

Pioneering Italian investments in the Balkans and the Ottoman Empire: ships, ports and railways (1876-1896)

Abstract

The studies on Italian investments in the Ottoman Empire are scarce and, starting from Webster's volume, "Industrial Imperialism in Italy, 1908-1915", almost exclusively focused on Giolitti's Age¹. This paper will instead investigate the subject by placing it in the Historical Left's period because in such period we can find the root of the problems that will determine an irreducible gap between Italy and the other European Powers in the investment race in the Ottoman Empire. It is not by chance that, at the end of the 19th century, Austria-Hungary, France, Great Britain and Germany had already built the main railway lines in the Empire and the connecting ports in the Mediterranean (with the exception of the Baghdad Railways which was built after 1902). In the meantime, Italy lagged behind and only succeeded in obtaining small size subcontracts in the Ottoman concessions program in favor of the large foreign construction companies.

The European investments were functional to the integration of the Ottoman Empire in the Western capitalist economy and, for this reason, they were based on railway projects that almost always had to take into account the terminals in the Ottoman ports and the shipping lines that served as links to the European ports. This allowed a market integration process to take place through an efficient combined sea-rail transport system and competitive national merchant navies.

In the wake of the first phase of globalization, the European Powers set aside political rivalries and created international financial consortia, which included the first German mixed banks, that were

¹ R.A. Webster, *L'imperialismo industriale italiano, 1908-1915. Studio sul prefascismo*, Einaudi, Torino 1974; A. Tamborra, *The Rise of Italian Industry and the Balkans (1900-1914)*, in «Journal of European Economic History», 1, 1974, pp. 87-120; S., Minerbi, *Italian Economic Penetration in Palestine*, in M. Ma'oz (ed.), *Studies on Palestine during The Ottoman Period*, The Magnes Press, Jerusalem 1975; A. Di Vittorio, *Multinational bank: The Bank of Roma*, in «The Journal of European Economic History», 2, 1987, pp. 389-398; E. Sori, *La penetrazione economica italiana nei territori degli Slavi del Sud (1896-1914)*, in «Storia contemporanea», 2, 12, 1981; M. Petricioli, *L'Italia in Asia Minore. Equilibrio mediterraneo e ambizioni imperialiste alla vigilia della prima guerra mondiale*, Sansoni, Firenze 1983; E. Costantini-P. Raspadori (eds.), *Prove di imperialismo. Espansionismo economico italiano oltre l'Adriatico a cavallo della Grande Guerra*, Quaderno Monografico di Proposte e Ricerche, 41, 2017.

ready to finance these projects relying on guarantees offered by the Council of the Ottoman Public Debt Administration. This institution represented the foreign holders of Ottoman bonds and became the privileged intermediary between Europe and the Ottoman Empire in the aftermath of its bankruptcy.

Italy also tried to seize the opportunity to open up a commercial and industrial penetration route into the Balkans and the Ottoman Empire, putting forward various railway line projects connecting port hubs on opposite sides of the Adriatic Sea.

These projects nonetheless proved unsuccessful and Italy lagged behind the other European nations until those very projects were resumed during Giolitti's Age. What did that failure depend on? A comparative analysis with the achievements of the other European nations suggests that the reasons must be identified in: 1) a foreign policy, such as that carried out by Crispi, as Minister for Foreign Affairs, and by Blanc, as Ambassador of Italy in Constantinople, anchored to an imperialistic logic, still affected by the *ancien régime's* spirit, that judged the Italian participation in the international financial consortia as ancillary to political alliances; 2) the poor cooperation between the Italian Delegate to the Ottoman Public Debt and the Italian Embassy in Constantinople; 3) the shortage of capital and the lack of financial institutions capable of taking on the financing of those infrastructural projects. The document sources are mainly based on a number of document collections belonging to the Ministry of Foreign Affairs' Historical-Diplomatic Archives (particularly, Embassy of Italy in Constantinople, Political Affairs, Moscati VI). These documents show how the Italian diplomacy had always played the role of "substitute factor" in the Italian attempt to commercially and industrially expand into the Ottoman Empire.

I

In the context of historical research on the foreign investments in the Ottoman Empire, the studies concerning the role of Italy were not very many. Furthermore, from the volume "Industrial Imperialism in Italy, 1908-1915" by Webster onwards they have almost exclusively focused on Giolitti's age. The present paper will instead consider the subject placing it within the Historical

Left's period. This because here is the root of the problems that will lead to Italy's unbridgeable gap in the investment rush in the Ottoman Empire in regard to the other European Powers. It's not accidental that at the end of the nineteenth century they had already built the Empire's main railway lines as well as the connecting ports on the Mediterranean coasts (with the exception of the Baghdad Railways which was built after 1902). In the meantime, Italy was left behind and only managed to get small size sub-contracts in the Ottoman concessions program in favor of the big foreign construction companies.

