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Donatella Strangio

# The Reasons for Underdevelopment

The Case of Decolonisation in Somaliland



**Physica-Verlag**  
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ISSN 1431-1933  
ISBN 978-3-7908-2777-4 e-ISBN 978-3-7908-2778-1  
DOI 10.1007/978-3-7908-2778-1  
Springer Heidelberg Dordrecht London New York

Library of Congress Control Number: 2011940162

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# Preface

In the general oblivion of Italian colonial history, each scientific contribution that returns to investigate the meaning, terms and consequences of Italy's presence in Africa adds a piece to the mosaic. The late, and in many ways inconclusive, colonial history of Italy developed along the axis running from Tripoli towards the Horn of Africa. And Somalia takes up a central position in the African continent in Italian historical revisitations. In fact, it is in this country, along with Eritrea, that the Italian colonial imprint was the greatest and most constant, because here, more than anywhere else, the dross of history has shaped a territory, a people, a present and a future that still bears the signs of the encounter with Italy's search for a "place in the sun."

It is therefore important to start from Somalia for a historiography that is cleared of any remaining elements of the anachronistic propaganda of "Italians – nice people", so that the colonial relationship, made of lights and shades, encounters and clashes, dreams and hopes, but also failures and violence inflicted or endured, can be investigated in depth by looking at situations and archives that have not yet been analyzed with care and rigour. Professor Donatella Strangio opens up new perspectives on African historiography and the economic history of Somalia through sources that, hitherto, have been explored very little or not at all.

She has immersed herself in the archives of the Bank of Italy to tell of the Bank's efforts to set up a "Cassa per la circolazione monetaria della Somalia" and establish the National Bank of Somalia (NBS), explain the strengths and weaknesses of the transition towards independence and highlight the continuity between the substance of the colonial economy and the management of the post-independence African élite. With great intellectual honesty she has also focused on and recovered scattered fragments of the shared history of Italians and Europeans, whilst skillfully integrating the points of view of the colonizers and the colonized. It is a story that tells of macroscopic errors and the improper transposition of Italian institutions into the Somali context: excessive bureaucracy, the Somali constitution written by Italian jurists, the imposition of a monoculture of bananas, the indefiniteness of the border with Ethiopia. It also tells of the incomprehensible and artificial

opportunism of the African élite, who were incapable of rethinking the politics, economy and society of Somalia autonomously to give real meaning to the new-found independence. Perhaps the political chaos and the resounding failure of African independence originate in this colonial usurpation of space and time and the lack of political imagination among the African élite. Contemporary Africa is the result of this double original sin. Yet, even in its tragic failure, this common history holds, like all great stories, the seeds of hope. One of these rests in the European desire to know Africa and in the African awareness that it has become, in spite of itself, a little European.

Hence the search for a new way of meeting that can transcend the paradoxes of a common history. This research calls for cooperation, which can be a great mutual building site in which to find the political routes, economic formulas and cultural bridges for a common project for Italy and Somalia, Africa and Europe. And we will create the new Euro-African space by searching for a new way of producing and reproducing wealth, defining identities and making them mutually fruitful and in keeping a watchful eye on history. Immigration from Somalia and the Horn of Africa asks Europe to look at itself in the mirror and piece together both fragments of history and promises for the future.

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## **Introduction**

The history of Italian colonial affairs has recently attracted renewed interest from historians and economists. It is a complex and involved question. Traditionally, colonial historiography has studied the reasons and the political and economic means by which Italy had tried, from the end of the nineteenth century onwards, to enter the colonial race that had been under way from the time of the second industrial revolution. Attention has focused on the expansionary policy of Italy, firstly within the more general context of the great European expansion of the second half of the nineteenth century and then within the framework of the “imperial” strategy of the fascist regime.

Over the last few years, though perhaps slightly later than the more mature historiography of other European countries, the work of some important scholars has opened up new fields of investigation and research. Recent studies have tried to

analyse in greater depth the working mechanisms of the colonial system, broadening the field of investigation also to the perspective of African countries and the political-economic equilibriums of the second half of the twentieth century.

This study fits into this area of research and analyses crucial aspects of the decolonisation of Somalia, in which the monetary question, as the author capably explains, became one of the main, and in some ways decisive, transitional phases which occupied the Italian trust administration between 1950 and 1960.

A number of very interesting points emerge from the detailed and careful analysis of sources in the Historical Archives of the Banca d'Italia: the history of the presence of Italian banking in Somaliland; relations between Italian and Somali institutions; Italian political-monetary policies during the reconstruction and the first economic boom; the vital role played by the Italian Central Bank which, as at other delicate moments in the country's history, fulfilled its leading institutional function.

## Methodology and Sources

This book grew out of the desire to continue a research which had culminated in the publication of *Decolonizzazione e sviluppo economico. Dalla Cassa per la circolazione monetaria della Somalia alla Banca nazionale somala: il ruolo della Banca d'Italia (1947–1960)*. This has prompted me to investigate further an extremely fragmented situation, which is still torn internally by a dramatic civil war. Tribal divisions continue, as in the past, to compromise the formation of internal unity and peace which are essential conditions to enable the country to get out of the dangerous impasse in which it is trapped. Last, but not least, the presence of foreign powers, rather than protecting the country and improving conditions, has actually increased the level of poverty.

To understand why Somalia finds itself in the headlines today, we have to take a jump back in time and analyse the events that led up to “independence”, which was achieved more at a juridical than at a political-economic level. This analysis will focus in particular on the relationship established with Italy, which worked initially as a colonizing power and later as an international body that was to accompany the country towards independence and assist it afterwards.

