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GERMAN COMMERCIAL RELATIONS WITH  
SOUTH AMERICA, 1890-1914

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SUMMARY

The Weltpolitik of Wilhelmine Germany was in part motivated by the quest for commercial expansion, by the search for viable markets and for sources of raw materials and foodstuffs. German industries were producing beyond the consuming capacity of the home market, and a rapidly expanding population could no longer be fed by German primary producers. With existing markets threatened by protectionist tariffs and as a late-comer on the world scene Germany sought to make South America a sphere of commercial influence. The long-standing connections which Germans had established in South America, in particular in Argentina, Brazil and Chile, made the choice appear reasonable.

In the early years German trade benefited from settlements of German migrants in Brazil and, to a lesser degree, Chile; these gave Germany a firm footing in South America. Argentina, however, was rapidly surpassing Brazil in commercial significance, and advancing industrialisation in South America restricted the sale of goods originally exported there by Germany. By 1900 Brazil, the leading South American destination for German emigrants, was eclipsed by Argentina as Germany's leading South American trading partner. An increasing demand for the products of the heavy industries, machinery, electrical installations and armaments limited the commercial effectiveness of agricultural migrant settlements in creating markets. Moreover the suspicions aroused by such a strategy made it counter-productive. Other means more appropriate to commercial advancement were also developed with greater success. German banks were opened in South America and capital was invested both in industrial undertakings and in government loans. Shipping links were established between Germany and South America with benefits in freight charges and in promptness of delivery. Business firms made a determined and efficient bid for the market, and were assisted by the pricing policy of the cartels, by the allowance of export bounties, and by railways freight concessions. In negotiating trade treaties meant to boost German exports the government faced opposition from the powerful agrarian bloc which was afraid that the price would be the facilitating of Argentine grain imports; but in numerous ways the government assisted the export trade in general and the armaments industry in particular.

In a commercial sphere contested by the prior and continuing British supremacy and by growing United States competition Germany had some notable successes. The Argentine and Chilean electrical trade fell largely to Germany, as did the supply of armaments to the three republics; and German machinery and iron and steel products gained a firm hold on the markets. Germany in turn became of greater importance to the export trade of the three republics for products such as coffee, nitrates, wheat, linseed and hides. As on the world market in general so in South America in particular Germany became a vigorous and successful competitor. The result was that by 1914 the three republics jointly ranked seventh amongst Germany's export markets and third amongst suppliers of Germany's imports, whilst Germany in turn was second in both the import and export trade of the three republics.

This thesis contains no material which has been accepted for the award of any other degree or diploma in any University and to the best of my knowledge and belief it contains no material previously published or written by another person, except where due reference is made in the text.

ACKNOWLEDGMENTS

The material on which much of this study is based is lodged in archives throughout the German Federal Republic: in the Foreign Office archives in Bonn and the Federal archives in Koblenz, in the State archives in Hamburg, Bremen, Stuttgart, Munich, Berlin, in the Chamber of Commerce archives in Hamburg, Bremen, Dortmund and Cologne, in the archives of the City of Remscheid, and in the archives of the Werner-von-Siemens Institute for the History of the House of Siemens in Munich. Archivists in all these places were unfailingly helpful. Despite protracted correspondence it was not possible to obtain permission to use the Deutsches Zentralarchiv at Potsdam in East Germany. I am further indebted to the Bavarian State Library in Munich for use of its inter-library loan services and to the Dortmund Chamber of Commerce for access to its excellent holding of commemorative publications issued by various German business firms. The Library of the Adelaide College of Advanced Education, the Barr Smith Library and the Australian National Library gave much-appreciated assistance. I am grateful to the Adelaide College of Advanced Education for the study leave which enabled my research in Germany, and grateful for the numerous kindnesses shown to me whilst I was there. I am especially indebted to Dr. H.S.K. Kent who supervised this study and whose kindly encouragement and critical acumen are both equally valued.

ABBREVIATIONS

AH Bremen	Archiv der Handelskammer Bremen
AH Hamburg	Archiv, Handelskammer Hamburg
BA Koblenz	Bundesarchiv Koblenz
BHSA I München	Bayerisches Hauptstaatsarchiv München, Abt. I (Allgemeines Staatsarchiv)
BHSA II München	Bayerisches Hauptstaatsarchiv München, Abt. II (Geheimes Staatsarchiv)
Eco.H.R.	<u>Economic History Review</u>
GSAPK Berlin	Geheimes Staatsarchiv Preussischer Kulturbesitz, Dahlem, Berlin
HAHR	<u>Hispanic American Historical Review</u>
HSA Stuttgart	Hauptstaatsarchiv Stuttgart
JB of UC	<u>Journal of Business of the University of Chicago</u>
JGSWGL	<u>Jahrbuch für Geschichte von Staat, Wirtschaft und Gesellschaft Lateinamerikas</u>
JLAS	<u>Journal of Latin American Studies</u>
PA Bonn	Politisches Archiv des Auswärtigen Amts, Bonn
RWWA Köln	Rheinisch-Westfälisches Wirtschaftsarchiv zu Köln E.V.
SA Bremen	Staatsarchiv Bremen
SA Hamburg	Staatsarchiv der Freien und Hansestadt Hamburg
SA Remscheid	Stadtarchiv Remscheid
Siemens München	Werner-von-Siemens-Institut für Geschichte des Hauses Siemens, München
VSWG	<u>Vierteljahrschrift für Sozial- und Wirtschaftsgeschichte</u>
WWA Dortmund	Westfälisches Wirtschaftsarchiv, Dortmund.

CHAPTER ONEGERMAN-SOUTH AMERICAN RELATIONS BEFORE 1890

Before the South American trade assumed for Germany the significance which forms the subject of this study, German trading houses and governments had established long-standing connections with that continent. It was not until the middle of the nineteenth century that this trading connection assumed sizeable proportions, but its pre-history extended back over a period of some three hundred and fifty years.

Until South America achieved independence European dealings with that continent were restricted by the provisions of the Treaty of Tordesillas of 1494 which in effect assigned to Spain control over South America with the exception of Brazil, which fell to the care of Portugal. Under these limitations German and other European trading links of a tentative nature were attempted, the Fuggers and the Welsers being amongst the first to explore the new market. The Fuggers established a short-lived representation in what was later to become Argentina in 1526,<sup>1</sup> and two years later the Constance firm Ehinger, later taken over by Böhlin and Welser, developed the plans for a German trading colony in what later became Venezuela which led to the temporary establishment of a Welser representative there in 1535. This came to an end in 1546 when the Spanish Viceroy Juan de Carvajal executed the young Bartholomäus Welser due, in Langenbeck's<sup>2</sup> history of German trade, to Spanish trade jealousy. More customarily a less direct participation in the South American trade was necessary. Such was the case in the first half of the sixteenth century when a colony of Hanseatic merchants was established in the Spanish Netherlands city of Antwerp and indirectly participated in the

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1. Schwebel, Karl H.(ed): Führer durch die Quellen zur Geschichte Lateinamerikas in der Bundesrepublik Deutschland (Bremen: Schünemann, 1972) pp. 276ff.
  2. Langenbeck, Wilhelm: Geschichte des deutschen Handels (Leipzig: Teubner, 1909) pp. 84-85; also Schwebel, op.cit., pp. 276f.



Brazil trade, importing goods such as Brazilian timber, dye, cotton, and sugar; even before the union of the Spanish and Portuguese crowns in 1580 Antwerp had become a centre for the Brazil trade since many of the great merchant houses of Spanish and other nationality had established representatives in that city which had accordingly become the financial centre of the Spanish world and an important centre of world trade.<sup>3</sup> Recent work in Germany has shown that by the first decade of the seventeenth century ships from Lübeck, Hamburg and other Hanseatic ports were engaged in the transport of troops to Rio de Janeiro and the River Plate via Chile, loading timber and sugar in Pernambuco for the return journey; by the year 1600 a small number of Hanseatic ships was thus sharing indirectly in the South American trade by agreement with the Spanish government.<sup>4</sup> Representatives of the Hanseatic cities were not alone in these early contacts; amongst the traders, explorers, missionaries and such who had contact with the future countries of Argentina, Brazil, Chile, Mexico and Venezuela from the sixteenth century were men from such diverse German states as Baden, Württemberg, Bavaria and the Hessian states.<sup>5</sup>

Since 1607 Spain had guaranteed to the Hanseatic cities trading privileges which were confirmed and extended in the Peace of Westphalia in 1648, under the terms of which they were able to take some indirect part in the trade with Spanish America over which, naturally, Spain continued to hold official monopoly.<sup>6</sup> Although in general those who were not subjects of the Spanish crown were forbidden to trade directly

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3. Kellenbenz, H.: Die wirtschaftlichen Beziehungen zwischen Antwerpen und Brasilien in der ersten Hälfte des 17. Jahrhunderts (VSWG, 55, 1969) pp. 449-463.

4. Kellenbenz, H.: Ein Truppentransport von Lissabon nach Buenos Aires im Jahre 1600 und frühe amerikanisch-deutsche Handelsbeziehungen (VSWG, 53, 1966) pp. 511-516.

5. Schwebel op.cit. pp. 41, 68, 218, 276 summarises these contacts.

6. Pohl, Hans: Die Beziehungen Hamburgs zu Spanien und dem Spanischen Amerika in der Zeit von 1740 bis 1806 (VSWG, Beiheft Nr 45, 1963) p. 5.

or indirectly with the Spanish colonies it is apparent that this prohibition could be circumvented since in the eighteenth century Hamburg was able to import sugar, coffee, cocoa, tobacco and cotton from the Spanish colonial possessions in South America.<sup>7</sup> Further, Hamburgers were able to import Brazilian sugar indirectly via Lisbon or Oporto;<sup>8</sup> and it may be assumed that amongst the wines, tapestries and "colonial goods" which the Berlin merchants and financiers Splitgerber and Daum bought from the merchant house de Almeйда of Lisbon for sale in Germany were Brazilian wares which were in this way introduced indirectly into the German trade.<sup>9</sup>

The trading relationships so far outlined were in the main tenuous or indirect. In the following years German trade with South America became less indirect, until the opening of the South American markets when the South American colonies achieved independence in the 1820s left the door wide open. About the beginning of the eighteenth century, when Spain was at war, many Hamburg firms transferred their settlements to the more peaceful Portugal and consequently there were many Hanseatic merchants amongst the 30,000 foreign merchants settled in Portugal who controlled three-quarters of the Brazilian trade. One of the most prominent was the firm Felix Oldenburg & Co whose ships, in close association with Portuguese merchants, travelled regularly to Brazil from about 1740.<sup>10</sup> By the mid-eighteenth century German trading houses were sharing actively in trade with South America in conjunction with the mother countries Spain and Portugal. This was facilitated, in the case of Spain, by the

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7. Pohl, *op.cit.*, pp. 126ff.

8. Zimmermann, Siegfried: Theodor Wille 1844-1969 (Hamburg: Verlag Hanseatischer Merkur, 1969) p. 19. After 1640 Portugal was once more independent of Spain and, with the declining importance of Antwerp in world trade, the Brazil trade was centred in Portugal to a greater degree.

9. Henderson, W.O.; Studies in the Economic Policy of Frederick the Great (London; Cass, 1963) p. 2.

10. Treue, W.; Deutsch-portuguesische Wirtschaftsbeziehungen im 19. und 20. Jahrhundert (VSWG, 50, 1963) p. 26.

establishment in 1740 of regular Spanish consular representation in Hamburg and in the same year by the opening of Hanseatic consulates in Cadiz and Malaga and the establishment of a new one in Madrid.<sup>11</sup>

The Napoleonic wars towards the end of the eighteenth century at first facilitated this trade. On August 18, 1796 Spain declared war on England and her engrossment in that war, together with the fact that the British navy controlled the trade routes, made it impossible for her to supply the needs of her American colonies. On November 18, 1797 the King of Spain decreed that ships of neutral countries might load and unload in the harbours of Spanish America provided that return cargoes to Europe be unloaded only in Spanish harbours. The Decree was doubtless enacted due as much to the realities of the naval situation as to consideration for the welfare of the colonial possessions. With the British supreme at sea Spain had little likelihood either of getting her own merchant shipping past the vigilance of the British fleet or of preventing other countries from trading with her possessions. Prussian traders immediately sought to participate in this trade; moreover to Vera Cruz, Santa Fé, Montevideo and Buenos Aires went the ships of Hamburg firms such as J.C. Godeffroy; Brentano, Bovara & Urbietta; N.H. Bode; Klaesen, Kiekhöfer & Co.; and Hermann Roosen. The fears of Spanish business men led to the annulment of the King's decree on April 20, 1799, temporarily hindering this trade; but from 1801 to 1808 Spanish America remained in such dire need of imports from Europe that some provinces and islands ignored the annulment and authorised trade with neutrals. Hamburg consequently shared in import and export trade with Buenos Aires, Montevideo, Callao, Lima and Valparaiso. For fear of English interference some Hamburg traders sent their vessels to South America via St Thomas; a contemporary writer pointed out that the

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11. Diplomatic relations between the Hanseatic cities and Spain existed since the seventeenth century but lapsed in the first decade of the eighteenth century: Pohl, op.cit., p.x.

English captains might not be aware of the Decree of 1797 and might suppose that the Hamburg shipping was carrying contraband Spanish merchandise.<sup>12</sup> From the various publications occasioned by the 500th anniversary of the work of Henry the Navigator, Treue<sup>13</sup> draws the conclusion that at least in the years 1796 and 1819 the German share in the Portuguese import and export business was second only to that of the English. Since the end of the eighteenth century, wrote Baasch in his study of the Hamburg Chamber of Commerce,<sup>14</sup> Hamburg had enjoyed trade and shipping relations with Central and South America due to wartime conditions.

Napoleon's continental blockade and occupation of northern Europe temporarily brought this trade to a standstill,<sup>15</sup> a disruption which was nevertheless only of short duration. Within a few years the South American trade was officially opened up to a hitherto unparalleled degree. In 1807 Napoleon drove the Portuguese royal family from Lisbon to Rio de Janeiro and Brazilian harbours were consequently opened to the trade of all nations within the following few years.<sup>16</sup> In the next two decades Mexico and the former Spanish provinces of South America became directly accessible with the crumbling of the Spanish Empire and the independence of the Spanish American colonies. The end of the Napoleonic wars, moreover, meant a restoration of peace-time conditions within which this now completely accessible market could be worked. German traders, predominantly from the Hanseatic cities, proceeded to do so. Of the 343 German trading establishments which existed beyond Europe in 1844-45, 227 were Hanseatic; of the latter 73 were in North

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12. *Ibid*, pp. 235ff.

13. Treue, *op.cit.*, p. 28.

14. Baasch, Ernst: *Die Handelskammer zu Hamburg 1665-1915* (Hamburg: Lucas Gräfe & Sillem, 1915) Vol. II, Pt. 1, p. 5.

15. *Ibid*, Vol. II, Pt. 1, p. 5; Treue, *op.cit.*, p. 27.

16. Temporarily from January 1808, permanently from 1814: Brunn, Gerhard: *Deutschland und Brasilien* (1889-1914) (Köln, Wien: Böhlau, 1971) p. 1ff.; Zimmermann, *op.cit.*, p. 21.

America, 67 in South America, 40 in Mexico and 27 in the West Indies;<sup>17</sup> that is, approximately one-third of the German trading settlements outside Europe were Hanseatic houses in South America and Mexico.

Platt<sup>18</sup> has demonstrated the danger of over-dramatising the commercial significance of the political emancipation of South America. The republics were poor and even further impoverished by the struggles which resulted in their independence, the populations were small and scattered, and transport was primitive; and for most people the products of the home industries were cheaper and more satisfactory than the more expensive European imports. The reason for the tardiness with which German governments entered into formal commercial relationships with the new republics may lie in this direction, over and above political hesitations.<sup>19</sup> Private traders were the first to avail themselves of the new opportunities, and it was not until October 1820 that the Hamburg Commerzdeputation (forerunner of the Chamber of Commerce) agreed to the appointment by the Hamburg Senate of a consul in Bahia in northern Brazil, adding that, whilst in general the establishment of new consulates was not advisable, exceptions were admissible in the case of important trading places in distant countries.<sup>20</sup> That the exception was admitted evidenced the importance which the Brazil trade was seen to be assuming for Hamburg; and, perhaps influenced by the growing number of Hanseatic trading establishments in South America, in the following years Hamburg established more consulates in central and south America, including an

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17. Langenbeck, *op.cit.*, pp. 150-151.

18. Platt, D.C.M.: Latin America and British Trade 1806-1914 (London: Black, 1972) pp. 3-61.

19. Kossock, Manfred: Im Schatten der Heiligen Allianz. Deutschland und Lateinamerika 1815-1830 (Berlin: Akademie-Verlag, 1964), and review by Robert Heywood in HAHR, XLVI, 2, May 1966, p. 203. In their concern to uphold the principle of legitimacy Austria and Prussia were unwilling to recognise the new rebel republics; the north German states, led by Hamburg, were more interested in commercial advantages.

20. Baasch, *op.cit.*, Vol. II, Pt. 2, p. 543.

agent in Peru and Chile in 1822.<sup>21</sup> Other German governments did likewise. In the 1820s and 1830s the governments of Baden and Württemberg appointed consuls in Buenos Aires, Mexico City and Rio de Janeiro,<sup>22</sup> and in 1826 Bavaria appointed consuls in, inter alia, Bahia, Buenos Aires and Rio de Janeiro.<sup>23</sup>

In addition to consulates trade treaties were concluded, the initial and immediate impulse to which appears to have been the desire of German traders to neutralise the advantages held by English and French competitors. Since 1810 England had a trade treaty with Brazil, which was in 1827 extended for a further period of time; further, in January 1826 France concluded a treaty with Brazil.<sup>24</sup>

In its representations to the Senate for a treaty with Brazil, the Hamburg Commerzdeputation made the case that it wished Hamburgers to stand on an equal footing in Brazil to that enjoyed by Englishmen.<sup>25</sup> Prussia doubtless had the same concern. Frederick the Great had concluded a trade treaty with the newly-independent United States of America in 1785, and founded the Prussian Seehandlungsgesellschaft (Maritime Trading Society) for the pursuit of overseas trade, although at the time Prussia's European involvements rendered such activities of minor importance. In the first half of the nineteenth century, however, the Seehandlung evidenced a renewed interest in overseas trade, organising voyages of exploration and establishing trading relationships

21. Schwebel, op.cit., p. 165f.

22. Ibid., p. 41f. For the appointment of Eduard Beyerbach as Württemberg consul to Buenos Aires, Bericht des Ministers der auswärtigen Angelegenheiten an den König, Stuttgart 14.10.1831: HSA Stuttgart, Rep. E. 14, Fasz. 729.

23. Schwebel, op.cit., p. 69.

24. Brunn, Deutschland und Brasilien, p. 3. Brunn adds that the negotiation of the English and French treaties led to a race between the German states to obtain the same because of the threat which the English and French treaties appeared to pose.

25. Baasch, op.cit., Vol. II, Pt. 1, p. 6; also Fluck, Julius: Die Entwicklung der deutsch-brasilianischen Handelsbeziehungen von 1871-1939 (Diss., Köln, 1951) p. 8.

in the South Seas and elsewhere.<sup>26</sup> In July 1827 Prussia negotiated a treaty with Brazil, as did the Hanseatic cities in November of the same year; these were of ten years' duration and expired in 1838 and 1839 respectively.<sup>27</sup> The Hanseatic plenipotentiaries journeyed to Brazil to gain most-favoured nation treatment to offset the privileged position held by England, and the resultant Treaty of Friendship, Trade and Shipping contained the most-favoured nation clause, which involved a reduction in Brazil's import duties from 24 to 15 per cent.<sup>28</sup> There is also much likelihood in the suggestion<sup>29</sup> that at the time the German treaties suited Brazilian politicians who sought some way of neutralising the trading supremacy of England and, to a lesser degree, France. Perhaps it was a vain hope, but having so recently struggled for independence from their European rulers no Latin American republic was likely to welcome the exchange of political hegemony for that of an economic nature. By widening Brazil's treaty relationships the German treaties gave that country greater trading freedom. By the time the treaties expired in the late 1830s they no longer suited Brazil and were not renewed. Fluck<sup>30</sup> states that Brazil terminated her European trade treaties to gain for herself a free hand; Brunn<sup>31</sup> also gives much the same reason for failure to renew the Prussian treaty. This desire for

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26. Jacob, E.G.: Deutsche Kolonialpolitik in Dokumenten. Gedanken und Gestalten aus den letzten fünfzig Jahren (Leipzig: Dieter, 1938) p. 11, 110.

27. Wyneken, Klaus: Die Entwicklung der Handelsbeziehungen zwischen Deutschland und Brasilien (Diss., Köln, 1958) pp. 36-37; Brunn, Deutschland und Brasilien, p. 3.

28. A copy of the Treaty is in the Handelskammer Hamburg. I am also indebted to Herr Helmut Lorenz-Meyer, Managing Director of Theodor Wille in Hamburg and great-grandson of the brother of one of the signatories Karl Sieveking, for copy of an unpublished paper he delivered on the Treaty. The treaty negotiations were prolonged due to the fact that Hanseatic shipping carried not only goods in direct trade but also goods from other countries, some of which had no trade treaty with Brazil, in indirect trade. A secret clause to the treaty gave Brazil the right to impose differential duties on such goods should other treaty countries raise objections.

29. Brunn, Deutschland und Brasilien, p. 3.

30. Fluck, op.cit., p. 11.

31. Brunn, Deutschland und Brasilien, p. 5.

trading freedom was doubtless motivated by consideration for the young Brazilian native industries, since from 1840 Brazil implemented a protective tariff policy to stimulate domestic manufactures.<sup>32</sup> In 1847, however, Brazil and Prussia concluded an agreement for the reciprocal treatment of shipping with the exception of the coastal trade.<sup>33</sup> Hamburg, further, concluded treaties with Venezuela (1837) and Mexico (1832, ratified in 1841).<sup>34</sup>

In these early years, as indeed throughout the period with which this study is concerned, South America was for Germany principally a source of imports rather than a market for exports. The South American import market was largely provided by England; of the wholesale firms in Brazil in 1821, 45 were English, whilst 6 were German and 2 French.<sup>35</sup> English navigation laws, however, which in the interests of English colonial trade forbade the consumption of Brazilian sugar and coffee in England had, until their repeal in 1849, assisted the German Hanseatic cities into their development as the leading European centres of Brazil's export trade;<sup>36</sup> in 1826 two-thirds of Brazil's important sugar export went to Hamburg.<sup>37</sup> In addition to Brazilian sugar and the growing volume of coffee which came from that country, the German states also imported South American raw materials such as hides, copper and tin.<sup>38</sup> The growth

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32. Leff, Nathaniel H.: *Economic Retardation in Nineteenth-Century Brazil* (Eco.H.R. XXV.3.1972) p. 489. Brazil's protectionist tariff remained a problem for European importers: See Chapter 3 below.

33. Henderson, W.O.: *The Zollverein* (London: Cass, 1968 ed.) p. 178; Brunn, *Deutschland und Brasilien*, p. 5.

34. Baasch, *op.cit.*, Vol. II, Pt. 1, p. 6.

35. Cornelius, Carl G.: *Die Deutschen im brasilianischen Wirtschaftsleben* (Stuttgart, 1929) p. 43; quoted in Wyneken, *op.cit.*, p. 28. For this period reliable statistical information concerning the value and distribution of trade into South America is not available. That England was the main supplier is, however, a widely-held and defensible view. Zimmermann, *op.cit.*, p. 24 reduces Brazil's trade during the first half of the nineteenth century to the simple formula that Germany brought money into the country whilst England took it out.

36. Wyneken, *op.cit.*, pp. 26-27; Zimmermann, *op.cit.*, pp. 23-24.

37. Zimmermann, *op.cit.*, p. 21.

38. Pohl, *op.cit.*, p. 250.



of the South American import trade into Germany may be indicated by the number of ships which entered Hamburg from Brazil; in 1814 there were 2, the number growing to 30 in 1818, 56 in 1820, and 63 in 1830.<sup>39</sup> Thus, the trade which developed between Germany and South America in these early years was for Germany predominantly an import trade. Even after the freeing of the South American market for European trade there was no flooding of South America with European goods, as Platt has pointed out. The Napoleonic blockade had produced shortages of European imports into South America, and as the markets were opened "consumers clamoured for the goods for which they had waited a decade. But with such a limited market, the demand was satisfied almost immediately."<sup>40</sup> England continued to provide the cotton goods, textiles, articles of clothing, china and glassware, furniture, tools, and such other articles as were required,<sup>41</sup> and Germany found a small market for linen and other textiles, Aachen copper and brass goods, Saxon glass and porcelain, and Rhineland ironware;<sup>42</sup> but for Germany there was no appreciable expansion of this trade in the 1830s and 1840s. Internal unrest in Brazil weakened the financial condition of that country and led to a rise in import duties.<sup>43</sup> The La Plata states were hardly more encouraging. The Württemberg Foreign Minister reported in 1831 that due to unfavourable political and social conditions in Buenos Aires the Prussian Ministry had refrained from appointing a consul there;<sup>44</sup> and Baasch<sup>45</sup> believed that the unsettled conditions in Argentina may have been the reason why no trade

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39. Figures from Wyneken, op.cit., p. 28 and Zimmermann, op.cit., p. 21. Zimmermann quotes the often-repeated statement of the Hamburg Commerzdeputation that the amount of merchant shipping arriving from South America made it almost appear as though Hamburg had obtained colonies. The hope that something like this might occur is referred to later in this chapter.

40. Platt, op.cit., p. 25.

41. Ibid., pp. 23-29.

42. Schwebel, op.cit., p. 263; Zimmermann, op.cit., p. 20; Pohl, op.cit., p. 250.

43. Wyneken, op.cit., p. 42.

44. Bericht des Ministers der auswärtigen Angelegenheiten an den König, Stuttgart 14.10.1831: HSA Stuttgart, Rep.E.14, Fasz. 729.

45. Baasch, op.cit., Vol. II, Pt. 1, p. 10.

agreement was concluded between Hamburg and that country. The incidence of political unrest in South America undoubtedly helps to account for the fact that German governments gave little evidence of seeking wider treaty relationships there;<sup>46</sup> but there were also possibly other reasons. For Hanseatic traders in particular the import trade from South America, especially that from Brazil, was important and, as has already been seen, was recognised as such by the appointment of consuls. But so long as this trade remained healthy and appeared to be under no threat there was little incentive to conclude trade treaties which would presumably involve tariff concessions and consequent loss of customs revenue, at least so long as the export trade of the German states remained relatively insignificant. It was not until the massive German industrial development of later years that groups within Germany evidenced any effective desire to direct an export drive towards South America.

The interest which South America generated in Germany, however, included considerations of a rather more far-seeing and theoretical nature. These centred around the question of migration. During the first half of the nineteenth century the mass migration of Germans to North America aroused the interest of political economists and others who sought means for utilising this emigrant stream in the national interest. The prospect was considered of establishing an overseas New Germany, as a tardy

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46. In Brunn's account of the proceedings after Brazil's treaties with Prussia and Hanseatic cities had lapsed, the two German governments appear to have shown little enthusiasm to renew them. In 1842 - four years after the treaty with Prussia expired - it was apparently not until the Prussian Consul Theremin suggested it that Berlin sought a new treaty, and then because it coincided with a visit to Rio by Prince Adalbert; and when that attempt failed, and in 1844 Brazil sent the Senator Vicomte d'Abrantes to Berlin for further negotiations, Prussia could not comply due to other treaties already in existence and in any case did not take the mission very seriously. Because Prussia obtained no treaty, the Hanseatic cities had no fear of being outdone by Prussia and were therefore under no pressure to conclude a treaty: Brunn, Deutschland und Brasilien, p. 5. It is a curiously apathetic ending to the 1827 treaties.

parallel to New Spain, New England, New Holland, and so forth; and after the viability of Texas for the role had been considered for a time, interest turned to South America.<sup>47</sup> Since the sixteenth century some knowledge of the continent had been brought back to Germany, and the scientific voyages of von Humboldt in the north and north-west of South America from 1800 to 1804 made that knowledge more immediate and precise; further, in November 1814 the Brazilian government issued a decree allowing foreign immigrants into the country and German scientists and explorers, together with a few immigrants, had toured Brazil.<sup>48</sup> Amongst the early proponents of schemes for settling German emigrants in South America the Hanseatic trading cities were well represented. The plenipotentiaries who journeyed to Rio de Janeiro in 1827 to negotiate and sign the treaty between the Hanseatic cities and the kingdom of Brazil were Dr. Johann Karl Friedrich Gildemeister, a member of the Bremen Senate, and Dr. Karl Sieveking, member and Syndicus of the Hamburg Senate; they were accompanied by the son of the Bremen Bürgermeister Smidt and Adolph Schramm from Hamburg. Both Gildemeister and Sieveking took up the colonial cause, each seeing Brazil as the most suitable field for any such activity. In 1822 Brazil had achieved independence from Portugal under the Emperor Pedro I who had a few years previously, as Crown Prince of Portugal, married the Habsburg Archduchess Leopoldine; and influenced by his wife, Pedro took steps to secure German immigration to south Brazil to meet the need for free labour and for the creation of a foreign legion.<sup>49</sup> Gildemeister was impressed by the possibilities he believed Brazil offered as a sphere for the expansion of German commercial influence. In a memorandum for Metternich in 1826, that is shortly before his departure for Brazil, he wrote of the importance of Brazil for Germany at that time; the daughter of a German royal house

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47. Hell, Jürgen: Die Politik des Deutschen Reiches zur Umwandlung Südbrasiiliens in ein überseeisches Neudeutschland (1890-1914) (Rostock: Diss., 1966) pp. 58-59.

48. Wyneken, op.cit., pp. 26-27.

49. See, e.g. Hell, op.cit., pp. 35-55.

was on the throne, and the Brazilian kingdom was too recent a creation yet to possess any definite national character. Under these circumstances Gildemeister believed that German colonists in Brazil would come to exercise a strong influence in the young kingdom. German colonists, he wrote, had strong ties of language and custom with their homeland and, all things being equal, would sooner have dealings with Germany than with any other European nation. Gildemeister saw a time coming in which a similar relationship would develop between the Germans of the two hemispheres as that which he said existed between England and her daughter states in North America.<sup>50</sup>

If there was an element of phantasy in the views which Gildemeister propounded it was nevertheless the sort of phantasy which subsequent generations sought to transmute into commercial gain and, as will appear later in this study, to some effect. Where Gildemeister's proposal was visionary rather than pragmatic lay in the fact that an essential factor in his dream, namely the German colonist, scarcely existed at that time. Official German statistics, which certainly do not tell the whole story, first record German emigration to Brazil in the year 1837, and then with the meagre number of 250.<sup>51</sup> Brazilian statistics for the period 1826-1830 record an immigration of 1,984 Germans, by country of last residence or nationality, that is 31.06 per cent of the total immigration for that period.<sup>52</sup> Germans certainly settled in the south of Brazil before 1837; between the years 1825 and 1828 the Brazilian government had founded four settlements for German immigrants, one in each of the provinces of Rio de Janeiro, Santa Catharina, Rio Grande do Sul, and Sao Paulo.<sup>53</sup> It is not possible to establish the precise number of

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50. SA Bremen, C.12, a.1, Nr.26, and quoted by Hell, *op.cit.*, p. 60.

51. German emigration statistics appear in Ferenczi, Imre: International Migrations. Vol. I Statistics (edited Walter F. Willcox) (New York: National Bureau of Economic Research, Inc., 1929).

52. Ibid, p. 261ff., 549.

53. Schramm, Percy Ernst: Die Deutsche Siedlungskolonie Dona Francisca (Brasilien: St.Catharina) im Rahmen Gleichzeitiger Projekte und Verhandlungen (JGSWGL, Bd. 1, 1964) p. 288.

Germans who had settled in Brazil about the time that Gildemeister wrote his memorandum, but it certainly was not great; on the other hand, since they were settled in closed German "colonies" they soon imparted a distinctively German character to the immediate environment.<sup>54</sup> The date of Gildemeister's memorandum, furthermore, may be significant; it was written approximately one year after the founding of the German settlements in southern Brazil had commenced and, although the German colonist at that time had scarcely appeared on the scene, it doubtless reflects the hope that the future of which he wrote had in fact commenced to eventuate. Needless to say Gildemeister's comments on the Brazilian situation represented his own hopes rather than a tangible basis for action, and it is scarcely surprising that the memorandum produced no government action from the German states. What governments did not do, however, was accomplished by private action. Fifteen years later Sieveking, who had signed the Brazil treaty with Gildemeister, and the Hamburg merchant Adolph Schramm, who had accompanied them to Brazil in 1827, took the steps which resulted in the formation of the Kolonisationsverein of 1849 in Hamburg; encouraged by the financial incentives offered by the Brazilian government for the recruiting of migrants and jealous of Bremen's success in furthering migration to North America, the Hamburg merchant and shipping interests represented on the Kolonisationsverein undertook the direction of German migration to south Brazil which will be discussed in a later chapter.<sup>55</sup>

The enthusiasm of theorists and businessmen for the promotion of German settlements in South America received little government support, at least in these early years; indeed, the single government action of any

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54. The subject of German settlement is discussed more fully in Chapter Two.

55. Schramm, *op.cit.*, is informative concerning the endeavours of Sieveking and Schramm, as is Brunn, Gerhard: *Die Bedeutung von Einwanderung und Kolonisation im Brasilianischen Kaiserreich (1818-1889)* (JGSWGL, Bd.9, 1972) concerning measures taken in Brazil to further immigration.

importance was repressive in nature. For a number of reasons the Brazilian migration project had fallen into disrepute. Recruiting agents such as Schäffer were reputed, justly or unjustly, of doing little better than trafficking in white slaves,<sup>56</sup> and reports concerning uncertainties over legal rights to land ownership and religious difficulties for non-Catholics came to hand.<sup>57</sup> On November 3, 1859 the Prussian government responded to these reports by forbidding the commercial management of emigration to Brazil,<sup>58</sup> the decree embodying this prohibition being known as the von der Heydt Rescript.<sup>59</sup> Other German governments followed Prussia's lead, and for the following forty years the Rescript remained in force in various German states although, as will appear in a later chapter, it by no means inhibited emigration to Brazil. German governments were similarly watchful over conditions in other South American countries, doubtless influenced by the unfavourable reports from Brazil. So, for instance, in the 1850s the Bavarian government paid some attention to the naturalisation laws in force in Buenos Aires and the La Plata States before eventually deciding that there was no reason for prohibiting emigration thence.<sup>60</sup> However, after the founding of the Reich Argentine attempts to attract German migration were seen as a violation of German migration laws and came under close official scrutiny. Early in the 1880s one Albert Wacker, a Reutlingen type-founder, commenced production of a weekly paper with the imposing title "Südamerikanische Nachrichten, Organ der Auswanderung, der Colonisation, des Landbaus, sowie des Handels und der Statistik" (South

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56. Hell, *op.cit.*, p. 53. Brunn, *Die Bedeutung*, pp. 293-4 doubts the veracity of such reports.

57. Brunn, *Deutschland und Brasilien*, p. 8.

58. The German emigration to Brazil until the end of 1859 was 18,410 according to official German statistics, and 20,145 according to Brazilian immigration statistics: Ferenczi, *op.cit.*, p. 549.

59. Vagts, A.: *Deutschland und die Vereinigten Staaten in der Weltpolitik* (London: Lovat Dickson & Thompson, 1935) Vol. I, p. 544. Von der Heydt was Prussian Minister for the Interior.

60. Königl. Staatsministerium des Innern zum Königl. Staats-Ministerium des K. Hauses und des Aeußern, 31.5.1855, 23.4.1856; BHSa II München, Rep. MA 61671.

American News, Organ of Emigration, Colonisation, Agriculture, as well as of Trade and Statistics). The Württemberg government was convinced that the paper, which was printed in Basel, was designed to "agitate" for emigration to Argentina, despite Wacker's assurances that it was designed to promote trade rather than migration; the publisher had spent seven years in Argentina and, the government report implied, was possibly an agent of the Argentine government the attempts of which to attract German immigrants were known.<sup>61</sup> Stuttgart reported the matter to the Foreign Office, seeking advice whether legal action should be taken against the paper.<sup>62</sup> Berlin replied that there had not been sufficient agitation material to warrant prosecution, but that German consular authorities in Argentina had been alerted to the situation and an opportune moment for prosecution would be sought.<sup>63</sup> Even as late as 1907 the Reich Ministry for the Interior confidentially advised Stuttgart that, in response to newspaper reports that the Brazilian state of Minas Geraes intended sending an immigration agent to Germany for recruiting purposes, the German minister in Brazil had been authorised to advise the Brazilian government that German law forbade recruiting of emigrants and that if need be such an agent might expect punishment and deportation.<sup>64</sup> Hopes that South America, increasingly peopled with the allegedly surplus German population, would flourish as a sphere of German influence gained little encouragement from German governments at least before 1897 when

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61. According to German statistics, to the end of 1822 3,693 Germans had emigrated to Argentina. Argentine statistics are not available before 1857; they show 7,076 Germans immigrating and 2,976 emigrating in the period 1857-1882, that is a net German immigration of 4,100: Ferenczi, *op.cit.*, p. 544.
62. Staats-Ministers des Innern an das K.Ministerium der auswärtigen Angelegenheiten 17.1.1883; K.Württembergische Staatsministeriums der auswärtigen Angelegenheiten an A.A. 27.1.1883; HSA Stuttgart, Rep.E.46, Fasz. 886.20.
63. K.Preussische Gesandtschaft in Württemberg an K.Württembergischen Staatsministerium der auswärtigen Angelegenheiten 2.3.1883; HSA Stuttgart, Rep. E.46, Fasz. 886.20. Over the next few years Stuttgart was kept informed of Argentine attempts to attract migrants; HSA Stuttgart, Rep. E.46, Fasz. 886.20.
64. Reichsamt des Innern an K.Württembergische Ministerium der auswärtigen Angelegenheiten 23.11.1907; HSA Stuttgart Rep.E.46. Fasz. 891.

the von der Heydt Rescript was lifted from the south of Brazil. This, however, did not prevent an increasing stream of migrants thence, in spite of a temporary drop in emigration to Brazil in the seven years immediately following the enacting of the Rescript. In 1860 the official statistics showed a drop from 1,757 to 897, and in 1865 emigration to Brazil was officially as low as 414; but in 1868 and 1869 it rose to 3,425 and 3,475 respectively, and in 1873 rose to 5,048.<sup>65</sup> The internal development of the South American republics rendered them increasingly attractive as destinations for the European migrant stream. By the middle of the nineteenth century South America had commenced to evidence economic progress and some degree of political stability, and to an increasing extent was becoming integrated into the world economy. Recovery from the upheavals associated with separation from Europe coincided with the advancement of industrialisation in Europe with, in Burr's<sup>66</sup> words,

" the concomitant phenomena of population growth, urbanization, surplus capital formation, and growing rivalry for markets and sources of raw materials ... Immigrants came in increasing numbers to employ their technical and business skills in the exploitation of South America's resources. Foreign investors, regaining confidence, began to purchase government bonds and to finance mining ventures and public utilities ... It was in response to such developments that in the 1850s, the 1860s, and the 1870s South America's economic relations with the outside world sharply increased."

