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**The Economic Recession in Albania and Italian Infiltration:
The Loan of 1931**

During the period after the First World War, the economic situation in Albania was much the same as in the other Balkan countries. Their economy was primarily based on extremely outdated methods of agriculture, and, although efforts were made in some countries (Greece, Serbia, Romania) to implement some measure of agricultural reform¹, the institution of extensive land ownership was still deeply embedded, particularly in central and southern Albania. Low productivity coupled with the absence of any systematic means of saving led to a lack of capital, which had two consequences: i) a strong dependence on other countries, with an attendant retarded development, which was determined by the ability and willingness of the foreign nations and the international stock markets to give the Balkan countries loans; and ii) a low standard of living and a constant flow of émigrés, chiefly to the United States.

Another basic feature they shared was an almost total lack of industry and a low level of foreign trade, the latter characterised chiefly by the exporting of raw materials and agricultural products and the importing of processed and semi-processed products. The geographical distribution of the Balkan countries' international trade shows how little commerce there was between them, which in turn reveals the lack of any complementarity between their respective economies and therefore a lack of any motivation to initiate a process of mutual integration.

Apart from these endemic problems, the Balkan countries also had external pressures to contend with: the protectionism adopted by most of the industrialised European nations on behalf of their own agricultural

1. For more about agricultural reform in the Balkan countries, see L. S. Stavrianos, *The Balkans since 1453*, New York, Rinehart & Company Inc., 1958, pp. 593-594.

produce hindered the Balkan countries' exports of such produce; and the world slump hit the Balkan economies particularly hard, because it drove down the prices of raw materials much more than those of processed products².

Albania itself was the least developed of the Balkan countries, as was apparent in all sectors of its economic life. Agriculture was still the basic economic activity, occupying some 80% of the population. Most of the arable land, however, was in the hands of a few owners, chiefly Moslem beys and Moslem religious foundations. So some 40% of farming families were sharecroppers. The production process was equally outdated: land was still allowed to lie fallow and wooden ploughs were still used in the north of the country. The principal products were maize, corn, tobacco, fruit, olives, and olive oil; but most of these were consumed by the peasants themselves and only a tiny surplus ever reached the local markets. Consequently, in 'bad years' large quantities of agricultural produce, particularly grain, had to be imported.

Stockbreeding products, in contrast, made up a considerable proportion of Albanian exports. Stockbreeding was one of the Albanians' most common occupations for two reasons: some 31% of the countryside consisted of pastureland, and the activity did not require much capital outlay. All the same, stockbreeding methods were every bit as outdated as the agricultural ones, so it was not as productive as it might have been.

Albania also had considerable forestal wealth, for 36% of the terrain was covered by forest. In the absence of a satisfactory transportation network, however, it could not be exploited. The only products of any significance were coal and firewood. The country's mineral wealth was equally unexploited, both because extensive surveys had not been carried out and also owing, again, to the problem of an inadequate communications network. Only the country's oil had been systematically exploited and bitumen production had reached a satisfactory level; but these activities were monopolised by Italian companies. Industry was almost non-existent: there were only small light industrial units, which supplemented the agricultural and stockbreeding activities and were

2. A. Roselli, *Italia e Albania: relazioni finanziarie nel ventennio fascista*, Bologna, Il Mulino, 1986, pp. 35-36; L. S. Stavrianos, *op.cit.*, pp. 593-601.

intended to produce commodities to meet essential day-to-day needs. The most important of these were dairies, tobacco farms, mills, brick-works, soapworks, and oil-presses.

As we have mentioned, transport and communications were no less primitive. Albania had only two small railway lines, each about twenty miles long, and the road network, in the modern sense, had been constructed by the Italians more for strategic reasons than with a view to development. The main artery followed the coastline from Shkodër through Durrës and Vlorë to Gjirokastër, and there were two other roads, one in the north, from Shkodër to Prisren, and one in the middle, from Tirana to Korçë. Albania also had three ports, Durrës, Vlorë, and Sarandë, which were used chiefly by Italian, Greek, and Yugoslav ships carrying merchandise and passengers to and from Albania³.

Owing to the backwardness of the Albanian economy, the country's imports chiefly consisted of processed products, such as metals, machinery, fabrics, vehicles, chemical products, and paper. But since agricultural productivity was so low, it was also necessary to import large quantities of grain to cover the population's needs, as also dried pulses, sugar, and coffee.

Exports consisted chiefly of raw materials and unprocessed products, such as wool, eggs, olives, oil, and cheese. Needless to say, this resulted in a balance of imports and exports deficit, as the table below shows:

TABLE I
Albania's foreign trade
(in thousand gold francs)⁴

Year	Exports	Imports	Deficit
1924	12,380	20,490	8,110
1925	17,123	21,799	4,676
1926	11,964	24,865	12,901

3. L. S. Stavrianos, *op.cit.*, pp. 727-729; Royal Institute of International Affairs, *South-Eastern Europe: A Political and Economic Survey*, Connecticut 1971, pp. 153-154. See also Archivio Storico del Ministero degli Affari Esteri, Rome (hence referred to as ASMAE), Albania 1931, b. 1, f. 1, no 258/113, Soragna to Grandi, Tirana, 4.2.1931.

4. I. Fishta-V. Toçi, *Gjendja ekonomike e Shqipërisë në vitet 1912-1944, prapambetja e saj, shkaqet dhe pasojat* [The Economic Situation of Albania in 1912-1944, its Backwardness, Reasons and Consequences], Tiranë, 8 Nëntori, 1983, pp. 71 and 109.

Year	Exports	Imports	Deficit
1927	11,107	24,682	13,575
1928	14,859	32,312	17,453
1929	14,683	38,644	23,961
1930	12,352	33,289	20,937
1931	7,509	29,513	22,004
1932	4,500	22,814	18,314
1933	5,746	15,938	10,192
1934	4,284	12,333	8,049
1935	6,037	13,730	7,693

Most of Albania's trade was with Italy. In 1933, for instance, the volume of Albania's imports from Greece amounted to 823,150 gold francs, from Yugoslavia 967,817, and from the USA 1,012,842; whereas imports from Italy amounted to 6,700,000 gold francs. Conversely, Albanian exports to Greece amounted to 361,158 gold francs, to Yugoslavia 158,306, to the USA 503,280, and to Italy 4,600,000⁵.

The products Albania imported from Italy were, needless to say, worth many times more than those it exported there.

TABLE 2
*Foreign trade between Italy and Albania*⁶

Year	Exports to Italy		Imports from Italy		Deficit
	(%)	(th. gold fr.)	(%)	(th. gold fr.)	(th. gold fr.)
1924	51.5	6.4	75.5	15.5	9.1
1925	58.7	10.0	75.2	16.4	6.4
1926	45.8	5.5	67.1	16.7	11.2
1927	50.5	6.3	61.7	15.3	9.0
1928	61.2	9.1	49.0	15.7	6.6
1929	60.4	8.9	45.7	17.6	8.7
1930	59.8	7.4	50.2	16.6	9.2
1931	66.2	5.0	46.9	13.9	8.9
1932	62.7	2.8	39.5	8.9	6.1

5. *Il commercio estero dell'Albania e i rapporti economici con l'Italia*, Bari, Camera di Commercio Italo-Orientale, 1934, p. 5.

6. A. Roselli, *Italia e Albania: relazioni finanziarie*, pp. 92 and 100.

1933	79.6	4.6	41.9	6.7	2.1
1934	63.4	2.7	34.1	4.2	1.5
1935	61.1	3.7	28.4	3.9	0.2

It must be said, however, that Albania's foreign trade was exceptionally low, owing to its low productivity and the low standard of living of the population, which had few consumer needs⁷.

