



NOTA DI LAVORO

106.2013

**The Dawn of Italian Industry
in Argentina: Pirelli in
Buenos Aires (1898-1910)**

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Economy and Society

Series Editor: Giuseppe Sammarco

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Summary

With a great vocation for internationalization, Pirelli begins expanding in Argentina in the final years of the nineteenth century. The first step is the establishment of a commercial chain followed by the construction of a factory started in 1910. Essential for the growth of the enterprise is the strong bond to Italian culture that characterizes Alberto Pirelli's proposals for the Argentine soil, from the international exhibition in Buenos Aires in 1910 to the launch of Pirelli within the Compañía Italo-Argentina de Electricidad, together with other major Italian companies, the following year. The rise of Pirelli will continue, without interruptions, up to the present day.

Keywords: Italian Industry, Pirelli, Argentina

JEL classification: N66, N8

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Foreign investment in the world up to the First World War

In the middle of the 19th century the growth in the world economy and market expansion marked a never before seen epoch in international trade, thanks primarily to the portfolio investments that made up most investment in international capital: in 1870 they accounted for 60%, in the form of financing of loans to governments and for infrastructure works. However, from 1870, predominantly British direct foreign investment (DFI) assumed a significant role, world-wide, particularly in the period from 1870 to 1914¹. So direct foreign investment is therefore a relatively new phenomenon, compared to international trade².

British long term foreign investment accounted for 43% of the world total in 1914, and just over 70% was made in the *dominions*, India and Latin America, and other underdeveloped countries, and most funded infrastructure and primary production activities³.

So Latin America, in this case Argentina, was the object of the British Empire's special attention.

This was the start of the so-called "informal empire", which saw Argentina build increasingly close ties with Britain⁴, one of the major countries able to export capital at that point in time. The almost total absence of endogenous development typical of countries not engaged in the industrialisation process, generated the continuous creation of networks for interdependency. In the period from the turn of the century to the First World War: "close to half of fixed- capital formation in Argentina was foreign-financed. Indeed, in 1913 the total of long-term foreign investment in Argentina was about half the value of the country's fixed-capital stock"⁵.

In that period, French, German and North American capital flowed into the subcontinent alongside British capital, with much smaller flows of investment from Belgium, Italy and Spain⁶.

¹W. Andreff, *Le multinazionali globali*, Trieste, Asterios, 2000, page 16

²A. Biagioli, "Le imprese multinazionali a base italiana" in: "Bollettino della Banca d'Italia", May-August 1974, page 536

³N. Acocella, *Imprese multinazionali e investimenti diretti: le cause dello sviluppo*, Milan, A. Giuffrè, 1975, page 13

⁴F. J. Rippy, *British Investment in Latin America, 1822-1949. A Case Study in the Operations of Private Enterprise in Retarded Regions*, University of Minesota Press, Minneapolis, 1959.

⁵L. G. Reynolds, *Economic Growth in the Third World. 1850-1980*, Yale University Press –New Haven and London, 1985, page 88

⁶V. Bulmer Thomas, *The Economic History of Latin America since Independence*, 1994, Cambridge, Cambridge University Press (Spanish edition published by Fondo de Cultura Económica, Mexico 1998), pages 96-99

Before 1914 Argentina was one of the most dynamic nations in attracting both immigrants and notable quantities of foreign capital – 47% British in 1913, with France holding 9% and Germany 7%. The United States and Italy accounted for less than 1%. In fact, up to 1910, there were no Italian enterprises in the list of the 241 foreign enterprises present in the country⁷.

The centre-periphery relationship⁸, which imposed dependency on imports and an economy based on commodity exports on Latin America, first developed through the tool of direct or indirect foreign investment, on which its growth was based. In the late 19th and early 20th century, Argentina, and Brazil, Chile, Mexico and Uruguay⁹ financed their economies with a policy of foreign debt intended to create ties between the oligarchies and the central countries, on the one hand, and to create the infrastructure base of these young nation-states on the other.

The multinationals

The multinationals are nothing more than an expression of the growing internationalisation of the economy, and the tool through which enterprises of various kinds that own or control productive activities in more than one country occupy consumer markets that are not local to them, whether to avoid customs barriers and other forms of taxation or to seek greater purchasing power in foreign markets.

The trend for multinational enterprises is to install themselves where there is an interesting local market, rather than more generically in developing countries.

So expansion abroad is simply the geographical development logic of the process of enterprise growth, both vertically and horizontally.

Enterprises invest abroad because, operating inside an imperfect market, they exploit the oligopolistic advantages they have, and develop interests or activities outside their home country to the extent to which they intend to exploit or defend a specific economic advantage over actual or potential competitors. There are two theories of the multinational enterprise: the first is the theory of the oligopoly and the other is the theory of the development of the business hierarchy.¹⁰

⁷N. Lanciotti and A. Lluch, “Foreign direct investment in Argentina: timing of entry and business activities of foreign companies, 1860-1950”, in: “Entreprises et Histoire”, No. 54, 2009, pages 37-66

⁸R. Presbich, *Capitalismo periférico: crisis y transformación*, Mexico City, Fondo de Cultura Económica, 1981.

⁹C. Marichal, *A Century of Debt Crises in Latin America. From Independence to the Great Depression (1820-1930)*, University of North Carolina Press, Chapel Hill, 1989.

¹⁰S. Hymer, *Le imprese multinazionali*, Turin, Einaudi, 1974, page 25

There have been many studies of this topic¹¹. Among the classics, Dunning maintains that the multinational enterprise is an enterprise that makes direct foreign investment, (while) Caves proposes a narrower definition, maintaining that it is an enterprise that controls and manages production plants in at least two countries.

So Dunning's definition includes enterprises that, alongside productive investment, undertake international expansion through trade branches and simple cooperation agreements¹², which is the case we wish to analyse here, at least at the start.

However, the internationalisation strategies of enterprises cannot be understood unless they are framed in the context of the internationalisation of markets and economies.

The pioneering studies of Mira Wilkins trace the start of the multinational enterprise to 1867, when the United States' Singer Sewing Machines built a factory in Glasgow, and the author identifies approximately 40 U.S. multinationals around 1914¹³.

Britain moved later but more swiftly: from the 1880s multinationalisation developed extensively until 1914, when there were hundreds of British enterprises in Europe, the US and some parts of the empire. Enterprises which in reality operated alone, outside domestic operations, founded to support a single investment.

Italian manufacturing enterprises only started to invest abroad, timidly, at the start of the 20th century, and in a very modest way¹⁴. As the Pirelli case makes clear, at the start the multinational enterprise had more of a commercial focus than a productive one.

In the years prior to 1914, Italian FDI was, compared to European FDIs, strongly oriented towards Latin America, with little investment in developed countries¹⁵, although this marked the country's entry into the first globalisation process¹⁶.

¹¹For an overview, see F. Reganati, *L'impresa multinazionale: teorie, determinanti ed effetti*, CEDAM, Padua, 1903

¹²John Dunning attempted a classification that identified 4 principal motivations:

To obtain raw materials that do not exist in the home country, or are less available or more costly (resource seeking)
To serve, through products, markets in which the enterprise starts to produce outside the borders of the country (market seeking).

To rationalise the productive structure (efficiency seeking)

The aim is to access skills and resources identified as crucial, to enrich the portfolio of an enterprise (strategic asset seeking).

In: J. Dunning e S. M. Lundan, *Multinational Enterprises and the Global Economy*, second edition, Edward Elgar, Cheltenham, 2008

¹³M. Wilkins, *The emergence of multinational enterprise*, Cambridge, Harvard University Press, 1970.

