

ALBANIA IN SEARCH OF A “BIG BROTHER” ALBANIA’S OIL CONCESSION AND THE BRITISH-ITALIAN RIVALRY, FEBRUARY-MARCH 1925

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Abstract - In the interwar period, European countries were constantly competing for predominance in different underdeveloped regions of the world. Albania was a newly created, small and backward European country, but the rival interests of several powers turned it into a bone of contention preventing her from being given a fair start. In 1925, the Albanian president, Ahmet Zog tried to obtain the political and economic support of Great Britain, considering it as crucial for balancing the negative influence the Albania’s neighbors had on her. Great Britain was declared neutral in the internal political developments of Albania thus Zog thought to raise its interest by granting the oil prospecting rights to the British Anglo-Persian Oil Company. This would cause the jealousy and grievance of the Italian government which considered Albania as its exclusive sphere of influence, and friction between the two powers followed. Although, Britain and Italy came to a compromise about the oil concessions, the whole event was accompanied by suspicions, political intrigue and diplomatic crises. The Albanian oil concessions question was an example of Great Powers rivalry and a reflection of Albania’s fragile independence.

Keywords - Albania, APOC, Great Britain, Italy, Oil concession, Zog

I. INTRODUCTION

By 1925 Albania was a newly established state, socially and politically unstable and dreadfully poor. In fact, its extremely bad economic and financial conditions were in many respects similar to those of other Balkan states. As a result, they had to rely on the ability and willingness of foreign governments for financial assistance which was the only chance to progress.¹ This assistance came in the form of loans, investments and subsidies by the more powerful western countries. The foreign capital and investments flowing in the Balkan states made them depend not only economically but also politically on their ‘benefactors’. The extent of this dependence varied according to two main elements: firstly, the strength and ability of the Balkan countries to preserve their independence and integrity despite pressure from outside, and secondly, the European Powers competition for spheres of influence in the Balkans. The weakness of the Balkan states and the aggressiveness of certain European countries was a highly combustible combination. As Tomes put it: “Great Power rivalry in the Balkans echoed the years before 1914...”²

This article highlights the reasons which made Great Britain and Italy enter a serious diplomatic crisis for the oil prospecting rights in Albania. The events of February-March 1925 showed that even between friendly European states, such as Britain and Italy,

prejudice, fear and rivalry, prevailed and resulted in a tense political atmosphere, representative of the interwar years. Moreover, the political balance created with the Peace Treaty of Paris was so delicate that the slightest disturbance could bring unexpected consequences. Under these conditions, the small and weak states such as Albania were the ‘predestined victims’.

II. THE QUESTION OF ALBANIAN OIL CONCESSION

In February 1925, after just having returned to power through a counter revolution, Ahmet Zog was in need of money to implement his program of reforms aiming at the consolidation of state institutions. To this end, he tried to attract foreign capital by issuing a number of economic concessions to interested companies. As an underdeveloped, largely agricultural country, Albania offered various opportunities for the exploitation of natural resources. However, the most appealing and lucrative seemed to be the oil prospecting industry.

During the WWI Austro-Hungarian and Italian studies had arrived at promising results but nothing was done in this respect until 1921. At this time, there were several countries that started to show an interest in such an enterprise but only the British Anglo-Persian Oil Company (APOC) and the Italian government were the real contenders. In March 1921 representatives of the APOC, through its subsidiary the D’Arcy Exploration Co. had obtained from the Albanian government an oil prospecting concession which needed to be ratified by the Albanian

¹ Alessadno Roselli, Italy and Albania, Financial relations in the fascist period. L.B.Tauris London 2006. f. 13

² Jason Tomes, King Zog, self-made monarch of Albania. J.H. Haynes&Co Ltd, Sparkford, 2003. p. 93.

parliament to become effective. Due to internal political unrest in Albania and pressure from rival companies, the concession had been postponed several times and by 1925 was not ratified yet. During this time, the APOC had incurred an expenditure of approximately £25,000 for preliminary preparations, including the sum of £8,000 already deposited as evidence of bona fide for the Albanian government.³