The earlier study tried to assess to what extent this Italian-Somali cooperation was successful during the Trusteeship, by trying to identify what it represented and the results obtained. The documents in the *Archivio Storico della Banca d'Italia* (ASBI - Historical Archives of the Bank of Italy) have shown that there was one positive note among the many signs of a general lack of interest in Italy to bring about a real improvement to the conditions prevalent in the country. This was the coining of the currency, the “somalo”, which was supervised by the *Cassa per la circolazione monetaria della Somalia s.p.a.* that had been set up on April 18, 1950 as a private institute to be administered by the *Banca d'Italia*. The currency continued to circulate after the independence of Somalia which took place on July 1, 1960 until it was replaced by a new currency in 1967.

In this book, however, the intention is to focus on the economic role played by the agricultural sector in the attempt to reach a level of self-sufficiency for the country as soon as possible. The analysis will dwell in particular on the importance of banana plantations and the companies and firms managed by Italians that emerged in the period from the early 1950s through and beyond the period of the Trusteeship and try to understand if and how they contributed to the independence of the country.

The first part of the book provides an analysis of the country's complex history which covers thousands of years and will highlight its deeply-rooted weaknesses. From the era of colonisation onwards Somalia has been the target of expansion by foreign countries which has deeply undermined the internal and external stability of the country. Their presence, especially Italy's, has had, and still has a political explanation, which in many cases has hindered the development of the country. Italy, a middle power, has always shown particular interest in international organisations in the hope of easing its structural problems as an overpopulated nation with a shortage of raw materials, but also of regaining prestige after the loss of its colonies between 1941 and 1943. At the end of a long difficult period, the question of Italian ex-colonies was solved in 1949–1950 with the Trusteeship of Somaliland being granted to Italy.

The first and most formidable difficulty to tackle in the attempt to create a solid social and democratic base for the country was the social structure of the population. Its tribal organisation began with a very small group of families with a common ancestor, called *rer*, building up to the *cabila*, that is, a set of *rer*. In 1953 there were 15 political parties, which were mostly founded on tribal affiliation and present only in very local areas. The Italian administration, for convenience and as a deliberate strategy, had adopted tribalism as governmental practice and as a form of control, making it compulsory to state clan affiliation as part of an individual's personal identity. Once independence was declared on July 1, 1960 attempts were made to consolidate the concept of national unity by discussing territorial differences between the north which was less developed and the south rich in resources.

The first decade after independence was marked by divisions and fragmentation in the social fabric of the country and efforts to promote national unity made little progress, as there was still a heavy dependence on foreign aid. It was in this climate that Siad Barre forced his dictatorship on the country. His government was inspired by the doctrines of socialism and Marxism in its administration of the public good, thus distancing itself from any conservative or antirevolutionary cliché. During his first decade in power Barre designed the rebirth of Somali nationalism. His second decade at the head of the country, however, marked the decline of the progressive and innovative drive, giving way to a dictatorship, the consequences of which are still evident today.

The second part of the book will analyse the economic history of the country, showing not only the difficulties originating in the territory itself, but also underlining the many hopes pinned on the economy of the banana plantations.

From their arrival in the country, most Italian interests had concentrated in the central-southern part. Italy supported a form of capitalism based on agriculture for



exports and subsidised its countrymen to set up modern agricultural companies along the Shebelle River. Banana and cane sugar plantations were developed mostly. However, there were immediately problems with the work force, as Somali herdsmen refused agricultural work because they thought it was degrading and farmers preferred to work for themselves. From the 1930s onwards bananas became the main crop and leading export product and their importance grew during the Italian Trusteeship. The Italian authorities were convinced that by giving great freedom to private investment in those sectors that a survey of the general situation in the area had indicated as the most appropriate and profitable, they would create healthy economic development and avoid vain attempts to direct investment towards areas that did not need it. On the other hand, it seemed that traditional agriculture was going to act as the driving force in the development of Somalia, as resources, organisational skills, credit and specialised labour, whose scarcity actually prevented development, could be mostly easily deployed there.

This did not prevent attention from being directed at other sectors. For example, great importance was given to the founding of the *Azienda Monopolio Banane* (A.M.B. – Banana Monopoly Company), which ran a state fleet for the transport of bananas and thus established Italian sovereignty over Somalia in this field too. The maximum level for the production of bananas was reached in 1963, when it became the leading crop. However, Italy bought Somali bananas at a much higher price than from other places which raised a number of criticisms. The problem has to be seen from a different point of view though; Italy's interest in purchasing bananas should not be viewed in relation to the profits made by the *Monopolio*, but in a more general framework. Whilst Italy admittedly conceded a great advantage to Somali bananas, it is also true that Somalia conceded a much greater overall advantage to goods bought from the Italian market.

The negative side of cultivating this crop lay in the difficulty of finding the necessary factors of production, such as fuel, fertilisers and skilled labour, in Somalia; furthermore, this crop, which is largely seasonal, required great entrepreneurial ability and working capital, which was diverted from sectors that needed greater and more urgent attention.

