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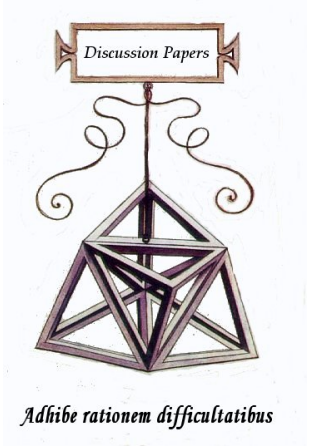

Alice Martini

"Lemons for machines" and "cabbages into the sea": international economic and commercial relations between Italy, Germany, and Great Britain at the dawn of the Second World War

Discussion paper n. 295

2023

Discussion paper n. 295, presented: **June 2023**

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Please cite as:/Si prega di citare come:

Alice Martini (2023), ""Lemons for machines" and "cabbages into the sea": international economic and commercial relations between Italy, Germany, and Great Britain at the dawn of the Second World War", Discussion Papers, Department of Economics and Management – University of Pisa, n. 295 (http://www.ec.unipi.it/ricerca/discussion-papers).

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Discussion paper

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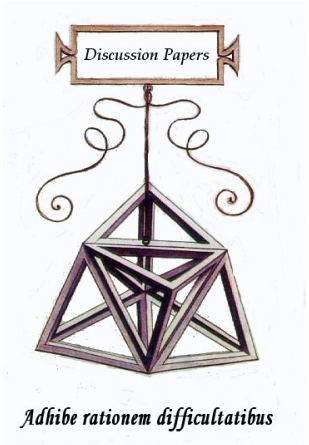

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Keywords: Anglo-Italian-German relations; Economic war; Political-commercial relations; Maritime blockade

JEL CLassification: N40, N44

“Lemons for machines” and “cabbages into the sea”: international economic and commercial relations between Italy, Germany, and Great Britain at the dawn of the Second World War

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1. Introduction

The present works offers the occasion to reflect on some aspects of the economic and commercial relations between Italy, Germany and Great Britain during the Thirties and until 1940, in order to offer, on one hand, a reassessment of some aspects of the economic and commercial relations between them, and on the other, to better understand the dynamics that prompted the fascist regime to enter the conflict in 1940 and to fail – inexorably, as we shall see – the war test.

To do this we will analyse the general framework in which Germany and Italy relinked their economies after the First World War and the Great Crisis of 1929 and we will offer a more detailed focus – based on first level documentary evidence – on the main events from 1 September 1939 to 10 June 1940 – the period of Italian non belligerency –, that will allow to

understand whether the economic and commercial relations between Italy, Germany and Great Britain had a weight and which on their international positions.
The purpose of the work is in fact to show that the economic aspects influenced the choices of the Axis countries and those of Great Britain in a very different way. The latter, in fact, moving within a democratic and liberal institutional framework, albeit with the restrictions of wartime, never *downgraded* the role of economic factors and international trade in shaping its position with respect to other global actors. In National-Socialist Germany, on the other hand, although the relevance of these aspects was clear to everyone – also to influence the decisions and positions of other countries – the battlefields were always left to exert the greatest pressure on friends and enemies. Lastly, Italy, inside the boundaries created by fascism both in the state and in the national economic structure before 1939, and enormously weaker from an economic point of view, could at some point almost *declassify* economic considerations as secondary, with an 'all in' on German military strength and on the residual diplomatic weight of Mussolini. After highlighting some of the interactions that economic policy and international trade relations had with foreign policy choices, we will show that isolating clearly those aspects is not only difficult, but very often impossible, because the protagonists quite often did not want to or could not separate them and 'use' them independently.

2. A premise: the importance of economic dynamics after the First World War

To begin the discussion, it must be stated clearly that international economic dynamics had come to the 'main stage' on a global level after the First World War, an occasion that made many around the world aware of the absolutely decisive weight on the war fate of the different economic power of the subjects involved. So that throughout Europe and overseas 'the political elites of the interwar period shared such a vivid interest in the economy'.[1] In the words of Walther Rathenau, German Foreign minister for a few months in 1922, 'it is not politics that is our destiny, it is the economy'.[2]

This sentence sounds more than appropriate for Great Britain, the country that could still claim between the two wars to be among the strongest European economies. The British dedicated a notable effort all along the Thirties in studying the economic impact of a possible new war, fixing the results in a 1938 document with which the *Advisory Committee on Trade Questions in Time of War* had, among other suggestions, ideas, and considerations, highlighted the extreme usefulness of applying an embargo to Germany in case of a new war against it.

[1] Per Tiedtke, *Germany, Italy and the International Economy 1929-1936: Co-operation or Rivalries at Times of Crisis?* (Marburg, 2016), 2. See also the chapter titled «Du blocus à la guerre économique totale» in the volume Ali Laïdi, *Histoire mondiale de la guerre économique*, (Paris, 2016), 347-362.

[2] Quoted in Tiedtke, *Germany, Italy and the International Economy*, 2. For a general outlook on international economy and commerce after the First World War, among the many possible references, see Michael Graff, A. G. Kenwood, and A. L. Lougheed, *Growth of the International Economy, 1820-2015* (London, 2013[5]), Fabrizio Bientinesi, "La politica commerciale italiana fra le due guerre mondiali, 1919-1939" (PhD Diss., University of Pisa, 2000), Philip M. H. Bell, *The origins of the Second World War in Europe* (New York, 1986), 127-161.

Preventing Berlin from receiving imports and thus forcing it to consume its stocks of raw materials as quickly as possible would have been essential for the final victory.[3] The British government was in fact so convinced that economy could be *per se* an additional effective 'force' to be added to the Navy, the Air Force, and the Army, that they created immediately after the outbreak of war in September 1939 a dedicated ministry for its management.[4] According to a dispatch issued by the British Ministry of Information in early September, in fact, the Ministry of Economic Warfare

> will essentially have the tasks of the "Ministry for the blockade" created during the last war of 1914-1918. [...] Economic warfare [...] will have to be considered as a vital offensive weapon and the tasks of the new Ministry will be very broad. [...] The Ministry of Economic Warfare is not a hasty improvisation. The creation of the necessary organization has been worked out over the past two years. [...] The task of the Ministry will be to disorganize the enemy's economy to prevent him from continuing to wage war effectively. The Ministry will carry out its activities in close cooperation with the corresponding French authorities.[5]

Sir Ronald Hibbert Cross, former parliamentary secretary to the Board of trade, was the first one to be appointed as Minister of Economic Warfare and in his new position released an interview to the *Sunday Times* in mid-November, illustrating "the aims and activities of his ministry":

> Economic warfare has a much broader aim than simply strengthening smuggling control. [...] The activity of the Ministry of Economic Warfare, that is entrusted with the use of the fourth British offensive corps, is closely followed by the public and the press and some newspapers have defined it as "the central part of the friction war against Germany".[6]

Reading the already cited William Norton Medlicott's work, *The economic blockade*, we understand how deeply rooted was in London the "conviction that Germany could not resist a European war without having guaranteed transoceanic supplies and the possibility of using sea transport".[7] Medlicott wrote his study in the 1950s, but before he successfully started the profession of historian, he had worked for the Board of trade between 1939 and 1940 and had subsequently been a historical consultant to the Cabinet Office. In short, he had been a leading figure among those who had provided "technical" indications to His Majesty's government for the conduct of the war. As per the words of Cross just quoted, the Ministry of Economic

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[3] *Economic Pressure on Germany*, Papers 45-72, 29 November 1938-27 August 1939, NA, CAB 47/15. See also Orest Babij, "The Advisory Committee on Trade Questions in Time of War," *Northern Mariner* 7, no. 3 (July 1997), 1-10.

[4] William N. Medlicott, *The economic blockade*, (London, 1952-1959), 284-285.

[5] *Affari commerciali*, *Gran Bretagna 1939*, position 3/1, subfile 4, Telespresso n. 230829, 8 September 1939, Archivio Storico Diplomatico del Ministero degli Affari Esteri e della Cooperazione Internazionale (hereafter ASMAE), *Ministero per la guerra economica*.

[6] *Affari commerciali*, *Gran Bretagna 1939*, posizione 3/1, sottofascicolo I.G., Telespresso n. 5356/2396, 21 novembre 1939, ASMAE, *Informazioni varie*.

[7] M. P., "Il blocco e la guerra sui mari visti da Londra", *Relazioni internazionali* 5 (1939), 1044.

Warfare was therefore entrusted with the responsibility of managing not only all the events and issues related to the commercial struggle against Germany, but also to the maritime blockade to be implemented against it, keeping alive the experience of the Ministry for the blockade which had been operational between 1914 and 1918.