The European investments were instrumental to the Ottoman's economy integration within the Western capitalist economy. Therefore, they were based on railway projects that almost always had to take into account the terminals in the Ottoman ports and the shipping lines that served as a link with the European ports. In this way, the markets' integration process could have made use of an efficient combined intermodal sea-rail transport system².

Each European power sought the support of its national diplomacy to exert pressure on the Ottoman government in order to get the Treasury to grant one of their financial institutions the handling of the emission and/or the placement of a loan that was generally bound to obtaining a concession for one of their national undertakings in the infrastructure field, mainly in the rail sector. Thus both loan and concession were meant to provide their corresponding European countries an outlet for their industry's labor and products (mostly related to infrastructure works) as well as an area of political influence³.

Given the level of competition that was emerging in the Ottoman area in the wake of the first phase of globalization, the European powers set aside their political rivalries and setup various international financial consortia. They included the first German mixed banks and were aiming at financing the projects for building the transport infrastructure networks, whose high costs could not

² Ş. Pamuk, *The Ottoman Empire and European Capitalism, 1820-1913. Trade, Investment and production*, Cambridge University Press, Cambridge 1987; D. Quataert, *The Age of Reforms, 1812-1914*, in H. İnalcık-D. Quataert (ed.), *An Economic and Social History of the Ottoman Empire*, II vol., Cambridge University Press, Cambridge 1997.

³ J. Thobie, *European Banks in the Middle East*, in R. Cameron-V.I. Bovykin (eds.), *International Banking 1870-1914*, Oxford University Press, Oxford 1991; H. Feis, *Europe, The World's Banker 1870-1914*, Yale University Press, New Haven 1930; *East meets West-Banking, Commerce and Investment in the Ottoman Empire*, Ashgate, Aldershot 2008.

have otherwise been dealt with by the single domestic financial institutions. However, the success of the alliance between these three forces – financial, industrial and diplomatic – in pursuing an investment policy in the Ottoman Empire during the Eighties of the Nineteenth century started to rely more and more on the intermediation of the Council of the Ottoman Public Debt Administration. This was a private and multinational institution and represented the holders of the Ottoman bonds and became the preferred partner for the mediation relations between Europe and the Ottoman Empire in the aftermath of its bankruptcy⁴.

The Council in fact took on the role of guarantor for the Ottoman's government financial obligations not only towards the European investors holding old debt securities, but also towards the European financial consortia that were promoting the infrastructure projects that depended on the capital internationalization⁵. Real interlocking directorates between banks, industries and representatives to the Council of Ottoman Public Debt Administration's took shape and this latter institution therefore carried out its action based on the co-operation between the European powers and managed to hold off their imperialistic approach. The Council, in fact, played a mediation role in order to settle the aspirations of the various European countries to open up, in proportion to their stakes in the financial consortia, suitable outlets for their domestic workforce and for their industry's products thanks to the companies involved in the infrastructure investments.

At the time of the Historical Left, Italy as well tried to seize the opportunity to open up a commercial and industrial penetration route into the Balkans and the Ottoman Empire. It put

⁴ M. Birdal, *The Political Economy of Ottoman Public Debt. Insolvency and European Financial Control in the Late Nineteenth Century*, I.B. Tauris, New York 2010, pp. 103-108; D.C. Blaisdell, *European Financial Control in the Ottoman Empire. A study of the Establishment, Activities, and Significance of the Administration of the Ottoman Public Debt*, AMS Press, New York 1966; A. Roumani, *Essai Historique et Technique sur la Dette Publique Ottomane*, Marcel Giard, Paris 1927; A.C. Tunçer, *Sovereign Debt and International Financial Control, The Middle east and the Balkans, 1870-1914*, Palgrave Macmillan, New York 2015, chapters 4 e 7.

⁵ In particular, the Public Debt Administration offered its guarantee in regard to the system of the so-called kilometric guarantees. The Ottoman government then assured the railway companies a certain amount of gross revenue per km of line built and in use according to this guarantee. Had the revenues been lower than the level that had been guaranteed, the Treasury would have paid the difference transferring the revenue from the tithes of the territories crossed by the railways to the Public Debt Administration.

forward several railway projects for lines connecting port hubs on the opposite sides of the Adriatic. This within the so-called “infrastructure imperialism” approach.⁶

During the Historical Left period, Italy's expansionist policy was mainly due to Crispi and to his right arm in the Ottoman area, the Ambassador to Constantinople, Alberto Blanc. They both supported the Triple Alliance from an anti-French standpoint, albeit changing opinion in a second moment and denouncing the ineffectiveness of the alliance with the Central Powers and with England in supporting any action in favor of Italy in the Ottoman Empire. Despite the efforts of its diplomacy, Italy was unable to obtain any concessions from the Empire in regard to railway or to port construction and management, this unlike the other European Powers. All the Italian investment projects proved to be unsuccessful leading Italy to build up a considerable lag compared to other European nations. Those very projects were resumed later during Giolitti's age but all the same they were affected by the *unintended consequences* of the previous period. What caused that failure?