The development within South America was, of course, uneven. In Argentina economic life stagnated under Rosas' dictatorship (1829-1852) and the ensuing struggle between Buenos Aires and the Argentine Confederation, and it was not until 1862, when Mitre became the first constitutional president of the integrated state, that the way was clear for progress; and even then the ensuing Paraguayan War from 1864 to

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65. This represents between 0.5 and 4.5 of the total number of emigrants; most went to the U.S.A.

66. Burr, Robert N.: By Reason or Force. Chile and the Balancing of Power in South America, 1830-1905. (Berkeley & Los Angeles: University of California Press, 1967) pp. 108-109.



1870 inhibited this growth.<sup>67</sup> Chile found political stability much earlier with the Constitution of 1833 which gave a firm foundation for the rapid economic growth of that country associated with greatly expanded silver and copper mining.<sup>68</sup> By 1848 Brazil, after the political upheavals following the abdication of Pedro I on April 7, 1831, had commenced a period of stability and prosperity which was to last until the collapse of the monarchy in 1889, with a development of banks, railways, factories, communications, and the coffee industry.<sup>69</sup> Progress was uneven; but an indication of South American growth after the time of troubles which accompanied the emergence of the new republics may be found in the regained confidence of investors, notably British, in the stability of the country. The creation of the new republics had been accompanied by what Rippy<sup>70</sup> has termed a wild speculation spree by British investors, who amply contributed to Latin American government bonds and to the formation of joint stock companies for mining, agriculture, pearl fishing, transportation and similar enterprises. By 1827 each of the bond issues had gone into default and by 1840 most of the joint stock companies collapsed; this early optimism was clearly unjustified. However, during the 1860s and 1870s British capital once more flowed back into Latin American government bonds and economic enterprises, and in the decade from 1880 to 1890 assumed boom proportions; in this latter period British investors placed over 71 million pounds in government securities and nearly 175 million pounds in economic enterprises, the greatest proportion going to Argentina, Brazil, Chile,

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67. Humphreys, R.A.: The States of Latin America, in The New Cambridge Modern History (Cambridge: Cambridge University Press, 1960) Vol. X, Chap. XXV, p. 670ff.

68. Ibid, p. 664; Burr, op.cit., p. 74.

69. Graham, Richard: Britain and the Onset of Modernization in Brazil 1850-1914 (Cambridge: Cambridge University Press, 1968) pp. 24-26; Humphreys, op.cit., p. 661ff.

70. Rippy, J. Fred: British Investments in Latin America, 1822-1949 (Minneapolis: University of Minnesota Press, 1959) pp. 17-18, 32.

Uruguay and Mexico.<sup>71</sup> By the end of 1890 British investments in Latin America reached a nominal aggregate of nearly 426 million pounds, of which nearly 60 per cent had been invested since the end of 1880.<sup>72</sup> The British investment boom in Latin America of the 1880s was only matched by that which followed in the decade following the year 1902,<sup>73</sup> and it climaxed a gradual increase in tempo which commenced in the 1860s. It was not until the latter half of the nineteenth century that European investors believed South America revealed the potential they mistakenly sought in the 1820s. In other words, the von der Heydt Rescript prohibiting migration to Brazil came at a time when European, predominantly British, capital was once more flowing into South America and financing such allurements for the prospective migrant as government projects, railways, public utilities, sanitation installations, mining ventures and local industries, and banking and business houses.

This era of political stability and economic progress in South America, moreover, had wider implications for Germany than those related only to migration. It coincided with a quickening of Germany's economic and industrial evolution and the advances which resulted from the founding of the Reich in 1871. The first steps towards Germany's industrial revolution had been taken in the years between the founding of the Zollverein in 1834 and the year 1850; then a perceptible economic spurt in 1850 had been followed between 1851 and 1857 by a sharp industrial advance, in this latter period 119 joint stock companies being formed in Prussia.<sup>74</sup> The period between 1850 and 1873, indeed, has been seen as a boom period of economic growth and the break-through of the industrial

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71. *Ibid*, pp. 32-36. See also Rippy, J. Fred: The British Investment "Boom" of the 1880s in Latin America (HAHR, XXIX, 1949); in his later work Rippy has amended some of the statistics in this article.

72. Rippy, *British Investments in Latin America*, pp. 37, 41-42.

73. *Ibid*, p. 11; Rippy, *The British Investment "Boom"*, p. 281.

74. Böhme, Helmut: *Politik und Ökonomie in der Reichgründungs- und späten Bismarckzeit*, in Stürmer, Michael (Ed.): *Das kaiserliche Deutschland. Politik und Gesellschaft 1870-1918* (Düsseldorf: Droste Verlag, 1970) pp. 35-36.

revolution in Germany,<sup>75</sup> the latter years being marked by the results of the wars of unification. From 1866 the Customs Parliament provided greater economic unity for Germany, the banking system became to an increasing degree centrally directed from Berlin, and French reparations payments contributed for a time to the heightened prosperity of the new Reich.<sup>76</sup> It was a period of expanding trade, and a period which saw the beginnings of a banking system to service that trade. In 1872 German exports, excluding precious metals and coins, were already valued at 2,317,724,000 marks; by 1883 the figure had climbed to 3,269,988,000 marks.<sup>77</sup> The lack of German banking organisation to service this foreign trade led Adalbert Delbrück, head of the banking firm Leo Delbrück & Co. and co-founder of the Indo-European Telegraph Company on whose behalf Georg Siemens<sup>78</sup> had been active in Persia, to initiate the steps leading to the formation in January 1870 of the Deutsche Bank.<sup>79</sup> Georg Siemens, the bank's first Director, took office with the express intention of developing the Deutsche Bank into a means of freeing Germany's overseas trade from the English monopoly in the field of banking and finance,<sup>80</sup> and to this end in March 1873 took the necessary step of opening a branch in London, the world's banking capital, after the German Bank of London Limited, founded in March 1871 by the Deutsche

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75. E.g. Wehler, Hans-Ulrich: Bismarcks Imperialismus und späte Rußlandpolitik unter dem Primat der Innenpolitik, in Stürmer, op.cit., p. 236.

76. See, e.g., Böhme, op.cit., pp. 33, 36.

77. Statistisches Jahrbuch für das Deutsche Reich, 1885, p. 78.

78. Georg Siemens, later Director of the Deutsche Bank, was the cousin of Werner von Siemens, founder of the electrical concern that bears his name.

79. Helfferich, Karl: Georg von Siemens. Ein Lebensbild aus Deutschlands großer Zeit. (Berlin: Springer, 1923) Vol. I, pp. 212-214.

80. Von Weiher, Sigfrid: Die Entwicklung der englischen Siemens-Werke und des Siemens-Überseegeschäftes in der zweiten Hälfte des 19. Jahrhunderts (Diss., Freiburg i.B., 1959) p. 81; Deutsche Ueberseeische Bank, 1886-1936. Aus Anlass des fünfzigjährigen Bestehens der Deutschen Ueberseeischen Bank ihren Mitarbeitern und Freunden gewidmet. 2. Oktober 1936 (Berlin: Otto Elsner K.-G., 1936) p. 10; Seidenzahl, Fritz: Hundert Jahre Deutsche Bank, 1870-1970. Im Auftrag des Vorstandes der Deutschen Bank Aktiengesellschaft Frankfurt am Main (Frankfurt: Weisbecker, 1970) pp. 5-6.

Bank and other German bankers, proved inadequate to their needs.<sup>81</sup> The year after the establishment of the Deutsche Bank (Berlin) London Agency, the Berlin head office turned its attention to South America by joining the German-Belgian consortium which had in 1872 founded the La Plata Bank;<sup>82</sup> but the year after the Deutsche Bank bought into this venture the La Plata Bank went into liquidation due to the effects of revolutions in Argentina and Uruguay.<sup>83</sup> Eleven years later, in 1886, the Deutsche Bank founded the Deutsche Uebersee Bank with a capital of 10 million marks to serve the La Plata district, opening its branch in Buenos Aires on August 5, 1887.<sup>84</sup> The German overseas banking system thus made its first effective commencement to serve the South American trade;<sup>85</sup> and one of the first members of the Board of Directors was Walter Hasenclever of the Remscheid firm whose trading activities in Argentina and Brazil will come under notice in a following chapter.<sup>86</sup> From the time of its inception the Deutsche Uebersee Bank was intended to resume the activities in Buenos Aires which had been commenced by the short-lived La Plata Bank. In October 1886, the year in which the Bank was founded, the future manager of the Buenos Aires branch, G. Eduard Maschwitz, informed the German Minister in that city of his acceptance of the offered post.<sup>87</sup>

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81. Hilfferich, *op.cit.*, pp. 233, 244.

82. The La Plata Bank was founded by the Diskonto-Gesellschaft, the Cologne banking house Salomon Oppenheim, and a Belgian and an Austrian bank; Lütge, Wilhelm, Werner Hoffmann, Karl Wilhelm Körner: *Geschichte des Deutschtums in Argentinien* (Buenos Aires: Deutscher Klub, 1955) p. 237.

83. *Deutsche Ueberseeische Bank*, p. 13. The short-lived Deutsche Brasilianische Bank also closed its doors in 1875; Joslin, David: *A Century of Banking in Latin America* (London: Oxford University Press, 1963) Chapter 4.

\* 84. *Deutsche Ueberseeische Bank*, pp. 18-20. On June 17, 1893, the bank became the Deutsche Ueberseeische Bank.

85. So, e.g., Feis, Herbert: *Europe: the World's Banker 1870-1914* (New Haven: Yale University Press, 1930) p. 66.

86. *Deutsche Ueberseeische Bank*, p. 69.

87. Rotenhan to Bismarck 30.10.1886, in GSAPK Berlin Rep.109, Nr 4100. Maschwitz was born in Hamburg, had been in Argentina for 25 years, and until his retirement from business had been manager of the London and River Plate Bank. Ill health prevented his active participation in the new post with the German bank; Rotenhan to Bismarck 30.10.1886, 11.8.1887, GSPK Rep.109, Nr 4100, 4101.

About the same time as the founding of the Deutsche Bank, in Hamburg the Commerz- und Disconto Bank was founded in the rooms of the firm Theodor Wille, whose large-scale activities in the import of Brazilian coffee will come under notice in a later chapter. One year after its creation in February 1870, the new bank shared in the founding of the Hamburg-Südamerikanische Dampfschiffahrts-Gesellschaft (Hamburg South American Steamship Company) in 1871, and in 1873 did as the Deutsche Bank did about the same time and established links with the London banking world. Together with the London trader Frederick Youle the Hamburg bank founded the London and Hanseatic Bank to conduct banking and commercial business between England and Germany, as well as to service Germany's trade with North and South America, India, China, the West Indies, and other countries.<sup>88</sup> Nor were these the only banks to be founded about this time to serve German trade in South America and elsewhere. The Berlin Diskonto-Gesellschaft was represented in Argentina by the banking house Ernesto Tornquist, founded in 1874,<sup>89</sup> and on December 16, 1887 Max von Schinckel of the Hamburg Norddeutsche Bank joined with the Diskonto-Gesellschaft in the foundation in Hamburg of the Brasilianische Bank für Deutschland, with a capital of 10 million marks. The new bank opened business in Rio de Janeiro on September 15, 1888, and in the following years opened branches in Sao Paulo (1893), Santos (1895) and Bahia (1909).<sup>90</sup> For the servicing of the Chile trade the same two banks on October 10, 1895 founded the Bank für Chile und Deutschland,<sup>91</sup> and a few months later, in February 1896, the Deutsche Ueberseeische Bank also took up operations in Valparaiso, Chile, in the

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88. Zimmermann, *op.cit.*, p. 71. The Hamburg Bank held half of the capital, and the Directors included the Hamburg traders Theodor Wille and Carl Woerman.

89. Lütge, Hoffman & Körner, *op.cit.*, p. 237; for Tornquist's connection with the Diskonto-Gesellschaft, see Wangenheim to Bülow 1.12.1901, Argentinien 1.19 PA Bonn.

90. Rohrmann, Elsabea: Max von Schinckel. Hanseatischer Bankmann im wilhelminischen Deutschland (Hamburg: Verlag Weltarchiv GmbH, 1971) pp. 66-67.

91. *Ibid*, p. 150.

following years opening up a network of branches in that republic.<sup>92</sup>

In 1905 the Dresdner Bank, in conjunction with the Schaaffhausenscher Bankverein and the Nationalbank für Deutschland, founded the Deutsch-Südamerikanische Bank, which opened a branch in Argentina the following year.<sup>93</sup>

It was thus predominantly the years between the period of the founding of the Reich and the year with which this study commences that German banks expanded into the foreign field, and in fact effectively initiated this movement by opening in South America. The establishment of German banks in South America reflects both the hopes entertained in business circles for an expansion of business in that continent and the importance with which the existing trade was viewed; excluding trade through the Hanseatic cities, which was not included in Reich statistics until 1888, German imports from Central and South America in 1880 were valued at 51.9 million marks and exports thence at 24.9 million marks.<sup>94</sup> Further, the establishment of overseas banks formed part of an outward movement of German capital. During the 1880s German capital recommenced an outward flow into foreign securities, interrupted by the crash in 1873, which reached a peak between 1887 and 1890, some of it being invested in South America, in Argentine, Venezuelan and Mexican securities and in gold mining and Panama Canal shares.<sup>95</sup> German capital was outlaid in South America in other ways, although the amount involved is unknown. Earlier in this chapter it has been seen that in 1821 there were six German wholesale firms in Brazil and that by 1845 sixty-seven of the 343 German trading establishments outside Europe were located in South America. It is obvious that capital and credit was involved in such

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92. *Deutsche Ueberseeische Bank*, pp. 21-23.

93. Rohrman, *op.cit.*, p. 151; Lütge, Hoffmann & Körner, *op.cit.*, p. 297.

94. See Table 1, p. 33 below.

95. Feis, *op.cit.*, p. 69; Stolper, Gustav: *German Economy, 1870-1940. Issues and Trends* (New York: Reynal & Hitchcock, 1940) pp. 56-57. No amounts are given in either source.

activities, as in the fourteen German firms participating in the coffee trade in Santos in Brazil, in the activities of firms such as Hasenclever & Sons in Argentina and Brazil, and in the banks and shipping companies which serviced the trade. German capital was outlaid in Chilean nitrate companies, Argentine quebracho forests and Brazilian tobacco firms, and in the land acquired by colonial settlements in Brazil and Chile. There is no reason to doubt common report that the amount of German capital outlaid in foreign enterprises was small, most of what was available going into the development of Germany's own industry; and on the basis of later information it is certain that of the capital invested outside Germany less than 15 per cent was placed in South America, the proportion being perhaps somewhere between 5 and 10 per cent.<sup>96</sup> Nevertheless, although the amount was comparatively slight and the South American share small, to an increasing extent German capital, as also German trade, was thrusting out into the world market, encouraged by the creation of the new Reich under whose flag such activity could be pursued with a greater sense of security.<sup>97</sup> The Reich, further, made its first half-hearted official moves in 1884 towards the acquisition of overseas colonies, a move which was both a response and an encouragement to the various German colonial pressure groups. By 1894 Martin Gosselin<sup>98</sup> was able to report that the German colonial societies, known as Kolonial-Agitations-Gesellschaften, had some 19,000 members on their books and that the parent society, the Deutsche Kolonial-Gesellschaft under the presidency of Prince Hohenlohe-Langenburg, had 249 affiliated local societies. Some of the ingredients of that expansionist drive which later flourished

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96. According to figures supplied by Feis, *op.cit.*, p. 74, in 1914 German long-term investment in Latin America equalled 16.2 per cent of the total foreign investment. Prior to 1890, before such investment as that outlaid in the electrical undertakings in South America, it would certainly be less. In 1910 it was estimated that 5 per cent of German foreign investment was placed in Argentina.

97. Fluck, *op.cit.*, p. 23; Bühler, Erich: Der deutsche Handel mit Brasilien (Diss., Heidelberg, 1941) p. 22.

98. Report on the German Colonies in Africa and the South Pacific, in Brit. Parl. Papers, 1895. CII. pp. 409-410.

under the official approval of Wilhelm II and which in its full development came to be known as Weltpolitik were already apparent soon after the founding of the Reich; and in such times any developing market such as South America, in which Germans had over many years invested their labour, trading enterprises, technical skill, and more recently their capital, and which had become the home of many thousands of German migrants, could scarcely fail to be of lively interest to business men and to exponents of the doctrine of a greater Germany. There were, however, more pressing reasons why South America should assume an increasing importance for German industrialists and colonists in the later years of the nineteenth century; for whilst German productivity and demand for food and raw materials increased, and therefore markets became a matter of fundamental concern, the available world market was shrinking.

The genesis of modern German expansionist policy, Wehler<sup>99</sup> points out, was closely linked with a series of interruptions to the growth of the young German industry and to the agricultural economy. The industrial depressions of 1873-1879, 1882-1886, and 1890-1895, together with the agrarian crisis since 1876, were perpetual impediments to rationally calculable expectations of gain, and under these circumstances foreign trade was seen as the obvious means of regaining and maintaining economic prosperity and of stabilising the course of the domestic economy. Wehler raises the possibility, although he refrains from pursuing it, of constructing a theory of depression-imperialism, lasting until 1896, with a following boom-imperialism. Of greater importance than the nomenclature is the urgency which this period of "painful industrial

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99. Wehler, Bismarcks Imperialismus und späte Rußlandpolitik, pp.236-237. Wehler also sees the expansionist movement as a deliberate attempt to divert and tame the reformist and "dangerous" labour movement and thereby to maintain the social status quo and political power structure; a successful imperialism would secure prosperity and remove the grounds for the internal conflicts which had increased since 1873.



convalescence"<sup>100</sup> imparted to the promotion of foreign trade, raising it to an ideological level. This period of deep and persistent depression<sup>101</sup> after 1873, with the revival of protectionism from 1879 and the development of the cartels in the 1880s for the protection of German industry,<sup>102</sup> witnessed an upsurge of propaganda in the interests of colonisation and emigration. Fabri, Jannasch, Huebbe-Schleiden, Weber and others wrote of the need for the Reich to acquire colonies, to employ the emigratory stream for this purpose, and to expand Germany's field of economic activity by founding overseas areas of influence. South America, and in particular Brazil, was seen by propagandists as especially suited for the purpose, and Robert Jannasch, who in 1879 established the Central Association for Commercial Geography and the Furthering of German Interests Overseas,<sup>103</sup> became an active advocate of emigration to Brazil in the interests of German trade expansion. The German School Association for the Maintenance of Germanism Overseas, founded in 1881,<sup>104</sup> included Brazil in its field of activity. The German Colonial Association<sup>105</sup> advised the Ministry for Trade and Industry in Berlin that, whilst it had no intention of increasing emigration, it could not prevent it, and hence the Association regarded it as its duty to direct this emigration from North America to South America, especially to south Brazil and the La Plata district, where migrants would not lose their German character nor strengthen a race of people which offered strong competition to German agriculture and industry, and where they could develop valuable markets and sources of

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100. Clapham, J.H.: The Economic Development of France and Germany 1815-1914 (Cambridge: Cambridge University Press, 1963 ed.) p. 316.

101. Stolper, op.cit., p. 63.

102. Clapham, op.cit., p. 311.

103. Hell, op.cit., p. 63.

104. Kruck, Alfred: Geschichte des Alldeutschen Verbandes 1890-1939 (Wiesbaden: Franz Steiner Verlag, 1954) p. 1. From 1908 it became the Verein für das Deutschtum im Auslande (Association for Germanism Overseas).

105. It was founded Dec.6, 1882, uniting on Dec.19, 1887, with the Gesellschaft für deutsche Kolonisation to form the Deutsche Kolonialgesellschaft.

raw materials required in Germany.<sup>106</sup> In the following years these themes were constantly reiterated, as Brunn has shown; in his account appears the social Darwinism contained in some of the propaganda of the time. Without a worldwide economic empire, it was urged, Germany lacked the basis for her own industrial and commercial expansion. As national markets became shut in behind restrictive tariff barriers it became the more imperative, in such views, that Germany acquire her own sources of raw materials and her own monopolised markets. In the struggle for national survival which such propaganda claimed to be imminent, the organisation of, and care for, overseas Deutschtum - the German element - was seen as a vital component in a policy of informal imperialism. The struggle for survival could be fought with economic weapons, namely the demand for men and goods, for capital and credit for the construction of effective business organisations and railroads and communications, for schools and churches and cultural institutions, for hospitals and such. German emigrants, settled in the under-developed countries where these demands existed could, provided their ties with the Fatherland were adequately nurtured, help decide the struggle in Germany's favour.<sup>107</sup>

By the 1890s it was thought by some that the struggle for survival had already entered its opening stages in the real or threatened restriction of foreign markets. In 1877 Russia abandoned its earlier liberal tariff policy and adopted protectionist measures to safeguard its growing industries; in 1881 and 1884 followed further tariff increases, predominantly to combat German competition. This succeeded to such a degree that Russia's share in the German export trade fell from 24 per cent in 1875 to 5 per cent in 1885; and in June 1891 the Mendelejew

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106. Der Deutsche Kolonialverein to Königl. Minist. für Handel und Gewerbe Berlin, 3.3.1886, in DZA Potsdam, AA Nr 30766, Bl. 16-17; quoted Hell, op.cit., p. 66.

107. Brunn, Deutschland und Brasilien, pp. viii-x, 165-167 usefully summarises such propaganda.

tariff raised the tariff even higher.<sup>108</sup> The diminishing importance of Russia as a trading partner exemplifies both the threat to German trade and the fact that it was not unreasonable to seek at least a partial substitute in South America. From Russia Germany received, in reasonably large quantities, grain, especially wheat, rye and oats; rapeseed and linseed; and livestock, animal refuse for fertiliser, firewood, timber, iron ore, stone, flax and carbon. Of these, Argentina was to become an important supplier of grain, linseed, and animal products. The German export to Russia was much more varied. In 1878 Germany sent in reasonably large quantities products of the iron and steel industry such as pig iron, sheet iron and iron in bars, and ironware of all sorts including railway lines; locomotives and machinery; building materials such as cement and bricks and asphalt; various foodstuffs; coal; drugs; petroleum; and products of the textile industry such as cotton, wool, cotton and woollen yarn, and textiles and clothing.<sup>109</sup> Some of these goods found no real market in South America; but, as will appear in a later chapter, by 1890 textiles, iron and steel products, wire, railway lines, locomotives and machinery formed a not insignificant component of Germany's export to that continent. However, whilst South America might with some degree of probability be seen as a partial substitute for the dwindling Russian trade, there is no evidence of such precise calculation at the time; what is more evident is the pessimism evoked by the threat to German trade in general which such protectionist policies represented. For Russia was not the only market so threatened. The protectionist Méline tariff of 1892 in France threatened yet another market;<sup>110</sup> and so did the McKinley tariff of 1890

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108. Wehler, Bismarcks Imperialismus und späte Rußlandpolitik, pp. 241-242. For an account of the German reaction to Russia's tariff of 1877 and later, see Böhme, op.cit., pp. 42ff.

109. Statistisches Jahrbuch für das Deutsche Reich, 1880, pp. 62-81.

110. See, e.g., Clapham, op.cit., pp. 263-4, 320.

in the United States of America.<sup>111</sup> Moreover, about the same time in Britain was stirring the movement towards imperial preference which appeared to raise the threat of its development into an imperial tariff.<sup>112</sup> Further, the depression in the United States in the early 1880s, which was instrumental in forging the McKinley tariff, also directed attention to South America as a possible market for American over-production, and to this end was developed the pan-American movement to secure the South American market.<sup>113</sup> The pessimism with which the total situation was viewed may be gauged from the report which the German agricultural expert Karl Kaerger wrote to the Foreign Office from Argentina in 1896. If, wrote Kaerger, England and her colonies were to form a unified customs union behind prohibitive tariffs, and if the pan-American movement were to become an irresistible force, then all the brute instincts of self-preservation might compel the western European countries also to acquire for themselves exclusively monopolised markets for their own products; and if this were not possible in any other way, then with sword in hand. Kaerger did not think it impossible that in the foreseeable future Germany would decide to follow the example of English power politics and prepare the ground for future political

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111. Leusser, Hermann: Ein Jahrzehnt deutsch-amerikanischer Politik (München u. Berlin: Oldenbourg, 1928) p. 10 writes that since the year of the McKinley Tariff economic friction developed between the U.S.A. and Germany, and that German manufacturers saw the American tariff as a severe threat to their existence.
112. When on July 30, 1897, England terminated the English-German trade treaty of May 30, 1865, the Munich Allgemeine Zeitung saw this as the prelude to a closer economic union between England and her colonies. The Kaiser similarly believed that German trade would be shut out from the British colonies: Monts to Hohenlohe 31.7.1897 and Kaiser's comment, in Lepsius, J., A.M. Bartholdy, F. Thimme (Hrgr): Die Große Politik der Europäischen Kabinette 1871-1914 (Berlin: Deutsche Verlagsgesellschaft für Politik und Geschichte, 1922-7) Bd. 13, Nr. 3413, pp. 33-34.
113. Wehler, Hans-Ulrich: Handelsimperium statt Kolonialherrschaft. Die Latein-amerikapolitik der Vereinigten Staaten vor 1898 (JGSWGL, 3, 1966) p. 184. For Latin American distrust of the U.S.A. in 1889, see Rippey, J. Fred: Latin America. A Modern History (Ann Arbor: University of Michigan Press, 1958) p. 383. For the Kaiser's proposal of a European Zollverein to combat the threat of U.S.A. trade thrusts, see Note, Marschall, 25.1.1893, in Lepsius, Bartholdy, Thimme: Die Große Politik, Bd. 7, Nr. 1526, p. 243.

conquests by a thorough-going economic occupation of the prospective lands and would therefore decide to direct German emigration to those countries for that reason. The countries which Kaerger regarded as most suitable for such planned occupation were middle and south America, Africa north of the Orange River, and the Orient, with the American territories being the most valuable. Of the American lands south Brazil was the most likely, since there was little likelihood of Argentina ever being politically connected to the German Reich.<sup>114</sup> Whether the lifting of the von der Heydt Rescript for south Brazil in 1897 was in fact a fulfilment of Kaerger's more extreme prognostications will be considered in a later chapter; but in this report are evident all the elements which lent to South America the added significance of this period. In the struggle for survival against the threat of closing markets the less developed regions of the earth, South America in particular, appeared to offer the only remaining prospect for economic expansion. To a degree which was not true of the European and North American markets, and in spite of pan-Americanism and a strong British economic presence, South America was still an open market. It remained politically unaligned with any of the great Powers.

That other European countries, England in particular, had already established a strong and earlier commercial presence in South America has already been seen. By 1880 British supremacy in the international trade of Latin America was clearly established,<sup>115</sup> as in finance and banking.<sup>116</sup> However, by 1890 it was equally clear that the English presence had not prevented Germany from reaping some substantial gain from the care and

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114. Kaerger to Hohenlohe 13.1.1896, DZA Potsdam, AA Nr. 30410, quoted in Hell, *op.cit.*, pp. 114-115, and Kannapin, Klaus: Die deutsch-argentinischen Beziehungen von 1871 bis 1914 unter besonderer Berücksichtigung der Handels- und Wirtschaftsbeziehungen und der Auswanderungspolitik (Diss., Humboldt-Universität zu Berlin, 1968) pp. 121-122.

115. Platt, Latin America and British Trade, p. 98.

116. For an account of British banking, see Joslin, *op.cit.*

detailed attention paid to the South American market. Where there were German settlements, as in the south of Brazil and in Chile, this gain was partly at the expense of Britain; between 1870 and 1889 the share of the total exports of the United Kingdom taken by Brazil declined from 3.0 per cent to 2.6 per cent and that taken by Chile from 1.3 per cent to 0.9 per cent. Even in Argentina, which in the same period took a share which increased from 1.3 per cent to 3.1 per cent, between 1876 and 1886 German trade advanced at a greater rate than did that of Great Britain, Argentine statistics showing that whilst Britain's proportion of the total Argentine trade advanced by 141 per cent that of Germany increased by about 400 per cent.<sup>117</sup> Platt, indeed suggests that, with the exception of Argentina, South American markets were too small and unrewarding for British manufacturers and traders to be unduly concerned about, having as they did good reason to be confident in Empire markets and in India and, to a lesser degree, China. Britain's localised decline in parts of South America may simply have represented a decision to transfer limited resources to markets or products which offered better returns.<sup>118</sup> At all events, by 1905 Robert Jannasch, who had founded the Central Association for Commercial Geography and the Furthering of German Interests Overseas in 1879 and who had exerted continued effort on behalf of the South American trade, was able to feel magnanimous about the British competition in Argentina. Germany, he told the 1905 Colonial Congress in Berlin, was fortunate in having England to compete with rather than some other Power. After paying a handsome compliment to England's pioneer work in railway development, telegraph communications, land development and animal breeding, Jannasch continued:<sup>119</sup>

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117. Hoffmann, Ross J.S.: Great Britain and the German Trade Rivalry, 1875-1914 (New York: Russell, 1964 ed.) p. 30 and Appendix 1 p.305ff.

118. Platt, Latin America and British Trade, chapter IV.

119. Jannasch, R.: Argentinien als Wirtschafts- und Auswanderungsgebiet, in Verhandlungen des Deutschen Kolonialkongresses 1905 (Berlin: Reimer, 1906) p. 758.

England has helped to create here the foundation for a splendid cultural development. And it is this which has secured for the English a high recognition in general cultural interests. Who apart from them would be in the position to achieve the same, and who previously would have achieved the same with similar liberality? ... Haven't we Germans in particular learned everywhere, that where the French have become supreme - no matter whether it be in Algeria, Tunisia, Madagascar, or CochinChina - German goods are as good as excluded? ... And are our colonising activities and successes indeed of such a many-sided nature that we should like to assert we could do it as the English have?

I am of the opinion that, especially in view of the differences which have recently arisen between Germany and England, this is just the time to speak a word of recognition for the English without reserve.

The experience of the past two decades or more had shown Jannasch that Germany had been able to meet the English competition with some degree of success.

It is impossible to quantify accurately the German-South American trade prior to 1890, since trade passing through Hamburg, Bremen, and other Hanseatic cities was not included in Reich statistics before October 15, 1888<sup>120</sup> and, further, since such statistics for the trade of the Hanseatic cities as are available almost certainly include the value of trade in transit to countries other than Germany.<sup>121</sup>

The following official statistics therefore represent considerably less than the full value of the trade, with the possible exception of the figures for 1889, when the Hanseatic trade may be assumed to have been included, and to a lesser degree those for 1888, when some proportion of that trade is doubtless included.

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120. Brit. Parl. Papers 1899, XCVII, p. 493.

121. Flück, op.cit., p. 17 provides statistics for the trade of the Hanseatic cities with Brazil for the period 1876-1889,

Table 1: Trade between the German Empire and Central and South America (Special Trade), 1880-1889<sup>122</sup>

Value in Thousands of Marks and Percentage of German Trade

Year	Imports to Germany			Exports from Germany		
	Total Import	From Central and South America	%	Total Export	To Central and South America	%
1880	2,820,700	51,860	1.8	2,895,400	24,898	0.9
1881	2,963,000	30,296	1.0	2,977,000	31,741	1.1
1882	3,129,508	59,225	1.9	3,190,500	37,281	1.2
1883	3,263,700	65,537	2.0	3,272,200	43,191	1.3
1884	3,260,800	78,284	2.4	3,204,900	48,307	1.5
1885	2,944,400	74,459	2.5	2,860,300	33,303	1.2
1886	2,888,300	80,341	2.8	2,985,600	40,511	1.4
1887	3,124,700	84,204	2.7	3,135,300	48,792	1.6
1888	3,290,700	115,596	3.5	3,205,900	69,425	2.2
1889	4,015,100	315,787	7.9	3,166,700	200,726	6.3

That German trade with central and south America increased substantially both in value and in the percentage of the total German trade which it represented is clear from these statistics, as is the fact that the import trade was of greater value than was the export trade. It is, further, noticeable that Germany's export trade with central and south America experienced greater growth than did the import trade. In the period 1880-1887, before the Hanseatic trade was included and made comparisons less reliable, the import trade increased by 62.4 per cent whilst the export trade increased by 96.0 per cent; further, whilst in 1880 the exports to central and south America were valued at 48.0 per cent of the import value, in 1889 the proportion had risen to 63.6 per cent. Both divisions of the trade had progressed healthily and, further, German manufacturers had some concrete grounds for viewing future prospects with some degree of anticipation.

122. Figures derived from Statistical Abstract No. 729 in Brit. Parl. Papers, 1890 LXXVIII; percentages have been calculated from the figures supplied. The figures in Statistisches Jahrbuch für das Deutsche Reich Jgg. 1882-1885 differ slightly from those in Brit. Parl. Papers, but are earlier and presumably corrected in the later source.



The development of German shipping links with South America constituted yet another expansion of German industry and trade, as well as being an important aspect of informal imperialism; Eckert<sup>123</sup> saw it as a way of keeping alive amongst the Germans of South America a feeling for the Fatherland and of demonstrating to the South American states the economic strength, technical competence and political power of the German Reich. The earliest German attempts to compete with the shipping of other nationalities in establishing regular voyages to South America date from the early 1850s. The Californian gold discoveries, for instance, encouraged Joh. Cesar Godeffroy and Son to set up a packet ship route to California via Valparaiso in Chile, thus giving Chile a direct and regular shipping link with Germany; but by 1857 this service was closed.<sup>124</sup> About the same time two other Hamburg firms established sailing ship links with Chile, D.F. Weber in 1853 to Valdivia and Valparaiso and Rob. M. Sloman in 1855 to Valparaiso. By 1860 these lines were also closed, unrest in South America and insufficient emigrant passengers and trade making them uneconomical to maintain.<sup>125</sup> Early attempts in the 1850s to establish sailing and steam links with Brazil fared no better.<sup>126</sup> It was not until the founding of the Reich that shipping links with South America made permanent progress. In 1871 the Hamburg-Südamerikanische Dampfschiffahrts-Gesellschaft was founded for the east coast trade, especially for the Brazilian and La Plata connection, whilst for commerce with the west coast the Deutsche Dampfschiffahrts-Gesellschaft Kosmos was founded in Hamburg in 1872 with an initial three steamers. The Bremen Norddeutscher Lloyd, founded in 1857, established a route for the east coast trade in 1876, whilst

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123. Eckert, Chr.: Die Entwicklung der Schifffahrt zwischen Deutschland und Südamerika, in Verhandlungen des Deutschen Kolonialkongresses 1905, p. 963.

124. dePaz, Cesar: Die Entwicklung der deutschen Schifffahrt nach der Westküste Südamerikas. Eine historische Untersuchung (Diss., Hamburg, 1942) pp. 98-100.

125. *Ibid.*, pp. 100-102.

126. Eckert, op.cit., p. 964.

sailing ships of the Hamburg firm P. Laeisz had regular voyages to the west coast, sailers also being used in the east coast trade.<sup>127</sup> Further, in 1886 Adolph Kirsten founded the Hamburg-Pacific-Dampfschiffs-Linie, establishing a west coast line in competition with Kosmos, until the two companies merged in February 1898.<sup>128</sup> It scarcely need be said that these shipping lines became an important factor in the expansion of Germany's South America trade.

Official German statistics for merchant shipping for the period 1873-1889 reveal that, whilst the volume of shipping entered and cleared in the trade with all South America underwent a series of rises and falls, the overall result was one of very decided progress. The development was affected by local South American conditions such as political unrest, the outbreak of disease in various harbours and consequent quarantine measures, and periods of trade recession, as well as by competition from English and other shipping lines and the effects of industrial depression in Europe;<sup>129</sup> but, as the following table demonstrates, these factors could not prevent a very steady development. From the table it appears that by 1876 German South American merchant shipping lines were recovering from the 1873 crash; in 1876 the total shipping entered and cleared stood at 392,573 registered tons as compared with 264,936 the previous year. Further, the depression of 1882-1886 only affected this service in 1885, and then only briefly; in 1884 shipping entered and cleared totalled 710,959 registered tons, falling to 599,979 in 1885, and rising the following year to 656,311 with further increases in each of the following years. The figures also reflect the greater quantity of cargo arriving from South America than exported thence.

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127. Ibid, pp. 964-965; Neubauer, Paul: Der Norddeutscher Lloyd. 50 Jahre der Entwicklung, 1857-1907 (Leipzig: Wilh. Grunow Verlag, 1907).

128. de Paz, op.cit., p. 143; Eckert, op.cit., p. 964.

129. The effects of local conditions are referred to in, e.g. the 7th edition of Hapag-Lloyd's brochure Informationen (undated) which contains a report "100 Jahre Südamerika-Westenküsten Dienst".

Table 2: German Merchant Shipping entered from and cleared to all South America, 1873-1889<sup>130</sup>

Year	Entered from South America with cargo	Cleared to South America with cargo	Total entered and cleared with cargo
	Reg. Tons	Reg. Tons	Reg. Tons
1873	163,057	148,607	311,664
1874	161,895	111,297	273,192
1875	165,674	99,262	264,936
1876	263,303	129,270	392,573
1877	231,878	140,372	372,250
1878	269,139	152,902	422,041
1879	248,281	167,667	415,948
1880	206,517	197,378	403,895
1881	253,602	204,443	458,045
1882	308,349	239,187	547,536
1883	352,499	277,305	629,804
1884	403,493	307,466	710,959
1885	328,037	271,942	599,979
1886	326,647	329,664	656,311
1887	394,606	377,891	772,497
1888	480,694	422,123	902,817
1889	571,441	506,129	1,077,570

More directly to the point, however, they demonstrate the very steady growth in German merchant shipping to and from South America, a growth which accelerated in the latter stages of the period and more than trebled the tonnage carried.

