

## Speech

*Operating amidst thorny international relations: the mediating role of Comit London's branch, 1935-1940.* [1<sup>st</sup> slide] CHANGE

Good afternoon to everyone, as the chair professor Jaimie Reis said, I am Federico Castelli and I'll just add a few more coordinates to put my work into a broader context.

Break

**Before starting**, I'd like to preface the preliminary nature of my work and its first findings. My purpose is to systematize and dispute them with you.

[2<sup>nd</sup> slide] CHANGE

Break

The aim of this work is to unravel the mediating role of Comit-London through its director, Carlo Lovioz, and Raffaele Mattioli. I'll just say a few words about him by using an excerpt of an article of Financial Times: [quote] «Mr Lovioz has contributed to the friendly trading and financial relations between Great Britain and Italy. [he] came to London when his bank was first established here in 1913 [errata corrige, 1911] and has a profound knowledge of every branch of British banking. His popularity in financial circles in the City testifies to ability and charm of manner»<sup>1</sup>. [end of quote] Briefly, he climbed the ladder up to December 1934, when he became branch director until June 10<sup>th</sup>, 1940, branch closing date after Italy's entry into the Second World War. Break.

In this specific timeframe the Anglo-italian diplomatic relationships were in a tight spot due to several crises (Spanish Civil War, Ethiopian war, 1<sup>st</sup> Czechoslovakian crisis, beginning of the Second World War). Nevertheless, at each of these crises, Comit-London managed to act as a trailblazer to reopen acceptance credits for Italian importers, a credit that was indispensable to keep Italian industry dependent on imports of raw materials.

[3<sup>rd</sup> slide] CHANGE

### [1] Re-establishment acceptance credits after Ethiopian war's end

In fact, the economic sanctions after the Fascist invasion of Ethiopia in October 1935 had a significant impact on Italian banks in the City because they faced the closure of the acceptance credits among the British *Clearing banks*<sup>2</sup>. Lovioz could do truly little

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<sup>1</sup> CM 159, fasc. 2, n. 43/a.

<sup>2</sup> Si può omettere.

in that period, nevertheless he became aware of the purely political nature of sanctions thanks to the impressions made on him by the banking world, as you could see in an excerpt of a *Financial Times* article of the 1<sup>st</sup> of November 1935 in the slide. **Break** He started to be an active player since the waive of the sanctions, during the *iter* of the reopening of acceptance credits (fall 1936 – winter 1937), thanks also to the ratification of the new Anglo-Italian Clearing agreement at the end of November 1936. In fact, in a meeting, he asked to the Midland bank's overseas branch manager (Frederick Bunker) the reason why the acceptances were not reopened after the war. **A few words about Midland** [she] was the main British clearing bank that exchanged acceptance bills with other banks through a central organisation called the Clearing house. His reply stated that – **and I quote** – «the question of resuming credit relations in Italy [through Comit] had been examined by the Board and that I had been ordered to make another journey to Italy in order to get and up-to-date impression to be put before the Board with a view to resuming relations». **Break**

Thus, Mattioli himself drawn up a note on the Italian economic situation for Bunker. In this document, Mattioli showed that, after Italy economy adaptation's to the “alignment”, prices, compared to the value of the lira in 1927 had indeed risen, but to a lesser degree, and indirect confirmation of the currency's readjustment could be found in two factors: (**quote Mattioli's note**)

1. No hoarding of gold has taken place, though it was legal to detain gold in Italy and deals in gold were not forbidden.
2. The prices securities with fixed interest, issued both by the State and by industrial concerns, have improved after a small decline immediately after the monetary adjustment, and remain very steady<sup>3</sup>.

In order to prove what he claimed, Mattioli pointed out that only in 1935 balance of payments was in deficit (due to sanctions). In fact, the net in November 1936 had a surplus of fifty-five million Lire, without mentioning trades between Italy and its colonies. **Break**

The meeting between Lovioz and Bunker, after his return in London, ended up positively. The general idea upon returning from his trip was that of [**quote**] «a country that works, that goes about its business without worrying too much about what is happening and what is said abroad». The transparency and the skill of Mattioli was repaid, since Bunker, on 1<sup>st</sup> March, informed Lovioz that the Midland's board had approved the reinstatement of the old credit facilities, for a sum of 250,000 pounds, which can be spent on new credit openings against goods destined for Italy. Furthermore, as reported by Lovioz:

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<sup>3</sup> Asi-Bci, CM 155, fasc. 3, no. 15/all., f. 3.

