Venice’s Economic Diplomacy: Timeless Lessons for Contemporary Global Challenges

Andreas N. Papastamou

ABSTRACT

Several authors have explored the role of Venice in diplomacy, given the city-state's historical significance as a major maritime and trading power. Could the Venice experience teach us about economic diplomacy today? Venice, during its heyday as a maritime republic and a major economic power in the Mediterranean, offers several lessons in economic diplomacy that remain relevant today. While the historical context differs, the principles underlying Venice’s economic success and diplomatic strategies can provide insights into contemporary international relations and economic diplomacy.

Keywords: Economic diplomacy, economic history, global challenges, Venice.

1. Introduction: Venice Unveiled: Pioneering Frontiers in Scientific Exploration

John Julius Norwich, the famous English historian, author, and television personality, in his book *A History of Venice*, presented a comprehensive and detailed account of the history of Venice. He explored how the Venetian Republic functioned and adapted over the centuries based on a distinctive political system characterized by a republican government that evolved into an oligarchy (Norwich, 2003). He described how the city-state became a major trading and naval force in the Mediterranean, establishing colonies and trade routes that contributed to its wealth and influence. Norwich also explored the cultural and artistic achievements of Venice, emphasizing the city's contributions to art, architecture, and literature. The Venetian Renaissance, in particular, is discussed in terms of its unique characteristics compared to other Italian Renaissance centres. Finally, he addressed the challenges faced by Venice, including external threats, wars, and the changing dynamics of European politics during the Napoleonic era (Norwich, 2003).

Norwich was not alone. Several authors have explored the role of Venice in diplomacy, given the city-state’s historical significance as a major maritime and trading power. Their works offer valuable insights into the diplomatic history of Venice, shedding light on the strategies, alliances, and challenges faced by the Venetian Republic in its interactions with other states during different historical periods. American historian Frederic C. Lane, famous for his scientific work on the history of Venice, explored how Venice's naval power and diplomatic strategies contributed to its success (Lane, 1973). Garrett Mattingly’s “Renaissance Diplomacy”, while not exclusively focused on Venice, provides a broader overview of Renaissance diplomacy, and he discusses the role of the Venetian Republic in diplomatic relations during this period (Mattingly, 1988). Maurizio Viroli's *As If God Existed: Religion and Liberty in the History of Italy* explores the political thoughts and practices of Italian city-states, including Venice. The book discusses威尼斯’s diplomatic engagements and political philosophy in the context of religion and liberty (Viroli, 2012). As Michael Mallett (2001) of Warwick University noted in his paper on Italian Renaissance diplomacy, “Italian developments were less unique and less isolated from the European scene than used to be thought. Also too much emphasis has been placed on a transition from occasional to continuous diplomacy, and the emergence of the resident ambassador has to be seen in the context of changing decision-making mechanisms and bureaucratic structures” (Mallett, 2001). The book of Catherine Fletcher, “Diplomacy in Renaissance Rome: The Rise of the Resident Ambassador”, while focusing on Rome, touches upon the broader Italian context,
including Venice, exploring the development of resident ambassadors and diplomatic practices during the Renaissance (Fletcher, 2015). The work of the English Byzantinist Donald MacGillivray Nicol traces the diplomatic, cultural and commercial links between Constantinople and Venice from the foundation of the Venetian Republic to the fall of the Byzantine Empire. It aims to show how, especially after the Fourth Crusade in 1204, the Venetians came to dominate first the Genoese and, thereafter, the whole Byzantine economy (Nicol, 1992). In her paper, Kathryn Taylor of Pennsylvania State University showed that “the sixteenth-century Venetian Republic not only had more permanent diplomatic representatives than any other European state, it was also unique in requiring its ambassadors to deliver a final report, or “relazione”, on the states in which they had served. Although “relazioni” were intended to assist statesmen in foreign policy decision-making, over the course of the sixteenth century, ambassadors devoted increasing attention to ethnographic topics, including the customs, religious observances, foodways, and dress of the states on which they reported. The shift in the nature of diplomatic reporting did not go unnoticed by contemporaries; it engendered a vigorous debate about both the parameters of political knowledge and the nature and reliability of eyewitness versus textual authority.” (Taylor, 2020). The question that this paper is called upon to answer is whether the Venice experience can teach us about economic diplomacy today. Venice, during its heyday as a maritime republic and a major economic power in the Mediterranean, offers several lessons in economic diplomacy that remain relevant today. While the historical context differs, the principles underlying Venice’s economic success and diplomatic strategies can provide insights into contemporary international relations and economic diplomacy.