¹⁴A fundamental contribution to this aspect is contained in S. Mariotti, *Italian inward and outward direct investment: a new pattern of internalisation*, Rapporto Interno n.89-104, Politecnico di Milano, 1989. See also: S. Mariotti, M. Cainarca, M. G. Colombo, *Impresa multinazionale e innovazione: il contributo alla crescita del sistema Italia*, Business International and R.P., Rome, 1989.

¹⁵N. Acocella, *Imprese multinazionali e investimenti diretti: le cause dello sviluppo*, op. cit., page 13

¹⁶F. Onida, G. Berta e M. Perugini, "Old and new Italian manufacturing multinational firms", in: G. Toniolo (ed.), *The Oxford Handbook of the Italian Economy Since Unification*, Oxford University Press, 2013, page 419. On this topic see

In fact, of the six foreign associated companies, three were located in Argentina because of the strong cultural and language links, which allowed the costs of information to be reduced. The rubber sector is the one in which most foreign investments were made.

The food industry, with two associated companies before 1914, also continued to follow a policy of internationalisation of production. It must be emphasised that the presence of foreign multinationals in Latin America, measured in sales volumes, was first of all concentrated in countries with the largest internal markets, i.e. Brazil, Mexico and Argentina.

Italian trade in Argentina

Between 1870 and 1914 Argentina's growth was such that the country's income approached the level of the most advanced country, through the incorporation of production factors – land, capital and labour which, in varying proportions, contributed to increase productivity¹⁷.

Between the end of the 19th century and the start of the 20th, Argentina had one of the highest percentages of immigrants, double the levels of the United States and Canada and similar to those of Australia and New Zealand. However, the country lacked an institutional base and a political class capable of adequately absorbing the immigration¹⁸. In 1856, in the city of Buenos Aires, with a total of 91,395 inhabitants, 36% were foreigners, 11% of whom Italian¹⁹.

Although traces of Italian influence can already be found at the time of Rosas, the advent of Italians on Argentine soil, and their economic activity, was around 1870. Between 1892 and 1914 the population of Buenos Aires increased eight-fold, reaching the record figure of 2 million inhabitants in 1914. In terms of economic activity, in 1895 81-83% of factory owners were of foreign origin (the 1914 percentage was 64.30%).

In 1906 Italians owned 56.6% of mechanical establishments, 46.3% of hatters, cotton mills, knitwear producers, 57% of food enterprises and 78.6% of building enterprises in the city of Buenos Aires²⁰.

also *The early phase of multinational enterprise in Germany, France and Italy*, Florence, European University Institute, 1984

¹⁷R. Cortés Conde, *La economía política de la Argentina en el siglo XX*, Buenos Aires, Edhasa, 1905, pages 22-38.

¹⁸T. S. Di Tella, *Historia social de la Argentina contemporánea*, Buenos Aires, Troquel, 1998, pages 50-61.

¹⁹T. S. Di Tella, "Argentina: un'Australia italiana? L'impatto dell'immigrazione sul sistema politico argentino", in: B. Bezza (ed), *Gli italiani fuori d'Italia: gli emigrati italiani nei movimenti operai dei paesi d'adozione 1880-1940*; Milan, Angeli, 1983, page 424.

²⁰E. Scarzanella, "Argentine industry and Italian immigrants: the birth of the Buenos Aires industrial bourgeoisie", in: B. Bezza (ed), *Gli italiani fuori d'Italia: gli emigrati italiani nei movimenti operai dei paesi d'adozione 1880-1940*; Milan, Angeli, 1983, page 593.

Between 1898 and 1906 the founders of Italian enterprises in Argentina were almost all from three regions: Lombardy (34.6%), Liguria (18.3%) and Piedmont (18.3%)²¹. A few entrepreneurs had had manufacturing businesses in Italy before emigrating whose production had in part been exported to Latin American markets: these entrepreneurs are part of the conglomerate that Luigi Einaudi called “industrial colonisers”. It is no coincidence that one proponent of this phase of marked optimism, in the textile industry, was Enrico Dell’Acqua, the “merchant prince” as Einaudi himself described him²². In industry, Italians predominated in food, building materials and metallurgy, as well as in printing and textiles, to a lesser extent, and in wine production²³.

A determining characteristic of this entrepreneurial activity is the undertaking of both production and import activities at the same time. In fact, acceptance of local goods matured only with a perpetual comparison with the foreign goods that emigrants were more used to. The arrival of the Italians in Argentina, like the diaspora in other places around the globe, brought trade that was principally directed to the ethnic market of food products and the collection of capital from the country of origin. Hope for the expansion of Italian industry abroad lay in the first migrants²⁴. From the late 19th century, the markets of Latin America were highly attractive for Italian entrepreneurs in the wake of immigration there; despite this, capital investment in Argentina was extremely weak in the years preceding the First World War²⁵.

The foreign enterprises often acquired a shop to undertake retail sales and production to order, and the industrialists themselves considered it normal to sell goods produced in Argentina as foreign goods, to maintain their ethnic market, often copying the brands: Fernet and Vermouth were produced everywhere. The entrepreneurs worked hard to maintain the Italian spirit through a series of initiatives, including the well-known mutual aid societies that proliferated throughout the country.

The body that is responsible for promoting Italian trade in Argentina is the Italian Chamber of Commerce, founded in 1884. Brands such as Cirio, Pirelli, Campari, Gancia, Cinzano, Branca and Marzotto were sponsored through this institution and made progress, thanks to the Italian community which purchased consumer products such as alcoholic drinks, textiles and foodstuffs.

²¹ M. C. Giuliani-Balestrino, *L’Argentina degli italiani*, vol 1, Istituto della Enciclopedia italiana, Rome, 1989, page 213

²² L. Einaudi, *Un principe mercante. Studio sulla espansione coloniale italiana*, Turin, Bocca, 1900

²³ F. Devoto, *Storia degli italiani in Argentina*, Donzelli, Rome, page 292

²⁴ D. Bigazzi and F. Rampini (ed.), *Imprenditori italiani nel mondo ieri e oggi*, Milan, Scheiwiller, 1997, page 24

²⁵ A. Goldstein and A. Lluch, *The Italian Economic Presence in Argentina – The Contribution of Multinational Corporations*,

http://www.udesa.edu.ar/files/UAHumanidades/Seminario%20Depto%20Humanidades/Economic_Presence.pdf, page 4

Argentina is certainly the Latin American country most affected by this phenomenon, Torcuato Di Tella with SIAM and Agostino Rocca with Ansaldo²⁶ were part of a community with a very ramified destiny.

There was great interest in a new country yet to be built: in addition to the early arrival of Pirelli, the most emblematic cases of Italian direct investment in Argentina during the 20th century were Fiat, Olivetti, Snia Viscosa, Montecatini and then, only later, Eni and Agip.

Among the Italian enterprises installed in Argentina, we also find Ercole Marelli, which opened a branch in Buenos Aires at the start of the 20th century, and Franco Tosi who from 1909 was represented by Giovanni Carosio, a man who would later play a leading role in Pirelli in the years to come.

From 1901 Italy fell from fourth to fifth place among the nations exporting to Argentina: France overtook Italy in sales, and the two nations fought for food and drink sales in the Argentine market. Argentina imported from Britain, Germany, the United States and France, in that order²⁷ and total imports from Britain were three and a half times those from Italy. The principal exporter to Argentina, Great Britain, sold mainly coal, textiles and railway material, while agricultural machinery, oil and lumber were imported from the USA, whose role was in any event marginal. From Italy, the Argentine Republic imported mainly textiles, wines and vermouth, olive oil, rice, cheeses and preserves. So exports were fairly low in those years, and in fact the trade balance was highly favourable to Argentina, while immigrant's remittances made the Country an exporter of capital to Italy²⁸.