This led to doubts about whether the plantation sector could stimulate solid general development, in view of the modest possibilities of creating local value added. The exported good was produced mostly by foreign operators with foreign factors of production and therefore the absorption of local underemployed factors of production was minimal. Things changed slightly between 1964 and 1965 when 350 of the 450 banana plantations passed into Somali ownership. In spite of this numerical superiority, however, Somali firms had much less land than the Italian plantations. The crop continued to be successful even after the end of the Italian mandate, recording a net decrease in production only between 1978 and 1979 followed by a good recovery in 1983, which coincided with the setting up of *Somalfruit*, a joint venture managed by the Italian group De Nadai. This recovery, however, did not produce the expected results for the population, because the greatest benefits from the agricultural areas went to the elderly members of the old regime, the Italian firm and fewer than 200 Somali owners.

The third part of the book will examine the role played by the Italian firms and companies that were set up in the colonial period and were to continue their operations until Siad Barre's takeover, when he immediately nationalised all firms and replaced them with cooperatives in the name of scientific socialism.

From the very beginning private enterprise was considered to be of fundamental importance in the attempt to set in motion the economic development of the country. Entrepreneurs were encouraged to invest in those sectors that were considered most appropriate and profitable. In fact, the Duca degli Abruzzi immediately recognised the opportunities available whilst travelling in Eastern Africa in 1918. He settled in Somalia and set up an industrial agricultural firm of a considerable size, capable of permanently employing large numbers of Somalis. Once again the problem arose of having to rely on a mass of workers who could not adapt to a regular job. Most of them, once they had scraped together sufficient savings, tended to return to their home village and take up their traditional nomadic way of life or simply abandon their job, even at the time of greatest need.

Between highs and lows the firm's activities went ahead until the early 1960s, and to be more specific 1963, when the *Società Nazionale Agricola Industriale* (S.N.A.I.) was set up at Giohar in agreement with the local government, thus continuing the collaboration between Italians and Somalis on an equal standing.

Basically, and in spite of everything, the results obtained were generally positive, according to the sources consulted. The firm benefitted from strong collaboration with agriculture, which broadened its productive horizons, and from collaboration with its partners, the *Società Saccharifera Somala* (SSS), the *Società Anonima Cooperativa Agricola* (S.A.C.A.), the *Società Agricoltori Giuba* (S.A.G.), the *Società Romana di Colonizzazione* in Somalia and the *Società Commerciale Italo Somala* (S.C.I.S.).

The work of the S.N.A.I. continued until 1970, when President Siad Barre began the nationalization of all companies in the attempt to reach self-sufficiency and to create an exporting economy by adopting techniques that could be easily adapted to the conditions of the local companies. In this context there was a very strong need to form partnerships and the best way of realizing this was to set up cooperatives which promoted economic development and the social improvement of members, who were encouraged to take part in the business, either by contributing with their products, investing their labour or using their services. The results that were so keenly hoped for did not arrive and many believed that there was no real will to support these cooperatives, because the credit conditions, especially interest rates, were generally no more favourable than for individual firms.

The fourth part of the book will discuss how all these elements have conditioned the attempts of bilateral cooperation between Italy and Somalia in more recent years; even though development plans had been laid out for the country from the time of the Trusteeship with the dynamic support of the Italian economy, the results were disappointing.

From the very beginning of Italian collaboration in Somalia it was believed that independence could be achieved more quickly if development plans encouraged a better use of internal resources and favoured the introduction of foreign resources

following a certain order of priorities. Plans spreading over a number of years became the premise for a more efficient use of external aid, combined with the desire to consolidate in an economic sense the great successes obtained at a political level, by making sure the process was achieved almost entirely by Somalia itself. Even in this case, however, the results were not very encouraging: there remained too strong a dependence on foreign aid, which in most cases did not set the maximum possible level of economic efficiency in the country as its prime objective and failed to solve the real problems of the country, and actually created new ones.

Italian collaboration was strengthened by the signing of important economic and aid agreements which were incorporated and made more organic in Act no. 1376 of 23.12.1967, called *Assistenza tecnica, culturale, economica e finanziaria alla Somalia*. Even after the revolution of 1969 relations between the two countries continued to be close and were redefined by Law no. 1222 of 15.12.1971 which dealt with and regulated the essential aspects of assistance in the development policy, unifying all cooperation in progress and making special provisions for Somalia. The composition of international aid can be classified in three main categories: bilateral, multilateral and OPEC countries. Bilateral cooperation in Somalia can be distinguished into two separate periods: up to and after 1977. The watershed year saw the breakdown of relations with the USSR and the search for technical and financial aid from other donors.

Lastly, the conclusions will show that the numerous criticisms levelled against the Italian attempt at cooperation were justified, because the real interest of Italy lay in the desire to win prestige at an international level.

## The Italian Colonial Question

Italian historiography has for a long time neglected the colonial period. As Nicola Labanca wrote, “Italians almost immediately removed the colonies, and perhaps Africa, from their agenda: but they did not do so as a result of a criticism and self-critique of their earlier fascination with it. They simply absolved themselves, resorting to the rhetoric of ‘brava gente’ [nice people]: they missed the opportunity for a real and proper ‘decolonisation’ of the memory. The revisionism of the imperial past ran aground even before it got underway”.<sup>1</sup>

The main concerns and worries of Italians from the 1950s to the present day have been the economic take off, the new international position of Italy and the widespread search for prosperity and higher standards of living.<sup>2</sup> Decolonisation and the emerging “Third World”, the alliance with the United States and the Cold War, the emphasis on the Italian Republic’s changed role as ‘civiliser’ as reflected in the trust

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<sup>1</sup>Labanca 2002, p. 438. See also Labanca 2009, which takes an international perspective on the topic.