It is evident that by 1890 there were cogent reasons for an increased, even urgent interest in South America. Trading connections, at first tenuous but later more direct and officially supported by the establishment of consulates and trade treaties, extended back for some three hundred and fifty years and appeared to justify expectations of further expansion. As a destination for German emigration South America stood in second place behind the United States of America, albeit a very

130. This table consists of the totals of the relevant figures extracted from statistics supplied in Statistisches Jahrbuch für das Deutsche Reich, Jgg. 1880-1891.

long way behind;<sup>131</sup> and a growing and vigorous pressure group saw it as a matter of national importance that the German sphere of commercial influence should be extended by directing migration thence and preserving its German character, especially in Brazil where conditions were more propitious. German shipping lines, created for the South American trade, evidenced a healthy development, and German banks had commenced operations in South America. With the expansion of German industrialisation the need for markets became urgent, and the threatened withdrawal of existing European and American markets behind protectionist tariffs made South America, blossoming with the aid of strong infusions of foreign capital, an obvious field for increased activity. This is not to say that South American trade had in fact attained a prominent ranking by 1890. Of the countries importing into Germany in that year Great Britain headed the official Reich statistics<sup>132</sup> with 15 per cent, followed by Austria-Hungary (14 per cent), Russia (12.7 per cent), the U.S.A. (9.5 per cent), Belgium (7.4 per cent), and the Netherlands (7.2 per cent). The South American republics came in seventh place with a combined 7.0 per cent. Of German exports in 1890 Great Britain took 20.7 per cent, the U.S.A. 12.2, Austria-Hungary 10.3, the Netherlands 7.6, France 6.8, Russia 6.1, Switzerland 5.3, and Belgium 4.4 per cent. The South American republics followed in ninth place with 3.9 per cent. Trade passing through the free harbours and areas outside the Customs Union was not taken into account in these figures, and may have improved the export percentage for South America; 3.1 per cent of the German export went to these ports, whilst only 0.5 per cent was imported through them. Further, the indirect trade through Great Britain, Belgium

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131. Thus between 1871 and 1880 93.45 per cent of the officially recorded 595,151 emigrants went to the U.S.A., 3.51 per cent to Brazil and 0.73 per cent to other South American states; Australia followed with 1.66 per cent: Statistisches Jahrbuch für das Deutsche Reich, 1882, pp. 16-17.

132. E.g. in Statistisches Jahrbuch für das Deutsche Reich, 1892, p. 65.

and Holland was not included;<sup>133</sup> were it possible to do so, these percentages for the South American trade would doubtless be a little higher, and so also perhaps the relative position. However, when all this is recognised the South American states were still well behind Germany's main trading partners, standing seventh on the list of importing countries and ninth on the list of markets for German exports. Nevertheless, South America's significance as a source of Germany's import trade is obvious from these statistics, and they do not tell the whole story. As will appear in a subsequent chapter, in 1890 Argentina's grain import was still slight, but that country provided 22 per cent of Germany's wool and 17.6 per cent of her salted hides; Brazil supplied 44.7 per cent of the coffee, 26.5 per cent of the dried hides, 23.3 per cent of the salted hides and 23.2 per cent of the tobacco Germany imported, being in fact the main supplier of imported coffee and tobacco; whilst Chile supplied Germany's nitrates and some 70 per cent of the imported sole leather. South America's significance was by no means confined to future expectations.

Official recognition of this heightened importance may be seen in the increased number of German consular officials in South America in the decade or so before 1890. In January 1880 Germany had 726 consular officials, including 55 consuls by profession. Of the consular officials 417 were in Europe; the second largest number, 164, was in America, of whom 30 were in the U.S.A., 18 in Mexico, and 59 in South America, including 18 in Brazil, 8 in Colombia, 8 in Chile, 6 in Argentina and 6 in Peru. Of the 55 consuls by profession 3 were in South America. By August 1890 the number of consular officials had risen to 759, 440 being in Europe and 182 in America. Of the latter the U.S.A. had 36, Mexico 21, and South America 71, including 22 in

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133. Centralverband Deutscher Industrieller, An den Hohen Reichstag 24.1.1895, p. 6: BHSA I München, Rep. MH 11889.

Brazil, 13 in Chile, 9 in Argentina and 9 in Colombia. The number of consuls by profession had risen to 88, of whom 7 were in South America.<sup>134</sup> Thus in the period 1880-1890 the number of consular officials in South America increased by 12 and the number of consuls by profession by 4; and, further, a greater proportion of the total consular representation of the Reich was thereby in South America in 1890 than was the case a decade earlier.

By 1890, when the German government passed into new hands and German policy in the following years became more expansionist in its aims and achievements, South America had assumed a measure of significance for Germans whose varied interests were directed to that continent. That significance was varied. Industrialists saw South America as a market to be won, but were sometimes exasperated at South American tariffs which they regarded as hostile; agrarians were alarmed at the threat to their interests implicit in the import of South American grain; and the government was occasionally embarrassed, at least in public, by the extravagant demands made by colonial enthusiasts and Pan-Germans. How the German-South American commercial relationship developed in the era of Weltpolitik will be examined in the chapters which follow.

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134. Statistisches Jahrbuch für das Deutsche Reich, 1881 p.126 & 1891 p.114.

CHAPTER TWOEMIGRATION

The intensification in the 1880s of propaganda for the direction of German emigration to South America and the growth of organisations for the maintenance of overseas Deutschtum or Germanism have been referred to in Chapter One. German settlers, such propaganda urged, should become the channels through which German culture was to permeate the South American continent, secular missionaries who would effect a commercial orientation towards the Reich, pioneers of a Greater Germany which would, by the consequent accession of a widened sphere of trading influence, triumph in the impending struggle for commercial survival. Hopes that South America, southern Brazil in particular, would by this means come to constitute some sort of New Germany persisted until late in the period under consideration; the German government tardily adopted them and, as will subsequently appear, capital was sacrificed for their realisation. In a country lacking colonies of any commercial significance the achievements in South America acquired exaggerated importance, and advocates of directed emigration spoke as though the prescription for trade expansion could be reduced to the simple formula: send more emigrants.<sup>1</sup>

Emigrants there were in abundance; the trouble was that most went to the wrong country. Since 1816, when the first short epidemic of emigration spread in the German states, German emigrants had found their way across the Atlantic. The brief episode of 1816-1817, which ended almost as soon as it started, was occasioned by hunger and unemployment and resulted in some 20,000 leaving for the United States.<sup>2</sup> But the main waves of emigration came in the following years. In the 1840s and 1850s some 876,000 crossed the Atlantic to settle in the United States due to

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1. This is further discussed in Chapter Eight below.

2. Walker, Mack: Germany and the Emigration 1816-1885 (Cambridge, Massachusetts: Harvard University Press, 1964) pp. 8-37.

rising prices, food shortage, political unrest and social dislocation brought on by industrialisation and land hunger west of the Elbe, and encouraged by the development of transport.<sup>3</sup> In the 1860s and 1870s came a further wave<sup>4</sup> after the American Civil War; emigration was encouraged by the United States' Homestead Act and rising American prosperity, the German wars produced conscription and the consequent wish to evade it, and the spread of industrialisation continued to send German rural families across the Atlantic.<sup>5</sup> In the decade before 1890 emigration once more rose sharply, some 1,500,000 Germans leaving their home soil.<sup>6</sup> Emigration was a phenomenon to which Germany had become increasingly accustomed; and the demand of the 1880s for its utilisation in the national interest coincided with a sharp increase in numbers emigrating. It also coincided with a period of industrial depression and with the nationalist zeal which followed the founding of the Reich, and in these circumstances advocates of directed emigration found it intolerable that more than 90 per cent of German emigrants should be lost to the Reich by settlement and assimilation into the United States of America.<sup>7</sup> Propaganda for South America as an alternative destination was no new thing; now it was intensified.

Since the beginning of the nineteenth century the ABC states, especially Brazil and Chile, had become widely-publicised possibilities for German emigrants. South American governments, seeking to recruit migrants, had contributed to the publicity. The first episode was an inglorious affair. In 1822 or 1823 Major Georg Anton Schäffer appeared in Germany to recruit a foreign legion and colonists for Pedro I of Brazil,

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3. Ibid, Chapters II-III; Hamerow, Theodore S.: The Social Foundations of German Unification 1858-1871. Ideas and Institutions (Princeton: Princeton University Press, 1969) p. 51; Ferenczi, op.cit., p. 694 for numbers emigrating via Hamburg and Bremen.

4. Hamerow, op.cit., pp. 52-53.

5. Walker, op.cit., p. 180ff.

6. Statistisches Jahrbuch für das Deutsche Reich for the appropriate years.

7. See pp. 26-27 above.



Schäffer's work being supplemented by the efforts of the Frankfurt physician Dr. Cretzschmar. The Brazilian government offered free passage, free land, animals and implements and financial assistance and freedom from taxation for ten years on condition that the immigrant continued to work the holding for ten years; the provision requiring military service was not always made clear by Schäffer. The offer had some attractions for the poor and unemployed as also for governments wishing to dispose of them. Between 1823 and 1830 some seven to ten thousand left for Brazil, some coming from the poorhouses and prisons of Mecklenburg-Schwerin.<sup>8</sup> As late as the early 1850s a Thuringian town sent its poor to Hamburg where the Brazilian consul arranged for their transport to Brazil at the cost of the landowners to whom they were contracted.<sup>9</sup> In 1838, after the Schäffer episode was closed, the commercial house of Delrue in Dunkirk was commissioned by the Brazilian government to gain migrants and operated with some success in the German states; its efforts were supplemented by Brazilian representatives in Europe with offers of free passage to Rio de Janeiro, in response to which some two thousand Germans left.<sup>10</sup> In 1839 the government of Pernambuco in northern Brazil arranged the transport of 195 German artisans for the construction of public buildings, roads and bridges; some took their families and most remained in Brazil.<sup>11</sup> In the 1840s the Brazilian consul-general in Prussia Johann Jacob Sturz, himself the

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8. Hell, *op.cit.*, pp. 37ff.; Walker, *op.cit.*, pp. 38ff.

9. Walker, *op.cit.*, p. 170. The promises of the Brazilian government were not always fully kept, and the Brazilian *parceria* system of the 1840s and 1850s, whereby the migrant was contracted to work off his debts to the coffee planter who brought him out and remained in virtual serfdom until he had done so, contributed to the von der Heydt Rescript. In 1854 the Brazilian government sought to remedy the situation by establishing settlements or colonies; German settlements such as Blumenau and Dona Francisca were thus possible. Something like the *parceria* system was re-introduced in 1886-1889: Hell, *op.cit.*, pp. 52-53; Brunn, *Deutschland und Brasilien* p. 8.

10. Walker, *op.cit.*, pp. 97ff.

11. See review in *HAHR* 42. 1962. p. 124 of a Brazilian study on this episode. The reviewer, Anyda Marchant, comments that such original research was still too rare in Brazilian historical studies.

son of a Bavarian official, produced numerous books and articles on the attractions of southern Brazil and the value of German settlement there; his publicity was also assisted by the Brazilian Envoy at the Berlin court Viscount d'Abrantes.<sup>12</sup> The Argentine government similarly sought to recruit immigrants in Germany, appointing in the 1820s Karl Heine, a German from Mainz, as immigration agent.<sup>13</sup> By the 1880s Argentine efforts to attract migrants were well known in Germany.<sup>14</sup> The Chilean government was similarly involved; from 1882 the Chilean Ministry of Foreign Relations, Worship and Colonisation had a General Agency of Colonisation in Europe which gave Chile good publicity in Germany.<sup>15</sup>

The propaganda did not emanate solely from South American governments and Germans in their employ. Germany's connections with South America extended back to the sixteenth century, and as those connections were strengthened from the 1800s the publicity grew. In the 1820s the south German liberal von Gagern knew of books recommending Brazil and in 1826 considered having his son sent there to investigate the possibility of German settlements.<sup>16</sup> The 1840s and 1850s saw a flood of propaganda. In 1846 the eminent Göttingen professor of geography Johann Eduard Wappäus published his Deutsche Auswanderung und Kolonisation (German Emigration and Colonisation) in which the potential of Chile and south Brazil was praised; his work was assisted and furthered by enthusiasts such as the traveller and emigration publicist Traugott Bromme and the physician Hermann Blumenau.<sup>17</sup> In the same year Wappäus also edited and published a lengthy plea for the La Plata district written by the Argentine statesman Domingo Sarmiento.<sup>18</sup> Bernhard Philippi, a Prussian merchant marine officer who pioneered German emigration to Chile and whom the

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12. Schramm, op.cit., p. 287; Walker, op.cit., pp. 119-120.

13. Lütge, Hoffmann and Körner, op.cit., p. 116.

14. See p. 15 above.

15. Young, George F.W.: German Immigration and Colonization in Chile 1849-1914 (Diss.: University of Chicago, 1969) p. 4.

16. Walker, op.cit., p. 104.

17. Schramm, op.cit., p. 287.

18. Walker, op.cit., p. 119.

Chilean government sent to Germany as official colonisation agent when news of the 1848 revolution reached Chile,<sup>19</sup> published a series of articles in north and western Germany in 1850 and 1851. Valdivia, wrote Philippi, had more to offer than did the United States; the climate was better and, more importantly, it was easier for Germans to settle there because they could the more easily retain their German identity.<sup>20</sup> Philippi's publicity campaign was backed up by other literature; for instance by writings from Dr. Aquinas Reid, a German resident in Chile, which were published in 1848 in the Stuttgart newspaper Das Ausland.<sup>21</sup> Publications from about this time included printed handbooks for would-be emigrants, some of which were written by Traugott Bromme.<sup>22</sup> Publicity for the ABC states was not confined to the printed word; various emigration agencies and organisations were established, the most highly-organised being the Hamburg Kolonisationsverein of 1849.<sup>23</sup> Moreover, the growing German business contacts with the ABC states produced increased familiarity with the situation there; the more Germans went to the ABC states, either temporarily as clerks, teachers, scientists or ships' crews, or permanently as merchants, business men or settlers, the less remote South America became. Improved transport had the same effect. In the 1820s the voyage from Germany to Brazil took ten weeks,<sup>24</sup> in the 1840s up to seventeen weeks sailing from Hamburg to Chile around Cape Horn;<sup>25</sup> in the 1850s, with the advent of the steamship, advertisers were already claiming the possibility of leaving Bremen on the first of January and being at work on a Wisconsin farm on the first of February,<sup>26</sup> and the voyage to the Atlantic states of South America would only have

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19. Young, op.cit., p. 83.

20. Ibid, p. 102.

21. Ibid, p. 88.

22. Walker, op.cit., p. 107 regards Bromme's emigrants' handbooks as "extraordinarily successful".

23. See p. 14 above.

24. Hell, op.cit., pp. 40f.

25. Young, op.cit., p. 66.

26. Walker, op.cit., p. 160.

taken a few days more. German shipping lines, specially created for the South American routes since the 1870s,<sup>27</sup> closed the distance between the two continents. By the 1880s, when the various organisations mentioned in Chapter One were in operation and propaganda for emigration to Brazil in particular was more widespread, South America was nearer in time and cultural links with the homeland were being forged.

By 1892 emigration from Germany was dwindling and the settlements in the ABC states had assumed the characteristics which remained more or less definitive until 1914. The nature of these settlements will be considered shortly; since, however, the numbers involved vitally affected German attitudes concerning commercial relations with the three republics the statistics of the migratory movement to the three countries must be considered.

Official German statistics, summarised in Table 3,<sup>28</sup> give a rough approximation which is less unreliable than that given by South American immigration statistics.

Table 3: Official German Statistics for Emigration to Argentina, Brazil, Chile

Period	to Argentina	to Brazil	to Chile
1837-1860	458	19,307	3,335
1861-1870	732	13,391	751
1871-1880	1,542	20,904	989
1881-1890	8,369	18,792	2,671
1891-1900	6,406	12,459	2,092
1901-1910	4,611	3,985	lacking
1911-1914	3,634	805	lacking

The German figures prior to 1890 were certainly too low since the destination of Germans emigrating through French and other ports was not known; in some years these numbers were quite considerable,

27. See pp. 34-36 above.

28. Summarised from official German statistics as given in Ferenczi, op.cit., pp. 241 ff., 691ff.

124,000 Germans emigrating to all destinations through French ports in 1854, 10,900 in 1880, 10,000 in 1881, and less in other years.<sup>29</sup> After 1890, when German statistics were less incomplete, their account of numbers going to the individual South American republics was still not completely accurate.<sup>30</sup> Nevertheless, as a British Board of Trade Memorandum pointed out about 1904, the figures for German emigration represented the movement of Germans for settlement in foreign countries;<sup>31</sup> they were not inflated, as the South American figures clearly were, by the inclusion of other than genuine migrants. Especially in the last decade or so the Argentine and Brazilian statistics for German immigration were grossly exaggerated. From the following table in which Argentine and German figures are compared, it appears that from about 1900 Argentine statistics exceeded their German counterpart by an average of 1,852 per annum. This is due to a number of reasons.

Table 4: A Comparison of German and Argentine Migration Statistics<sup>32</sup>

Period	German Immigration to Argentina, from German figures	German Immigration into Argentina, from Argentine figures
1837-1860	458	240
1861-1870	732	1,298
1871-1880	1,542	3,819
1881-1890	8,369	14,184
1891-1900	6,406	8,693
1901-1910	4,611	19,304
1911-1914	3,634	14,868

29. See Ferenczi, *op.cit.*, p. 700 for numbers emigrating through French ports. Some certainly went to South America, possibly mainly to Brazil. In 1856, reported the Bavarian consul in Le Havre, only very few of the approximate 950 emigrants via Havre to Buenos Aires were Germans: F. Kestner to Staatsministerium des Königl. Hauses und des Äußere 13.1.1857, BNSA München II, Rep. MA. 61671.

30. See chapter by Dr. F. Burgdörfer of the German Statistical Office in Willcox, Walter F. (ed.): International Migrations. Vol. II Interpretations (New York: National Bureau of Economic Research, Inc., 1931). Burgdörfer says (p. 339) that, due to uncertainty, many German emigrants merely gave their destination as "South America". Further, from 1903 German migration statistics no longer singled out Chile, emigration to that country being included in the "Other South American Countries" column.

31. Brit. Parl. Papers 1905. LXXXIV. p. 216.

32. Compiled from figures in Ferenczi, *op.cit.*, pp. 241ff., 261ff.

The Argentine statistics included as immigrants arrivals travelling steerage and second class, many of whom were not migrants;<sup>33</sup> further, it can be assumed that Argentine migration statistics followed the practice of that country's trade accounting and regarded as German all who arrived in German ships from German ports.<sup>34</sup> Moreover there are statistical grounds for believing that the Argentine figures included, especially from 1903, seasonal workers who were not genuine immigrants.<sup>35</sup> A comparison of Brazilian and German figures reveals the same problem, as the following table demonstrates.

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33. Hiller, Georg: Einwanderung und Einwanderungspolitik in Argentinien (Diss., Friedrich-Wilhelms-Universität zu Berlin, 1912) p. 7.

34. Until 1894 the Argentine government granted subsidised passages at German ports to attract northern European immigrants; French, German, Spanish, Italian and other steamship companies received substantial payments from the Argentine government for carrying subsidised immigrants: Brit. Parl. Papers 1892. LXXIX. pp. 375, 391; 1895. CII. p. 31. Argentine immigration statistics published in Statistical Abstracts in Brit. Parl. Papers label German immigrants as "direct by sea from Germany", at least suggesting the possibility that Argentine statistics included some of the immigrants of other nationalities who were carried in German shipping.

35. See chapter by Alejandro Bunge and Carlos Mata in Willcox, op.cit., p. 150 re the "floating immigration" of "birds of passage", European labourers who went to Argentina in October, November or December, availing themselves of the ridiculously cheap prices offered by steamship companies in competition with each other, worked the crops and returned home in May and June. Ferenczi, op.cit., p. 544 gives the Argentine statistics for German emigration from 1857; between 1857 and 1914 these total 36,412, whilst the difference between German and Argentine figures for German emigration to Argentina in the same period totals 36,604. It is a remarkably close fit which perhaps cannot be pushed too far but which nevertheless suggests that the Argentine figures have been inflated by the inclusion of seasonal workers or others who were not genuine immigrants and returned home to Germany shortly after their arrival.

Table 5: A Comparison of German and Brazilian Migration Statistics<sup>36</sup>

Period	German Emigration to Brazil, and percentage of total Emigration, from German figures		German Immigration into Brazil, and percentage of total Immigration, from Brazilian figures	
1890-1895	12,558	2.1	14,028	1.33
1896-1900	4,018	3.2	3,273	0.69
1901-1905	2,590	1.8	3,109	1.08
1906-1910	1,395	1.1	14,424	3.58
1911-1914	805	1.0	20,799	3.43
Total	21,366		55,633	

From 1907, when Brazilian statistics were compiled independently,<sup>37</sup> Brazilian figures were far in excess of German. In the period 1906-1914 the Brazilian statistics claimed an average of 3,669 German immigrants more per annum than the German emigration statistics showed. The Brazilian figures were clearly inflated by the inclusion of those other than genuine immigrants; there are once more grounds for believing that seasonal workers were included.<sup>38</sup> The German emigration figures are

36. Statistisches Jahrbuch für das Deutsche Reich Jgg. 1903-1915; Ferenczi, op.cit., p. 241ff., 550-551, 700-701.
37. Until 1907 Brazilian figures were compiled from European emigration data: Ferenczi, op.cit., p. 548.
38. Since the abolition of slavery the coffee state São Paulo had faced a labour shortage. In 1909 the British Vice-Consul at Santos reported on state government measures to attract immigrants for the coffee plantations, including an expensive propaganda campaign in Europe and the granting of free passages. In 1909 12,522 of the 38,238 steerage passengers who disembarked at Santos came by free passage; in the same year, however, 34,512 emigrants left the state by sea: Brit. Parl. Papers 1910. XCVI. p. 505. Complete statistics for German emigration from either Brazil or the southern Brazilian states are not to hand; but available figures show that by 1907, if not earlier, German emigration from São Paulo roughly matched German immigration into that state. The figures appear in Ferenczi, op.cit., p. 555 (no figures appear under the heading "German" until 1904) and Brit. Parl. Papers 1910. XCVI. p. 517; 1912-13. XCIV. pp. 458, 493-494; 1913. LXIX. p.261. Germans emigrating by sea from São Paulo in each of the years from 1904 to 1911 were 527, 616, 1,217, 1,174, 676, 993, 868, 836. A total of 6,907 Germans left this one state alone in this period; this figure represents one-fifth of the discrepancy between the German and the Brazilian figures. In 1893 the British Consul Walter Lyall commented on the endless procession of Europeans arriving in this state, working for a short period, and then returning home: Brit. Parl. Papers 1893-94. XCII. p. 574. At the time he excepted Germans from such "birds of passage"; but the figures from later years suggest that Germans joined the endless procession and were counted in Brazilian statistics as immigrants.

more realistic than their South American counterparts and, whilst they certainly contain inaccuracies, they are acceptable as a rough working basis.

According to the German statistics, by 1890 over 72,000 Germans had emigrated to Brazil, over 11,000 to Argentina and in excess of 7,000 to Chile. Of the three republics Brazil thus appeared the most promising for the type of commercial strategy preached by the advocates of directed emigration. Brazil's greater promise, moreover, did not solely rest on the numerical superiority of its German population, important as it was. The settlements in Brazil developed to a large degree in the desired manner; as closed German agricultural "colonies" with German schools, churches, associations and newspapers which preserved the German characteristics of the settlers. Superficially the New Germany dream appeared to be materialising although, as will shortly appear, it never lost its illusory qualities. The settlements in Chile were similar although their numerical inferiority to the Brazilian counterpart limited their importance. Argentina, by contrast, did not conform to the pattern. The nature of these settlements and their implications for Germany's trade relationships with the three republics warrant further examination.

Between 1825 and 1828 German settlements in southern Brazil had already been established by the Brazilian Colonial Ministry;<sup>39</sup> and as migration statistics have demonstrated it was to the south of Brazil that most German colonising activity was directed, the climate and living conditions in general being more favourable for northern Europeans. Shortly after its formation in 1849 the Hamburg Colonisation Society acquired land in the province of Santa Catharina from the Prince de Joinville and formed a colony which was named Dona Francisca

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39. Schramm, op.cit., p. 288.



in honour of his wife; the first town in the colony was named Joinville. About the same time the colony of Blumenau was established.<sup>40</sup> It was around such settlements that most German immigrants concentrated; "the great part of these German colonists", wrote the American journalist Frederick W. Coburn in later years, "take up agricultural pursuits".<sup>41</sup> Others were artisans; and many of the women went into domestic service.<sup>42</sup> Most, as Walker wrote of the emigrants of 1830-1845, were lower middle-class people - small holders who cultivated some land back home, independent shopkeepers and artisans, people who relied on their own skills and wished to do so in the future and who had owned property which could be turned to cash with which to establish themselves.<sup>43</sup> In the course of time many married into local families, changed their names to the Portuguese equivalent and were assimilated into the Brazilian community. Consul Goes was later to refer to those who had left Germany to escape from some "dark spot in their past", such as evasion of military service; and he found the discrepancy between the number of Germans whose names were on the consular rolls and the number of known Germans in the community evidence of a widespread willingness to forego German citizenship.<sup>44</sup> Consequently estimates concerning the number of Germans or their descendants resident in Brazil by about 1890 represent little more than enlightened guesswork. The 44,087 "Nationals of the

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40. Schramm, P.E.: Hermann Blumenau, der Gründer der Siedlungskolonie Blumenau. Seine Anfänge in Brasilien nach Briefen an seine Familie (1846-50) (JGSWGL, 4, 1967) pp. 629-656.

41. Article, South American Germans, Boston Evening Transcript 17.12.1902.

42. Brit. Parl. Papers 1893-94. XCII. p. 617.

43. Walker, op.cit., p. 47.

44. Goes to Bülou 1.2.1904, Brasilien 1.34 PA Bonn. Under the Brazilian Constitution of February 24, 1891, persons born in Brazil even of a foreign father, unless the latter were residing in Brazil in the service of his country, were Brazilian citizens; so too were foreigners resident in Brazil on November 15, 1889, or who had real estate in Brazil and had married Brazilian women, unless they declared their intention of not changing their nationality: Article 69, reported in Brit. Parl. Papers 1892. XCV. p. 147. Many did not make such a declaration; for a migrant settling in the country, with no intention of returning to his former homeland, the obvious inducements to assimilation proved too alluring.

German Empire" resident in Brazil in Reich statistics for 1884 is clearly less than the full number since it represents only those who retained German citizenship.<sup>45</sup> The often-quoted figure for Germans resident in southern Brazil about the turn of the century was 350,000-200,000 in Rio Grande do Sul, 100,000 in Santa Catharina, 50,000 in Paraná.<sup>46</sup> Such an estimate amounts to little more than an attempt to quantify what experience made obvious, namely that large numbers of Germans were concentrated in the three southern Brazilian states and that their proportion of the population of those states was consequently much higher than was the German proportion of the total population of Brazil.

The decline in German emigration to Brazil from about 1890 shown in the German statistics is confirmed by contemporary report. The British Vice-Consul Archer of Port Alegre found it noteworthy in 1891 that Germans, formerly the principal immigrants to that state, occupied only fourth place and were far outnumbered by Italians.<sup>47</sup> The creation in 1897 by Norddeutscher Lloyd, the Hamburg-Südamerikanische Dampfschiffahrts-Gesellschaft and a number of export firms of the Hanseatic Colonisation Society, as legal successor to the Hamburg Colonisation Society of 1849,

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45. That is, first generation Germans born in the Reich. Further, if a similar entry for 1905 be any guide, it is an estimated figure only: see Statistisches Jahrbuch für das Deutsche Reich 1885, p. 17; 1906, pp. 8-9.

46. Jannasch, Robert: Die praktischen Aufgaben der deutschen Auswanderungspolitik; Meyer, Herrmann: Die deutsche Auswanderung nach Südamerika, besonders nach Südbrasilien: both in Verhandlung des Deutschen Kolonialkongresses 1902 (Berlin: Reimer, 1903), pp. 588ff., 639ff. See also Vagts, *op.cit.*, p. 1728.

47. Brit. Parl. Papers 1892. LXXXI. p. 402. From about 1908, however, figures for the State of Rio Grande do Sul showed the same climb in German immigration as did Brazilian figures in general, doubtless for the same reasons: *ibid.* 1892. LXXXI. p. 385; 1894. LXXXV. pp. 258, 273; 1895. CII. p. 93; 1895. XCVI. p. 529; 1898. XCIV. pp. 360-362; 1899. XCVIII. pp. 367-368; 1897. LXXXIX. p. 396; 1900. XCII. pp. 332-333; 1901. LXXXI. p. 315; 1902. CV. p. 516; 1903. LXXVI. pp. 468-470; 1904. XCVII. p. 300; 1905. LXXXVII. p. 467; 1910. XCVI. p. 527; 1914. LXXXIX. p. 794.

made no appreciable difference.<sup>48</sup> In 1902 Dr. Herrmann Meyer told the German Colonial Congress that emigration to the newly-acquired colonies in Santa Catharina was not very great and that many of those who went returned to Germany;<sup>49</sup> in fact only two or three hundred per annum were settled. Commander Behnke of S.M.S. "Falke" was similarly unimpressed after his visit to south Brazil in September 1904; the Hansa Society had attracted very few Germans.<sup>50</sup> Shortly before the lifting of the von der Heydt Rescript in 1896-97 the German Minister Dr. Richard Krauel toured the States of Paraná and Santa Catharina, and on his return reported widespread regret at the dwindling German migration to Brazil. The Kaiser commented in the margin "That must be put in motion as soon as possible!", adding at the foot of the report; "Very satisfactory. Ways must now be found as soon as possible for the arrangement of immigration as well as for other means to strengthen Deutschtum there."<sup>51</sup> But no imperial wish to increase the German population of south Brazil could alter the fact of dwindling German emigration nor the preference of most emigrants for the United States of America. The German government made a cautious attempt to meet the Kaiser's wish, although it was fully aware that any official government policy of directed emigration to southern Brazil could arouse fears that Germany was playing a political game in Brazil.<sup>52</sup> Amongst the Estimates for the German Empire for 1898-1899

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48. For the Society see Brunn, Deutschland und Brasilien p. 155ff. It was created consequent on the raising of the von der Heydt Rescript, with a nominal capital of 1.1 million marks. In 1899 the Society advertised in 500 newspapers and 3,500 brochures; the result was 331 settlers. In 1907 the Hansa colonies had 1610 people, of whom only 496 were from Germany. The invested capital was lost.

49. Verhandlungen des Deutschen Kolonialkongresses 1902. pp. 588-90, 639, 655.

50. Military-Political Report, in Brasilien 1.33 PA Bonn.

51. Krauel to Hohenlohe 6.10.1895 with the Kaiser's comments, Brasilien 1.27 PA Bonn. Krauel, who was in 1890 first Director of the German Colonial Office and whose tour of south Brazil was part of the campaign to have the von der Heydt Rescript lifted, almost certainly exaggerated the "widespread regret" at dwindling German immigration.

52. This is obvious from the Foreign Office letter to Krauel of 20.4.1895 and his reply concerning the latter's proposed tour of south Brazil: Krauel to Hohenlohe 29.5.1895, Brasilien 1.27 PA Bonn. As will appear below such fears were aroused.

appeared the sum of between £1,000 and £1,500 in the Foreign Office Budget for the sending of experts to examine the districts, especially south Brazil, proposed for the settlement of emigrants and to advise emigrants on the conditions in their proposed new homeland.<sup>53</sup> In April 1902 the government went further. At the instigation of the Foreign Office, and heavily subsidised by the German government, the Colonial Society established a Central Information Bureau for Emigrants, under the leadership of the former Consul-General from Porto Alegre; the Bureau placed southern Brazil at the top of its priorities for prospective German emigrants. The Bureau was under the supervision of the Reich Chancellor and guided by directives from the Foreign Office which, however, kept in the background to avoid suspicion of managing emigration for imperialist purposes.<sup>54</sup> But the migrant stream of former years was no longer there to be directed, and the semi-official Central Information Bureau served little purpose.<sup>55</sup>

On the foundations laid in Brazil by 1890 very little superstructure arose; nevertheless the three southern Brazilian states remained the most Germanised area in South America, with consequences for German commercial policy which will appear below.

German settlements in Chile, like those in Brazil, were in the main concentrated in distinctively German districts in the south of the country. "With the exception of a small English colony at

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53. Brit. Parl. Papers 1898. XCVI. p. 72.

54. Hell, op.cit., p. 129ff.; Brunn, Deutschland und Brasilien p. 148. The author of the Coriolan articles, referred on to p. 68ff. below, obviously had access to this information. Since 1884 the Colonial Society had run an Information Bureau for similar purposes: Klauß, Klaus: Die Deutsche Kolonialgesellschaft und die deutsche Kolonialpolitik von den Anfängen bis 1895 (Diss., Humboldt-Universität zu Berlin, 1966) pp. 199-201.

55. Brunn, Deutschland und Brasilien, pp. 152-153 gives evidence of the limited effectiveness of the Bureau. For the dearth of settlers in the Hanseatic Colonisation Society's new lands in Santa Catharina see the 1909 report of the British Vice-Consul Chaplin: Brit. Parl. Papers 1910. XCVI. p. 491.

Nuevo Imperial," reported the British Consul-General Hayes Sadler in 1895,<sup>56</sup>

foreign colonisation south of Concepcion may be said to be entirely composed of Germans. In whatever occupation they are engaged, they seem to assimilate with the people, the habits and laws, and have a far more general knowledge of the local language, and the language of other countries, than English colonists. In this respect, the English are generally at a great disadvantage.

German mass migration to Chile commenced about 1846. Due to the efforts of the Chilean Society of Agriculture to further the country's agricultural development by the attraction of agricultural settlers Chile passed a colonisation law on November 18, 1845, which authorised the President to assign land for the purpose and to assist immigrants with the necessary tools, seeds and other effects, as well as to maintain them for the first year. The colonist, whose travel was to be paid by the treasury, was to be able to buy land cheaply and was to be free from taxation.<sup>57</sup> Due to the efforts of Bernhard Philippi the Chilean government recruited some 4,000 Germans to settle the almost unoccupied areas of Valdivia and Chil e.<sup>58</sup> Young concluded<sup>59</sup> that German agricultural colonists, totalling 5,608 between 1846 and 1902 and forming 60 per cent of German immigrants, came in waves. In the period 1846-1866 approximately 3,500 settled in Valdivia and Llanquihue, 2,000 in the former and 1,500 in the latter. A further wave of migrants to Llanquihue followed in the 1870s and yet another to the newly-opened Frontera in the 1880s. Whilst Llanquihue remained largely an agricultural settlement Valdivia developed commercially and industrially, the Germans in that district developing tanneries, breweries, distilleries and factories of various sorts. By 1908 Valdivia was reported to have a population of 20,000, mostly German or of German

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56. Brit. Parl. Papers 1897. LXXXIX. p. 588.

57. Young, *op.cit.*, p. 43ff.

58. Young tells the story of Philippi, both in his dissertation and in the article: Bernardo Philippi, Initiator of German Colonization in Chile (HAHR, 51, 3, August 1971) pp. 478-496.

59. Young, *German Immigration*, pp. 24-26, 147, 149, 157.

descent, and to be linked commercially with important towns in the interior, such as Osorno and La Union, which were also German settlements.<sup>60</sup>

The migration of German colonists, although not of industrial workers, to Chile virtually ended in 1889, with a brief revival from 1895 to 1897 when about 460 Germans settled on the Grand Island of Chiloé; thereafter German agricultural settlement in Chile ceased until after World War I.<sup>61</sup> Moreover in later years Germans were outnumbered by Italians and Spaniards, as Chilean census figures demonstrate.

Table 6: Numbers of More Numerous Europeans Resident in Chile in the several Census Years<sup>62</sup>

Nationality	1854	1865	1875	1885	1895	1907
Italians	406	980	1,926	4,114	7,797	13,023
Germans	1,929	3,619	4,033	6,808	7,560	10,724
English	1,940	2,972	4,109	5,310	6,838	9,854
French	1,650	2,330	3,192	4,198	8,266	9,800
Spaniards	915	1,150	1,072	2,508	8,494	18,755

In 1885 Germans constituted the most numerous Europeans resident in Chile, whilst by 1895 their number was surpassed by that of Spaniards, French and Italians, and in 1907 Spaniards and Italians continued to outnumber the German population. So far as German emigration statistics were concerned, from 1903 Chile was no longer singled out as a separate destination as migration to that country had become insignificant; the waves of German migration receded, leaving islands of German settlement which continued to attract attention in trade reports.

It is generally recognised that, in contrast to Brazil, the first Germans went to Argentina not as colonists but as traders; what is not usually

60. Rogers' report for 1908, Brit. Parl. Papers 1909. XCII. p. 763.

61. Young, op.cit., pp. 172-176.

62. Compiled from Young, op.cit., pp. 8-10. As Young points out, these figures do not exactly represent the volume of immigration since people such as teachers, clerks and business men would return home after a more or less extended stay.

mentioned is that only a few hundred went in the first years. From about 1810, that is at the conclusion of the colonial period in Argentina, Buenos Aires was open to Europeans who wished to engage in business, industry or some craft; and this policy was continued by President Rivadavia on his accession to office in 1826. A few German business men, largely from the Hanseatic cities, went to Buenos Aires and in 1825 the first official representative of Prussian trading interests, Johann Eschenburg, was sent to that city.<sup>63</sup> When Rosas came to power in Argentina at the end of 1829 he dissolved the immigration commission, and state support for immigration ended for the next twenty-four years.<sup>64</sup> It was not until Rosas' fall in 1852 that German migration to Argentina commenced on any appreciable scale.

Colonisation in Argentina began in the 1850s in the provinces of Santa Fé, Buenos Aires, Entre Ríos and, later, Corrientes,<sup>65</sup> when the Argentine government recognised the necessity to populate the pampas and to take measures to encourage agriculture.<sup>66</sup> During this period German agricultural settlers were included in the numbers who immigrated. In 1854, according to Voss,<sup>67</sup> 200 German families arrived from Württemberg and Hesse; they faced extreme hardship, the settlement which they had been promised not coming into existence until 1856 on the site of what later became Esperanza in Santa Fé. Even then they had to wait a year for the first iron ploughs from North America. The settlement eventually developed, the first wheat from Santa Fé being shipped from Rosario in

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63. Voss, Walter: Deutsche Auswanderung nach und deutsche Kolonisation in Südamerika, mit besonderer Berücksichtigung der Gebiete südlich des Wendekreises des Steinbocks (Diss., Universität Marburg, 1924) p. 17.

64. Lütge, Hoffmann, Körner, op.cit., p. 138.

65. Zimmermann, A.F.: The Land Policy of Argentina, with Particular Reference to the Conquest of the Southern Pampas (HAHR, XXV. 1945) pp. 3-26.