The total value of products exported from Italy to Argentina in the decade 1900-1909 was Lit. 980 million, while the total value of products imported into Italy from Argentina in this decade was Lit. 300 million²⁹.

The underlying reasons were to be found in the dirigiste approach of the times: "comprar a quién nos compra": Argentina preferred to purchase more and more goods from nations that purchase its goods in exchange, instead of having to pay for purchases in cash. In addition, the products that Argentina could potentially export were competitors to Italian products, first and foremost, cereals. Also, Italy has little infrastructure to (be able to) export successfully. The customs regime did not protect industrialists sufficiently for them to feel secure (enough) in Italy to be able to explore

²⁶D. Bigazzi and F. Rampini (ed.), *Imprenditori italiani nel mondo ieri e oggi*, op cit., page 26

²⁷ASIP, *Il commercio argentino coll'estero* (Argentine foreign trade), report on the first six months of 1909

²⁸M. I. Barbero, "Groupos empresarios, intercambio comercial e inversiones italianas en la Argentina. El caso Pirelli (1910-1920)", in: "Revista cuatrimestral", agosto-diciembre 1990, n. 15, page 319

²⁹Comitato nazionale per le esportazioni e le esportazioni italiane all'estero (a cura di), *La partecipazione dell'Italia alle esposizioni internazionali di Buenos Aires 1910* (*National committee for Italian foreign exports and imports* (ed.) *Italy's participation in the Buenos Aires 1910 international exhibitions*), Rome, 1910, page 23

foreign markets. The country was lacking in solid structures to promote foreign trade, with notable organisational shortcomings. Moreover, industrialists were often ignorant of the characteristics and commercial practices of the markets they wished to operate in. High shipping costs added to these difficulties: from Genoa to Buenos Aires cost 45 francs per cubic metre, with extra weight-related charges. To transport a motor vehicle cost around 900 francs, excluding loading and unloading costs, while the same transport cost between 300 and 250 francs at the port of Antwerp³⁰.

Pirelli up to then

“Internationalism, for example. Travelling the world is a Pirelli vocation. The small 1872 factory with 40 workers and 5 clerks arose out of that first study trip made by Giovanni Battista, his gaze at Europe. My elders - my father Alberto, my uncle Piero and my grandfather, the founder – never settled for small-scale and safe, being masters in their own house. They constantly undertook foreign initiatives because the home market was flat, not big enough to enable the company to produce at costs that were competitive, unlike their competitors who could rely on much bigger and more developed home markets. Exports themselves were subject to stiff customs tariffs and import barriers”³¹.

The idea of expansion that has always characterised the Milanese Group is encapsulated in these words of Leopoldo Pirelli. It was no coincidence that at the start of the 20th century Pirelli, whose initial production focussed on rubber items, found its foreign strength in miscellaneous items (such as toys, accessories, car components) and cables (electric threads):the principal outlets were Britain, Spain and South America. Pirelli was in fact the only one of the three Italian enterprises that invested abroad prior to 1914 to have operations in several countries.

Pirelli started its business thanks to the discovery of the vulcanisation process by the engineer G.B. Pirelli; the company started in 1872 in Milan, manufacturing elastic rubber items. In the first years of operation it focussed on medical items, rubber objects used in surgery, hygiene and haberdashery, as well as sports and waterproof clothing. It soon began to export to Switzerland, France and Spain. The leap forward occurred with the production of electric cables, which would be crucial for the future business of the company.

³⁰*Ibidem*, pages 34-35

³¹G. Vergano, “La storia”, In: *Pirelli 1872-1997. Centoventicinque anni di imprese*, Scheiwiller, Milan, 1997, pages 12-13

In 1880 new workshops were added to the existing ones, manufacturing “insulated cables and threads” for electrical applications and for the processing of gutta-percha, and the manufacture of natural rubber thread.

In the next few years, Pirelli expanded into production related to elastic rubber or gutta-percha. In 1883 the company undertook major refinancing, dictated by the need to extend the submarine cable market internationally: the company became a limited partnership with the name Pirelli & C. (share capital Lit. 2,000,000). However, those years also saw the start of electric cable and thread production for export.

Pirelli was already producing medium electric cables in 1885, exporting them thanks to several international licences obtained during the 1880's. The partnership with the polytechnic led to the construction of a very high voltage cable in 1904.

In 1886 construction of a plant to produce underwater telegraph cables started in 1886, and a branch plant was built in S. Bartolomeo (La Spezia) dedicated only to this, while a large telegraph ship, baptised “Città di Milano” was built for this purpose. To develop these initiatives the Company increased its share capital to Lit. 3,500,000, issuing bonds for Lit. 1,500,000. Before this, and with the “Città di Milano”, a ship with capacity for 700 tons of cable, Pirelli started to lay the Tremiti, Pantelleria, Lipari, Giglio, Gorgona, Naples-Ustica-Palermo cables, among others.

From 1885 the Italian government had wanted to link its African possessions to the world network with a telegraph cable. The government started negotiations with Foreign Telegraph of London, but Pirelli made a much more advantageous offer³² which was accepted, and which raised the profile of the business on European markets: in 1888 the Spanish government commissioned Pirelli to lay the Jabrea-Ibiza cable and in the following years commissioned it to lay cables connecting Spain with Morocco. There was no lack of international recognition: in 1892-3 Pirelli's flourishing export trade was awarded a gold medal at the Italian-Argentine exhibition in Genoa. The first Italian geographical conference (congresso geografico italiano), which met at the same time in Genoa, also awarded Pirelli a “first class medal”. Those years were characterised by a series of notable innovations. In 1900 Pirelli patented a special electric cable for very high voltages and, in addition to tyres for penny-farthing cycles, it developed the first examples of automobile tyres. To expand both markets, it cultivated relations with many countries, including France, Britain, South America and Japan: this strategy developed primarily because of the inadequacy of the home market³³.

Multinationals decide to invest by evaluating the risk premium of each destination country, to increase the expected productivity of the FDI; choice of location that reduces costs to a minimum;

³²B. Bezza, “L'attività multinazionale della Pirelli (1883-1914)”, in: “Società e storia”, no. 35, page 58

³³A. Montenegro, “The Development of Pirelli as an Italian Multinational 1872-1992”, in G. Jones and H. G. Schröter, *The Rise of Multinationals in Continental Europe*, Edward Elgar, London, 1993, page 185

analysis of investment costs. The decision about where to invest is based above all on comparative advantages. A multinational enjoys comparative advantages in terms of production costs of a particular product (export by foreign branch to parent company) and seeks to attenuate the specific transaction costs – marketing – in the country of origin (export by parent company to foreign branch)³⁴.

So the business established itself in Argentina with a trade branch from 1898, with the aim of placing rubber products from the Milan factories on that market³⁵. Beyond its still embryonic interest in Latin American markets, between 1901 and 1902 Pirelli advanced Lit. 923,000 for the construction of its factory in Villanueva y Geltrù to address the expansion of the cable market in Spain: the branch arrived within a year and handled the whole Spanish requirement. In 1907 the factory was enhanced with new equipment that could fabricate every kind of undersea cable³⁶, while the Milan factory by then occupied a surface area of 40,000 square metres, 30,000 of which covered. There the company employed 3,200 workers, with some interesting company welfare initiatives, such as the on-site nursery. A branch company was established in London in 1909, a company registered under English law called Pirelli Ltd.