The records in the Archivio Storico Diplomatico del Ministero degli Affari Esteri (Ministry of Foreign Affairs' Historical Diplomatic Archive) that refer to the Historical Left's period show the problems that Italy had to face⁷.

Firstly, it has to be kept in mind that the number and the value of the Ottoman government's concessions regarding the investments in the transport sector for a given European nation depended on the amount of the loans this country had granted the Ottoman Empire (both before and after the bankruptcy). The Ottoman's government strategy was in fact aiming at taking advantage of the European countries' rush to securing infrastructure concessions in order to achieve the best conditions possible when repaying the old public debt securities and issuing of new loans.

⁶ Such an imperialism was therefore based on the investment strategy in the transport infrastructure for a given area in order to incorporate it in Italy from a commercial point of view.

⁷ S. Ecchia, *L'Italia nei rapporti con le Grandi Potenze e l'Impero ottomano nell'età della sinistra storica*. Diplomazia, finanza e investimenti ferroviari, Giappichelli, Torino 2018.

The share of the Ottoman's public debt held by Italy had always been small and, after the Ottoman bankruptcy, no Italian bank had taken on the risk of further loans. This was due to the insufficient stock of national capital and to the lack of structural solidity for the Italian banking system – that at that time was incapable, even with its main banks, to stand the comparison and competition with the other European banking systems. Italy could not, therefore, expect to be granted important shares when the concessions for the construction and management of railway lines and ports were awarded. The only alternative for Italy would have been to join, although in a secondary position, the international financial consortia that were setup in Europe to support the infrastructural investments within the Empire. It would have been able to participate in the loans to the Sublime Porte in a percentage that would have been proportionate to its modest financial means thus obtaining in exchange reduced relevance subcontracts.

However, the political strategy that was followed by Italy did not move along the line adopted by the group of other European Powers. Crispi and Blanc's foreign policy in fact led to turning down the Great Powers' invitation to promote the infrastructure investments projects within the Empire. These were supported by their diplomats and national representatives to the Ottoman Public Debt Administration's Council and were based on an internationalization of capital. Italy remained quite anchored to an imperialistic understanding of power politics (that was dismissed by Schumpeter as the “residues of feudalism” of a pre-capitalist Europe) in the Middle East region. This led to a difference in views between Blanc and the Italian representative at the Ottoman Public Debt Administration's Council, Francesco Mancardi. The latter, unlike the Ambassador to Constantinople, was favorable in taking part in international financial consortia that also involved shareholdings of banks controlled by French capital, first of all the Imperial Ottoman Bank. According to Crispi and Blanc, Italy instead should not have appeared to be in a subordinate position within the European financial consortia in regard to the other Powers, especially with France.

Despite the Triple Alliance had been formed⁸, this strategic error was keeping Italy in a position of relative isolation in the international field and the Italian government had to face the impossibility of independently sustaining expensive and risky investment projects within the Ottoman Empire. Therefore, it had to accept the fact that the most profitable and relevant concessions were regularly secured by the other great Powers that were associated in the consortia. Italy could only carry out projects that were targeted to two underdeveloped regions of the Balkans: Albania and Montenegro. These were territories with an agricultural-pastoral economy that was not very productive and were also sparsely populated and often agitated by nationalistic uprisings. They were in practice lacking a commercial traffic capacity that could prove the investments to be sufficiently profitable compared to the costs. Therefore, these investments failed to attract the support of the major Italian banks that, given the risk, would have intervened only if covered by a state guarantee.

II

The so-called “Danubian axis” was at the heart of the railway investments in the Balkans. It was mostly built between 1870 and 1876 by Baron Maurice de Hirsch's Oriental Railways company and started in Vienna from where it was supposed to reach Budapest, Belgrade and Nish, it then divided pointing southwards to Thessaloniki (Salonicco) and eastwards to Sofia then finally to Constantinople. This initiative was taken by the Austro-Hungarian government in the hope that the transport of goods by rail would have compensated the losses incurred in the Balkan markets that were caused by the competition of the exports by sea from the other European nations. The two lines that were supposed to connect Vienna to Constantinople and Belgrade to Thessaloniki, marking the famous Orient Express route, were completed only in 1888 under the auspices of the