66. Schwarz, Ernst and Johan C. Te Velde: Jewish Agricultural Settlement in Argentina (HAHR, XIX. 1939) pp. 188-189.

67. Voss, op.cit., p. 17.

1878.<sup>68</sup> As elsewhere in South America Germans formed a very small minority of the population; of the total Argentine immigration between 1856 and 1915 they represented a proportion which ranged between 0.2 and 2.3 per cent, whilst Italians and Spaniards accounted for the overwhelming majority.<sup>69</sup> But the situation in Argentina differed from that in Brazil. Not only did considerably less Germans migrate to the former; those who settled on the land were unable to form the same closed German colonies as had come into existence in Brazil. No society analogous to the Hamburg Colonisation Society of 1849 backed the venture, numbers were smaller, and it was Argentine government policy to promote assimilation. Relying on a report presented to the Argentine Immigration Commission in 1873 Schmieder and Wilhelmy<sup>70</sup> point out that the mixing of nationalities in the colonies made it very difficult for the immigrants to preserve their old traditions and language. In the first few years the fact that German festivals were observed and German music and books were to hand was regarded amongst the colonists as something of a novelty; but within sixteen years in the Santa Fé settlements the old German festivals, songs and dances were forgotten. No one had money enough to provide German schools and churches, and the children of foreign settlers, who under Argentine law became Argentine citizens, went to local schools and were quickly assimilated. The German Minister in Buenos Aires, Holleben, was in May 1879 pessimistic concerning the prospects for Deutschtum in Argentina. The country, he said, wanted German migrants; but this was only to counterbalance the number of Italians, and the government would, if necessary, similarly seek Italians should it be necessary to use them to counterbalance Germans. Holleben believed the Argentine government

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68. Schmieder, Oskar and Herbert Wilhelmy: Deutsche Ackerbausiedlungen im südamerikanischen Grasland, Pampa und Gran Chaco (Leipzig: Ferdinand Hirt & Sohn, 1938) pp. 24-27.

69. Figures quoted in Ferenczi, op.cit., pp. 181, 261ff.

70. Schmieder & Wilhelmy, op.cit., pp. 36-39. Their source is Wilcken, G.: Las colonias: Informe sobre el estado actual de las colonias agrícolas de la República presentado a la Comisión General de Inmigración (Buenos Aires, 1873).



was more concerned to assimilate foreign nationalities than to protect them; the mixing of various nationalities in the agricultural colonies was a deliberate policy designed to obviate the existence of national groups in the country.<sup>71</sup> Although German migration to Argentina did as a matter of fact climb significantly after 1880, in at least some quarters the impression persisted that Argentina was less than ideal for German migrants. In presenting his reasons for preferring south Brazil the German agricultural expert Kaerger in Buenos Aires wrote that Germans were less at home in the flat forestless pampas and were, vis-à-vis other nationalities, more in a minority than in south Brazil.<sup>72</sup> Meyer told the 1902 German Colonial Congress that Argentine nationalist measures for the prevention of ghettos of various races, carried out by their intermingling as far as possible, were largely responsible for the absence of a distinctively German character in any but a few settlements there - measures which, Meyer added, had aroused German feelings against Argentina as a goal for settlement since Germany was determined to uphold Deutschtum as far as possible.<sup>73</sup> Such pessimism concerning Argentina, moreover, had a long history. As early as 1849 one Friedrich Gerstäcker wrote from Argentina an article for the German Allgemeine Auswanderungs-Zeitung (General Emigration Times) deploring the absence of any sense of German identity amongst Germans in Argentina. "It is," he wrote, "worse here than in North America, and that certainly says a lot."<sup>74</sup>

Between Brazilian and Argentine settlement by Germans there was a further difference. Whilst accurate quantification is scarcely possible, there

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71. Holleben to Bismarck 10.5.1879, Argentinien 1.1, PA Bonn.

72. Kaerger to Foreign Office 13.1.1896, in DZA Potsdam AA Nr 30410 Bl. 12-42, quoted by Hell, op.cit., p. 115.

73. Meyer, op.cit., p. 648. Voss, op.cit., pp. 18-20 similarly commented on Argentine government measures and the consequent absence of national settlements.

74. Friedrich Gerstäcker: Die Argentinische Republik, in Allgemeine Auswanderungs-Zeitung, No. 75, Rudolstadt 18.9.1849, copy in HSA Stuttgart Rep. E. 46, Fasz. 891. Gerstäcker went as far as to publish the name and address of the one exception whom he found!

is no reason to doubt the accepted view that business men and artisans comprised a larger proportion of Germans in Argentina than of those in Brazil. On the basis of Argentine figures Voss wrote that of the 40,355 Germans who migrated to Argentina between 1876 and 1909 only 16,290 were farmers, the rest being in the main merchants and craftsmen.<sup>75</sup> The former German trade expert in Buenos Aires, Dr. Karl Stöpel, told the 1910 German Colonial Congress that whilst large closed colonies of Germans did not exist in Argentina as in Brazil half of the approximate 18,000 German citizens lived in Buenos Aires and were mainly business people, architects, engineers and manufacturers and were in the main well-to-do.<sup>76</sup> The former German military instructor in Argentina, General Alfred Arent, wrote in much the same vein upon his return to Germany.<sup>77</sup>

In 1904 the S.M.S. "Falke" visited Argentina and Captain Behnke submitted the customary military-political report. Behnke, too, pointed out that the German element in Argentina consisted mainly of business men and manufacturers; he added that it was therefore of greater importance than its numerical strength would indicate. The German element in Argentina had achieved an economic and social standing such as it had obtained

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75. Voss, *op.cit.*, p. 20. Immigrants found it difficult to purchase plots of land in Argentina; see Solberg, Carl: Immigration and Nationalism. Argentina and Chile, 1890-1914 (Austin: University of Texas Press, 1970) p. 56.
76. Stöpel, Karl Theodor: Die neuere Entwicklung Argentiniens, in Verhandlungen des Deutschen Kolonialkongresses 1910 (Berlin: Reimer, 1910) p. 1110.
77. Arent, Alfred: Argentinien, ein Land der Zukunft! (Leipzig: Schönfelder, 1910) p. 61. So did Baron von Goltz on his return from the Argentine Centenary in 1910: Report of Baron von der Goltz 24.7.1910, Argentinien 1.41, PA Bonn. That, in contrast to Brazil and Chile, there were no closed settlements of Germans in Argentina is the premise upon which the East German Kannapin bases his argument; since, he says, a significant part of the German-speaking population belonged to the "ruling classes" it is important to see how they employed so-called Deutschtumspolitik for the conquest of Argentina: Kannapin, *op.cit.*, p. 2. Kannapin would have us believe that only after the Venezuela affair of 1902 was the German government aware of the dangers inherent in political adventures in South America; thereafter political plans for Argentina were held in abeyance. He concludes with the remark that, since Nazis have once more become active in Argentina under Peron, the "old ways" of the Wilhelmine Reich have once more been resumed: *ibid*, p. 266ff.

nowhere else in central and south America. Nevertheless, continued Behnke, since Argentina was agriculturally a land of capitalist estates there was little point in emigration to that country; should Brazil sooner or later disintegrate the southern Brazilian states offered a better prospect of becoming a Germanised state.<sup>78</sup> In his 1968 study of trading, economic and migration relations between Germany and Argentina the East German Klaus Kannapin<sup>79</sup> attaches a great deal of importance to Behnke's report. It was, he writes, of decisive importance to the Foreign Office, which did not accept Behnke's one-sided orientation towards south Brazil but decided from that time onwards to infiltrate Argentina with Germans with a view to an eventual "stronger engagement" in Argentina. Kannapin's conclusions, however, are not supported by the evidence from the Potsdam archives which he cites. Asked by the Kaiser for a statement about Behnke's report the Foreign Office agreed with the latter, adding the tentative comment that Argentina could also possibly be suitable for emigration. Some attempt at planned emigration to Argentina was undertaken, but it was commenced prior to Behnke's report and foundered on lack of financial support from the German banks and personal rivalry between leading personalities in the venture such as Jannasch and Vallentin.<sup>80</sup> In the absence of evidence to the contrary<sup>81</sup> there is no reason to believe that Behnke's report concerning the status

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78. Militärpolitischer Bericht über den Aufenthalt in Argentinischen Häfen 5.11.1904, DZA Potsdam AA Nr 38403 B1. 88ff., quoted by Kannapin, *op.cit.*, p. 226. Behnke's report from Buenos Aires is in *Argentinien* 1.24, PA Bonn.

79. Kannapin, chapter on *Deutschumpolitik*, *op.cit.*, pp. 224-257; in particular p. 226.

80. This appears from Kannapin's own account. In 1902 Herrmann Meyer was sceptical of Patagonia and Chubut for German settlement: *Verhandlungen 1902*, p. 645ff.

81. Since I was refused admission to the Potsdam archives I am compelled to draw on Kannapin's account. It is significant that whilst both Kannapin and Hell are anxious to demonstrate "sinister" intentions behind German migration policy with reference to South America, neither has produced documentary evidence from the Potsdam archives to which both had access. Since such evidence would have clinched their argument their failure to produce it may be taken to mean it does not exist. This question is further discussed below.

of the Argentine German element in the trading, commercial, manufacturing and professional life of the republic effected any change of philosophy concerning migration policy. Before Behnke wrote his report the German government was well aware of the business standing of Germans in Argentina and provided the names of eleven of the leading German business houses in Buenos Aires with whom a young German business man intending to settle in Argentina could put himself in touch.<sup>82</sup> Moreover the type of migrant settlement abortively considered was of the same type as those established in Brazil, namely closed agricultural settlements.

The philosophy behind the migration policy advocated and pursued by colonial enthusiasts and eventually accepted by the German government is clear. By the establishment of distinctively German areas of settlement in South America Germany could penetrate that continent and in that way establish a measure of control over the export and import trade of the country. The success of the undertaking was believed to be dependent on the numerical strength of the colonies and on their maintenance of a distinctively German character; and since settlements in Brazil more nearly fulfilled these conditions than did those in Chile or Argentina the Brazilian German element - Brazilian Deutschtum - took the limelight so far as Germany's South American emigration programme was concerned. An examination of the political archives of the German Foreign Office for the period 1890-1914 makes this apparent.

Evidence of the greater value placed on Brazilian Deutschtum appears, for example, in the accounts of the visits of German warships as a means for

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82. Auswärtiges Amt Berlin to Königlich Württembergische Ministerium der auswärtigen Angelegenheiten 31.5.1900, HSA Stuttgart Rep. E. 46, Fasz. 891. One Hermann Pfahler from Württemberg had written to the Buenos Aires consulate for information concerning Argentina, where he considered settling. The consulate's answer was relayed through the Foreign Office and the Stuttgart Ministry for Foreign Affairs. It was emphasised that Pfahler should first secure a position in Argentina and have a grasp of written and spoken Spanish before going there. The list of Buenos Aires German firms was headed by Hasenclever & Co, referred to in Chapter Three below.

keeping alive the patriotism of the colonists - at least until the notorious "Panther" affair in December 1905, when officers and men from that ship violated Brazilian territorial sovereignty in searching for a deserter, there was consequent talk of the Brazilian navy being put in readiness for war, and the German government thought it prudent to offer full apologies. This led Treutler to recommend curtailment of such visits.<sup>83</sup> The navy, which had been called on to watch over German interests in Brazil during the marine revolt of 1893-94 under Mello and da Gama,<sup>84</sup> responded to the wish of German Ministers in Brazil with a series of visits which became great patriotic events for the German community.<sup>85</sup> The glowing reports which were despatched to the Foreign Office, both by the commanders of the ships and also by the resident Ministers until the Panther incident, stressed the value to German trade of such patriotic occasions. Ships of the German navy also visited Argentina, but not so frequently. In December 1898 the "Sophie" and the "Nixe" were in Buenos Aires and the "Geier" in February 1899; but reports of these visits lacked the enthusiasm concerning their effects on the German community which usually characterised reports from Brazil.<sup>86</sup> Following the visit of the "Falke" late in 1904 the German Minister Waldthausen drew attention to the fact that the German war flag had not hitherto appeared in Buenos Aires for over five and a half years; it would be in Germany's interest, he continued, to have warships there more frequently and to have a ship larger than a small cruiser to represent the German nation. The Kaiser responded in the margin in English: "If no have got, how can do?! says the Chinese."<sup>87</sup> The dilemma was real; the German navy was not large. Nevertheless the apparent flippancy of

83. The documents are in Brasilien 11.4, PA Bonn. Brunn, Deutschland und Brasilien p. 88ff. recounts the detail.

84. The documents are in Brasilien 1.18-1.22, PA Bonn.

85. Brunn, Deutschland und Brasilien pp. 194-197 discusses naval visits to Brazil. He appears not to notice that German Ministers in Brazil advised moderation in the showing of the war flag only after the "Panther" incident.

86. Bussche to Hohenlohe 15.2.1899, Argentinien 1.18, PA Bonn.

87. Waldthausen to Bülow 24.11.1904, Argentinien 1.24, PA Bonn.

the rejoinder contrasts strongly with the interest shown in similar visits to Brazil. Following this visit the "Panther" put into Buenos Aires on its home voyage from Brazil; German diplomatic reporting of the visit was concerned only with the sense of slight felt by Consul-General von Sanden when the local press failed to report that he was the host at a banquet given in honour of the ship's company.<sup>88</sup> For the centenary of Argentine independence celebrated in May 1910 the cruiser "Bremen" represented Germany. Reporting the visit Waldthausen suggested that future visits should be at a cooler time of the year when they would receive a better reception. He was, however, obviously pleased to report that, although a French ship was there at the same time, the discipline of the Germans made a far better impression. Then the report deteriorated to the point of bathos. Waldthausen continued by reporting an Argentine admiral who told him the French were "degenerate Cretins" since, although they were married, they had no children.<sup>89</sup> In the absence of large demonstrations of patriotic enthusiasm, such as accompanied similar visits to Brazil, the representative of the Imperial German Government had to find the benefits of naval visits to Argentina in strange ways.

The presence of distinctively German communities in the south of Brazil also affected the nature of ministerial reports from that country in other respects. The reports which followed ministerial visits to the German settlements in the south of Brazil in the 1890s provided extensive descriptions of the condition of Deutschtum in that country and recommendations for its maintenance and furtherance. By Germany's detractors such visits were seen to have political significance; the land was allegedly being spied out in readiness for a more direct German intervention.<sup>90</sup> Conversely, the relative unimportance of German

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88. Sanden to Bülow 22.1.1906, Argentinien 1.27, PA Bonn.

89. Waldthausen to Bethmann Hollweg 1.1.1910, Argentinien 1.38, PA Bonn.

90. This will become apparent in the following pages.

settlements in Argentina gave an air of innocence to German dealings with that country.<sup>91</sup> Political events in Argentina, wrote the German Minister Holleben in 1883, held little interest for Germany;<sup>92</sup> the political archives on that country for the ensuing years make that obvious. By contrast, political events in Brazil in the 1890s were of great interest to the German government. The revolution in Rio Grande do Sul and the accompanying naval revolt of the 1890s assumed diplomatic significance for the German government since the unrest occurred in the states in which Germans were settled. The disaffection in Rio Grande which erupted into civil war gave rise to rumours that Rio Grande wished to secede from the Brazilian federal republic; and articles appeared in the German press calling on the German government to intervene and separate that state from Brazil. In January 1892 Consul Koser reported from Porto Alegre that the German population was very nervous because of articles in German papers which spoke of the independence of Rio Grande do Sul and its annexation to Germany as a settled affair.<sup>93</sup> The naval revolt, moreover, became linked with attempts to restore the monarchy in Brazil; this gave German diplomacy an ambiguity which will appear below. By contrast, German political reporting of unrest in Argentina was unambiguous and German actions devoid of political interest for those who viewed them either with approval or alarm. The elections which followed the military uprising in Argentina in July 1890 and the unrest which followed it<sup>94</sup> - which, the German Minister Krauel wrongly predicted, had little hope of being carried out peacefully - were in Krauel's opinion

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91. Ministerial visits received little coverage in political reports from Argentina. In April 1898 the Minister reported on a visit to the naval installations at Bahia Blanca on which German firms were working (Argentinien 1.17); in January 1900 Treskow reported on a visit to Cordoba (Argentinien 1.18); and in September 1911 German colonies in Argentina were visited (Argentinien 1.45). The visits occasioned no adverse comment.

92. Holleben to Bismarck 12.12.1883, Argentinische Republik 1.18, PA Bonn.

93. Koser to Caprivi 8.1.1892, Brasilien 1.16, PA Bonn.

94. Rücker-Jenisch to Caprivi 2.8.1890, 6.8.1890, 19.8.1890, Argentinische Republik 1.10; Krauel to Caprivi 21.8.1891, 21.10.1891, Argentinien 1.11; PA Bonn.

only of interest to European countries insofar as it was desirable to restore order and prosperity.<sup>95</sup> In Argentina, Krauel wrote later, separatist tendencies, which had once played a large role but now hardly ever appeared, had little prospect of success. The central government had superior military force, developing railroads and telegraph networks.<sup>96</sup> Concerning the revolution under Hipolito Irigoyen in February 1905 Waldthausen expressed his disappointment that after such a lengthy period of peace and prosperity a disturbance of this nature had been possible. He saw it as an object-lesson in the ability of the Latin races to destroy the progress achieved by the Germanic race, but derived some comfort from the promptness with which the government had been able to regain control. Had the movement got out of hand it may have been joined by the "anarchists, socialists, and all the dissatisfied elements amongst the workers" who planned a continuation of the great strike of late 1904.<sup>97</sup> It would require an extraordinary stretch of imagination to conceive of the Kaiser's government siding with any such movement in order to form breakaway colonies, no matter what hypothetical benefits may have appeared likely. In any case, German political reporting gave separatist movements no prospect of success.

As it was, the question could not have arisen since there were no Germanised districts of any consequence to become involved in separatist movements. Whilst the usual agencies worked for the maintenance of Deutschtum in Argentina it was on Brazil that official attention was focussed, as was the greater part of that of other agencies. The

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95. Krauel to Caprivi 7.1.1892, Argentinien 1.11, PA Bonn.

96. Krauel to Caprivi 7.3.1892, Argentinien 1.11, PA Bonn. German Ministers in Argentina continued to report in similar fashion on the suppression of unrest in the provinces by federal forces: Argentinien 1.12 for November 1892 and January 1893, and Argentinien 1.13 for July, August and September 1893: all PA Bonn.

97. Waldthausen to Bülow 7.2.1905, Argentinien 1.25, PA Bonn. The competence of the federal government in dealing with local disturbances and the "socialist" and "anarchistic" nature of some of them is repeated in later reports: Waldthausen to Bülow 3.5.1907, Argentinien 1.29; Hatzfeldt to Bülow 11.5.1909, Argentinien 1.35: both PA Bonn.



Imperial Budget put at the disposal of the Foreign Office a "Fund for Furthering German School and Educational Purposes Overseas"; the fund grew from 60,000 marks in 1880 to 1,100,000 marks in 1913. Of the 900 schools which received grants in 1914 734 were in Latin America; and of these 587 were in Brazil, 70 in Argentina and 34 in Chile.<sup>98</sup>

It was perhaps inevitable that the interest shown by Germany in Brazilian Deutschtum, consisting as the latter did of an estimated 350,000 Germans concentrated in the three southern states, should excite speculation about Germany's ultimate intentions. Such speculation did occur. In the mid-1890s the press of the United States, England and Brazil occupied itself, with increased intensity, with talk of German political designs on southern Brazil. Germany, it was said, was aiming at a political annexation.<sup>99</sup> These rumours, wrote the German Minister Krauel, had been spread in Brazil due to "tactless articles" in the German press which were then propagated by French news agencies.<sup>100</sup> The press gave the question more sustained attention after the London Times published an article on September 2, 1896, which asked, with reference to the project of the Hanseatic Colonisation Society, whether the planting of a German colony in South America were compatible with the Monroe Doctrine. The article was repeated in the Brazilian Jornal do Commercio on October 16 of the same year.<sup>101</sup>

That such hopes for the ultimate acquisition of south Brazil were current in some circles is clear. In 1885 the German Minister in Brazil,

98. Hell, op.cit., pp. 192-193, from sources in Potsdam. For school policy with regard to Brazil, Brunn, Deutschland und Brasilien pp. 178ff. The Brazilian districts most heavily subsidised from the Fund were Santa Catharina, Rio Grande do Sul and Paran a, the "German" states.

99. This was not new. Such fears arose about 1830 and again about the time of the founding of the Reich: Brunn, Deutschland und Brasilien pp. 201-202.

100. Krauel to Hohenlohe 29.5.1895, Brasilien 1.27, PA Bonn. Krauel said that at the time they received little credence amongst Brazilians.

101. Hell, op.cit., pp. 208ff. has a full account of the press coverage.

Rudolph le Maistre, had written to the Foreign Office that the direction of German migration to South America should make it possible gradually to make south Brazil, especially Rio Grande do Sul, into German territory which would, with the expected collapse of the Brazilian Empire, naturally revert to Germany of its own accord.<sup>102</sup> Such expectations formed the subject-matter of some of the "tactless articles" in the German, often Pan-German, press which Krauel regretted and which the German government sought to repress or counter-act.<sup>103</sup>

What remains less clear is the extent to which the German government accepted these notions and modelled its strategies accordingly. In this regard the East German Jürgen Hell's 1966 dissertation on "The Policy of the German Reich for the Transformation of South Brazil into an Overseas New Germany" is unconvincing. Persuaded by Consul Koser's objective reporting that Germans in south Brazil had no intention of being used in such political enterprises, he says, the Foreign Office went over to the strategy of peaceful penetration. The intention to annex south Brazil went underground, so Hell surmises, and continued to determine government policy with regard to the German element in Brazil. For this assumption Hell gives no supporting evidence.<sup>104</sup> There is a close similarity between the argument Hell puts forward and that presented in a series of articles which came into the hands of the German Foreign Office in 1903. The Foreign Office gained possession of them fortuitously. The manuscript was sent to a German-Brazilian named Germano Hasslocker, who

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102. Le Maistre to Foreign Office 8.5.1885: Einige Ideen über die regierungsseitige Behandlung der Auswanderungsfrage speziell mit Bezug auf Brasilien: DZA Potsdam, AA Nr. 30250 Bl. 145, quoted by Hell, *op.cit.*, p. 66.

103. For an uncritical survey of some of the literature generated in the U.S.A. and Europe by such articles of Pan-German origin, see Baum, Loretta: German Political Designs with reference to Brazil (HAHR, II. 4. November 1919) pp. 586-599. Baum assumed that Pan-German statements represented official German policy.

104. Hell, *op.cit.*, pp. 74-75 et passim. Hell refers to this "intention", without evidence, more than once: e.g. p. 114; he sees Wilhelmine imperialism as the forerunner to Nazi fascism: *ibid*, pp. 229, 237.

was the deputy for Rio Grande do Sul and editor of the Porto Alegre Jornal do Commercio, for publication in his paper. Appearing over the pseudonym "Coriolan" the articles bore the title Videant consules ... Correspondence from North America. Because of his German sympathies Hasslocker refused to print them and drew them to the attention of the German Vice-Consul, through whom they came into the possession of the German Chargé d'Affaires Haniel; he in turn sent copy of them to Berlin.<sup>105</sup>

The argument presented by the Coriolan articles can be summarised briefly as follows. Caprivi planned the annexation of south Brazil and his idea found ready acceptance with the Kaiser. Since little was known in Germany about the situation in southern Brazil, the German Minister Krauel was given the task of touring the southern states, at the Kaiser's initiative, to engage in political espionage. Krauel, however, discovered that the German Brazilians had become free Americans, enjoyed their new freedom, and were unwilling to become traitors to their new country. The German government was therefore compelled to postpone its design of using Brazilian Deutschtum as the basis for a war of conquest; but since then the Foreign Office, whilst leaving the direction of German emigrants in the hands of private companies to avoid suspicion, kept sharp control over it to ensure a supply of colonists who would be

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105. Haniel to Bülow 4.5.1903, Brasilien 11.2, PA Bonn. The articles were believed to have been written by one Franz Giesebrecht, a journalist who in 1898 had gone to Brazil to write articles; ironically, the Foreign Office file for March 1899 contains a memorandum: "Franz Giesebrecht wishes, according to a petition of the 17th of this month, to oppose in the press the accusations of Brazilian papers that the German Empire goes around with plans to annex south Brazil and has therefore had the country toured by diplomats". Hasslocker believed that Giesebrecht was in American pay; he had had a disagreement with Sellin of the Hamburg Colonisation Society. Marschall shrewdly suggested that, should the Coriolan articles get into the press, the best weapon to use against them was Giesebrecht's own article in which he had refuted views he had subsequently made his own. The information is in: Report dated 9.6.1903, Brasilien 11.2; Memorandum March 1899, Brasilien 11.1; Haniel to Bülow 4.5.1903, Brasilien 11.2; Sellin to Giesebrecht 9.12.1898, Brasilien 11.2; Marschall to Haniel 19.6.1903, Brasilien 11.2: all PA Bonn.

suitable for its purposes of an eventual war of conquest. All other German activities in the south of Brazil were similarly directed to that end; the consular service, political "spies", military and naval visits, the investment of German capital and manpower in the Rio Grande do Sul railways and so forth. So the anonymous "Coriolan" wrote; and this is in essence Hell's argument.

The assumption that the German government persisted with plans to annex south Brazil and that Ministerial tours and efforts on behalf of Brazilian Deutschtum were directed to that end is unsupported and will be examined later in this chapter. Nevertheless some of the argument is valid. Germany's colonial expansion since the 1880s is too well-known to require reiteration here, as is the Kaiser's expansionist policy from the 1890s. There is a strikingly close resemblance between the development of Germany's interests in Brazil and the events which culminated, for instance, in the acquisition of Kiaochow in 1898; the pattern fits.<sup>106</sup> Further, Hell (and the Coriolan articles) is correct in saying that the German government was quickly made aware of the fact that Brazilian Deutschtum would under no circumstances co-operate in any annexationist venture. As early as 1883 Karl von Koseritz, the prominent German-Brazilian editor of the Rio Grande do Sul Deutsche Zeitung and the spokesman for south Brazilian Germans, was making this clear. Brazilian Germans, he wrote, were a colonising people who remained in the country, owned lands and property, reared families, were naturalised citizens, and centred their loyalties in their new homeland; for Germans in Brazil who sought to exploit the country they had only

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106. See Schrecker, John E.: Imperialism and Chinese Nationalism. Germany in Shantung (Cambridge, Mass.: Harvard University Press, 1971) chapter 1. German activities in Shantung prior to 1898 included a spectacular trade advance, military influence and the sending of military instructors, large sales of war materials, shipping, banking and finance, the establishment of a German press, development of German churches and associations.

contempt.<sup>107</sup> German newspapers in Brazil, wrote Consul Goes in 1904, had a poisonous effect because of their Social-Democratic reporting of events in Germany.<sup>108</sup> But they reflected the sentiments of German Brazilians, as Consul Koser made clear by 1893 and as was reiterated in reports from Brazil thereafter.<sup>109</sup> If the German government shared the expectations voiced in the "tactless" German press that the southern Brazilian states would secede and fall into the German lap, by the early 1890s it was aware that Brazilian Germans were scarcely likely to provide Germany with any pretext to intervene in Brazil on their behalf.

It is at this point that Hell's argument fails to convince. It oversimplifies the situation by ignoring the limitations which the Monroe Doctrine imposed on what Germany could achieve with impunity. An editorial in the Washington Times in 1901 typifies the American press on the subject. Commenting on an article in the German press seeking finance for the development of south Brazil the Washington paper said that America could certainly not object to German activity of this nature; but Germany was not to consider using such commercial activity as a basis

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107. Köhne, Reinhard: Karl v. Koseritz und die Anfänge einer deutsch-brasilianischen Politik (Diss., Münster 1937). Koseritz's articles are quoted extensively in Köhne's dissertation; the above citation comes from the Deutsche Zeitung 1883, Nr 75, quoted on p. 58.
108. Goes to Bülow 1.2.1904, Brasilien 1.34, PA Bonn. Four years later the German Minister Reichenau was allowed a press fund of 2,000 marks per annum to have pro-German articles published in the Brazilian press, and the "reliable" German paper Urwaldsbote received occasional subsidies of a few thousand marks to expand its service. The press fund was scarcely used: Reichenau to Hammann 6.1.1908; Hammann to Reichenau 14.1.1908; Heilborn to Biel 3.4.1910, 6.6.1910; Michahelles to Bethmann Hollweg 21.9.1912: All Brasilien 14.1, PA Bonn.
109. Koser to Caprivi 4.3.1893, Brasilien 2.1 PA Bonn. Krauel wrote of the opposition of German Brazilians to any thought of political connections between their new homeland and the Reich: Krauel to Hohenlohe 29.5.1895, Brasilien 1.27 PA Bonn. Seven years later Treutler wrote: "If one were to give these people the choice whether Rio Grande should be German or Brazilian, the majority would opt for the comfortable routine of the present mismanagement": Treutler to Bülow 30.6.1902, Brasilien 1.33 PA Bonn. Consul Goes wrote from Rio Grande do Sul in 1904 concerning his lack of success in attempting to bring together ten German associations to celebrate the Kaiser's birthday in the Klub Germania; he wrote at length on the loss of patriotism and loyalty to the German homeland amongst the lower classes: Goes to Bülow 1.2.1904, Brasilien 1.34 PA Bonn.

for wider engagement in Brazil. The editorial bluntly concluded:<sup>110</sup>

The Monroe Doctrine is a living force. It will have to be respected by all Powers, unless they should happen to conclude that its abrogation or modification is worth a fight to the finish, in which case they probably could be accommodated.

Before engaging in political adventures which would certainly have resulted in conflict of some sort with the United States, the German government would have needed to have been sure that the end result was worth any risk likely to be incurred; and it would have needed at least English neutrality, if not support.

In 1893 Caprivi had been willing to risk the possibility of a quarrel with the United States over the Monroe Doctrine provided he could count on English support. This was during the Brazilian naval revolt under Mello and da Gama in 1893-94. By the time the revolt collapsed the German government had been instructed by the course of events on British and American attitudes, and had been compelled to a clear definition of its own priorities in Brazil. This warrants closer examination.

The naval revolt and the concomitant civil war in Rio Grande do Sul were directed against the military dictatorship of Floriano Peixoto.<sup>111</sup> The navy's plan was to blockade the harbour of Rio de Janeiro and starve the populace into rising against Floriano, a procedure to be aided by a bombardment of the city. The Powers became involved in that, although Mello assured the English and German Ministers that foreign shipping would not be molested provided it brought no provisions to Rio, it was in fact prevented from unloading and subjected to search. They were further involved in other ways. In February 1891 Floriano's government had concluded a reciprocity trade agreement with the United States which gave that country a firm interest in the survival of the existing

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110. Washington Times 9.11.1901. A copy is in the German Foreign Office files, Brasilien 11.2 PA Bonn.

111. The documents are in Brasilien 1.17 to 1.24 PA Bonn. Brunn, Deutschland und Brasilien pp. 22-52 relates the detail.

government. Conversely the European monarchies had some interest in the victory of the insurgent fleet since it had become the rallying-point of the Brazilian monarchists. In particular the Kaiser's interest was whetted by the geneological accident which made the most likely heir presumptive, should a restoration occur, the late Dom Pedro's grandson August von Sachsen-Coburg; and since German diplomatic reporting from Brazil was strongly influenced by anti-republican royalist bias, thereby presenting the republican cause in the gloomiest colours and the prospects of the insurgents in the most optimistic, the Berlin government scarcely gained an objective view of the course of events.

From the beginning of the naval revolt the English government was unwilling to recognise the legality of a blockade undertaken by a party which had not been accorded belligerent status, and consistently preferred to use force if necessary in defence of English trading rights.<sup>112</sup> In September 1893 the British government sought German support to prevent further bombardment of Rio "and to employ force if necessary to achieve that object".<sup>113</sup> In July, however, before the English request was forwarded, Holstein had written a lengthy memorandum in which the attitude of the German government at that time was defined. The upshot of his reasoning was that Germany was not to intervene in South American politics in any way, since any intervention would afford the United States "occasion to extend its position as expositor of the Monroe Doctrine and protector of Pan America to our cost." Germany, he added, had no interest in appearing as protector of the Brazilian republic; to the contrary, it could only be useful if Brazil, which had

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112. Tel. Hatzfeldt to Foreign Office 22.7.1893 & 28.7.1893, Brasilien 1.18; Tel. Hatzfeldt to Foreign Office 27.9.1893, Brasilien 1.19: both PA Bonn. Also Smith, Joseph: Britain and the Brazilian Naval Revolt of 1893-4 (JLAS, 2, 2, Nov. 1970) pp. 175-198 in which it is argued that Britain was concerned mainly to give British commerce naval protection although this concern was sacrificed to preserve concerted action with the Powers.

113. Malet to Marschall 30.9.1893, Brasilien 1.19 PA Bonn.

flourished as a monarchy, should now suffer material loss as a republic.<sup>114</sup> German policy having thus been defined two months earlier, the Berlin government declined its support for London's proposal for vigorous action to prevent further bombardment.<sup>115</sup> Consequently when the naval commanders and diplomatic representatives in Rio of France, England, the United States, Italy and Portugal jointly issued an ultimatum against renewal of the bombardment of the city and against the erection of government gun placements which might provoke a bombardment Germany alone of the Powers present took no part.<sup>116</sup> Germany stood isolated behind a facade of neutrality, a neutrality which coincided with German hopes that the monarchy might be restored by a rebel victory. At the same time the German Commander Captain Hofmeier exercised a firm and effective protection of German shipping in Rio.<sup>117</sup> The German government had the best of both worlds, its political and trading interests being simultaneously served.

German isolation, however, was brought under self-scrutiny as events took a further turn. Mello's forces gained control of the town of Desterro in October 1893 and Mello sought recognition as a belligerent on the grounds that he now constituted a counter government.<sup>118</sup> Shortly afterwards da Gama joined Mello and assumed leadership of the rebel movement; and he vigorously re-asserted the blockade of Rio and prevented the unloading of coal cargoes from German, English and American ships in

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114. Holstein, Promemoria 22.7.1893, Brasilien 1.18, PA Bonn. The days were past, wrote Holstein, when a Canning could pose as guardian angel of the Spanish American republican powers.

115. Marschall to Caprivi 30.9.1893; Tel. Caprivi to Marschall 1.10.1893; Tel. Marschall to Wilhelm 1.10.1893; Tel. Wilhelm to Marschall 2.10.1893: all Brasilien 1.19, PA Bonn.

116. Tel. Luxburg to Foreign Office 2.10.1893, Brasilien 1.19; Luxburg to Caprivi 31.10.1893, 2.12.1893, Brasilien 1.21: PA Bonn.

117. Tel. Luxburg to Foreign Office 27.9.1893, Brasilien 1.19; Johnston & Co. to Hamburg Südamerikanische Dampfschiffahrts-Gesellschaft 4.11.1893, Brasilien 1.21; Bülow to Caprivi 30.11.1893, Brasilien 1.21: PA Bonn.

118. Tel. Luxburg to Foreign Office 2.10.1893, Brasilien 1.19; Luxburg to Caprivi 25.10.1893, Brasilien 1.21: PA Bonn.



January 1894.<sup>119</sup> The American response was vigorous and decisive. Rear Admiral Benham put his ships in readiness for action, positioned an American ship alongside the hindered freighters and, when a rebel ship opened musket fire on the freighter, fired a warning shot across its bows. After shots were fired on both sides the American "San Francisco" signalled its readiness to sink the rebel ship should it continue resistance. In the face of the superior American naval force the rebels withdrew and allowed unloading to continue.<sup>120</sup> By comparison with such a vigorous defence of its merchant shipping by the American fleet the German Minister Luxburg believed that Germany's reputation would suffer unless the German government were prepared either to employ similar force, should the need again arise, or to obviate the necessity for such measures by granting to the rebels the recognition of belligerent status which they sought.<sup>121</sup>

It was within this framework that the German government brought its isolation under scrutiny. Caprivi was to bring the situation before the Kaiser on February 5, 1894, and for the former's use Marschall of the Foreign Office drew up a memorandum detailing the course of events and the alternatives with which the government was faced. Caprivi also drew up his own memorandum for use in discussion with the Kaiser.

Marschall's note<sup>122</sup> was in effect an argument for recognising the insurgents, by Germany alone if the other Powers would not take a similar

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119. Tel. Luxburg to Foreign Office 28.1.1894, Brasilien 1.22, PA Bonn.

120. Luxburg to Caprivi 2.2.1894, Brasilien 1.23, PA Bonn; Wehler, Hans-Ulrich, *Handelsimperium statt Kolonialherrschaft*.

121. Tel. Luxburg to Foreign Office 31.1.1894, Brasilien 1.22, PA Bonn. Brunn is undoubtedly correct in saying that Luxburg grotesquely misunderstood the situation by underestimating the extent to which the Americans were prepared to go in defence of their merchant shipping; nevertheless the German Minister was not alone in believing that a choice between force or recognition might yet have to be made. For a time the English government thought so too: compare Brunn, *Deutschland und Brasilien* p. 41 and Tel. Hatzfeldt to Foreign Office 3.2.1894, Brasilien 1.22, PA Bonn.

122. Dated 4.2.1894, in Brasilien 1.22, PA Bonn.

course; that is, it argued for the continuation of German isolation if necessary. Caprivi's memorandum, as Brunn rightly points out,<sup>123</sup> was a complete departure from the usual careful recitation of political precedents. Caprivi abandoned the customary preference for political before commercial considerations, with its concealment of self-interest behind professions of adherence to such high-sounding principles as non-intervention in Brazilian politics. The note commenced by defining Germany's long-term interest in Brazil. This was stated to be the furthering of the German export trade and of German migration to Brazil; and it was the promotion of these interests, not the defence of the principle of neutrality, which the memorandum worked out.<sup>124</sup> Caprivi concluded that, were Germany alone to grant recognition to the rebels, it could no longer continue its arms trade with Peixoto whilst the other Powers could continue to trade with the legal Brazilian government to the detriment of German manufacturers. Unilateral recognition of the rebels was therefore out of the question. As his memorandum conveys, Caprivi's conclusions gained the approval of the Kaiser; the legal branch of the Foreign Office also concurred.<sup>125</sup>

Since the revolt collapsed shortly afterwards the issue did not arise again; but the decision had been taken that political considerations were to be subordinated to those of trade. Under the prevailing circumstances nothing was to be gained by lone political adventures in

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123. Brunn, *Deutschland und Brasilien* pp. 43-46; the Memorandum dated 5.2.1894, is in *Brasilien* 1.22, PA Bonn.