The following year the company participated in two major international trade fairs: one in Brussels, where the company merely displayed some examples of its tyres and wheels for vehicles in general, and the Buenos Aires Exposición Internacional at which the company displayed the full range of its varied production. The company won two “grand prix” awards in Brussels, and three “grand prix”, four “diplomas of honour” and two “gold medals” in Buenos Aires.

The company’s exports increased steadily. From 4% in 1883 to 10% in 1886, reaching 30% at the end of the century³⁷. In 1906 total turnover jumped from 16 to 21 million, three times the share capital, and indebtedness increased from Lit. 3.7 million in 1904 to 11 million in 1906³⁸. The expansion of the 1920s was linked to the entry of new companies such as SNIA and FIAT into the international market.

In Argentina, Pirelli found an outlet for its electric cables and threads, although the business required a partnership with enterprises dealing in electromechanical material; this was the only way that contracts for electricity companies could be acquired.

³⁴W. Andreff, *Le multinazionali globali (Global multinationals)*, op. cit., page 44

³⁵B. Bezza, “L’attività multinazionale della Pirelli (1883-1914)”, op. cit., page 70. See also *Storia delle industrie Pirelli*, 1942, vol. 4, page 27.

³⁶ASIP, “Le industrie e gli stabilimenti della Pirelli e C.” (The industries and factories of Pirelli e C.) printed booklet with statistical charts and diagrams, 692, 1906

³⁷B. Bezza, “L’attività multinazionale della Pirelli (1883-1914)”, op. cit., page 69

³⁸N. Tranfaglia, *Vita di Alberto Pirelli (1882-1971). La politica attraverso l’economia*, Turin, Einaudi, 2010, page 63

In this sense foreign competition was difficult to overcome, particularly regarding AEG and Siemens. In fact, between 1903 and 1913 half the electrical products imported by Argentina were of German origin. However, the market consolidated: Marelli, Tosi and Pirelli were players in the electrical materials market³⁹.

In 1913 Pirelli became part of “Columbus” and hence of the powerful “Compañía italo-argentina de electricidad” to which it would supply the underground cables discussed below, and in Britain the following year opened a large cable factory in Southampton, founding Pirelli Ltd, in partnership with London’s General Electric Co Ltd, one of the most powerful British electric companies⁴⁰.

The Argentina branch

“Desirous to give our business affairs in the Argentine Republic, Uruguay and Paraguay greater development in correspondence with the importance of our production, and as is evident also from the results of the recent trip an agent of ours made there, convinced, at the same time, that our current representatives in Buenos Aires, Messrs Peretti and Pestagalli cannot, given their many engagements, dedicate to the negotiation of our business affairs all the time, special interest and diligent, assiduous attention that are indispensable for the achievement of the aforementioned purpose, we have reached a decision to cancel the mandate we had conferred on them”⁴¹.

With this document, in March 1898, Gian Battista Pirelli started to reorganise the Buenos Aires sales branch by appointing a sole representative: Alvaro Company, who was also appointed to represent the company in the foreign markets of Uruguay and Paraguay and to continue to act as agent for the southern states of Brazil (Rio de Janeiro, S. Paolo, Paraná, S. Caterina and Rio Grande do Sul) while his representation of the company in the other countries of South America was abolished, although he was still entitled to handle business on behalf of Pirelli at the behest of the latter.

³⁹ B. Bezza, “L’intervento del capitale italiano nell’industria elettrica argentina (1910-1920)”, in: B. Bezza (ed) *Energia e sviluppo. L’industria elettrica italiana e la società Edison*, Einaudi, Turin, 1986, pages 259-262.

⁴⁰ ASIP, “El diario” di Buenos Aires con articolo sul progressivo sviluppo della Pirelli (the Buenos Aires “El diario” with an article on the progressive development of Pirelli), 20/9/1914.

⁴¹ ASIP, 7/3/1898 copy of the initial correspondence with the Alvaro Company of Buenos Ayres to represent our products in Argentina, Uruguay and Paraguay with revocation of the mandate of Messrs Pedretti and Pestagalli, letter by G. B. Pirelli, 7 March 1898

So the marketing of products may be considered an intermediate step before the definitive conquest of the home market: the level of internationalisation is identified with the process of forming territorial areas comprising several economically and culturally homogeneous countries⁴².

Alvaro Company was asked to represent the company for all articles (electric threads and tyres, as well as the miscellaneous products) and for all business both direct and indirect, as well as any business that Company might conclude in the other countries mentioned above, on which he would receive 5% commission, calculated on paid invoices (apart from rubber balls and underground cables, for which the commission was reduced to 2 ½ %).

However, business with governments and major administrations such as railways, shipping companies, publicly owned businesses and offices was excluded. In any event, Pirelli proposed to rely on Company as necessary to negotiate or execute transactions, reserving a commission to be set on a case-by-case basis. To protect itself, Pirelli specified that Company could not be its representative and at the same time maintain representation of other companies that dealt in the same items, with a requirement to employ in Buenos Aires a sufficient number of permanent employees engaged specially on Pirelli's business, with the requirement to appoint subagents supervised by Company for Montevideo, S. Paolo and Rio de Janeiro. So Buenos Aires became the base for Pirelli's representation in South America.

In truth, the conditions imposed by Gian Battista Pirelli were somewhat hard: no compensation was paid, whether for travel expenses or for sample transportation. However, the first set of samples was delivered free of charge to Buenos Aires.

In the early years the sales office had difficulty establishing itself. In a 1904 telegram, Company explained the lack of employees, his poor health⁴³ and the urgent need to send personnel from Italy⁴⁴. He had encountered difficulties finding specialised labour, which would lead the enterprise to import its sales agents.

The multinationalisation process made progress in major companies precisely because there are products that are relatively rare, difficult to produce, with few manufacturers, as rubber derivatives and cables clearly were. Businesses that establish a stable base outside their country of origin must have previously had access to an international vision in their division of the markets and preparation of a specific general strategy for development that envisages oligopolistic processes, and this is

⁴²L. Thurow, *Head To Head: The coming economic battle among Japan, Europe and America*, William Morrow & Co, New York, 1992, pages 14-17

⁴³ ASIP, 1904-05 correspondence with agent Alvaro Company on the organisation of Pirelli's representation in Buenos Aires.

⁴⁴In a subsequent explanatory letter, Company asserted that in reality he had no employees. A single employee remained, not considered a trusted agent, although a good salesman. As for the other two employees, he had "had to sack them on the spot, as thieves", with the bitter discovery that one of them had run away from Italy precisely because of thieving, while the other had faked the director's signature on a document.

precisely the vision that they seek to obtain with a sales office. In fact, foreign direct investments generally involve the international transfer of separate but complementary factors such as capital, knowledge, entrepreneurship and sometimes manufactured goods under the control of a single institutional structure.

With the first difficulties, the intervention of Gian Battista Pirelli became indispensable, and he sent an agent to supervise Alvaro Company for 1905 and who himself became the Pirelli agent in Buenos Aires from 1 January 1906. Alvaro Company reported that he had incurred 23,000 francs per year for Pirelli, and this was the reason why Company (had decided to represent other companies (the Brinda company)⁴⁵.

One of the principal characteristics of Italian enterprises' agents in Argentina was, in fact the "lack of specialisation and consequent combination of two or more manufacturing businesses (mainly complementary) by a single enterprise"⁴⁶. For the Italian businesses, employment focussed on fellow Italians, and was incentivised by paternalist boss-worker relations, the ease with which knowledge could be transferred, resulting in fast professional training and by the myth of self-help and national pride.