<sup>2</sup>Triulzi 2008, p. 579.

territory of Somaliland and the lack of condemnation of the Italian administration's more violent actions or the indiscriminate massacres in Ethiopia after the assassination attempt on General Graziani in Addis Ababa<sup>3</sup> persuaded post-war Italy to quickly turn over a new page and stop talking about the colonies.<sup>4</sup>

Over the last few years, even if in alternating phases, memories of the colonies have come to the fore again, prompted not only by requests for reparations for the economic and moral damage suffered by ex-colonies or countries occupied by Italy during the war, in particular Ethiopia and Libya, but also by the ever growing flow of immigrants to Europe, especially to Italy, and often from ex colonies from the mid-1980s onwards.<sup>5</sup> For example, in November 1997 on a visit to Ethiopia, the President of the Italian Republic, Oscar Luigi Scalfaro, was the first post-war Italian politician to acknowledge the suffering inflicted on the country by Italian occupation and to pledge that the Italian government would return, 50 years after the promise made in the peace treaty, the Axum obelisk which had been plundered by Mussolini in 1937 and installed in front of the Ministry of Italian Africa on the 15th anniversary of the March on Rome. Provisions for the restoration of the obelisk had been made in the 1947 peace agreements, together with another monument, the statue of the symbol of Ethiopia "The Lion of Judah", which had also been removed during the fascist period and returned in 1970 after a visit to Rome by the Negus Haile Salassie. However, the obelisk was returned to its homeland only 8 years later (following a decision by Berlusconi's government in April 2005) and in the midst of problems and controversy.<sup>6</sup> On this point Calchi Novati has written, "In the new international situation in which a re-evaluation of colonialism is used to justify and support military intervention (for example, Great Britain in Sierra Leone or France in the Ivory Coast), the relative "innocence" of Italian actions can no longer be an advantage for its policy in Africa. In Libya memories of bad administration and crimes committed by Italy during colonialism has, especially since Gheddafi came to power, been a major obstacle on the road to the normalisation of relations and a policy of cooperation".<sup>7</sup>

This has led to renewed interest in the question and opened a more critical approach which brings Italy, though still in the early stages, closer "to the more mature European historiographies"<sup>8</sup> and, as Labanca points out when describing the history of Italian colonies:

<sup>3</sup>On these events, see in particular Del Boca 2005, pp. 105–123, 205–227.

<sup>4</sup>Triulzi 2008, especially 578–579. See also Del Boca, 1992, pp. 111–127; Uodelul Chelati Dirar, 1996, pp. 9–37.

<sup>5</sup>See the articles of November 25, 1997 Breda's and Caridi's.

<sup>6</sup>Alberizzi 2005.

<sup>7</sup>Calchi Novati 2008, p. 572.

<sup>8</sup>Triulzi 2008, p. 582. On this point see the papers presented at the conference *Il mondo visto dall'Italia* organised by SISCO (Società italiana per lo studio della storia contemporanea) held at Milan in September 2002 and published in the section on Africa in Giovagnoli - Del Zanna (eds.) 2004, pp. 99–172. See also the proceedings of a recent conference on Italian colonialism. Palumbo (ed.), 2003; Andall - Burdett - Duncan (eds.), 2003; Andall - Burdett - Duncan (eds.), 2003<sup>2</sup>;

There was in short no truly prevalent element to be taken in isolation: there was a bit of everything. Everyone took part in the imperial March a little, and especially under fascism, especially in Libya and Ethiopia. *Everyone*, therefore: agriculturists and financiers, textiles and Fiat, electricians and chemists, shipbuilders and railway builders, small-medium sized and large companies. Everyone, but only *a little*; not entirely convinced, ready to retreat, quick to seize business but prepared to give it up (some more, some less). Here lies the contradiction of the widespread, but in the end weak, support for Italian colonialism. Support which was impassioned at a time of expansion, but ready to forget everything, to find excuses at a time of defeat and abandonment. This is from the point of view of the colonisers. From the point of view of the colonised and the conquered African territories the consequences of Italian dominion probably appeared to be quite similar to those of the dominion of other imperial powers, which had centuries of colonial tradition behind them and stronger and more organised interests abroad or connections with it. For the ‘native population’ colonialism meant the destruction of the traditional economy and the sudden arrival of a market economy; a break with centuries-old social, geographical and ethnic ties; a dramatic transformation of traditional societies and the creation of new “colonial” societies; appropriation of the best land and depletion of local societies’ most precious and most easily extractable resources; distortion of the economy with the introduction of monoculture and the decline of local manufacturing; corruption of the environment and society. All of this was – from the economic point of view – also the norm in Italian colonies. However, the ways and forms, the causes and the processes through which this was achieved, from the point of view of the colonisers and the colonial powers, were very different. In general, the colonial economy of the last of the great powers showed more weaknesses than strengths.<sup>9</sup>

The new political situation which emerged during and after the Second World War in Italian territories in Africa and their, and other African countries’, membership of foreign monetary areas meant the use of foreign currency for finance was absolutely necessary.<sup>10</sup> For this reason the currency question became so urgent. The monetary aspect of transactions in a monopoly regime of foreign exchange, of the kind in force in Italy, had to go through the authorities that regulated the collection and use of foreign currency and so there was no way of solving the question privately. Furthermore, in Africa there was strong local and international competition in banking because there were about 30 ‘indigenous’ banks (half in Egypt

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Andall – Duncan (eds.) 2005; Ben Ghiatt - Fuller (eds.) 2005; Conference organised by the Istituto Nazionale per il movimento di liberazione, *L'Italia e l'Etiopia 1935–1941. A settant'anni dall'impero fascista*, Milano Museo di Storia contemporanea, 5–7 ottobre 2006 (the proceedings were edited by Riccardo Bottoni 2008) which involved numerous scholars; the participants of the important Round Table which closed the conference were Shiferaw Bekele (University of Addis Ababa), Giampaolo Calchi Novati (University of Pavia), Uoldelul Chelati Dirar (University of Macerata), Agostino Giovagnoli (Università Cattolica del S.C.) Nicola Labanca (University of Siena) Richard Pankhurst (Institute of Ethiopian Studies – Addis Ababa), Giorgio Rochat (University of Turin), Alessandro Triulzi (Sapienza University of Rome), Angelo del Boca.

