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## **ENI's role in China-Italy "non-governmental diplomacy" during Cold War**

### Abstract

One of the least researched areas for a long time, the study of the economic relations between the People's Republic of China (PRC) and European countries has since concentrated on the post-1970s confirming the thesis which sees China's opening to the West as a natural consequence of the country's slow recovery from the Cultural Revolution (1966-1976) and of the early openings made by the United States (Nixon's visit to China in 1972, or "the week that changed the world").

The prevailing picture of China during the 1950s and 1960s is that of a country exclusively closed into the Eastern Bloc. An economic embargo was imposed by the US on China at the time of the Korean War, so trade arrangements were very problematic for those businessmen, whose governments had not attained diplomatic normalisation with Red China. However, already from the signing of the Korean armistice, China actively looked for commercial agreements with "first world" countries (Japan, Britain, Federal Republic of Germany, Switzerland), while in the second half of the 1950s the volume of trade between China and European non-communist countries increased more or less continuously, reaching a peak in imports in 1958 and in exports in 1960.

For Italy, Cold War loyalty to the US was particularly constraining, because of the heavy economic destruction the country was trying to overcome with the help of ERP. On the other hand, the potential of China's big market exerted a great appeal to fast-industrializing Italy, which in the second half of the 1950s was getting its first successes in the chemical and machinery industry.

This paper will highlight how, from the first contacts in mid 1950s, ENI group looked at PRC to establish cooperation in the fields of oil and natural gas. After a brilliant start obtained in the trading of chemical raw material, ENI's offer in terms of technology and engineering (involving SNAM Progetti) met the favour of Chinese counterparts at the beginning of the 1960s, just when the Chinese oil industry was gaining the first results towards self-reliance.

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During the years immediately following the establishment of the People's Republic of China, Italy was in the middle of a recovery from a serious economic situation. Joining the Atlantic Pact had resulted in a very favourable solution for the country to get out of its backwardness, while at the same time implying a serious commitment of loyalty to the United States directives in international politics. Like other allied countries who relied on US financial help, Italy was in no easy position to choose an independent way. On the other hand, the Italian government had a very varied composition: besides Christian Democrats, who were the strongest political party, Communist and Socialist Parties also had very authoritative representatives in

Parliament. 1948 had seen the birth of the Italian Republic stemming from a prewar anti-fascist tradition and from a strong alliance of different political activists adhering to Partisans' movements during WWII. The result were continuously shifting alliances which caused the fall of governments and much chaos among external observers. Among the Christian Democrats themselves, the left and right factions were not rarely strongly opposed to each other and the change of mind of their leaders could result in a sudden change of power. Moreover, Italy after WWII was by far the country with the strongest Communist party in Western Europe. This last fact added further concern on the Americans, which during the 1950s were very concerned about the loyalty that the Italian politicians professed to their main ally. On the economic point of view, most relevant is the fact that Italy had started a massive State-led action aimed at industrializing the country, which eventually produced outstanding results in the early 1960s. A protagonist of the Italian "economic boom" (and of this paper) is ENI, the Italian State Hydrocarbur Company created in 1953 as a state holding with a core interest in energy<sup>1</sup>. ENI President, Enrico Mattei, was a long-sighted entrepreneur who took advantage of two favourable moments: Italy was taking off as an industrial power and oil industry was in a restructuring phase. Under Mattei's presidency, ENI's foreign interests were so vast that many observers have spoken of "parallel diplomacy" of the Italian state. Especially famous were ENI's agreements with Egypt (1954), Iran (1956) and Soviet Union (1958). Mattei was considered a dangerous subject by the United States, because he expanded the possibilities of alliances far beyond the Seven Sisters and destroyed the system of the royalties, contributing to lower oil prices and reshaping oil world market.

Using his political favour with the left-wing faction of the Christian Democratic party, as well as a huge personal charisma, Mattei was able to promote the image of

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<sup>1</sup> ENI was created by law n. 136 passed on February 10th 1953, which became operational on April 11th of the same year. Enrico Mattei became Chairman on March 4th 1953. Cfr. [www.eni.com](http://www.eni.com)

ENI group abroad at the same time succeeding in providing Italy with diversified sources of oil.

In such a complex national and international context, the gaze of the Italian MPs to the newly established PRC was – to say the least – multifaceted. The Communists and the Socialists showed from the very beginning a favourable approach, especially the Socialist leader Nenni, who developed a special relationship with the New China. The Christian Democrats were not immune from Chinese fascination either, although their attitude was much more complicated by ideological questions. To this controversial political backdrop, one has to bear in mind two main questions more strictly related to the economic sphere: 1) Countries adhering to the Atlantic Pact conformed to the embargo prescription against the Soviet Bloc, as detailed by CoCom lists. After the outbreak of the Korean war, US had not only extended embargo on China, but had built even stricter economic limitations, known as ChinCom. On the European side, the US imposed embargo triggered mixed feelings: on the one hand, the allies were obliged to loyalty towards America, which was helping them out of the destruction caused by the war; on the other hand, the more freely European countries could trade with the outside world, the better for them to attain economic recovery. All NATO countries expressed their desire to change the embargo to China, and in May 1957 Britain decided unilaterally to relax ChinCom rules, getting more or less explicit support by several Western European countries plus Japan<sup>2</sup>.