The salary specified for Banfi, the agent sent by Milan, was so meagre (250 francs) that it was impossible for the employee and his family to enjoy a decent life⁴⁷. Commissions were also low because "the current price scenario for rubber and thread give little cause for hope this year"⁴⁸

But Company has faith in the future: I believe that within a few years the agency could reach a turnover of one million francs, with good staff. But in that respect, the parent company needs to provide more support, both financially and to send staff⁴⁹. Company, exhausted by the situation, asks if he can be relieved as Pirelli representative as soon as possible, withdrawing his offer to remain throughout 1905, but he then gives in to Pirelli's requests to remain⁵⁰, accompanied by its offer to pay all the agency costs⁵¹, in spite of this, the staff seem dissatisfied with the economic terms offered⁵², leaving Pirelli in a state of constant worry. To cope with the situation, Company suggests, between the lines, that (the company) propose a fixed salary plus commission (2%). He

⁴⁵ Alvaro Company declared 2,395.3 francs in commission for 1903, excluding Brazil.

⁴⁶ E. Scarzanella, "L'industria argentina e gli immigrati italiani: nascita della borghesia industriale bonaerense", in: B. Bezza (ed), *Gli italiani fuori d'Italia: gli emigrati italiani nei movimenti operai dei paesi d'adozione 1880-1940*, Milan, Angeli, 1983, page 609

⁴⁷ To support his contention Company listed Banfi's expenses, to show that it is not possible to survive with the Pirelli salary. The cost of representing the company was composed of: Banfi salary (10,000 francs), his own salary (10,000 francs). Junior clerk salaries (3,960 francs), office rent (3,168 francs), porter salary (1,544 francs), light and other small works (1,320 francs), telephone (264 francs), municipal taxes (132 francs), government taxes (1000 francs). Total agency (costs) 31,488 francs.

⁴⁸ ASIP, letter dated 7 March 1905

⁴⁹ ASIP, letter dated 04 March 1905

⁵⁰ ASIP, letter dated 7 March 1905

⁵¹ idem

⁵² ASIP, letter dated 04 April 1905

then proposes, for Banfi, a salary of 10,000 francs per year plus an interest (the compensation for people living far from their homeland) that can produce between 4 and 5 thousand francs per year. He also calculates the cost of trips to Montevideo (35 francs a day), Brazil or Chile (50 francs per day), but “much time is wasted due to the indolence of the clients”.

To cope with this situation Company persuades Banfi to stay in South America⁵³ promising to expand the agency in Chile and Peru with other staff. Chile, he says, is waking up for threads “and for rubber there is a fair amount of business to be done”⁵⁴. The forecasts are not wrong: Pirelli only began to expand at the start of the 20th century, and thanks mainly to the sale of automobile tyres.

It is then suggested that the parent company increases its strategic effort to attack the markets of Brazil and Chile more decisively.

In June 1905 Pirelli changed strategy, deciding to send Valdani to replace Banfi as agent in Buenos Aires: Banfi is called back to Milan, to the great concern of Company and the clerk, frightened by his return to Italy⁵⁵: “Banfi remained my only member of staff who is on the right track, impossible for him to return home without suspending business completely”⁵⁶. Company feared that there was a risk of going backwards with a different agent. From 1 January to 30 June 1905 turnover was 340 thousand francs, despite the poor trend in rubber and thread prices. And the agency expanded with the despatch of other staff from Milan⁵⁷.

Valdani takes over the job in Buenos Aires⁵⁸ and leaves his position as authorised representative of the Milan company⁵⁹: Argentina is playing an increasingly major role in Pirelli’s plans, to the point that he decides to send a high profile manager.

In the meantime, a “special proxy” is conferred on Alvaro Company “for registration and renewal of the company trademarks, and to accept transfers, replacement of trademarks that have not yet been issued [...]. To this effect Mr. Company is authorised to submit any application, complete all legal formalities, make any declaration, act in any legal proceedings, oppose the registration of trademarks that he considers may be confused with our own”⁶⁰. As recalled earlier, in fact, the faking of foreign goods plays a particularly important role in Argentina.

⁵³ ASIP, letter dated 18 May 1905

⁵⁴ *idem*

⁵⁵ ASIP, letter dated 04 July 1905

⁵⁶ ASIP, letter dated 10 June 1905

⁵⁷ ASIP, GB Pirelli letter to Company 19 September 1905.

⁵⁸ ASIP, letter from Valdani to GB Pirelli from Buenos Aires, 761 –7/4/1908 Binder no. 27

⁵⁹ ASIP, Circular to customers about the departure of Vittorio Valdani as authorised agent to assume the position in Buenos Aires 753 - 31/1/1908

⁶⁰ ASIP, Copy of proxy to Mr. Alvaro Company to obtain from the Argentine authorities the registration and renewal of our trademarks. 827 - 29/9/1910

So the proxy may be considered an act of full faith by the Pirelli family, “to take all those measures that he believes (are required) to protect our interests”.

1910 saw the beginning of awareness of a significant change in trend, since the market for automobiles was starting to expand: Ercole Marelli and Franco Tosi had increased their exports to Argentina⁶¹. In those years Alberto Pirelli expressed an interest in the Country, and visited Buenos Aires in 1910: “I read with pleasure the favourable reports received from Buenos Aires on our tyres, confirming those that we receive from absolutely everywhere, and I am sure that if we are able to create a sales organisation that corresponds to the soundness of our product, we will be able to develop a very high turnover in Argentina too”⁶². This is not how things go in Chile, where the sales work “seemed to me also lack that ordered activity and industrious enthusiasm that are indispensable to push a new article on a market, and especially automobile tyres”⁶³.

Given the increasing number of activities, Pirelli wonders how to act, how to organise sales. A first hypothesis is to conclude an exclusive agreement with a major company, with their commitment (to achieve) a high turnover “(which would have to be Lit. 200 or 300 thousand minimum just to start)”, in that case even the stock at the branch would be eliminated and commissions reduced to a minimum. However the conditions proposed to the company would have to be very advantageous, because it would be responsible for the advertising costs, while the sales branch would only concern itself with issuing invoices.

As a second option, (Pirelli) contemplated the possibility of maintaining the sales organisation in the branch, while cultivating relations with the various wholesalers. “These enterprises should generally pass on fixed orders at favourable discount terms and access the stock of the branch only in the occasional lack of a particular size, paying 5% more, for example, in this case”⁶⁴.

This second system would, however, allow the work of the branch to be reduced. Essentially, retail sales would be cancelled and only relations with wholesalers would be cultivated.

As a third option, they thought of combining the second programme with an intense capillary advertising campaign that addressed consumers directly, they would then be directed to the wholesalers for purchases. In addition to commissions, the right to a price supplement, at a rate to be determined, would be maintained and, as hinted in the contract itself, most of the price supplements obtained in Buenos Aires would go to the branch, which would in any event continue

⁶¹ B. Bezza, “L’intervento del capitale italiano nell’industria elettrica argentina (1910-1920)”, in: B. Bezza (ed) *Energia e sviluppo. L’industria elettrica italiana e la società Edison*, op. cit.

⁶² ASIP, Copy of letter from the management to Alfredo Gessaroli regarding the organisation of sales for the tyres and thread branch. Buenos Aires. 829 - 29/11/1910

⁶³ *idem*

⁶⁴ *idem*

to carry out “part of the correspondence and registration work as well, naturally, as the general management and responsibility for how things went”.

Some goods shipping difficulties were noted⁶⁵, due to the incapacity of the corporate structure to cope with increased requests, as well as the all-Italian problem of inadequate structures to support trade in terms of the country as a whole⁶⁶.