It is worth remembering that Germany lost, in the few months after 1 September 1939, 46 per cent of its imports by sea. The greatest losses were caused by the lack of supplies arriving to German ports from American markets, Spain, and Portugal.[8] However the recently strengthened economic ties with Russia and South-eastern Europe allowed Germany to cope with the maritime difficulties. This explains why, given the high expectations about the benefits that the economic blockade could have brought to the more general war effort, Sir Cross was so disappointed in March 1940, when he stated that "more than six months of economic war against Germany had not achieved the expected results, due to the breaches opened in the siege that should have hit the enemy", and that "the Balkan breach was the largest".[9]

To complete this section about the importance of some 'side effects' of the economic aspects and consequently of their far-reaching significance, it is useful to recall Tiedtke's observation about the underestimation of those features by the non-economic historians who dealt with Italo-German relations between the two wars. Scholars, in fact, to explain, for example, the origin and the development of the Axis, would have given precedence to the more classic interactions based on diplomatic and power politics or would have searched ideological reasons that could unite the two regimes *ab origine*. The German historian, instead, argues that there is enough evidence to believe that the economic and commercial channels were very important communication lines for Rome and Berlin: "the institutions of 'official diplomacy', the embassies, were not the only places of interaction. Central bankers, government officials from ministries of economy, agriculture or infrastructure, but also corporations and other private institutions (such as business associations or trade fairs) all nurtured relationships that spanned the Alps".[10] Through these actors, in fact, the two countries exchanged information that went often beyond the strict commercial and economic nature, as it was happening in the past. These institutions were mutually used to exert pressure and, more generally, to test the relations between the two countries. The potential and the actual frictions between the two regimes on a political level were in fact almost every time anticipated and/or accompanied by similar processes happening precisely along those economic channels. Eventually, it is worth recalling the final remark by Tiedtke about this matter: *business history* has been wrongly neglected by scholars for a long time, while instead it could help in shedding new light on the general scenario of relations between Italy and Germany.[11]

Soon in Rome it was understood that economic issues would have had a decisive weight in deciding the fate of the war, too, and for this reason, following the examples of the countries already directly involved in the conflict, in December 1939 a special unit was created inside the Foreign Ministry: the Economic War Office (*Ufficio Guerra Economica*). The organisation

[8] "La guerra sul mare secondo statistiche tedesche", *Relazioni internazionali* 6, (1940), 23.

[9] Giuseppe Vedovato, *Il conflitto europeo e la non belligeranza dell'Italia* (Firenze, 1943), 121.

[10] Tiedke, *Germany, Italy and the International Economy*, 34.

[11] Ibid., 16-18.

had to deal with all the issues concerning economic warfare, coordinating the activities of the departments involved in those issues (the ministry of Communications, the one of the Navy, that of Exchange and Currency, and that of Corporations).

Luca Pietromarchi, a Roman aristocrat with a long experience in diplomacy and *protégé* by the Minister of Foreign Affairs, Galeazzo Ciano, was appointed as the director of the office.[12] The latter mainly handled the protests, the negotiations, and some arrangements that were established with the Allies from December to May 1940 regarding the blocking of smuggling to Germany, together with a possible general trade agreement. The agency oversaw the management of some important economic issues with Germany, too. The Economic War Office thus became one of the most vital protagonists in the management of Italo-English and Italo-German relations, since, under the 'cover' of the necessary contacts with the counterparts – in terms of supplies of raw materials, rules for maritime transportation of goods, and economic exchanges in general – it ended up becoming the place where, as long as it was possible, some of the main guidelines of Italian foreign policy were drafted.[13]

Among those convinced that the economic dynamics should receive more attention than ever was also Felice Guarneri, the first head of the Ministry for Exchanges and Currencies (*Ministero degli scambi e valute*) created in 1935. From that privileged position he succeeded more than once in influencing the Italian commercial policy on international markets, aiming at filling the serious lack of foreign currencies that the country was experiencing.[14] He stated clearly that the "categorical imperative *was* to export":

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[12] About Luca Pietromarchi see Gianluca Falagna, *Storia di un diplomatico. Luca Pietromarchi al Regio Ministero degli Affari Esteri (1923-1945)* (Roma 2018), Ruth Natterman (ed), *I diari e le agende di Luca Pietromarchi (1938-1940), Politica estera del fascismo e vita quotidiana di un diplomatico romano del '900* (Roma 2009), Bruna Bagnato, *I diari di Luca Pietromarchi. Ambasciatore italiano a Mosca (1958-1961)* (Firenze 2002), Paolo Nello, "Il 25 luglio visto da Palazzo Chigi. La caduta di Mussolini nel Diario dell'ambasciatore Luca Pietromarchi", *Nuova Storia contemporanea* 7, no. 4 (2003), 65-90, Paolo Soddu, "I diari di Luca Pietromarchi. Suggerimenti d'uso e ipotesi di lettura", *Annali Fondazione Einaudi* 31 (1997), 475-495, and Alice Martini, *"Prigionieri nel nostro mare!". Il Mediterraneo, gli inglesi e la non belligeranza del "Duce" (1939-1940)* (Alessandria, 2013).

[13] On the activity of the office see Alice Martini, ""Mare nostrum" e "non belligeranza". Il blocco marittimo inglese nel '39-'40", *Nuova storia contemporanea* 10, no. 1 (2006), 67-84, and eadem, "*Prigionieri nel nostro mare!"*, 96-109.
(2006, 2013).

[14] About Felice Guarneri see Luciano Zani, *Fascismo, autarchia, commercio estero. Felice Guarneri un tecnocrate al servizio dello "Stato nuovo"* (Bologna 1987), Alessio Gagliardi, "Il ministero per gli Scambi e valute e la politica autarchica del fascismo", *Studi Storici* 46, no. 4 (2005), 1033-1071, Roberto Gualtieri, "Da Londra a Berlino. Le relazioni economiche internazionali dell'Italia, l'autarchia e il Patto d'acciaio (1933-1940)", *Studi storici* 46, no. 3 (2005), 625-659, and Maximiliane Rieder, *Deutsch-italienische Wirtschaftsbeziehungen. Kontinuitäten und Brüche 1936-1957* (Frankfurt am Main, 2003), 61.

exports had to be directed to free currency countries or to clearing countries with which it was necessary to have means of payment and, above all, […] sales with Germany and Turkey should have been "contained within the limits deriving from commitments in agreement or in any case strictly necessary to maintain contacts with foreign customers" and nothing more.[15]

However, the *duce* continued to declare that he did not "believe in the Kassandras of Exchanges and Currencies", because for six years they had been announcing "that we were on the verge of bankruptcy and have instead done very well".[16] Incidentally, we note that, given that Mussolini would have had the last word on every Italian choice, these words can contribute showing that, at a certain moment, his convictions would have overridden any other (sound) economic consideration, creating a condition that a democratic regime, as the case of Great Britain shows, would have never gone through.

A comprehensive analysis of German economy and of its approach to war in the time span covered in this work would surely lead us off-topic.[17] However it is important to remember that the Germans, too, created dedicated offices for the management of the economic war but the subordination of economy to politics was complete: "Hitler regarded economic policy merely as a subcategory of power politics, which served already at an early stage for military build-up and expansion".[18] The Army shared that vision ("the lesson that the German military took from the First World War was that any future conflict would be a war of economies as well as armies"[19]) and this implied a complete permeation of economic planning with the military one. And this is surely the most important feature that differentiate the fascist and the Nazi dictatorships, together with the non-marginal elements of the size of German economy, as well as its growth pace and the final target of the war that were miles away from fascist reality and ideas.

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[15] Gagliardi,"Il ministero per gli Scambi e valute", 1067. 'Imperativo categorico: esportare' was the title of an article written by Guarneri in 1938.

[16] Galeazzo Ciano, *Diario. 1937-1943* (Milano, 2000, first edition: 1946), 395.

[17] For the sake of brevity, the reader can refer to the following major references about this topic: Richard J. Evans, *The Third Reich in Power* (New York 2006), 322-412, Adam Tooze, *The Wages of Destruction: The Making and Breaking of the Nazi Economy* (London-New York 2006), id., *Ökonomie der Zerstörung*, *Die Geschichte der Wirtschaft im Nationalsozialismus* (München 2007), Sönze Neitzel, "Von Wirtschaftskriegen und der Wirtschaft im Kriege", in *Krieg und Wirtschaft. Von der Antike bis ins 21. Jahrhundert*, eds. Wolfram Dornik, Johannes Gießauf, Walter M. Iber (Innsbruck-Wien-Bozen 2010), 49-66, Hans-Joachim Braun, *The German economy in the Twentieth century* (London 1990), Richard Overy, *War and Economy in the Third Reich*, (Oxford 1995), Rainer Fremdling, Reiner Staeglin, "Output, national income, and expenditure: an input-output table of Germany in 1936", *European Review of Economic History* 18, no. 4, 2014, 371–397, and Tiedke, *Germany, Italy and the International Economy*, 54-57, where many useful references that can be found.

[18] Tiedke, *Germany, Italy and the International Economy*, 56. See also Overy, *War and Economy in the Third Reich*, 177-204. The similarity with the Italian case can be limited thus to this 'ideological' feature.