<sup>9</sup>Labanca 2002, pp. 306–307.

<sup>10</sup>Before the Second World War the Italian banking system in Libya, Somalia and Eritrea was favoured by the fact that the economy of these regions worked within the area of the lira (see below).

alone) with about 200 branches and about 50 foreign banks, mostly British and French, with about 1,750 branches, half in the Union of South Africa.<sup>11</sup>

The Banca d'Italia's economic interest in Italian expansion overseas started with the decision to establish a branch in Eritrea, which was intended to intensify relations with Italy, but also act as treasury of the State. Eritrea had been Italy's very first colony and the setting up of a branch there was considered an innovative and "audacious act", especially as regards other states which had much vaster colonial empires, and also as there was little interest in the Italian colonial question at that time, with memories of the first African campaign still very fresh.<sup>12</sup>

Bonaldo Stringher, the Governor of the Banca d'Italia, expressed his wish to see a greater opening on the part of Italy beyond its national borders so that it could claim a role within the assembly of nations.<sup>13</sup> Among the schemes promoted by the governor as a tangible sign of his intentions was the commitment of Italian capital to the establishment of an issuing bank in Ethiopia. Italian banks had shunned Africa until 1905 when the Bank of Rome opened a number of branches in Egypt, the first at Alessandria, which later joined together to form a single independent institute giving rise to the Italian-Egyptian Bank (made up of the Banco di Roma and Credito Italiano); later, the Italiana per l'Egitto was created. The Banco di Roma also set up a number of branches in Libya in 1907, which promoted commercial activities, followed by the Banca d'Italia, the Banco di Napoli and the Banco di Sicilia; between 1923 and 1925 two other savings banks were created, which merged in 1935.<sup>14</sup> The Banca d'Italia, however, was the absolute pioneer in Eritrea and Somaliland where it was later followed by small banks founded by Italian residents together with local partners and in 1935 by branches of the Banco di Roma, Banco di Napoli and Banca Nazionale del Lavoro.<sup>15</sup>

Furthermore, in 1906 the Banca d'Italia made a direct contribution to the completion and repair of the two railway lines of Massawa-Saati and Dig-Digta-Ghinda and the purchase of rolling stock, as well as covering other costs incurred after 1909. The total expenditure amounted to 17 million lire which was paid to the Government of the Colony through a Consortium which included the Banca

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<sup>11</sup>Barclays Bank alone was present in British West Africa (Cameroon, Gold Coast, Nigeria, Sierra Leone), Portuguese East Africa, South-west Africa, Egypt, Eritrea, Kenya, Libya, Mauritius Natal, Nyasaland, Orange, Cape Province, Southern Rhodesia, Northern Rhodesia, Anglo-Egyptian Sudan, Swaziland, Tanganyika, Transvaal and Uganda. Archivio Storico della Banca d'Italia [Historical Archives of the Banca d'Italia] (henceforth ASBI), Banca d'Italia, Studi, Pratt., no. 538, fasc. 3, p. 15 *I Convegno economico africano. Attività bancaria italiana in Africa (1951-1952)*.

<sup>12</sup>ASBI, *La Banca d'Italia nelle terre d'oltremare*, published on the occasion of an exhibition on Italian territory overseas, May of the year XVIII E.F., p. 7. On March 26, 1906 the shareholders' General Assembly voted on the question of whether to set up this new institute, which did not actually happen until February 2, 1914 with the opening of a branch in Asmara; later on April 15 of the same year another branch was opened in Massawa (*ibidem*, p. 63).

<sup>13</sup>*Ibidem*.

<sup>14</sup>ASBI, Banca d'Italia, Studi, Pratt., n. 538, fasc. 3, p. 13.

<sup>15</sup>*Ibidem*.

d'Italia, Banco di Napoli, Cassa di Risparmio delle Province Lombarde, Banca Commerciale Italiana, Credito Italiano, Società Bancaria Italiana and Banco di Roma.<sup>16</sup>