Low productivity and an almost total failure to exploit its wealth-producing sources naturally meant low revenues for the state, a situation that was exacerbated by an archaic taxation system. Some 28% of state tax revenues were collected from the agrarian strata of Albanian society, and 76% of this proportion was borne by the impoverished peasants. The taxes were of Ottoman origin and included a levy on animals and a tithe. A further 59% of state revenues came from tariffs that had been imposed to cover domestic needs and to accumulate some money in the state coffers rather than to encourage local businesses to increase productivity⁸.

All these factors together resulted in a permanent deficit in the balance of state expenses and revenues, and a resultant dependence on foreign borrowing. Yet, however absurd the manner of collecting money, the way in which it was spent was no less so. The greater part of state spending was devoted to maintaining the army and the central administration, while minimal sums were made available for creating the infrastructure necessary for development⁹.

The economic situation was further exacerbated in the early 1930s, when the effects of the world economic crisis began to make themselves felt in the Balkans. As a profoundly underdeveloped country, Albania was much harder hit than the other Balkan states. As elsewhere, here too the crisis first manifested itself with a drop in the prices of agricultural products. Wholesale prices had already begun to fall in Albania in 1929¹⁰, and the crisis of 1931 only served to accelerate the process. In

7. L. S. Stavrianos, *The Balkans since 1453*, p. 729; J. B. Fischer, *King Zog and the Struggle for Stability in Albania*, New York, Columbia University Press, 1984, p. 166.

8. J. B. Fischer, *op.cit.*, p. 164.

9. For more details about the Albanian state expenditures and revenues, see Tables 3 and 4 at the end of the present article.

10. ASMAE, Albania 1930, p. 784, f. 750, no 1660/810, Sola to Grandi, Tirana,

1930 prices fell to 80% and in 1932 to 69% of their 1928 level. The drop in prices affected the farmers very badly, for they were already heavily in debt from the time when their products were enjoying high prices. As a result, their buying power and their savings were severely curtailed and domestic trade fell off. All this, coupled with the feudal land-owning system and the antiquated taxation system, meant that the farmers had no personal interest in agricultural development nor in improving the quality of their produce and the conditions of production¹¹.

In a discussion with the US Ambassador to Tirana, Herman Bernstein, in December 1930, King Zog himself observed that Albania's most crucial problem at that time was agriculture. The agrarian population was still living and working under very bad conditions; with no land of their own and with no real interest in production, they were not giving of their best. Therefore the first thing to be done was to secure and distribute among the landless farmers more arable land, together with the essential technical means and know-how that would enable them to work more productively. To this end, a plan was already being drawn up for the redistribution of land and drainage of marshes, to increase the amount of available land. It was also intended to establish an agricultural bank that would provide those who were interested with the capital to help them improve their yield. Finally, more importance was to be given to the technical and professional training of young Albanians, by establishing special state schools¹².

13.7.1930.

11. ASMAE, Albania 1931, b. 1, f. 1, no 258/113, Soragna to Grandi, Tirana, 4.2.1931 and Albania 1932, b. 10, f. 1, no 295/119, Soragna to Grandi, Tirana, 1.2.1932. See also K. Frashëri, *Histoire d'Albanie; bref aperçu*, Tirana 1964, pp. 258-259.

12. National Archives, Department of State (hence referred to as NADS), 875.00/302, Bernstein to Stimson, Tirana, 10.10.1930. One indication of the Albanian government's inability, or unwillingness, to address the country's problems was the question of land ownership. Following an initial attempt to work out a plan of reforms, the King asked Professor Lorenzoni, an Italian expert, to study the problem and propose suitable measures to improve the situation. Lorenzoni completed his mission early in 1930 and presented Zog with the data, together with his proposals for land redistribution. These entailed transferring much of the land owned by a few families or by the state to the farmers. Each owner would be allowed to retain forty hectares for himself, plus five hectares of cultivated land and ten hectares of uncultivated land for his wife and each child. They would be compensated with shares in the soon-to-be-established Agricultural Bank. See Prof. Lorenzoni, *La questione*

The fall in the prices of agricultural products was accompanied by a sharper drop in the total value of Albanian exports. In 1930 they declined to 83% and in 1932 to 30% of their 1928 value. As in the past, the total value of exports was only a fraction of that of imports; and, whereas in the other Balkan countries the decline in exports caused by the crisis brought a concomitant reduction in imports, in Albania, as long as Italian money was still flowing in, imports were sustained. It was not until 1933 that the cessation of Italian aid led to a reduction in imports¹³.

The grave economic situation became quite desperate in 1931, a year which direly tested Albania's endurance. Torrential rains in winter, followed by drought, almost completely wiped out the maize crop, which was not only the population's staple foodstuff, but also a major export item, and thousands of tons had to be imported from abroad. The olive harvest was also poor and, with the low prices, did not even cover the growers' outlay. Once a major sector of Albania's export market, the export of livestock, chiefly to Greece, took a sharp dive, owing to the obstacles the Albanian authorities were constantly putting in the way of the Greek merchants, who, after the conclusion of the Greek-Turkish economic agreement in 1930, turned to the Asia Minor markets. Nor did the Greek cheesemakers come to Albania that year, as

agraria albanese. Studi, inchieste e proposte per una riforma agraria in Albania, Bari, Laterza, 1930. These were by no means radical measures to resolve the problem once and for all, for the greater part of the private land was left untouched. But even in this limited form, they were never implemented: between 1930, when the proposals were officially tabled, and 1938, no more than 4,698 hectares of public land were expropriated, out of a total of 52,650 hectares of public and 103,275 hectares of private land. See I. Fishta - M. Belegu, "Mbi disa çështje të reformës agrare zogiste" [About some aspects of Zog's agricultural reform], *Studime Historike*, 4 (1989), 87-103. A plan to drain the marsh at Maliq, near Korçë, suffered the same fate. As early as 1926, the Maliq Co. had undertaken to drain 12,000 km² of marshland, out of a total of 72,766 km²; but, as Zog told Bernstein, the company did not even start the job until December 1930. See NADS, 875.6112/-, Hart to Kellogg, Tirana, 24.3.1926. Finally, as regards agricultural training, apart from the Albanian schools at Kavaja and Lushnja, there were also one American technical school at Tirana and four Italian technical schools at Shkodër, Berat, Gjirokastër, and Korçë. However, not only were no new schools opened, but the existing ones were forced to close in 1933, when the government ordered the closure of all private schools, without replacing them with state ones. See ASMAE, Albania 1934, b. 33, f. 1, no 421, Koch to Mussolini, Tirana, January 1934.

13. K. Frashëri, *Histoire d'Albanie*, pp. 258-259; A. Roselli, *Italia e Albania: relazioni finanziarie*, pp. 93-95; and I. Fishta - V. Toçi, *Gjendja ekonomike e Shqipërisë*, p. 102.

they usually did, to buy milk from the Albanian stockbreeders for the cheese that was exported to the Greek and Albanian communities in America. Finally, the world crisis also led to a sharp reduction in the remittances sent by Albanian émigrés, chiefly in America, and the loan made by the SVEA (Società per lo Sviluppo Economico dell'Albania) in 1925 had by now been used up¹⁴.

Incapable of coping with the relentlessly mounting problems or of making good the budget deficit, which it was predicted would reach three million gold francs in the financial year 1931-2¹⁵, the Albanian government appealed for economic aid from abroad. But despite all its initial efforts to obtain money from somewhere other than Italy, in the end Albania's great ally was the only power that was prepared to make a loan which no-one expected would ever be repaid¹⁶.