2) From the mid XIXth century onwards, European powers, together with United States, Russia and Japan, had taken advantage of imperial China's weakness and had established powerful business entities in China, in industrial, commercial, and financial sectors. Italy had taken part in this action, too, especially operating in trading. Italian bourgeois entrepreneurs had been active in Japan and China during the XIXth century building successful trading networks, and – after the fall of Qing

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<sup>2</sup> The Times, 1 June 1957.

dynasty – some big Italian companies, such as FIAT, had been operating with Chiang Kai Shek China. However, the country did not build as many economic interests in East Asia as did other European nations, such as Britain or Germany. After the founding of the People's Republic, the situation had completely changed: China had adopted the Soviet-inspired model of socialist planned economy and decided to force Western companies to close down, thus sending hundreds of managers and employees back home. While at the end of 1949 there were 376 British business only in Shanghai, around 1955 you could probably count a dozen of them<sup>3</sup>. For business operators, China had gained back most of the mysterious *aura*, which had characterized the country for centuries before Western nations entered the country in the mid XIXth century. Nevertheless, a country so hugely populated and so much focused on industrialization continued to attract attention.

Did European economic operators have a margin to carry out a business strategy independently from the political framework of East-West relations during Cold War? After the establishment of Communist authority, very few foreigners were allowed to live in the country, direct contacts were limited, information was politically controlled and evidently filtered. All those obstacles hardened an already complex situation for East-West trade, but evidence shows that a number of Western companies made the best out of the limitations and of the biased information available, eventually engaging in business negotiations with the Chinese. As to Italy, the country's economic relations with Communist China, had started from many built-in weaknesses. Nonetheless, China offered opportunities, which fast-industrializing Italy was eager to catch. By taking the example of ENI group's economic activity with China, the paper will examine how did the group pursue its strategy and which use did it make of the intricate network of business intermediaries, economic intelligence, government officials, which surrounded

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<sup>3</sup> Shao Wenguang (1991). *China, Britain and Businessmen: Political and Commercial Relations, 1949-57*, Macmillan, Basingstoke, pp. 178-180.

business activities between East and West. Did ENI obtain viable objectives from a purely economic point of view? Did ENI actions configure as part of the company's "parallel diplomacy"?

### *Italian trade with China in the 1950s*

The opportunities offered by the Chinese market to Italian companies were mainly caught by highly proactive traders operating from Hong Kong, taking advantage of the privileged status that the colony had acquired after UK's prompt recognition of PRC in 1949. A leading figure among these traders was Dino Gentili, an entrepreneur with powerful political contacts in the Socialist Party. Thanks to already established contacts in Britain, Gentili had been operating his trading company COMET from Rome and Milan through Hong Kong and in 1952 had established an office for his trading company in Beijing. The initial amount of business was not enormous, but the perspectives were much rosier. China really exerted that fascination of being a country "in need of everything" and Italy was industrialising fast, developing – if not now, for sure in the near future – an ever greater need to expand in foreign markets. Helped by his personal ties with Socialist leader Nenni, in China Gentili had been appointed representative of relevant Italian companies such as Montecatini and FIAT. During the 1954 Geneva Conference for Indochina, he had even organized a meeting between Italian industrialists and Chinese trade officers, which was to remain the one and only economic bilateral meeting for the next ten years. Embracing the wave of enthusiasm that had sprung from this initiative and the warm reaction of the Chinese officials, in 1954 the Italian Parliament, together with Mincomes, ICE, MAE, organized a joint operation which had to be known as "Missione Guglielmone" by the name of the politician in charge of organizing it. This endeavour was yet to prove unsuccessful, showing how Italian politicians and businessmen were rarely on the same line.

Other intermediaries of the time were more directly linked to the Communist Party

and to the network of intra-Bloc trading, such as for instance COCEOR, led by Mr Mulas. Intermediary companies traded the goods of the companies that had entrusted them, by using two mechanisms: direct purchase in precious currency (most transactions were performed in British Sterling or in Hong Kong dollars) or global compensation. China had an export surplus with Communist European countries and this gave her the advantage to accumulate reserves in foreign currency which were useful to repay her debts with USSR.

Being this last practice a barter agreement, it needed to be carefully prepared. Generally, Chinese goods interesting for Western markets were food raw materials (such as soya or eggs), textiles and craftsmanship, which were imported into Western Europe in exchange for chemical fertilizers, mechanical plants or parts, oil products (until 1961). After they found a business opportunity with Chinese corporations, Western trading companies received a list of Chinese export goods and had to find potential buyers in their homecountry willing to purchase them.

In 1954 the Italian Ministry of Foreign Trade entrusted the State company ARAR (together with its associate SPEI) to carry out such compensation agreements. ARAR and SPEI became increasingly active with China, even providing companies with consultancy services. Such transactions involved the action of the Ministry and of the Italian banks. However, Gentili and his associates preferentially triangulated payments through British trading and shipping companies operating in Hong Kong, providing a comprehensive service to their customers including payment risks<sup>4</sup>. This practice enabled them to avoid American controls, too.