124. Caprivi believed that, in the short term, both trade and migration stood more to gain from Mello than from Floriano Peixoto, since the latter was firmly committed to a pro-U.S.A. policy whilst the former, should he succeed in taking over government, could not count on American support and would therefore need to turn to Europe. Nevertheless a unilateral recognition of the rebels, without similar recognition by England and perhaps Italy, could for the reasons given above be detrimental to the very trade in the interests of which recognition would be granted.

125. Notes by Counsellor von Dirksen and Director Hellwig 11.2.1894: both in *Brasilien* 1.23, PA Bonn. Both stressed that Germany could not afford to isolate itself from the other Powers.

Brazil. The vigour with which the United States was prepared to safeguard its trading interests had been demonstrated and England's attitude had been equally unambiguous. The result was an important shift in German government thinking about Brazil. In July 1893 Holstein had re-affirmed the principle of non-intervention; commercial considerations had received scant attention, and the principle in its implications served very comfortably Holstein's political sympathy with the monarchical cause. By February 1894 political considerations had receded into the background and commercial interests had come to the fore.

By ignoring this change in emphasis Hell has placed an exaggerated importance on German policy for emigration and settlement in Brazil. It scarcely need be said that it was pursued from acquisitive motives; and had it been possible to formalise the commercial connections between Germany and south Brazil by a political annexation Germany most certainly would have done so. But by 1894 the German government had been made to see by the actions of the United States and Britain that Germany's commercial interests would be jeopardised by political adventures; the latter was consequently abandoned in favour of the former, and this definition of priorities remained unaltered. At no time did Germany seek to manufacture any pretext for political intervention; Brazilian Deutschtum remained, as in the early 1890s, unfit to serve such a purpose and the United States did not relax its adherence to the Monroe Doctrine. For some time the German government did not abandon hope that Brazil might disintegrate and that territorial gain might ensue; but such a hope remained remote and conditional. In the meantime there were more immediate and tangible rewards to be sought from south Brazilian Deutschtum, despite the agitation of the Pan-Germans and perhaps the hopes of the Kaiser.

From Brunn's account of the rescinding of the von der Heydt Rescript in 1896-97 it appears that in 1896 Marschall still entertained some expectation of a collapse of the Brazilian republic. Nevertheless, the campaign to remove the prohibition on the commercial management of emigration to south Brazil was commenced late in 1890 by Fabri of the Hamburg Colonisation Society of 1849, was furthered by the Minister for Trade Berlepsch, and finally brought to a successful conclusion by Wiegand of Norddeutscher Lloyd. Germany's trading, commercial and shipping interests promoted and prosecuted the drive which officially opened the door to a policy of directed emigration to south Brazil.<sup>126</sup>

To the German Minister in Brazil, Baron Treutler, the commercial penetration of Brazil was the foremost advantage to be derived from German emigration. Commenting on an article in the Jornal do Commercio late in 1901 which expressed the hope that more German migrants would settle in Brazil Treutler recommended that the Rescript should not be lifted from all Brazil. It was better, he said, to concentrate settlement in the southern states, not only because of the climate, but more especially to form and maintain markets for German industry.<sup>127</sup>

Attacks in the foreign press on a "German Danger" clearly arose from the lifting of the von der Heydt Rescript, coinciding as it did with the more

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126. Brunn, Deutschland und Brasilien pp. 132-154 details the events surrounding the lifting of the Rescript from Potsdam sources. Berlepsch sought to have the Rescript lifted in 1890 in view of the United States McKinley Tariff's possibly harmful effects on the German export trade; but the attempt foundered for some time on the opposition of East Prussian agriculturalists who were alarmed at the emigration of agricultural labourers which depleted their estates and which might increase were the Rescript lifted. The Foreign Office also initially declined to support the move in view of unfavourable reports from Brazil concerning the treatment of immigrants and in view of the Brazilian civil war and consequent depression. The Kaiser's enthusiasm, following reports from the German Minister Richard Krauel, set the final moves in motion.

127. Treutler to Bülow 16.12.1901, Brasilien 11.2, PA Bonn. Treutler was aware that the lifting of the Rescript would arouse American suspicions, even as the enforcement of the Rescript led to trumped-up accusations of some sort. So far as the Americans were concerned, concluded Treutler, "difficile est satyram non scribere!" They sought to make capital out of all Germany's actions.

overt expressions of Weltpolitik such as the German Naval Bills. Moreover the German Legation Secretary Flöckher was possibly correct in surmising that the readiness with which they were blown up into a full-scale press campaign was due in no small measure to fear of German trade competition. Flöckher quoted from the Brazilian Jornal do Commercio which argued that, had Germany intended seizing south Brazil, it would not have banned emigration there for so long; migrants could after all become soldiers. Germans, the article continued, were fighting a trade war for markets; "therefore it is no wonder that they are often slandered by their competitors who cannot get the better of them in other ways."<sup>128</sup>

Consular reports from the ABC states made frequent reference to the trading advantage Germany enjoyed due to the presence of distinctively German settlements in the south of Brazil and to a lesser degree in Chile. "Whilst considering themselves Brazilian citizens," wrote the British Vice-Consul Archer from Porto Alegre, "they retain to a very great extent the habits and tastes of the fatherland, and as a consequence it has been comparatively easy and natural for German importers to substitute certain goods of German make for those of British manufacture."<sup>129</sup> But this advantage must be put into perspective. In the small state of Santa Catharina, with a total population of only 300,000 in 1904, the estimated 100,000 German-speaking residents constituted roughly one-third of the population; and if the size of the total population and the total value of the State's imports be overlooked the German proportion of both

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128. Flöckher, German-Brazilian Relations 21.5.1900, in Brasilien 11.1, PA Bonn. Flöckher over-simplified the situation by regarding the campaign as a piece of American intrigue, but there was doubtless some truth in his claim. The President of the United States told the German Ambassador Sternburg in 1903 that American businessmen in South America had tried to convince him that the spread of German trade and influence in South America endangered United States interests there: Tel. Sternburg to Foreign Office 19.2.1903, Brasilien 11.2, and 20.10.1903, Brasilien 11.3. Elihu Root also told Bussche in Washington that American suspicions concerning German intentions in South America came from the jealousy of American businessmen: Bussche to Bülow 27.10.1905, Brasilien 11.4: all PA Bonn.

129. Brit. Parl. Papers 1897. LXXXIX. p. 514.

sounds impressive. Germany was in fact credited with supplying about one-half of the State's imports,<sup>130</sup> for which the British Vice-Consul Chaplin found partial explanation in the "large German element in the State,"<sup>131</sup> as did Vice-Consul Addison in 1912. The majority of the inhabitants, wrote the latter, were either of German descent or birth, kept up the language and customs of the Fatherland, and were very "clannish". Their tastes and sympathies naturally caused them to prefer German goods and, because the Portuguese-speaking inhabitants were not so industrious, the Germans held a preponderating position.<sup>132</sup> When, however, the dimensions of this achievement are quantified it becomes less impressive. Between 1901 and 1906 the total State imports were valued annually at between £114,842 and £204,288,<sup>133</sup> representing between 0.5 and 0.7 per cent of Brazil's total imports. Much the same picture emerges when the German settlement in Valdivia in Chile is considered. Reporting on what the British Consul-General Sir Berry Cusack-Smith called the flourishing German settlement of Valdivia<sup>134</sup> Vice-Consul Howard wrote that "this town may properly be called a German colony, as the principle industries and a quarter of the population are German."<sup>135</sup> In 1898 Germany provided imports valued at 1.2 million pesos out of a total import of 1.6 million;<sup>136</sup> "the pleasing fact that Germany has a large share in the imports and exports whilst, as it appears from official statistics, to the north the major share time and time again is taken by Great Britain," reads the German trade report for 1898, "is in the first place possibly due to the German colony."<sup>137</sup> However, at an exchange rate of 1s.6d. to the peso the total import from Germany represented £90,583 or 1.6 per cent of all Chilean imports for the year.

130. *Ibid*, 1902. CV. p. 394; 1904 XCVII. pp. 281-282; 1906 CXXIII p. 138.

131. *Ibid*, 1904. XCVII. p. 287.

132. *Ibid*, 1913, LXXX. p. 274.

133. *Ibid*, 1904. XCVII. pp. 281-282; 1906 CXXIII. p. 138.

134. *Ibid*, 1900. XCII. p. 480.

135. *Ibid*, 1900. XCII. p. 515.

136. *Deutsches Handels-Archiv* 1901. II. p. 72.

137. *Ibid*, 1899. II. p. 951.

Again, in the Brazilian state of Rio Grande do Sul it was estimated that some 200,000 Germans were settled and that of the State's total imports in the vicinity of 60 per cent was provided by Germany.<sup>138</sup> But the monetary value was comparatively trivial and the imports passing through Porto Alegre in that State represented in the vicinity of 1.3 per cent of total Brazilian imports. The effectiveness of the German settlements as a basis for trade penetration is obvious; the trouble was that the basis was established in districts through which insignificant proportions of the total trade of the South American republics passed.

It was, furthermore, an over-simplification of the situation to believe that mere numbers of Germans in the settled areas were responsible for this trading advantage. A few hundred thousand Germans in a total Brazilian population of between 17 and 24 million could only marginally affect national tastes and demand. Far more important was the German trader, as the German consular report from Desterro in Santa Catharina pointed out in 1894. German goods, it was reported, were known to the Brazilians through German immigration; and if the Germans subsequently became naturalised Brazilians they at least retained their German characteristics and tastes and passed these on to their children. German shipping links with Hamburg benefited the consequent trade with Germany; but the greatest benefit arose from the fact that the import business was almost entirely in German hands.<sup>139</sup> The German Consul Pooch from Rio Grande do Sul wrote in 1898 that until about thirty years previously the foreign trade of the State had been in English hands; now fourteen German trading firms shared the wholesale trade.<sup>140</sup> "It is probable," wrote the British Consul Staniforth about the same time, "that the trade of Rio Grande do Sul, which was once almost exclusively in the hands of

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138. *Ibid*, 1900, II. p. 146; *Brit. Parl. Papers* 1904. XCVII. p. 292; 1905. LXXXVII. p. 470.

139. *Deutsches Handels-Archiv* 1895. II. p. 205.

140. *Ibid*, 1900. II. pp. 142-143.

British merchants established there, may be monopolised by German firms. But a consideration of the circumstances of the case would tend to show a reason for this in the number of German emigrants, whole districts of the southern provinces of Brazil being entirely populated by Germans. It is only natural that a considerable number of these with commercial aptitude should enter and eventually establish business houses."<sup>141</sup> The impact of the German merchant was occasionally complemented by that of the German in industry. "The machinery for a large cotton and wool factory established here recently was all got from Germany," advised a British consular report from Porto Alegre in 1893, "though this I think is mainly due to the fact that the foreman, under whose advice the machinery was selected, was a German."<sup>142</sup>

Consuls were occasionally aware that there were limits to the effectiveness of the German merchant in determining the source of imports. The merchant was still largely at the mercy of consumer demand. Chileans in Santiago found the cheap cotton materials supplied by England exactly to their taste, advised a German trade report in 1888; and the fact that the direct import business of that city was in French hands and the indirect import was controlled by Germans had little influence on the source of trade. English cottons were still imported.<sup>143</sup> The British Consul Archer reported in much the same vein from Porto Alegre in 1900. Since many of the hardware importing firms were German, he wrote, they naturally gave preference to German goods as far as they could; but, he added, on the whole the larger share of the trade went to the United Kingdom since the native and Portuguese business houses bought where it suited them best.<sup>144</sup> "It is by no means certain," wrote Staniforth from Rio Grande do Sul,<sup>145</sup>

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141. Brit. Parl. Papers 1899. XCVIII. p. 348.

142. Ibid, 1894. LXXXV. p. 266

143. Deutsches Handels-Archiv 1889. II. p. 599.

144. Brit. Parl. Papers 1901. LXXXI. p. 305.

145. Ibid, 1899, XCVIII. p. 348f.



that the fact that German commercial houses have to so great an extent superseded English houses has brought about a corresponding decrease in the imports of British manufactured goods. The merchants of Rio Grande appear to import what best meets the requirements of the market as to quality and price, quite irrespective of the country of origin. It will be found that the German houses established here import large quantities of British manufactured goods.

Staniforth under-estimated the impact of German traders on the State's import trade; but had he been able to see the invoice books of a large German commission firm such as Hasenclevers of Remscheid he would have found confirmation for his belief concerning the practices of German houses established in south Brazil. Hasenclevers' Rio office cabled orders to Remscheid which the latter then purchased in England as well as on the Continent.<sup>146</sup> These included items such as hardware and linseed oil from Schürhoff & Co. of Birmingham, textiles and clothing from Merttens & Co. of Manchester and textiles from A.S. Henry & Co. of Bradford; further, hardware and such from D. Vorms of Paris, reapers, binders, twine and such from William Deering & Co. of Chicago, and goods from other centres such as Hamburg, Remscheid, Lennep, Württemberg, Prague.<sup>147</sup>

When, however, the limitations to the effectiveness of the German merchant and commission agent in South America are allowed for it remains the case, as the statistics have demonstrated, that where they operated in areas of German settlement the result was a significant proportion of the trade going to German manufacturers. Moreover on the larger scale the German colonial enthusiast might well be excused for believing in 1890 that his was the correct means to trading expansion. By far the greatest number of Germans emigrating to South America had

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146. Orders were cabled in code, with sometimes odd appearance. One wonders what the telegraph official made of the cable, for instance, which read: "unconjugal uncharming unexcised uncordial unboastful unblameable unbuttoned unburied uncrowning undepraved uncaressed.": Cable to Cleverson Remscheid 16.5.1892, SA Remscheid.

147. The Invoice Books are in the Business Archive of Hasenclever and Sons, SA Remscheid. For further detail see p. 85 footnote 1. below.

gone to Brazil, and in that year German exports to Brazil totalled 52.4 million marks as compared with 30.8 million to Chile and 26.1 million to Argentina, whilst imports from Brazil totalled 137.7 million marks to 75.2 million from Argentina and 61.4 million from Chile. The experience of later years was to show that the recipe was over-simplified; but since the use of emigration "in the national interest" also suited what Pan Germans and others saw as Germany's cultural mission to the world, and since material gain appeared in 1890 to follow in its wake, it continued to find vocal support.

In the period prior to the 1890s, when larger numbers of Germans were emigrating in search of a better life, a deliberate attempt was made by German colonialists, political economists, business men, shipping firms and others to direct this emigration to South America; after 1890, despite dwindling emigration, the attempt was continued and received belated government support. The aim of the enterprise was to penetrate South America and establish a German presence through which a measure of control could be exercised over the trade of the country. It was also hoped that, should southern Brazil segregate from the new United States of Brazil, it might come under German political control. In Brazil the policy was sufficiently effective in the opening years to arouse fears of a "German Danger". Closed settlements of German agricultural workers were established, numerically stronger than elsewhere in South America, maintaining the German language, customs, associations and schools. Others were active in the trade of the country; and in such German enclaves trade ties with England were considerably weakened and replaced by close bonds with Germany. To a lesser degree, since the number of Germans was much smaller, the same pattern was developed in Chilean districts, notably around Valdivia. Of the South American republics Brazil was in 1890 by far the most important for German trade; and

whilst the trade was not large as compared with that between Germany and its main trading partners it offered reasons for some optimism for future development. Conversely, in Argentina German settlement developed in a different manner. There were no closed colonies of any significance; migrants belonged more to the city business and artisan classes and agricultural settlers tended to lose their national identity in mixed agricultural settlements. Argentina was therefore in the main regarded by colonial enthusiasts as an inferior destination for emigration, at least until later in the period. Ironically Argentina, the least Germanised of the ABC states, became Germany's leading South American trading partner. This will become apparent in the ensuing chapters, as will the reason for this development.

CHAPTER THREETHE MARKET

The South American market did not constitute an economic tabula rasa on which German trading firms could write their own profit and loss accounts at will, and it is scarcely possible to offer a valid account of the development of German trade with Argentina, Brazil, and Chile without taking into consideration certain salient features in the domestic history of the South American countries in question. In particular, the course of Germany's export trade with these three countries closely reflects economic fluctuations within the countries themselves, and it will therefore be useful to identify these fluctuations before proceeding to an examination of the German trade.

The business correspondence from 1890 to 1914 of the Remscheid firm Hasenclever and Sons<sup>1</sup> with its Buenos Aires branch constitutes a useful eye-witness account of economic trends in Argentina, an account which is amply supported from other sources such as consular reports.

Hasenclevers' business was by no means restricted to German goods; inter alia they did a brisk export trade in English textiles and United States agricultural machinery. Consequently the picture gained from the Hasenclever papers is constructed of more extensive material than merely the fortunes of the German export trade.

It is scarcely necessary to dwell on the disastrous conditions of 1890 and 1891 in Argentina, of which the Hasenclever correspondence of this

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1. The business archive of the export firm Joh. Bernhard Hasenclever Söhne, to date unsorted and consisting of Copy Books, account books, correspondence and business papers, is in the Stadtarchiv Remscheid. The Copy Books extend back to 1789. Hasenclevers' history goes back to 1632, the Remscheid firm being established 1.5.1786, the Rio branch being opened in 1830 and the Buenos Aires branch in 1885. Before 1800 Hasenclevers were exporting, inter alia, to North and South America via the mother countries. See Ringel, Hermann: Das Geschäftsarchiv der Exportfirma Joh. Bernhard Hasenclever Söhne, Remscheid-Ehringhausen (Remscheid, 1970).

period is full.<sup>2</sup> For a short period the financial crisis of 1890 spilled over into the political life of the country, exacerbating the situation further. The economic and financial situation and the apparent inability of the government to remedy it provoked a military uprising; there was street fighting, the navy bombarded Buenos Aires, and the presidency changed hands.<sup>3</sup> The crisis of 1890 and 1891, noted a German consular report, had a seriously adverse effect on the import business, and the great import houses had become far more cautious in giving credit due to suspensions of payment occasioned by the sharp downward fluctuations in the value of paper money. Further, the increase in 1891 of the proportion of the customs duties to be paid in gold in some cases trebled the prices of imported goods, with the obvious result that the demand for imports dwindled.<sup>4</sup> Even before this increase, in March 1890 Hasenclevers' Buenos Aires branch complained that the high rate of the gold premium put the price of a number of imported goods beyond the reach of many people;<sup>5</sup> and later in the year they added that with an exchange rate of 300 and more there could be no possible thought of business.<sup>6</sup> The head office at Remscheid, which never hesitated to read a heavy lecture in business practice to overseas representatives when it was deemed appropriate, recognised that the situation was beyond their control. In view of the terrible state of affairs, they commiserated, it was a blessing that the Buenos Aires branch ordered so little; everything in the world had its final limits, including

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2. So. e.g., Hasenclever & Co. Buenos Aires to Joh. Bernhd. Hasenclever & Söhne 25.6.1889, 8.4.1890: SA Remscheid. Chapter IV of Ford, A.G.: The Gold Standard 1880-1914. Britain and Argentina (Oxford: Clarendon Press, 1962) is a useful account of Argentine currency and banking, with some treatment of the factors responsible for the crash. See also Findlay's report in Brit. Parl. Papers 1893-94, XCII. p. 63ff.

3. Jenisch to Caprivi 2.8.1890; Costa to Calvo 8.8.1890: Argentinische Republik 1.10, PA Bonn.

4. Deutsches Handels-Archiv 1893. II. p. 74.

5. Hasenclever & Co. Buenos Aires to Joh. Bernhd. Hasenclever & Söhne 21.3.1890, SA Remscheid.

6. Hasenclever & Co. Buenos Aires to Huerxthal 12.7.1890, SA Remscheid.

Hasenclevers' financial means.<sup>7</sup> Further orders only meant further losses. Lingering outbreaks of political unrest further protracted Argentina's painful convalescence, seriously curtailing trade and business in September 1891;<sup>8</sup> in that month Hasenclevers reported that they sold next to nothing due to political upheavals.<sup>9</sup>

By 1892 there were faint signs of recovery. The German consular report for that year quoted official Argentine trade statistics which demonstrated that, due to its great natural resources, the country had recovered comparatively quickly from the financial and trade crisis of the previous two years, although the recovery was only partial since imports had not reached their earlier value.<sup>10</sup> The German Minister Dr. Krauel saw some economic improvement, since exports of grain, wool, frozen meat and hides brought finance into the State, and these exports were increasing as also were imports. Krauel, however, was also aware of the enormous weight of the public debt, which would restrict the spending capacity of the republic and inhibit trade.<sup>11</sup>

The recovery which commenced in 1892, moreover, was only of short duration. Continued fluctuations in the gold premium, loss of business confidence resulting from border disputes with Chile and, above all, the disastrous failure of the crops in 1896-1897 put an effectual brake on recovery. By 1897 the British Acting Consul Laing was writing of many commercial failures;<sup>12</sup> and Hasenclevers wrote from Buenos Aires in 1896 that Argentine exports were virtually nil, people were in debt, and they

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7. Joh. Bernhd. Hasenclever & Söhne to Huerxthal 20.8.1891, SA Remscheid. After a three-year moratorium on payments came into effect in Argentina in January 1891 Hasenclevers' Buenos Aires branch regarded a state bankruptcy as possible: Hasenclever & Co. Buenos Aires to Joh. Bernhd. Hasenclever & Söhne 5.4.1891, SA Remscheid.

8. Heintze to Caprivi 1.9.1893; Argentinien 1.13, PA Bonn.

9. Hasenclever & Co. Buenos Aires to Joh. Bernhd. Hasenclever & Söhne 28.9.1893, SA Remscheid.

10. Deutsches Handels-Archiv 1893. II. p. 181. The Hasenclever correspondence reflects this improvement late in 1894 and in 1895.

11. Krauel to Caprivi 7.1.1892; Argentinien 1.11, PA Bonn.

12. Brit. Parl. Papers 1898. XCIV. p. 61ff.

themselves could only sell at ruinously low prices.<sup>13</sup> Bernhard Hasenclever, who was in Argentina at the time, wrote of speculation promoted from Europe by Rothschild and a resultant drop in the value of gold, of the noticeable shortage of exchange, of the loss of the harvest, of the collapse of big business houses in Buenos Aires, and of the unwillingness of the banks to give credit.<sup>14</sup> The difficulties experienced by Hasenclevers were widely shared by other business houses, and German consular reporting kept the German government aware of the situation. The German Ministry for the Interior in turn circularised State governments with information to be made available to German trading circles concerning Argentine bankruptcy law. There could be no doubt, the circular stated, that German trading and industrial circles had recently proceeded with greater caution than previously in forming new business ties with Argentina; unfortunately, however, German houses had often been affected by the collapse of Argentine firms, and without a knowledge of Argentine law they could find themselves in difficulties if they resorted to law rather than accept an offer of a compromised settlement. The circular then proceeded to give legal information deemed useful for German firms involved with Argentine bankruptcies.<sup>15</sup> For Argentina 1897 was a disastrous year, and the bankruptcies of which the Ministry for the Interior wrote brought about forced liquidation sales which occupied the attention of firms such as Hasenclevers for the following five or six years.

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13. Hasenclever & Co. Buenos Aires to Harffen 30.4.1896; Hasenclever & Co. Buenos Aires to Joh. Bernhd. Hasenclever & Söhne 15.12.1896; both in SA Remscheid.

14. Bernhard Hasenclever to Joh. Bernhd. Hasenclever & Söhne 22.4.1897; the branch report was similarly pessimistic: Hasenclever & Co. Buenos Aires to Joh. Bernhd. Hasenclever & Söhne 28.5.1897; both in SA Remscheid.

15. Reichsamt des Innern an König. württembergische Ministerium der auswärtigen Angelegenheiten 12.6.1897: HSA Stuttgart, Rep. E. 46, Fasz. 425. As was customary with such circularised information, its official source was not to be divulged to trading houses since the Ministry for the Interior did not wish to become involved in detailed and lengthy discussion over the specifics of the trade. The role of the government in German trading relationships is discussed in Chapter Seven.

From 1897 the Argentine situation showed signs of renewed improvement, at first slow and uncertain, but accelerating from about the middle of 1903. Hasenclevers' Buenos Aires branch reported a good trade balance in 1901 following an expansion of business;<sup>16</sup> but as the editor of the Buenos Aires Deutsche La Plata Zeitung told the 1905 Colonial Congress in Berlin, from 1895 until 1902 Argentina had lived under the threat of a war with Chile and this produced setbacks in the economic life of the country,<sup>17</sup> and a resurgence of war talk in 1901 led to further caution and restrictions in credit and purchasing.<sup>18</sup> Further, the loss of the harvests in Santa Fé, Mendoza and Tucuman adversely affected business and trade early in 1902;<sup>19</sup> but by June 1903 Hasenclevers reported from Buenos Aires that the banks were buoyant with money and that sales had been very good in all branches of their business.<sup>20</sup> Indeed, when the annual balance sheet came in from Buenos Aires the Remscheid head office wrote congratulating them and themselves on the brilliant result.<sup>21</sup>

The financial buoyancy and strong trade development which was evident by the middle of 1903 faced further reverses. In 1907 and again in 1911 Argentina suffered from bad harvests and consequent business recessions; but compared with the crash of 1897 these were on a minor scale. For Hasenclevers the middle of 1903 was the turning point in their Argentine business. In October 1905 their Buenos Aires branch reported that the condition of Argentina and the prospects for the future were better than

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16. Hasenclever & Co. Buenos Aires to Joh. Bernhd. Hasenclever & Söhne 15.8.1901 and reply of 20.9.1901, SA Remscheid.

17. Wolff, Julius: Das Deutschtum und die deutschen wirtschaftlichen Interessen in Argentinien, in Verhandlungen des Deutschen Kolonialkongresses 1905 (Berlin: Reimer, 1906) pp. 1009-1010.

18. Hasenclever & Co. Buenos Aires to Joh. Bernhd. Hasenclever & Söhne 14.1.1901, SA Remscheid.

19. Hasenclever & Co. Buenos Aires to Joh. Bernhd. Hasenclever & Söhne 20.2.1902, SA Remscheid. See also Mallet's report from Rosario in Brit. Parl. Papers, 1904. XCVII. p. 25.

20. Hasenclever & Co. Buenos Aires to Joh. Bernhd. Hasenclever & Söhne 20.6.1903; also ibid, 9.11.1903. Both in SA Remscheid.

21. Joh. Bernhd. Hasenclever & Söhne to Hasenclever & Co. Buenos Aires 10.8.1904, SA Remscheid.



they had ever been before; the last harvest had brought colossal wealth amongst the people and money flowed freely.<sup>22</sup> The British Consul Mallet's report from Rosario for 1906 was equally optimistic; it had been a prosperous year for Rosario, with a considerable increase in the import trade. The latter was due partly to imported materials for a number of public works under construction, and due partly to merchants having placed large orders for agricultural machinery, implements and so forth in view of the prospects of a further good harvest.<sup>23</sup> Mallet's only fear was that some firms may have overstocked, a fear which was justified in view of the bad harvests of 1907; but by the beginning of 1908 Hasenclevers' Buenos Aires branch was jubilating over a good harvest and good prices, adding that by the end of May they would be swimming in money.<sup>24</sup> Hasenclevers' exuberant anticipation of large profits reflected a generally entertained optimism about prospects in Argentina. The General Secretary of the German Export Union for Argentina and former Trade Expert in Buenos Aires, H. Ramelow, told the German Machine-Makers Union at a lecture in March 1909 that the recent development of Argentina's economy, industry and business enterprise gave reason to believe that within a few generations Argentina would have caught up with the brilliant example set by her sister republic, the United States of America.<sup>25</sup> Ramelow, like Hasenclevers, had many years of experience in the Argentine trade, and his extravagant prognostication revealed the optimism concerning Argentina's potential as a trading partner which that experience encouraged.

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22. Hasenclever & Co. Buenos Aires to Joh. Bernhd. Hasenclever & Söhne 7.10.1905, SA Remscheid.

23. Brit. Parl. Papers 1907. LXXXVIII. pp. 61-62.

24. Hasenclever & Co. Buenos Aires to Joh. Bernhd. Hasenclever & Söhne 9.1.1908, SA Remscheid.

25. Ramelow, H.: Argentinien als Absatzmarkt für die Erzeugnisse der deutschen Maschinenbauindustrie (Lecture given to Verein deutscher Maschinenbau-Anstalten 20.3.1909, without printer or date of printing).

This, then, was the manner in which the Argentine market developed in general during the period under survey. The early 1890s were years of crisis, with the recovery which commenced about 1892 being followed by a severe worsening of the situation in 1896-1897. The years 1897 to 1903 constituted a period of unsteady improvement, with setbacks early in the 1900s due to crop failures and a deterioration in relations with Chile; but from 1903 ensued a boom in business, with temporary setbacks in 1907 and 1911 due once again to crop failures.

As the following table demonstrates, the German trade with Argentina developed in a manner which closely reflected the vicissitudes of Argentina's commercial life as it has been outlined above.

Table 7: German Trade with Argentina<sup>26</sup>  
Value in Millions of Marks

Year	Imports	Exports
1890	75.2	26.1
1891	109.6	18.6
1892	86.9	35.2
1893	93.3	42.5
1894	103.9	30.2
1895	118.4	37.5
1896	108.8	44.1
1897	109.3	35.8
1898	145.9	44.7
1899	194.5	52.3
1900	234.6	64.0
1901	200.8	54.2
1902	201.8	47.2
1903	270.6	71.0
1904	336.5	102.7
1905	369.2	131.5
1906	372.2	170.2
1907	442.5	179.2
1908	446.0	147.0
1909	437.7	175.4
1910	357.2	240.2
1911	369.9	255.9
1912	444.9	239.4
1913	494.6	265.9

26. Taken from official German statistics as published in Statistisches Jahrbuch für das Deutsche Reich for the relevant years. Over this period currency values were relatively stable.

From 1890 to 1895 German imports from Argentina increased from 75.2 to 118.4 million marks, but in this period Argentina's purchasing capacity was adversely affected by the crash and German exports thence dropped in 1891 from 26.1 to 18.6 million marks, climbing unsteadily to 44.1 million marks in 1896. The crisis of 1896-1897 is reflected in a fall in imports of nearly 10 million marks and a decline in exports from 44.1 to 35.8 million marks. Thereafter both the import and the export trade improved until 1900; but in 1901 and 1902 the diplomatic crisis with Chile and the partial loss of the harvest is reflected in a drop in both imports and exports. 1903, and to a greater extent 1904, clearly formed a turning-point in Germany's Argentine trade, imports rising by a total of 135 million marks and exports by a total of 55 million marks in the two years. The bad harvest of 1907 affected the German export trade to a greater extent than it did the import trade; in 1908 imports rose by only 3.5 million marks whilst exports fell by 32 million. The crop failure of 1911 similarly merely retarded the growth of the import trade whilst occasioning a drop in exports by 16.5 million marks. It is, further, obvious that the setbacks of 1907 and 1911 were comparatively minor interruptions in a progress which dated from the strong advance of 1903 and 1904; the troughs of 1908 and 1912 represent a very substantial improvement on that of 1902.

The obvious point is thus clearly demonstrated that the development of Germany's Argentine trade was furthered and retarded by the rises and falls in the commercial and economic development of Argentina itself, a fact which must come under further notice later in this chapter.

For Brazil the period opened with the upheavals consequent upon the overthrow of the monarchy and the establishment of the United States of Brazil in 1889, the ensuing civil war in fact lasting until late into

1895. The opening weeks of the life of the new republic offered little comfort to the German Minister in Brazil, aware as he was of the uncertain status of the new government so far as his own country was concerned<sup>27</sup> and even more aware of the disadvantage at which he stood in this new republic by comparison with the representative of republican France, which country formed the model from which Brazilian republicans drew their inspiration.<sup>28</sup> The political situation of the country, however, offered far greater cause for concern. The unpopularity of the government on issues such as the negotiation of a trade agreement with the United States of America<sup>29</sup> and the falling value of the currency, and a strong ultrafederalist movement in the Assembly headed by the Rio Grande do Sul delegate,<sup>30</sup> resulted in the president staging a coup d'etat on November 4, 1891.<sup>31</sup> Under the ensuing military dictatorship the situation remained explosive, and rumours of civil war, conspiracies, and a threatened bombardment of Rio by the navy produced a change in the presidency. Congress was re-summoned and commenced the task of preparing a budget in an attempt to alleviate the prevailing economic uncertainty;<sup>32</sup> but the military dictatorship of the new president aroused even greater hostility than had that of his predecessor

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27. On the problem of recognition see, e.g., Luxburg to Bismarck 6.2.1890: Brasilien 1.10, and Dönhoff to Bismarck 14.6.1890: Brasilien 1.12; only semi-official relations were maintained until elections showed the new government to be the will of the people, and care had to be exercised to avoid implicit recognition by, e.g., lodging claims for compensation for damage suffered by Germans. The U.S.A. granted official recognition in February 1890 and France in June 1890: Dönhoff to Bismarck 26.2.1890: Brasilien 1.11, and Münster to Bismarck 23.6.1890: Brasilien 1.12. All in PA Bonn.

28. Dönhoff derived obvious comfort in reporting that the French "colony" in Rio, consisting mainly of perfumers, wig-makers and cooks (!), had little success in feting the new government on Decr. 7, 1889. Other diplomats took no part and the Brazilian Foreign Minister's speech extolling the brotherhood of all republicans and drawing inspiration from the French Revolution fell on few ears: Dönhoff to Bismarck 8.12.1889: Brasilien 1.9, PA Bonn.

29. See Chapter Seven below.

30. Bello, J.M.: A History of Modern Brazil, 1889-1964. Trans. James L. Taylor (Stanford: Stanford University Press, 1966) pp. 78-79.

31. Dönhoff to Caprivi 5.11.1891: Brasilien 1.15, PA Bonn.

32. Dönhoff to Caprivi 20.11.1891: Brasilien 1.15, PA Bonn.

and, as Bello<sup>33</sup> remarked, being obliged to defend the public order and deal with political dissidence, the president was unable to tackle administrative problems. The routine business of government was in chaos and public finances disastrous. The disaffection which centred in Rio Grande do Sul broke out into "the cruelest of Brazil's civil wars"<sup>34</sup> on February 9, 1893 and, as the war spread from Rio Grande do Sul to neighbouring Santa Catharina and Paraná,<sup>35</sup> centres of German settlement, the navy revolted against the government on September 6, 1893 under Mello and later in the month bombarded Rio de Janeiro.<sup>36</sup> In the course of the naval revolt, which collapsed early in 1894,<sup>37</sup> European and American merchant shipping was for a brief time interfered with<sup>38</sup> and much diplomatic activity was exercised in consequence. The civil war dragged on until August 23, 1895, on which date armed resistance in Rio Grande do Sul came to an end when the revolutionaries laid down their arms.<sup>39</sup> Even so, some violence continued for a time thereafter,<sup>40</sup> and in March 1896 the German Legation was reporting continued dissatisfaction due to near starvation in the country, a continued decline in the value of paper money, the "perverse" tariff policy of the government and the feared over-production of coffee, together with the general uncertainty about the future.<sup>41</sup> In 1894, however, one element of the political dissidence was removed by the election to president of Prudente de Moraes, a civilian who had long opposed military rule, and with his election the end of military dictatorship.<sup>42</sup> Even so the public disturbances, with

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33. Bello, *op.cit.*, pp. 100-103.

34. *Ibid*, p. 110.

35. Luxburg to Caprivi 19.7.1893: Brasilien 1.18, PA Bonn.

36. Tel. Luxburg to Foreign Office 6.9.1893: Brasilien 1.18; Tel. Luxburg to Foreign Office 27.9.1893: Brasilien 1.19; Luxburg to Caprivi 25.9.1893, 27.9.1893: Brasilien 1.20; all in PA Bonn.

37. Tel. Luxburg to Foreign Office 15.3.1894: Brasilien 1.24, PA Bonn.

38. Tel. Luxburg to Foreign Office 28.1.1894: Brasilien 1.22, PA Bonn.

39. Krauel to Hohenlohe 27.8.1895: Brasilien 1.27, PA Bonn.

40. Erckert to Hohenlohe 7.1.1896: Brasilien 1.28, PA Bonn.

41. Erckert to Hohenlohe 30.3.1896: Brasilien 1.28, PA Bonn.

42. Hahner, June E.: *The Paulistas' Rise to Power: A Civilian Group Ends Military Rule* (HAHR, XLVII, 2, 1967) p. 160ff.

their obvious damage to the Brazilian economy and foreign trade, were not over. Early in 1897 civil war broke out in Bahia around the fanatical *Conselheiro* in Canudos, in which the army and state police lost nearly 5,000 men and the government lost much credibility.<sup>43</sup>

The events surrounding the overthrow of the monarchy had a two-fold effect on the Brazilian economy, both of them harmful. Firstly, the political uncertainty of the first few months bred financial uncertainty; large financial transactions in London were postponed until a regular government was established, and on the Rio stock exchange business halted completely, whilst the exchange rate dropped.<sup>44</sup> Secondly, there was a rush of speculation and promotion of joint stock companies. The German consular report for 1890 numbered some 300 companies thus promoted.<sup>45</sup> The result was a crash late in 1891,<sup>46</sup> with a consequent deterioration in the finances of the country which the government sought to remedy by means of alterations to the tariffs for foreign trade. To increase its holdings of gold the government imposed from July 1, 1890 a gold quota of 20 per cent ad valorem on import duties, whilst the new customs tariff of November 15, 1890 raised the duties on most of the major imported goods by 15 to 20 per cent. The effect of the gold quota was in effect to increase the customs by 50 to 60 per cent, thereby increasing the price of the imported goods by 18 to 20 per cent.<sup>47</sup> To make matters worse there was an excessive and apparently insufficiently controlled emission of paper money. The German trade report for 1891 quoted the Jornal do

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43. Bello, op.cit., pp. 150-156; Krauel to Hohenlohe 9.8.1897: *Brasilien* 1.29, PA Bonn; Della Cava, Ralph: *Brazilian Messianism and National Institutions: A Reappraisal of Canudos and Joazeiro* (HAHR, XLVIII, 3, 1968) pp. 402-420.

44. Dönhoff to Bismarck 30.12.1889: *Brasilien* 1.10, PA Bonn.

45. Deutsches Handels-Archiv 1891. II. p. 217. The Finance Minister Ruy Barbosa sought to prevent unrestrained promoting activities, thereby gaining the approval of importers whose business was threatened by the rush of new companies: Dönhoff to Caprivi 14.11.1890: *Brasilien* 1.13, PA Bonn.

