date. It was also the most important for Italy and for many Italians and their families who were born there or lived there for a long time. Italy lost Eritrea, together with the rest of its possessions, during the second World War, but its economy and society began to be deeply affected as early as 1934, with the preparation of the Ethiopian campaign. The allied troops completed the occupation of all the Italian colonies in East Africa by 1941, in the midst of World War II.¹

Throughout the period of Italian presence, Eritrea was the only African possession where Italian colonialism was able to deploy all its resources which, unlike the colonialism of the major European powers, were limited

¹ For a critical review of Italian colonialism there is a vast bibliography. For the purposes of this paper, cf. *inter alia*, G. Calchi Novati, "La controversia sull'Eritrea: popolo, nazione, stato", and M. Lenzi, "Dalla storia coloniale alla storia dell'Africa", both in *Il mondo visto dall'Italia*, Conference of SISCO, proceedings collected by Agostino Giovagnoli, (Dal Zotto, Milan 2003). Another useful reference is, G. Mondaini, *Manuale di storia e legislazione coloniale del Regno d'Italia. Parte I: Storia coloniale e Parte II: Legislazione coloniale italiana*, Attilio Sampaolesi, (Rome), 1924-1927 and *la legislazione coloniale italiana nel suo sviluppo storico e nel suo stato attuale (1881-1940)*, 2 vols., (Ispi, Milan 1941).

due to its intrinsic weakness.² As Calchi Novati, has observed “the interest in Eritrea – on the part of Italian culture, broadly speaking – has been conditioned by a sort of common past which is not without its dark corners, with little or no attention to the rights and expectations of the Eritrean people as such. Generally speaking, colonialism creates a contradictory relationship, with a strict hierarchy, which is discredited by the systematic use of violence and abuse. In colonialism there is a master and a serf. It is us versus them. The colonial power assumes that the ex-colony belongs to its sphere of influence, to its own commonwealth; thus, it is always subject to policy that only the mother country can define. The consequences are always ambiguous and ambivalent: attention, but also interference or even prevarication. As for the colonized, in this case the élite and the populations of Eritrea, in their culture and in their collective imagination, colonialism conveys a sense of frustration, and sometimes of revenge. No matter how benign foreign domination is or was, and no matter how close the relationships it leaves behind, colonialism is an impediment to a real relationship between equals, even after colonialism is over and the colony is now independent. The relationship between Italy and Eritrea is no exception. Traces of this are evident in the growing literature available in Italian on Eritrea or translated into Italian from other languages, mainly English and French, which sprung up in the past few years, on the post-colonial period.”³

² On the role of the European powers in the colonial period, cf. the recently published W. Reinhard, *Storia del colonialismo*, (Einaudi, Turin 2002). For background on the expansion and decline of European colonial policy in historical and economic terms, cf. L. De Rosa, A. Di Vittorio, *L'espansione economica europea. Secoli XV-XX*, (Vallardi, Milan 1997). See also *Annales. Histoire. Sciences Sociales*, year 63, no. 3, (May-June) 2008, which is entirely devoted to colonial and post-colonial studies and has a large bibliography.

³ G. Calchi Novati, “La controversia sull'Eritrea”, cit. For further investigation in this area see: C. Zaghi, *Origini della Colonia Eritrea*, (L. Castelli, Bologna 1934); R. Ciasca, *Storia coloniale dell'Italia contemporanea da Assab all'Impero*, (Hoepli, Milan 1940); K.N. Trevaskis, *Eritrea: A Colony in Transition, 1941-1952*, (Oxford University, Press London 1960); I' Taddia, “Sulla politica della terra nella Colonia Eritrea (1890-1950)” in *Rivista di Storia contemporanea*, no. 4, 1974, pp. 42-78; *idem.*, “At the Origin of the State/Nation Dilemma: Ethiopia, Eritrea and Ogaden in 1941”, in *Northeast African Studies*, vol. 12, no. 2-3, 1990, pp. 157-170; Ylenam Mesgheima, *Italian Colonialism: A case study of*

Luigi De Matteo wrote that “the «decolonization» of colonial and historic studies in Italy was late in coming. The history of Italian colonial expansion overseas, as explained by “colonial historians” during Fascism, was completely aligned to the propaganda and the objectives of the regime’s colonial policy, and long after the end of the war, colonial historians continue to give a more or less reticent and apologetic account of events, while general historiography is totally uninterested or, if you like, heedless.”⁴

Looking at the most recent work by Italian historians, it can be seen that there is very little research on the relationship between colonialism and the economy, with reference to Italy’s economic and social situation at that time, its level of development and its weak standing in the international division of labour, the relationship between this condition and colonialism, economic and demographic factors, trade and enterprise, effective investments and their results and the economy of colonial possessions. There are but a handful of studies on specific sectors and problems.⁵ An important study, both for the clarity of its

Eritrea, 1869-1934. Motive, Praxis and Result, (Lund, Sveden 1988); R. Pateman, *Eritrea. Even the Stones are Burning*, (The Red Sea Press, Lawrenceville-Asmara 1998); “Premessa” by Alessandro Triulzi (p. 10) in *Quaderni Storici* edited by him on Eritrea 109, April 2002; *La colonia. Italiani in Eritrea* (with articles by Giulia Barrera, Barbara Sörgoni, Silvana Palma, Uoldelul Chelati Dirar, Gianni Dore and Federica Guazzini).

⁴ L. De Matteo, “Il colonialismo nell’età della Sinistra Storica. Politica coloniale, sviluppo economico ed emigrazione tra storiografia e storiografia economica” in *Storia economica*, no. 2-3, 2004. This is a remark by Nicola Labanca, who is also the author of the most recent and well-informed book on colonialism since the first African war, *In marcia verso Adua*, (Einaudi, Turin 1993); see also *Oltremare. Storia dell’espansione coloniale italiana*, (Il Mulino, Bologna 2002). A critique of studies conducted during the Fascist period is not always negative. For instance, studies on colonial policy were found to be well documented. However, they have a common trait in that they are the work of scholars convinced of the need for Italy to have a colonial empire and actually enlarge it, with the consequence that the books seem “dated”, though their scientific value is beyond dispute”. P. Pastorelli, “Gli studi sulla politica coloniale italiana dalle origini alla decolonizzazione” in *Fonti e problemi della politica coloniale italiana*, Proceedings of the conference Taormina-Messina, 23-29 October 1989, 2 volumes, Ministero per i beni culturali e ambientali, Ufficio centrale per i beni archivistici, (Rome, 1996), p. 34.