[19] Ibid., 177.

As for the administrative branches that Germany created to coordinate the economic aspects of the war, already "in 1924 the army established an Economics Staff (*Wirtschaftsstab*), whose job was to plan for the time when Germany could embark on rearmament in earnest".[20] Then the minister of economics, Hjalmar Schacht, was appointed in 1935 as the Plenipotentiary for War Economy, an office that in September 1936 passed in the hands of Hermann Göring,[21] the only man that Hitler trusted for such a delicate task. As we are showing later, after the outbreak of war in 1939 the political implications of any economic choices led to a situation in which also Joachim von Ribbentrop, Minister of Foreign Affairs, had a word in the matter, through the activities of his *Ministerialdirektoren*, Carl August Clodius,[22] Karl Ritter,[23] and Emil Wiehl.[24]

3. Commercial relations between Italy and Germany in the Thirties

During the Thirties, Germany retrieved the role of first Italian trading partner, replacing the United States and other western countries and thus recovering the position that the First World War had taken away from her. Yet, despite this condition has been interpreted by many scholars as almost inevitable, it was full of contradictions. One of the most evident would have been the issue of autarky: the heralded economic self-sufficiency that according to fascist regime was close to realization in Italy, was instead belied by numbers, as the idea of 'closing' the country to foreign commodities was unbearable due to the material impossibility of compensating the lack of those goods, especially German ones, and even more of raw materials, so scarce in the country.[25] The balancing of importation of finished industrial products from Germany with fruit and vegetables from Italy – "lemons for machines", as for the incisive definition that also Tiedtke uses – was therefore impossible to reach. This situation created not only the ground for

[20] Ibid., 178.

[21] Ibid., 184-5.

[22] https://www.bundesarchiv.de/aktenreichskanzlei/1919-1933/0000/adr/adrag/kap1_3/para2_51.html

[23] https://www.bundesarchiv.de/aktenreichskanzlei/1919-1933/0000/adr/adrmr/kap1_6/para2_126.html?highlight=true&search=Karl%20Ritter&stemming=true&pnd=&start=&end=&field=all#highlightedTerm

[24] https://www.bundesarchiv.de/aktenreichskanzlei/1919-1933/0000/adr/adrsz/kap1_5/para2_131.html?highlight=true&search=wiehl&stemming=true&pnd=&start=&end=&field=all#highlightedTerm

[25] We believe that only a hint to this issue is worth to be given, using the words by Petri: "Unless we want to deny the meaning of the temporal sequence of events, it must be noted that protectionism and autarky were a reaction to the disintegration of world markets, and not vice versa" (Rolf Petri, *Storia economica d'Italia. Dalla Grande Guerra al miracolo economico (1918-1963)*, (Bologna, 2002), 35. On the subject, see also Tiedke, *Germany, Italy and the International Economy*, 45 ff., Gualtieri, "Da Londra a Berlino", 649, and Rieder, *Deutsch-italienische Wirtschaftsbeziehungen*, 36, 40 and 58 ff.

a substantial mutual 'distrust' in exchanges, but also the conditions for which Rome had to and actually did leave open the economic, commercial and political channels with other countries.[26]

Hence soon the Italian government found itself trapped between the anvil of the commercial exchanges with the countries from which ideally it did not want to import, and the hammer of those with Germany, that was ideologically closer, but, at the same time, dangerously stronger. To better grasp the situation, Giuseppe Tattara's observation – based on Hirschman's work – on the "influence effect" of international trade can be recalled. In fact, according to him

> Foreign trade has two main effects upon a country's power position. A *supply* effect, i.e. trade provides a more plentiful supply of wanted goods and these enhances the force of the country and an *influence* effect, i.e. trade provides a method of coercion in the relations between sovereign nations. Every sovereign country exerts some influence upon its trade.[27]

If we look at the numbers of the Italian case, we can observe a process of "progressive co-optation of the country in the area of the German Mark"[28] (see Table 1).

Table 1. Origin and destination of Italian import and export (%) to and from her main commercial partners (1901-1939).

	Austria (*)	Belgium (**)	France	Germany	Great Britain (***)	United States and Canada	Argentina
Origin							
1901	10,4	1,8	10,4	12,0	16,3	13,7	2,2
1911	8,5	2,4	9,7	16,2	15,0	12,5	3,2
1923	1,9	2,2	7,7	7,6	12,8	29,3	5,1
1931	2,5	2,3	7,1	13,2	9,4	13,2	4,8
1939	-	1,9	1,5	29,4	5,5	10,1	1,5
Destination							
1901	9,5	1,6	12,7	17,1	11,0	10,3	4,6
1911	8,4	2,4	9,4	13,7	10,1	11,3	7,5
1923	3,0	2,5	14,2	6,3	10,9	13,9	6,8
1931	3,1	1,5	11,0	10,7	11,8	10,8	8,1
1939	-	1,1	2,2	17,5	4,8	7,5	2,2

[26] See Tiedke, *Germany, Italy and the International Economy*, 103 ff., Brunello Mantelli, "Dagli "Scambi bilanciati" all'Asse Berlino-Roma", *Studi Storici* 37, no. 4, 1996, 1218, and Rieder, *Deutsch-italienische Wirtschaftsbeziehungen*, 63 ff.

[27] Giuseppe Tattara, "Power and Trade: Italy and Germany in the Thirties", *Vierteljahrschrift für Sozial- und Wirtschaftsgeschichte* 78, no. 4, 1991, 457.

[28] Gualtieri, "Da Londra a Berlino", 645.

(*) until 1911 Austria-Hungary; (**) including Luxembourg; (***) from 1911 includes Ireland, too.

Source: Giovanni Federico, Sandra Natoli, Giuseppe Tattara, Michelangelo Vasta, *Il commercio estero italiano 1862-1950*, (Roma-Bari, 2011), 33 and 42-43.

The Italians paid an expensive price for a structural asymmetry in their economic relations with Germany, so often presented instead – especially by propaganda – as complementary: the Germans, in fact, as already mentioned, produced and exported to Italy commodities of vital importance for local industrial development. On the contrary, Italy mainly exported unessential and luxury goods, and tourism from German-speaking countries was a very (perhaps too) important item of its trade balance. For several years, tourism – together with the remittances of Italian workers in the Reich – created, in fact, the 'invisible items' that the Germans granted to Italy to contain her debt in the trade balance.

German policy towards Italy allowed a permanent surplus of the merchandise account and made it balance by permitting a generous flow of invisible income to Italy, pursuing a policy of control of Italian trade not through prices but through quantities.[29]

As additional evidence of the uneasy position of Italy in the economic relations with Germany, we point at the economic agreements between the two countries, signed in 1931, 1932, and 1933 that were already strained in the spring of 1934, forcing to a reconsideration of the whole matter in 1934.[30] Moreover, the Italians were particularly worried about their interests in a very sensitive area of their trade policies: the Balkans and the Danube basin.

Since the coming of Hitler to government, German penetration in the Balkan-Danubian area had retrieved a fast pace and a sound success.[31] Rome, of course, had not been asked any permission of giving way in a zone that, after the victory of the First World War, had become extremely important for her from an economic and political point of view. So German aspirations were considered at first as a problem and later as a *vulnus* in the relations with the Nazi regime.[32]

[29] Tattara, "Power and Trade", 459. See also the useful Table therein at p. 497 for details of the specialization of German trade with Italy.

[30] Tattara, "Power and Trade", 468-473, Bientinesi, "La politica commerciale italiana fra le due guerre mondiali", 243-245.

[31] In 1938, Yugoslavia, Hungary, Romania, Bulgaria, and Greece transacted 50 per cent of all their foreign trade with Germany (Braun *The German economy in the Twentieth century*, 102). See also Stephen Gross, "Selling Germany in South-Eastern Europe: Economic Uncertainty, Commercial Information and the Leipzig Trade Fair 1920-40", *Contemporary European History* 21, n. 1, 2012, 19-39.

[32] See Alice Martini, "L'amicizia impossibile? Le relazioni economiche tra Italia e Germania negli anni trenta", *Nuova Rivista Storica* 105, n. 2, 2021, 477-482.

The Italian interest in Eastern Europe was born in the 10s of the twentieth century, when some sectors of the emerging capitalism, in particular those linked to the extraction of minerals and constructions, saw in the territories of the Habsburg Empire and the Ottoman world, a chance to expand their business and increase the Italian influence in those regions.[33]

German resurgence had not worried only the Italians. France and Great Britain began to experience the fierce competition created in south-eastern Europe and Middle East not only by German products but also by their trade and financial policies, that were jeopardizing the economic supremacy that the Paris peace treaties had allowed there to the democratic regimes (see Table 2). The breakthrough of National-Socialist Germany on the international scene, moreover, had consequences even overseas, where the United States and Argentina raised their voices against the aggressive attitude adopted by Berlin on foreign markets hitherto almost reserved to their exports.[34] As for Rome, she tried to actively seek the defence of its economic interests against German 'intrusion' until the end of the Thirties, and, quite paradoxically, she pursued the same line of action even after Berlin had officially become her ally.