⁸ G. Perticone, *La politica estera italiana dal 1861 al 1914*, Eri, Torino 1967; G. Giordano, *Cilindri e feluche. La politica estera dell'Italia dopo l'Unità*, Aracne Editrice, Roma 2008; C. Morandi, *La politica estera dell'Italia. Da Porta Pia all'età giolittiana*, Le Monnier, Firenze 1968; R.J.B. Bosworth-S. Romano, *La politica estera italiana, 1860-1985*, Il Mulino, Bologna 1991; F. Cammarano, *Storia dell'Italia liberale*, Laterza, Roma-Bari 2011; E. Decleva, *L'Italia e la politica internazionale dal 1870 al 1914. L'ultima fra le grandi Potenze*, Mursia, Milano 1887; E. Ragionieri, *Lo Stato liberale*, in AA.VV., *Storia d'Italia. Dall'Unità ad oggi*, Einaudi, Torino 2005; R.J.B. Bosworth, *Italy and the Wider World 1860-1960*, Routledge, London-New York 1996.

“Consortium”. This was a syndicate of French, German and Austrian banks that was led by the Imperial Ottoman Bank that ever since its foundation had shown to be active in the internationalization of capital (that in this case was English and French). In 1890 the Consortium will be absorbed by the Oriental Railway Bank which also was a consortium of the major European investment banks headed by Deutsche Bank and with a stake holding of the Imperial Ottoman Bank. This new bank will first acquire the Oriental Railway's network and later it will focus on financing a further extension of the transport network in the Balkans and in Asia Minor. Only Italy did not take part with its banks to any of the international banking syndicates that financed these works. It showed nevertheless a great interest in the construction of a trans-Balkan line that included two variants: 1) a first line that had to pass through the southern Balkan regions transversally in order to connect the Aegean and the Black Sea ports on the Bulgarian side with the Albanian ports, i.e. Durazzo and Valona, via a route that included the towns of Monastir and Berat; 2) a second line, dubbed the “Danube-Adriatic”, instead was supposed to cross the northern Balkan regions. It had to connect the south of Russia, Romania and Serbia to an access to the Adriatic Sea in Albania at the San Giovanni di Medua harbor near Scutari. An alternative could have been the harbor of Antivari in Montenegro.

However, while pursuing its trans-Balkan railway project and its two variants, Italy clashed with Austria-Hungary, who used its railway investment in the Balkans as its main political and economic expansion channels in the region. These Austrian railway investments were closely related to the development of the Austrian merchant navy's connections and traffic. Based in the ports of Trieste and Fiume, Austrian merchant navy competed with the Italian navy, which had its base in Venice, for controlling the trade in the Adriatic and Aegean Seas⁹.

⁹ A. Cafarelli, *Il leone ferito. Venezia, l'Adriatico e la navigazione sussidiata per le Indie e l'Estremo Oriente (1866-1914)*, Viella, Roma 2014; L. de Courten, *La marina mercantile italiana nella politica di espansione (1860-1914)*. Industria, finanza e trasporti marittimi, Bulzoni, Roma 1989; R. Giulianelli-E. Sori, *La penetrazione italiana nei Balcani e nel Levante. Linee di navigazione e fonti di energia a cavallo della Grande Guerra*, in E. Costantini-P. Raspadori (eds.), *Prove di imperialismo. Espansionismo economico italiano oltre l'Adriatico a cavallo della Grande Guerra*, Quaderno Monografico di Proposte e Ricerche, 41, 2017; G. Mellinato, *La rivalità marittima italo-austriaca: trasporti e spazi*

From the institutional point of view, the main lookout Italy had for following the development of the international projects in the field of transport infrastructures in the Balkans was its Consulate in Thessaloniki. In fact, it immediately highlighted the danger that the Austrian investment projects in the field of combined sea-rail transport were for Italy. In particular, the Vienna-Belgrade-Thessaloniki line tended not only to cut the commercial ties that Italy had with the Balkan regions but also to isolate it from the so-called “Indian Mail” (“Valigia delle Indie”). This was a route designed for the transport of mail and passengers and linked London to Bombay via the first combined boat-train system. From October 1870, with the opening of the Suez Canal, the Peninsular-Express train began its regular weekly journey. It started from London passing through France and, after 45 hours travel, it arrived in Brindisi. Here the port had been renovated to improve the rail links and to allow the large steamers belonging to the Peninsular and Oriental Steam Navigation Company (“P&O”) to berth. The trains used to board on the steamers in order to continue their journey to Alexandria. Then they crossed the Suez Canal, stopped in Aden and then finally got to Bombay after 22 days. Phileas Fogg, the main character in “Around the world in 80 days” by Jules Verne, was precisely using the “Indian mail” and embarked exactly in Brindisi for the Suez Canal.