⁵ S. Maggi, *Colonialismo e comunicazioni. Le strade ferrate nell’Africa italiana (1887-1943)*, (Esi, Naples 1996); A. Mauri, *Il mercato del credito in Etiopia*, (Milan 1967), and A. Mauri – C. Caselli, *Moneta e credito in Etiopia*, (Milano 1986); E. Tuccinici, *La Banca d’Italia*

frame of reference and for the issues addressed therein, was carried out by Gian Luca Podestà on Italian investments in East Africa in the period concerned and made it possible to evaluate the economic implications of the Italian colonial experience from the Assab Bay purchase to the defeat of Adwa. This work sheds light, on the one hand, on the business classes' view of the colonial question and, on the other, on the actual investments made by Italian capitalists in that period.⁶

1. From the "Scramble for Africa" to the Birth of the Empire

The dynamism of European societies at the dawn of industrialization contributed to the progressive "looting" of Africa, with the blessing of the Congress of Berlin,⁷ as the European powers sought new means, resources

in Africa, Collana Storica della Banca d'Italia, (Laterza, Rome-Bari 1998); G. Maione, "I costi delle imprese coloniali" in *Le guerre coloniali del fascismo*, edited by A. Del Boca, (Laterza, Rome-Bari, 1991), pp. 400-420. On the use of the argument of exorbitant state expenditure by the anti-colonialists, as well as the importance that economic questions had in the debate on colonialism in the press at that time, see G. Pescosolido, "Il dibattito coloniale nella stampa italiana e la battaglia di Adua", in *Storia Contemporanea*, year IV, no. 4, December 1973, pp. 675-711 and *ibid.*, "Assab nella stampa italiana dal 1882 al 1885", in *Nuovi Annali della Facoltà di Magistero dell'Università di Messina*, year I, 1983, pp. 523-544, *ibid.*, "Alle origini del colonialismo italiano: la stampa italiana e la politica coloniale italiana dal rifiuto di intervento in Egitto alla vigilia dell'occupazione di Massaua (1882-1884)" in *Fonti e problemi della politica coloniale italiana*, *op. cit.*, I, pp. 566-599. See also G.L. Podestà, *Sviluppo industriale e colonialismo. Gli investimenti italiani in Africa orientale. 1869-1897*, (Giuffrè, Milan 1996); see also *idem.*, "Gli investimenti italiani in Africa Orientale 1869-1919" in *Annali dell'Istituto Storico Germanico di Trento*, year XX, n. IV, 1998, pp. 147-189; G.L. Podestà, *Il mito dell'impero. Economia, politica e lavoro nelle colonie italiane dell'Africa orientale 1898-1941*, (G. Giappichelli, Turin 2004).

⁶ G.L. Podestà, *Sviluppo industriale e colonialismo*, *op.cit.*

⁷ The International Congress on Africa that was held in Berlin between 1884 and 1885 is at the centre of this active, frantic phase, marked by the combined impetus of Europe, that determined by the changes and the faltering of African society. The Congress merely set the general guidelines on how to proceed in future with the occupation and, for the rest, worked to establish the principle of free trade in the basins of the Congo and Niger rivers. Participants in the Berlin Congress, which opened on 15 November 1884 and ended on 26 February 1885, included Germany, France, Great Britain, Italy, Belgium, the Netherlands, Spain, Portugal, Austria-Hungary, Denmark, Sweden, Russia, Turkey and the United States. It was a both a European and an African event, but, in essence, it paved the way for the division of Africa. Of the 38 articles that made up the final Act of the Congress, two (number XXXIV and number XXXV) specifically concerned colonial penetration and division of Africa. These articles provided

and markets to fuel their economic expansion. Imperialism, however, is not driven solely by economic forces and the acquisition of commodities and markets in Africa. One needs only to think, for instance, of its effects in terms of consensus and social integration and of the nationalistic euphoria of the conquering nations that spread to the lower classes too.

Imperialism, within the broad meaning of "rule or control, political or economic, direct or indirect, of one state, nation, or people over similar groups", as defined by the historian William Langer, developed hand in hand with nationalism, another important phenomenon in the second half of the nineteenth century. This became a typical, complex and multifaceted experience of European society during the great expansionary phase of capitalism, taking new and original forms in the period between the 1880s and the First World War.

Generally speaking, the causes of imperialism were many and complex. As already noted, for the most part, imperialism took the form of colonial expansion, which was more aggressive than in the past. In fact, by 1914, the most powerful states had already completed the division of almost the whole world into spheres of domination.⁸

that any European power that took possession of a tract of land on the coasts of Africa was required to establish its authority in the corresponding area of the interior. Moreover, the European power had to notify the other signatory powers of the acts by which it had obtained such possessions, following either the establishment of a protectorate or acquisitions from local sovereigns or chiefs. (G. Calchi Novati, P. Valsecchi, *Africa: La storia ritrovata. Dalle prime forme politiche alle indipendenze nazionali*, (Carocci, Rome 2007), pp. 188-189; other important references are R. Mazzucconi, *Storia della conquista dell'Africa*, Istituto per gli studi di politica internazionale, (Milan 1938), pp. 194-200; G. Mondaini, *Manuale di storia e legislazione coloniale*, *op.cit.*, pp. 36-37). Conquest involved physical control over the area, proceeding from the coast to the interior.

⁸ Nationalistic and colonialist theories resorted greatly to racist theories, an early proponent of which was the Frenchman Joseph-Arthur de Gobineau. In his essay on the inequality of human races (1853-1855), Gobineau wrote that there was a hierarchy among human races, anticipating many of the themes that were taken up again by the racism that emerged later: the obsession concerning the purity of blood as an essential factor in civilizations; the alleged superiority of the white man and, within this group, of Germans; the hatred for the Semitic element. Gobineau's Aryan racism found fertile ground, especially in Germany, whereas England saw the spread of social Darwinism, which regarded natural selection as the consequence of the racial superiority of the white man, who was the winner in the struggle for survival, overcoming coloured people.