### *China's foreign trade structure under Socialism*

The structure of PRC foreign trade completely adhered to the pattern which the Soviet Union had developed and exported into the Eastern Bloc. The most notable

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<sup>4</sup> Cfr. Lorenzo M. Capisani, "Dino Gentili, la Comet e il dialogo commerciale fra Italia e Cina (1952-1958)", *Studi Storici* n. 2, 2013, pp. 419-447.

feature is that foreign trade is considered a state function, as well as a State monopoly, therefore all foreign trade related activities undergo State control and are subordinated to the fulfillment of the economic plan. Dynamics of exports will be determined only after the country has stated what it needs to be imported, and this often led to the coexistence of *import hunger* and *export aversion*<sup>5</sup>. Such an impositive State control reflects in an excess of structures and in much more bargaining within the bureaucracy than with the foreign buyer, seller, or bank.

In 1952 the Chinese gave themselves a Ministry of Foreign Trade, which operated throughout the countries which had recognized PRC through the network of Trade Offices in Embassies; The China Council for the Promotion of International Trade (CCPIT), which had to manage PRC's economic relations with non-bloc countries; monopolistic corporations by sector of activity, among which CNIEC (China National Import/Export Corporation) was the most proactive abroad; a network of offices of the Bank of China (BoC) abroad.

According to Kornai (1992), the complication and lengthiness of the decision making exacerbates the inflexibility of trading and credit activity, causing foreign trade to be the sector where the largest number of hierarchical organizations accumulate, most of the times overlapping one over the other, thus creating slowness and lack of coordination exactly where speed and accuracy are supposed to play such a crucial role.

#### ENI's commercial strategy for China

Mr Enrico Mattei visited China in December 1958. Being the president of a State-owned enterprise, he was received by the Chinese with all the honours of the case: he met Marshal Chen Yi, Nan Hanchen and Ji Chaoding. It is well known that Mattei's contacts with the Chinese were facilitated by Christian Democrat politician La Pira, and this fact highlights the political weight of such a trip.

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<sup>5</sup> Janos Kornai, *The Socialist System. The Political Economy of Communism*, Oxford: Clarendon Press, 1992.

However, this was not – as has been written – Mattei's breakthrough trip to China. There is evidence that at the time of Mattei's visit, ENI's subsidiary ANIC had already signed a contract in Den Haag on October 29th 1958, by which ANIC sold 30.000 metric tons ammonium sulfate and ammonium calcium nitrate for a total of 439.000 pounds. This was actually the second contract signed by ENI with Chinese counterparts, as in the summer of the same year, there had been another business for the sale of 20.000 tons ammonium nitrate. These findings show how Mattei's political vision, however great it could be, was supported by a much more substantial economic purpose. That ENI had – at least in draft – a business strategy for Communist China is further proved by the fact that – parallel with the political pressing with La Pira – Mattei made his men to start contacts with the Chinese counterpart much time in advance. Franco Micucci Cecchi, a junior staff in export department visited Commercial Attaché Kao Shanglin in January 1958 bringing a recommendation letter written by partisan Ferruccio Parri as his credentials<sup>6</sup>. PRC Embassy in Bern worked as the Chinese window for those European countries which had not opened official relations with China. What is most important for this paper, however, is that the Embassy had a Trade Section, which was perfectly tuned in with the Import Export Corporations in the motherland. During the long business transactions that were to come, Commercial Consul Kao Shanglin very effectively handled the first part of the negotiations, by no means interfering or delaying with useless bureaucracy. By observing his attitude, as well as that of other PRC officials in those years, one might even question Kornai's eminent opinion that there is an embedded inadequateness in Socialist countries regarding external trade practices.

Cecchi visited Bern again in April exchanging further information useful for the first sale of ammonium sulfate. In June, Marketing Manager Giuseppe Ratti and Wang Dexin, representative of China National I/E Corporation, carried out negotiations in Bern. Ratti, together with ENI Vicepresident Eugenio Cefis, met

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<sup>6</sup> Fondo ENI



Wang in Bern in July 1958 and later on, alone, in Autumn. In this last meeting, he checked with the Consul whether a delegation led by Mattei could take part in the Italian economic mission, which had been programmed for the last three years and had been again delayed (Missione Guglielmone). Evidently, ENI managers could access delicate political information and knew how complicated might it be for MPs to agree upon such a question. One could also imply that the Italian Communist Party was not happy to welcome other political influence in an area which granted some economic interest to intermediary companies so closely linked to them.

*From the trading of chemical products to the cooperation in petrochemical industry*

In the 1950s ENI was a newcomer in the chemical sector. Although starting from very traditional technologies and very little advanced research (acetylene), ENI's chemical subsidiary ANIC arrived at a successful production process and, most of all, employed a very aggressive management, guided by technician Angelo Fornara, a very able chemist coming from the private industry. Next product, synthetic rubber, was nothing new, but an old dream of Italian chemists and it gave ANIC a great success in image. ANIC becomes a direct competitor of Montecatini in the sector of chemical fertilizers<sup>7</sup>. In the 1960s, when Gela petrochemical plant will enter full operations (1964), ENI will extend its competitiveness to plastic materials.<sup>8</sup>

**Table. Chinese trade with non-Communist countries**

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<sup>7</sup> Alla fine della seconda guerra mondiale inizia lo scontro tra l'ENI e la Montecatini quando quest'ultima cerca di ottenere concessioni minerarie in Val Padana (che poi prenderà l'ANIC). Con la scoperta e l'utilizzo del grosso giacimento di metano a Ravenna, l'ENI inizia l'avventura della chimica (poiché le capacità produttive del giacimento di Ravenna superano di molto l'assorbimento del mercato per usi termini dell'Italia settentrionale e si prestano pertanto all'utilizzo industriale). Così l'ENI comincia la sua politica di integrazione "a valle", dagli idrocarburi alla chimica. Cfr. Marcello Colitti, *ENI. Cronache dall'interno di un'azienda*, Milano: EGEA, 2008, pp. 168-169.