From the very beginning banking in the colonies was subject to special regulations appropriate to "local uses and customs".<sup>17</sup> However, the poor purchasing capacity of the local population, the limited availability of liquid capital and the strong fluctuations in prices seriously hindered the commercial potential of colonies. In fact, the Banca d'Italia was forced to delay the beginning of its real colonial activity in Eritrea because of internal events and economic conditions; it was not until the military occupation of Libya and the consolidation of a colonial mindset in Italy that the Issuing Institute was able to work directly towards the economic strengthening of the territories under Italian sovereignty. The Italian government, with the Royal Decree of December 10, 1911, n. 1367, authorized the three issuing institutes<sup>18</sup> to open branches in Tripoli, Benghazi and other towns in Tripolitania and Cyrenaica, where the Treasury Minister believed real opportunities existed. The decree also established the right to introduce special rules into their statutes for the activities to be undertaken in the new colony.<sup>19</sup> The changes introduced into the Statute of the Banca d'Italia at the shareholders' special General Assembly of March 30, 1912, were contained in articles 2 bis and 63 bis. These articles authorized the administration to set up branches in Tripoli and Cyrenaica which were to be administered by special regulation and to engage in all banking services normally provided in the Kingdom of Italy and all others considered appropriate to the economy of these regions. These regulations had to reflect the spirit of the scheme, which aimed to set up ordinary banking operations overseas and therefore was not limited to the real functions of an issuing institute that would not have been very suitable for the poorly developed economy of the new colonies. This led to the decision that each branch had a basic endowment fund, which had to be formed by withdrawing capital reserves for the amount decided by the Consiglio Superiore and as suggested by the general director. Thus, in 1913 with the Royal Decree of August 15, n. 111, the Bank was allowed first to apply the same measures adopted in Tripoli to the branch in Asmara and later what was decided in article 63 bis of the statute was extended to all branches to be set up in the colonies. Furthermore, the Royal Decree of June 21 1928 –VI n. 1404 added article 67 which provided for the Banca d'Italia to set up an independent colonial body which all branches in the colonies would join with their assets and liabilities. Lastly, the changed statute

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<sup>16</sup>ASBI, *La Banca d'Italia nelle terre d'oltremare*, cit., p. 9.

<sup>17</sup>*Ibidem*, p. 63.

<sup>18</sup>It is important to remember that at the time the issuing of legal tender banknotes was also entrusted to the Banco di Napoli and the Banco di Sicilia: the unification of the service into one institute (Banca d'Italia) took place by Royal decree on May 6, 1926, n. 812 (converted into law June 15, 1926, n. 1262), which fixed June 30 1926 as the date for the end of the power of the Banco di Napoli and the Banco di Sicilia to issue banknotes.

<sup>19</sup>*Ibidem*, pp. 13–14.

including the new tasks devolved to the Issuing Institute and approved by the Royal decree of June 11, 1936-XIV, n. 1067, empowered the Banca d'Italia to have branches administered by special regulation in the remaining territories of the Empire. The clause fixing the maximum limit of endowment funds was abolished.<sup>20</sup> The creation of the empire and the subsequent reorganisation of territories in East Africa led to the Bank extending its activities even further.

A concrete example of the efforts made by the Banca d'Italia to stimulate the economy of the colonies was the establishment of customs warehouses in Tripoli. As Tuccimei says, "As soon as the decision to open a branch in Tripoli was taken, the Banca d'Italia considered setting up customs warehouses in the city for the development of trade".<sup>21</sup> The outbreak of the First World War, however, prevented the realization of the project which was re-proposed in 1923 when the quay in the port was ready. On that occasion the general outline of the agreements made in 1913 between the three issuing institutes was reconfirmed. As these agreements concerned only the management of the general warehouses, the Banca d'Italia suggested that it should take over full responsibility for the equipment of the plant to avoid difficulties arising from the joint ownership of property, thus establishing its share of the costs at 50% and the other two institutes the remaining amount. When the project was approved with the governor's decree on June 7th, 1924 n. 591, the Banca d'Italia then arranged for the building of the general warehouses in the port of Tripoli, oversaw all the operations necessary to guarantee full efficiency throughout the concession and administered the warehouses with the Banco di Napoli and the Banco di Sicilia. The duration of the consortium was fixed at 90 years, after which the plant and all its facilities were to be handed over to the colonial Administration. The management of the consortium of the three banks started in the port of Tripoli on May 1, 1925 with the following activities: customs warehouses, credit operations on warehouse warrants and sureties; customs buildings of storage, exporting and importing. The general warehouses had the same basic characteristics as similar warehouses in the Kingdom of Italy and offered accessible prices to depositors for the custody of goods. The storage warehouses received incoming goods that could not be directly collected from the dock and outgoing goods which had to be checked. Incoming goods could be stored for 3 days, later extended to 4 days. The customs warehouses started its own business of loading and unloading on July 1, 1924 following an agreement signed in Rome between the Ministry for the Colonies and the Governing Board of the Banca d'Italia.

Business was at first limited to only those operations concerning goods belonging to or destined for the administration of the state, but was later extended to goods transported on subsidised shipping lines. The constant improvements made

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<sup>20</sup>*Ibidem*, p. 16.

<sup>21</sup>Tuccimei 1998, p. 79; ASBI, Studi, Copialettere n. 191, Stringher to Crea, letter of 20.2.1912, p. 12-13.



by the firm to the equipment meant that it gradually absorbed all the port work so that by 1929 the loading and unloading firm was the only one left providing these services in the port of Tripoli. They were to be modelled on warehouses in the two most important Italian ports, Genoa and Taranto. The services provided by the customs warehouses covered storage, public warehouses and exporting and importing and were carried out by contractual staff in the firm, casual workers for temporary and special jobs hired by the warehouses management and with the permission of the firm's administration, as well as contract or casual employees, sailors and workmen called by special agreements or on the basis of collective work contracts in force in the colony or from the merchant navy and day labourers who were employed on the basis of daily needs and in accordance with local regulations and customs.<sup>22</sup>

The Banca d'Italia's project with the Banco di Napoli and the Banco di Sicilia began to take shape when a request was made to the Ministry for the Colonies for an area on which the buildings were to be built.<sup>23</sup> The request was presented on April 17, 1913, only 6 months after the signing of a peace treaty between Italy and Turkey at a very delicate moment for the political situation in the colonies, which was still very far from being absolutely tranquil. On May 14, 1936, only 5 days after the Declaration of the Empire, the Banca d'Italia started to provide troops still on operational tour with the main banking services in the capital of Ethiopia. The problem of which banking and credit facilities should be created in the new territories was carefully assessed in order to satisfy and promote the development of various economic activities, and especially to avoid an expansion of a banking system that could prove to be excessive for local needs and lead to "anti-economic competition".<sup>24</sup> For this reason the Council of Ministers of February 16, 1938 decided not to allow banking institutes without specific authorization to open branches in the Empire until June 30, 1938, a date which was later extended to June 30, 1940.