Moreover, the appropriation of overseas territories no longer had their economic and commercial exploitation as its sole objective, but also aimed to increase the political and strategic strength of the main countries, elevating them to the rank of great powers struggling to achieve world supremacy.

Not all those that "scrambled"⁹ had excess capital to use in Africa, Italy being a notable case in point. The division of territories did not necessarily follow an economic rationale. According to Calchi Novati: "The culture of the empire combined the energies of metropolitan society with the exciting plan of empire-building."¹⁰

Italy's expansion in Africa began on the Mediterranean coast and focused on the Red Sea region. For many years, Africa was relatively unimportant for the country's foreign policy. A drive toward colonialism came from travellers, adventurers and scholars, whether they were independent or linked to geographical societies or interest groups. In economic terms, expansion in Africa was encouraged, especially by the Italian merchant navy, the shipbuilding industry and the arms industry, as though Italian colonialism had to develop in a pre-capitalistic context, seeking, above all, to establish ports and trading posts.

The strictly economic reasons for Italian colonialism may, therefore, seem weak. In fact, when the intention was still to remain on the coast of Massaua and Assab in Eritrea, the Italians went there to turn the area into a trading colony. The Italian inroads further inland and the movements of other colonial powers (for instance, France from Djibouti and England from Sudan or Kenya) changed this perspective. And so the possibility of colonizing the agriculture of the uplands gained ground. But the «march to Adwa» of Italian expansionism¹¹ and a lack

⁹ The "scramble" (as famously defined in an article in *The Times* in 1884), in other words the competition for Africa, showed that the new imperialism was marked "by the accelerated pace and the largest number of points of friction". Basically, the African continent, which was for a short while at the centre of diplomatic debates, was assaulted by European weapons and political activities. (R.F. Betts, *L'alba illusoria. L'imperialismo europeo nell'Ottocento*, (Il Mulino, Bologna 1986), pp. 106-107.

¹⁰ G. Calchi Novati P. Valsecchi, *Africa: La storia ritrovata, op.cit.*

¹¹ In many cases, occupation was the outcome of negotiations and compromises, but in some situations actual wars were necessary. The only ones ever to suffer a defeat

of understanding the role of colonial agriculture, drove the project into the ground: only a few thousand Italians lived in Eritrea, and of these only a few dozen were involved with agriculture.

There was also a constant quest for land for Italy's excess population, resulting in the intensive colonization of the best land in those territories that had fallen under Italian sovereignty. That is why, in Italy's case, the term "demographic colonialism" is used. Both colonialism and emigration were part of Italy's overseas policy.¹² "Libya and Eritrea were the single possessions where colonization was more systematic. Eritrea became a settlement colony in particular in the 1930s, with an Italian community that, just before World War II, accounted for as much as 10% of the colony's population. *Figure 1* shows Eritrea's population trend from 1905 to 1939.¹³ Tekeste Negash stresses that this demographic increase was determined by the impact of the Italian population.¹⁴

Colonization in Libya was accelerated by the plans launched in 1928, and again in 1938, when a mass emigration programme was implemented. This programme was reduced because of financial and logistic difficulties, and was finally suspended in 1940 when Italy entered the war.¹⁵

Calchi Novati wrote: "Agrarian colonization swung between the demographic and the capitalist models. The colonization policy carried

in the competition for Africa, the Italian troops under the command of General Baratieri, were beaten back by the army of Menelik, Ethiopia's emperor, on 1 March 1896 near Adwa. Ethiopian resistance took on a national significance in the colonial period in that it used such modern tools as a leadership that overcame ethnic borders, a bureaucracy capable of communicating with the external world and an army that purchased its weapons on European markets. The defeat of the army of a European power was a sensational event, but did not block the division of the Horn of Africa as, with the ensuing peace, the Negus formally recognized Eritrea as an Italian colony.

¹² G. Calchi Novati P. Valsecchi, *Africa: La storia ritrovata, op.cit.*, pp. 235-236 e 238.

¹³ Tekeste Negash, *Italian Colonialism in Eritrea, 1882-1941. Policies Praxis and Impact*, (Uppsala University Press, Uppsala 1987), pp. 150. These data refer to censuses made with the approximation necessary for mostly nomadic and illiterate people. For more on the reasons for Italian emigration in East Africa, in general from Italian sources, see the recent G.L. Podestà, "L'émigration italienne en Afrique orientale" in *Annales de démographie historique*, no. 1, 2007, pp. 59-84.

¹⁴ Tekeste Negash, *Italian Colonialism in Eritrea, op.cit.*, pp. 150-154.

¹⁵ G. Calchi Novati, P. Valsecchi, *Africa: La storia ritrovata, op.cit.*, pp. 252-253.

out in Eritrea in 1890 relied on small concessions to families that were to receive assistance from the state in order to create a vast and stable rural population. But the expected inflow did not materialize and the focus shifted to state-owned companies with public-owned funds that became increasingly vast over time.¹⁶ In Somalia, the solution adopted provided for large financial and technical investments. The colonization of Ethiopia was mostly capitalistic.¹⁷

Proof that Italy was a late-comer on the stage of colonialism, compared to the other European powers, is seen in the fact that the occupation of the African possessions took place in the period between the two World Wars, when colonialism worldwide was already receding. "The circumstances under which Fascist Italy conducted its colonial enterprise stained our colonialism with infamy" was in stark contrast to the stereotype whereby "Italians are good people."¹⁸

"The regime founded by Benito Mussolini, after he had been appointed Prime Minister in 1922, assembled and coordinated – in a mixture of uncouthness and prevarication – ideological suggestions and ambitions of power ... and the illusion of finding plenty of land to colonize."¹⁹ Moreover, "besides allegedly favourable political and diplomatic conditions, at a time of financial difficulties due to the international crisis, the Ethiopian aggression was justified by the need to reorganize our colonial system to derive greater economic and strategic benefits."²⁰ Confronted with the invasion and Italian military superiority, forty years after the battle of Adwa in 1896, Ethiopia's Emperor chose to go into exile while the Italian army, led by General Badoglio, entered Adwa on 5 May 1936. On 9 May of the same year,

¹⁶ *Ibid.*, p. 253.

¹⁷ G.L. Podestà, *Gli investimenti italiani, op.cit.*, pp. 182-185.