<sup>8</sup> Dopo i successi ottenuti da ANIC principalmente a danno della Montecatini, fiore all'occhiello della chimica italiana, dopo la morte di Mattei, la presidenza Boldrini (1962-67) si disinteressò del settore, che venne invece ripreso da Cefis nei dieci anni successivi. Cfr. Vera Zamagni, "L'Eni e la chimica", in Alberto Clo (a cura di), *Eni 1953 - 2003*, Bologna: Editrice Compositori, 2004, pp. 95 - 114.

Though being more an adventure than its core interest, ENI's chemical products proved extremely successful to the group in the mid 1950s. It was the sight of profitable trade in the chemicals which actually pushed ENI's first contacts with China. Petroleum and energy came later, however, ENI's interest towards petrochemical cooperation had already emerged in 1956 as it is testified by Giovanni Muratori's exploratory mission, an engineer who made a trip to China on behalf of SNAM, a subsidiary of ENI active in engineering projects, pipelines for the transportation of natural gas and petroleum, as well as petrochemical plants<sup>9</sup>. During the 1950s SNAM and another subsidiary of ENI, the mechanical company Nuovo Pignone, brought an important integration into ENI group potential providing Mattei with a great competitive advantage. In areas where competition with the Seven Sisters seemed absolutely impossible, ENI could offer the building of complete distribution and refinery systems, often taking care of the costs of big projects. In this respect, Mattei's long view often won over competitors, who did not dare venturing in massive investments, especially at a time when oil industry was in a stand-by moment.<sup>10</sup>

Giovanni Muratori reported that, although oil quantities are not at all big, the PRC new government is making big investments in extraction and the preparation of technical staff is good (other works report that the number of geological workers increased from 18 in 1949 to 6000 in 1955)<sup>11</sup>. He highlighted that perforation and transportation are quite serious problems since oilfields are situated very far from main industrial centres, and the Chinese industry is not yet ready to produce all

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<sup>9</sup> La storia di Snam inizia il 30 ottobre 1941: l'Ente Nazionale Metano (costituito nel 1940), insieme ad Agip, Regie Terme di Salsomaggiore e Società Anonima Utilizzazione e Ricerca Gas Idrocarburi (Surgi) danno vita alla Società Nazionale Metanodotti (Snam) per la costruzione e l'esercizio dei metanodotti e la distribuzione e vendita del gas. Il capitale sociale è fissato in 3 milioni di lire. Dal 1953 al 1962 essa raddoppiò la rete di trasporto italiana del gruppo facendola giungere nel 1962 a 4400 km contro gli iniziali 2000. Inoltre, a partire dal 1957 alla SNAM venne delegata la gestione di tutti i trasporti petroliferi dell'ENI, incluso il controllo della flotta del gruppo (la flotta nel 1962 aveva una capacità complessiva di 352.000 tonnellate di portata lorda contro le 81.000 del 1953). Cfr. [www.snam.it](http://www.snam.it)

<sup>10</sup> Thanks to mechanical and engineering companies of the group, ENI sold steel pipelines to the soviets as a compensation: engineering and building of big pipelines would necessarily help the group to establish themselves in difficult markets. Cfr. Maugeri, *L'arma del petrolio*, pp. 226-227

<sup>11</sup> Cheng Chu-yuan (1976), *China's Petroleum Industry*.

related materials, such as for instance, large diameter pipelines without welding. Such information provides an interesting hint for future cooperation, although it is implied that times are not ready now.

Actually, the first ten years of the PRC oil industry were in fact consumed by a debate between concentrating on Fushun or Yumen as the centerpiece of industry. Both oilfields had been inherited from the Nationalist government. Other sources confirm that beginning in 1953, the investment in petroleum industry was constantly increased reaching a peak in 1958-62 when drilling footage reached 272 million meters with the discovery of three major oilfields – Daqing, Shengli, and Dagang in Northeastern China<sup>12</sup>. These oilfields were eventually to lead China to self-reliance in 1963<sup>13</sup>. Muratori could not have any knowledge of that back in 1956. However, he met high level officials in institutions, which only in a couple of years were to become crucial for the development of SNAM cooperation in the petrochemical field. He was received by the vice-director of the Institute of Petroleum Industry, with whom he checked preliminary possibilities to develop technical cooperation in oil extraction and refinery. In 1958 the Institute of Petroleum Industry was upgraded to Ministry and Yu Qiuli, a smart official coming from the army ranks, was appointed Minister becoming one of the leading characters in the so-called *oil faction*, which was to get much decisional power in the economy of the early 1960s. What the *oil faction* did in terms of development of the Chinese petrochemical industry is astonishing, although it has to be noted that much of the Chinese oil was of little quality and could not satisfy all domestic needs. After the discovery of Daqing, Chinese officials constantly exaggerated Mainland China's oil resources and export potential.