Table 2. Shares (%) of foreign trade of some relevant countries with South-Eastern Europe (August-January 1938/39 and 1939/40).

	1938/39	1939/40	1938/39	1939/40	1938/39	1939/40	1938/39	1939/40	1938/39	1939/40
	Hungary		Yugoslavia		Romania		Bulgary		Greece	
Import										
Germany	39,1	54,3	39	53	40,3	44,5*	55	70,2	51	42,7
Great Britain	6,8	2,6	7,1	3,7	7,2	5,5	6,5	2	10,6	8,3
France	1,9	0,5	3,1	0,9	6,6	10,6	3,2	0,9	1,5	1,8
USA	6,8	5,8	7,1	4,7	5,3	2,3*	2,2	1,3	5,8	13,3
Italy	6,3	9,1	10,9	11,6	6,1	9,7	7,5	6,3	6	10,9
Export										
Germany	50,9	50,2	48,4	37	28,5	33,8	72,7	73,1	50,1	20,3
Great Britain	7,5	4,5	5,8	5,5	17,7	15,6	2,1	2,5	2,7	10,3
France	1,9	0,8	1,5	2,2	3,9	3,4	1	0,7	2,5	6,2
USA	2,2	2,2	5	5,4	1,1	0,7*	5,1	4,8	16,7	22,9
Italy	11	16,2	5,5	11,1	5,6	11	3,8	6,6	4,7	10,2

* August-December

Source: Maximiliane Rieder, *Deutsch-italienische Wirtschaftsbeziehungen. Kontinuitäten und Brüche 1936-1957* (Frankfurt am Main, 2003), 172.

[33] Alessandro Iacopini, "L'espansione della Banca Commerciale Italiana in Europa orientale durante il fascismo", *Diacronie. Studi di Storia Contemporanea* 15, n. 3, 2013.

[34] See Tiedtke, *Germany, Italy and the International Economy*, 217, Rieder, *Deutsch-italienische Wirtschaftsbeziehungen*, 42 and Martini, "L'amicizia impossibile?", 470, footnote 27 where a quote from *Documents on German Foreign Policy* is used, too.

Tiedke is convinced that the analysis of the 'spatial dimension', that both regimes considered vital and to which they devoted attention and specific studies, can also offer a significant contribution to better understand the issue of economic development in South-East Europe. In fact, the author points out that the question of regionalism has emerged as a further test on which the possibility of Italian-German cooperation failed. After the crisis of 1929 in fact, international trade had developed on a regional or bloc dimension.[35] But, while Germany succeeded in creating a bloc on which she had full hegemony and handled to oppose the blocs of Western countries, Italy remained 'trapped' between the various groups, lacking the resources to create an equally autonomous economic-commercial area that could have the Lira and the Italian economy as its centre.[36] And the Italians were not the only ones worried about German expansion:

> As is well known, one of the most accepted clichés so far in France consisted in the belief that Germany, lacking financial resources, would have had to clash with all sorts of difficulties for a long time to obtain raw materials and foodstuffs. The facts are contradicting this opinion precisely in the sector considered up to now, in Paris, as the prerogative of French expansion. German activity in those regions is therefore followed with justified apprehension. [...] In Paris, there is already talk of a Germanic 'monopoly' on trade in Central Europe and the Balkans and it even goes so far as to state that the *Reich* is preparing to "colonize" the territories and states that passed under its political influence. It is feared that these countries will end up becoming a kind of German colonial empire.[37]

Foreign Minister Ciano himself explicitly requested, a few days after the German occupation of Austria (March 1938), that "in assimilating the Austrian economy to the German, Italian interests be safeguarded; otherwise, the atmosphere for Hitler's visit would [have] be[en] impaired"[38] (the reference is to the Führer's trip to Italy scheduled for the following May). While the Italian consul in Vienna, Rochira, was more resigned when writing to Rome:

> Everything suggests that the German organization, when it has completely overcome the first period of adjustment, will be able to make perfect use of the network of economic and commercial relations that Vienna has had for centuries with the south-eastern countries, and of its geographical position, with the purpose of *grand style* expansion.[39]

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[35] See Bientinesi, "La politica commerciale italiana fra le due guerre mondiali", 180-196 and the many useful references contained therein.

[36] Tiedtke, *Germany, Italy and the International Economy*, 203 ff., Iacopini, "L'espansione della Banca Commerciale Italiana in Europa orientale durante il fascismo".

[37] *Documenti Diplomatici Italiani*, *Ottava serie (1935-1939)*, Volume X (Roma, 2003, hereafter DDI), n. 304, *L'incaricato d'affari a Parigi, Prunas, al Ministro degli Esteri, Ciano*, Telespr. 9361/5208, Paris, 21 October 1938.

[38] *Documents on German Foreign Policy*, *1918- 1945*, Series D (1937-1945), Volume I, *From Neurath To Ribbentrop*, September 1937-September 1938 (London, 1949, hereafter DGFPa), n. 747, *The German Ambassador in Italy (Mackensen) to the German Foreign Ministry*, 21 April 1938, p. XCIX.

[39] DDI, n. 367, *Il console generale a Vienna, Rochira, al Ministro degli Esteri, Ciano*, Telespr. 93 86/1815, Vienna, 5 November 1938.

And the whole diplomatic corps in the Southeast of Europe after the Czechoslovakian crisis (Autumn 1938) reported the dangerous

tendency to accept Germany's heavy economic and then political protection as a fact that is considered no longer avoidable in the belief that this area of Europe, where the economic presence and political weight of Western Democracies is progressively reducing, is now destined to be dominated by the Third Reich.[40]

However, the Italians kept defending their interests and even succeeded in conceiving new commercial instruments to gain contracts and favourable exchanges with Austria, Yugoslavia, Hungary, Czechoslovakia, and Bulgaria. And incidentally it must be noted that, indeed, every time the Italian representatives tried to close bilateral agreements with the countries of south-east Europe, Berlin started to worry that the Italians could make German come back slower, with the result of creating an uncomfortable atmosphere in the alliance.[41]

The Italian occupation of Albania in April 1939 can be considered a good example of the Fascist attempt to stem Germany in the Balkans, too. The 'cradle of the Balkans' was already firmly under Italian influence, but a few weeks after Hitler had ignored the Munich conference agreement and invaded Prague, Mussolini probably thought that, in order to secure Italian position in the Southeast Europe and in the Adriatic Sea, a direct move in the area was necessary.[42] This is also the reason for which Albania "had to abrogate its existing commercial treaties with other countries, make no new agreements without the approval of the Italian government, and sign a treaty granting Italy 'most favored country' status in trade".[43]

Notwithstanding these tensions, and perhaps because the road was closed for any different solution, the fascists and the Nazis tried anyway to set a wide-ranging economic cooperation, as proved by the events connected with the drafting of the clearing agreements.

Given the general shortage of foreign currencies after 1929, clearing agreements were thought as an instrument to let international trade survive and actually turned out to be a central tool in its functioning, having the "undoubted merit of being able to keep trading going in a period that was marked by enormous currency problems".[44]

Clearing is a foreign exchange system whose purpose is to eliminate the direct disbursement of foreign currency in each of the two countries. […] The importers do not pay the goods in currency to the exporters of the other country but the equivalent in National currency to a clearing house. […] In the Thirties, Clearing emphasised the

[40] Gianluca André, "Avvertenza", in *Documenti Diplomatici Italiani*, *Ottava serie (1935-1939)*, Volume X (12 settembre-31 dicembre 1938) (Roma, 2003), XII-XIII.

[41] Bientinesi, "La politica commerciale italiana fra le due guerre mondiali", 235-44, Rieder, *Deutsch-italienische Wirtschaftsbeziehungen*, 45 ff., Mantelli, "Dagli "Scambi bilanciati" all'Asse Berlino-Roma", 1210.

[42] Rieder, *Deutsch-italienische Wirtschaftsbeziehungen*, 89 comments that "only the protectorate in Albania preserved to some extent the position of power of Rome in south-eastern Europe". See also Martini, *Prigionieri nel nostro mare*, 11-14.

[43] Robert B. Kane, "Italian Occupation of Albania, 1939", in *War in the Balkans: An Encyclopedic History from the Fall of the Ottoman Empire to the Breakup of Yugoslavia*, ed. Richard C. Hall (Santa Barbara-Denver-Oxford, 2014), 4.