Zog was convinced that the oil concession for the APOC had a supreme importance for Albania and declared to Eyres, the British Minister in Tirana, that: "he accepted his office as President with proviso that APOC concession, ..., should be immediately ratified."⁴ This was a sensible approach as Zog knew that Great Britain was the only disinterested power in the Balkan affairs and through this concession he would be able to get a fair deal with no strings attached. Moreover, the British entanglement would balance the influence of the neighboring countries which had a negative effect on the political stability of Albania. But this proved to be not such an easy task.

In the last days of January 1925, Contarini, the General Secretary of the Italian Foreign Ministry, under the instructions of Mussolini, had addressed a list of economic demands to the Albanian government.⁵ The list was a kind of platform that sanctioned the Italian economic penetration in Albania, asking for various concessions and the control over Albanian finances. The Albanian government accepted all but one of the demands, the one related to the oil prospecting rights. Zog told the Italians, he could do nothing about it as he was 'seriously engaged with the British Anglo-Persian.'⁶ Actually, it was not loyalty to the APOC that made Zog refuse the Italian request. He was pretty aware that 'if he were to give way it would mean the end of Albania as an independent state.'⁷

Once the Italians realized that Zog was firm on his position they turned to a more aggressive approach. The Albanian government was informed that the APOC oil concession would be considered in Italy 'as a hostile act towards Royal government which will be obliged to adopt an attitude of extreme reserve'. Moreover, the Italian Chargé d'Affaires had further

threatened that "his government would block any question of active support in the League of Nations and would carry on a press campaign against Albania throughout Europe."⁸ He had declined to put any of these observations in writing being aware of the gravity of such statements. This was obviously a violation of the integrity and political independence of Albania.

Zog knew he could not face the Italian rage on his own and now he was risking Albania's independence along with his rule. The Italian message was perilously near to a threat of war so he turned to the British for help. Although, Eyres informed him that HMG was going to address a formal complaint to Mussolini about the matter, Zog would answer pragmatically that "he was hardly able to appreciate the force of diplomatic phraseology and that what he really wanted was a promise that Albania would be protected from attack."⁹ However, he was told that "it was quite impossible that he could expect anything further from His Majesty's Government."¹⁰

III. THE BRITISH ENTANGLEMENT AND THE DIPLOMATIC CRISIS WITH ITALY

In the Foreign Office were taken by surprise by the Italian reaction. Apart from the Corfu Crises when 'virtually every nation condemned the Italian action, none more energetically than Great Britain'¹¹ the two powers had been in very good terms. Britain was positioned as a disinterested power in the internal political developments of Albania and had been tolerant of Italian claims. Moreover, since 1921 with the Conference of Ambassadors' Resolution of 9 November, Britain and the other Great Powers had recognized Italy's 'special interests' in this country.¹² At the time when the 1921's resolution was being negotiated between Britain and Italy, HMG had been careful to distinguish between political and economic interests. Eyres Crowe, the Permanent Under-Secretary at the Foreign Office in a meeting with the Italian ambassador in London, clarifying the British point of view on the resolution, had declared that: "This does not mean, however, that His Majesty's Government can bind themselves in any way to obstruct British commercial enterprise in Albania, or that they should regard any concessions which British merchants may themselves obtain from the Albanian Government as in any way contrary either to the letter

³ TNA FO 371 10657 C 2016/1435/90 Anglo-Persian to Lampson, 10 February 1925.

⁴ TNA FO 371 10657 C 1734/1435/90 Eyres to FO, 5 February 1925

⁵ Pietro Pastorelli, La penetrazione italiana in Albania (Gli accordi economici italo-albanesi del marzo 1925). Rivista di Studi Politici Internazionali, vol 33, no. 1. January-March 1966. p. 21.

⁶ Ibid. p. 25.

⁷ TNA FO 371 10656 C 1714/1435/90 Eyres telegram to Foreign Office, 4 February 1925.