A curious detail is that Giovanni Muratori was the son of Spartaco, a partisan and an engineer, affiliated with the Italian Communist Party, who between 1952 and 1956

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<sup>12</sup> Cheng Chu-yuan, *The demand and supply of primary energy in Mainland China*, p. 160.

<sup>13</sup> Cfr. Lim 2008, p. 77.

worked and lived in Beijing as the Chief Representative of COMET, the trading company founded by Dino Gentili. Dino Gentili's private archive contains extensive correspondence between him and Muratori, his outpost in Beijing when Gentili decided to entertain direct business with the Chinese<sup>14</sup>.

I can speculate that Mattei was unofficially entrusting old Muratori, exploiting his position as COMET representative. The first two contracts which ANIC signed, were obtained without any intermediary. My impression is that, although ENI never actively sought an intermediary for their business with China, the fact that Gentili's company had established such good relations, surely helped Mattei's men in building the first trading contacts, which – on the Chinese side – saw CCPIT and CNIEC as main speakers. It is when SNAM enters more decisively into the business that the negotiations broaden up to include other Chinese corporations, such as China National Technical Import Corporation (CNTIC) and China Machinery Import/Export Corporation (CMIEC), not to mention the Ministry of Petroleum Industry, which had the power to make decisions on what was important to import, but could not sign contracts. During the visit of ENI Vicepresident Mr Eugenio Cefis and Marketing Manager Mr Giuseppe Ratti to Beijing in October 1959, there are the first direct contacts with CMIEC, interested in perforation equipments and pipelines<sup>15</sup>. Mr Ratti suggests to proceed with direct visits and through Mr Giuseppe Regis, who in the meanwhile had substituted Muratori as Gentili's Representative in Beijing.

*The economic cooperation of SNAM Progetti with Communist China*

After Mr Mattei's trip in 1958, ENI and its subsidiaries proceeded along a frequent program of visits and exchange of commercial inquiries and counter-offers. During ENI's mission to China in early 1962 (22nd February – 15th March), the Italian

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<sup>14</sup> Capisani, *ibid.*

<sup>15</sup> Fondo ENI, busta 72 (Presidenza).

managers Ratti and Del Bue mainly talked with CNTIC's director Kao Ching Sun, and received a list of requests:

- Combined plant for the production of acetylene, ammonium, urea
- plant for the production of ammonium and ammonium nitrate
- plant for the production of butyl alcohol and **ottanol**
- plant for the production of acetylene from calcium carbide
- complete refinery plant (services included) for the production of fuels and lubricants
- plant for methane liquefaction
- one drill for 5.000 m. and one Rambler drill
- various equipments for oil industry (compressors, pumps, heat exchangers)

In March 1962 Ratti and Kao Shing Sun (CNTIC) signed the contract for the purchase of the combined plant for the production of acetylene, ammonium, urea.

The report of the 1962 ENI mission to China, contains some comments on the strategy that ENI should adopt regarding China:

“In this particular timeframe, the cooperation offered by ENI to China acquires a very important meaning: the offer will earn success if it will mark the beginning of better relations between China and the West, while it could entail risks if Western countries will oppose a negative answer, by reaffirming the economic embargo already enacted by the Soviets and the Americans against China.”<sup>16</sup>

It is evident that ENI managers had a very solid knowledge of what was going on at the international level and knew that Italy had to follow close what other more important players were doing, first of all, UK:

“In this second case – however not very likely to happen, especially thanks to the constant moderating action performed by Britain, which gave diplomatic recognition to Communist China long ago – there is no doubt that ENI would find itself in a critical

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<sup>16</sup> “In questo quadro e in questo particolare momento, l’offerta di collaborazione dell’ENI alla Cina acquista un significato notevolissimo: essa avrà il meritato successo se segnerà l’inizio di migliori rapporti tra l’Occidente e la Cina, mentre potrebbe comportare rischi se ai cauti tentativi cinesi i Paesi occidentali rispondessero negativamente, ribadendo il blocco economico già instaurato dai sovietici e dagli americani contro la Cina”. Cfr. Relazione missione in Cina 22 Febbraio – 15 Marzo, Fondo ENI, Busta 1

situation”<sup>17</sup>

In mid July 1962 Ratti goes to Bern to meet commercial attaché Kao Shang Lin. Two engineers of SNAM progetti, Mr Torelli and Mr Guadalupi, accompany him to illustrate the offer of impianto nitrato ammonico for a total of 8.7 billion Lire and a preliminary study for a refinery of 2 ton/year. On July 16th Ratti relates Mattei about his visit to Bern highlighting the fact that the Chinese – however for the time being are willing to give the preference to ENI – are well aware of other Italian / foreign companies which can provide the same items, and will not hesitate to contact competitors in case SNAM should delay offering complete offers<sup>18</sup>.

In november-december 1962, ENI hosts a big technical delegations for almost two months, composed of different technical groups<sup>19</sup>. The main aim of the mission is to inspect the plants, which are already in operation, in order to get reliable data to decide about the purchase of the plants which ENI offered in July 1962, answering the request of the Chinese side expressed in March of the same year.

Among the main point of interest of the Chinese counterpart there is a plant for the production of synthetic ammonium. The Chinese discuss many times with the Italian, and complain because SNAM has been delaying the offer<sup>20</sup>. On the Italian side, there are issues of patents which are not entirely possessed by the ENI subsidiary.