[44] Bientinesi, "La politica commerciale italiana fra le due guerre mondiali", 233.

tendency to break a multilateral network of exchanges and to replace it with a series of bilateral relations, an element which then made it easier for some countries such as Germany to exploit their position for the purpose of power politics.[45]

Albert Hirshmann – as quoted by Tiedtke –, agrees that clearing agreements were "one of the major weapons in the hands of Nazi Germany's domination over Europe".[46] Yet, it is interesting to note that Karl Ritter, senior official at the Foreign Ministry since 1922 and head of the trade policy department, in 1936 wrote that

So far as Germany's position in international trade is concerned, even though I come to a somewhat more favorable conclusion than the committee [*the reference is to the committee created in 1934 by the League of Nations to investigate the functioning of the clearing system*, N. o. A.], I nevertheless thoroughly agree that the clearing system can be regarded as only a "makeshift involving a number of drawbacks, and that it should therefore be abolished as soon as possible". This is not merely the personal opinion of one who has had a good deal of practical experience with commercial politics; it is the opinion of the leading states men in Germany. The German Chancellor emphatically voiced this opinion in his proclamation of September 11, 1935, when he characterized the system of barter as nothing less than prehistoric and expressed the hope that it would be replaced by a free and modern trade system as soon as possible. […] It is *communis opinio* in Germany that the clearing system should be abolished as soon as possible.[47]

Evidence instead shows that, as already mentioned, the Nazi commercial policies and international trade position benefitted a lot of the tool of clearing agreements, surely as far as Italy is concerned. When Berlin signed in September 1934 a clearing agreement with Rome, Italy had already established similar arrangements with Austria (1931), Bulgaria (April 1934), and Romania (August 1934), but none of the previous settlements was so favourable for the Italian counterpart.[48] A good basis for the closing of the arrangements was the availability of manpower that the fascist regime could send over the Alps where the need of labour was huge, as well as coal supplies, that made "Italian coal imports from Germany *double* and *move* definitely ahead of imports from the U.K.".[49] The final version of the treaty "followed on a bilateral basis the general scheme of the Italian balance of payments in the decades preceding the Great Depression, with a surplus on the invisible items that compensated for the trade deficit of the country".[50]

One of the most fitting examples of the political significance that the clearing agreements between Italy and Germany assumed in this time span is that of the negotiations for the year 1939, successfully closed in September, a few weeks after the invasion of Poland. The Italian 'stepping away' from the international crisis at the end of August and the very 'moderate' position with the partner of the Pact of Steel during the first days of the military

[45] Ibid., 230. About the system of the clearing see also, Tattara, "Power and Trade", Gualtieri, "Da Londra a Berlino", 645.

[46] Tiedtke, *Germany, Italy and the International Economy*, 67.

[47] Karl Ritter, "Germany's Experience with Clearing Agreements", *Foreign Affairs* 14, n. 3, 1936, 473.

[48] Tattara, "Power and Trade", 473-485.

[49] Ibid., 476.

[50] Gualtieri, "Da Londra a Berlino", 647.

campaign had probably convinced the Italian government to smooth its positions in the trade negotiations, so that the doubts of the Germans about the loyalty of Mussolini could be swept away. Without this attitude, that can be labelled as 'superordinate' from a political point of view, it is difficult to explain why the many problems in finding a balance between the parts were suddenly overcome and the economic understanding signed. In fact, the negotiations had started many months before and had been gone very slowly, because the agreement had to be reached on a series of delicate and important issues for both regimes, such as the number of workers that Italy would have sent to the ally, the management of their remittances, the economic administration of the German-speaking minority living in South Tyrol that would have decided to quit Italian citizenship and adopt the one of the *Reich*, and – the most important aspect – the supply of coal from Germany. Notwithstanding the sensitivity of the bundle on the table, Mussolini decided to concede to the Germans very favourable terms in the clearing agreement, maybe hoping to make them look away from other important features of the military alliance that were creaking in those weeks and that – *de facto* – produced the fiasco of the Pact of Steel on the very first occasion in which it had to be enforced.[51]

As for the German attitude during the negotiations, it must be said, that they did not wait for the Italians inactively. Instead, they used the most precious weapon they had to put pression on the partner and obtain the best result for them. The reference is to coal, whose supply to Italy had become in the second half of the Thirties of paramount importance.

It should be borne in mind that at the time a large part of the transport system (railways and shipping) depended on coal, as well as all heavy industry, a considerable share of the electrical production, the availability of fuel gas for industry and for the consumption of the population (of the urban population in particular); in fact, the so-called "city gas" was used, and that was obtained from the coking of fossil coal.[52]

These words should convey the significance that coal had in the Thirties not only for industrial production and economic trade, but – more generally – for everyday life all over the world. So, the management of this resource could – and actually did – imply far reaching consequences in the international trade and specifically for Italy, that had dramatic figures in the import of this raw material (see Table 3).

Table 3. Italian coal supplies, 1938-1944.

Solid fuels, thou. tons			
year	coal, domestic	coal, imported	total, coal equivalent (*)
1938	1.480	11.895	17.421
1939	2.024	11.021	17.154
1940	2.282	13.522	20.455
1941	2.393	11.435	19.994

[51] See Bientinesi, "La politica commerciale italiana fra le due guerre mondiali", 320-322, Martini, *Prigionieri nel nostro mare*, 42-43.

[52] Brunello Mantelli, "Dagli "Scambi bilanciati" all'Asse Berlino-Roma", *Studi Storici* 37, n. 4, 1996, 1219.

1942	2.521	10.686	20.650
1943	1.358	6.166	14.345
1944	613	-	4.988

(*) These include other items not reported in the table.

Source: Vera Zamagni, *Italy: How to lose the war and win the peace*, in *The Economics of World War II. Six Great Powers in International Comparison*, ed. Mark Harrison (Cambridge, 1998), 186.

Quite predictably, after the outbreak of the Second World War things got worse, because the annual requirement of coal reached 16.500 thousand tons, with domestic output that was able to supply only for 2.200 thousand tons and import that made available 11.600 thousand tons, with a constant deficit of more than 2500 thousand tons.[53]

Now it can be understood why, according to De Felice, during Italian non belligerency "coal supplies were the real crux of Italo-German relations and the real weapon in possession of Germany [...] to influence Mussolini's freedom of manoeuvre".[54] Italian economy had, in fact, progressively and constantly, increased the imports of coal from Germany during the Thirties so much that – as hinted above – the historical role of Great Britain as first supplier of this commodity came to its end (see Table 4).

Table 4. Origin (%) of Italian coal imports for some countries (1902-1939).

Coal	Austria	France	Germany	Great Britain
1902-1914	1,4	1,0	3,8	92,2
1915-1918	0,0	6,7	1,5	80,8
1919-1929	0,1	3,5	28,8	52,0
1930-1939	0,0	1,9	45,7	32,7

Source: Giovanni Federico, Sandra Natoli, Giuseppe Tattara, Michelangelo Vasta, *Il commercio estero italiano 1862-1950*, (Roma-Bari, 2011), 38.

Since early 1939, German supplies to Italy had significantly decreased, and the National Socialist regime indicated the increased domestic need as the cause of this reduction. The economic and commercial agreement signed in February 1939 provided for a monthly supply of over 20.000 tons of coal, but by September the quantity sent from Germany had reached just 5.000 tons.[55] This situation compelled Italy to ask for a renegotiation of the trade agreement,

[53] Ibid., 188.

[54] Renzo De Felice, *Mussolini il duce,* vol. II, *Lo stato totalitario (1936-1940)* (Einaudi 1981), 736.

[55] Carl Clodius, deputy head of the Foreign Office's trade policy department, "urgently requested" the Ministry of Transport "that arrangements be made to rectify as soon as possible the unfortunate defects described above [*referring to lower than agreed for quotas of coal*

that originally covered also 1940, because those numbers simply prevented the country not only to get ready for the war, but also to abide to its normal standards of production. The fascist government knew that – *rebus sic stantibus* – renouncing to British coal supplies would have been impossible, given also the fact that the quality of that good was better than German one.[56]

Naturally, the Nazi government wanted instead to create difficulties to those exchanges, because Italo-British trade could not only enrich its enemy but could also bring it closer to its official ally. For this reason, Germany immediately accepted Italy's proposal to renegotiate and offered alternative solutions to overcome the difficulties arisen after the begin of military operations in Poland, like enhancing the transport of coal by rail, to avoid the risks connected to maritime transport, that could be stopped and seized by the British blockade, as we are going to see later on. However, the obstacles to this solution were not a few: for instance, the number of wagons to complete the delivery in the quantities agreed was very high, especially when trains had already started to be used to move soldiers and military material urgently needed in the battlefields. The Italians, on their side, had never had and so could not allot the approximately 30.000 wagons that were needed to send coal from Silesia and the Ruhr – mainly – to Italy. This is the reason why they insisted that Berlin, demonstrating a favourable attitude towards the ally, found the means of transport. The Germans instead did not provide a clear answer on the subject until early January 1940, as they had to face a situation for which – to complete the example – in the Ruhr coal basin alone, from spring to summer 1940 about 2 million tons of coal were 'lost', because of the lack of shipping convoys, with the consequence that the production peak of 1939 was no longer reached in subsequent years.[57]

The Italian government tried to press anyway the Germans, at least to be temporarily excused for importing from Great Britain, and so the ambassador in Berlin, Bernardo Attolico, was sent on 28 December 1939 to speak with the general director of the commercial department of the German Foreign Ministry, Emil Wiehl. The conversation was not very fruitful, as while Wiehl asked for an improvement in coal transport on the Italian side, Attolico told the German diplomat that Mussolini himself had opposed to increase the number of wagons outbound to Germany, since Italy was already deploying 5.000 of them to deliver foodstuffs there. And he

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supply to Italy, N. o. A.]" (*Documents on German Foreign Policy*, *1918- 1945*, Series D (1937-1945), Volume IV, *The Aftermath of Munich*, 1937-1938 (London, 1950, hereafter DGFPb), n. 432, 2058/447880-81, *The Foreign Ministry to the Ministry of Transport*, W III 340, Berlin, 15 January 1939). See also n. 448, 5210/308197-98, *The Director of the Economic Policy Department to the Embassy in Italy*, Berlin, 8 February 1939, where the "Ministry of Economics states that increased deliveries of coal are out of question in view of our own coal situation".