The first hints about the Albanian state's inability to meet its obligations had been made as early as the end of October 1930 by Zog himself to the Italian military attaché, General Pariani. Having outlined the state of the Albanian economy and its most pressing concerns (particularly the budget deficit), the King asked Pariani to convey a request to Mussolini for aid, specifically the sum of ten million gold

14. ASMAE, Albania 1931, b. 1, f. 1, no 1584/685, Soragna to Grandi, Tirana, 6.7.1931 and Albania 1932, b. 10, f. 1, no 295/119, Soragna to Grandi, Tirana, 1.2.1932. See also J. B. Fischer, *King Zog and the Struggle*, pp. 196-197. In 1925 the Albanian and Italian governments had signed an economic accord, which provided for the establishment of a National Bank of Albania almost exclusively with Italian capital and a loan of fifty million gold francs. The loan was to be paid through the SVEA, which was created especially for the purpose. For more details see P. Pastorelli, "La penetrazione italiana in Albania", *Rivista di studi politici internazionali*, 33/1 (1966), 8-60; and *Italia e Albania, 1924-1927. Origini diplomatiche del Trattato di Tirana del 22 novembre 1927*, Firenze 1967, pp. 91-142; see also F. Jacomoni di San Savino, *La politica dell'Italia in Albania, nelle testimonianze del Luogotenente del Re Francesco Jacomoni di San Savino*, Bologna, Cappelli, 1965, pp. 25-37, who was in charge of the negotiations. For a less detailed presentation of the 1925 economic accord see Italian Centre of Studies and Publications for International Reconciliation, *What Italy has done for Albania*, Roma 1946; and A. Roselli, *Italia e Albania: relazioni finanziarie*, pp. 63-80.

15. NADS, 875.51/59, Bernstein to Stimson, Tirana, 14.1.1931.

16. For more about Albania's initial efforts to obtain a loan from other sources see I. Fishta, *Ndërhyrja e kapitalit të huaj dhe pasojat e saj skllavëruese për Shqipërinë (1931-1936)* [The Infiltration of Foreign Capital and its Enslaving Consequences upon Albania (1931-1936)], Tiranë, Akademia e Shkencave e RPS të Shqipërisë, Instituti i Historisë, 1989, pp. 33-39.

francs a year. Well aware of the importance of having the upper hand in Albania in order to consolidate Italian influence in the Balkans and extend it eastwards, Pariani quite agreed that Albania should receive Italian aid. So when he went to Rome a few days later and met Mussolini, he gave his leader a detailed account of the discussions and the Albanian monarch's request. He even suggested that part of the sum named be used to cover military expenses and the rest to shore up the country's economy. Pariani thought the money should be used in such a way as to ensure Italian political and cultural infiltration of Albania¹⁷.

Mussolini agreed that their tiny neighbour's current situation had a direct bearing on Italy's vital interests; but he felt that, in view of his own country's economic problems, the total sum granted should not exceed twenty, or at most forty, million gold francs¹⁸.

So by early November 1930 official talks had begun between the Albanian government and the Italian Ambassador to Tirana, who was henceforth to be in charge of the negotiations. When Zog and the Marquis di Soragna met on November 13, the King lost no time in describing his country's situation in the gloomiest terms: Albania was in no position to meet the massive cost of maintaining its army, and public opinion was increasingly resentful of the disproportionate expense; furthermore, agriculture and education had been sadly neglected, as had major sectors of administration. The only hope of changing the situation lay in economic aid from Italy. It would be a clear token of their great ally's true friendship and concern for the welfare of the Albanian people. Zog himself, moreover, would see to it that increased press propaganda further amplified the climate of friendship between their two peoples and facilitated Italian cultural infiltration of Albania. However, the prerequisite for all this was the provision of a generous subsidy, which he himself estimated at ten million gold francs a year¹⁹.

Soragna agreed that Albania had reached an economic impasse and that Italian aid was vital to the country's survival, but he demurred at the sum proposed by the King. He thought that he should first study the

17. Documenti Diplomatici Italiani (hence referred to as DDI), Settima Serie, v. 9, no 388, Soragna to Grandi, Tirana, 19.11.1930, pp. 556-557.

18. DDI, *ibid.*, pp. 558-559.

19. DDI, Settima Serie, v. 9, no 384, Soragna to Grandi, Tirana, 18.11.1930, pp. 548-549. See also I. Fishta, *Ndërrhyrja e kapitalit*, pp. 41-42.

Albanian economy in detail and then make specific proposals. He even asked for a trustworthy person to be appointed to go through the available data with him²⁰. However, he did think that the Albanian government's first step must be to reduce administrative expenses in an attempt to go some way towards balancing the budget for the current year. Specifically, he suggested reducing the number of non-Italian organisers in the Albanian administration's employ, and flatly asserted that any aid was in no circumstances to be used for paying off the SVEA loan²¹.

From the very outset, then, both sides clearly outlined the course they intended to adopt during the negotiations. Zog was going to use the cost of maintaining the army as a lever for persuading Italy to give a generous sum²²; while Italy's main intention was to gain complete control of the Albanian administration (as it had already done with the army), by getting rid of the 'non-Italians', i.e. the British organisers in the gendarmerie²³. As for the final amount of the aid, Soragna would start with the lowest possible sum and gradually increase it in accordance with Albania's concessions²⁴. Clearly, the provision of aid was going to be used as a means of pressing for closer, exclusively Italian, control over Albanian affairs.

By the end of November, the negotiations had not advanced very far. Zog was still insisting on ten million francs, while Soragna responded with the sum of eight and a half million, with the proviso that state budget would also be curtailed. However, in a telegram to the Italian Foreign Minister, Dino Grandi²⁵, Soragna observed that they ought not to be focusing so closely on figures and that even the sum of ten million could well be granted, on condition that it might be reduced in the future if the Albanian government implemented economies or if its revenues increased.

20. Mehdi Frashëri was eventually selected for this task, a man whom Soragna considered a somewhat intransigent negotiator, but nonetheless honest and with a genuine concern for everyone's interests. DDI, *ibid.*, p. 549.

21. DDI, *ibid.*, pp. 549-550. See also I. Fishta, *Ndërrhyrja e kapitalit*, pp. 41-42.

22. NADS, 875.51/83, Bernstein to Stimson, Tirana, 30.7.1931.

23. I. Fishta, *op.cit.*, p. 45.

24. DDI, *ibid.*, p. 551.

25. DDI, Settima Serie, v. 9, no 427, Soragna to Grandi, Tirana, 29.11.1930, p. 617.

Zog had two further demands: firstly, that the aid have no explicit connection with the army's expenses, which were already crippling, but that it be publicly presented as a means of strengthening the Albanian economy, for this was ultimately in both sides' interests; secondly, that the money be given not through a bank or other corporate body, as the SVEA loan had been, but directly from the one government to the other, because it was necessary, for political reasons, to impress upon the Albanian people the Duce's generosity and his concern to strengthen the two countries' economic and cultural relations. Soragna not only accepted the importance and the necessity of these two points, but, with regard at least to the National Defence Ministry's expenses, he suggested the following ploy: that the expenses for maintaining the gendarmerie be transferred to the Ministry of the Interior and those for the frontier units to the Ministry of Finance, thus bringing the National Defence Ministry's budget down to nine million francs (i.e. a quarter of the state's total expenditure). The impression would thus be given of a drastic reduction in military spending and no-one would be able to accuse Italy of pursuing a militaristic policy in Albania and forcing its smaller neighbour into expenditure far in excess of its needs and capabilities²⁶.

With regard to the form the agreement would take, Soragna made the following proposal, in the mistaken belief that it would meet with little resistance²⁷: namely that the Italian Ambassador and the Albanian Foreign Minister would exchange letters stating that Italy was to make an annual payment of ten million francs to the Albanian government for five or six years so that Albania's immediate budgetary needs could be addressed; this would be accompanied by a secret exchange of letters specifying the Albanian government's obligations arising out of the agreement. These would include the appointment of Italian organisers-advisors to various ministries, as also the formation of a mixed com-

26. DDI, *ibid.*, pp. 617-618. See also I. Fishta, "Marrëveshja e vitit 1931 për huanë prej 100 milionë fr. ar ndërmjet qeverisë së Zogut dhe qeverisë italiane dhe karakteri i saj skllavërues për Shqipërinë" [The 1931 Negotiations for the Loan of 100 million gold francs between Zog and Italian Government and its Enslaving Character for Albania], *Probleme Ekonomike*, 3 (1976), 76-98.