2. Adaptability and Innovation

Economic diplomacy should involve fostering innovation, supporting research and development, and creating an environment conducive to adapting to new economic realities (Bokhan & Zalizniuk, 2022).

Venice’s geographical location in the heart of the Mediterranean played a pivotal role in its economic success. The city capitalized on its proximity to key trade routes, enabling it to act as a crucial intermediary between the East and West. As geopolitical circumstances and trade patterns evolved, Venice adapted by reconfiguring its trade routes and maintaining a flexible approach to international commerce (Crowley, 2012).

Venice’s political structure, characterized by a unique blend of republicanism and oligarchy, provided a foundation of stability and adaptability. Venice was officially a republic, and its political landscape included key republican features such as elected officials, councils, and a commitment to the common good. The Great Council, composed of Venetian nobility, functioned as the primary legislative body, and the Doge, the head of state, was elected for life. While Venice was nominally a republic, the reality was more nuanced. The power within the Venetian political structure was concentrated in the hands of a select group of aristocratic families, forming an oligarchy. Membership in the Great Council was limited to these families, and they played a dominant role in decision-making. The oligarchic nature of Venetian politics contributed to a degree of stability. By concentrating power within a relatively small, established elite, the Venetian Republic avoided the frequent regime changes and power struggles that characterized some other Italian city-states. The Doge, though holding a prestigious position, functioned more as a ceremonial and symbolic figurehead rather than an all-powerful ruler. This arrangement provided a sense of continuity and stability, as the Doge’s role was less prone to the fluctuations of political maneuvering. Venice incorporated a system of checks and balances within its political institutions. The Council of Ten, for instance, served as a secretive political body that could act swiftly in times of crisis. This structure allowed for decisive action while preventing excessive concentration of power. The Venetian government adeptly navigated diplomatic challenges, forming alliances and treaties to secure favorable economic conditions. This flexibility in foreign relations allowed Venice to adapt to geopolitical shifts. Venice’s political structure contributed to the longevity of the Republic. It endured for over a millennium, adapting to internal and external challenges and navigating the complexities of Renaissance politics and beyond (Greif, 1995; Helferty, 2015).

Venice’s economic success was rooted in its ability to adapt to changing circumstances. The city-state continually innovated in trade, finance, and shipbuilding. Venice pioneered innovative financial practices that contributed to its economic success.

The introduction of the Venetian ducat, a gold coin first minted in 1284, played a crucial role in the city-state’s economic success. First of all, it was known for its consistent weight and purity, providing stability and reliability in a period when the quality of coinage varied widely. Merchants and traders favored the ducat for its standardized specifications, making it a trusted medium of exchange. Venice’s commitment to maintaining the purity of the ducat, which was backed by a gold standard, added to its appeal. The use of gold as a standard ensured the coin’s intrinsic value, enhancing confidence in its
adaptability was crucial for maintaining the city's naval dominance (Bondioli, 2000). The forefront of developing innovative techniques for constructing sturdy and seaworthy vessels. This closely tied to advancements in shipbuilding. Skilled craftsmen within the shipbuilding guilds were at the forefront of developing innovative techniques for constructing sturdy and seaworthy vessels. This closely tied to advancements in shipbuilding. Skilled craftsmen within the shipbuilding guilds were at work, contributing to economic growth (Dunbar, 1892; Lane, 1937; Lane & Mueller, 2020; Pezzolo, 2013). Venice emerged as a key international banking hub, attracting merchants and financiers from across Europe. The city-state pioneered the use of letters of credit, a financial instrument that allowed merchants to engage in long-distance trade without the need for physical currency. Wealthy individuals and merchants deposited funds with these banks, which, in turn, provided loans to entrepreneurs and businesses seeking to expand their operations, as well as to public works projects, which further stimulated economic development. The Venetian system served as a model for other emerging financial centers (De Lara, 2001; Gleseson-White, 2012; Pezzolo, 2013).