The risk for Italy was that through such railway connection with central Europe, England would have chosen the port of Thessaloniki, being the nearest to Egypt, as a new route for the “Indian mail” rather than the port of Brindisi. This would have supplanted the Adriatic port, removing it from the role that it had been granted by its geographical position as “The Gate to the East”.

As a direct connection line, the Vienna-Belgrade-Thessaloniki line offered a considerable time saving for the connections between the great commercial European centers and the Far East. Furthermore, it also shortened the sea journey by many hours and this also proportionally decreased the risks of delays and accidents. This double advantage was, however, frustrated by the

transportation costs that were much higher by land than by sea. Austria was the most industrial country near Thessaloniki and the most capable of taking advantage of the new railway. As a comparative chart of the transport costs from central Europe to Thessaloniki via land and via sea shows, Austria would not have been able to find any advantage in sending its products along that line due to the difference in the transport prices, nor the more distant countries could have found any. Therefore, the Belgrade-Thessaloniki railway was not likely to become the main direct line with the countries of the Levant. This line would have also had problems in serving the transport along the "Indian mail". By adopting Thessaloniki's route, the British Postal Administration would have been able to gain six hours from the whole London to Alexandria journey compared with the route through Brindisi. But, due to quite serious technical construction difficulties, the express mail trains would have only been able to reach an extremely low average speed (40-45 km per hour).

Anyhow, in June 1888 France and Italy agreed to increase the speed of the trains along the stretch of the "Indian mail" line between Brindisi and Calais. This in order to contrast the time saving offered by the new Vienna-Belgrade-Thessaloniki line and to avoid the much-fared step to bring the "Indian mail" line along the Belgrade-Thessaloniki railway. It was not only the question of the route's speed to concern England, but rather also the costs that weighed on the railway due to the tariffs imposed by France and Italy and that should have been lowered too in order to be competitive with the Austrian ones.

In spite of the efforts made to reduce the time and the cumulative rates, over the years the port of Brindisi began to prove to be unsuitable to accommodate larger size steamships. Therefore, starting from 1897, England granted its preference to the Port of Marseilles for the route of the "Indian mail" as it was the main port on the northern side of the Mediterranean. Consequently, the port of Brindisi was then used only to route a secondary line. At first it stopped in Brindisi once every

fifteen days and later once a month, until the service was completely suspended in 1914, on the eve of the First World War.¹⁰

However, Austria had not been able to make the Vienna-Belgrade-Thessaloniki railway sufficiently competitive to attract the "Indian mail" route and in 1890 it decided to reach an agreement with Serbia and Bulgaria in order to change the transport rates along the Balkan railway lines. This was done with a protectionist intent for the land trade and the result for Italy and England was that the maritime trade and the one in transit to the Far East would have shifted to the railways of the Balkan peninsula on which the Austro-German commercial traffic to and from the Balkans was passing. The Ministry of Posts and Telegraphs proved to be ready to use its influence with the "Società di Navigazione Generale Italiana" in order to get benefits for the maritime tariffs on the routes to the Far East. This, however, on condition that a radical reform of railway rates was devised with a view to establishing a profitable and efficient cumulative sea-rail service with the German and Swiss railways on the one hand and with the Navigazione Generale on the other, so that the benefits on the Balkan railways were balanced. In turn, the Ministry of finance committed to simplifying the customs service for the goods in transit.

However, the General management of the Strade Ferrate Meridionali (Southern Railways) claimed that winning the competition against the Austro-Hungarian railways didn't depend so much on lowering the Italian railway rates but rather on the reduction of the freight rates applied by the Navigazione Generale Italiana. This would have attracted the goods to the port of Venice and from there they would have been loaded on the company's steamers.

A support to the position of the Strade Ferrate Meridionali's General management came from the Royal Inspectorate of railways that, at a time when the competition of the port of Thessaloniki was threatening the "Indian mail"'s transit through the European continent, strove to improve the trains' efficiency as well as the services at the port of Brindisi and at the French border. According to the

¹⁰ A. Quaranta, *La valigia delle Indie*, Capone Editore, Lecce 2003; A. Romano, *La valigia delle Indie e l'Europa*, Venezia, Reale tipografia di Gio. Cecchini, 1869.