27. Although the two sides seemed to reach a rapid consensus on the amount of the subsidy and the necessity that it should be completely dissociated from military spending, the form of the agreement and the Albanians' obligations did indeed prove to be a source of considerable friction.

mittee to supervise how the money was spent, to facilitate Italian cultural infiltration of Albania, and to gradually remove the foreign organisers. More specifically, Italy sought the appointment of one advisor to the Ministry of Finance, four to the Ministry of National Economy, two to the Ministry of Public Works, and one to the Ministry of Education, all of whom would be directly answerable to the King and would make decisions with him about all administrative matters, playing the same role as Pariani in military affairs. Lastly, with regard to education, a sphere the Italians considered fundamental to the success of their policy, he demanded that the technical schools be further subsidised, that an agricultural school be established, and that Italian teachers be appointed to the middle-level schools; he had already extracted a promise from the King that all foreign teachers would be gradually removed from their posts and that all state scholarships would be for studies in Italy²⁸.

Once he had been informed about how the negotiations were proceeding, Grandi told Soragna of Mussolini's satisfaction with the way he had handled matters so far and asked him to concentrate all his efforts on increasing Italian infiltration of the educational sector²⁹.

Early in 1931, before he left for Vienna³⁰, Zog summoned Soragna again so that they could prepare the final text of the agreement, which could then be ratified by parliament before April, when the budget for 1931-2 was due to be put to the vote. He hoped that the new budget would thus include some of the Italian money. Despite all his efforts, however, by the time of Zog's departure on January 26 no final agreement had been reached regarding the text³¹.

This journey, though, marked the start of a radical change in the equilibrium between the two countries, for reasons which had no direct connection with the negotiations *per se*. A few days after his arrival in

28. DDI, *ibid.*, pp. 618-621. See also I. Fishta, *op.cit.*, pp. 88-89.

29. DDI, *ibid.*, p. 623, note 1.

30. The state of Zog's health, particularly his digestive system, had been precarious for years. Towards the end of 1930 his condition worsened appreciably and two Austrian specialists were summoned to examine him. Although they could detect no cause for alarm, they advised the King to go to Vienna for further tests and X-rays which could not be done in Tirana. So, early in 1931, Zog decided to take their advice and make the trip. See J. B. Fischer, *King Zog and the Struggle*, pp. 177-180.

31. I. Fishta, *Ndërhyrja e kapitalit*, p. 46.

Vienna, an attempt was made on Zog's life³². Two Albanian opponents of his régime living in Yugoslavia were held responsible, which fanned suspicions of Yugoslav involvement in the whole affair. Italy, needless to say, saw its opportunity and was quick to accuse the Yugoslav government of trying to organise the overthrow of the Albanian King. Zog shared this view and said as much in an open statement in a Viennese newspaper³³. However, this unreserved acceptance of the Italian allegations suggested an even more servile attachment to Italy, with a consequent weakening of his own position in their joint negotiations³⁴. US Ambassador Bernstein noted most pertinently that hitherto neither Italy nor Yugoslavia had been absolutely certain about the King's attitude, which was why they had both been constantly trying to ingratiate themselves with him and draw him into their own sphere of influence³⁵.

Zog's illness, however, coupled with the events in Vienna, had a catalytic effect on the Italians' attitude towards the Albanian government. The prospect of Zog's departure from the scene brought it home to them that their policy was almost exclusively focused on the person of the King, alienating the various political groups and virtually all the Albanian people. So in an effort to mitigate their one-sided orientation and regain as much lost ground as possible, while Zog was away they embarked upon a marathon of meetings and contacts with individual Albanians and groups who were regarded as particularly hostile to Zog and were consequently wary of the Italians. Soragna's meetings with members of the Catholic clergy and the encounters between Quaroni, Secretary of the Italian Embassy, and Shefqet Vërlaci, Zog's principal opponent and probable successor in power, were among the most characteristic illustrations of this new approach³⁶.

The climate of doubt and criticism of Italian policy in Albania hitherto was also reflected in Soragna's views about the need for a change of direction³⁷. He thought Italian policy could not, at that time,

32. For more about the trip, the attempt on King's life and the political aspect of the whole incident, see J. B. Fischer, *King Zog and the Struggle*, pp. 177-195.

33. J. B. Fischer, *op.cit.*, pp. 187-188.

34. J. B. Fischer, *op.cit.*, p. 195.

35. NADS, 875.51/64, Bernstein to Stimson, Tirana, 9.4.1931.

36. J. B. Fischer, *op.cit.*, pp. 191-192.

37. DDI, Settima Serie, v. 10, no 102, Soragna to Grandi, Tirana, 2.3.1931, p. 166.

distance itself from its support of the King, because this would considerably weaken the latter's position and encourage him to seek support elsewhere; nor, on the other hand, would Italy be wise to focus exclusively on the King, for fear of once again alienating those with whom links had been forged in the meantime. They would become even more distrustful than before and Italy would acquire a reputation for uncertainty and irresoluteness in the implementation of its policies. The ideal solution, Soragna thought, would be for the Italians to shift their focus from the King to the Albanian people; and presenting the new agreement as an expression of Italian concern to relieve them of the burden of the economic crisis was the most convenient way of implementing it. He therefore proposed that they should not immediately hand over any money, but wait a few months to see how the domestic situation developed after the King's return. Then they could proceed to specific decisions.

The discussions were resumed after Zog's return from Vienna, at the end of March 1931. But they seem to have been unavailing at least until the end of April. Soragna continued to press for Italian control over how the money would be spent and insisted that the new subvention should take the form of aid to cover the budget deficit³⁸. This was considered unacceptable and provoked strenuous objections from Mehdi Frashëri and Kolë Thaçi, Ministers of National Economy and Finance respectively, who were in charge of the negotiations from March onwards. As they told the King, they could not take responsibility for "such a humiliating arrangement"³⁹. Frashëri had actually told Soragna that "we cannot possibly allow you to retain control; it would be too humiliating for us. However, we are prepared to consult you about the most important expenses"⁴⁰. In an effort to mitigate the adverse consequences for Albania, the two ministers proposed that the aid take the form not of a subsidy to shore up the budget but of a loan, repayment of which was to start once the Albanian state budget had reached fifty million francs. This would avert the risk of presenting the public with the image of a subsidised, and therefore dependent government⁴¹. They also

38. DDI, Settima Serie, v. 10, no 164, Soragna to Grandi, Tirana, 25.3.1931, p. 255.

39. NADS, 875.20/29, Bernstein to Stimson, Tirana, 1.5.1931.

40. NADS, 875.51/64, Bernstein to Stimson, Tirana, 9.4.1931.

41. NADS, 875.20/29, Bernstein to Stimson, Tirana, 1.5.1931. Bernstein was of the

proposed, instead of an exchange of secret letters concerning the Italian government's equivalents, an exchange of public letters outlining the conditions of the loan. With regard to replacing the foreign organisers and facilitating Italian infiltration of education, the Italians would have to be content with oral guarantees, while maintaining the right to cut off the supply of money if they felt the Albanian government was not discharging its obligations⁴².

The Albanians' objections undoubtedly alarmed Soragna, who reserved his final answer until he had informed his government. He himself opposed a further loan —after all, the loan of 1925 had not yet been repaid— and thought the Italian government should stand firm in its demands. Time was on the Italians' side, because the budget for the financial year 1931-2 was due to be presented to the Albanian parliament and he had been informed that it would present a deficit of the order of three million gold francs, which was to be covered by the Italian money⁴³.

However, the Italian Foreign Ministry urgently recalled Soragna to Rome in April, with the intention of seeking fuller information about the King's true state of health and giving the Ambassador fresh instructions regarding the stance he should adopt henceforth⁴⁴. Well aware that the real source of power was Zog himself and that the two ministers could not possibly have rejected the Italian demands on their own initiative, before leaving Albania Soragna visited the King and applied strong pressure in an effort to break down his resistance. Within a matter of days, while Soragna was away in Rome, Zog had forced the government to resign, thus getting rid of those members who refused to take responsibility for the negotiations nor accept the Italians' terms. The new Minister of Finance, Lame Kareko, and the Prime Minister,

opinion that, since the Albanian budget was never likely to attain that level, the loan would in fact never be repaid.