In fact, with the increase in internal demand, order fulfilment tended to be late, particularly orders for miscellaneous items (impermeable items). On the other side of the Atlantic various customers started to complain about the delays. To avoid as far as possible repetition of this problem, (the company) specified that orders should be sent with the maximum speed even in those cases in which the orders were not fully complete due to manufacturing incidents or other causes. “We do not doubt that this decision will meet the approval of our customers, who will certainly prefer to receive their orders promptly, even if incomplete, instead of all the goods being delayed. Naturally, we will ensure that the number of these partial deliveries is as low as possible, and that the shipping costs do not overly burden those orders that will be sent in two parts”⁶⁷.

As well as miscellaneous items, new contracts were opening for companies such as C.I.E.R.P and Impresa Luz y Fuerza, in addition to other major orders for Compañía General de Automoviles⁶⁸, which prompted the company to deploy “preventive reserves”⁶⁹: these were insurances in cases of coils damaged on arrival, which the customer had to be informed of to avoid complications with compensation payments.

The orders increased. “Regarding the movement of deliveries in general, we wrote to Mr. Company on 8 October, pleading shipping problems that in fact exist. For example, we are still negotiating to know if we can have all the space we need for this month’s various deliveries”. Other Pirelli authorised agents for Argentina and Chile were added, and an attempt was made to replace Company⁷⁰. The times were right to change agent: a Pirelli sales branch was opened in Buenos Aires from 1 January, and Gessaroli became its manager from 1 February 1911⁷¹, the branch was installed

⁶⁵ ASIP, Pirelli letter dated 20/10/1910 and Pirelli letter dated 4/11/1910 Alpino Spagnolo c/o Alvaro Company.

⁶⁶ Comitato nazionale per le esportazioni e le importazioni italiane all’estero (a cura di), *La partecipazione dell’Italia alle esposizioni internazionali di Buenos Aires 1910 (National committee for Italian foreign exports and imports (ed.) Italy’s participation in the 1910 Buenos Aires Exposición Internacional, Railways and Overland transport, Agriculture, Hygiene and Medicine, 1910, page 31*

⁶⁷ ASIP, Folder with documentation on the trip of Alpino Spagnolo in South America (June 1910/ March 1911), 890, 1911

⁶⁸ ASIP, Pirelli letter to Alvaro Company 10/11/1910.

⁶⁹ ASIP, Pirelli letter to Alpino Spagnolo c/o Alvaro Company 10/11/1910.

⁷⁰ ASIP, Memo, 7/09/1910

⁷¹ ASIP, Pirelli letter to Guido Giusti c/o A. Company 15/12/1910.

in Mr. Company's offices⁷², while he returned to Italy with considerable work experience accumulated in the Argentine Republic that he could share with the Milan headquarters.

"With effect from 1 January 1911 our enterprise has established a branch for Argentina and Uruguay under its own name "Pirelli & C." Based in the same premises in which our agent was previously located (Calle Esmeralda 940). Mr. A. Company will act as branch inspector.

Management of the branch is assigned to Mr. Alfredo Gessaroli (currently in Santiago in Chile), previously employed at our Milan branch, assisted by Mr. Guido Giusti, ex-authorised representative of Mr. Company.

Gessaroli has the power to agree extensions of deadlines, reductions in amounts and negotiate agreements with customers⁷³.

The prospects for tyre sales were particularly good, with sales of half a million in 1911. This was the number needed for the branch to retain dedicated staff⁷⁴.

The Buenos Aires Exposición Internacional: a tale of Italian spirit.

Italy's participation in the Buenos Aires Exposición Internacional, resolved after some delay with a law of 2 January 1910⁷⁵, was an event close to the hearts of the Italian community in the country of the River Plate.

The propaganda campaign instituted by the national committee for trade fairs of Italian exports abroad was soon joined by most Italian industrialists.

The convincing arguments of the committee brought the total goods on show to 1700 packages weighing a total of 407 tons. The general secretary of the Italian committee and the Regio Commissario Generale d'Italia (royal commissar general of Italy) held two inquiries to incentivise the passage, in September 1909. The committee was already fully active organising the Brussels international trade fair in April 1910, however the aim of this new institutional commitment was to incentivise mutual respect and economic links between Italy and Argentina and mutual and "reveal the plethora of Italian ingenuity and labour".

The reports in those years make clear that the Italian industrialists were reluctant to participate in world fair for two kinds of reasons: on the one hand, the retail sales that already made their

⁷² ASIP, Letter from Alberto Pirelli to Alessandro Radaelli 13/12/1910

⁷³ ASIP, Management letter to Banco de Italia y rio de la Plata di Buenos Aires e di Montevideo, 17/12/1910

⁷⁴ ASIP, Letter from A. Pirelli to Mario Brun, 12/12/1910

⁷⁵ Comitato nazionale per le esportazioni e le esportazioni italiane all'estero (ed), *La partecipazione dell'Italia alle esposizioni internazionali di Buenos Aires 1910 (National committee for Italian foreign exports and imports (ed.))* Italy's participation in the 1910 Buenos Aires Exposición Internacional, Railways and Overland transport, Agriculture, Hygiene and Medicine), 1910, page 9

products, particularly food products, already accessible to the masses; and on the other, the sale of technically advanced products which, in contrast, it makes no sense to showcase because they are not immediately receivable. Despite their initial misgivings, the fair was a success, due to sales which, although not representative of the scope of the event, were in any event significant. “Trade fairs are the battle fields of the 20th century: those who do not participate [...] and that is that for a nation facing other nations, as for an industrialist facing his competitors, may consider themselves weak”⁷⁶. Thus the expo improved export trade between Italy and Argentina.

“We are certain that all the Italian manufacturers and industrialists, persuaded of the exceptional importance of these exhibitions, will participate in them with all zeal and ardour. In this way Italy too will play its part in the solemn patriotic festival of the Argentine Nation which, with high and modern intentions, wanted to achieve together (this) international festival of labour and progress”⁷⁷. The national committee for world fairs and foreign exports asked Pirelli to participate for chemistry in the Buenos Aires *Exposición Internacional*, in its industrial products and applications, and how it related to other enterprises, including Branca⁷⁸.

With a letter dated 4 June 1909, Alvaro Company informed Pirelli about the *Exposición Internacional*, stating that it would benefit the company, broadening its visibility in the whole of South America, and urging the company to participate.

Preparation for the world fair started from that moment, with extensive documentation about sending material, the relationship with the committee and relations with the other industrialists. Alberto Pirelli asked Alvaro Company to “undertake a special initiative” to ensure that almost all the automobiles or bicycles to be on show in the Italian section “would have our tyres”, with a direct initiative to the manufacturers, ahead of their accessory representatives “to ensure that the product on show is Italian – including the accessories it is concerned with”⁷⁹.

⁷⁶ Comitato nazionale per le esportazioni e le importazioni italiane all'estero (a cura di), *La partecipazione dell'Italia alle esposizioni internazionali di Buenos Aires 1910* (National committee for Italian foreign exports and imports (ed.) *Italy's participation in the Buenos Aires Exposición Internacional 1910*), op. cit., page 19

⁷⁷ ASIP, Documentation on the participation in the Buenos Aires *Exposición Internacional* May/ November 1909 -1910 including: *Esposizioni internazionali di Buenos Aires. Belle arti, ferrovie e trasporti terrestri, agricoltura, igiene e medicina*”, catalogo ufficiale delle sezioni italiane, maggio-novembre 1910. Centenario della Repubblica Argentina (*Buenos Aires Exposición Internacional. Fine arts, railways and overland transport, agriculture, hygiene and medicine*” official catalogue of the Italian sections, May-November 1910. *Exposición Internacional del Centenario della Repubblica Argentina*) and: *Esposizioni Internazionali. Partecipazione Ufficiale dell'Italia. (International trade fairs. Official Participation of Italy.)* Buenos Aires, 1910.