The discussions about the selling of plants to China which had started in March 1962 in Beijing, proceed during the year and resume in January 1963 in Bern, where

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<sup>17</sup> “In questo secondo caso – non molto probabile, anche per la costante azione moderatrice dell’Inghilterra, che ha da tempo riconosciuto la Cina comunista – non c’è dubbio che l’ENI rischierebbe di trovarsi in difficoltà”. Relazione missione in Cina 22 Febbraio – 15 Marzo, Fondo ENI, Busta 1

<sup>18</sup> Relazione missione Ratti a Berna, 16 Luglio 1962, Fondo ENI, Busta 1

<sup>19</sup> There were some communication problems during the preparation of the big Chinese technical mission in the autumn of 1962 (entry permits into Italy were released with one month’s delay probably because of the void that Mattei’s sudden death had created in Italy), the impasse was quickly surpassed and the technical mission in Italy covered all the items that had been designed. The Chinese delegation stayed for over one month (and you have to add to this the three weeks that they were idle while waiting in Bern for entry permit to Italy).

<sup>20</sup> Cfr. relazione di Ratti del 17 dicembre 1962, Fondo ENI Busta 1

parties held talks on technical field regarding ENI's selling:

- ammonium nythrate plant, 325 t/d from crude oil<sup>21</sup>
- catalytic reforming plant, for processing 100.000 tons light oil per year

During this mission, ANIC and CNCIEC (China National Chemical Import & Export Corporation) signed the barter agreement n. CAB 6301 for the sale of Italian synthetic rubber in exchange for not better specified Chinese export goods (17th January 1963)<sup>22</sup>. The barter agreement is signed by Ratti (on behalf of ANIC) and Chu Chien-pai (Chairman of CNTIC delegation, on behalf of CNIEC).

In august 1963 Snam Progetti held negotiations with China National Technical Import Corporation for the purchase of a reforming plant. Estimated value is 2 billion, the Chinese side asked for a postponement over 5 years. After negotiations have been going on for a while, Chinese officials will inform Italian side that the plant will be destined to Albania. ENI managers will have to ask again Italian Ministry of Foreign Trade for authorization.

On December 19th 1963, Snam Progetti and China National Technical Import Corporation signed another contract for the purchase of a combined plant for the production of aromatics, to be delivered in 18 months.

By 1963, international press acknowledged the important development achieved by Italian petrochemical industry with China during the early 1960s, highlighting how the visit of an ENI delegation to China in March 1962, as well as the visit of Dr. R. Lungo, a representative of Montecatini, in December 1963 resulted in fruitful commercial agreements: Montecatini sold two fertiliser plants for Lires 7,200,000 and ENI sold refinery equipments for Lires 3,200,000.”<sup>23</sup>

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<sup>21</sup> ENI has accepted that this plant, as requested by CNTIC be transited to Albania. Cfr. Memorandum signed by Ratti and Chu Chien-pai in Bern, 30th January 1963, Fondo ENI, Busta 40

<sup>22</sup> Memorandum signed by Ratti and Chu Chien-pai in Bern, 30th January 1963, Fondo ENI, Busta 40

<sup>23</sup> *The Times* 21 December 1963.

All summed up, the commercial contacts that went on between ENI subsidiaries (mainly SNAM) and the Chinese corporations regard chemicals and petrochemical technologies of average level for the time. For instance, the plant for the production of aromatics is the simplest plant, by which you can proceed average to poor quality crude oil in order to obtain a vast range of products including plastic materials and paint.

*The roads that did not meet*

Returning from his first trip to China in 1958, Pietro Savoretti, an Italian businessman who had introduced FIAT into the Soviet market, wrote in his report:

“[...] Italy [...] occupies one of the most backward positions among European countries as far as fostering economic exchanges with China are regarded. As a matter of fact, no Italian commercial delegation, not even on a semi-official basis, ever visited China”.<sup>24</sup>

In the same months the Italian Ministry of Foreign Trade had released the following statement:

[...] “Economic interchange between Italy and China shows a favourable trend” [...] “from 1955 to date our exports doubled their value” [...] “although Italy never sent any mission to China, as did France, Britain, Austria, Belgium, etc..., from January to June 1958 we have exported [...] more than 8 million Dollars [...]”<sup>25</sup>

The opinion of the Ministry, supported by the views of the Italian Consulate in Hong Kong, is that Italy is in a very favourable position. Export data are increasing, this is correct, but this gives a very partial picture if you fail to mention which are the values obtained by other countries.

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<sup>24</sup> “[...] l’Italia [...] si trova nelle posizioni più arretrate, fra i Paesi di Europa, nel potenziamento di iniziative per la ripresa di scambi commerciali con la Cina. Infatti nessuna delegazione commerciale italiana, anche solo semiufficiale, è mai andata finora in Cina. L’ultimo italiano prima di noi recatosi in Cina arrivò, ci è stato detto, un anno fa, in occasione della Fiera di Hong Kong.” Cfr. ACS, Mincomes, Relazione Pietro Savoretti, (Novasider S.P.A., Torino), *Relazione sul viaggio in Cina* (12-20 marzo 1958), pp. 6-7.