⁸ Ibid.

⁹ TNA FO 371 10657 C 2986/1435/90 Eyres to Chamberlain, 18 February 1925.

¹⁰ Ibid.

¹¹ William I. Shorrock, Italy, and the Eastern Mediterranean in the 1920s. *The International History Review*, vol. 8, no. 1, February 1986. p. 73.

¹² Miranda Vickers, *The Albanians, a modern history*. MPG Books, London 1999. p. 100.

or spirit of our formula.”¹³ The oil concession should not have troubled the Italians as it was purely based on economic interests. Therefore, in the FO they had every moral and legal right ‘to be extremely angry and take strong action’ but this was not considered prudent especially when it did not look like the Italians were bluffing.¹⁴ Harold Nicolson, Counselor in the FO, summarized the British attitude as follows: ‘If we take up the Italian challenge we shall inevitably be assuming responsibilities towards Albania. It is not fair to the Albanians to promise them our diplomatic support, when we know very well that such support will be of a merely platonic nature.’¹⁵

However, HMG could not stay totally neutral in a question involving the interests of a British company in which they were themselves shareholders. In 1927 Winston Churchill, Chancellor of the Exchequer informed the House of Commons that the “original cost of the holdings of HMG in the APOC was £5,200,000 and the [current]....value...at the approximate market prices....[was]....£23,600,000”¹⁶ The British did not want to cause Italian resentment but at the same time could not leave their economic interests unprotected without reason.

Instructed by the Foreign Secretary, the British ambassador in Rome, Ronald Graham delivered to Mussolini in person the British protest against the Italian attitude with regards the oil concession. The latter hotly denied that there could be any idea of Italy blocking legitimate British interests but then launched into a tirade against Ahmet Zogu saying that “that statesman seemed determined to flout and ignore Italy and to prefer friendship and assistance of any other Power. Italian public opinion would not tolerate this and if Ahmet Zogu persisted he would be made to feel the force of Italian displeasure.”¹⁷

In fact, the Italians believed to have exclusive rights in Albania and saw every other country which would interfere there with suspicion and jealousy. As Pietro Quaroni states: “to us everything was a drama: the fact that the electricity company that supplied Tirana was owned by an Austrian corporation; that there was a small German lumber company in Lezha; that a French group was said to be establishing a small oil mill in Elbasan. And this drama grew bigger by the

fact that despite our efforts, the Italians took little interest in Albania.”¹⁸

Considering that the attitude of Italian government was inspired by considerations of ‘face saving’ and ‘window dressing’, HMG was ready to come to a reasonable agreement to avoid unnecessary tension.¹⁹ But, by the time the two powers seemed to be close to an understanding, Zog, as if wanting to challenge the Italians, made a bold move and on 16th February 1925 took the APOC concession through the parliament. This escalated the question into a full diplomatic crisis. The Italian Chargé d’Affaires reported from Tirana that the ratification of the APOC oil concession had been taking place owing to strong pressure exercised by HMG’s minister.²⁰ Soon after, Mussolini addressed to the FO a lengthy telegram couched in very violent and offensive terms where he claimed that “the Italian government might feel constrained to contest the legality of the concession and the British government could perfectly well have stopped ratification of that concession had they so wished, and not have faced the Italian government with a fait accompli.”²¹

Miles Lampson, Counselor in the FO, recalled that: “I have never heard such language used by one friendly government to another; and my impulse was to show him [Italian ambassador] to the door....”, and then he added, “but I was a little afraid of a really big international row if I had done so.”²²

The British categorically denied these allegations and absolutely refused to admit that the legality of the concession could be questioned. The Albanian government was sovereign and could give such concessions as it pleased. The tone of the whole Mussolini’s communication made the Foreign Secretary, Austen Chamberlain, interrupt the negotiations until the Italian charges against HMG were withdrawn, adding that: “...if Mussolini proceeds upon the assumption that we can be addressed and bullied like a third rate power, he makes a fatal mistake.”²³

When informed of the British reaction, Contarini expressed increasing astonishment. He claimed that

¹³ W.N.Medlicott, Douglas Dakin, Gillian Bennett (eds.) Documents on British foreign policy, 1919-1939. first series, vol. xxii, no. 704. HMSO Press, Edinburgh 1980.