42. DDI, Settima Serie, v. 10, no 164, Soragna to Grandi, Tirana, 25.3.1931, p. 255.

43. DDI, *ibid.*, p. 256. The new budget, which was eventually presented at the end of April, anticipated revenues of thirty million gold francs, a sum which was inconceivable without Italy's contribution, particularly since there was already a deficit of eight million francs from the previous year. See "Albanie", *La Fédération Balkanique*, 143/4 (4-5) (août 1931), 48.

44. DDI, Settima Serie, v. 10, no 166, Grandi to Soragna, Rome, 26.3.1931, pp. 261-262.

Pandeli Evangjeli, who was also Minister of National Economy, were believed to be acceptable to the Italians and essentially docile⁴⁵.

After Soragna's return to Tirana, the negotiations over the definition of terms continued until the end of June, though it was now even less certain whether the agreement would in fact be concluded at all, since it now depended on whether or not the 1926 treaty would be renewed⁴⁶. Zog eventually agreed to the appointment of a mixed Italian and Albanian committee to supervise how the Italian money was spent; but the terms of its functions were to be set out in letters that would be made public. He refused a written undertaking to dismiss the British organisers from the gendarmerie, though he was prepared to give his word that this would gradually be done⁴⁷. In exchange for accepting that the letters outlining the committee's functions be made public, the Italians extracted a promise that, as soon as it began work, the committee would approve the sums necessary for the Italian technical schools and the scholarships for Albanian students to attend Italian universities. Lastly, the Albanians gave guarantees that Italian would be introduced as a compulsory subject in Albanian schools and that the French teachers would gradually be removed from their posts, though both these measures would have to be implemented on the basis of *démarches* by the Italian advisor at the Ministry of Education and the Italian Embassy⁴⁸.

Another major problem that was not resolved until the last minute concerned the repayment of the loan. The Albanians insisted that a specific date be set on which the repayments would start — though it would have to be quite far in the future so as not to provoke undue alarm. Soragna, however, in accordance with his instructions from

45. NADS, 875.00/324, Bernstein to Stimson, Tirana, 23.4.1931.

46. The five-year Treaty of Friendship and Mutual Co-operation which had been signed on 27 November 1926 expired in November 1931. Because it was so important to the Italians (giving them the possibility of direct intervention in Albanian political affairs), by the end of 1930 they were already seeking its renewal. For their part, the Albanians were determined to use the issue as a diplomatic trump-card, with a view to obtaining the loan while making as few concessions as possible. For more about the 1926 Treaty of Friendship see P. Pastorelli, *Italia e Albania, 1924-1927*.

47. I. Fishta, *Ndërhyrja e kapitalit*, p. 46.

48. ASMAE, Albania 1931, b. 1, f. 1, no 1742/637, Soragna to Grandi, Tirana, 26.6.1931.

Rome, made every effort to ensure that the time and the manner of repayment were left as vague as possible, because an arrangement of this sort would make it look even more as though economic aid were being given to the Albanian people rather than a new loan to the Albanian government⁴⁹. Suspicious of the Italians' persistence, the Albanians began to fear that the vagueness of the terms meant that the Italians wanted to leave themselves room to demand repayment at short notice. A compromise was eventually reached whereby a clause was added to the final text of the (legally meaningless) Albanian proposal stating that "the repayment of the money would definitely not start until Albania's budget exceeded fifty million gold francs a year"⁵⁰.

Despite Soragna's threats to pull out, the negotiations apparently continued even during the crisis that broke out between the two sides at the end of May, precipitated by Zog's refusal to commit himself to renewing the treaty of 1926 before the loan had been concluded and by his threats to reduce military spending. The situation had reached a veritable impasse and it seemed that the whole affair would end in disaster without the personal intervention of Mussolini. Both Grandi and Soragna felt that this time Italy should not give in to the Albanians' threats, but stand by its decisions and demands; after all, the economic situation in Albania was truly dire and left little room for manoeuvre⁵¹. Mussolini himself, however, both because Pariani was pressing him to continue giving economic aid to Albania to support his military policy in the Adriatic⁵² and for his own idiosyncratic reasons, was against the idea of waiting it out. It was his decision to dissociate the question of the loan from that of the renewal of the 1926 treaty that finally gave the green light for the completion of the financial negotiations and the signing of the agreement.

As soon as the crisis had passed and the last details had been ironed out, everything was finally ready for the text of the agreement to be approved. But at the last moment yet another problem cropped up, which was to delay the signing for a further ten days or so. The members

49. DDI, Settima Serie, v. 10, no 266, Grandi to Soragna, Rome, 14.5.1931, pp. 400-402.

50. ASMAE, *ibid*.

51. NADS, 875.51/64, Bernstein to Stimson, Tirana, 9.4.1931.

52. NADS, 875.51/98, Bernstein to Stimson, Tirana, 5.11.1931.

of the Albanian government refused to sign without the written order of the King, their main fear being that Zog might one day accuse them of having betrayed Albania and its national interests to the Italians⁵³. This particular obstacle forced Soragna to intercede personally with Zog to persuade him to send his written authorisation to the members of the government⁵⁴. The King indeed responded to this final Italian appeal and the agreement was at last a reality.

The terms of the agreement for the new loan were officially announced on June 24, 1931: Italy was undertaking to lend Albania ten million gold francs annually for the next ten years for the purpose of balancing the state budget and assisting the country's development in the sectors of public works, economy, and education. The annual instalments would begin in the financial year 1931-2, and repayment would start when the Albanian government felt that it was possible, and at all events not until the state budget had risen above fifty million gold francs. Finally, it was anticipated that, for the agreement to come into effect, it would have to be approved by the Albanian parliament.

The same day, there was an exchange of letters between the Marquis di Soragna, Italian Ambassador to Tirana, and Husein Vrioni, Albanian Foreign Minister, in the course of which special emphasis was laid on Italy's good will towards and concern for its ally, in token of which it was making the present loan⁵⁵. Soragna's letter also made clear that this gesture by the Italian government presupposed the absolute and sincere continuation of the political co-operation between the two governments and that the total amount of each annual instalment might be reduced in accordance with a possible increase in revenues or reduction in expenses, should there be any improvement in the state of the Albanian economy at some future date⁵⁶.

The text of the agreement and the content of the two letters were discussed and ratified by the Albanian parliament on June 25⁵⁷.

However, together with first two letters, on the same day Soragna and Vrioni also exchanged two others, which concerned the Albanian

53. NADS, 875.00/337, Bernstein to Stimson, Tirana, 19.11.1931.

54. NADS, 875.51/75, Bernstein to Stimson, Tirana, 2.7.1931.

55. For the content of the two letters, see Appendix A, 1 and 2.

56. NADS, *ibid*.

57. NADS, *ibid*.

government's obligations arising out of the new agreement⁵⁸. Specifically, the Albanian government undertook to appoint a four-member committee which would oversee how the loan was spent and to ask the Italian government to select a number of Italian organisers, of whom one would be appointed to the Ministry of Finance, two to the Ministry of Public Works, four to the Ministry of National Economy, and one to the Ministry of Education⁵⁹. These two letters were not presented with the others to the Albanian parliament the next day⁶⁰.

In fulfilment of the commitments he had undertaken, on 30 June King Zog approved the regulations of the controlling committee for the Italian loan, and they were published in the Official Gazette on 6 July⁶¹. They specified that the committee would consist of four members, two Italians and two Albanians, and its decisions would be taken by majority vote. One of the Albanians would be chairman, but he would have only one vote. The committee would examine all the proposals submitted by the various ministries for the programmes they intended to carry out and the sums they required. If the proposals were approved, the costs would be met by money from the Italian loan. The committee would also be able to suggest changes to the proposals submitted to it or make its own proposals for the best ways of using the money. The committee would also be able to propose a reduction of spending in any sector of the Albanian administration, as also essential measures for increasing state revenues and achieving economic recovery. The committee would announce its decisions to the government only on the King's orders, and these decisions would be enforced by royal decree. The committee members, finally, would be paid out of the public purse⁶².