Royal Inspectorate, the competition of the ground route through the Balkans should have been almost harmless to the Italian trade as the railway rates, as low as they could have been, would have never been able to reach the very low limit that the sea freight rates were capable of reaching. For the transit through Italy of the products from the Balkan regions, only cereals (in particular wheat) had to be considered. The Inspectorate had already taken care of them by ensuring they were attracted onto the Italian railway lines thanks to a rate reduction. In the meanwhile, a project of the Società Adriatica was aiming at establishing specific grain warehouse in Venice and when these plants had to be completed, the transit traffic would have been secured even better. Anyhow, only considering this trade of cereals, the new international line, to which Austria-Hungary wanted to give the preference, could have damaged the Italian exports, given that the other Italian products were not reaching the Far East markets to any significant extent. Not to mention that, according to the Inspectorate, the planned rate reductions for the Balkan railways, would have barely reached the already very low prices that were applied on the Italian railways. If, therefore, some measure should have been taken to keep the current traffic to Italy, it should have concerned not so much the railway tariffs but rather those of navigation, which could certainly be affected by some reduction.

The Italian government invited the Foreign Office to carry out a joint diplomatic action aiming at preventing the Balkan railway rates from being lowered thus causing the traffic to be diverted from the sea, to the detriment of the maritime Powers' trade. The English government's laissez-faire approach prevailed in demanding instead equal treatment for the transport prices which was guaranteed by the most favored nation clause included in the trade treaties with Serbia and Bulgaria. The Ministry of Agriculture, Industry and Commerce, therefore, suggested the Minister of Foreign affairs to join the English diplomatic line aiming only at opposing the differential treatment. This because there was no right to prevent an agreement between Serbia, Bulgaria and Austria-Hungary that aimed at lowering the railway rates, only for the fear that it would have created a maritime trade competition. Rather, the maritime traffic with the Far East needed

developing, mainly by promoting easy and regular communications with subsidized maritime services. This because the natural routes for Italy to the Balkan and Levantine seaports were by sea.

III

Again, from the standpoint of keeping Brindisi at the center of the commercial traffic that had to cross the Adriatic to reach the Far East, Crispi's government hoped it would have obtained the concession for new railway lines in the Balkans that could follow two different routes, the northern one and the southern one, of the so much longed for Trans-Balkan railway. The opportunity arose, for what concerned the design of a southern stretch of the Trans-Balkan railway, in 1890. In fact, it emerged between the lines of the contractual clauses set by the Ottoman government in the 1890 concession act that granted Kaulla, who represented Deutsche Bank, the construction of the Thessaloniki-Monastir railway. The concession of the Thessaloniki-Monastir railway line provided for a possible extension from the town of Monastir, and therefore from Macedonia, to a port in Albania, Valona, and/or Durazzo, on the Adriatic Sea. This in case the Ottoman government had the military requirement for a direct link with Albania in order to better prepare a defense against an enemy force that could land from the Adriatic Sea. The Germans showed right from the very beginning their doubts in taking on the construction of a line that was poorly remunerative. This was due to the limited commercial traffic in the Albanian territory and the extreme technical difficulty, even if the Ottoman government was to commit to increase the guarantee, in proportion to the sum needed for the construction itself, going well beyond the 15,000 francs per kilometer of the average kilometric guarantee.

In the same period, Italy also had the opportunity to evaluate projects concerning the northern stretch of the same project.

In 1890, Serbia showed an interest for a railway construction with access to the Adriatic. From Nisch it crossed the Albanian border and would have reached the port of San Giovanni di Medua thus subtracting part of the Serbian trade from the Austrian hegemony. The implementation of this project implied, however, that the Ottoman Empire should have built the railway stretch between

San Giovanni di Medua and the border with Serbia. The Serbian Government was reluctant to be the advocate for the procedures at the Sublime Porte. It was fearing that political ambitions could have been ascribed to its initiative and it was also fearing it would have conflicted with Austria-Hungary's economic interests. Therefore, it asked the Italian Government, that was directly interested in the project's execution and whose action would not have led to any kind mistrust in Constantinople, to grant its support to encourage the Sublime Porte to build this railway. The Sublime Porte showed that it was willing to grant the concession for the construction of this railway, also because of the pressure by the population of Scutari in Albania that feared that, because the concession for the Thessaloniki - Monastir line, with a possible extension to Valona or Durazzo, had been granted to Kaulla's company, any other railway project with access to the Adriatic at San Giovanni di Medua would have been definitely rejected, thus seriously damaging the economy of Scutari. Situated near the namesake lake, Scutari, in fact, had access to the Adriatic sea only through the river Bojana that flows out of lake Scutari, runs for a long stretch along the border between Albania and Montenegro, until it joins the river Drin and runs into the sea near San Giovanni di Medua.

The economic advantage that Italy would have been able to gain from such a railway was obvious. In fact, just a few hours' crossing separated the port of Brindisi from the port of San Giovanni di Medua, here the new railway, with a route of about 300 km, would have brought the Italian products into the heart of the Balkan peninsula. The access to all the other Balkan States would have been simplified by the connections with the railways that had already been built and, thanks to the Bulgarian railways, the Italian goods would have arrived directly to Varna and from there to the Black Sea. From a political point of view, then, the railway would have increased Italy's political influence over Albania.