⁷⁸ ASFB, Fratelli Branca, Advertising poster, c. 1910, Milan. For more detail see: D. Bigazzi, G. Ginex (a cura di), *L'immagine dell'industria lombarda 1881-1945*, Milan, Silvana, 1998, page 57

⁷⁹ ASIP, Alberto Pirelli, letter dated 16 August 1909

Contacts were therefore made with “Società Piemontese Automobili s.p.a” to ensure that the automobiles at the world fair would have Pirelli tyres⁸⁰.

It was Alberto Pirelli’s wish to extract the maximum advantage from the world fair and the advertising to be done there.

“The splendid exhibition of the Pirelli company of Milan; which is across the entire front of the main entrance and is absolutely worthy of the fame that surrounds it.[...] warmly congratulate Mr. Alberto Pirelli who, having come here for the fair, has given splendid evidence of a very intelligent business”⁸¹. To be more incisive, a film (owned by Pirelli) was commissioned and screened during the world fair “that shows the workers leaving our factory in Milan, and four set illustrations of our factories”⁸². A wooden model of the ship “la Città di Milano” was also on display, although this arrived damaged. The whole event resulted in a series of awards for the business.

And new business developments were just over the horizon. With Gessaroli as manager, Company assumed the role of Inspector of the Branch since he was able to dedicate less time to representing the company. Unlike his father, Alberto Pirelli had systematic control over his staff, who he assessed scrupulously. For the representation of the Company in Argentina, from which the Chile agency originated, he in fact selected collaborators with great attention. If they were not considered able in their work, or if they did not show enthusiasm for the promotion of new products, they were moved or recalled to Milan⁸³. Pirelli tyres are welcomed in Buenos Aires and throughout Latin America, and so there is the prospect of increased sales, which are reorganised.

There are various possibilities: the idea of giving the exclusive to some major company such as Laborde or Chiosa is considered, but only if they could commit to a major turnover (which could be Lit. 200 to 300 thousand to start with), with compensation for advertising costs. Another opportunity would be to keep the organisation of sales of tyres concentrated in the branch, (as for other items), creating a stock, but also cultivating relations with the various wholesalers in the territory, who would have to place fixed orders and access the branch’s stock only in case of need, paying 5% more in this case.

⁸⁰ ASIP, Letter from GB Pirelli to Villa, 25/02/1910

⁸¹ In: “La patria degli italiani” (The homeland of the Italians”). Monday 28 July 1910

⁸² ASIP, Letter from GB Pirelli to the national committee for foreign world fairs 21/6/1910

⁸³ ASIP, Pirelli wrote to Alessandro Radaelli on 28/9/1910. Pirelli offered Radaelli the possibility of transferring to the Reiser company in Santiago to handle rubber and wire items, taking account of the fact that there are good prospects for expansion in Chile. Alternatively, he was offered the chance to return to Milan as a clerk in the wires office. See also ASIP, Letter of 29 November 1910 from Alberto Pirelli to Alfredo Gessaroli. He says that he is disappointed with the activity of Brun, who is unable to manage the invoices and (lacks) the enthusiasm needed to push a new product. Letter of 6 January 1911 from Alfredo Gervasoni to the senior management which reports that Mario Brun has ceased to be employed on sales since he does not consider the contractual conditions to be adequate.

It became evident that there was a need for every branch of sales to be handled with adequate attention, seeking to contain costs. The reorganisation of sales led in 1913 to a new organisation of the branch, which would include the Argentine Republic, Uruguay and Paraguay⁸⁴. A warehouse for automobile tyres and cables only was annexed to the branch, which undertook not to make sales outside its area, and Company was made responsible for identifying the quantities and assortment of goods to ship, the maintenance and storage of the tyres, which had no guaranteed service life⁸⁵.

“The branch will enjoy favourable prices from headquarters, and will sell on its own behalf, in its area, at the highest prices possible, sustaining all the expenses and risks related to the sale itself; however headquarters reserves the right to set the sales conditions to be applied in the branch, if appropriate”.

Any resolution of major expense is to be submitted to headquarters for approval, as do any regarding the rental of premises, the conditions, engagement or dismissal of personnel, the books are to be kept using double entry in a master ledger, (using) the American system, i.e., a warehouse ledger divided into three sections: Tyres, Cables in General and Miscellaneous items in rubber.

“For 1913, the branch financial year will begin with orders taken by the branch itself from 1 January 1913, orders taken before that date and yet to be wholly or partially invoiced, will be settled based on the old agreements, however the commission due to you on these orders will be reduced by 1/3”.

Existing goods in the branch warehouses at 31 December 1912 shall be debited to the branch at load cost [...] debiting the shipping, insurance customers, etc. expenses to the branch itself, in this specific case.”⁸⁶.

Resources that are transferred from one country to another are not the object of trade, that is, they tend to be moved from one section to another by the enterprise that makes the investment: in other words, there is no exchange of goods. In fact the enterprise has the advantage of self-financing, and often avoids recourse to sources of finance in the host countries⁸⁷. In fact it should be noted that “in calculating the proportion of sales to receipts in 1915, I note, incidentally, that the Buenos Aires branch had, at 31/12/1915 and still today, an absolutely disproportionate “overdraft”, that is, that remittances are notably slow⁸⁸.

⁸⁴ ASIP, copy of service orders regarding the regulation of the Buenos Aires branch. 939 25/1/1913

⁸⁵ ASIP, Letter from the senior management to A. Company 25/05/1910, in: File. Buenos Aires Branch, 1910/1920.

⁸⁶ ASIP, Preliminary agreement 27/7/1910

⁸⁷ P. Hertner, “Introduzione”, in: P. Hertner (ed.), *Per la storia dell'impresa multinazionale in Europa*, Milano, Angeli, 1987, p. 8

⁸⁸ ASIP, letter dated 11/03/1916

The company finalizes its first financial year that year. Despite the difficulties experienced by all general trade, allegedly, as a consequence of the European war, the company responded well to the difficult economic situation⁸⁹.

La Compañía italo-argentina de electricidad

In 1911, Pirelli participated with Franco Tosi in the creation of the Compañía Italo-Argentina de Electricidad, subsequently controlled by Brown Boveri⁹⁰.

“We had been studying a proposal to invest financially in a company to be created in Argentina to build electrical plant for the production and distribution of energy, exploiting connections, some already achieved by the promoters (of the enterprise) and others yet to be achieved.

The promoters of the company in question are people well known to us for their technical value and the success that has accompanied other similar ventures of theirs, and they have already shown particular liking for our company, having placed several major orders in the past. They have provided assurances that the new combination would bring a large increase in order and, since regardless of this, the proposition in itself appears favourable, the senior management has decided to participate in agreement with the Franco Tosi Company of Legnano, which is guided by the same criteria and the same interests”⁹¹.

The great Argentine market for electricity generation is starting. Already in 1906, Carosio had joined Vaccari of the Compañía General de Fosforos to create the first enterprise of Italian producers in the Argentine electricity sector that was dedicated to the construction of small electrical power stations. After the creation of the Banco de Italia y Rio de la Plata, which grouped the interests of the enterprises on the peninsular, one of the largest Argentine financial institutions, whose clients included most of the industrialists of Italian origin, the Compañía Italo-Argentina de Electricidad started. The Devoto, Torquist, Bunge y Born and Bemberg groups had relations with Italy in terms of both import and export, alongside relations with various entrepreneurial businesses, with Banco de Italia y Río de la Plata and the Compañía Italo Argentina de Electricidad⁹².