Following discussions throughout the month of July, the committee members were finally elected: the Albanians were Eqrem Libohova, Minister of the Court, who was also chairman, and Kolë Thaçi, formerly

58. For the content of the two letters, see Appendix A, 3 and 4.

59. NADS, 875.51/83, Bernstein to Stimson, Tirana, 30.7.1931.

60. NADS, 875.51/75, Bernstein to Stimson, Tirana, 2.7.1931.

61. For the Regulations, see Appendix B.

62. NADS, 875.51/79, Bernstein to Stimson, Tirana, 16.7.1931. Also Archive of Ministry for Foreign Affairs, Athens, 1931-1933, A/4/II, no 10062, K. Kolias to Ministry for Foreign Affairs, Tirana, 8.7.1931.

Minister of Finance and now head of the State Audit Department. On the Italian side, Federico Merloni, advisor to the Albanian Ministry of Finance⁶³, was elected then, and Luigi Sottili, the SVEA's representative in Albania, in mid-August⁶⁴.

It will be useful at this point to compare the final terms of the agreement with the demands made by either side at the start of the negotiations, in order to gain a better understanding of the real significance of this economic accord. From the outset, then, it seems that there was the political will, chiefly on the Italian side, that the money should be given. Both sides also agreed from the start that the money should be given, or at least appear to be given, for the purpose of boosting the Albanian economy, on the one hand to meet the country's current needs, and on the other to create the appropriate infrastructure for a gradual recovery by means of increased state revenues and a corresponding reduction in spending. This picture served the interests of both sides: Albania chiefly for domestic reasons (as a way of dealing with the economic crisis and the attendant general discontent); and Italy for reasons of foreign policy (world opinion would see it as the champion of peace and economic co-operation in the Balkans). This latter consideration was the reason why particular emphasis had to be laid on the Duce's generosity and Italy's concern for the economic well-being of its ally. On no account was the impression to be given that the new subvention was to cover Albania's military expenses.

On the other hand, if one examines the terms of the agreement point by point, it is clear that, by applying pressure in various ways (chiefly through threats to reduce military expenses and consequently reduce the strength of its army), Albania in fact achieved much of what it had been seeking during the negotiations. Not only did the Albanians secure a generous amount —100 million gold francs, when Mussolini had initially set an upper limit of forty million— but they also managed to make it a loan, rather than aid, thus avoiding any adverse comments on the home front regarding Albanian prestige and independence. Furthermore, they also managed to avoid entering into any written commitment with regard to Italy's basic demands, namely the dismissal of the British

63. NADS, 875.51/83, Bernstein to Stimson, Tirana, 30.7.1931.

64. NADS, 875.51/88, Bernstein to Stimson, Tirana, 27.8.1931.

organisers from the gendarmerie, the renewal of the 1926 Treaty, and the stepping-up of Italian infiltration of Albanian education. They merely gave oral assurances that all this would be done, following face-to-face discussions between Mussolini and Zog on a future visit by the King to Rome.

But if Albania won many of the individual points, it was Italy that emerged as the real victor from the whole exchange. The Italians may have been forced to make major concessions, but they attained their primary goal, which was quite simply total administrative and financial control over Albania: the committee that was to supervise the spending of the loan and the organisers-advisors who were to be appointed to four vital ministries (Finance, National Economy, Public Works, and Education) would form the base from which that control was exercised⁶⁵. If one bears in mind that control of the army was also in Italian hands, in the person of General Pariani and the Italian military mission, it is clear how far the Italians had already infiltrated the country.

That the new loan was clearly of a political nature and intended to serve political ends is also apparent in a memorandum from the Italian Foreign Ministry: "The Albanian budget deficit had aroused fears that the administrative and military organisation of the newly-built state would not respond to the demands of the Fascist government. Furthermore, since the SVEA loan had been used up, it was imperative to create new activities to revive the ailing Albanian state and at the same time expand our own infiltration of it"⁶⁶. Furthermore, as he mentioned in a discussion with US Ambassador Bernstein⁶⁷, Soragna himself had made it quite clear to the Albanians that the new loan was being furnished for purely political reasons, specifically so that the two countries would continue their co-operation. In the event of a rift between them, or if Albanian policy changed direction, or if Zog were replaced and the new

65. Soragna fully realised that the composition of the committee, with two members from either side, posed a potential threat to its smooth operation and to the acceptance of the Italians' demands. There would certainly be problems in the future. All the same, even their disagreements, he thought, would simply facilitate Italian involvement in all sectors of the Albanian administration, which had hitherto been possible only to a limited extent. ASMAE, Albania 1931, b. 1, f. 1, no 1742/637, Soragna to Grandi, Tirana, 26.6.1931.

66. A. Roselli, *Italia e Albania: relazioni finanziarie*, pp. 97-98.

67. NADS, 875.51/71, Bernstein to Stimson, Tirana, 4.6.1931.

government chose different orientations or sought new alliances, then the payments would automatically cease.

But political considerations apart, the reasons that impelled the Italians to make the loan were pre-eminently military. On the basis of the Treaty of Alliance of 1927, Albania had been obliged to maintain an army and assume expenses that were far in excess of its own needs and abilities, but that were directly connected with Italy's expansionist plans for the Balkan peninsula⁶⁸. And if Grandi and Soragna agreed that the policy of fully militarising Albania was a mistake and that even a limited reduction in military expenses was essential if the Albanian economy was to rally, the members of the Italian military mission, and particularly the leader, General Pariani, insisted that the current situation and size of the army be maintained, otherwise they could not guarantee its utility in the event of war⁶⁹. The army could not be maintained at its present size, however, without Italian economic assistance, and this would now take the form of the new loan, albeit disguised as a subsidy for the Albanian economy. Its real purpose, for that matter, was most clearly revealed by Soragna himself a few months later: infuriated by Zog's latest threat to reduce the military budget by five million francs, he told Bernstein, "I don't think they [the Albanians] can cut down 5 millions from the army expenditures without considering such a step most carefully, without discussing it with us! It would be absurd to attempt it. They can't do it! If they did this, then they would lose the ten millions a year which we agreed to contribute"⁷⁰.

Apart from these broader considerations, however, one need only bear in mind the regulations of the committee and the appointment of Italian advisors to key posts in the Albanian government to realise the true significance of the new agreement: Italy was seizing control of almost all parts of Albania's machinery of state, including the economy, down to the very budget itself, since the ministries' proposals for spending had to be approved by the committee⁷¹. So the latter wielded a

68. For the 1927 Treaty of Alliance see P. Pastorelli, *Italia e Albania, 1924-1927*, pp. 443-509.

69. NADS, *ibid*.

70. NADS, 875.51/111, Bernstein to Stimson, Tirana, 29.1.1932.

71. Significantly, in a telegram he sent to the Italian Foreign Ministry two days after the agreement had been signed, Soragna himself likened the new loan to an oxygen valve for the

vital weapon: it could force the government to keep its word on various issues by threatening to cut off or delay payment of the Italian money which Albania so desperately needed⁷².

The general reactions to the new agreement also show that neither side had the slightest doubt about the real nature of the whole arrangement. Officially, of course, all the members of the government and parliament lauded Zog and Mussolini for contracting a loan 'on such favourable terms' and unanimously approved the agreement; privately, however, many deputies expressed their displeasure over the subvention, being fully aware that Albania had in fact 'sold out' to Italy⁷³. The foreign diplomats in Tirana seem to have formed the same opinion: the Ambassadors of France (Degrand), Britain (Hodgson), Yugoslavia (Nastassievitch), Greece (Kollas), and the United States (Bernstein), all agreed that, through the new loan and the appointment of the committee to control how it was spent, Italy had essentially secured the upper hand in Albania, and the smaller country was now in a state of complete political and economic dependence⁷⁴.