¹⁸ G. Calchi Novati, P. Valsecchi, *Africa: la storia ritrovata, op.cit.*, p. 246. The Italian and foreign literature in this respect is vast and cannot be cited in full. For a reasoned bibliography on this topic, reference should be made to: A. Del Boca, *Le guerre coloniali del fascismo*, (Editori Laterza, Bari 1991); N. Labanca, *Oltremare. Storia dell'espansione coloniale italiana*, (Il Mulino, Bologna 2002).

¹⁹ G. Calchi Novati, P. Valsecchi, *Africa: La storia ritrovata, op.cit.*, p. 246.

²⁰ *Ibid.*, p. 250.

Mussolini proclaimed the foundation of the empire."²¹

The limitations of Italian colonialism are reflected in such policies as labour and education. The educational system was designed to train low-level civil servants and workers who would fill jobs that Italians shunned. In all the Italian possessions, illiteracy rates continued to be very high.

2. Italian Investments in the Colonies

"Italy began to develop a presence in East Africa in 1869, when the Suez Canal was opened, with the Assab purchase agreement between Rubattino, a Genoa-based company, and the two sheiks who reigned over it."²² The Italian state took over the town from the now-bankrupt Rubattino company in 1882, the year that marked the official date of birth of Italian colonialism.

A network of interests and settlements was created around Assab, increasing the range of occupation until the founding of Eritrea, the original colony, the only Italian possession that had definite borders in the years of the division of Africa. Eritrea was officially proclaimed a colony on 1 January 1890. In 1883-1884, as far as Eritrea was concerned, the focus was on Assab, which should have become Italy's trading post on the Red Sea. Soon, however, it became clear that the location was unsuitable for the ambitious role that it had been given. It was out of the way for the caravans that brought goods from the interior to the coast and, only after a great deal of effort, did the authorities convince some caravans to make a stop there. Italian capitalists, for their part, did not make any significant investment.

However, Italy's most coveted prize for its expansion in Africa was Ethiopia. Somehow, Eritrea and Somalia had been milestones along a route leading there. At first, Italian capitalists had been given "the task

²¹ For a full review of the studies on this period see N. Labanca, "L'impero del fascismo. Lo stato degli studi" in *L'impero fascista. Italia ed Etiopia (1935-1941)*, edited by R. Boutoni, (Il Mulino, Bologna 2008), pp. 35-62; on the economic organization and corporative colonialism see, in particular, G.L. Podestà, *Il mito dell'impero, op.cit.*, pp. 237-361.

²² G.L. Podestà, *Gli investimenti italiani, op.cit.*, p. 150.

to undertake economic penetration to extend Italian influence on those territories, so as to lay the groundwork for future annexation."²³ "This policy should have been carried out by setting up new maritime routes between Italy and Africa and by intensifying trade with those areas. The advocates of economic penetration were Raffaele Rubattino and the geographical societies."²⁴

Podestà wrote: "Rubattino played a very important role in coordinating the action of national governments in northern Africa, both setting up shipping lines – which should have increased trade, as already mentioned, between Italy and those shores – and acting as a figurehead in the purchase of the Tunisi-La Goletta railway, a transaction Italian diplomats considered necessary to expand Italy's influence in the country and to pre-empt the acquisition of the company by the French."²⁵

As already noted, the occupation of Massaoua opened a completely new phase of Italian colonial policy. The main purpose of the enterprise was to find a final market for Italian companies, and the occupation of Massaoua (Eritrea) – the most important port in the Red Sea, the centre of trade for Abyssinia and the interior of Africa, as well as all the trade of the equatorial lakes – was the best way to develop ties with Abyssinia, whose inhabitants would become useful consumers of Italian products.²⁶

Because of the ending of communications with Sudan and military operations with Abyssinia, trade with Eritrea was very limited, and was confined, in particular, to imports (in Eritrea) for the army and exports to Italy of the mother-of-pearl fished in the Red Sea, raw hide coming from the internal regions bordering with the colony, ivory and civet.²⁷ Despite the vessels chartered by the government for the army's needs, there was no direct and systematic link between the mother country and the colony, making trade between the two extremely

²³ *Ibid.*

²⁴ *Ibid.*

²⁵ *Ibid.* p. 151.

²⁶ *Ibid.* p. 161.

²⁷ *Ibid.* p. 162.

onerous and uncertain. The losses deriving from the lack of a direct and systematic sea connection were very serious and for many years undermined the beginning of regular mercantile traffic between Italy and the colony.²⁸

To this end, the import and export trends set out in *Figure 2* show a strong link with population trends (see *Figure 1*). According to the Tegeste Negash studies, the population was mainly Italian, and this was also reflected in the type of products traded and the type of firms established to meet "Italian" demand (see the list of firms below). The direction of imports and exports makes this quite clear. Through an analysis of the sources held in the historic archive of the Bank of Italy²⁹ it can be seen that exports to Italy were high (60%); India and Aden followed. Exports were, above all, foodstuffs and the remainder were raw materials and livestock.³⁰

The main business projects in those years were connected with military supplies and building developments in the colony, involving ice-manufacturing, mills to grind the cereals purchased in Asia by the army and building materials. With the exception of *Navigazione Generale Italiana* and Pirelli, Italian companies did not reap much benefit from colonial policy.³¹ "In addition to receiving subsidies to ensure sea communications with the colony, *Navigazione Generale Italiana* profited significantly from the military expeditions in 1887-88 and 1895-96, when the state chartered a large number of ships to

²⁸ *Ibid.* p. 163.

²⁹ Historic Archive of the Bank of Italy (hereinafter ASBI – Archivio Storico della Banca d'Italia), Banca d'Italia, Studi, Pratt. no. 538, fasc. 3, p. 13. At the general meeting held on 26 March 1906, the body of shareholders approved the creation of this new bank which, however, came into being as late as 2 February 1914, with the opening of the Asmara branch. Subsequently, on 15 April of the same year, an agency was opened in Massaoua (ASBI, *La Banca d'Italia nelle terre d'oltremare*, published for the exhibition of Italian land possessions overseas, May of the XVIII year of the Fascist Era, pp. 7, 63).