<sup>25</sup> L’opinione del Ministero è che l’Italia sia in una posizione di vantaggio. Si parla di “favorevole orientamento dell’intercambio tra Italia e Cina” e, più precisamente il documento riporta che “dal 1955 ad oggi le esportazioni sono raddoppiate”. E ancora: “malgrado l’Italia non abbia inviato le missioni in Cina come la Francia, l’Inghilterra, l’Austria, il Belgio, ecc. dal gennaio al giugno di quest’anno abbiamo esportato – con contratti conclusi o almeno preparati a Hong Kong – oltre 8 milioni di dollari di cui la sola Montecatini ha venduto fertilizzanti per oltre 5 milioni di dollari.” Cfr. ACS, Mincomes, Telespresso n. 15154 dell’8 settembre 1958



### Table Export data of European countries to China in comparison

When we show this comparison, it is evident that the Italian position is less favourable than expected and it is superficial – to say the least – to rule out the question of sending an Italian economic delegation to China in this way.

What Italian officials did not grasp is that the early years of Socialist rule were actually to prove the most crucial for the shaping of future commercial contacts.

An attentive observer might notice how a favourable attitude towards foreign countries was already soon before the launch of the First New Year's Plan (1953). In 1952 the Chinese had given themselves new structures for foreign trade and – although just finished with the Korean war – they seemed eager to build solid economic ties with the world: economic agreements with Japan were signed during Moscow Conference in 1952, soon after Germany followed (1953). During the 1954 Geneva Conference, there had even been a positive attention to Italian industry when Dino Gentili had organized a meeting between Italian industrialists and Chinese trade officers and PRC Vice Minister for Foreign Trade Lei Jenmin had formally invited Italy to organize a trade delegation to China<sup>26</sup>. As a matter of fact, not much happened on this front during the following months, and in 1955 CNIEC explicitly asked Gentili to bring Italian industrialists to Beijing<sup>27</sup>.

What had been anticipated by Chinese moves in the early 1950s was then confirmed soon after the first ideological fracture between Soviet Union and China in 1956 caused by Khrushchev's denounce of Stalin's personality cult during the Party's 20th Congress. Chairman Mao did not like this demolition of the past leader. After the suppression of the Hungarian uprising by Soviet forces, in January 1957, Chou En-lai embarked on an unprecedented tour of Eastern Europe. The ostensible goal

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<sup>26</sup> *L'Unità*, 15 giugno 1954.

<sup>27</sup> “Si parla da tempo della possibilità dell'invio di una nostra delegazione economico-commerciale in Cina. Naturalmente se ne è discusso a Pechino con le organizzazioni interessate. In un accordo generale, che è stato concluso con la CNIEC e la nostra società, da parte cinese si è voluto fosse inserito il desiderio comune che fosse organizzata sollecitamente una delegazione italiana di carattere economico-commerciale con la quale il problema viene affrontato”. *L'Unità*, 4 settembre 1955.

was to help to restore unity, but the mission clearly marked China's emergence as an independent force within world Communism.

In the years 1957-58 some important facts happen in the economic sphere. In 1957 ChinCom rules relaxed thanks to the British initiative and more or less official support by all Western European countries.

In the same year the Federal Republic of Germany signed the first commercial agreement with China. The agreement, on a non-official basis, was signed between CCPIT and the business association of German companies.

In 1958 the Nagasaki incident provoked a sudden suspension of all trading between China and Japan<sup>28</sup>. This resulted in an increased improvement in commercial relationships between China and some Western European countries.

Probably because Italian trade with China was taking off or because of one of the reasons reported above, there is a positive change of attitude in the Italian press in 1957-58. Spokespersons of the Italian economic and political world underline that it is the right moment for Italy to put forward their desire to normalize relationships with China.<sup>29</sup>

In november 1957 Senator Busoni of the Italian Socialist Party presented an interrogation to the Ministry of Foreign Trade enquiring whether it is possible to stipulate commecial treatises with China, as Federal Germany and Sweden already did<sup>30</sup>. The Director General of the Ministry replies quoting the consolidated practice of compensation trading, at the same time highlighting that there are many political obstacles which are difficult for them to grasp. As detailed in a further communication, the problem is that Germany succeeded in signing a treatise which does not involve governments, however this path was never an option for Italy, since

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<sup>28</sup> During a trade exhibition of Chinese commodities in Nagasaki, a youngster tore down a Chinese flag from a stall.

<sup>29</sup> Su "Il Globo" dell'11 giugno 1957, viene riportata la seguente dichiarazione di Guido Carli: Occorre portare l'esame dei nostri rapporti commerciali con la Cina su un piano squisitamente ed essenzialmente commerciale, così come avviene in altri paesi, quali la Gran Bretagna e la Germania di Bonn.

<sup>30</sup> Mincomes B. 26.

the Chinese always asked for mutual recognition whenever the Ministry of Foreign Trade and its operational branch ICE asked to sign agreements which strictly addressed the commercial field<sup>31</sup>. On this point, negotiations already got blocked in 1956.

There is an evident lack of comunicability between economic operators and Government officials. In this void ENI knew how to move. In 1958, after many delays, the "Missione Guglielmone" was cancelled. Mattei's trip replaced it with his trip in December of the same year.

Only in 1964 could a dialogue between China and Italy at a governmental level be resumed:

"An agreement was also concluded on 30 November 1964 regarding the establishment of non-governmental commercial bureaux in Beijing and Rome, the purpose of which was to accelerate non-governmental economic and trade development between the two countries." (*Peking Review* 50, 1964)

As a consequence of this agreement, in 1965 the Italian Institute of Foreign Trade (ICE) would finally lead the first Italian economic delegation to China ratifying the opening of the commercial office in Beijing.