Although Zog pretended, in public at least, that the committee's functions were a mere formality and that in fact he would be the one to decide how the available sums were spent⁷⁵, deep down he was under no illusion about the possibilities now open to Italy, nor did he doubt the reaction of the Albanian people when they learnt of the terms of the new loan. He therefore took steps to pre-empt adverse comments at home: this explains why the letters exchanged by Soragna and Vrioni on the day the agreement was signed (June 24), outlining the Albanian government's obligations, were not presented to parliament; and why the regulations of the committee went straight into the Official Gazette without prior discussion by parliament. On the same day, the Ministry

Albanian economy: "E' risaputo che, continuando per parecchi anni l'elargizione dei prestiti, noi verremo a tenere in mano *la bombola dell'ossigeno* della finanza albanese. Non potrà più darsi un governo che non venga a dipendere da noi, per la minaccia di sospensione o riduzione del sussidio. ...Gli albanesi sono tutti persuasi che, se le cose non camminano come desideriamo, noi possiamo quando si voglia 'chiudere il rubinetto' ". ASMAE, Albania 1931, b. 1, f. 1, no 1742/637, Soragna to Grandi, Tirana, 26.6.1931.

72. I. Fishta, *Ndërhyrja e kapitalit*, p. 52.

73. NADS, 875.51/75, Bernstein to Stimson, Tirana, 2.7.1931.

74. NADS, 875.51/83, Division of Near East Affairs, Washington, 1.9.1931.

75. NADS, 875.00/330, Bernstein to Stimson, Tirana, 18.9.1931.

of the Interior also issued orders that the Albanian press was to publish only favourable comments about the King, Mussolini, and the government⁷⁶; and two days later, all the prefects were instructed to send telegrams of thanks to the Italian government on behalf of the Albanian people⁷⁷.

It must be said at this point however that the Italians' opportunity to use the loan as a means of pressuring the Albanian government to take decisions that served Italian interests was in fact restricted by their desire to be seen by the international community as the champions of peaceful co-operation between nations. As Soragna so pertinently observed⁷⁸, in the first few years at least the Italians would not easily be able to cut off the supply of money, because Albania could then embarrass them with public accusations of blackmail. This was true enough, for, despite subsequent events and the worsening of Italian-Albanian relations when Albania refused to renew the 1926 Treaty, the Italian aid was not stopped—it was simply interrupted for a short time so that Italy's military and economic efforts hitherto would not have been in vain. It was not until 1933, when relations between the two countries were at crisis point, that the supply of money was halted completely; only to resume in 1936, after much pressure from Italy, when Albania was on the brink of economic collapse⁷⁹.

76. ASMAE, Albania 1931, b. 5, f. 4, no 1507/661, Soragna to MAE, Tirana, 1.7.1931.

77. NADS, 875.51/75, Bernstein to Stimson, Tirana, 2.7.1931; see also I. Fishta, *Ndërhyrja e kapitalit*, p. 54.

78. NADS, 875.51/71, Bernstein to Stimson, Tirana, 4.6.1931.

79. For the economic agreements of 1936 and the previous negotiations see J. B. Fischer, *King Zog and the Struggle*, pp. 228-233.

State Budget Revenues (in thousand gold francs)⁸⁰

Year	Total	Real Estate	Taxes and Tarrifs	Taxes upon Consumption	Administration	Other revenues	Monopolies
1926-1927	23,375	645	9,300	8,082	522	299	4,527
1927-1928	27,362	1,437	11,853	9,986	637	629	2,820
1928-1929	30,272	1,245	12,380	11,799	794	566	3,488
1929-1930	30,801	1,170	10,825	12,624	963	996	4,223
1930-1931	29,818	1,057	9,608	11,979	1,332	604	5,238
1931-1932	32,722	963	9,696	12,620	1,075	3,443	4,925
1932-1933	37,334	980	9,036	10,551	1,052	10,983	4,732
1933-1934	24,118	831	6,334	8,217	845	3,409	4,482
1934-1935	18,507	550	4,800	7,730	770	697	3,960
1935-1936	17,237	475	3,780	7,375	1,200	797	3,610
1936-1937	18,584	690	3,963	8,640	840	731	3,720
1937-1938	26,225	1,745	4,594	8,877	900	6,394	3,715
1938-1939	28,235	2,140	5,484	10,620	992	5,229	3,770

80. I. Fishta - V. Toçi, *Gjendja ekonomike e Shqipërisë*, pp. 74, 111 and 157.

State Budget Expenses (in thousand gold francs)⁸¹

Year	Total	Ministry of Finance	Ministry of Justice	Ministry of the Interior	Ministry of Publ. Works	Ministry of Education	Min. of Nat. Economy	Ministry of Defence	Foreign Ministry
1926-1927	23,418	3,732	894	2,297	2,309	2,447	358	10,469	912
1927-1928	25,373	3,616	996	2,056	2,423	2,862	397	12,183	840
1928-1929	28,267	4,525	1,126	2,373	2,303	3,229	708	13,035	968
1929-1930	33,125	4,898	1,309	3,202	2,502	3,638	1,197	15,403	976
1930-1931	31,655	5,502	1,206	2,428	2,504	3,569	1,232	14,365	849
1931-1932	35,511	6,224	1,208	2,574	3,605	4,123	1,988	14,886	903
1932-1933	37,699	4,758	1,218	3,153	6,248	4,598	2,650	14,224	850
1933-1934	23,673	4,056	985	2,466	1,699	3,113	673	9,985	696
1934-1935	18,888	3,529	793	1,588	1,221	3,013	448	7,814	482
1935-1936	18,035	3,640	815	1,448	1,413	2,878	643	6,751	447
1936-1937	18,879	3,656	838	1,524	1,667	3,053	713	6,750	678
1937-1938	26,225	5,832	876	1,853	1,653	3,093	2,573	9,650	695
1938-1939	28,565	5,621	947	3,411	1,959	3,728	2,565	9,634	700

81. I. Fishta - V. Toçi, *Gjendja ekonomike e Shqipërisë*, pp. 73, 110 and 156.

APPENDIX

A .

LETTERS EXCHANGED BETWEEN THE ITALIAN MINISTER TO ALBANIA AND THE ALBANIAN MINISTER FOR FOREIGN AFFAIRS

1 .

No 1460⁸²

Tirana, June 24th, 1931

Monsieur le Ministre:

In the course of our conversations concerning Italian and Albanian co-operation in the domain of their common interests, Your Excellency stated to me that the development of Albania's national economy has not yet had sufficient effect on the receipts of the treasury as to permit economic progress which situation Italy regards with a live and friendly interest.

Your Excellency has consequently proposed that I seek from the Royal Italian Government, your ally, a loan of a character appropriate to facilitate in an effective manner the reconstruction purpose of the Albanian Government and the progress of the Nation.

The Royal Italian Government, which I acquainted with Your Excellency's request, was promptly interested as a friend and ally, and as a riparian neighbour state on the Adriatic: I am authorized to inform Your Excellency that it accepts your views to the end of assisting in the realization of a program of financial restoration and economic development sought by the Albanian Government.

As a consequence, the Royal Government approving all that has been agreed upon between us, grants to the Albanian State ten loans of a maximum sum of 10 million gold francs (ten million) to begin with the financial year 1931-1932, renewable for 9 other years. The said loans will be without interest. With regard to the date and method of their repayment, the Italian Government leaves the initiative with that respect to the Albanian Government; the latter will proceed to these repayments when it decides that such is possible without prejudice to the economic and financial situation of the country, and in all events not before the revenues in the state's budget shall have attained the figure of fifty million gold francs.