³⁰ ASBI, Banca d'Italia Affari coloniali, Filiali Coloniali e Dalmate pratt. n. 9356, f. 51, *Relazione annuale filiale di Asmara 1936, 1939, and Atti parlamentari Legislatura XXVIII sessione 1929-32. Camera dei Deputati, Relazione della giunta generale del bilancio sul disegno di legge presentato dal ministro delle finanze Mosconi alla presidenza, il 29 gennaio 1932.* p. 36.

³¹ *Ibid.* p. 167.

transport troops and materials.³² Pirelli, on the other hand, obtained a contract to lay submarine telegraphic cables to connect Massaua, Assab and the island of Perim, a transit point for the international telegraphic cable.

On 21 November 1897 Ferdinando Martini was appointed royal commissioner for Eritrea,³³ a move that formally instituted a civil government in the colony. Martini tried to put to good use the mining and agricultural resources of the area, promoting a number of industrial undertakings with the cooperation of Italian and British investors.³⁴ Mining seemed the most promising sector, thanks to the gold fields, but *Società Perlifera Italiana* was not as profitable as expected and was liquidated. The only significant success was achieved by the salt industry.³⁵

The substantial increase in cereal production in the areas farmed by European colonists and by local farmers allowed the colony to be self-sufficient. There is no doubt that the colony made significant economic progress between 1898 and 1914. However, the failure of the more ambitious initiatives (gold and cotton) showed that there were still unsolved issues within the colony. The main problem was shipping; in fact, while maritime shipping improved slightly, the lack of modern rail links and the slow pace at which railway construction proceeded contributed to keeping costs high.³⁶ “The small amount earmarked for

³² *Ibid.*

³³ A. Aquarone, “La politica italiana dopo Adua: Ferdinando Martini governatore in Eritrea”, in *Rassegna Storica del Risorgimento*, LXII, 1975, pp. 3-4, pp. 346-377; *idem.*, “Ferdinando Martini e l'amministrazione della Colonia Eritrea”, in *Clio*, XIII, 4, 1977, pp. 341-427. Ferdinando Martini was Governor of Eritrea from 1897 to 1907. On 1 March 1923 he was appointed Senator of the Kingdom of Italy and was the Colonial Minister of the Kingdom of Italy in the first and second Calandra governments, as well as Minister of Education in the first Giolitti government.

³⁴ G.L. Podestà, *Gli investimenti italiani*, pp. 176-177.

³⁵ Podestà notes that in the 1920s new salt companies sprang up and operated alongside the *Società Italiana per le Saline Eritree*. Several factors, mostly of an international nature, affected this activity, which entailed a greater focus on the development of higher-margin by-products rather the development of new markets (G.L. Podestà, *Il mito dell'impero*, *op.cit.*, pp. 186-189).

³⁶ *Ibid.* p. 181.

investment outlays in the colonial budget was insufficient to equip Eritrea with the necessary infrastructures to exploit its limited resources.³⁷

Another problem was recruitment and the cost of labour. Salaries for technicians and specialized personnel sent from Europe were obviously high, "but also salaries for local workers were high because of the low population level and of the natives' low propensity to perform the tasks the firms required. This added substantially to operating costs."³⁸

Italian undertakings were more successful in trade. Thanks to the impetus provided by the Colony Trading Company and a number of national shippers, 1905 saw the start of a constant increase in cotton exports to the colony, beating British and French competition. Eritrea became the fourth market for Italy's cotton industry, after Argentina, the Ottoman Empire and Egypt. Even the overall trading volume rose substantially.³⁹

With World War I, most business undertakings came to a halt. The war boosted significantly the importance of Eritrea and Somalia. Failure was mostly the fate of the large companies that acted in concert with the expansionist government activities, whereas a large number of small and medium firms – mostly involved in shipping, trade, the manufacturing of consumer goods, as well as the purchasing and processing of local and imported agricultural products – weathered the post-war crisis successfully. The war also changed trade patterns between Italy and its colonies, as exports to Eritrea and Somalia decreased and imports from these colonies increased. The substantial increase of goods sent to the mother country, however, was a temporary phenomenon connected with military contracts.

3. The Principal Economic Aspects of Eritrea and the Empire in General

What then was the economic future of the Empire? In the agricultural sector, the tasks had already been set: the production of those goods

³⁷ *Ibid.*

³⁸ *Ibid.*, p. 182. See also G.L. Podestà, *Il mito dell'impero*, *ibid.*, pp. 329-360.

³⁹ *Ibid.*

and commodities that were in demand abroad had to be intensified. In the manufacturing sector, the linen, castor oil and rubber industries had to be developed. With regard to food cultivation, the goal was to increase the coffee trade; as far as mining products were concerned, the Ethiopian subsoil had to be explored intensively with a view to exploitation.⁴⁰ Lastly, in the animal husbandry sector, great emphasis was placed on wool-and hide-processing.⁴¹

This future depended mostly on the expansion of the road system and public works. Before Italy entered World War II, the Ministry of Popular Culture authorized a guide to the administrative and economic activities of the empire regarding Italian East Africa (Africa Orientale Italiana - AOI).⁴²

This guide showed – in alphabetical order and by activity, district and location in Italian East Africa – the firms authorized to operate in AOI and the firms that, at first, had expressed their intention to relocate there. In the overall picture of trade and industrial prospects, the territories of Italian East Africa featured important trade routes, along which Italian firms had settled and were spreading. There was a strong awareness of the difficulties related to the natural conditions of the occupied territories and to the local population, but there were also high hopes and confidence in the capacity to make a positive difference to those communities. Anyone who wanted to emigrate from the Kingdom of Italy to Italian East Africa to carry out business activities had to submit to their local Provincial Council of the Corporations an application, addressed to the Ministry of Italian Africa or to the General Government or to one of the Governments of Italian East Africa.⁴³

The above data show the various types of companies operating in

⁴⁰ *Guida amministrativa e delle attività economiche dell'Impero. Africa orientale italiana*, I edition, Officine grafiche editrici V.M. Briscoli, (Turin 1938-39), p. 15.

⁴¹ N. Labanca, *Oltremare. Storia dell'espansione coloniale italiana*, (Il Mulino, Bologna 2002), in particular, for a summary economic account of the colonies, pp. 267-286.