The stretch through a mountain area as well as the work that was needed to limit the flooding of the Drin river would have, however, considerably raised the line's cost per kilometer. All this without neglecting the fact that it was not so profitable from a commercial traffic point of view.

For these reasons, as an amendment to the Serb project, Italy brought forward a further hypothesis for a railway connection between the Adriatic Sea and the Balkans, it consisted in a railway through the Principality of Montenegro connecting Mitrovitza with the port of Antivari. Due to the technical problems of having to pass through the Albanian mountains, the route through the territory of Montenegro towards the Antivari was therefore to be preferred. In fact, the railway would have passed through a long, perfectly flat, stretch of land along the great lake Scutari where the Albanian products would have been collected. Such products until then could not be exported due to the lack of communication channels.¹¹

A direct communication between the ports in Montenegro and Italy was, among other things, one of Montenegro's greatest ambitions. In this way it wanted to free itself from the trade vassalage conditions in which it was with Austria-Hungary¹². Italy, in turn, was secretly backing the idea of a new political entity created from the unification of Albania and Montenegro, with Scutari as its capital, which had to be placed within the Italian colonial orbit.

Nevertheless, in Blanc's opinion, being aware of the difficulties that existed in implementing the various railway projects was important. These concerned likewise the Trans-Balkan railway's northern option as well as the southern one, in fact they were both mainly centered on the dubious ability of the Empire to take on the expenses in terms of kilometric guarantee.

It was easy to foresee that the trans-Balkan railway's construction (in its two variants) would have turned out to be expensive due to the technical difficulties of crossing mountainous countries and also not so profitable in regard to the local traffic. Certainly, if the States interested in this project, namely Italy, Montenegro, Serbia and Turkey (with regard to Albania which was still under the

¹¹ A new infrastructure project related to the northern stretch of the Trans-Balkan railway, that was inspired by the infrastructure of the nineties of the 19th century, was revived during Giolitti's Age, precisely in 1905, by the "Compagnia di Antivari", created by Giuseppe Volpi, see, R. A. Webster, *Italian industrial imperialism, 1908-1915*, op. cit., pp. 388-389.

¹² For the freight rates alone Montenegro was annually paying the Austro-Hungarian Lloyd more than 160,000 florins which corresponded to almost 400,000 Italian Lire. A considerable sum, half of which would have been widely sufficient, at a time when the old conventions with the "Società di Navigazione Generale" were about to expire, to compensate a new Italian enterprising company of the expenses it would have met to maintain a direct shipping line between the two countries.

Ottoman rule) had taken part in a joint capital contribution, the venture would have no longer seemed impossible.

Blanc was aware that the stability of such a consortium depended on the mediation of the Ottoman Public Debt Administration to which the Ottoman government would have granted the tax collection and the payment of the tithes in the territories crossed by the railways against the kilometric guarantee. The consent of the majority of the Council was needed for the Council of the Debt Administration to take on such a service. But, as Blanc lamented, the Italian delegate to the Council had never been influential and, furthermore, a political opposition on the part of the other foreign delegates was to be expected (given that the new railways would have competed with the railway network already existing in the Balkan area and that it was under the control of the international financial consortia, of which Italy was not part). Lastly, the grain and grapes tithes in the areas that were supposed to be crossed by the planned line were indeed still available to be granted, where necessary, to the Debt Administration, but they would not have been sufficient to offer a guarantee to both Trans-Balkan railway routes.

The support of the Ottoman Administration's Council to a financial consortium led by Italy and that was alternative to the Austro-Franco-German one looked very unlikely. Therefore, Blanc was convinced that, as a priority, the construction of the railway line, corresponding to the southern stretch of the trans-Balkan railway, was to be supported by the Italian government and finance. In fact, it was apparently easier to implement, both from a technical and from a financial sustainability point of view. Blanc therefore supported the concession request to the Ottoman government carried out by the Sicilian engineer Evaristo De Chirico for a narrow-gauge railway project from Monastir to the port of Valona. The Sultan would have even been favorable, in broad lines, to the narrow-gauge system provided by De Chirico's railway project as it involved minor costs for the treasury and was more suitable for rough terrains. Instead the Ottoman government's ministers prevailed and the line of granting all the lines in the Balkan area to the powerful Austro-Franco-German group lead by the Oriental Railway Bank was approved. The huge value of the investment was justified by

the commitment to build the railways with a standard gauge, as this was considered the most suitable system for military transport and an improvement to Empire's defense conditions in general.