¹⁴ TNA FO 371 10656 C 1714/1435/90 Minutes by Harold Nicolson, 5 February 1925.

¹⁵ Ibid.

¹⁶ TNA FO 5281/6 Sir F. Nelson MP, ‘H.M. Government’s Holdings in Anglo-Persian Oil Company’. Parliamentary questions, 8 December 1927.

¹⁷ TNA FO 371 10657 C 2069/1435/90 Graham to FO, 11 February 1925.

¹⁸ Pietro Quaroni, Valigia diplomatica, Memorie e documenti. Garzanti, Milano 1956. p. 147-48.

¹⁹ TNA FO 371 10657 C 2069/1435/90 Graham to FO, 11 February 1925.

²⁰ TNA FO 371 10657 C 2376/1435/90 Graham to FO, 17 February 1925.

²¹ TNA FO 371 10657 C 2576/1435/90 Conversation Lampson and the Italian ambassador Torretta, 19 February 1925.

²² TNA FO 371 10657 C 3839/1435/90 Private and personal letter of Lampson to Graham, 3 April 1925.

²³ TNA FO 371 10657 C 2669/9 Chamberlain to Graham, 24 February 1925.

the Mussolini's telegram was not meant to be addressed as an official representation to HMG but as instruction for the Italian ambassador in London, explaining him the difficult position the Italian government was placed by the ratification of the concession. He considered the whole thing a complete misunderstanding declaring: "that Italian government would be only too glad to disavow charges against good faith and honor of British Government which they had never thought of making."²⁴

The Italians had tactically backed down and this proved to be enough to settle the dispute. Chamberlain was not resentful, and he almost pitied Mussolini when he declared: "I do not believe however that this is his [Mussolini's] real purpose and intention and I make every allowance for the difficulties of a Minister who is at the moment unwell and gravely harassed by domestic difficulties."²⁵

CONCLUSIONS

The diplomatic crisis had caused serious concern in the FO. Although HMG desired to maintain good relations with Italy, as the two powers had common interests in several other regions, the question of the Albanian oil concession had shown how easy it was for events to precipitate into serious clashes. On the 20th of March 1925 representatives of the APOC and of the Italian government had come to an agreement for sharing the Albanian oil prospecting rights between each other. This had brought officially an end to the incident and the British relieved thanked 'the Lord that the whole business is now tidied up and done with.'²⁶

Albania had been unable to resist the Italian economic penetration and its sovereign rights had not been respected. Zog had attempted to make the best out of an economic concession as he believed that the British involvement in Albania would provide him not only with satisfactory revenue but moreover, would have secured him a strong and impartial international support. The events of February-March 1925 proved that the interests and influence of Great Powers were too strong to allow the small Balkan state decide freely its way to progress.

As the American journalist George Gerhard, in his article 'Big Brothers in the Balkans' summarized it: "The plight of those little countries in southeastern Europe is made even more desperate by the selfish

aims of their larger relatives"²⁷ and then added: "The source of political unrest in the Balkans is a desperate economic situation. This unrest goes far beyond the scope of these small nations. It may contain the spark that will set off another European, and possibly world, war."²⁸

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²⁴ TNA FO 371 10657 C 2763/1435/90 Graham to Chamberlain 25 February 1925.

²⁵ TNA FO 371 10657 C 2669/9 Chamberlain to Graham, 24 February 1925.

²⁶ TNA FO 371 10657 C 3839/1435/90 Private and personal letter of Lampson to Graham, 3 April 1925.

²⁷ George Gerhard, Big Brothers in the Balkans, *The North American Review*, vol. 233, no. 6 June 1932. p. 519.

²⁸ *Ibid.* p. 520.