⁴² *Guida amministrativa e delle attività economiche dell'Impero, op.cit.*

⁴³ *Ibid.*, pp. 17-19. The guide also contained all the decrees and regulations on the different areas of activity, from land management to agriculture and industry.

the colonies of Italian East Africa⁴⁴, even though most of them were service companies. Industrial companies were few, and agricultural companies even fewer. The positive note was that there were not only companies dealing in staple goods, but also others providing luxury goods, serving the local Italian community more than the locals.

The total number of firms also reveals that (*Figures A and B*), in the Governorate of Addis Ababa, building and road construction, food, and import-export were the sectors with the largest number of firms; in the Governorate of Amara, bars and restaurants were predominant, together with building, road construction and food firms; in the Governorate of Eritrea, road transport, as well as the usual building, road construction and food sectors, were the main economic sectors; in the Governorate of Galla e Sidama, firms were involved mainly in the coffee trade, and the trading and distribution of various products; in Harar, building and road construction, trading posts, import-export and construction material were important; in Somalia, trading in various products, building, road construction and food constituted the main activities. The data on bars and restaurants deserve a special mention since, despite their limited presence compared with other sectors, they bore witness to the Fascist government's policies aimed at reinforcing tourism and the role that this might have as an engine of economic and social growth in the colonies: "as early as 1935 the Italian Touring Club had opened offices in the main cities of the empire and was considering the best opportunities in the sector."⁴⁵

⁴⁴ The Royal Law by Decree 1019 of June 1936, article 1 established that: "the territories of the Empire of Ethiopia, Eritrea and Somalia constitute Italian East Africa. Italian East Africa has legal status and is governed and represented, in the King-Emperor's name, by a Governor General, who has the title of Viceroy of Ethiopia. The General Government of Italian East Africa has its seat in Addis Ababa. The empire was divided into governorates: the Governorate of Eritrea and the five governorates of the Ethiopian Empire, i.e. Amara, with Gondar as its capital; Galla and Sidama, with Gimma its capital; Harar, with Harar its capital; Addis Ababa, which was a city administration run by a governor who was directly responsible to the general government; the Governorate of Italian Somalia (articles 2 and c of *Guida amministrativa e delle attività economiche dell'Impero*, *op.cit.*, pp. 26, 30).

⁴⁵ G.L. Podestà, *Il mito dell'impero*, *op.cit.*, p. 309.

The data shows the efforts made by Italian private investors in Italy's African colonies, considering that the firms were involved mostly in construction, food, staple products, local trade and import-export activity with the mother country. Furthermore, the total number of businesses shows that the Governorate of Eritrea had attracted the largest number of firms because, being the oldest colony, it had had more time to develop and modernize.⁴⁶ The Governorate of Somalia, which was the latest addition, was considered the most important and, therefore, in need of rapid development. Lastly came the Governorate of Addis Ababa, the third in terms of the number of operational firms, which was the centre of Italian East Africa, because it housed the headquarters of all the main imperial institutions.

In 1947 the Allied Forces imposed a harsh peace treaty on Italy, ordering it to leave unconditionally all its former colonies.⁴⁷ As far as the industrial sector was concerned, a survey conducted in December 1947 to provide an overview to U.N. delegates (who had been sent for an inspection), revealed that the number of firms in Eritrea had fallen to 1,611 (including artizan firms, which had not been counted in a previous survey). Obviously, the percentage of industrial companies – which in a general survey included firms of varying size – could not be highly significant.⁴⁸

This main source, whose data are confirmed by the data collected by the local managers of the branches of the Bank of Italy, shows the vibrancy of the small and medium-size firms and how these had been supported – especially at the beginning – by the state, whose primary objective was demographic colonization. This was designed to relieve

⁴⁶ According to Podestà, in 1939 there were 4,785 firms in Italian East Africa, with a total invested capital of over 1.1 billion Italian lire. Eritrea had the largest number of firms, totalling 2,690 with a total invested capital of approximately 486 million Italian lire. (G.L. Podestà, *op. cit.*, p. 310).

⁴⁷ *Ibid.*, pp. 255-256. See G. Calchi Novati, *Fra Mediterraneo e Mar Rosso. Momenti di politica italiana in Africa attraverso il colonialismo*, (Istituto Italo-Africano, Rome 1992), pp. 105-132.

⁴⁸ D. Strangio, "Verso l'indipendenza? La Federazione Etiopica-Eritrea attraverso le fonti dell'Archivio storico della Banca d'Italia (1952-1962)", in *Africa*, LXIV, no. 1, 2009, pp. 1-42.

the problem of unemployment in Italy which, as in all other European states, was burdened with significant economic problems in the inter-wars years. Moreover, Mussolini's autarkic policy "should be seen as a reaction to the collapse of the capitalist system and the awareness that, in a free-market regime, Italy would have been strangled by the strength of the Western nations. Autarky and empire were joined at the hip."⁴⁹

The period under study reveals a certain degree of entrepreneurial vibrancy in Eritrea. This was an important overseas colony for Italy, although Italian presence was not paramount for the region's economic take-off, hampered as it was by natural endowment and climate. Except in the brief period of empire, Italian policy was not very effective.