[56] Martini, "L'amicizia impossibile?", 489, footnote n. 82 and the references therein.

[57] See Rieder, *Deutsch-italienische Wirtschaftsbeziehungen*, 114, Tooze, *The Wages of Destruction*, 418, Overy, *War and Economy in the Third Reich*, 117, Werner Abelshauser, "Germany: guns, butter, and economic miracles", in *The economics of World War II*, *Six great powers in international comparison*, ed. Mark Harrison, Cambridge 1998), 157.

added that, according to Rome, "Germany should know on her own until what extent she can make the effort (and in what quantity) of providing wagons".[58]

The matter was delicate in a moment of strained relationship, so Ribbentrop decided, on one hand, to send the already mentioned Carl Clodius to meet personally the Italian Ministry for Exchanges and Currencies, Raffaello Riccardi, to have more complete info about the complaints on the Italian side, and, on the other, to ask directly the commercial *attaché*, Mr Gräff, at the embassy in Rome to "insist that it is important that the Italians also do something to ease the transport situation", as the impression that he had, was that the Italians preferred to use their ships for "other affairs", instead of making them available for transport of goods to and from Germany.[59]

There are many files in the Political Archive of the German Ministry of Foreign Affairs, which highlight the problem of coal delivery to Italy and the political implications created by not abiding to the commercial agreements on this point.[60] Furthermore, it should be said that mistrust towards Italy was not rare, so that other agencies and offices involved in the matter of coal transport did not want to use a more favourable attitude with their ally. A *memorandum* drafted by Wiehl after a meeting with representatives of the Ministries of Economy and Transport, the Reich Commissioner for Coal and three representatives of the *Wehrmacht* in charge of rail transport, clearly show this situation:

> I explained that for reasons of foreign policy known to all we must do our utmost to deliver to the Italians by land the 1 million tons of coal a month which they need to build up their striking capacity. Although we recognize the present difficulties of Germany's internal coal situation, it should nevertheless be possible to increase the deliveries from 377,000 tons in January to 500,000 tons in February, which could be done by having Germany provide 150-200 additional railway cars a day. […]
>
> The subsequent discussion brought out that all the offices represented consider the solution I proposed impracticable even after due consideration of the requirements of foreign policy. […]
>
> I […] brought up for discussion a variety of possibilities for increasing the supply. The other offices maintained their position, however, and stated that the various arguments advanced in its support are so weighty that they can be set aside only by order of a higher authority. They requested that in case the Foreign Minister should discuss the matter with the Field Marshal or present it to the Führer, the Ministers of Economics and of Transportation also be given an opportunity to justify their stands.[61]

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[58] Politisches Archiv des Auswärtigen Amts (hereafter PAAA), ROM-QUIRINAL (*Geheim*), 56, Telegram N. W 3149 g, *Vom Außenministerium zum deutschen Botschafter in Italien*, 2 January 1940.

[59] PAAA, ROM-QUIRINAL (*Geheim*), 56, Telegram n. W III 8745, *Vom Auswärtigen Amt zum Handelsattaché der Deutschen Botschaft in Rom*, Geheim, 31 December 1939.

[60] See, for example, also PAAA, ROM QUIRINAL (*Geheim*), 56, Telegram N. W 2990 g, *Vom Auswärtigen Amt zur Deutschen Botschaft in Rom*, 1 December 1939 together with those already quoted.

[61] *Documents on German Foreign Policy*, *1918-1945*, Series D, Volume VIII, *The War Years*, September 4, 1939-March 18, 1940 (Washington, 1954, hereafter DGFPc), n. 589, F7/0520-0518, *Memorandum by the Director of the Economic Policy Department*, Berlin, 1 February 1940.

A few days before, on 28 January 1940, Wiehl had already asked the Office for foreign currencies to "leave things calm" instead of complaining about the payment by the Italians of their coal purchases, as purely economic and technical considerations needed to remain in the background, given the "very high political meaning" of the question.[62] Moreover during the same days, the talks for the renegotiation of the trade and clearing agreement were in progress and needed to be kept smooth. This is also why in the first ten days of February the supplies of German coal to Italy were higher than those of the same period in January, though they did not reach anyway the agreed quantities[63] (see Table 5).

Table 5. German coal exports to Italy from July 1939 to August 1940 in tons.

1939 Jul.	639.626	1940 Feb.	610.795
1939 Aug.	774.525	1940 Mar.	644.182
1939 Sep.	566.117	1940 Apr.	953.003
1939 Oct.	628.273	1940 May	952.772
1939 Nov.	413.567	1940 Jun.	1.094.060
1939 Dec.	448.462	1940 Jul.	985.167
1940 Jan.	540.282	1940 Aug.	1.053.838

Source: Maximiliane Rieder, *Deutsch-italienische Wirtschaftsbeziehungen. Kontinuitäten und Brüche 1936-1957* (Frankfurt am Main, 2003), 141.

It should be said that the Italian attitude towards Germany and the trade agreement, as it will be shown in the following section, was linked to the evolution of the talks and negotiations that were at the same time ongoing with Great Britain. When the fascist government decided, on a political ground, that an agreement with the British was not to be signed, a more open attitude was used with the Germans. The latter, on their side, had understood the importance of not losing the alliance with Rome and, in fact, Hitler himself intervened directly in the issue and authorized Clodius, in charge of the commercial mission to Rome, to offer, if necessary, an increase in the number of monthly shipments of coal to Italy, so that with this favourable condition the Italians would have signed the final agreement.[64]

[62] PAAA, R 112300, Politische Abteilung, *Geheime Reichssaschen. Italien. Rohstoffe und Waren*, *Kohle (Jan. 40-Mai 40)*, Prot. A 071, 28 January 1940.

[63] PAAA, R 112300, Politische Abteilung, *Geheime Reichssaschen. Italien. Rohstoffe und Waren*, *Kohle (Jan. 40-Mai 40)*, W III B 762/40, *Kommunikation für die Deutsche Botschaft in Rom*, 14 February 1940.

[64] See PAAA, R 112300, Politische Abteilung, *Geheime Reichssaschen. Italien. Rohstoffe und Waren*, *Kohle (Jan. 40 – Mai 40)*, W III B 1196/40, *Aufzeichnung zur Sperrung der deutschen Kohlentransporte über Holland nach Italien*, 3 March 1940.

The new commercial agreement was signed on 24 February 1940 and to reenforce its application the German Foreign Minister, Joachim von Ribbentrop, paid an official visit to the Italian Government in Rome on 10 and 11 March. The topic of coal was the first to be addressed by Mussolini and the German Secretary of State in the conversation of the first day. Ribbentrop stated that the Nazi regime was ready to "collaborate with Italy to deliver and transport the entire Italian coal demand", and that Clodius had come to Rome as a member of the diplomatic delegation precisely to meet Italian economic demands.[65]

So, on 13 March a new protocol between Italy and Germany was signed to guarantee to the Italian economic system greater and faster coal supplies from Germany and "to make Italy completely independent from the supplies of English coal".[66] However Italy slowed down the purchase of that raw material from Germany's enemy only after the beginning of the conflict in Scandinavia, so that Hans Georg Mackensen, German ambassador in Rome, invited on 9 April his government to exploit immediately that occasion, and do every possible effort to send to Italy the agreed monthly quantities of coal and win their trust in a moment of difficulty for the democratic regimes".[67]

The evidence that the Italo-German relations benefitted from the military development in the North Sea is given by the words of the ambassador himself, who wrote that the recent talks in Venice between the representatives of the Italian Coal Monopoly and those of the German Coal Unions had produced an agreement through which the Italian accepted – "without friction" – an increase of 20 per cent of the coal price.[68]

4. Commercial relations between Italy and Great Britain during Italian non belligerency

It is now time to move the focus to the other pole that influenced Italian commercial relations in the time span covered with this paper: Great Britain. To better understand how the Italian economic connections with this democratic regime affected those with Germany and vice versa, the period analysed in this section is reduced to the months of Italian non belligerency, from 1 September 1939 to 10 June 1940. The events of these 9 months in fact show with greater clarity – actually, in some cases, they bring to light – many of the dynamics that were previously hidden. The allied maritime blockade was certainly the element, that added new important and delicate issues to the general relations and particularly to the economic talks that Italy had with Great Britain – that was, *de facto*, the only manager of the block –.