Venice’s economic strength was closely tied to its naval power and its control over crucial maritime trade routes in the Mediterranean, allowing a virtual monopoly on the lucrative trade routes to the Byzantine Empire and the Middle East (Crowley, 2011; Lambert, 2013; Lane, 1973; O’Connell, 2009). The city's economic policies and naval strategies were often intertwined, reflecting a holistic approach to maintaining maritime dominance and economic prosperity (Crowley, 2011; Dotson, 2001).

Social cohesion within Venice was a key factor in its economic success. Venice was a melting pot of different cultures, attracting people from various backgrounds and regions. The city’s social fabric was characterized by a remarkable degree of religious and cultural tolerance. This diversity fostered an environment where individuals from different backgrounds could coexist and collaborate (Facchini, 2011; Samson, 2006). The formation of merchant guilds and trade associations in Venice exemplified social cohesion. These organizations brought together individuals with common economic interests, providing a platform for cooperation, information sharing, and collective decision-making (Della Valentina, 2006; Holbach, 1992; Moncada, 1988; Pezzolo & Cecchini, 2012). Family ties were strong in Venetian society, and the continuity of economic activities often passed through familial networks. The stability and cohesion of extended family structures provided a foundation for business continuity and shared economic goals (Muir, 2013; O’Connell, 2013; Romano, 2014, 2019). Venetians held a strong civic identity and patriotism, contributing to a sense of shared purpose. This shared identity fostered a commitment to the well-being of the city and its economic prosperity, encouraging cooperation for the greater good (Bowd, 2016; Karataş, 2016; Muir, 1986). Venice faced various challenges, including wars, plagues, and economic fluctuations. During times of crisis, the social cohesion within the community became evident in the collective response to overcome adversities. Mutual support and resilience were hallmarks of Venetian society (Bossy, 1972; Mackenney, 1986; Romano, 2019; Soriani, 2016). The layout of Venice, with its interconnected canals, squares, and narrow streets, promoted a sense of shared urban space. The physical design of the city encouraged social interaction, contributing to a cohesive community with shared economic interests (Psarra, 2018a, 2018b). Cultural events, festivals, and celebrations in Venice provided occasions for communal gatherings. These events not only enriched the social fabric but also contributed to the vibrancy of the city, attracting visitors and enhancing economic activities (Chojnacki, 1994; Feldman, 2023; Muir, 2013; Toffolo, 2020).

Venice had a tradition of apprenticeship, where young individuals learned trades and crafts from experienced artisans. This ensured a continuous supply of skilled workers, fostering a workforce capable of adapting to evolving technologies (Colavizza, 2017). As mentioned, Guilds in Venice served as centers of expertise for specific trades. These organizations provided a platform for skilled artisans to share knowledge, techniques, and innovations. This collaborative environment facilitated the adoption of new technologies across various industries (Della Valentina, 2006). Skilled workers in guilds related to the textile and glass industries were instrumental in adopting and refining new production methods. Venice became renowned for its high-quality textiles and glassware, showcasing the adaptability of its workforce in response to changing market demands (McCray, 1999). It also played a significant role in the early adoption of printing technology. Skilled printers and craftsmen within guilds embraced innovations in printing presses, contributing to the city’s emergence as a center for the production of books and printed materials (Dittmar, 2009; Richardson, 1999). Venice’s maritime success was closely tied to advancements in shipbuilding. Skilled craftsmen within the shipbuilding guilds were at the forefront of developing innovative techniques for constructing sturdy and seaworthy vessels. This adaptability was crucial for maintaining the city’s naval dominance (Bondioli, 2000).
3. Diversity of Economic Partnerships

Nations engaging in diverse international trade agreements can benefit from expanded market access. By diversifying trading partners, countries reduce dependency on a single market and open up opportunities for exporting a wider range of goods and services. This fosters economic growth by tapping into various global markets (Gelb, 2010; Regolo, 2013).