46. Deutsches Handels-Archiv 1892. II. pp. 208-209, 214.

47. Ibid, 1891, II. p. 217.

Commercio to the effect that over fifty million milreis in notes of various private banks were in circulation without legal backing. The exchange rate reflected the insecurity of the paper currency; thus in 1891 the value of the pound sterling fluctuated between 11,950 reis and 21,200 reis.<sup>48</sup>

Consular reports indicate that it was not until 1891 that the effects of this instability became apparent in Brazil's trade, and that even then the effects were uneven. A German consular report found that the year 1890 had not been bad for the import trade despite the financial disorders;<sup>49</sup> but the report for 1891 described that year as one of the worst of the past decade for imports.<sup>50</sup> In Rio Grande do Sul excellent prices for cattle, the main source of the state's prosperity, kept the finances in a healthy condition in 1891 and 1892; but the outbreak of the civil war depleted the campos of cattle, ruined the meat industry, and jeopardised the trade and industry of the cities.<sup>51</sup> In the same state, however, the German and Italian colonists, who initially abstained from involvement in the conflict, raised excellent agricultural crops and sold at famine prices thus, as the British Consul Walter Hearn sententiously observed, realising the truth of the adage "Ill blows the wind that profits nobody."<sup>52</sup> In 1894, Hearn reported, the civil war brought some prosperity to Rio Grande do Sul since war necessitated large garrisons and therefore more food supplies, so that "the foreign colonists, who have been working like ants while their Brazilian brethren have been turning their ploughshares into swords" brought much money into the state.<sup>53</sup> But despite such local and short-term profits from the war, in general Brazil suffered seriously from its effects and the trading

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48. Ibid, 1892. II. pp. 208-209.

49. Ibid, 1891. II. p. 219.

50. Ibid, 1892. II. p. 211.

51. Ibid, 1893. II. p. 198-199; 1894. II. pp. 157-158; Brit. Parl. Papers 1893-94, XCII. p. 587.

52. Brit. Parl. Papers 1894. LXXXV. p. 241.

53. Ibid, 1895. XCVI. p. 492.

capacity of the country suffered. Even before the outbreak of the war the Finance Minister Ruy Barbosa had persuaded the government to grant aid to the banks which he had legislated into existence and which were already as good as bankrupt by March 1892. The German Minister reported that the banks already owed the equivalent of 140 million marks which they could never repay, and the government aid amounting to a further 50 million marks meant more money lost and more paper in circulation.<sup>54</sup> By 1893 the German consular report observed a significant worsening in Brazil's economic situation, with the rate of exchange fluctuating "monthly and daily" in a manner most harmful to trade.<sup>55</sup> In June 1895 the German Minister reported estimates that the civil war was costing the equivalent of 3,167,000 marks per month.<sup>56</sup> At the end of 1895 the tariff on imports was raised further, provoking from the British Legation Secretary Marling the comment that it could

scarcely fail to produce considerable modifications in the import trade of Brazil. The native manufacturers, aided by the anti-foreigner party, have succeeded in raising the import duties so largely that the measure seems to have been passed as much in the interests of protection as for the purposes of revenue.<sup>57</sup>

The civil war of the 1890s was not the only factor responsible for the severe worsening of the Brazilian economy and, consequently, the purchasing power of the country. Throughout the period with which this study is concerned the Brazilian economy was, as the German consular report for 1893 pointed out, dependent for the most part on the results of the coffee harvest and the price of this product on the world market.<sup>58</sup> In this regard, by the mid-1890s Brazil had become the victim of its own earlier successes; earlier favourable world prices had encouraged

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54. Dönhoff to Caprivi 8.3.1892: Brasilien 1.16, PA Bonn.

55. Deutsches Handels-Archiv 1894. II. p. 402ff. In January 1893 the exchange rate was 863 reis to the mark; in the quarter October to December 1893 it was between 1162 and 1088 reis to the mark: ibid.

56. Krauel to Hohenlohe 11.6.1895: Brasilien 1.27, PA Bonn.

57. Brit. Parl. Papers 1896. LXXXV. p. 131.

58. Deutsches Handels-Archiv 1894. II. p. 403.



Brazil's coffee planters to such an extent that by the mid-1890s overproduction brought world prices down and consequently reduced the amount of money coming into the country. By 1898 the British Acting Consul-General Rhind reported from Rio that so far as coffee was concerned the main feature of the situation was an excessive supply; the Rio markets were adversely affected by the declining value of this main staple product, and until production was checked there was little hope of improvement.<sup>59</sup> By 1899 the German Consul Wever of Rio de Janeiro was writing that Brazil was undergoing an economic and financial crisis, the former due to overproduction of coffee and the latter due to the amount of paper money in circulation.<sup>60</sup> The business world and European money markets, wrote the German Minister Krauel at the end of 1896, had no confidence in the condition and solvency of the Brazilian federal government.<sup>61</sup> Brazilian trade statistics reflected the crisis, Rhind reporting an appreciable diminution in imports in 1899.<sup>62</sup>

The worsening situation of the later 1890s was obvious to firms involved in the Brazilian trade. Siemens' Rio de Janeiro representative Zebrowski reported in July 1897 on the continued decline in the exchange rate, which he attributed largely to the failure of the government troops at Canudos and also to the fact that the government was compelled to buy considerable amounts of gold.<sup>63</sup> Hasenclevers' reports for this decade present a picture of unrelieved gloom. At the end of 1896 Hermann Hasenclever wrote back to Remscheid that amongst their customers bankruptcies had assumed the proportions of an infectious disease, adding that he would thank his Maker if they emerged from the present crisis without further large losses; only those customers who were prepared to

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59. Brit. Parl. Papers 1899. XCVIII. pp. 275-277; see also Deutsches Handels-Archiv 1897. II. p. 304ff.

60. Deutsches Handels-Archiv 1900. II. p. 435.

61. Krauel to Hohentlohe 2. II. 1896: Brasilien 1.28, PA Bonn.

62. Brit. Parl. Papers 1900. XCII. p. 355.

63. Bericht des Technischen Bureau's Rio de Janeiro ueber den Monat Juli 1897, Siemens München Rep. 25/Lp 278.

avoid bankruptcy by unloading their stock at discounted prices, he said, could be regarded as good customers.<sup>64</sup> It has already been seen that both British and German consular reports painted a gloomy picture of the financial situation in Brazil shortly before the turn of the century; Hasenclevers' experience exemplifies it. Early in 1900 Witt from the Rio branch wrote that the total business situation was deplorable, undergoing what he described as a "fearful crisis."<sup>65</sup> Werner similarly wrote from Rio that business in general was miserable in April 1900; there was little demand for the wide range of English, German and American goods in which Hasenclevers dealt. Werner's discouragement was obvious. There were, he wrote, no unbribable judges, and rather than have recourse to law when their customers defaulted many of Hasenclevers' customers merely gave up; hence Hasenclevers had to proceed with great caution so far as sales were concerned. Further, liquidation sales were so common that their good customers often could not compete with the prices for which goods were sold at these forced sales. In addition, added Werner, the protection of national industry increased the hardships of the import business.<sup>66</sup> The morale of the Rio representatives was clearly low and Remscheid sought to offer whatever encouragement was possible;<sup>67</sup> at the same time, however, they were clearly concerned about the instability of the Brazilian currency and the dangers inherent in any speculation about the course it might take. Towards the end of 1900 they sharply admonished their Rio branch not to dance on a knife's edge with speculation over the possibility of an improvement in the exchange rate but to remit payments immediately they came to hand. In Brazil, wrote the head office, the exchange rate frequently fell too rapidly to allow

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64. Hermann Hasenclever to Bernhard Hasenclever 7.11.1896, SA Remscheid.

65. Hasenclever & Co. Rio de Janeiro to Bernhard Hasenclever 14.2.1900, SA Remscheid.

66. Hasenclever & Co. Rio de Janeiro to Joh. Bernhd. Hasenclever & Söhne 26.4.1900, SA Remscheid.

67. Joh. Bernhd. Hasenclever & Söhne to Hasenclever & Co. Rio de Janeiro 9.3.1900, SA Remscheid.

time for any covering action, and delays with payments could prove financially disastrous.<sup>68</sup>

Shortly after the turn of the century there were signs of improvement in the Brazilian commercial situation. The British Consul Mark of Santos reported a revival of imports into Brazil in the years 1902 to 1904 which was generally attributed to an improvement in the exchange rate, but which Mark believed to be also due to rising world prices for coffee and rubber - an analysis of the situation with which the Consul-General Chapman was in agreement.<sup>69</sup> The Hasenclever correspondence from about 1901 reflects this improvement, although the situation remained tight for the import business. Hence, whilst in April 1903 the Rio office advised that the profit from sales for the previous year was the best result for three years, they found little consolation in the fact. They found themselves in what they described as a lasting decadence; the country became poorer and people bought less, and the importer lost one line of business after the other to the protected national industry.<sup>70</sup> British consular reports lent some justification to Hasenclevers' complaints. Chapman reported in 1902 that, due to the advance of local industry, every now and then one more article disappeared from the foreign importers' list.<sup>71</sup> From Rio Grande do Sul Archer wrote in 1904 that the enormous duties made it a matter for surprise not that business was bad but that there should be any import business at all;<sup>72</sup> and from the same state Hewett reported in the following year that the import trade was so heavily burdened by a protective tariff and harbour dues that it was a matter for surprise that any import trade was possible.<sup>73</sup> Late in 1902,

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68. Joh. Bernhd. Hasenclever & Söhne to Hasenclever & Co. Rio de Janeiro 26.10.1900, SA Remscheid.

69. Brit. Parl. Papers 1906. CXXIII. pp. 43-45, 73.

70. Hasenclever & Co. Rio de Janeiro to Joh. Bernhd. Hasenclever & Söhne 11.4.1903, SA Remscheid.

71. Brit. Parl. Papers 1903. LXXVI. p. 483.

72. Ibid, 1905. LXXXVII. p. 473.

73. Ibid, 1906. CXXIII. p. 103.

indeed, the German Minister reported political unrest and open talk of a coming revolution, and believed it was due in the main to the prevailing economic depression which supplied good nourishment for revolutionary efforts, since it provided an occasion to blame the corruption of the officials of the time.<sup>74</sup> Hasenclevers' reports for 1904 continued to be pessimistic. With their main market in the coffee states Hasenclevers reported in May 1904 that the decline in coffee badly affected their customers and resulted in a severe drop in the import of manufactured goods; Rio was in fact compelled to engage in a number of liquidation transactions. In July of the same year they reported an increase in liquidation sales, from which the only comfort to be derived was the fact that without them they would scarcely sell five contos per day.<sup>75</sup> By 1906, however, the British Consul-General Chapman observed a further marked improvement in the trade and commerce of Brazil as compared with the previous year, the considerable increase in imports being largely accounted for by building and railway material and fuel, whilst coffee accounted for the improved export figures.<sup>76</sup> The German Minister, in reviewing the period of Alves' presidency from 1902 to 1906, wrote that in spite of mistakes and omissions in financial and economic affairs Brazil's imports and exports had increased perceptibly, thus proving the wealth and power of the country which, under wiser leadership, must gradually expand. Germany's trading rivals on the world market recognised this, continued Treutler, as evidenced by the attention paid to Brazil in recent times almost everywhere, but especially in the United States of America. In recent years there had been a strong development of foreign capital investment, and transport, forests, hydraulic power, mines and such were zealously investigated by experienced agents.

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74. Treutler to Bülow 29.8.1902: Brasilien 1.33, PA Bonn.

75. Hasenclever & Co. Rio de Janeiro to Joh. Bernhd. Hasenclever & Söhne 24.5.1904, RA Remcheid. 5 contos equalled roughly 5,000 marks or about 250 pounds sterling.

76. Brit. Parl. Papers 1907. LXXXVIII. p. 219.

Treutler was anxious that Germany should not let the United States outdo them in such enterprise. The Americans, he wrote, understood very well how to make their capital investments perform pioneer services which opened the door to the ensuing trade, and Germany must not lag behind in this respect.<sup>77</sup> Around the period in which the British Consul-General and the German Minister wrote their reports there were reasons for optimism concerning Brazil's commercial future. There was some increase in the country's total trade and, further, to meet the by now constant threat of overproduction of coffee Brazil instituted the programme of valorisation, financed by foreign loans, which was to succeed in stabilising supply and therefore prices.<sup>78</sup> However, as Hasenclevers' experience demonstrates, importing firms did not immediately reap the benefits of the commercial improvement. By 1907 Hasenclevers' Remscheid head office had concluded that retrenchments in operations and personnel in Rio de Janeiro had become necessary; the manufactured goods branch was retrenched and Werner was removed from Rio, and it was decided to concentrate mainly on the ironware branch. In view of the importance of the iron and steel industry for Remscheid and nearby Solingen, this decision may have in fact amounted to a greater concentration on the export of German, rather than English and American, goods; nevertheless the decision was prompted by motives of a business nature rather than by patriotism. In Argentina Hasenclevers continued to do a thriving business in United States ploughs and agricultural machinery; and the letter from the head office to Werner in Rio makes explicit the reasons for the decision to retrench in Brazil. In general, wrote Remscheid, they could only be pessimistic about Brazil's economic situation; loan

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77. Treutler to Bülow 16.11.1906: Brasilien 1.38, PA Bonn. On several occasions Treutler showed awareness of the U.S. trading threat to Germany, with some justification. England clearly led the countries importing into Brazil, whilst Germany and the United States vied for next place. So in 1902 the U.K. provided 28.1 per cent, the U.S.A. 12.2 and Germany 11.4 per cent; by 1913 Germany was a little ahead of the U.S.A.

78. Brunn, Deutschland und Brasilien, p. 54.

upon loan, little good to be expected from the valorisation law, tariffs that were contrary to all the interests of the country, measures which would prevent rather than further immigration despite the importance of immigration for the development of the country, an almost childish government - all these factors urged them to limit their engagements in Brazil as quickly as possible.<sup>79</sup> In their report to the Lennep Chamber of Commerce Hasenclevers at the beginning of 1907 reiterated these grounds for pessimism concerning Brazil.<sup>80</sup> In the event, Hasenclevers' decision to retrench operations in Brazil brought little relief. The Rio branch sought to liquidate their stocks of manufactured goods but with little success. They reported to Remscheid that for some months business had been worse than it had been for many years, and that under such circumstances liquidation was extremely difficult. The big business houses were up to their ears in goods, and the only offers that such haggling customers would make were of such a sort as to fill one with amazement at their shamelessness.<sup>81</sup> After it had become necessary to write off much of their business, the head office wrote that they found themselves confronted with a loss such as they had never experienced in their seventy-eight years in Brazil.<sup>82</sup>

Hasenclevers' decision to retrench may have been premature; shortly after it was taken conditions in Brazil improved. Their experience around 1907 and 1908, however, exemplifies the general hardships for

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79. Joh. Bernhd. Hasenclever & Söhne to Hilmar Werner 8.5.1907, SA Remscheid.

80. Joh. Bernhd. Hasenclever & Söhne to Bergische Handelskammer zu Lennep 3.1.1907. Remscheid advised Rio in 1908 of unconfirmed speculations in banking circles that one day Rothschild might no longer accept the currency of the Banco do Brazil, so great were the uncertainties over the currency and the valorisation law: Joh. Bernhd. Hasenclever & Söhne to Hasenclever & Co. Rio de Janeiro 23.5.1908 Privat! Both in SA Remscheid. That such rumours existed indicates that Hasenclevers were not alone in their doubts about Brazil's future at the time.

81. Hasenclever & Co. Rio de Janeiro to Joh. Bernhd. Hasenclever & Söhne 11.4.1908, SA Remscheid.

82. Joh. Bernhd. Hasenclever & Söhne to Hasenclever & Co. Rio de Janeiro 8.1.1909, SA Remscheid.

trade in those years. The British Legation Secretary Cheetham wrote in 1908 of depression in Brazil largely caused by the low prices for coffee and rubber which, in their turn, were influenced by the crisis in the United States in the latter part of 1907.<sup>83</sup> It was, however, the last threat of any significance to Brazil's commercial progress in the period under review. The year 1909, wrote the British Legation Secretary Grant Watson, witnessed a recovery occasioned by a "quite remarkable and unique" conjunction of high prices for both coffee and rubber during the last months of the year.<sup>84</sup>

It is thus clear that, for at least the first decade of the period, Brazil underwent a period of economic crisis and that the adverse effects on trade were exacerbated for the importer by Brazil's protectionist tariff. The ingredients of this economic crisis appear in the foregoing account - political unrest and a protracted civil war, an unstable currency, and overproduction of the main staple, coffee, with a consequent fall in prices.<sup>85</sup> Shortly after the turn of the century there was some improvement in conditions, although of a tenuous nature; President Rodrigues Alves told the Brazilian National Congress in May 1903 that between 1890 and 1902 there was an overproduction of coffee, production rising from 4 to 15 million sacks,<sup>86</sup> and in his trade report from Hamburg for 1905 Consul-General Sir William Ward wrote that "constant fluctuations in the rate of exchange prevented trade and industry in Brazil last year from developing in a healthy manner," adding however that the high rates occasionally gave a temporary impulse to foreign imports.<sup>87</sup> The year

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83. Brit. Parl. Papers 1909. XCII. p. 627.

84. Ibid., 1910. XCVI. p. 539.

85. Thus in his report for 1900 the British Acting Consul-General Rhind advised that the coffee industry was in a calamitous condition, clearly due to overproduction, a sequel to the very extensive planting of six years previously when prices were high and credits for enterprises of all kinds extremely facile: Brit. Parl. Papers 1902. CV. p. 422ff.

86. Haniel to Bülow 5.5.1903: Brasilien 1.34, PA Bonn.

87. Brit. Parl. Papers 1906. CXXV. p. 361.

1906 saw further improvement, which was arrested in 1908, but which continued from 1909 and until the end of the period.

As with Argentina, so with Brazil German trade reflected the effects of these trends in the Brazilian economy, as the following table reveals.

Table 8: German Trade with Brazil<sup>88</sup>  
Value in Millions of Marks

Year	Imports	Exports
1890	137.7	52.4
1891	154.6	55.5
1892	136.0	51.9
1893	126.1	62.2
1894	91.3	57.0
1895	114.8	75.2
1896	100.1	60.3
1897	100.4	50.2
1898	104.6	45.2
1899	91.0	46.5
1900	115.5	45.7
1901	113.9	35.5
1902	118.6	43.8
1903	132.1	51.9
1904	156.7	56.6
1905	172.4	71.7
1906	188.1	88.8
1907	196.0	104.1
1908	198.6	84.5
1909	234.3	91.8
1910	278.9	121.7
1911	320.0	152.0
1912	313.2	192.8
1913	247.9	199.8

Germany's import trade with Brazil declined in value from 1891 to 1899, from 154.6 to 91.0 million marks, 1894 and 1899 being the lowest years. So far as Germany was concerned, this effect of the drop in world coffee prices was not harmful; they were merely paying less for Brazilian coffee. The rise in value shortly after the turn of the century similarly reflected the rise in world coffee prices, which was secured in later years by the valorisation scheme. It was the German export trade

88. From German trade statistics as published in Statistisches Jahrbuch für das Deutsche Reich for the relevant years.



which suffered from the developments outlined in the foregoing account. From 1890 to 1895, that is during the years of the civil war, the value of German exports to Brazil rose unsteadily from 52.4 to 75.2 million marks, with drops in 1892 and 1894. As will appear in a later chapter exports of war material to Brazil contributed to this unsteady rise. From 1895 the impoverishing effects of the civil war and the fall in coffee prices, together with the effects of the increase in Brazilian import duties and of the instability of the paper currency, were clearly reflected in the German export figures. Between 1895 and 1901 German exports fell from 75.2 to 35.5 million marks, the 1901 figure being less than half of that of 1895 and the lowest year of the period under review for German exports to Brazil. From 1902 to 1907 German exports saw some improvement, slowly at first with increases of 8.3, 8.1, and 4.7 million marks in the first three years, then accelerating from about 1905 to 104.1 million marks in 1907. In 1908 and 1909 there were reduced exports of 84.5 and 91.8 million marks respectively, reflecting the temporary depression in Brazil of 1907 and 1908; thereafter exports rose by 1913 to 199.8 million marks. German trade, again, reflected the fluctuations within the domestic economy of the country.

For Chile the period opened with a constitutional crisis which flared into a brief civil war of eight months' duration in 1891 and resulted in a change of president. For German interests in Chile the conflict had a two-fold significance. The first was the role played by the former Prussian artillery captain Emil Körner who had taken an important post in the Chilean Military Academy and whose importance for the German arms industry will come under notice in a more appropriate place.<sup>89</sup> In 1887 Körner had married the daughter of the German consul in Santiago and his

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89. For an account of Körner's activities in Chile, see Nunn, Frederick M.: *Emil Körner and the Prussianization of the Chilean Army: Origins, Process, and Consequences, 1885-1920* (*HAHR*, 50, 1970) pp. 300-322.

sister-in-law was the wife of a prominent member of the rebel Congress party. Doubtless influenced by this family connection,<sup>90</sup> and in spite of the possible diplomatic complications,<sup>91</sup> Körner openly espoused the Congress cause and led their forces to a resounding victory in August 1891.<sup>92</sup> A few days after Körner's victory the civil war came to a close and Körner was the hero of the day, thereby enhancing his prestige in Chilean military circles and strengthening German military influence and therefore the German arms trade. In the second place the Congress victory was seen as important for European trading prospects. British and German reporting agreed that the new regime was popular with Chile's trading and business classes. Two months before the struggle was decided, the German Minister wrote that a perpetuation of the old regime would result in the withdrawal of foreign capital and the ruin of the foreign trader, whilst the opposition party represented the "material interests of the country" and enjoyed the full confidence of the trading classes.<sup>93</sup> The British Consul-General Lewis Joel wrote: "The establishment of the new régime was looked upon by the mercantile community as an augury of coming prosperity, and a largely augmented trade, in the near future, was considered assured"; consequently, continued Joel, large orders were sent to Europe, resulting in an overstocked market and a slump in the import trade.<sup>94</sup>

As Joel's report foreshadowed, the victory of the party more amenable to Chile's trading interests did not result in the anticipated trading and

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90. Gutschmid to Caprivi 12.6.1891: Chile 1.11, PA Bonn.

91. Gutschmid warned him against becoming compromised in the affair, Körner at first agreeing not to do so but subsequently going north to join the rebels: *ibid.* After Körner's victory and anxiety lest the Kaiser should not forgive him for his part in the civil war, the Kaiser did decide to overlook the affair in view of the prestige given to "his army" and the consequent possibilities for German capital in Chile: Foreign Office to Gutschmid 17.10.1891: Chile 1.13, PA Bonn.

92. Tel. Gutschmid to Foreign Office arrived 24.8.1891: Chile 1.12 PA Bonn.

93. Gutschmid to Caprivi 3.6.1891: Chile 1.11, PA Bonn.

94. Brit. Parl. Papers 1893-94. XCII. p. 746.

economic boom. A number of factors conspired against this. Doubtless of relatively minor significance, but nevertheless contributing to the general interruption of normal business, was the threat of war with the United States of America. This came to a focus in the Baltimore affair in October 1891, when 140 sailors of the U.S.S. "Baltimore" came into bloody conflict with Chilean harbour workers and sailors and a few Americans were killed and more wounded. German diplomatic reports indicate that the incident led to the brink of war.<sup>95</sup> More generally, the civil war weakened the country. The German trade report from Concepcion for 1892 confirmed Joel's statement; after the war warehouses were depleted and at the beginning of 1892 the import business was very lively, but sales thereafter dropped off due to a continued fall in the rate of exchange and a consequent rise in prices.<sup>96</sup> The revolution, according to the German trade report from Iquique for 1891, had badly affected trade; prices soared and there was a shortage of labour due to the number of men in the army.<sup>97</sup> The British Consul-General Sir B. Cusack-Smith reported the opinion of Chilean commercial authorities who attributed the bad years following 1891 to the aftermath of the revolution which had paralysed the agricultural and mining industries and left the public finances in a precarious condition.<sup>98</sup> For some years after 1891 German consular reports continued to see the falling value of the Chilean currency as an important factor in the serious decline in trade and commerce, as well as producing uncertainty in the business world.<sup>99</sup> Moreover, in this syndrome of decline the condition of the important nitrate industry had its place. The years 1889 and 1890 witnessed a crisis of overproduction and falling world prices in the

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95. See also Vagts, *op.cit.*, Vol. I, p. 1649f.

96. *Deutsches Handels-Archiv* 1893. II. p. 150.

97. *Ibid.*, 1892. II. p. 488.

98. *Brit. Parl. Papers* 1899. XCVIII. pp. 433-434.

99. *Deutsches Handels-Archiv* 1893. II. p. 321; 1894. II. p. 252; 1895. II. p. 473; 1899. II. p. 452.

Chilean nitrate industry, which was countered with some degree of temporary success by the formation of a combination to restrict production and seek to stimulate wider demand by an intensification of propaganda activities. In 1895, however, world prices once more dropped sharply, and the most severe crisis which the nitrate industry was to face was not ameliorated by the renewed formation of a combination.<sup>100</sup> German consular reports from Iquique, the heart of the nitrate district, reflect the intensifying decay of the industry, an industry which was of prime importance for the Chilean export trade and therefore for the purchasing power of the country. In 1895 it was said to be in an uncertain condition,<sup>101</sup> in 1896 the industry was suffering from a fall in European prices,<sup>102</sup> and by 1897 the situation was deteriorating monthly with the nitrate works and the harbours lying idle and a movement of the unemployed to the south in search of work.<sup>103</sup> The crisis reached its nadir in 1898. The German report observed that the effects of the nitrate crisis were acutely obvious in trade and business, the main bank, the Banco de Chile, being compelled to declare a moratorium on withdrawals for one month to avoid a collapse and the exchange rate continuing to fall. The confidence of the business world was shaken even further by rumours of a possible war with Argentina.<sup>104</sup> The German state governments were notified of the gravity of the Chilean situation by the Ministry for the Interior.<sup>105</sup>

As in Argentina and Brazil, so in Chile an improvement in the economy became apparent about the turn of the century. The nitrate market showed signs of improvement in 1899, and during the period of the fourth

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100. Brown, J.R.: Nitrate Crises, Combinations, and the Chilean Government in the Nitrate Age (*HAHR*, 43, 1963) pp. 230-246.

101. *Deutsches Handels-Archiv* 1896. II. p. 445.

102. *Ibid*, 1897. II. p. 565.

103. *Ibid*, 1898. II. pp. 611-612; see also *ibid*, 1898. II. p. 115.

104. *Ibid*, 1899. II. p. 452.

105. Reichsamt des Innern to Senat Hamburg 4.6.1898; SA Hamburg C.I.d.176.

nitrate combination (1901-1905) the industry flourished. The British Consul-General reported a considerable improvement in the commerce of Chile in 1903,<sup>106</sup> and 1904 was seen as a boom year.<sup>107</sup> Unfortunately for Chile, the rush of prosperity was cut short by natural disaster. The Valparaiso earthquake of August 16, 1906 initially occasioned a sharp increase in imports, with building materials such as galvanised iron, cement, nails, timber and so forth being required in large quantities and, further, replacements for stocks destroyed in the earthquake similarly being imported in considerable quantities. Apparently, however, imports were excessive; the British Consul-General reported that in 1907 importing houses thought it prudent to restrict activities.<sup>108</sup> To the effects of natural disaster were added those of unsound financial activity. The fifth nitrate combination (1906-1909) saw nitrate prices reach very high levels around 1906 and 1907, and the optimism which this bred was doubtless responsible for the concomitant rash of over-speculation which contributed to the ensuing financial crisis in the country. By early 1907, reported the British Acting Consul-General Nightingale, Chile was suffering from a severe crisis arising from both the enormous losses caused by the earthquake and from over-speculation. At the end of 1907 and early in 1908 foreign investors responded by withdrawing large amounts of capital, thereby rendering the crisis more acute.<sup>109</sup> In Chile the situation was clearly regarded as alarming. The German Minister in Santiago cabled his Foreign Office the information that German trading houses feared that the financial crisis might endanger their existence should there be a further large withdrawal of capital, and expressed the hope that German capitalists would ride the storm rather than create complications for the German houses in Chile

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106. Cusack-Smith's report, Brit. Parl. Papers 1905. LXXXVII. p. 505.

107. Leay's report, ibid, 1908. CX. p. 13.

108. Ibid, 1908. CX. pp. 13-15.

109. Ibid, 1909. XCII. p. 739.

through over-exaggerated caution; and this information was relayed by the Foreign Office to state governments likely to be involved.<sup>110</sup> The British Consul-General wrote in retrospect that the crash of 1906 and 1907 had been more serious in its consequences than was at first imagined; by 1909 however, he added, there was a general belief that Chile had seen the worst of the crisis.<sup>111</sup> Such indeed was the case, a subsequent British report observing that 1910 and 1911 were years of decided commercial progress in Chile.<sup>112</sup>

From the following table it is clear that the course of Germany's trade with Chile reflects the developments outlined in the foregoing account.

Table 9: German Trade with Chile<sup>113</sup>  
Value in Millions of Marks

Year	Imports	Exports
1890	61.4	30.8
1891	76.7	19.7
1892	75.1	45.2
1893	78.5	28.3
1894	85.7	22.5
1895	81.7	44.5
1896	79.3	34.6
1897	81.6	27.0
1898	83.0	20.3
1899	93.4	28.1
1900	89.4	39.9
1901	100.7	34.0
1902	113.0	32.3
1903	95.7	43.3
1904	112.8	44.7
1905	168.5	53.5
1906	145.0	72.4
1907	143.9	84.8
1908	133.6	52.4
1909	143.5	57.6
1910	154.6	64.8
1911	158.4	85.4
1912	209.7	112.0
1913	199.8	97.9

110. Auswärtiges Amt to Senat Hamburg 15.12.1907: SA Hamburg C.I.d.176.

111. Brit. Parl. Papers 1910. XCVI. p. 738.

112. Ibid, 1912-13. XCIV. p. 587ff.

113. From German trade statistics as published in Statistisches Jahrbuch für das Deutsche Reich for the relevant years.

The German import trade was less damagingly affected by these developments than was the export trade, the drop in nitrate prices being reflected in the German figures for 1895-1898 and the price rises in the figures from 1899. It was predominantly in the export business that Germany's trade was influenced by Chile's domestic history. In 1891, the year of the civil war, German exports fell from 30.8 to 19.7 million marks. In 1892 a rise to 45.2 million marks reflected the restocking of depleted warehouses following the civil war; in the following two years the effects of the war were evidenced in a drop to 28.3 and 22.5 million marks. An improvement in German exports in 1895 was followed by reduced exports from 1896 to 1898, coinciding with the period of Chile's nitrate crisis and restricted purchasing power. From 1899 followed a slight and unsteady progress, which accelerated in 1905, 1906 and 1907, reflecting the boom years around 1904 in Chile and the stimulus to imports occasioned by the Valparaiso earthquake. The financial crisis of 1907 and 1908 in Chile was reflected in a drop in German exports in 1908, when they fell from 84.8 to 52.4 million marks, and in 1909 when they were only slightly better at 57.6 million marks. From 1910 German exports rose, with a large export in 1912 of 112.0 million marks due, as will appear in a later chapter, to large purchases of war material.

There is thus a striking correlation between the commercial history of the ABC states and the course of the German trade with those states, in particular the export trade. Germany's trade with Argentina, Brazil and Chile has been shown to rise and fall as these states prospered or declined; they constituted no virgin ledger sheet awaiting merely the skill or clumsiness of German trade accountants, but rather actively contributed to the final balance sheet. Before the implications of this fact are considered further, and before the trade is examined in detail, a further correlation requires consideration.

The German trade statistics tabulated in the preceding pages document the emergence of Argentina as Germany's leading South American trading partner. In 1890 Brazil clearly stood ahead of Argentina and Chile in first place, both as a source of German imports and as a market for German exports; the total trade with Brazil was valued at 190.1 million marks as against the Argentine figure of 101.3 million marks and the Chilean 92.2 million marks. In 1894 Argentina outstripped Brazil as a supplier of German imports, by 1913 providing imports to twice the value of those from Brazil; and by 1899 Argentina was ahead of Brazil as a market for German exports, this lead being consolidated by a further and decisive move ahead in 1903-1904. Hence in the six years between 1894 and 1899 Brazil's position as Germany's leading South American trading partner was taken by Argentina; so far as the combined value of imports and exports is concerned, Argentina established the lead in 1898 and retained it thereafter. Further, Argentina's lead as a market for German exports appeared in two stages; firstly in 1899 due to a rise in German exports to Argentina of 12 million marks as against a period of recession in the Brazil trade, this in turn being followed in 1901 and 1902 by a drop in exports to Argentina, and secondly by a rise of 24 million marks in exports to Argentina in 1903, of 31 million marks in 1904, and of 29 million marks in 1905. From the foregoing account these stages in Argentina's assumption of supremacy for German trade in South America are closely correlated to developments in the domestic history of the ABC states. In 1898, when the combined value of Argentina's imports and exports exceeded that of Brazil and Chile, both the latter countries were suffering the effects of financial crisis and their trade suffered accordingly, whilst Argentina was recovering from the crop failure of a year or so previously; this was similarly true of 1899, the first of the two stages in Argentina's assumption of supremacy as a



market for German exports. In 1903, the second stage of Argentina's climb to supremacy, Argentina was once more recovering from the war scare of 1901 and the crop failure of 1902 with their resultant depression of trade, whilst Brazilian purchasing power was still suffering the effects of overproduction of coffee and the import trade in Brazil suffered from the effects of a protective tariff. Argentina's move to the fore as a partner for German trade, and the stages by which that lead was attained, reflect the commercial development of the three republics.

The foregoing account, based on consular and business reports, clearly indicates that from about the turn of the century Argentina was a more lucrative trading partner for the foreign trader. For Hasenclevers, whose business correspondence has been seen to confirm and add colour to both British and German consular reporting, relatively speaking Brazil was a failure whilst Argentina a success after the turn of the century. Their expectations of swimming in money in the latter country stand in stark contrast to the epidemic of bankruptcies of which they complained in the former. The following table, prepared by the Argentine Ministry for Agriculture, Trade and Industry, in which the Brazilian and Chilean currency has been converted to Argentine,<sup>114</sup> quantifies this impression.

The table demonstrates that at the beginning of the period the total of Brazil's imports and exports exceeded that of the other two countries. In 1896 and possibly 1899 Argentina served notice of the leading position it was shortly to assume - slightly in the former years, due as much to a slight drop in the Brazilian figure as to a slight rise in the Argentine, and more so in the latter year due to a larger rise in the Argentine figure.

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114. Republik Argentinien, Ministerium für Ackerbau, Handel und Gewerbe. Abteilung für Handel und Gewerbe: Argentinien's Internationaler Handel. Zahlen welche seinen Fortschritt kundgeben, Nr. 4 & 5 (Buenos Aires: Druckerei des Meteorologischen Amts, 1910 u. 1912) Nr. 4 p. 18, Nr. 5 p. 30.

Table 10: Value of Foreign Trade (Imports and Exports)

Year	Argentina	Brazil	Chile
	Argentine Gold Pesos		
1892	204,851,500	lacking	123,814,866
1893	190,313,787	255,286,598	122,365,687
1894	194,476,611	217,846,908	118,282,384
1895	215,164,228	224,066,908	127,760,781
1896	229,045,607	217,079,306	117,164,936
1897	199,458,247	243,649,515	103,045,036
1898	241,258,247	261,843,618	102,185,302
1899	301,768,202	lacking	101,820,533
1900	268,085,481	272,296,150	111,968,429
1901	281,675,851	321,521,812	117,613,090
1902	282,525,983	304,177,669	120,320,487
1903	352,191,124	309,738,547	127,291,591
1904	451,463,494	329,341,617	141,050,648
1905	527,998,261	375,290,099	171,538,520
1906	562,224,305	434,768,245	197,127,117
1907	582,065,052	477,310,685	214,755,815
1908	638,978,077	401,115,466	221,664,205
1909	700,106,623	508,214,387	214,897,790
1910	724,396,711	520,763,242	236,746,276
	6,500,000	Population 20,298,297	3,871,000

The Argentine trade decline from 1900 to 1902, evident in the above table, allowed Brazil once more into first place; but in 1903 Argentina's total trade rose by 69.7 million pesos, in 1904 by 99.3 million, and in 1905 by a further 76.5 million pesos, and Argentina from 1903 became quite conclusively the leading trading country of the three, despite the fact that in 1906, 1907 and 1909 the improvement in Brazil's total trade was greater than that in Argentina's. The German export trade, as the foregoing account has demonstrated, reflected this juxtaposition of trading supremacy; in this regard also there is a striking correlation between the commercial history of the ABC states and the course of the German trade.

These correlations raise important questions. For Germany the period opened with a degree of commercial alarm; older markets appeared to be

shrinking and trade expansion elsewhere had become imperative. It was hoped that South America might become a viable substitute and, as will appear in a later chapter, determined efforts were directed towards the conquest of the South American markets. From the above account it might appear that by 1890 Germany's trading strength in the three republics had already been established and thereafter remained static, quantities and values rising and falling as the total trade of the three republics rose and fell. That the pattern of Germany's trade with these countries reflected the vicissitudes in their commercial history has been demonstrated; whether it was due to this fact alone that the German-South American trade expanded, or whether Germany achieved a greater trading penetration of South America, remains to be determined later in this study.

The correlations observed in this chapter have yet a further significance. They bring into question the strategy which was advocated by colonial enthusiasts and subsequently adopted by the German government for the economic penetration of South America, namely that of directed emigration. It was predominantly on the south of Brazil that this strategy was focussed, being given official recognition by the annulment of the von der Heydt Rescript, forbidding the commercial management of emigration to Brazil, so far as the three southern states of Brazil were concerned in 1897. In 1890, when Brazil was Germany's leading South American trading partner and when the total trade of Brazil exceeded that of any other South American republic, it must have appeared that the strategy was appropriate and that it was directed towards the right republic. By 1903, however, these assumptions appear questionable. England, which provided very few of Brazil's immigrants, remained Brazil's leading supplier of imports, whilst Argentina, on which country Germany had

directed less of its migration propaganda, had become Germany's leading South American trading partner. Brunn, whose study is in the main devoted to Germany's diplomatic and political relations with Brazil, concluded that if the term Weltpolitik is to be applied to those relations, it was an uninformed Weltpolitik.<sup>115</sup> The degree to which this judgment is applicable to the use of emigration as an economic weapon will be considered later in this study.

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115. Brunn, Deutschland und Brasilien, p. 285: "Wenn man auf die deutsche Politik in Brasilien überhaupt das Wort 'Weltpolitik' anwenden will - von Imperialismus kann nicht die Rede sein - dann war es eine Weltpolitik ohne Weltkenntnis."