A few days after the beginning of the German attack on Poland, in fact, the Italian Foreign Minister had urged his London embassy to ask the competent authorities to allow the Italian ships that were in German ports on 1 September to return home without undergoing the

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[65] PAAA, ROM-QUIRINAL (Geheim), 73, Telegram n. 531, *Vom Außenminister an den Führer*, *Citissime*. *Personal nur für den Führer!*, 11 March 1940.

[66] PAAA, R 112300, Politische Abteilung, *Geheime Reichssaschen*. *Italien*. *Rohstoffe und Waren*, *Kohle (Jan. 40-Mai 40)*, Telegram W III B1430/ 40, n. 321, *Von Clodius zur Deutschen Botschaft in Rom*, 18 March 1940.

[67] PAAA, R 112300, Politische Abteilung, *Geheime Reichssaschen*. *Italien*, *Rohstoffe und Waren*, *Kohle (Jan. 40-Mai 40)*, Telegram n. 982, *Vom deutschen Botschafter in Rom zum Auswärtigen Amt*, 9 April 1940.

[68] Ibid.

controls of British patrols at sea. The answer was not only a positive one, but Italian ships were even offered to be escorted by the British fleet across the North Sea. The political meaning of such an offer was not underestimated by Rome, so that Ciano ordered that "the issues of an economic nature that up to now have been dealt directly with the technical departments from today must be exclusively forwarded and managed by this Ministry".[69]

In early October, then, the Italian competent authorities started to meet the naval *attaché* at the British embassy in Rome on a weekly base, in order to smooth possible frictions in the controls of the maritime blockade. These meetings turned out to be the starting point for the creation at the end of the month of a permanent Anglo-Italian joint standing committee.[70] The purpose of the latter would have been not only to deal with all the issues of the blockade, but also to draft a possible commercial agreement, that, given the circumstances, was perceived immediately by both parts as a possible strategical step in the relations between the two countries. Perhaps to give more importance to this – after all – unexpected event, London decided to issue an order according to which the British would have provided assurances to their companies for the payments of Italian buyers. Italy, in fact, was not only lacking foreign currency reserves to liquidate purchases abroad but had also a significative passive disbalance in the clearing with the United Kingdom.[71] Showing such a trustful position, London hoped to get the negotiations off to a good start.

Before analyzing the talks in detail, it is worth noting however that the fact that the British departments involved in the process were not a few, created a major bias to the negotiations from the very beginning. The Ministry of Economic Warfare, the Chancellor of Exchequer, the Foreign Office, the Board of Trade and, very often, the Colonial Office had all a voice in the decision-making process. Moreover, as the war went on, even the military offices could put a weight on the scale, as well as the War Cabinet, that had always – naturally – the last word on each decision. The files show clearly that the documents about possible economic agreement with Italy had to be – at least – seen or processed by two to six officials of different administrative or military branches, so that any provision concerning relations with Italy had to go through a tortuous and very time-consuming process. This structural data was coupled with an ultimately hesitant behaviour by Great Britain, not sure yet about the final position that

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[69] ASMAE, Ambasciata a Londra, b. 1055, File 1, Telespresso n. 22483/C, 25 September 1939. See also ASMAE, Ambasciata a Londra, b. 1056, File 1, Telegramma n. 20092 P.R., 8 September 1939 and ASMAE, Ambasciata a Londra, b. 1056, File 1, Filocifra n. 585, 23 September 1939, that highlights the danger of navigating in the North Sea, whose seabed had been mined by the Germans.

[70] On this point see Robert Mallett, "The Anglo-Italian war trade negotiations, contraband control and the failure to appease Mussolini, 1939-40", *Diplomacy and Statecraft* 1, n. 8, 1997, 137-167, Reynolds M. Salerno, *Vital Crossroads: Mediterranean Origins of the Second World War, 1935-1940* (Ithaca, 2002), Alice Martini, ""Mare nostrum" e "non belligeranza". Mussolini e il blocco navale inglese nel '39-'40", *Nuova storia contemporanea* 10, n. 1, 2006, 67-84.

[71] The National Archives, FO 1011/206, Note by F. Rodd, 7 November 1939. See also Mallett, "The Anglo-Italian war trade negotiations, contraband control and the failure to appease Mussolini", 143.

she could and had to take with Italy. On the one side in fact, now that the war had broken out, many were in favour of using with Mussolini the same approach that was used with Hitler during the Danzig crisis. But on the other hand, Italy was still neutral in the war, though with the 'atypical formula' of non-belligerency, so many others thought that the occasion had to be exploited to bring the 'duce' on their own side or, at least, keep him out of the war for good.[72] However the disagreement was probably too deep and spending months to find or postpone a solution to this situation did not help, as in the spring the evolution of the military events took a spin that neither London nor – *a fortiori* – Italy could control anymore. After the begin of the *Fall Gelb* operation in fact, any economic element or reasoning had lost the biggest part of its relevance.

In the meantime, what the Italians experienced and later exploited with their propaganda even as the *casus belli* was the growing annoyance derived from the too slow controls on maritime traffic.

On the 3 September 1939 the British Admiralty, through a *United Press* agency, "confirmed that the blockade of the German coasts had begun at the same time as the existence of a state of war between England and Germany was declared".[73] The procedure consisted of the stop and the seizure on the high seas of German ships and those of different nationality directed to Germany; the allied patrols performed these operations since the outbreak of war, enforcing the right of war reserved to the belligerents in the legitimate attempt to prevent, or at least hinder, the imports of the enemy.[74]

However, the British authorities did not issue a legally valid declaration under the terms of the international law to inform all other countries of the beginning of the controls, so that they made themselves the target, first of the criticism, and then, with the worsening of the measures of the blockade, of the material protests of neutral countries.[75] Italy, though a 'strange' neutral, was among the latter. The fascist complaints mainly concerned, in this first phase of the blockade, the so-called "black lists" and the procedures for cargo checks on board of Italian ships. As for the first aspect, the Italian delegation in the already mentioned Anglo-

[72] See the many documents that trace this scenario in the section The National Archives, FO, 371/24927. See also Martini, *Prigionieri nel nostro mare*, Antonio Varsori, "Italy, Britain and the Problem of a Separate Peace During the Second World War: 1940-1943", *Journal of Italian History* 1, 1978, 455-90, and, though with a different interpretation, Mallett, "The Anglo-Italian war trade negotiations, contraband control and the failure to appease Mussolini".

[73] "Documentazione", *Relazioni internazionali* 5, 1939, 690.

[74] "The ordinary procedure with neutral ships which may be carrying goods to the enemy is to conduct them under an escort of ships of the Royal Navy to a British port, where they are searched for anything that is contraband or conditional contraband" (*Getting a Stranglehold on Nazi Commerce*, 1939, 203).

[75] The periodical "Relazioni internazionali", published by the Istituto per gli Studi di Politica Internazionale, gave a strong relevance to the issues related to the maritime blockade since September 1939 and it's a useful source to monitor the protests of the neutrals.

Italian Joint Standing Committee pointed out that the articles the British had banned from trading were too many.[76] As for the second one, then, Italy lamented that

> Overall in the first 12 weeks of the war the volume of goods captured amounted to approximately 463.000 tons, of which over 100.000 tons are made up of petroleum products. [...] In the ranking by flags Italy is in first place with 31 steamships stopped, followed by Holland with 29 and Norway with 28.[77]

The already mentioned Economic War Office had the primary task of handling the issues of the maritime blockade (such as the release of seized goods in control ports, the procedure to avoid too long stops for the permitted checks of the allied authorities).[78] From the very beginning, in fact, it was clear that its activity would have not been restricted to simple 'technicalities', as it entailed a high political meaning in bridging Rome and London. This is demonstrated by the reports that the head of the office, Luca Pietromarchi, had to send – probably daily – directly to Mussolini, who, in turn, only three days after the official opening of the unit, stepped so directly into its activity that he prohibited the use of the *Black Diamond Guarantee* (i.e., "captain's commitment to keep the goods at the disposal of English Consul").[79]

Moreover, the personnel that the Economic War Office employed for its activity, chosen among the staffs of the several ministries involved, was known to have strong sympathy for Great Britain and a very cold attitude towards Germany. Hence the new actor in the Anglo-Italian relations offered to many, both in Rome and in London, a renovated hope that finding a speedy solution to the two delicate problems that opposed the Italians and the British – the maritime blockade and the trade agreement – was feasible. And to have an idea of how and how much those two issues were connected and tangled we should think about the fact that coal supplies were one of the biggest issues of the talks for the trade agreement and that, at the same time, seizures of (mostly German) coal on board of Italian or neutral ships en route to Italy was a likewise big issue in the fascist protests against British maritime blockade.