### *US reaction*

As already explained in the first part of the paper, Mattei's entrepreneurial attitude and his disruptive actions in the system of the royalties, made the United States uneasy. The "parallel diplomacy" of ENI's president constituted a much felt problem in US-Italian relationships, often arousing suspicion in US officials over the reliability of Italian counterparts. For these reasons, the United States carried out a strictly monitoring action on Mattei and ENI, which involved coordinating efforts of

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<sup>31</sup> "Le trattative italo-cinesi iniziatesi, a nostra richiesta, a Ginevra nell'autunno del 1955 e continuate poi a Londra nel gennaio 1956, non giunsero a risultati concreti, a causa dei ripetuti tentativi cinesi, sempre respinti da parte italiana, di ottenere con tal mezzo almeno una parvenza di riconoscimento politico del Governo della Cina comunista". Risposta della Direzione Generale Accordi Commerciali alla Direzione Generale Valute, 16 novembre 1957. Cfr. Mincomes B. 26

the CIA and the US diplomats. Nevertheless, the US intelligence did not know in advance about the trip, but read the news in the Italian press, which published extensive and triumphant reports conveyed directly by ENIs as it can be inferred from this extract from a CIA bulletin dated December 20th 1958, a day after Mattei's arrival in China, entitled "Italian Oil Czar Seeking Trade Deal With Communist China":

"Enrico Mattei, the politically powerful president of the Italian state petroleum and gas agency ENI, is in Peiping for talks with Chinese foreign trade officials. According to the press, he intends to sell chemical fertilizer from the petrochemical plant at Ravenna. However, he brought with him officials from ENI's subsidiaries engaged in the manufacture of oil rigs and pipelines".

The CIA had missed Mattei's moves, as well as prime minister Fanfani's. However, the American had long been observing not only Mattei, but the general Italian inclination towards eastward trading, as it is shown in a conversation between Fanfani and Ambassador to Rome, Zellerbach:

Mattei, like so many Italian businessmen, desires to increase trade wherever it can be done profitably. He sees no reason why Italy should not trade with the Soviet bloc and Communist China<sup>32</sup>.

In the opinion of some of his most trusted friends and associates, Mattei's knowledge of foreign affairs is extremely limited, as is his experience. Therefore, they suggest, some of his most important decisions may have been taken impulsively and without a full understanding of their international implications<sup>33</sup>.

I could not find other traces of US reaction to SNAM Progetti's further negotiations. Evidently, with Mattei's sudden death in October 1962, much of the fury calmed down, and in subsequent years ENI ceased to attract all the attention it had until then.

## *Conclusion*

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<sup>32</sup> RG 59 General Records of the Department of State, Research and Analysis Branch (OSS) and Bureau of Intelligence Research, Intelligence Reports, October 1951-August 1961, 7631-7674, Box 319, Folder: Report N. 7912, December 31, 1958

<sup>33</sup> RG 59 General Records of the Department of State, Research and Analysis Branch (OSS) and Bureau of Intelligence Research, Intelligence Reports, October 1951-August 1961, 7631-7674, Box 319, Folder: Report N. 7912, December 31, 1958

The actions carried out by ENI group configure as bold and independent in the framework of East-West economic relations during Cold War. However, they cannot be considered as detached from the complex. Although it is true that ENI's actions are those of an independent company and that Mattei carried them out in a very entrepreneurial attitude, the favour that the company obtained with the Chinese is very much a product of ENI being a State-Owned company. Being a company of the Italian State, ENI gained more reliability in the eyes of the Chinese communists. This consideration does not at all diminish the relevance of ENI's action. On the contrary, the papers found in ENI archives show that ENI carefully planned and carried out a strategy towards China: first by collecting information, then introducing itself on the market with "easier" and already tested products (chemical fertilizers commercialized by ANIC), then building an integrated action involving the complete network of ENI subsidiaries (SNAM Progetti and Nuovo Pignone). The barter trade agreement of 1963 represents a very important milestone in the establishment of a solid cooperation, which had lasted until nowadays.

In the case of China, however, Mattei's skills could not provide Italy with a "parallel diplomacy". Due to its fragmented political situation and to its economic dependency on the US, Italy remained one of the least represented countries, while other countries, although sharing the same political weakness and loyalty constraints to US (for example, Germany), entertained more fruitful relations. Maybe one explanation of this difference is the fact that ENI – an economic giant – was operating almost alone. Other Italian companies while not daring enter alone the Chinese market, relied almost completely upon intermediaries. However skilled these intermediaries were, they could do nothing to convince the bulk of economic operators, which never openly pushed for common initiatives. Germany could rely on a strong association of entrepreneurs who eventually found a way to consolidate their business with China. Looking at the broader picture, the richness of exchanges between Chinese Communists and European industrialists during the 1950s, shows how countries

usually considered “secondary actors” were something more than mere clients of Washington or Moscow, adding to the New Cold War historiography’s approach. Moreover, the existence of such rich information networks and trade practices much more dynamic than one would expect, shows how well before the Sino-Soviet split, China had in front of their eyes a concrete alternative path to modernisation ‘Soviet style’.