The failure of De Chirico's project led Blanc to believe that at this point the Austro-Franco-German consortium was acting with a monopolistic approach and that it was systematically excluding the Italian groups and their low-cost narrow-gauge railway projects aiming at creating communication lines between Italy and the Ottoman coasts of the Adriatic.

Nevertheless, the Italian government did not renounce and decided to resume the project that Kaulla had left pending and that concerned the connection of the Thessaloniki-Monastir line to a port on the Adriatic and this time the task of reviewing the studies done by the Germans was given to colonel Marinò. This was the only route that would have gone from Monastir up to Elbassau and then, from there, it would have split into two other lines, one to Durazzo and the other to Valona. The distance from Brindisi, the closest port to the Albanian coast, was 180 kilometers for Durazzo and 130 for Valona.

Based on his analysis, Marinò concluded that the line designed by the Germans was very difficult to build due to the nature of the terrain. He also believed that the suspension of the project was due to the exorbitant kilometric guarantee that was requested to the Ottoman government in proportion to the undertaking's technical difficulties. Furthermore, the extremely limited traffic in the countries crossed only assured a limited profit that was insufficient to reward the capital that had to be employed. Blanc underestimated the results of Marinò's survey and, in 1893, at the head of the Ministry of Foreign Affairs, insisted in believing that behind the German request for such a high kilometric guarantee there actually was the international financial consortia's attempt to block the Italian initiative regarding the railway track's construction. The minister, therefore, urged the Italian Ambassador to Constantinople at that time, Collobiano, to support the setting up of a Syndicate - made up by the Credito Mobiliare Italiano, by the construction Company Almagià in Ancona and by the group of Jewish entrepreneurs living in Thessaloniki. The latter were originally from

Leghorn (Livorno) and were represented by the Allatini brothers who were the Bank of Thessaloniki's owners. The purpose of this Union was to fund new studies on the railway route from the town of Monastir to the Adriatic Sea and to verify if the railway could be built with a lower kilometric guarantee than the one estimated by the Germans. The commission in charge of the new studies and chaired by Engineer Piovano, former Head of Division of the Rete Adriatica and representing the Credito Mobiliare Italiano, excluded the port of Durazzo as line terminus because it would have required a substantial expenditure to make it safe and available for the traffic. The port of Valona, that was chosen as an alternative, was supposed to connect with the opposite side of the strait of Otranto by a new seagoing service. This navigation service had to ferry the trains and therefore arrangements had to be foreseen between the government, the railway companies and the shipping companies in regard to the timetables and the cumulative rates in order to ensure an ongoing transport service between Italy and the Balkan peninsula. Ultimately, however, also the new study commission had to agree with the opinion expressed by the German group and by Colonel Marinò. According to their opinion the work would have been anyhow too expensive, to the point that neither the "Credito Mobiliare", nor the "Bank of Thessaloniki" were in the position to take responsibility for it. Furthermore, the difference between the proposal of the Italian syndicate and Deutsche Bank's, for what concerned the kilometric guarantee, would have been really minimal and did not justify a negotiation with the Ottoman government.

IV

From the standpoint of a comparative analysis with the action and the results of the other European nations, the reasons for the Italian failure in regard to the investment policy in the sector of intermodal transport within the Balkans and the Ottoman Empire have to be found in: 1) the foreign policy, such as the one carried out by Crispien and Blanc, which was anchored to an ancient regime kind of imperialist logic that deemed the Italian participation to the international financial consortia as subordinate to the political alliances; 2) the resulting limited effectiveness of the cooperation between the Italian representation at the Council of the Ottoman Public Debt Administration and

the Italian Embassy in Constantinople; 3) insufficient capital and lack of financial institutions willing to bear the financing of the infrastructural investments.

In this scenario, diplomacy was a real “substitute factor” for the capital and the financial institutions in regard to the Italian expansionism within the Ottoman Empire. In a rather sarcastic way, there were those who, among the contemporaries, noted how the European governments looked to the Italian diplomatic art as a model of expansionism towards East that was based on outright propaganda. Ultimately, precisely to disguise a condition of weakness, Italy embraced a window dressing power politics that essentially stood on the cards of diplomacy alone: “any new Roman empire in the eastern Mediterranean remained an edifice made solely out of diplomatic papers”¹³. The failure of Italian investment policy within the Ottoman Empire, during the Historical Left's era, was essentially due to the fact that Italy acted, although not having yet the strength, according to manners that were typical of imperialism, while, in the same period, the success of the economic expansion policy of the other European nations in the Ottoman Empire was determined precisely by not yet being conditioned by an imperialistic standpoint.

¹³ R.J.B. Bosworth, *Italy and the End of the Ottoman Empire*, in M. Kent, *The Great Powers and the End of the Ottoman Empire*, Frank Cass, London 1984, pp. 55; 64.