⁸⁹ASIP, Financial statements, 31 January 1919

⁹⁰F. Devoto, *Historia de los italianos en la Argentina*, Buenos Aires, Biblios, 1908, page 289. See also N. Tranfaglia, *Vita di Alberto Pirelli (1882-1971). La politica attraverso l'economia*, op. cit., page 85

⁹¹ASIP, copy of letter from the senior management to Achille Bologna, Advocate at Law, auditor of Pirelli (informing him) of the decision to invest financially in the construction of the Italian-Argentine electricity company, 867 5/9/1911.

⁹²M. I. Barbero, “Business Groups in Argentina during the Export- Led Growth Period (1870-1914)”, in: G. Tortella e G. Quiroga (ed) *Entrepreneurship and Growth: An International Historical Perspective*, page 87. For a historical

Pirelli built Columbus S.A. with Motor S.A., part of the Brown Boveri of Baden, Switzerland; that is, it chose to work with a major foreign group and enter into partnership with other to promote the construction of a manufacturing company.

However, the plans of Alberto Pirelli, who favoured a solution that envisaged the construction of an Italian-Argentine financial consortium, were not listened to: “we would have again preferred the construction here in Italy of a broad based syndicate, that could have taken an interest in various groups and various enterprises, instead of participating in the construction of a single enterprise, albeit destined to have a vast enough field of action”⁹³.

Pietro Vaccari and Vittorio Valdani had been the first two directors of General de Fosforos, one of the largest agricultural, industrial and financial conglomerates in Argentina, which had great prominence in the conformation of the Unión Industrial Argentina (UIA). Vittorio Valdani represented the so-called “Italian Group”, a group of enterprises that met around the Compañía General de Fosforos, while Giovanni Carosio represented Tosi, which would then build Italcable (1921). Valdani, manager of the Compañía General de Fosforos and ex-manager at Pirelli in Milan, was elected local director for the Compañía Italo-Argentina de Electricidad, i.e. he was given a mandate to carry out inspections and checks at the branch.

So the whole operation was a substantial act of faith in Carosio and Valdani. The group participated with 400,000 pesos, but Pirelli increased this figure after the agreement with the Baden motor company representing the Brown Boveri group, so as to build another network⁹⁴.

So Italo-Argentina ended up with share capital of 5 million pesos, equal to two million francs. The managing director of the company was Giovanni Carosio, who knew the country well due to his long experience in electrical enterprises there. With this network Pirelli guaranteed for itself the orders to supply the need for electric cables for the plant that the company would build in Argentina: so employing its capital represented a transaction that was profitable in itself, irrespective of the advantage for the enterprise to obtain important orders. Gessaroli, the director of the branch, was appointed a deputy director of the Bancod’Italia y Rio de la Plata of Buenos Ayres. The company was incorporated on 9 October 1911⁹⁵.

evolution of the subject, see. L. Senkman, “New Notions of Citizenship”, in: M. Sznajder, L. Roniger, C. Forment (ed) *Shifting Frontiers of Citizenship: The Latin American Experience*, Bill, New York, 1912, page 390.

⁹³ASIP, copy of letter signed by Alberto Pirelli to M. Herbitzka of Buenos Aires, on participation in the Italian-Argentine company 872. 9/11/1911.

⁹⁴ASIP, copy of letter to Vittorio Valdani manager of CIA of Buenos Aires, on the same aforementioned topic, 868 6/9/1911

⁹⁵ASIP, Photocopy of the report of the managing director to the extraordinary meeting of shareholders: information on the opening of a branch in Paris in the month of February and participation in the construction of the Italian-Argentine electricity company with the sum of 300 francs, 911.24/3/1912, page 3

Despite strong German competition, Italo-Argentina obtained a fifty year concession to distribute energy to Buenos Aires, which broke the monopoly of Compañía Alemana Transatlántica de Electricidad (CATE).

In 1913, Swiss holding company Columbus opened, with the object of acquiring holdings in Latin American electricity companies. This initiative made it possible for Pirelli to make business alliances in the world of Swiss finance⁹⁶.

In 1917 “Pirelli on the Plate” started production of cables, tyres and natural rubber products, with 24 employees: this was the first enterprise of the Group in the Americas, and the first Italian multinational enterprise in Argentina⁹⁷: a wholly exceptional case⁹⁸.

For this enterprise, direct foreign investment became progressively advantageous compared to other forms of investment. This was essentially due to economies of production, technical knowledge and dissemination of this knowledge beyond the frontiers of the country, on the one hand, and international market(ing) conditions on the other.

In high technology industries it is the technology itself that provides the multinational with an evident margin of advantage over rival local businesses.

Corporations huge enough, and few enough, to be able to allow innovations of a technical nature to play a leading role in the evolution of a particular industrial sector, while at the same time they are subject to the pressure of competition that can push them forward.

Pirelli reflected on this: to the extent that other factors will inevitably be built in other countries, if for no other reason than customs tariffs, it is better to assume control rather than lose markets⁹⁹.

And this is its history in Argentina: the first factory built in Buenos Aires in 1917, was followed by a second for the production of miscellaneous rubber articles, the cable factory in Donato Alvarez, in the province of Buenos Aires started in 1921 and in 1930 a larger and more modern factory “La Rosa” was built – again in Buenos Aires. This housed all the most important processing, including additions such as a copper rolling mill and underground cable production and, in the rubber sector tyre manufacture for penny-farthings and show production¹⁰⁰.

So Pirelli was the Italian cutting edge of the multinational system in Argentina, where it played a fundamental role with illuminated management, a feature of the great enterprise that was very rare

⁹⁶ A. Montenegro, “The Development of Pirelli as an Italian Multinational 1872-1992”, op.cit., page 187

⁹⁷ A. Goldstein and A. Luch, *The Italian Economic Presence in Argentina – The Contribution of Multinational Corporations*,

http://www.udesa.edu.ar/files/UAHumanidades/Seminario%20Depto%20Humanidades/Economic_Presence.pdf, page 14

⁹⁸ V. Zamagni, *The Economic History of Italy 1860-1990*, Clarendon press Oxford, 1993, pages 131-132

⁹⁹ J. P. Daviet, “Il processo di multi nazionalizzazione di lunga durata: il caso della Saint-Gobain (1853-1939)”, in: P. Hertner (ed), *Per la storia dell'impresa multinazionale in Europa*, Milano, Angeli, 1987, p. 44

¹⁰⁰ A. Pirelli, *La Pirelli: vita di una azienda industriale*, Milano, 1946, page 64

in the peninsula, and the articulation of an ethnic dialogue based on entrepreneurial relations that were capable of building true business lobbies.

Only the international vision of first Gian Battista and then Alberto Pirelli laid the foundations for the start of the enterprise over the ocean, first with a sales branch and then with the opening of factories. This process encompasses all the constituent elements of young multinationals delineated in the theory: exploration of the territory, despatch of sales agents and monitoring of businesses. But the distinctive character of Pirelli in this transition lies in the great emphasis placed on the Buenos Aires Exposición Internacional: it was only after this event, in fact, that the idea took hold that it could act in the territory in collaboration with other Italian entrepreneurs in a country that was still to be built at the start of the 20th century. Argentina was the first South American target, and the centre of the network of representation of the company on the subcontinent: the markets were originated and controlled by the Buenos Aires branch, where Pirelli had exported its enterprise culture, already known in Spain and Great Britain. In reality, in Argentina, thanks also to Columbus and the major orders that were generated with this, the company created a driving centre that oversaw a whole segment of Italian spirit that, thanks also to the skills of an increasingly skilful management, interpreted the markets and built bridges between a central but peripheral country like Italy and a central periphery for the new world such as Argentina.

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