CHAPTER FOUR  
THE IMPORT TRADE

If in 1890 Germany had reason to view South America with any degree of optimism so far as trading prospects were concerned, it was predominantly the import trade which justified it. In that year the combined South American republics ranked seventh amongst countries exporting into Germany, and only Great Britain, Austria-Hungary, Russia, and the United States stood conclusively ahead of the 7.0 per cent of the total imports which South America supplied. In 1890 Germany imported from the ABC states<sup>1</sup> goods to the total value of 274.3 million marks, whilst exports to those countries totalled 109.3 million marks; in 1913 the totals were 942.3 and 563.6 million marks respectively.<sup>2</sup> It will be observed elsewhere that this unfavourable trade balance provoked in Germany varying responses. Exporting firms, as well as those who believed their existence to be threatened by the nature of the imports from South America, reacted predictably from time to time in defence of their interests; conversely those who stood to gain from the profits of the import trade, such as shipping firms involved in the transport of Argentine grain or those with capital invested in the Brazilian coffee and tobacco or the Chilean nitrate industries, found little cause for dissatisfaction.

To the fore stood the trade with Brazil, valued at 137.7 million marks or 3.2 per cent of all German imports. The Brazilian export trade, as already observed, was heavily dependent on the coffee harvest and the prices obtained on the world market; hence, scarcely surprisingly, of German imports from Brazil in 1890 about 79 per cent consisted of coffee. Until at least 1914 German imports from Brazil continued to centre around

1. This abbreviation is used to denote Argentina, Brazil, Chile.
2. Extracted from trade tables in Statistisches Jahrbuch für das Deutsche Reich for the relevant years.

this one item to a very large degree, despite the later increase in rubber imports.

Chile in 1890 ranked third of the ABC states with imports valued at 61.4 million marks or 1.4 per cent of the German imports for that year. To an even greater degree than Brazil Chile's exports to Germany depended on the one commodity, namely nitrate. This remained characteristic of Germany's import trade with Chile until 1914, no second item in that trade approximating to the nitrate value even to the extent that rubber approached the coffee value in the Brazil trade.

Argentina in 1890 ranked second of the ABC states, with imports valued at 75.2 million marks or 1.8 per cent of Germany's total imports. However, despite the fact that imports from Argentina represented in that year only little more than half the value of those from Brazil, the Argentine trade stood on the threshold of a development which was to distinguish it fundamentally from that with Brazil and Chile, namely the greater number of valuable commodities which Argentina could supply. Of the nine items Germany imported from the ABC states which were valued at 5 million marks or more in 1893 Argentina already supplied four whilst three came from Brazil and two from Chile; the top three in that year were coffee from Brazil (99.4 million marks), nitrate from Chile (63.5 million) and wool from Argentina (41.4 million marks). By 1913 Argentina supplied six of the top nine imports from the ABC states, whilst Brazil sent two and Chile one. In all, the Reich statistics accounted for some 45 imports from the ABC states from 1890 to 1914, of which 22 came from Argentina, 12 from Brazil, and 11 from Chile. In the following table the trade movement in the top 18 of these imports is set out.

Table 11: Value of Eighteen Main Imports from<sup>3</sup>  
Argentina (A), Brazil (B), Chile (C)  
In Millions of Marks

Item	1893	1895	1900	1905	1910	1913
Coffee (B)	99.4	82.2	73.5	98.4	131.4	141.5
Nitrate (C)	63.5	71.1	77.4	110.7	133.3	171.0
Wool (A)	41.4	45.9	91.0	105.9	98.6	90.1
Wheat (A)	19.1	29.0	63.3	103.2	52.6	75.0
Tobacco (B)	11.5	10.8	15.3	17.9	8.7	12.1
Skins for furs(A)	8.2	0.5	8.0	7.2	3.9	2.9
Salted Hides (A)	8.1	15.1	21.0	35.5	39.2	56.9
Salted Hides (B)	5.5	10.4	6.4	10.3	18.2	15.1
Dried Hides (A)	2.4	2.2	4.1	5.3	9.9	14.2
Dried Hides (B)	3.1	4.4	5.5	7.8	11.5	11.7
Iodine (C)	6.5	1.5	2.5	9.2	4.9	4.8
Linseed (A)	1.3	4.6	10.8	34.9	68.2	98.8
Quebracho Wood (A)	2.0	4.4	7.9	11.4	13.0	9.7
Maize (A)	1.3	4.1	10.5	36.1	22.8	61.9
Rubber (B)	1.5	1.8	3.4	21.8	88.1	38.9
Bran (A)	0.1	0.3	5.1	11.9	18.0	22.2
Oats (A)	-	-	-	1.0	2.7	19.1
Cocoa (B)	0.7	1.0	5.4	4.7	6.6	8.1

The reason for Argentina's outstanding progress on the German import market becomes apparent from this table. Wool, in the top three in 1893, more than doubled in value, whilst the value of wheat increased more than fourfold. Dried and salted hides in 1913 stood at six and seven times times the 1893 value, and bran and oats achieved some importance in the later years. The increase in the value of imported Argentine linseed and maize was enormous, with the result that by 1913 linseed stood in third position and maize in sixth.<sup>4</sup> For Brazil the only product to

3. Taken from Statistisches Jahrbuch für das Deutsche Reich for the appropriate years. It is apparent from this table that there was a virtual specialisation of exports from the ABC countries, only hides coming in comparable quantities from two of the three. Quite negligible quantities of wheat, wool, bran and oats came from countries other than those listed, but not in sufficient quantity to warrant detailed consideration.

4. Since total trade, and the comparison of various items of that trade with each other, can only be meaningfully discussed in terms of value, values have been used here rather than quantities. It must therefore be pointed out that for most of the items referred to price rises contributed to the rate of increase. The quantity of Argentine wool imported did not double although the value did; the quantity of wheat roughly trebled whilst the price quadrupled; dried and salted hides about doubled in quantity between 1893 and 1913 but increased in value six and seven fold. The quantity of linseed and maize, however, did increase roughly to the same degree as did the value, although there was some rise in price.

achieve a comparable advance was rubber, the value of which fell away again in 1913. Brazilian hides trebled in value, and there was some increase in the coffee figures and a good improvement in the much lower-placed cocoa. Chile supplied only one import of high value, namely nitrate, the value of which nearly trebled. The result was that by 1913 Argentina had five highly valued exports on the German market, whilst Brazil had initially one and later two and Chile only one. In 1894 Argentina narrowly replaced Brazil as the principal South American supplier of Germany's imports, and by 1898 that lead was quite decisive; by 1908 5.8 per cent of all Germany's imports came from Argentina, which country ranked fifth amongst all countries exporting to Germany.<sup>5</sup>

According to official Argentine trade statistics, in the decade prior to 1890 Germany had also assumed a greater importance as a market for Argentine exports. During this period Germany customarily occupied fourth place amongst the buyers of Argentine produce. France headed the list with an average of 31 per cent, followed by Belgium with an average of about 17 per cent and Great Britain averaging about 14 per cent of Argentina's export trade.<sup>6</sup> Germany's average over the period was 9.6 per cent although it may have in fact been somewhat greater.<sup>7</sup> Further, this 9.6 per cent was the average of a share which rose from 4.4 per cent in 1880 to 13.9 per cent in 1889;<sup>8</sup> and whilst no great reliance can be placed on Argentine statistics, particularly in these early years, it would require an extraordinary degree of statistical inaccuracy to invalidate the conclusion that in the decade prior to 1890 Germany more than doubled its share of the total Argentine exports.

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5. Statistisches Jahrbuch für das Deutsche Reich 1911, p. 278.

6. Brit. Parl. Papers 1893-94. XCII. p. 189.

7. Argentine exports carried in British shipping and calling in to Antwerp or proceeding to British harbours were credited in Argentine statistics as exports to Britain or, sometimes, Belgium: Deutsches Handels-Archiv 1893. I. p. 106.

8. Calculated from Statistical Abstracts in Brit. Parl. Papers 1890. LXXVIII and 1901. LXXXVI, and from Deutsches Handels-Archiv 1895. I. p. 438.



The nature of the German imports from Argentina shortly before 1890 can be seen in the German consular report for 1887. By far the greatest proportion of the direct export from Argentina to Germany for that year consisted of wool, followed by salted and dried ox hides, unscoured sheep skins, salted and dried horse hides, goat skins, and otter skins. "The more important agricultural products such as wheat, maize, flax, flour," continued the report, "are shown with comparatively small sums."<sup>9</sup>

Within a few years British consular reports were commenting on Argentina's remarkable transition from a pastoral and stock-raising to an agricultural country, and the nature of German imports from Argentina reflected this change. This, indeed, was commencing by 1892, when wool retained first place and salted ox and horse hides came second, but wheat had already moved up to third place on the list.<sup>10</sup>

Until 1906 wool remained the most valuable commodity which Germany took from Argentina; thereafter it was from time to time pushed into second or third place by the rising wheat or linseed imports although, due to bad harvests, it regained first position in 1910 and 1911. It always constituted an important component of the German import trade with the ABC states.

Although Argentine exports first included wool in quantities worthy of notice in the 1830s, it was not until the 1880s that production flourished in response to the demand of European carpet factories for coarse and unwashed Argentine wool. The average annual export in the 1840s was only 7,000 tons, whilst in the 1880s it exceeded 100,000 tons and constituted 55 per cent of the value of Argentina's pastoral exports.<sup>11</sup> This increase was largely made possible by the introduction

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9. Deutsches Handels-Archiv 1889. I. p. 296.

10. Ibid, 1893. II. p. 182.

11. Scobie, James R.: Revolution on the Pampas. A Social History of Argentine Wheat, 1860-1910 (Austin: University of Texas Press, 1964) p. 42.

of English breeds of sheep for cross-breeding. The local breeds were originally crossed with Lincoln and Southdown sheep to produce an animal better suited for the frozen meat industry; but the resultant stock proved highly satisfactory for the production of the coarse wools in demand in Europe, the animals themselves being more resistant to the rigours of the Argentine climate and their fleeces longer. Consequently Argentina commenced large-scale production of coarse crossbred wool in the 1880s with a deal of success.<sup>12</sup> By 1890 Argentina was established as Germany's leading wool supplier, as the following table demonstrates.

Table 12: Principal Sources of German Wool Imports, 1889-1892<sup>13</sup>

Country	1889	1890	1891	1892
	Tons	Tons	Tons	Tons
Argentina	36,052	28,326	47,258	51,689
Great Britain	34,286	26,901	31,012	34,214
Australia	..	24,532	20,185	44,150
Cape Colony	..	..	..	9,086
Belgium	26,560	23,289	19,336	6,707

German trade statistics indicate that between 1890 and 1914 Argentina provided between 22.0 per cent and 46.8 per cent of Germany's imported wool. In both percentage and tonnage Argentina's contribution rose in the period 1890-1903, reaching a peak in 1898; although Germany took more Australian than Argentine wool in 1893, in the other years of this period Argentina became quite decisively Germany's main wool supplier whilst imports from Australia fell away. In 1898 the tonnage from Argentina was twice the Australian. From 1904 to 1913 Argentine wool lost somewhat in importance on the German market, the 1913 tonnage barely exceeding that of 1891 and the percentage of Germany's total wool imports which it represented being the lowest since 1890.<sup>14</sup>

12. Consular report on the sheep industry and wool export, in Deutsches Handels-Archiv 1895. II. p. 606.

13. Brit. Parl. Papers 1892. LXXXII. p. 534; 1893-94. XCIII. p. 821.

14. See Appendix I for statistics of Argentine exports and German imports of wool.

This relative decline in the later years was due to a change in the nature of Germany's total wool imports. In 1893 the cost per ton of Argentine wool was little more than half that of English and Australian<sup>15</sup> and, doubtless encouraged by its cheapness, German buyers were not as deterred by its inferior quality as were British buyers.<sup>16</sup> By 1907, however, when Argentina ceded to Australia the leading position as supplier of German wool imports, a change was already noticeable; Germany in that year imported approximately the same quantity of Australian merino as of Argentine crossbred wool.<sup>17</sup> In 1913 Germany's total wool import was not much greater than it had been in 1893, but the quantity of Australian merino which it included had risen appreciably; Germany took 61,446 tons of Australian merino to 37,399 tons of Argentine crossbred. The price attraction of the Argentine product had diminished somewhat, German buyers paying 1,800 marks per ton for Argentine crossbred and 2,100 marks per ton for Australian merino.<sup>18</sup>

Argentine wool nevertheless remained an important component of Germany's import trade; and, although German buyers evidenced an increasing preference for Australian merino, between 1890 and 1914 it appears that they took an increasing share of the total Argentine exports. Argentine statistics credit Germany with a share of wool exports which rose from 19.1 per cent in 1900 to 36.6 per cent in 1912,<sup>19</sup> although the Argentine practice of crediting its exports to the country to whose ports the goods were shipped rather than to that country for which they were destined, together with the large differences in the German and Argentine wool

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15. Argentine wool cost 880.7 marks per ton to Australian 1,779.5 and English 1,729.5: calculated from Statistisches Jahrbuch für das Deutsche Reich, 1894, p. 79.

16. See Platt, Latin America and British Trade, p. 258.

17. 44,396 Tons of Argentine crossbred and 44,190 tons of Australian merino: see Statistisches Jahrbuch für das Deutsche Reich for the year 1907.

18. Calculated from Statistisches Jahrbuch für das Deutsche Reich 1915, p. 193.

19. See Appendix 1.

statistics, throws serious doubt on the accuracy of these figures.<sup>20</sup> A German consular report for the year 1898 pointed out that recently large shipments of wool for the middle and south of Germany had been shipped via Genoa to save freight charges and that consequently exports of wool to Germany appeared in Argentine statistics as destined for Italy as well as for the more customary Belgium.<sup>21</sup> The evidence of Argentine statistics that Germany ousted Belgium from second place amongst the buyers of Argentine wool may merely reflect a greater participation in the trade by German shipping. Nevertheless there was an increase in the German share of Argentina's total wool exports; Argentine figures show a drop in the percentage taken by the erstwhile main buyer, France, and German statistics register a rise in the tonnage taken by Germany.<sup>22</sup>

For Germany the Argentine wool trade possessed no political significance other than its importance for the trading connections between the two countries. The case was vastly different so far as Germany's rising wheat imports from Argentina were concerned. Germany, as the British Consul-General Sir Charles Oppenheimer from Frankfurt saw it in 1891, was divided economically into two sections - the east, chiefly agricultural, and the west and south, mainly industrial. Whereas in the past the east had preponderated and agricultural interests had taken the lead in politics, within the previous twenty years the economic centre of gravity of the German Empire had been shifting from east to west. In the previous decade or so, said Oppenheimer, German agriculture had proved increasingly incapable of meeting the requirements of the expanding

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20. See Appendix 1 for Argentine and German wool statistics. For shipping "to orders" see footnote 40 below; wool shipped "to orders" was apparently negligible, the only records being in 1902 (0.2 per cent), 1904 (0.02 per cent) and 1907 (6.2 per cent): Brit. Parl. Papers 1903. LXXVI. p. 392, 1905. LXXXVII. p. 19, 1908. CIX. p. 17.

21. Deutsches Handels-Archiv 1899. II. p. 272.

22. Argentine figures from 1897 appear in the British annual reports published in Brit. Parl. Papers. Figures in Deutsches Handels-Archiv are in the main restricted to the export to Germany.

population, whilst German industries were producing more than the population consumed; Germany had, in other words, become an industrial state.<sup>23</sup> Whilst, however, this shift in economic and political power may have been obvious to the British Consul-General at Frankfurt and to subsequent observers, German agrarians at the time were unwilling to accept its inevitability. The consequent struggle materialised over the new course in German trade policy associated with Caprivi's trade treaties, and the extent of Germany's grain imports from Argentina came under attack.

In 1879 Germany made what Röpke has called a "rather mild and almost timid" beginning in the direction of agricultural protection by imposing a duty of 1 mark per 100 kg. on wheat and rye; and this was increased in 1885 to 3 marks and further in 1887 to 5 marks.<sup>24</sup> The tariff to this extent assisted German agrarians,<sup>25</sup> but not sufficiently to avert what had become an agrarian crisis. The development of the European railway system and of steamship transport, the internationalising of the telegraph, and the increased American grain exports facilitated the cheap import into Germany of foreign grain. Since the beginning of the 1870s, indeed, Germany had been compelled to import grain; but the increasingly available overseas supply and the comparative facility with which it was available led to a drop in grain prices in Germany which became increasingly apparent in the 1890s and which in turn heightened the dissatisfaction of Germany's agrarian classes.<sup>26</sup> At the same time the

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23. Brit. Parl. Papers 1892. LXXXII. p. 506. Sir Charles Oppenheimer was succeeded by his son Francis, later Sir Francis, as British Consul-General at Frankfurt. See Oppenheimer, (Sir) Francis: Stranger Within. Autobiographical Pages (London: Faber and Faber, 1960).

24. Röpke, W.: German Commercial Policy (London: Longmans Green and Co. 1934) p. 54.

25. It also contributed to a rise in the cost of living and popular discontent: Clapham, op.cit., p. 319.

26. Puhle, Hans-Jürgen: Agrarische Interessenpolitik und preußischer Konservatismus im wilhelminischen Reich (1893-1914) (Hannover: Verlag für Literatur und Zeitgeschehen, 1967) p. 17. Prussian prices for grain in Berlin averaged 223 marks per ton in 1869-1876, 204 marks per ton in 1877-1884, and 154 marks per ton in 1893-1900.

virtual loss of the British market - Britain now importing grain from across the Atlantic rather than Germany - made it clear that the recovery of German agricultural exports could not be expected. When, however, Caprivi reduced the tariff protection afforded to German grain, a protection already deemed insufficient, the dissatisfaction became organised and dangerous. The relevance of this to the German-Argentine trade will be discussed later.

The occasion for this tariff reduction was the necessity to revise a number of German commercial treaties in the early nineties and to reconsider the commercial policy of the Reich in general; and this was also to have a bearing on German commercial policy with reference to Argentina. Caprivi approached the formulation of his trade policy with the object of bringing about a closer trade union between the European states to meet the threat of possible English imperial tariffs and the trade drive of the United States of America;<sup>27</sup> furthermore, as Röhl has suggested, he had little sympathy with the claims of the Junker landowners.<sup>28</sup> Consequently the new treaties which were negotiated from 1891 with Austria, Switzerland, Belgium and Italy, and which came into force from February 1, 1892, incorporated a reduction in grain duties.<sup>29</sup> Initially the reduction was denied to Russia, since a tariff war between the two countries was in progress. This ended with the Russo-German commercial treaty which came into force on March 20, 1894, before which date agrarian opposition to Caprivi's treaties gave rise to the formation of the Agrarian League which by May 1893 had a membership of 162,000 and which forms the subject of Puhle's study.<sup>30</sup> In July 1894, however,

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27. This is discussed in Chapter Seven below.

28. Röhl, J.C.G.: Germany Without Bismarck. The Crisis of Government in the Second Reich, 1890-1900. (London: Batsford, 1967) pp. 57-58.

29. The wheat tariff was reduced from 5 to 3.50 marks per 100 kg, as was rye. Oats were reduced from 4 to 2.80, barley from 2.25 to 2, and maize from 2 to 1.60 marks: Puhle, op.cit., p. 30. See also Oppenheimer's report, Brit. Parl. Papers 1893-94. XCIII. p. 794.

30. For numbers of the League's membership, Puhle, op.cit., pp. 37-38.

Oppenheimer regarded the results of these treaties as beneficial; the price of bread was reduced, the industrial export was favoured by the corresponding reduction of import duties by the treaty countries, and the rising bread consumption in Germany increased that country's health.<sup>31</sup>

A year later Oppenheimer repeated his approval, seeing the need to increase grain imports as inevitable and the continued opposition of the agrarians as folly. He added:<sup>32</sup>

German agriculture suffers (like that of every other country) from the rise of transmarine centres of production. The customs policy cannot prevent this rise.

As one of the irresistibly rising overseas centres of production Argentina was producing, and in increasing quantities, the commodities which Germany needed and the import of which was facilitated by Caprivi's new trade policy. The Argentine government was quick to recognise the implications. The treaties were examined by the Argentine Minister in Germany, Carlos Calvo, who in turn reported to his government on January 22, 1892 on the significant reduction of the grain tariff and on the fact that wool, one of Argentina's main national products, remained free of duty. Advising his parliament of the content of Calvo's report the Argentine Foreign Minister Dr. Zeballos said:<sup>33</sup>

The report in question concludes with the comment that the treaties referred to contain the most favoured nation clause, to remain in force until 1903, a clause which also applies to us as a result of our treaty with Prussia and the Zollverein of 1857, with Belgium of 1860, and with the Austro-Hungarian Empire of 1870. In all these treaties is conferred on us the right to share in the favours which arise from the position of the most favoured nation. On this point

31. Brit. Parl. Papers 1895. CII. p. 311.

32. Brit. Parl. Papers 1896. LXXXVI. p. 116. Puhle, *op.cit.* p. 31 has similar praise for Caprivi's commercial treaties; they helped promote advancement in nearly all sectors of the German economy, as seen in increasing industrial export and in declining emigration. Caprivi, who is reported as having said Germany must export either men or goods and who naturally preferred the latter, apparently achieved his objective.

33. Krauel to Caprivi 22.9.1892, Argentinien 1.12, PA Bonn. Calvo advised that the German government justified Caprivi's policy to the Reichstag by referring to the bad condition of agriculture and the possibility of insufficient supplies in times of war.

there has been an exchange of views between Mr. Calvo and the Under-Secretary of State of the Foreign Office, Baron von Rotenhan, who declared his full agreement.

Most of the factors favouring increased wheat importation from Argentina thus become apparent. Firstly, despite the opposition from German agrarians, between 1890 and 1913 Germany's total wheat imports climbed steadily from 672,587 tons to 2,545,959 tons; the 1913 import was four times the volume of that of 1890. Oppenheimer had read the situation accurately; German agriculture was unable to meet the needs of an expanding population, and the opposition of the agrarians was folly. Further, Caprivi's new trade treaties facilitated grain imports into Germany, a fact which was clearly perceived in Argentina. Behind those treaties, moreover, was a trade policy of which an important ingredient was the intention to meet the threat of a United States trade thrust; and whilst Germany continued to take United States grain as it was required and available, exigency was the only sound reason for continued trade with that country. In addition, Germany's temporary trade war with Russia for a time dried up the main source of imported grain. In 1890 and 1891 Russia had been the principal supplier, providing 55.1 and 56.9 per cent respectively, but in 1892 Russia's share dropped to 19.8 per cent and to 3.1 per cent in the following year.<sup>34</sup> The situation clearly favoured the Argentine trade, and the price factor added a further reason for the preference for Argentine rather than American grain. In 1893 Russian wheat cost Germany 120.17 marks per ton and wheat from the United States 129.87 marks; Argentine wheat, whilst dearer than Russian, underpriced American at 126.16 marks per ton.<sup>35</sup> In his report from Hamburg for 1893 the British Consul-General Dundas commented:<sup>36</sup>

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34. For these and subsequent references to German wheat import statistics see Appendix 2.

35. Calculated from prices in Statistisches Jahrbuch für das Deutsche Reich 1894, p. 73. No distinction in quality is made in the German trade statistics.

36. Brit. Parl. Papers 1895, XCVIII. p. 48.



The principal countries whence wheat was obtained were the United States and the River Plate, the latter to an extent quite remarkable, flooding the European markets, and outbidding the North American, who, it is thought, has not yet realised the important position the River Plate is assuming as a competitor in the production of grain.

German trade statistics for 1892 reflect not only the effects of the trade war with Russia but also, more permanently, the rapidly developing potential of Argentina as a grain supplier. It was only a modest beginning, but already in that year Argentina's share was, in percentage, nearly five times that of 1890, and over eight times that of 1890 in volume. In 1894 Argentina headed the list of Germany's wheat suppliers. The novelty of such a situation was still taking observers by surprise. In 1890 the British Consul Ronald Bridgett had commented from Argentina on that country's current transition from a pastoral to an agricultural stage; whereas only fifteen years previously, he wrote, Argentina had imported large quantities of wheat from Chile and of flour from the United States, European buyers were now taking into account the probable supply available in Argentina for export.<sup>37</sup> In 1895 the British Legation Secretary Peel was still observing that Argentina's capacity for wheat growing had taken the world by surprise.<sup>38</sup>

In Germany the surprise was liberally admixed with anger in agrarian circles and, as appears in a later chapter, occasioned vigorous reaction. That another star had arisen amongst the world's wheat growers had become apparent; the vigour of the reaction, however, was premature. So far as Germany was concerned, Argentina's sudden preeminence in 1894 was largely due to Russia's temporary eclipse and, furthermore, the Argentine crop failure of 1897 was clearly reflected in German import statistics, as was that of 1902. With the resumption of normalised trade relations between Germany and Russia the latter country reasserted its supremacy on

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37. *Ibid.*, 1892. LXXXI. p. 11.

38. *Ibid.*, 1895. CII. pp. 26, 28.

the German wheat market from 1895 to 1898, from 1903 to 1906, and from 1909 to 1912. The United States of America also strongly competed from time to time, providing more of Germany's imports than did Argentina until 1903. It was not, indeed, until 1903 that Argentina became a stable source of supply. The following table of total Argentine wheat exports demonstrates both the prodigious increase in Argentina's exports and its instability prior to 1903.

Table 13: Total Argentine Wheat Exports<sup>39</sup>

Year	Tons
1890	327,894
1891	395,555
1892	470,110
1893	1,008,137
1894	1,608,249
1895	1,010,269
1896	523,001
1897	101,845
1898	645,161
1899	1,713,429
1900	1,929,676
1901	904,289
1902	644,908
1903	1,681,327
1904	2,304,724
1905	2,686,281
1906	2,247,988
1907	2,680,802
1908	3,636,294
1909	2,514,130
1910	1,883,592
1911	2,285,951
1912	2,629,056

However, other than in the lean years of Argentina's exporting capacity, that country remained among Germany's main suppliers, standing in first place in 1894, 1900, 1907 and 1908, and in second place in 1895, 1904-1906, and 1909-1912.

39. Statistical Abstract No. 18, Brit. Parl. Papers 1901. LXXXVI; No. 26, Brit. Parl. Papers 1910. CV. 1; No. 26, Brit. Parl. Papers 1914. XCVII.

The large quantities of wheat which Argentina shipped "to orders"<sup>40</sup> make it impossible to determine with any degree of accuracy the proportion of Argentina's exports taken by Germany, and whether this increased. When specified in the tables appearing in British and German consular reports, exports "to order" vary from 24 to 72 per cent of total shipments.<sup>41</sup>

The figures for shipments to the various destinations therefore represent the distribution of the remainder, which was as low as 28 per cent of the total exports in 1904. In 1912 Germany was credited with taking 20.4 per cent of Argentina's wheat exports,<sup>42</sup> which was a substantial increase on the 2.9 per cent ascribed to Germany in 1891.<sup>43</sup> An increase appears probable; whether it was as great as these figures suggest cannot be determined.

Between 1890 and 1913 Germany's total imports of linseed rose from 118,896 to 560,428 tons. This fivefold increase of the linseed imports provoked no reaction in Germany; politically it was of no significance. To industry and agriculture, however, it was. German industries obviously found increased use for the oil which was its main derivative and which was employed in the production of paint, varnish, printing ink, linoleum and oilcloth, and livestock owners found use for the meal cake fodder produced after the oil had been extracted. In the early years of this period Argentina exported relatively small quantities, the 1890 total exports amounting to 30,721 tons; and, correspondingly, of the German imports from the ABC states Argentine linseed occupied a lowly fourteenth position in value in 1893.<sup>44</sup> Between 1890 and 1900 most of

40. Because of price fluctuations in Europe ships' masters were instructed to call "for orders" at a convenient port - St. Vincent, Las Palmas, Channel, or North Sea - from which they would be directed to the most promising market; in this way a decision on the destination of the cargo was postponed until the last possible moment.

41. Percentages calculated from quantities appearing in annual reports published in Brit. Parl. Papers for the relevant years.

42. Deutsches Handels-Archiv 1914. I. p. 1028. Great Britain stood first with 36.9 per cent.

43. Ibid, 1895. I. p. 436.

44. See Table 11 p. 120 above.

Germany's imported linseed was taken from Russia and India.

It was, however, during this decade that Argentina's capacity for agricultural production had evoked surprised comment from British trade representatives; and by 1901 it was estimated that Argentina supplied half the world's linseed consumption.<sup>45</sup> The 1901 export of 338,828 tons was over ten times the volume of that of 1890, and in the following years it advanced considerably further, reaching 1,055,650 tons in 1908. Of this largely expanding export increasing quantities found their way to the German market, Argentina's low production costs giving that country's increasingly available supply an advantage over competitors; so in 1893, whilst Germany paid 209.5 marks for a ton of Indian and 190.7 marks for a ton of Russian linseed, Argentine linseed was officially valued at 188.7 marks per ton.<sup>46</sup> Until 1913 Argentina retained this price advantage, underpricing Indian linseed by 10 marks per ton in that year.<sup>47</sup>

In 1890 Germany took 6,864 tons of Argentine linseed, this representing only 5.8 per cent of the total imports. In 1901 Argentina became and remained Germany's main source of supply, providing 31.5 per cent of total German linseed imports. By 1913 Argentina's predominance was beyond any doubt; Germany's import from that country stood at 429,664 tons or 76.7 per cent of total linseed imports, the 98.8 million marks at which it was valued making it the third highest import Germany took from the ABC states in that year. The linseed trade thus exemplifies an important reason for Argentina's increased significance for German trade from about the turn of the century, namely the greater productive capacity and versatility of that country during the period under review.

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45. British Acting Consul Hankin, Brit. Parl. Papers 1901. LXXXI. p. 71.

46. Calculated from Statistisches Jahrbuch für das Deutsche Reich 1894, p. 76.

47. Ibid 1915, p. 184; Argentine linseed cost 230, Indian 240 marks per ton.

It is also clear that the share taken by Germany of Argentina's total linseed exports increased over this period, although once again statistical exactitude is prevented by the sometimes large quantities shipped "to orders", these representing as much as 59.1 per cent of the total exports in 1904.<sup>48</sup> From the Argentine statistics Germany took 10.1 per cent in 1891 and 21.4 per cent in 1912, measured by quantity; in terms of value the German share in 1912 stood at 35.2 per cent, followed by Great Britain's 16.3 per cent.<sup>49</sup> By 1904 Germany had become Argentina's leading market for linseed;<sup>50</sup> at least so far as this product was concerned, Argentina came close to fulfilling the hopes of Germans who sought to establish assured sources of raw materials for German industry.

Amongst the industries which were well served by the ABC states was the important German leather industry. The German import of hides, as the British Consul-General in Hamburg reported in 1895, was a growing trade, and by that year Hamburg claimed to be the chief centre of the trade, exceeding such important leather-trading cities as Antwerp, Le Havre and Liverpool; hides were imported into Hamburg from Buenos Aires, Brazil, the West and East Indies, China, Japan, Africa, Australia and the United States.<sup>51</sup> Subsequent British consular reports from Hamburg confirmed that city's European supremacy in this trade;<sup>52</sup> the German leather industry was in the main supplied from Hamburg, the heavier hides being processed for sole leather,<sup>53</sup> as were the suitable grades for the manufacture of belting, saddles, footwear uppers and fine leatherware.

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48. Proportions calculated from quantities in statistical abstracts and consular reports in Brit. Parl. Papers for the various years.

49. Deutsches Handels-Archiv 1914. I. p. 1028.

50. Consul Ross of Buenos Aires reported in 1904 that Germany took most of the linseed export: Brit. Parl. Papers 1905. LXXXVII. p. 4.

51. Brit. Parl. Papers 1897. XCI. p. 102.

52. Ibid, 1897. XCI. p. 231; 1902. CVII. p. 508.

53. Ibid, 1902. CVII. p. 508.

Amongst German imports from the ABC states salted and dried hides from Argentina and Brazil customarily ranked fourth in value. From 1893 Argentina led the ABC states in the supply of Germany's imported hides. Between 1890 and 1913 German imports of green and salted hides exceeded those of dry hides both in weight and value<sup>54</sup> and, although in 1890 and 1891 Brazil supplied a slightly greater tonnage of salted hides than did Argentina, from 1893 Argentina became the more important supplier of the two, noticeably so from 1896 when Argentina's 37.2 per cent of Germany's imported salted hides was nearly three times the share supplied by Brazil. The quantity Germany took from Argentina between 1890 and 1913 rose from 6,657 to 32,511 tons whilst the quantity taken from Brazil remained more or less stable.<sup>55</sup> From 1894, indeed, Argentina became Germany's leading supplier of green and salted hides.<sup>56</sup> India supplied the greater share of dried hides; of the imports from the ABC states Brazil was the main supplier, but even here quantities from Argentina closely approached those from Brazil in the later years and surpassed them in 1911 and 1913.<sup>57</sup>

The lead taken by Argentina amongst the ABC states from 1893 had two reasons. Firstly, whilst published figures do not allow reliable comparisons before 1902, it is clear that at least from that year Argentina exported more than did Brazil of both salted and dried hides, particularly of the latter.<sup>58</sup> The second reason was the proportion which Germany took of each country's exports. German importers took double the quantity of salted as of dried hides; and whilst Brazil sent

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54. German trade statistics make this clear. Being packed in brine salted hides naturally weighed more. They did not keep as long as did dried hides and had to be used promptly.

55. Extracted and calculated from Statistisches Jahrbuch für das Deutsche Reich, Jgg. 1892-1915.

56. From trade tables, ibid.

57. Ibid.

58. Comparison based on statistical abstracts and consular reports in Brit. Parl. Papers and consular reports and trade tables in Deutsches Handels-Archiv.

most of its salted hides to the United Kingdom, Germany taking about 20 per cent of Brazil's exports from 1902,<sup>59</sup> the largest proportion of the Argentine exports went to Germany.<sup>60</sup> On the other hand, of Brazil's small export of dried hides Germany took about half;<sup>61</sup> of the considerably larger Argentine export Germany only took an average of 8 per cent.<sup>62</sup>

Hides and skins always ranked high amongst Germany's total imports, standing fifth in 1900 and second in 1912.<sup>63</sup> As Germany's main supplier from 1894 of salted hides Argentina made an important contribution to the German import trade. Further, as Argentina's best customer for salted hides Germany secured for itself some part of the Argentine supply; however, since Argentina found the United States of America and Italy better markets for dried hides and Brazil sent most its salted hides to the United Kingdom, Germany established no exclusive claims to the hides exports of the ABC states.

It was not only through the import of hides that the German leather industry derived its raw material from the ABC states; it was further served by Argentine quebracho, a hard wood which was used with a deal of success in European tanneries since about 1890. The importance of quebracho for Hamburg's leather industry, and through it for that of Germany, was emphasised by the British Consul-General Sir William Ward in his annual report for 1902. Since its introduction into Germany numerous mills had been erected in and around Hamburg for processing the

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59. Deutsches Handels-Archiv 1905. I. p. 1046, 1905. II. p. 921; 1907. I. p. 696; 1908. I. p. 471; 1911. I. pp. 1730, 1734.

60. Consular reports and trade tables in Brit. Parl. Papers and Deutsches Handels-Archiv for the relevant years.

61. Between 43.6 and 52.2 per cent; calculated from Deutsches Handels-Archiv 1905. I. p. 1046; 1907. I. p. 696; 1908. I. p. 471; 1911. I. pp. 1730, 1734.

62. The German share ranged from 3.8 to 16.6 per cent: calculated from consular reports and trade tables in Brit. Parl. Papers and Deutsches Handels-Archiv.

63. Statistical Abstracts, No. 26, Brit. Parl. Papers 1910. CV. 1 and No. 26, ibid, 1914. XCVII.

wood, and much of the leather previously supplied by the Rhineland, Westphalia and south Germany now consequently came from Hamburg. Quebracho extract, added Ward, had become an important article of export, especially to Austria and Russia.<sup>64</sup> A British report from Argentina pointed out that about the turn of the century German capital had been involved in the erection of two important factories for the manufacture of quebracho extract with notable success.<sup>65</sup> The German Consul von Sanden was informed that over 8 million marks of German capital was invested in quebracho forests and extract factories; four-fifths of the capital invested in the largest Argentine quebracho business, the Compania forestal del Chaco, came from Germany.<sup>66</sup> Whilst Argentina sold most the extract to the United States<sup>67</sup> Hamburg also imported increased amounts.<sup>68</sup>

The increasing use of Argentine quebracho by German tanners became a matter of concern to the oak-forest owners of the Rhineland, Westphalia and south Germany, who saw their leather-tanning industry threatened by the import from Argentina; it thus became a political issue. In spite of protests from German leather manufacturers the German tariff of 1902 included duties on quebracho which were further increased in 1906. The effect of the 1906 tariff, reported the German Consul-General in Buenos Aires, was an extraordinary decline in Germany's imports of quebracho wood and extract.<sup>69</sup> But the decline was only temporary. In 1905 Germany imported 121,852 tons of quebracho wood; and while the 1906 import fell to 33,877 tons, in the following year the 1905 figure was

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64. Brit. Parl. Papers 1903. LXXVII. pp. 579-580.

65. Ibid, 1901. LXXXI. pp. 77-78. See also Ross's 1905 report: ibid, 1906, CXXII. p. 5.

66. Waldthausen to Bülow 22.12.1904; Sanden to Bülow 17.11.1904: both in BA Koblenz R2/1650.

67. Brit. Parl. Papers 1905. LXXXVII. p. 4.

68. Ibid, 1903. LXXVII. pp. 579-580; 1906. CXXV. p. 377.

69. Schöttmüller to Bülow 19.11.1906: BA Koblenz R2/1652.



nearly reached once more and imports remained at that level.<sup>70</sup> There is no statistical support for the statement of the British consul from Argentina in 1911 that quebracho had been excluded from Germany by prohibitive duties.<sup>71</sup> The statistics, to the contrary, support the statement of the general meeting in Hamburg of the Central Association of the German Leather Industry; 1906 saw a temporary set-back in German imports, but thereafter leather workers continued to import roughly the same quantities as earlier of the now indispensable quebracho.<sup>72</sup>

Argentine statistics, which must once again be treated with reserve due to the sometimes very high percentage of quebracho shipped "to orders",<sup>73</sup> showed Germany as taking a share which rose from 14.8 to 35.5 per cent between 1891 and 1912.<sup>74</sup> But, as the German figures demonstrate, from about the turn of the century German imports levelled off; between 1900 and 1912 the United States of America took a substantially increased share of Argentine exports.<sup>75</sup> The German tariff did not prevent continued imports of Argentine quebracho; but the United States tariff proved more accommodating and that country consequently took the increased amounts of Argentine quebracho available for export.