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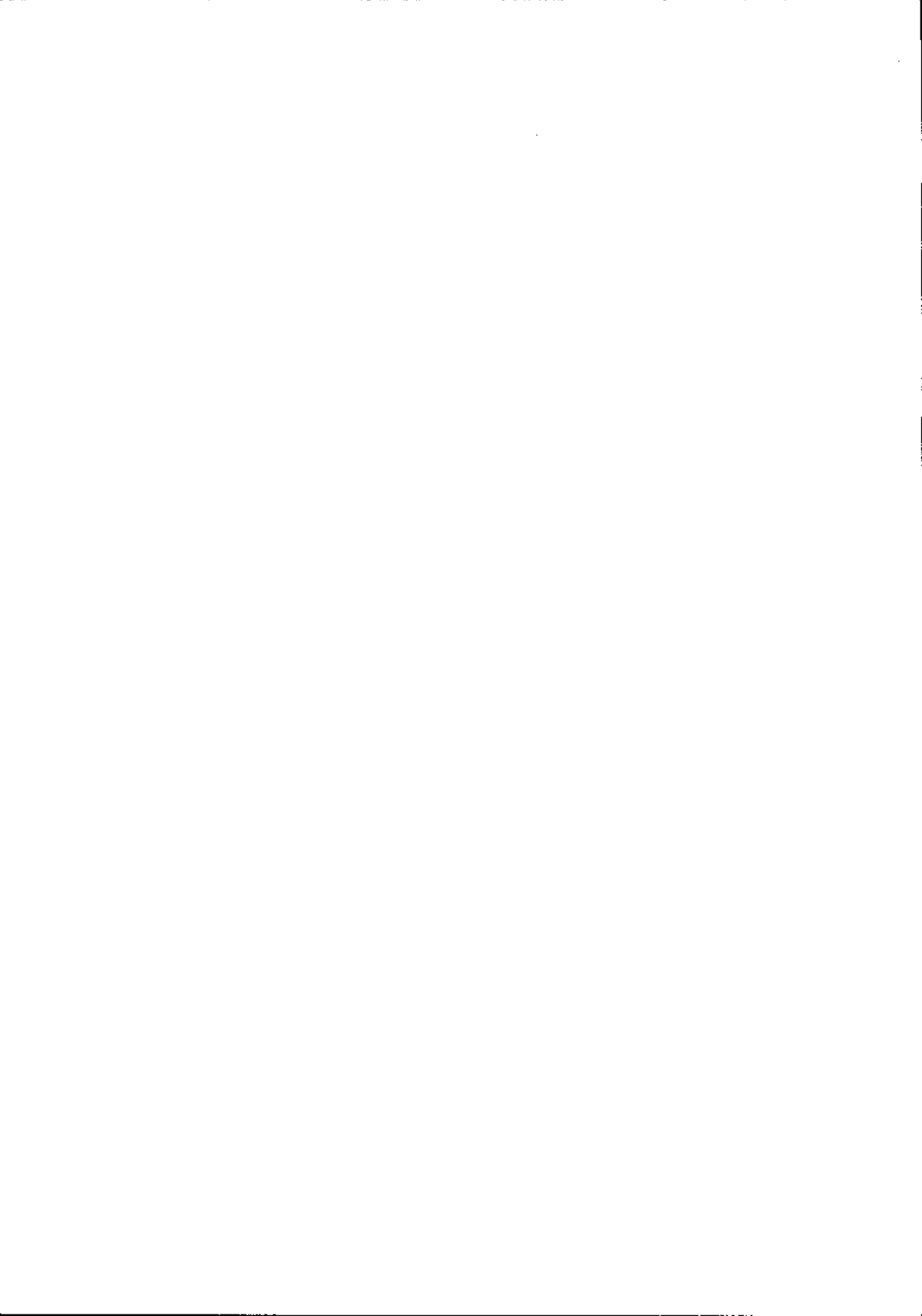
* G. L. Podestà, *Il mito dell'impero, op.cit.*, p. 241.

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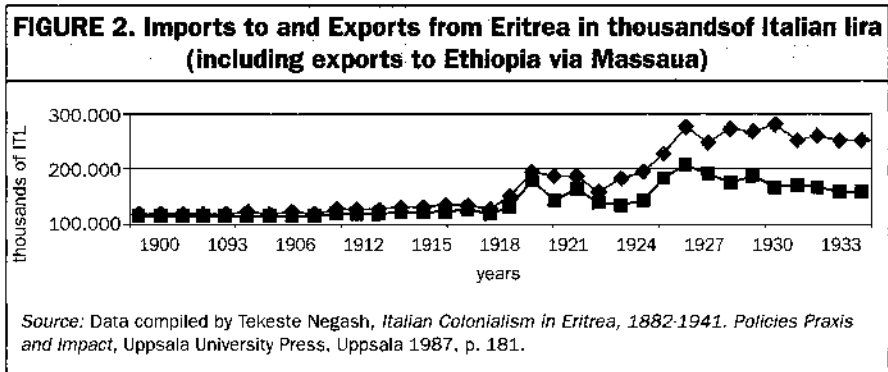
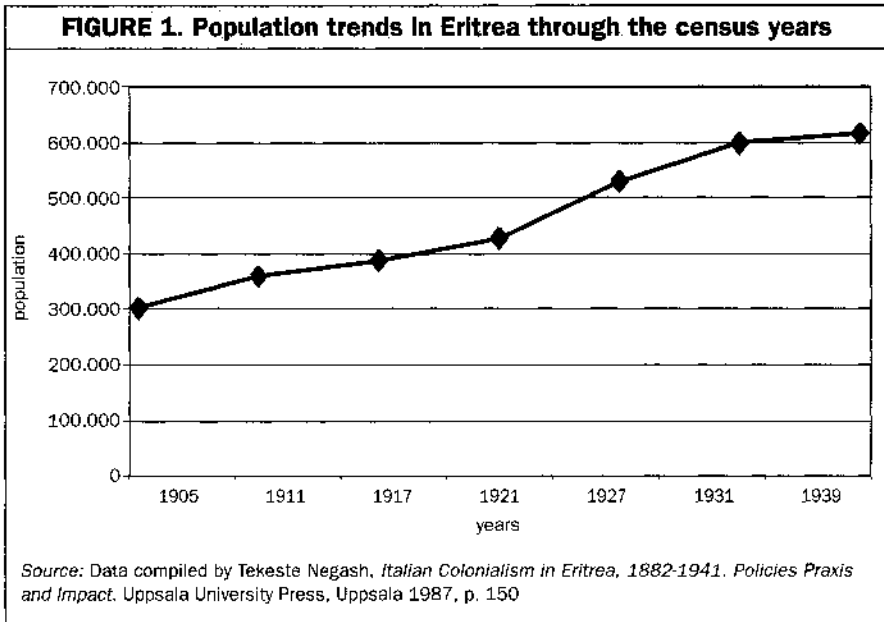
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Appendix

Italian colonies and enterprises
in Eritrea (XIX-XX Centuries)