Bunker told us that in compliance with previous promises, this was the first credit that Midland Bank restored in Italy<sup>4</sup>. **Break**

Simultaneously, Lovioz also met the foreign manager of Martins Bank, another Clearing bank, for the same reason. This time he had a stronger standing, due to the previous talks with Bunker. Thus, he succeeded in reopening a credit line of 50.000 pounds, thanks to one factor the awareness of Martins foreign manager of the Bunker's trip to Italy aimed to confirm the recovery of acceptance credits.

I think it's important to remark how Lovioz recognized – as Mattioli did – the state of stagnation about the financial instruments regulating Anglo-italian trades. He had already become aware of this situation since September 1936 and talks with Midland managers in the documentation prove what is claimed. That's why he urged to meet both Midland and Martins bank managers, especially after the new Anglo-Italian Clearing agreement, which is, briefly, a way of settling bilateral trade without any movements of reserves. Therefore, in winter 1937, maybe the general trend would still have been for a commerce relaunch, but it's undisputable the Comit's managers haste to get the negotiations moving. **Break**

## [4<sup>th</sup> slide] **CHANGE**

[2] 2<sup>nd</sup> example of the mediator role: **Lovioz [with Mattioli's aid] reinstatement of acceptance credits at Midland Bank after 1<sup>st</sup> Czechoslovakian crisis** in September 1938. Midland only agreed acceptance credits against cash, **so there wasn't a real credit**: the drawer of the bill must have already paid the amount corresponding to the value of the bill **BEFORE** its acceptance. This request also applied for the bills already accepted, and those still in force<sup>5</sup>. So, Lovioz made an urgent plea for a review of this decision both on the grounds of general policy and of the particular relations between Comit and Midland. As a matter of fact, their relation went back to 1918, after Midland's opening of the *Overseas branch* with interbank relation, but without foreign branches, and this feature earned Midland the preference of the non-British banking world. In Edwin Green's monography, Bunker himself described Comit as one of his institution's oldest friends. **Break**

In a meeting with Midland managing director Lovioz **objected particularly to the demand for cover**, that it was contrary to all established practice between the two institutes. In fact, the bond of mutual trust and esteem created over almost 30 years of relationship was put in danger with this action, as a warranty for acceptances. On the other hand, its managers pointed out the political nature of their decision, inasmuch

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<sup>4</sup> *Ivi*, CM 155, fasc. 3, no. 24.

<sup>5</sup> *Ivi*, CM 157, fasc. 3, no. 2/all. 1.

Mussolini speeches in Padua and Verona stuck with Hitler's ultimatum toward Czechoslovakian premier, Edvard Benes. **Break**

The turning point came true thanks to Mattioli, who wrote a letter to Midland's chairman, Reginald McKenna emphasizing the urgent need to maintain unimpaired their business relations. Lovioz piled it on in another meeting with McKenna, in which he claimed that **[quote]** «Italy's foreign debts were trifling, and banking credits were altogether moderate and used in an orthodox manner, in accordance with the traditions of the London market and not, as was the case with the huge German credits, for the purpose of creating internal finance and for all sorts of illicit purposes». The Chairman acknowledged the Comit's claims, and acceptance credits were finally re-established at the beginning of November 1938. **Break**

## **[5<sup>th</sup> slide] CHANGE**

### **[3] Last example Hemp acceptance credit: Lovioz-Castiglioni-Bank of England controversy – Comit's links with Italian and British industrial sector**

The last example takes place within the context of Wartime defence finance regulations, carried out on 1<sup>st</sup> September 1939 in Great Britain. All international commercial transactions, especially those with nations allied to Germany, were subordinated to Bank of England's authorization. In this scenario, acceptance bills in favour of Italian firms suffered a sharp decline and their shortage caused, January 1940, a quarrel between Lovioz, Credito Italiano's delegate, Augusto Castiglioni, and Bank of England manager, Cameron Cobbold. **Break**

The discussion object was about the granting to Comit of two large acceptance credits in favour of Caproni Agency Corporation and two English textile companies, regarding a hemp lot to Italy. Castiglioni blamed Bank of England of having a patronage relationship with Comit, due to the assignation of the whole credit to the latter institute. From this dispute, the alleged mediating role between Comit-London and Italian exporters emerges strongly, through Cobbold's efforts of defusing Castiglioni allegations and the written reports for Mattioli about this controversy.