Venice was known for its diverse network of economic partnerships. The city established lucrative trade partnerships with the Byzantine Empire, particularly during the medieval period. The city became a major intermediary in the trade of goods between the East and West, including spices, silk, and precious metals (Heslop et al., 2023; Jacoby, 2021, 2023; Skoblar, 2021). Venice had extensive economic partnerships with ports in the Levant. The city's merchants conducted flourishing trade in the eastern Mediterranean, importing and exporting a wide range of goods (Jacoby, 2023; Shehada, 2020). Venice engaged in trade partnerships with North African ports, facilitating the exchange of goods and contributing to the city's role as a maritime trading power in the Mediterranean (Ghezzi, 2019; Rizzolli & Pigozzo, 2019). Venetian merchants actively participated in trade fairs and markets in the Islamic world. This collaboration with Islamic merchants allowed for the exchange of goods, cultural influences, and economic opportunities (Apellaniz, 2022; Shehada, 2020). The city had economic ties with the Hanseatic League, a powerful commercial and defensive confederation of merchants in Northern Europe. This partnership facilitated trade between Venice and the Hanseatic cities, contributing to the city's economic diversity. Venice, known for its bustling trade fairs and markets, attracted merchants from the Hanseatic League, particularly those engaged in the Baltic trade, to be present in Venice. They established trade houses and offices, contributing to the cosmopolitan nature of Venice as a hub for merchants from diverse regions (Kirby & Kirby, 2023; Shehada, 2020).

Venice's banking institutions, including the Venetian Mint and various merchant banks, engaged in financial collaborations with investors and partners from across Europe. The Bank of Venice, founded in 1587, was one of the earliest public banks in Europe. It operated in the Rialto district and facilitated financial transactions, including currency exchange and money lending. The bank played a key role in supporting Venice's economic activities (Lane & Mueller, 2020). Venice pioneered the use of joint-stock companies in the 16th century. These companies allowed investors to pool their capital for large-scale ventures, such as maritime expeditions and trade ventures. During the heyday of Venice, several other notable banking institutions existed outside of Venice, such as: the Medici Bank (Florence, Italy), one of the most powerful and influential banks in Europe (De Roover, 1999; Dinesen & Dinesen, 2020; Goldthwaite, 1987; Leader, 2021); the Banca Monte dei Paschi di Siena, which is often regarded as the oldest surviving bank in the world (Bowsky & Bowsky, 1981; Caferro, 1998; von Mettenheim & Butzbach, 2014); the Banco di San Giorgio in Genoa, one of the earliest known public banks and played a key role in financing maritime trade and military ventures (Carboni & Fornasari, 2013; De Roover, 1954; Taviani, 2022; Winter, 2022); the Fugger Bank (Augsburg, Germany) established during the 16th century by the Fugger family, prominent merchants and bankers who were major players in European finance, with significant influence in trade, mining, and banking (Steinmetz, 2015; Strieder, 2001; Walter & Kalus, 2013); the Bank of Amsterdam that served as a model for central banking and played a role in facilitating international trade during the Dutch Golden Age (Carlos & Neal, 2011; Frost et al., 2020; Quinn & Roberds, 2023; Van Dillen, 1934); and the Rothschild Bank in London, Paris, Vienna, and Frankfurt (Chapman, 1982; Hitchcock, 1985; Hoggson, 2007; Wechsberg, 2014).