Rome, which had come back to buy two thirds of its coal imports from Great Britain given the difficulties with German supplies, wanted to exploit the occasion to ask for even larger quantities, so to compensate the loss of the German coal. But this request had at least two 'uncomfortable' implications: the Germans would have not been 'happy' to know that their ally was coming to terms with their enemy, though – at the moment – only economic ones. Secondly the Italians had to find the money to pay for the higher quantities that they were asking for and, given the state of their clearing with Great Britain, given the extremely low

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[76] ASMAE, *Affari Politici*, *Italia 1939*, b. 68, *Comitato interministeriale per gli affari economici*, 30 September 1939. The British communiqué listing the types of contraband items that were liable for confiscation, if carried, included foodstuffs, animal feed, forage, clothing, and articles and materials used in their production.

[77] ASMAE, *Affari Politici*, *Gran Bretagna 1940*, b. 41, posizione 1/c, file 2, Telespresso n. 00045, 11 December 1939. See also, ASMAE, *Carte del gabinetto del Ministro e della segreteria generale*, b. 1169 (UC 53), n. 5311, 3 December 1939.

[78] See Martini, ""Mare nostrum" e "non belligeranza"", on this point.

[79] R. Nattermann, *I diari e le agende di Luca Pietromarchi*, 372.

reserves of foreign currencies and gold, given the general status of their economy, this problem had not an easy solution.

As for the Germans, in more than one occasions Nazi officials had protested with their fascist colleagues about the possible reconciliation that they were building with Great Britain. During winter 1939-40 the relations between Italy and Germany surely reached the lowest point, insofar that the Italian ambassador in Berlin was overtly told that "*qui mange de l'Angleterre en meurt*", with a specific reference also to the Italian ships that navigated the North Sea and that could have been sunk by the German navy.[80]

Coming to the British, it should be said that the already mentioned division about the position that had to be taken with Italy, together with the eventual unwillingness of Mussolini to send war material to London were ultimately the elements that influenced the negotiations for the commercial agreement, bringing them to a failure. A memorandum drafted in February 1940 by the Italian Economic War Office outlined the main stages of Anglo-Italian economic relations since the outbreak of the war, and let us know that a preliminary agreement for commercial exchange was signed in November 1939 and that specific negotiations also started for the supply by Italy to Great Britain of other goods for military use.[81] In early January Sir Wilfrid Greene, Master of The Rolls and president of the British delegation in the Joint Standing Committee, was sent to Rome as the person in charge of the negotiations, carrying tangible proposals for a radical solution to the issue of control over smuggling.[82] Before leaving London, Greene attended a meeting at the MEW "to discuss plans for the Italian negotiations",[83] but when he arrived in Italy he immediately understood that the problem of economic agreement with the Italians was to be treated as a political problem. In a letter to the Foreign Secretary, in fact, he wrote clearly that the consequences of the allied blockade of German coal exports departing from neutral ports (Rotterdam *in primis*), had gone far beyond the purely economic and commercial domain. With this measure, the British had effectively forced the Italians to buy a much higher share of coal in Great Britain and this, while Rome's deficit in clearing continued, inevitably implied a reduction in the amount of other commodities that the fascist government could at that point buy, as well as the danger of German reprisals. To remedy these drawbacks, Greene suggested the London Cabinet to authorize the purchase of a part of the agricultural produce that Italy was at that moment sending to the Germans to pay for her coal, so to level the debt for the coal supply in the balance of payments. Moreover, the final amount that the War Cabinet had to spend in Italy should have reached 25 million pounds, with an increase of 5 million in the expenditure already budgeted.[84]

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[80] PAAA, R 112299, *Politische Abteilung*, *Geheime Reichssachen*. HaPol IV, *Italien*. *Kohle (Sep. 39-Feb. 40)*, St. S. Nr. 923, 23 November 1939.

[81] ASMAE, Gabinetto del Ministro, b. 713, subfile 4/2, *Relazioni economiche anglo-italiane*, n. 356, *Promemoria*, February 1940.

[82] Luca Pietromarchi, "Come Mussolini boicottò le trattative per un accordo italo-inglese nel 1940", *Nuova Storia Contemporanea* 7, n. 3, 2003, 109-124.

[83] The National Archives, FO 371/24927, Notes' exchange between Sargent and Cadogan, 29 December 1939.

[84] The National Archives, FO 371/24927, Letter from Greene to Halifax, 11 January 1940.

The only possible way in which this £5.000.000 can be spent is on agricultural produce, which accordingly lies at the earth of the problem when considered from a purely commercial point of view.

But there is another point of view from which the question of agricultural produce must be considered. The raising and sale of this produce forms a most important element in Italian economy and its social importance cannot be exaggerated. […] If we buy the produce the stoppage of the German coal should not lead to a possibly dangerous situation. In any event, the contemplated purchase of agricultural produce from Italy would, if we agree to take it, deprive Germany of a valued source of fresh food. […] The question, as I view it, is one of high policy and is likely to lead to disaster if approached from the department angle. If the purchase of the agricultural produce leads to the result anticipated it appears to me that the money would be well spent, even if the cabbages were thrown into the sea![85]

The opinion of the Master of the Rolls was endorsed by the Foreign Secretary, Sir Edward Halifax, and by the Ministry of Economic Warfare, too, but was harshly criticised by Sir Andrew Duncan, representing the Board of Trade, and Sir Anthony Eden, Secretary of State for Dominion Affairs. While, in fact, the former thought that "notwithstanding the obvious disadvantages of buying goods which we do not need in order to enable Italy to buy coal which we could without difficulties sell elsewhere, it is politically essential to offer to make substantial purchases of fruit and vegetable in Italy", the latter believed instead that a similar course of action would have created problems and tensions elsewhere (Duncan, for instance, listed the United States, Canada and Spain among the countries that could have contested the favour granted to Italy, while Eden mentioned Australia as the most penalized dominion).[86]

The final scheme approved by the War Cabinet for an agreement regarding both contraband control and trade exchanges with Italy accepted the position of Duncan and Eden and reported the amount of 20 million Pounds, which Great Britain was ready to spend in Italy in exchange for "aircraft, guns and other equipment material that have been the subject of discussion since November".[87]

Mussolini himself denied the possibility to grant this kind of items, given the high political implications that this would have entailed.[88] Political decisions taken by the supreme authorities both in Italy and Great Britain – on the reasons of which we can not give details here, as it would bring this paper to far away from the specific topic of the analysis[89] – not only shipwrecked the agreement but forbade any real further development for the economic talks between the two countries. As one of the consequences of this failure, the Germans swiftly took back their place in commercial exchanges with Italy and succeeded in signing a very

[85] Ibid.

[86] The National Archives, FO 371/24927, R 1390/48/22, Anglo-Italian Commercial relations, 27-28 January 1940.

[87] ASMAE, Ambasciata a Londra, b. 1099, Controllo marittimo parte generale, Lettera di Pietromarchi a Bastianini, 10 Fabruary 1940.

[88] Pietromarchi, "Come Mussolini boicottò le trattative per un accordo italo-inglese nel 1940", Martini, ""Mare nostrum" e "non belligeranza"", De Felice, *Mussolini il duce*, Martini, *Prigionieri nel nostro mare*.

[89] We voluntarily echoe Medlicott's words about "the conduct of Allied economic-warfare relations with Italy between September 1939 and June 1940 [that] was based on considerations of high policy which lie outside the scope of this work" (Medlicott [1952], p. 280).

comprehensive economic agreement at the end of February, that allowed Rome to have access to larger quantities of coal.[90] Another consequence was the limited activity that was thereafter left for both the Anglo-Italian Joint Committee and for Luca Pietromarchi and his office. Only after the beginning of the military operations in Denmark in early April 1940, the British sought to revitalize that precious channel asking the Italians if they were ready to discuss again contraband control. Even more significantly, after the French collapse in May, they made – still with a lot of internal struggles[91] – new offers to Rome. But at that time, it was too late and "by personal order of the Head of the Italian Government, all pending negotiations between the two Governments on the simplification [...] of the administration of the contraband control and on other economic matters of mutual interest, were interrupted starting from the aforementioned date [28 May 1940, N. o. A.]".[92]

[90] Martini (2013), Riedel (2003).

[91] Some officials of the British government anyway saw any economic offer that could have been made to Italy under the circumstances of difficulty that the allies were experiencing as a sign of weakness or, at least, it would have been interpreted so (see NA, FO 371/24951, R 5920/G, Anglo-Italian relations, 1 May 1940).

[92] ASMAE, Gabinetto del Ministro, b. 713, subfile 4/1, Corrispondenza relativa ai rapporti con la Gran Bretagna 1940, 1 June 1940.