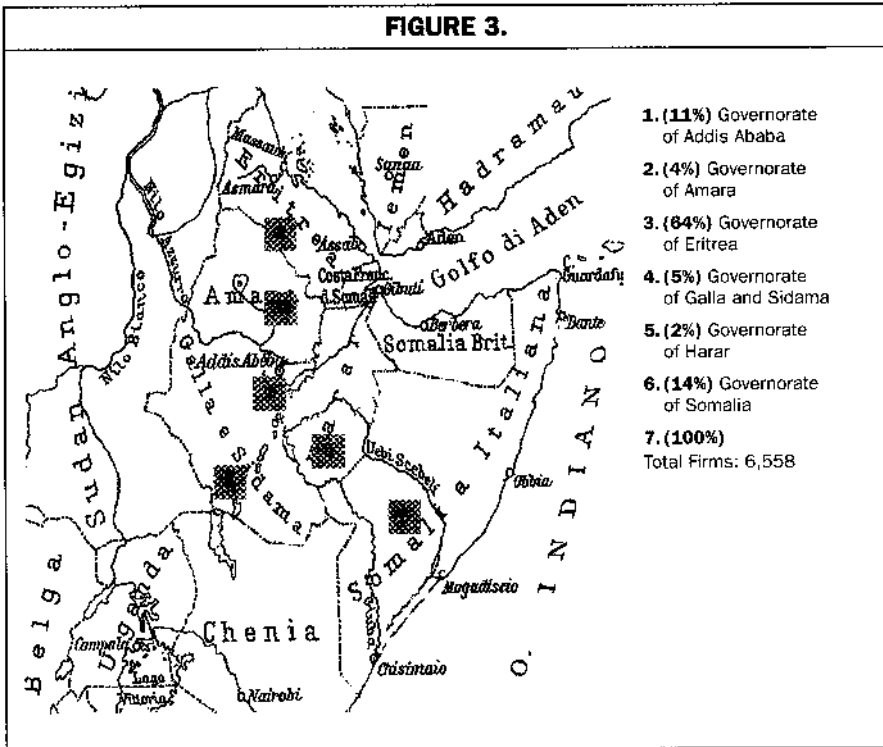


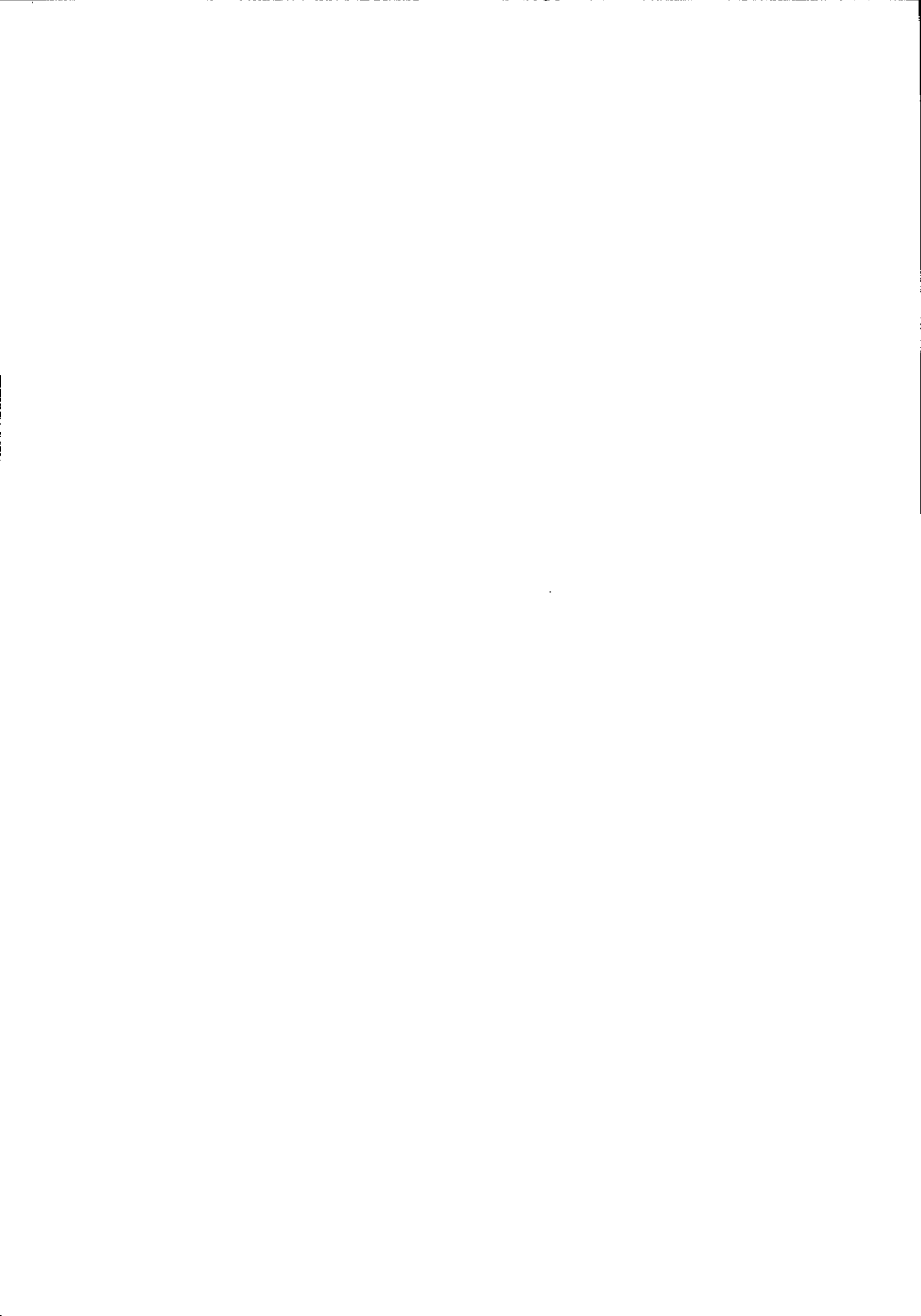
**TABLE 1. Total of artisanal, industrial and trading companies
In Italian East Africa**

Name	Governorate of Addis Ababa	Governorate of Amara	Governorate of Eritrea	Governorate of Galla and Sidama	Governorate of Harar	Governorate of Somalia
Total	745	251	4197	321	115	929

Source: "Guida Amministrativa e delle Attività Economiche dell'Impero Africa Orientale Italiana"; Officine Grafiche Editrici V. M. Briscoli, Turin 1938-39.

FIGURE 3.





problems

CLETANO SABATINI *The Venetian case and fall of a family of Portuguese bankers in Spanish Naples*