Venice entered into joint ventures with other maritime powers, particularly in ventures related to shipbuilding, navigation, and exploration. Venetian fleets actively participated in the Crusades, which involved joint ventures with other European maritime powers. The collaboration in naval operations aimed at securing strategic positions in the Eastern Mediterranean and protecting trade routes to the Holy Land (Amorosi, 2019; Madden, 2012b; Queller & Day, 1976; Queller & Katele, 1982). Venice participated in joint ventures with other maritime powers to explore and establish new trade routes. These ventures aimed to diversify trade opportunities and circumvent existing routes controlled by rival powers, such as the Ottoman Empire (Di Cosmo, 2005; Horodowich, 2005; Yao, 2020). Venetian merchants and explorers collaborated with Portuguese counterparts in ventures related to maritime exploration, seeking new trade routes to Asia and Africa (Horodowich, 2005; Kimble, 1933; Newitt, 2023; Penrose, 1952; Rodrigues & Devezas, 2007; Smith, 1985). Involvement in the War of the League of Cambrai (1508–1516): During the War of the League of Cambrai, Venice formed alliances with other maritime powers, including France and the Papal States, against the Holy League (Finlay, 1982, 1999, 2000; Libby, 1973; Sherman, 1977). Venice formed a naval alliance with Spain and the Papal States against the Ottoman Empire in the Battle of Lepanto. The collaborative effort resulted in a decisive victory that temporarily halted Ottoman naval expansion in the Mediterranean (Editors, 2019; Parker & Thompson, 1978; Serlin, 2014).

Venice established economic partnerships with trading centers in Northern Europe, such as Bruges. These partnerships facilitated the exchange of goods and contributed to the city's role as a hub for

Vol 3 | Issue 1 | January 2024
European trade (Bolton & Bruscoli, 2008; Charlier & Charlier, 2018; Lambert, 2016; Montemezzo, 2014; Van Houtte, 1966). Unlike some other European powers of the time, Venice did not engage in traditional colonial ventures involving the establishment of overseas territories in the same way that, for example, Spain, Portugal, or later England did. However, Venice did participate in activities that could be considered precursors to colonialism. The city-state's maritime prowess and economic interests led to the establishment of trading outposts and commercial colonies in the Eastern Mediterranean, in the Adriatic (cities such as Zadar and Dubrovnik were under Venetian influence, serving as key points in the trade network), in Dalmatian Coast and the Ionian Islands, in regions such as present-day Greece, Cyprus, and parts of the Ottoman Empire, in Crete (Candia, modern Heraklion), in various islands in the Aegean Sea and parts of the Peloponnese. The Fourth Crusade, though diverted from its original aim, resulted in the capture of Constantinople by Venetian and Western forces in 1204. Venice gained control over parts of the Byzantine Empire, contributing to its influence in the eastern Mediterranean (Davies & Davis, 2007; Fusaro, 2015; Madden, 2012a; Topping, 1976).

The strategic formation of alliances and treaties to safeguard Venice's economic interests, maintain political stability, and ensure maritime dominance, such as the Treaty of Venice, signed in 1177, marked the end of the longstanding conflict between the Papal States and the Holy Roman Empire known as the Investiture Controversy. Venice played a crucial role in mediating the agreement between Pope Alexander III and Emperor Frederick Barbarossa. The treaty contributed to Venice's diplomatic reputation and strengthened its ties with the Papal States (Perry, 2016). Also known as the Treaty of Buda, the Treaty of Zadar was signed between Venice and Hungary in 1358. The treaty delineated the spheres of influence in Dalmatia, resolving territorial disputes between the two powers. Venice retained control over key coastal areas, securing its maritime interests in the Adriatic (Gál, 2022; Gertwagen, 2014; Mariko Miller, 2007; Mueller, 1996). The Peace of Lodi was a treaty signed among the Italian city-states, including Venice, Milan, and Florence, in 1454, which contributed to a period of relative stability in Italy (Lesaffer, 2002; Swain, 1989; Tristano, 2020). Following the Ottoman-Venetian War (1463–1479), the Treaty of Constantinople was signed between Venice and the Ottoman Empire in 1479. The treaty recognized Ottoman control over some territories, while Venice retained key possessions in the Aegean and Adriatic regions. It established a tenuous peace between the two powers for a period (Caía, 2012; Davies & Davis, 2007; MacKay & Gilliland Wright, 2007; Theunissen, 1998). The Treaty of Noyon was signed between Venice and France in 1516 and aimed to secure mutual support against common adversaries, contributing to a brief period of peace in the region (Lesaffer, 2002; Mattingly, 1938). The Treaty of Cateau-Cambrésis concluded the Italian Wars and was signed between France, Spain, and the Habsburg Empire in 1559. Venice, despite being a key player in the conflicts, was not a signatory. However, the treaty indirectly influenced Venice's geopolitical position by shaping the balance of power in Europe (Lavin, 1955; Mattingly, 1963; Watkins, 2016). The Treaty of Passarowitz marked the end of the Austro-Turkish War (1716–1718) and was signed between the Ottoman Empire and the Habsburg Monarchy. Venice played a role in the negotiations, and the treaty resulted in territorial changes in the Balkans, with Venice gaining some territories in Dalmatia (Ingrosso et al., 2011; Kurtaran, 2020; Sofia, 2023; Stapelbroek, 2019). Unfortunately, not all treaties were beneficial for Venice. The League of Cambrai, formed in 1508, was an anti-Venetian alliance comprising major European powers, including France, the Papal States, and the Holy Roman Empire. The league sought to curb Venice's territorial expansion in Italy. The alliance, though initially successful against Venice, later dissolved with shifting alliances in the Italian Wars (Finlay, 1982, 1999, 2000; Libby, 1973; Sherman, 1977). The Treaty of Campo Formio, signed between France and Austria in 1797, marked the end of the War of the First Coalition. Venice, which had been under French occupation, was formally ceded to Austria. The treaty led to the dissolution of the Venetian Republic (Emsley & Emsley, 1979; Grub, 1999; Rothenberg, 2004).