In view of the difficult conditions prevailing in these colonial economies the Government decided to authorize the Banca d'Italia, in collaboration with the Istituto mobiliare italiano and the Consorzio per sovvenzioni su valori industriali, to also carry out medium and long term operations. The various tasks assigned to the issuing bank included the liquidation of the Bank of Ethiopia.<sup>25</sup> As in Eritrea, the Banca d'Italia had been authorized to intervene in Ethiopia to stimulate credit with all types of activities.

<sup>22</sup>ASBI, Filiali coloniali e dalmate, pratt. B. 833, f. 36, *Regolamento di servizio, Comitato superiore, tornata 18.6.1937*, artt. 5, 6, 10, 11, 18, 19).

<sup>23</sup>ASBI, Studi, Copialettere n. 191, Stringher to Crea, letter of 20.2.1912, pp. 12–13.

<sup>24</sup>ASBI, *La Banca d'Italia nelle terre d'oltremare*, cit., p. 106.

<sup>25</sup>The Bank of Ethiopia had been established by Negus Hailè Sellassiè on August 29, 1931 and had taken over the Bank of Abyssinia which had a banking license for fifty years (ASBI, *La Banca d'Italia nelle terre d'oltremare*, cit., p. 119).

It has to be stressed that organisational costs were much higher for the territories in Italian East Africa<sup>26</sup> than in other possessions abroad because of the obstacles that were encountered. The difficulty of settling and living in these places which were so very different from the homeland posed serious problems for the supply of appropriate equipment and the deployment of staff necessary to guarantee the regular services of the Bank. For this reason staff rotation among branches was introduced (to avoid long stays in the particularly debilitating climates,<sup>27</sup> but also to enable employees to acquire different areas of knowledge and get to know the specific customs of the different parts of the country) and special bonuses were given as tangible recognition of the efforts made by employees, as well as some other measures.<sup>28</sup>

Before the Second World War business opportunities for Italian banks in Libya, Somaliland and Eritrea had been favoured by the fact that all economic activity in those regions took place in the area of the lira: therefore firms that transferred all or part of their business to those lands or set up a new business did not come up against currency problems and could rely on the financial means which the “mother country banks” operating there had available and with whom they could deal on the spot.<sup>29</sup> At the end of the war and as a new world order was being shaped, it became increasingly difficult to transfer currency as a result of the monetary system of watertight compartments that had been created by various states, difficulties which hit the ex-Italian colonies hard, especially Eritrea and Ethiopia, where the lira was no longer legal tender.

The banking system in Africa could, therefore, no longer rely on normal transfers from the mother country, but only on the local collection of funds. This meant it had to regulate its uses in order to maintain normal liquidity, avoiding those long-term forms that had been allowed in exceptional cases in the pre-war period, when local liquidity was guaranteed by the transfer of national funds.<sup>30</sup>

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<sup>26</sup>The Royal Decree of June 1, 1936, n. 1019 established in article 1 that “Italian East Africa includes the territories of the Empire of Ethiopia, Eritrea and Somalia. It is a juridical body and is headed and represented in the name of the Emperor King by a governor general, who has the title of Viceroy of Ethiopia. The Governor General of Italian East Africa is based in Addis Ababa.” The empire was divided into different administrations: the Government of Eritrea, the Government of Somaliland and the Empire of Ethiopia which was in turn divided into governments, namely: Amhara with Gondar as capital, Galla-Sidama with the capital at Gimma, Harar with the capital Harar and Addis Ababa with a municipal administration under a governor directly under the Governor General; (art. 2 and art. 32 of the Ministero della Cultura Popolare 1938–1939, pp. 26 e 30).

<sup>27</sup>Labanca 2002, pp. 274–277.

<sup>28</sup>These included, for example, the free distribution of mineral water and ice, subsidies for work canteens, days off in the high lands at the expense of the Bank, reimbursement of medical expenses and medicines.

<sup>29</sup>ASBI, Studi, pratt. n. 538, fasc. 3, I° Convegno Economico Africano – Attività bancaria italiana in Africa di Ugo Foscolo, Roma, 18 aprile 1952, p. 14.

<sup>30</sup>*Ibidem*.

Furthermore, it is obviously more difficult to collect deposits in the more developed African countries with a high saturation level in banking: deposits will flow preferably towards local banks or the branches of big banks in their respective monetary areas, rather than branches of banks from other countries which will, therefore, have to rely almost exclusively on endowment funds, drawn from the current assets of the head office.<sup>31</sup>

Italian banks were clearly faced with problems in assisting firms that wanted to set up businesses in those countries which already had intense banking activity and where competition was unfair, as existing branches had abundant funds and were easily restocked by the head office. These difficulties were created by the prevailing conditions on the African continent, which consisted in backward and depressed areas, with an economy that was still poor and where it was impossible to collect the means needed by credit institutes for their financial services. Naturally these obstacles did not discourage Italian banks from assisting firms that wanted to work in Africa; studies were, in fact, made to examine the best forms of financing and the factors that had to be considered singularly to find a solution to the problem.