After talking with Lovioz, Cobbold organized meeting with several Comit clients in order to split its business around acceptance credits. The clients composition demonstrates the strong ties of the Milanese bank with British and Italian industrial sectors. **Break**

Firstly, Cobbold met the commercial attaché of **British Italian Trading Co.** [F. Landini], who replied that his eagerness to cooperate and stick to Comit was the result of its attentions and assistance in times past. Secondly, Cobbold called **Giovanni Mastrocinque of the Monopolio Carboni e Metalli**, and the result was the same.

Since he arrived in London in 1935, he noticed how acceptance business flowed more smoothly with Comit than anywhere else. **Break**

Lastly, in relation to English textile companies, despite the hemp credit was handled, as a whole, by Comit's branch, there was a second acceptance credit in April 1940 [70 million Lire], which was split between the latter institute and Credito Italiano, thanks to the Italian importer willingness Federtessili. Lovioz, after having swept aside Castiglioni innuendos on granting the credit in full to his bank, gave to a BoE manager [George Lewis Bolton] an outline of the arrangement, who personally thanked him<sup>6</sup>. He also made clear that this procedure would have affected all future credits, a sign of cooperation and commitment in sticking with Bank of England policy and intentions. It's important to highlight that hemp, a textile fibre that the Fascist autarkic policy sought to replace cotton, continued to have to be imported to support the needs of the Italian textile industry. **Break**

## [6<sup>th</sup> slide] CHANGE

[3.1] Regarding the Caproni Agency credit, there was a strong bond with **Prospero Gianferrari (Isotta Fraschini and Caproni's manager)**, [quote] «which went back a couple of years and after 1<sup>st</sup> September 1939 the relationship intensified, with daily meeting on points connected not only with credits, but with the proposed business in general». Lovioz also reported that [quote] «He has had full opportunity to value the extent and usefulness of Comit co-operation with his friends». Caproni agency was the diamond tip of Italian military aircraft industry at that time and it's not a coincidence that Gianferrari was also the chairman of the Italian Aircraft Manufacturers Group. On its behalf, he came to Great Britain in order to obtain raw materials. I think it's significant to remark how the credit granted by the Bank of England, in favour of a military enterprise, allows us to question the ambiguities of British financial diplomacy in the 1930s and the vacuity of its 'appeasement' attitude towards Fascist Italy. **Break**

## [7<sup>th</sup> slide] CHANGE

### [4] Conclusions

This preliminary study has started from the point of view of the Comit-London branch. The aim of my work is to show how this branch was the hub which gave credit to Fascist dictatorship until the last minute, far from pursuing its much-touted autarkic policy. Thanks to Lovioz and Mattioli's talks with the banking élites of the City, the pivotal system of payments to finance international trade, the **acceptance credit**, was strenuously defended, even though in certain situations it had zero room for manoeuvre

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<sup>6</sup> Asi-Bci, CM 159, fasc. 2, n. 45/a/all.

(ex. Ethiopian War). Taking into account of its early stage, the dataset I used comes from the folders of the archival fond “Carte di Raffaele Mattioli”, which are kept in the Historical archive of Intesa Sanpaolo bank. Therefore, this first survey on documentation lacks the quantitative analysis aspect of the research, which is yet to come. Nevertheless, the correspondence between Lovioz and Mattioli allows to demonstrate how their bank has had a mediating role in Anglo-Italian trading, thanks to its business of acceptance credits and its ties with Anglo-Italian companies. Moreover, due to Lovioz profound knowledge of City banking elites, he was able to reach out rapidly his interlocutors, with whom negotiations could be accelerated to mitigate the negative echoes of political rifts between Fascist regime and United Kingdom.

[8<sup>th</sup> references slide] CHANGE

[9<sup>th</sup> slide] CHANGE