4. Soft Power and Cultural Diplomacy

In the 21st century, countries can leverage soft power through cultural exchange, education, and promotion of their unique strengths to enhance economic diplomacy. Cultural understanding can facilitate stronger economic ties and collaborations.

Venice's cultural and artistic contributions were significant elements of its soft power. Venice was a major center of the Renaissance, and its artistic and architectural achievements were unparalleled. The works of renowned artists like Titian, Tintoretto, and Veronese, along with the architectural marvels of the Venetian Gothic and Renaissance styles, showcased the city's cultural richness and sophistication. The beauty of St. Mark's Basilica and the Doge's Palace, for instance, became symbols of Venetian artistic prowess. Venice was a center for musical innovation during the Baroque period. The city was home to the world's first public opera house, the Teatro di San Cassiano, which opened in 1637. Composers like Claudio Monteverdi and Antonio Vivaldi, associated with the Venetian
School of Music, made significant contributions to the world of classical music, enhancing Venice’s cultural influence (Cumming, 1992; Malipiero, 1948; Rosand, 1977; Talbot, 1978). The elaborate festivals and carnivals of Venice, featuring masks, costumes, and theatrical performances, became renowned across Europe. These events not only entertained but also showcased the city’s commitment to artistic expression and cultural celebration, contributing to Venice’s allure (Carroll, 1985; Feil, 1998). Venetian literature, including the works of prominent writers like Marco Polo, provided a unique perspective on exploration and cultural encounters. Polo’s “Il Milione” (The Travels of Marco Polo) became a significant literary work that introduced readers to the wonders of Asia and contributed to Venice’s reputation as a center of knowledge and exploration (King, 2013; Maglaque, 2018; Pallotta, 1991). The art of glassmaking in Venice, particularly on the island of Murano, became a symbol of Venetian craftsmanship. Venetian glass was highly sought after across Europe for its quality and artistic intricacy, contributing to the city’s economic prosperity and soft power (Jacoby, 1993; McCray, 1998, 2017). Venice’s ambassadors and diplomats played a role in promoting Venetian art, literature, and traditions, enhancing the soft power of the Venetian Republic (Beverley, 1999; Elam, 1988; Molà, 2017).

5. Conclusions

The Venice experience underscores the importance of adaptability, diversity, soft power, cooperation, infrastructure, and risk management. By drawing lessons from historical successes and challenges, nations can enhance their economic resilience and navigate the complexities of the contemporary global economic landscape.

Acknowledgment

I thank my colleagues at Panteion University of Social & Political Sciences, as well as my former colleagues and diplomats at the Ministry of Foreign Affairs of Greece.

Conflict of Interest

The author declares that he has no conflict of interest.

References