These factors were classified as follows: (a) political–social factors (including those types of firms that encouraged migratory flows, both temporary and permanent, by associating capital and employment); (b) economic factors (although political factors were the most important, economic factors could merit exceptional measures if there were a series of commercial, industrial and currency advantages to be had); (c) credit factors (which could be divided into three forms: long term funds, short-term funds and financing of firms' medium or long term investment plans); (d) currency factors (the new situation which emerged at the end of the Second World War and the new political situation in Africa meant that other currencies more generally accepted in international exchanges were used instead of Italian lire).<sup>32</sup>

The African continent, however, was a certain and profitable field of action for the Italian banking system, as indeed for the other countries present on the continent; suffice it to say, the cost of projects in the South African Union for the development of the electricity industry and transport amounted to more than 500 million dollars over a period of 6 years, with the involvement of the World Bank. Public and semi-public investment schemes were also set up in the following countries: Belgian Congo, French East Africa, French Equatorial Africa, Togo, Cameroon, Madagascar, Portuguese Guinea, Angola, Mozambique, Sierra Leone, Gold Coast, Nigeria, Tanganyika, Uganda, Nyasaland and Northern Rhodesia, which totalled an expenditure of 3,700 million dollars between 1946 and 1955, of which 760 were spent in 1950 alone.<sup>33</sup>

As can be seen from the report of the first African Economic Conference organised by the Banca d'Italia, it was hoped that Italy would give greater attention

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<sup>31</sup>*Ibidem.*

<sup>32</sup>*Ibidem*, pp. 15–17.

<sup>33</sup>*Ibidem*, p. 17; OECE, August 1951.

to Ethiopia; this cooperation was also seen positively in light of declarations made by the Minister of Industry and Commerce, as well as the Head of the Planning Office in Addis Ababa, who pressed for greater openings in strategic economic sectors, and especially for the development of agriculture.

Italy granted credit to Ethiopia for the purchase of agricultural and other machinery and provided the expertise of specialised technicians and a qualified workforce, as well as financial help from Italian banks. The public works sector also offered great opportunities for Italian firms.<sup>34</sup> Social and political advantages could also be discerned, as in fact:

Unemployment constitutes one of the most typical signs of Italian unease; but it could certainly be reduced noticeably if firms with a good organisation and an adventurous spirit found adequate financial help to undertake works of great importance in Africa and employ armies of Italian workers. Today there is no point in being nostalgic about the colonies; although their disappearance has denied Italy of the territorial appendices that it had acquired, no matter how modest they were, it has led to the need to take more interest in those countries that are attractive for the economy.<sup>35</sup>

Naturally African people welcomed and showed their favour not only to Italy, but also to other European and non-European states that had sent or intended to send trade missions, such as Japan, India, Pakistan and East Germany. The latter, in particular, was considered an enterprising commercial competitor, especially in Ethiopia, Eritrea and Somaliland, all of which had an Italian ‘past’. East Germany had actually stepped up its penetration of all markets, and especially African markets, by sending its economic representatives and observers to study the possibility of reviving commercial relations. Italy had also taken on a number of schemes in Rhodesia, Tanganyika, Belgian Congo, Equatorial Africa and South Africa, but they remained isolated cases because they could not rely on an appropriate financial organisation.

National problems of space and raw materials are serious, and since we cannot solve them by political means, we have to adopt economic ones. Exporting capital temporarily means using it for schemes that will set up a range of new activities in Africa, which will be sources of wealth for our country, because they will not only provide work for big groups of compatriots, but also neutralize the competition that almost all national firms are beginning to feel from similar, though less perfect, indigenous factories which have emerged in the post-war period and have been immediately given protection.<sup>36</sup>

As Calchi Novati has recently noted, “Decolonisation has been limited mostly to guaranteeing the administration of power at the centre, without considering if and how aspects of tribal or community belonging and jurisdiction should remain in force. A *modus vivendi* has now to be found between ‘the kingdom of the imported’

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<sup>34</sup>ASBI, Studi, Pratt. n. 538, fasc. 3, p. 18.

<sup>35</sup>*Ibidem*.

<sup>36</sup>*Ibidem*, p. 19.

and the ‘kingdom of the native’”.<sup>37</sup> In the age of globalisation<sup>38</sup> and at the end of the bi-polar system, there is less incentive for the international system to protect states and their statehood.<sup>39</sup>

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<sup>37</sup>Calchi Novati 2009, p. 24.

<sup>38</sup>The geographical-economic world order has become increasingly globalised since the 1980s. A globalised geographical-economic order is meant as the “interrelations between individuals, societies, institutions, states and markets. In its manifestation and more recent interpretation, it refers to the «growth of networks of planetary interdependence», as a result of new information and communication technology, the creation of a world financial system, the expansion of an international production system based on the competitiveness and on the reputation, theoretically anomalous in a competitive market, of transnational firms” (Di Taranto 2007, p. 23). See in particular James 1999; Stiglitz 2002; Caselli 2002, especially ch. 1; Berend 2006, pp. 263–326.

<sup>39</sup>Calchi Novati 2009, p. 24.



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