82. NADS, 875.51/75, Bernstein to Stimson, Tirana, 2.7.1931.

I confirm to Your Excellency that, by the same conditions of these loans, of which the amount shall never exceed ten million gold francs per fiscal year, they should be reduced in proportion to the increases in receipts or the reduction of expenditures, of what nature soever of the Albanian State; these loans lastly, shall be in the most part employed in the development of public works, of economy and national education.

I desire finally, Monsieur le Ministre, to declare to Your Excellency, that this act of the Royal Italian Government is based on complete and sincere continuation of technical and political co-operation between the two governments; I have the hope that their friendship, following this great proof of fraternity, will receive a new moral consecration in the minds of the Albanian people, above and beyond the treaties and the material interests which already so intimately bind us together.

I avail myself of this occasion to express to you, Monsieur le Ministre, the assurances of my highest consideration.

Antonio Meli Lupi di Soragna

To His Excellency
Hussein Vrioni,
Minister for Foreign Affairs of Albania.

2.

No 2308/ III⁸³

Tirana, June 24th, 1931

Monsieur le Ministre:

I have the honor to inform Your Excellency that I have received your note No 1460 of June 24, 1931, concerned in the following terms:

(Here is repeated the note referred to)

The Royal Albanian Government in thanking Your Excellency for the communication, declares itself in accord with all that is expressed in the letter of Your Excellency, especially with regard to the conditions of cordial friendship and of complete and sincere technical and political co-operation on which the Royal Italian Government bases its act. It thanks the great allied nation for such effective aid as it has been so kind to lend Albania, with the

83. NADS, *ibid.*

assurance that in constituting a new and unforgettable title to gratefulness, it will strengthen more than ever the moral and political ties which already bind the two neighbouring peoples.

I avail myself of this occasion to renew to you, Monsieur le Ministre, the assurances of my highest consideration.

Hussein Vrioni

To His Excellency
The Marquis Antonio Meli Lupi di Soragna,
Royal Italian Minister.

3.

No 2399/1⁸⁴

Tirana, June 24th, 1931

Monsieur le Ministre:

In relation to the methods and the terms of the annual loans, granted by the Royal Italian Government to the Royal Government of Albania, in Your Excellency's note No 1460 of June 24, 1931, I have the honor to confirm to Your Excellency that the Albanian Government will create a Permanent Commission of four members, charged with the task of distributing and allocating the sums constituting the said annual loans.

The Commission—whose attributes arise from the project of the Royal Decree—will in its work conform to the principle recognized by the two Governments that the amounts of the loans, which are not to exceed ten million gold francs, determined in relation to the consolidated expenditure of 31,550,000 gold francs, arising from the estimated budget for the year 1931-1932 presented to Parliament, and which from this time forward are to vary in amounts corresponding to the improvements resulting from the management during successive fiscal years.

Besides, I inform you that according to the program of the economic development to which the major part of the loan is to be devoted, the Albanian Government intends to request the Royal Italian Government to furnish or to reconfirm the following organizers:

One for the Ministry of Finance.

Two for the Ministry of Public Works, of whom one will continue his present functions, and the other will have the task of organizing the service

84. NADS, 875.51/83, Bernstein to Stimson, Tirana, 30.7.1931.

for bridges and roads.

Four for the Ministry of National Economy, three of whom are to continue their present functions, and a fourth for the direction of Agriculture.

One for the Ministry of National Education.

Two of these, by Royal Decree, will participate as members of the Permanent Commission charged with the task of distributing and allocating the sums constituting the above mentioned annual loans.

The Albanian Government will make provision to regularize the position of these organizers by means of a contract and will guarantee to them a salary equal to the compensations and competencies of Italian functionaries of similar category in service abroad.

I avail myself of this opportunity to renew to you, Monsieur le Ministre, the assurances of my highest consideration.

Hussein Vrioni

To His Excellency
The Marquis Antonio Meli Lupi di Soragna,
Royal Italian Minister.

4.

No 1461⁸⁵

Tirana, June 24th, 1931

Monsieur le Ministre:

I have the honor to inform Your Excellency that I have received your Note No 2399/1, dated June 24, 1931, with the following contents:

(Here is repeated the note referred to)

While in the name of the Royal Italian Government I take notice of and declare myself in accord with the contents of the above-quoted Note, as well as the text of the project of the Royal Decree attached to this Note, relative to the creation and the functions of the Permanent Commission, I offer to you, Monsieur le Ministre, the assurances of my highest consideration.

Antonio Meli Lupi di Soragna

To His Excellency
Hussein Vrioni,
Minister for Foreign Affairs of Albania.

85. NADS, *ibid.*

B .

REGULATIONS CONCERNING THE FUNCTIONS OF THE COMMISSION
FOR THE DIVISION AND THE USE OF THE LOANS ACCORDED ALBANIA BY ITALY
IN THE YEAR 1931-1932 AND THE SUCCEEDING YEARS⁸⁶

Article 1.— A Permanent Commission is established for the division and the use of the annual loans mentioned in the Law of June 24, 1931.

Article 2.— The Commission shall consist of four members, appointed by Royal Decree. Two of the members shall be selected from among the Italian organizers in the service of the Albanian State.

Article 3.— Those members discharged, temporarily or definitely, from their duty, shall be replaced, temporarily or definitely, by the same number to be appointed also by Royal Decree, in order that the composition of the Commission shall remain as mentioned in Article 2.

Article 4.— His Majesty the King appoints one of the members to be Chairman. The vote of the Chairman shall be equal to that of each member of the Commission.

Article 5.— The decisions of the Commission must be by majority vote and to validate the decisions all four members must participate.

All decisions become final upon their passage through the various channels provided by the laws of the State, and after approval by His Majesty the King.

Article 6.— The duties and privileges of the Commission are:

a) It decides and takes measures to receive from the loans the sums to be placed at the disposal of the various ministries and fixes for the ministries the sums due them. To carry out this purpose, the Commission will examine requests for sums and the programs for their expenditures which must be submitted by each ministry. The Commission may approve or may modify such requests and programs, and may present, on its own initiative, proposals to the ministries concerned for the best use of these sums.

By order of His Majesty the King, the Commission may inspect directly, or through the intermediary of special delegates, documents, papers and accounts of whatever nature of the ministries which bear relation to the use of the sums from the loans.

b) By order of His Majesty the King, the Commission has the right to examine, before their submission for examination by the Council of State, the procedure, the drafting of documents, contracts of concession, and the various

86. NADS, 875.51/79, Bernstein to Stimson, Tirana, 16.7.1931.

appointments obligating the administration of the State, whenever they bear relation to the use of the sums of the loans.

The Commission will express its opinion on disagreements of whatever nature arising from documents such as contracts, concessions, appointments, etc, having relation to the loan. It will also render its opinion in the event of a disagreement arising during the life of such obligations, always respecting the rights accorded the organs of the State by laws in effect.

c) Also by order of His Majesty the King, the Commission will notify the Government of, and the latter is obligated to examine, proposals for the improvement of the financial situation, and also those proposals, the nature of which may injure it.

To this end, it may obtain information directly or through special delegates from the various pertinent documents of the administrations.

Article 7.— In addition to its office personnel, the Commission may also use the administration services and technical employees in order to carry out the duties prescribed by this regulation.

Article 8.— Expenditures of whatever nature for the functioning of the Commission as well as the compensations to the members of the Commission, office personnel and employees that may be engaged will be defrayed by the State Treasury.

Article 9.— At the termination of the loans granted, the functions of the Commission will be concluded by Royal Decree.

Article 10.— This Regulation goes into effect upon its publication in the Official Gazette.

Article 11.— The Council of Ministers is charged with the application of these Regulations.

The Prime Minister and Acting
Minister of National Economy
PANDELI EVANGHELI

The Minister of Justice and Acting
Minister of Education
M. TUTULANI

The Minister for Foreign Affairs
HUSSEIN VRIONI

The Minister of the Interior
MUSA JUKA

The Minister of Finance
LAME KARECO

The Minister of Public Works
IZET DIBRA