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70. From trade tables in Statistisches Jahrbuch für das Deutsche Reich for the relevant years.

71. Brit. Parl. Papers 1912-13. XCIV. p. 144.

72. Zentralverein der Deutschen Lederindustrie an Einem Hohen Bundesrate 11.11.1907: BA Koblenz R2/1652.

73. Statistics appearing in British and German consular reports from time to time show it to be as high as 83.2 per cent in 1904. The Hamburg Senate Commission believed the publication of monthly statistics of Argentine quebracho exports served little purpose, since the destination of "orders" shipments could not be known: Senatskommission to Reichsamt des Innern 13.2.1905, SA Hamburg C.I.d. 38.

74. Calculated from Argentine trade statistics as published from time to time in Brit. Parl. Papers and Deutsches Handels-Archiv. Measured by value rather than weight in 1912 the U.S.A. was credited with 42.6 per cent to Germany's 38.4 per cent: Deutsches Handels-Archiv 1914. I. p. 1028.

75. The United States' share appears, from Argentine statistics as published in British and German consular reports, to have risen from 9.2 to 31.9 per cent, calculated by weight.

Other imports from Argentina were relatively of lesser significance, although in the last two years of the period maize rose steeply in value. Of the imports from the ABC states in 1893 maize, with an insignificant 1.3 million marks, ranked fourteenth, bran was even less valuable at 0.1 million marks and in seventeenth place, and oats did not appear. All three improved their ranking. In 1913 maize stood sixth, bran ninth and oats tenth.<sup>76</sup>

Until 1895 German stock-owners obtained their imported maize chiefly from the United States, Russia and Austria; in that year Argentina moved into second place amongst Germany's suppliers. The crop failures of 1897 and about the turn of the century reduced the available Argentine supply, but from 1904 Argentina was occasionally Germany's principal source.<sup>77</sup>

Until the turn of the century German buyers had no price incentive to take their supplies from Argentina; Argentine maize cost more in Germany than did that from the United States or from European countries. By 1913 it cost the same as Russian maize and was cheaper than American.<sup>78</sup>

This obviously increased its popularity in Germany; in 1890 only 3.0 per cent of German imports came from Argentina whereas by 1913 the share had risen to 61.2 per cent.<sup>79</sup> Nevertheless Germany did not take a very large share of Argentina's exported maize. Occasionally large shipments "to orders" do not permit precise conclusions to be drawn from the Argentine statistics,<sup>80</sup> but the German share possibly did not exceed 20 per cent. In 1912 Great Britain was credited with 52.0 per cent followed by Germany's 19.4 per cent.<sup>81</sup> Argentine maize became

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76. See Table 11, p. 120 above.

77. This is apparent from German trade statistics as published in Statistisches Jahrbuch für das Deutsche Reich for the appropriate years.

78. Calculated from prices, ibid.

79. Calculated from Statistisches Jahrbuch für das Deutsche Reich for the relevant years.

80. From the published Argentine statistics "orders" shipments rose as high as 68 per cent; they were often considerably less.

81. Deutsches Handels-Archiv 1914. I. p. 1028.

increasingly important for German stock-owners, but Germany secured no commanding hold over Argentine supplies.

Germany did take a very substantial proportion of Argentine bran exports. Germany's total imports between 1890 and 1913 rose from 318,595 to 1,414,256 tons, and Argentina had increasing amounts for export. German importers drew on Argentine supplies to a greater extent; in 1891 only 0.1 per cent came from Argentina whereas by 1913 the share had risen to 17.0 per cent. The result was that Germany's share of Argentina's bran exports rose from 9.9 to 82.9 per cent.<sup>82</sup> Since shipments of bran "to orders" were comparatively slight the 60 to 80 per cent of Argentine bran officially destined for Germany after 1898 is probably reasonably accurate.<sup>83</sup> Whilst, however, Germany became Argentina's main customer, Russia remained Germany's leading supplier; the total Argentine exports were not adequate to match Germany's needs.<sup>84</sup>

It was not until 1907 that Argentina became important to Germany as a supplier of oats, standing third on the list of countries supplying this fodder for Germany in that year and second, behind Russia, from 1908.<sup>85</sup> Formerly, reported the British Consul-General in Düsseldorf Francis Koenig, Argentine oats had not been popular in Germany owing to their yellow-brown colour, but due to scarcity they were bought freely in 1907.<sup>86</sup> Argentine statistics suggest that the scarcity in Germany was matched by the increased amounts available for export in Argentina. In 1906 Argentina exported 51,661 tons; in 1907 exports rose to 143,566 tons,

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82. Extracted and calculated from German and Argentine statistics as published in Statistisches Jahrbuch für das Deutsche Reich, Deutsches Handels-Archiv, and Brit. Parl. Papers.

83. Calculated from quantities appearing in Brit. Parl. Papers for the relevant years. In 1904 and 1905 Consul Ross of Buenos Aires reported that Germany was the most important customer for bran: ibid, 1905, LXXXVII. p. 4; 1906. CXXII. p. 535.

84. From trade tables in Statistisches Jahrbuch für das Deutsche Reich.

85. Ibid.

86. Brit. Parl. Papers 1908. CXII. p. 231.

and by 1912 they reached 896,032 tons. Of this increasing export trade Germany took large quantities from 1907, imports from Argentina accounting for 32.2 per cent of German imports by 1913.<sup>87</sup> Germany, further, was able to buy Argentine oats at a favourable price; in 1913 they cost less per ton than oats from Russia or the United States, and were cheaper than the average price had been in 1893.<sup>88</sup>

Other imports from Argentina consisted of animal gut, meat extract, horse hair, calf and sheep skins, horns, tallow, animal blood and dung, whale oil, oil meal, quebracho extract, and tungsten; in value these always remained well below the more valuable imports from the ABC states, but contributed to the predominance held by Argentina.

For the German import trade Argentina gained in significance in the period under consideration. In 1890 only 1.8 per cent of all German imports were supplied by Argentina, which stood twelfth on the list of countries exporting into Germany; by 1913 Argentina's share had risen to 4.6 per cent and its ranking had risen from twelfth to seventh. Of the countries which were ahead of Argentina in 1890 the six which remained there in 1913 were Great Britain, Austria-Hungary, Russia, the United States, France, and the British East Indies; and in the course of its climb up the scale Argentina outstripped Belgium, the Netherlands, Switzerland, Italy, and Brazil.<sup>89</sup> The reason for this increased importance has become apparent. Argentina had greater productive capacity and versatility than had the other ABC states; it had more to offer Germany and usually at a favourable price. It was due to the greater number of

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87. Calculated from Statistisches Jahrbuch für das Deutsche Reich.

88. Calculated from Statistisches Jahrbuch für das Deutsche Reich, 1894. p. 73 & 1915. p. 183. Argentine oats in 1913 cost 117.50 marks per ton, Russian 120.00 and American 123.00; in 1893 the average price was 123.48 marks per ton.

89. From tables, Anteil der Herkunfts- und Bestimmungsländer am Spezialhandel, in Statistisches Jahrbuch für das Deutsche Reich, Jgg. 1892-1915.

valuable commodities which Argentina supplied that it moved ahead of Brazil in 1894, shortly after Caprivi's trade treaties opened the tariff door to Argentine grain. The result was that between 1890 and 1899 Germany took an increased share of Argentina's total exports, a share which rose from 11.0 per cent to 15.9 per cent. Thereafter as Argentine prices rose, Germany's tariff became more protective and Argentina's total exports increased, the proportion fell again to 11.8 per cent in 1912.<sup>90</sup> Overall, between 1890 and 1914 Germany did not gain a significantly larger share of the Argentine export trade. Nevertheless whilst this is true of the Argentine trade as a whole, it has been seen that Germany made decided advances in some important branches of that trade. In some instances the picture is obscured by the quantities shipped "to orders"; but at least of Argentina's exported wool, wheat, linseed, quebracho and bran an increased percentage found its way to Germany. Conversely Germany took virtually none of the important Argentine meat and cattle exports and only small proportions of other exports such as dried hides. There was no large-scale conquest of the Argentine export trade; on a more modest scale, nevertheless, decided advances were achieved.

In 1894 Brazil lost to Argentina its supremacy amongst Germany's South American suppliers. Between 1890 and 1913 the proportion of Germany's total imports provided by Brazil declined from 3.2 to 2.3 per cent; the increase in value from 137.7 to 247.9 million marks was not sufficient even to keep pace with the increased value of Germany's total imports.<sup>91</sup>

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90. British consular reports from Argentina as published in Brit. Parl. Papers regularly provided statistics of the distribution of Argentine exports.

91. Values and percentages appear in the tables of Germany's trading partners from year to year in Statistisches Jahrbuch für das Deutsche Reich.

The Brazilian export trade was heavily dependent on coffee and, after its development about the turn of the century, on rubber to a lesser degree. In the financial year 1872-73 coffee alone accounted for 53.6 per cent of Brazil's total exports and, although in 1904-05 this dropped to 48 per cent, by 1913 the share had risen to 62.3 per cent.<sup>92</sup> Behind coffee, and later also rubber, the remaining items of export were far removed as the following table of Brazilian exports demonstrates:

Table 14: Brazilian Exports - Main Seven Items<sup>93</sup>  
Value in Millions of Milreis

Year	Coffee	Rubber	Cocoa	Tobacco	Raw Cotton	HerbaMatte	Salted Hides
1902	180.7	64.8	9.1	10.5	10.7	9.6	6.3
1903	169.6	86.5	9.0	8.1	11.8	6.0	7.2
1904	177.4	99.7	9.7	7.0	7.3	8.6	7.9
1905	190.4	128.1	9.2	7.0	10.3	11.1	7.0
1906	245.5	124.9	12.3	8.1	14.7	16.5	9.7
1907	253.8	121.7	17.9	11.2	15.4	14.3	10.3
1908	204.8	104.7	17.6	7.1	1.8	14.7	7.4
1909	297.5	168.2	14.2	11.6	5.3	14.7	9.5
1910	237.3	219.1	12.3	13.9	7.9	17.4	9.8
1911	359.1	113.8	14.6	8.3	8.7	17.6	10.2
1912	413.8	143.1	13.6	12.0	9.2	18.7	11.8

It is therefore scarcely surprising that coffee should comprise the main ingredient in Germany's import trade with Brazil, since it was the main product which Brazil had to offer. Germans, moreover, were predominantly coffee-drinkers. Since at least the 1820s German coffee traders had been active in Rio de Janeiro in the Brazilian coffee trade; they were joined in 1838 by Theodor Wille, who in March 1844 founded in Santos the firm Theodor Wille & Co., destined to become the largest coffee export house in Santos and in Brazil as a whole.<sup>94</sup> It was from Santos that by far the greatest proportion of the Brazilian coffee to enter Hamburg was

92. Sokoli, Paul: Die Handelsbeziehungen Brasiliens mit den europäischen Ländern seit den 1870er Jahren (Diss., Köln, 1925) p. 21. British Legation Secretary Birch reported that in 1912-13 two thirds of Brazil's export consisted of coffee: Brit. Parl. Papers 1914-16. LXXI. p. 189.

93. Statistical Abstract No. 26, Brit. Parl. Papers 1914. XCVII. Official Brazilian statistics were not prepared before 1902.

94. Zimmermann, op.cit., pp. 30ff.

derived;<sup>95</sup> and when the German warship S.M.S. "Falke" visited Santos in 1904 Commander Behnke, in the customary military-political report, pointed out the importance of German firms in the coffee business of the district. Apart from Wille & Co., whose local manager Ernst Bormann was German consul for Santos, Behnke reported thirteen German import and export firms in Santos, together with a branch of the Brasilianische Bank für Deutschland, engaged in the coffee trade. Although Portuguese firms had a share in the business, wrote Behnke, the German firms took the leading position, handling about half the exports.<sup>96</sup> Theodor Wille himself had returned to Germany in May 1847, founding shortly thereafter the Hamburg firm which bears his name and from which the Brazilian establishment was managed;<sup>97</sup> from the mid-nineteenth century a close business connection was established in this way between Hamburg and the heart of Brazil's coffee district.

Of the German imports from the ABC states Brazilian coffee was always one of the top three items, other than in 1905 and 1907 when it dropped to fourth place behind Chilean nitrate and Argentine wheat and wool.<sup>98</sup> During the period 1890-1913 Germany's total imports of coffee rose from 118,126 to 168,250 tons, reaching 213,488 tons in 1909. Brazil was clearly the main source of this import, providing a share which rose from 44.7 per cent in 1890 to 78.5 per cent in 1910 and fell slightly to 68.9 per cent in 1913.<sup>99</sup> That Germany's other main suppliers - Guatemala, the Netherlands and the Dutch Indies - remained far behind Brazil's imports is not surprising, since Brazil had become the world's leading supplier. Of the world coffee production between 1870 and 1911 the

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95. See figures given by Consul-General Ward in Brit. Parl. Papers 1901. LXXXII. p. 675; 1902. CVII. p. 493; 1903. LXXVII. p. 560.

96. Military-Political Report of S.M.S. "Falke", in Brasilien 1.35, PA Bonn.

97. Zimmermann, op.cit., pp. 37ff.

98. Trade tables in Statistisches Jahrbuch für das Deutsche Reich, Jgg. 1892-1915.

99. See Appendix 3.

Brazilian crop supplied a share which rose from 43.3 to 79.4 per cent.<sup>100</sup>

For Germany Brazilian coffee constituted an important ingredient in the import trade with South America. However, as will appear in a later chapter,<sup>101</sup> the trade agreement of 1891 between Brazil and the United States of America contained a provision which became vital for the disposal of Brazil's over-production, namely the duty-free import of Brazilian coffee into the United States; and, doubtless due to this concession, Brazil sent most of its coffee to that country. Of the quantities exported from Rio de Janeiro between 1890 and 1899 approximately one half went to the United States;<sup>102</sup> of Brazil's total coffee exports between 1900 and 1903 the United States took approximately 46 per cent,<sup>103</sup> and in 1911 and 1912 took 39.4 and 42.1 per cent respectively.<sup>104</sup> The United States, indeed, sought to give Brazilian coffee a function over and above its intrinsic worth by attempting, with some measure of success, to use the concession granted for its import as a lever for prising from the Brazilian government concessions for American exports to Brazil. By its refusal to lower German import duties the German government lost an opportunity to do the same; moreover, Germany gained no commanding hold on the important Brazilian coffee exports in the development of which its traders had played an important role.

Although in 1893 Brazilian rubber occupied a lowly thirteenth position amongst German imports from the ABC states, being valued at 1.5 million

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100. Trade tables in Statistisches Jahrbuch für das Deutsche Reich, Jgg. 1892-1915; Sokoli, op.cit., p. 20.

101. See Chapter Seven for a fuller discussion of the treaty and its implications.

102. Deutsches Handels-Archiv 1891. II. p. 220; 1892. II. p. 210; 1896. II. pp. 186-187; 1897. II. p. 304ff; 1900. II. p. 205; Brit. Parl. Papers 1896. LXXXV. p. 185.

103. Deutsches Handels-Archiv 1902. II. pp. 22, 561-562; 1905. II. p. 920.

104. Percentages calculated from quantities in Brit. Parl. Papers 1914-16. LXXI. p. 190.



marks, in 1910 valued at 88.1 million marks it had risen to fourth place, its highest ranking in the period before 1914. It was not until 1902 that German trade statistics recorded an appreciable rise in the annual import from Brazil, from 625 to 1,007 tons; thereafter it rose to as high as 6,831 tons in 1911.<sup>105</sup> Until 1905 German statistics show Great Britain as Germany's main supplier, with Africa, the British East Indies and Malacca, Russia, the Congo, and Brazil following in various rankings, Brazil customarily well down the list. In 1903, however, Brazil moved into second place and from 1906 headed the list.<sup>106</sup>

The increased importance which Brazilian rubber assumed for Germany was not due to Germany taking a large proportion of Brazil's total exports; Brazil exported increased quantities. By 1900 half the world's rubber supply came from Brazil, due partly to the invention of a rubber tapping machine by Georg von Hassel, a German engineer working in the Amazonas district, and due after that date to Brazil's acquisition of the Acre area on the upper Amazon from Bolivia.<sup>107</sup> The United States of America was Brazil's main rubber buyer, taking between 44 and 50 per cent between 1907 and 1912.<sup>108</sup> Germany's share was considerably less, although it cannot be ascertained too precisely. The German consular report for 1896 from Pará - the main Brazilian rubber district - pointed out that there was no direct export to Germany, shipping to that country going through England or Le Havre,<sup>109</sup> a fact which doubtless helps to account for England's earlier supremacy as a supplier in German trade statistics. It is also doubtless for that reason that Brazilian statistics, when

105. See p. 120 above.

106. Trade tables in Statistisches Jahrbuch für das Deutsche Reich Jgg. 1892-1915.

107. Wyneken, op.cit., p. 69.

108. Percentages calculated from quantities in Brit. Parl. Papers 1908. CIX. p. 649; 1914-16. LXXI. p. 192.

109. Deutsches Handels-Archiv 1897. II. pp. 614-615. Sokoli, op.cit., p. 124, believed it likely that Germany received a large portion of its Brazilian rubber supply through England.

available, only credit Germany with between 1.2 and 6.5 per cent of rubber exports; German import figures show that these percentages should be three to six times higher.<sup>110</sup>

Between 1890 and 1913, whilst Germany's total rubber imports increased sixfold, rubber imports from Brazil increased nearly twentyfold.<sup>111</sup>

Brazil made an important contribution to a growing German consumption.

The north German manufacturer Louis Hoff from Harburg told the German Colonial Congress in 1905 that the German rubber industry, which had its beginnings in 1855, had in 1905 over 90 factories which employed well over 30,000 workmen and in which was invested at least 100 million marks.<sup>112</sup> Both Hoff and Dr. Volkens at the same Congress pointed out the importance which rubber had assumed for Germany, particularly within the previous decade. For a longer period machinery had depended on rubber for belts or gaskets or valves, railways had become safer due to the rubber used in Westinghouse, Carpenter and Hardy brakes, and the electrical industry depended on rubber and guttapercha. More recently, both speakers pointed out, the boom in bicycle production gave rubber an even greater importance. The first bicycles came on the German market in the 1860s, but their iron wheels did little to recommend them; their greater popularity coincided with the conversion to solid or pneumatic rubber tyres. The even more recent German automobile industry added to the importance of rubber. Previously, said Volkens, rubber had been merely one amongst a number of tropical products; recently it had become of the highest significance for nations which had tropical colonies or

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110. Percentages based on quantities or values in Deutsches Handels-Archiv 1905. I. p. 1048; 1907. I. p. 698; 1908. I. p. 473; 1911. I. pp. 1730, 1734; and Brit. Parl. Papers 1908. CIX. p. 649; 1914-16. LXXI. p. 192.

111. Calculated from German trade statistics as published in Statistik des Deutschen Reichs for the appropriate years.

112. Hoff, Louis: Die Kautschuk- und Guttaperchafrage in den deutschen Kolonien, in Verhandlungen des Deutschen Kolonialkongresses 1905 (Berlin: Reimer, 1906) p. 605.

handled tropical products.<sup>113</sup>

The highly valued Brazilian Para rubber supplied increasing quantities to meet this need; but even as the United States took half Brazil's coffee exports, so half the rubber exports went to the same country. Germany secured no commanding hold over the most valuable items in Brazil's export trade.

Of the lesser Brazilian products taken by Germany tobacco held an important place, although as the value of other ABC state imports increased that of Brazilian tobacco relatively declined, from fifth place in 1893 to thirteenth in 1913.<sup>114</sup> The greatest part of this trade in Germany was centred in Bremen, where close links had been established with American tobacco production since the American wars of independence and the later 1827 trade treaty between Brazil and the Hanseatic cities.<sup>115</sup> Brazilian tobacco, it appears, at first enjoyed little popularity in Germany; it was said to be too black and hot.<sup>116</sup> Bremen, however, was the centre of a growing cigar industry, it being reported in 1852 that 281 cigar factories employed 10,000 men;<sup>117</sup> Brazil tobacco was especially suited for this industry. Moreover, the various rises in customs after 1879 had been less severe on cigar tobacco than on other sorts, and the cigar consequently enjoyed a growing popularity.<sup>118</sup> So, accordingly, did Brazilian tobacco. In 1889 the German Customs Union imported 41,351 tons of raw tobacco leaf, of which Bremen supplied 33,049

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113. Volkens, G.: Uebersicht über die wichtigsten Kautschuksorten des Handels und die sie erzeugenden Pflanzen; Hoff, Louis, *op.cit.*: both in Verhandlungen des Deutschen Kolonialkongresses 1905 (Berlin: Reimer, 1906) pp. 44-56, 604-612.

114. See Table 11 p. 120 above.

115. Beutin, Ludwig: Drei Jahrhunderte Tabak-Handel in Bremen (Stuttgart u. Berlin: Kohlhammer, 1937) pp. 7ff. The Bremen trader Boeris claimed in 1833 that Bremen was the leading European market for American tobacco: *ibid*, p. 10.

116. *Ibid*, p. 13.

117. *Ibid*, p. 14.

118. *Ibid*, p. 37.

tons; and the Bremen amount came mainly from Brazil (10,632 tons) and the United States (8,938 tons).<sup>119</sup>

Between 1890 and 1914 Brazilian tobacco lost a little of its importance on the German market. In 1890 and 1891 Germany's main suppliers were Brazil, the United States and the Netherlands in that order although narrowly separated so far as quantities were concerned, but by 1913 tobacco came primarily from the Dutch Indies (38,322 tons), Brazil (9,255 tons), Turkey (8,178 tons), Dominican Republic (7,364 tons), and the United States (7,311 tons).<sup>120</sup> The Dutch Indies took the lead in 1899, whilst quantities imported from Brazil slightly declined. Between 1890 and 1913 Germany's total tobacco imports increased from 44,322 to 81,400 tons; the quantity taken from Brazil, however, declined from 10,300 to 9,255 tons, the proportion of total imports falling from 23.2 to 11.4 per cent. Apart from a sharp rise in 1905, German tobacco imports from Brazil reached their peak in 1896-98, declining thereafter.<sup>121</sup>

Despite this slight decline, however, German tobacco dealers continued to exercise a virtual monopoly over the Brazilian trade, which was predominantly located in the state of Bahia where it constituted the principal product. A British consular report around 1890 pointed out that the greatest part of Bahia's trade in tobacco was carried out on a joint stock account basis with Bremen and Hamburg merchants;<sup>122</sup> and about the same time the British Consul Nicolini reported that within the previous two or three years several large German firms had commenced growing their own tobacco for exportation, rather than purchase from

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119. HA Bremen, W. II. 30. C. Bd. 1.

120. Trade tables in Statistisches Jahrbuch für das Deutsche Reich Jgg. 1892-1915.

121. Ibid.

122. Brit. Parl. Papers 1893-94. XCII. p. 539.

native planters, thereby profiting both as planters and exporters.<sup>123</sup>

In 1906 the British Consul O'Sullivan-Beare said that Bahia's export trade in tobacco was controlled by a number of German firms, who financed the planters, sent their agents throughout the state to buy on the spot, and usually purchased the crops when they were barely above the ground. Bahia's lucrative manufacture of cigars, moreover, was in the hands of three or four German firms; indeed, added O'Sullivan-Beare, the Germans had secured for themselves the tobacco trade of Bahia in all its branches.<sup>124</sup> Consequently, as the British Legation Secretary Cheetham wrote, "of the total of exported native tobaccos in 1907, 92<sup>1</sup>/<sub>2</sub> per cent came from Bahia and 96 per cent went to Germany."<sup>125</sup> A certain amount of the tobacco which arrived in Germany was not destined for the German tobacco industry; in 1875-1877 it was estimated that about 40 per cent of Bremen's tobacco import was sold to foreign buyers,<sup>126</sup> whilst between 1904 and 1907 38 per cent of Bremen's tobacco imports were re-sold to France, Spain, Scandinavia, Belgium, Holland and Switzerland.<sup>127</sup> During the period under review the trade became more organised,<sup>128</sup> whilst it had already before 1890 assumed a measure of importance for Bremen. It was perhaps the sole import from the ABC states over which Germany exercised monopolised control.

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123. *Ibid*, 1893-94. XCII. p. 635f.

124. *Ibid*, 1907. LXXXVIII. p. 280.

125. *Ibid*, 1909. XCII. p. 660. When available, trade statistics from Bahia and Brazil confirm that 90 per cent and more of Brazil's tobacco exports went to Germany.

126. Beutin, *op.cit.*, p. 22.

127. Biermann, F.C.: Tabak -Handel und -Verarbeitung (Bremen: Grube & Dathe, 1910) p. 11.

128. So, e.g., the practice of ordering crops in advance, before the leaves were ready for packing, led to delays in delivery to the detriment of the cargos and the inconvenience of the buyers. Representations to the Deputation for Tobacco Sales of the Chamber of Commerce led to an Agreement in 1898 under which a two-month time limit between contract and loading was imposed: An die Hochwohlhlöbl. Handelskammer zu Bremen, April 1898; Memorandum, Hermann Frese (Chairman, Deputation for Tobacco Sales) 27.8.1898; Vereinbarung für Lieferungsverkäufe von Brasiltabak; all in HA Bremen W.II.30.B.Bd.2.

Of the German imports from the ABC states Brazilian cocoa always constituted an insignificant component. Valued at 0.7 million marks in 1893 it ranked sixteenth amongst imports from the ABC states, in 1913 standing in the same place with a value of 8.1 million marks although in 1900 it moved slightly up the scale.<sup>129</sup>

Within these modest limits the trade experienced some growth but declined somewhat from about 1908. Between 1890 and 1913 Germany's total cocoa imports rose from 6,247 to 52,878 tons per annum, Brazil providing a share which rose from 368 to 6,308 tons or from 5.9 to 11.9 per cent. The trade expanded in the period 1906-1908; in the latter year Brazil provided 21.3 per cent of Germany's imports, and Germany took an increased share of Brazil's exports.<sup>130</sup> Whereas Brazil customarily stood in third place amongst Germany's suppliers, with Ecuador, Portugal, Africa and occasionally the Dominican Republic its most persistent rivals, in 1906 and 1908 Brazil became Germany's leading supplier.<sup>131</sup> It was about this time that the British Legation Secretary Cheetham reported that the Brazilian cocoa trade was almost entirely in the hands of exporting merchants who financed the planters for their current expenses on the security of future crops, adding that the most important of these merchants were Germans.<sup>132</sup> Thereafter whilst the quantity imported from Brazil was maintained the percentage of total German imports which it represented fell off from 21.3 to 11.9 per cent. Brazil's relative loss of importance for German cocoa buyers was due to a number of factors. Prices played a part. As with cocoa prices in general between 1890 and 1913, so the price of Brazilian cocoa fell in Germany; however, by 1913 Germany could buy more cheaply from both British and Portuguese West

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129. See Table 11 p. 120 above.

130. Calculated from German and Brazilian trade statistics as published in German and British sources already cited.

131. Trade tables in Statistisches Jahrbuch für das Deutsche Reich Jgg. 1892-1915.

132. Brit. Parl. Papers 1909. XCII. p. 659.

Africa and consequently took half the 1913 imports from these two sources. Considerations other than the price also affected the choice of supply; in 1900 Ecuador cocoa was the most expensive, and yet most of Germany's imports for that year came from Ecuador. Availability obviously came into the question, and it is clear that Brazil's total exports were not sufficient to meet Germany's requirements, Brazil exporting 30,492 tons in 1912 whilst Germany imported 55,085 tons. German buyers therefore looked elsewhere with the result that, whereas in 1908 34.7 per cent of Brazil's total cocoa exports went to Germany, in 1913 the share dropped to 12.4 per cent.<sup>133</sup> In the later years Germany lost what hold it had acquired on Brazilian cocoa exports.

Other items in Germany's import trade with Brazil were of even lesser value; these consisted mainly of precious stones, gold, copper ore, manganese ore, monazite sand, piassava fibre, jacaranda wood, horns, beeswax, honey, cotton and bran.

The pattern in Germany's import trade with Brazil is clear. Before the beginning of the period with which this study is concerned Germany had established old and important connections with the Brazilian coffee and tobacco trade; in the former, which was by far the more important, German traders had invested capital, and the value of the resultant coffee trade was largely responsible for Brazil's supremacy in South America as a supplier of Germany's imports. Whilst, however, Germany continued virtually to monopolise the tobacco trade, it lost somewhat in importance for Germany from about 1899; and, whilst Brazil continued to supply up to 79 per cent of Germany's coffee, half of Brazil's increasing exports went to the United States. The trading connections which had been established before 1890 had proved incapable of further significant

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133. Cocoa prices calculated from Statistisches Jahrbuch für das Deutsche Reich for the various years.

expansion and did not promote closer trading connections between the two countries. German tariff policy did nothing to support the trade, and Brazil found the United States more accommodating. Further, after 1890 Brazil developed one important item for export, namely rubber, which found an important place on the German market from 1903; but, as with coffee, half of Brazil's rubber exports went to the United States of America. Germany gained no decisive hold on the two most important items which Brazil exported. This was also true of other lesser items; salted hides went mainly to the United Kingdom, and cocoa increasingly to the United States. Of Brazil's total exports between 1902 and 1913 Germany took between 11.8 and 17.6 per cent, with the United States always the main customer and Germany tending to replace the United Kingdom in second place from 1906 onwards.<sup>134</sup> From 1902 onwards Germany in fact appears in the official statistics to have taken a slightly higher proportion of the exports of Brazil than of Argentina, averaging 15 per cent of the former and 11.9 per cent of the latter;<sup>135</sup> but the greater value of Argentina's total trade, occasionally from 1896 and permanently from 1903, which was created in the case of Argentina's export trade by a greater proliferation of more valuable products, made this slightly lower proportion more valuable to Germany. Within modest limits the Brazil trade prospered, but by 1894 it was eclipsed by the Argentine.

Of the three South American republics Chile was customarily in third place as a supplier of Germany's imports, albeit an important third place. In 1899 Chile stood narrowly ahead of Brazil in second position, and in other years the gap between the two countries was not very great, mainly in the years before 1906; and over the entire period, whilst the

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134. This is apparent from Brazilian export statistics as published in *Statistical Abstracts in Brit. Parl. Papers* for the various years.

135. From Argentine and Brazilian export statistics, *ibid.* Brazilian figures are not available for earlier years.



percentage of German imports provided by Brazil declined from 3.2 to 2.3 per cent, the Chilean share rose from 1.4 to 1.9 per cent.<sup>136</sup>

For German importers the Chile trade was virtually synonymous with sodium nitrate, a nitrogenous fertiliser widely used in sugar-beet cultivation in western Europe.<sup>137</sup> Nitrate usually accounted for more than 80 per

cent of Germany's imports from Chile,<sup>138</sup> and was one of the most important items from the ABC states, always standing in first or second place, only ceding priority from time to time to Brazilian coffee or

Argentine wool or wheat.<sup>139</sup> Between 1890 and 1913 German imports of

Chilean nitrate increased from 319,219 to 770,288 tons whilst Chile's total exports increased at about the same rate. Germany, indeed,

remained Chile's best customer for nitrate, although from about the turn of the century the percentage of Chile's exports taken by Germany slightly decreased whilst that taken by the United States increased.

Statistical exactitude is elusive when dealing with Chilean trade figures; and so far as nitrate figures are concerned, to the more customary

problems are added the sometimes large shippings despatched "for orders".

Chilean statistics for the distribution of nitrate exports represent the distribution of the balance not sent "to orders", that is, of between

36.9 and 83.6 per cent of total nitrate exports.<sup>140</sup> In particular, the

statistics for Chilean exports to Germany are consequently too low, and in fact the quantities given for "order" shipments are in each case more

than adequate to cover the difference between the Chilean and German

136. From trade tables, Statistisches Jahrbuch für das Deutsche Reich Jgg. 1892-1915.

137. Deutsches Handels-Archiv 1898. II. p. 116; Brown, Nitrate Crises.

138. Trade tables in Statistisches Jahrbuch für das Deutsche Reich Jgg. 1892-1915 yield the result that nitrate accounted for 78.5 per cent in 1894, 74.3 per cent in 1898, 72.3 per cent in 1902, and 65.7 per cent in 1905; otherwise it always ranged between 80.9 and 89.3 per cent of the total imports from Chile. The value of German nitrate imports rose from 63.5 to 171.0 million marks.

139. Trade tables, Statistisches Jahrbuch für das Deutsche Reich, Jgg. 1892-1915.

140. For nitrate statistics, see Appendix 4.

figures;<sup>141</sup> that is, a large part of the "orders" shipments finished up in Germany. In the following table the approximate distribution between Chile's three leading markets for nitrate is given.<sup>142</sup>

Table 15: Distribution of Chilean Nitrate Exports  
Leading Markets

Tons of 1,000 kg. & Percentage of Total Exports

Period	Total Export	To Germany		To U.S.A.		To France	
	Tons	Tons	%	Tons	%	Tons	%
1890-94	4,703,307	1,826,887	38.8	504,298	10.7	278,209	5.9
1895-99	6,115,593	2,323,210	38.0	631,350	10.3	703,925	11.5
1900-04	7,049,551	2,452,431	34.8	1,194,641	16.9	934,511	13.3
1905-09	9,312,152	2,992,043	32.1	1,857,113	19.9	596,243	6.4
1910-13	10,036,327	3,060,077	30.5	2,209,449	22.0	395,915	3.9

Germany remained Chile's best nitrate market; but although the tonnage despatched to Germany increased, the increase did not keep pace with increasing total exports, with the result that Germany took a declining percentage of Chile's exported nitrate. The United States of America, on the other hand, increased both its tonnage and its percentage, in the Chilean statistics surpassing Germany in 1910 and 1913. For Germany the trade in Chilean nitrate remained an important component of the trade with the ABC states; nevertheless Germany lost something of its hold on the Chilean export supply.

This trend is in part confirmed by the British Acting Consul-General Rowley's report for 1904, which pointed out that nitrate consumption in

141. Thus in 1910 the difference between the Chilean and German figures was 248,805 tons, whilst "to orders" went 860,556 tons; and in 1904, when "orders" shipments were at their lowest, the difference was 107,547 tons whilst "orders" shipments amounted to 246,011 tons.

142. The figures for Germany in this table are compiled from the German import statistics, for reasons already discussed. Shipments to the Channel "for orders" would have no effect on the American figures, hence Chilean statistics have been utilised for that country. Exports to France have been similarly extracted from the Chilean statistics and will therefore undoubtedly represent a little less than the full exports thence, since some of the "orders" shipments may be presumed to have finished up in that country.

Europe had fallen off, whilst it had increased in the United States. The drop in European consumption was noticed in France, Belgium and Italy;<sup>143</sup> and the above table demonstrates not only the diminution of exports to France but also the increase in those to the United States. Germany continued to use increasing quantities, but by 1906 the German chemical industry had succeeded in producing nitrogen compounds from atmospheric nitrogen, and the British Consul-General Schwabach commented that, if by this method of manufacture nitrogen fertilisers could be produced for agricultural purposes independent of foreign countries, "the national wealth of Germany, by saving the sums now paid for importing Chile saltpetre would of itself probably increase annually by many millions of marks."<sup>144</sup> This, however, did not occur before 1914. Sir Francis Oppenheimer reported in 1909 that German manufacturers were confident that they owned the best known process for manufacturing saltpetre and that their product was in some respects superior to that derived from Chile; but the quantities produced were insignificant and the market was not likely to be perceptibly disturbed.<sup>145</sup> This proved to be the case, and Chilean nitrate remained an important commodity in the German import trade.

For Germany other imports from Chile were relatively insignificant. Chile's second most important export, copper, found only a small market in Germany, forming only about 3 per cent of total copper imports in 1897 and even less by 1905.<sup>146</sup> Of Chile's iodine, a by-product of the nitrate works in the north of the country,<sup>147</sup> Germany took annually

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143. Brit. Parl. Papers. 1905. LXXXVII. p. 557.

144. Ibid, 1907. XC. p. 219. The Anilin und Sodafabrik in Ludwigshafen was a pioneer in this work: ibid, 1908. CXII. pp. 23-24.

145. Ibid, 1909. XCV. p. 544.

146. Calculated from trade tables, Statistisches Jahrbuch für das Deutsche Reich, Jgg. 1892-1915. The Chile statistics also credit only small quantities to Germany: Brit. Parl. Papers 1905. LXXXVII. pp. 572-573; 1906. CXXIII. pp. 207-208; 1908. CX. pp. 59-61.

147. Deutsches Handels-Archiv 1898. II. p. 46ff contains a report on iodine exports, which dated back to 1879.

amounts ranging from 27 tons to 366 tons and in some years representing as much as 80 per cent of total iodine imports.<sup>148</sup> From Chile Germany took annually between 550 and 1,879 tons of sole leather, representing between 47.2 and 85.9 per cent of total imports of this item;<sup>149</sup> this came from the tanning works in Valdivia and Llanquihue in the south of Chile, which were founded and developed by Germans and whose produce went almost exclusively to the Hamburg leather market.<sup>150</sup> Germany also imported from Chile borax, gold, silver, beeswax, honey and bran.

For Germany the import trade with Chile, restricted as it was to one main product, had little prospect of effectual growth. That the proportion of Germany's imports provided by Chile rose from 1.4 to 1.9 per cent was almost entirely due to the increased quantities and higher prices of nitrate; but Germany, whilst remaining Chile's best nitrate market, took a diminishing percentage of Chile's exports while the United States increased its share. Whether Germany also took a reduced percentage of Chile's total exports is difficult to determine since Chilean trade statistics, at least until the turn of the century, were notoriously unreliable. In the first years of the period Chilean statistics usually placed Germany in second position behind the United Kingdom; but, as a British consular report for 1888 pointed out, nitrates formed about 60 per cent of total exports and were classed as exports to Great Britain whereas the greater part went to Germany and France.<sup>151</sup> A large proportion of the shipping was British and Chilean statistics entered the destination of the cargo according to the flag of the ship. There is reason to believe that from 1901 this practice was changed and exports were credited to the real country of destination, even as from 1898 an

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148. Taken and calculated from trade tables in Statistisches Jahrbuch für das Deutsche Reich Jgg. 1892-1915.

149. Taken and calculated from trade tables, *ibid.*

150. Deutsches Handels-Archiv 1898. II. p. 121.

151. Brit. Parl. Papers 1890. LXXIV. p. 284.

attempt was made to credit imports to the country of origin rather than by the flag of the shipping.<sup>152</sup> Whereas between 1890 and 1900 the German share of exports officially ranged between 8.6 and 16.8 per cent, in 1901 it jumped to 33.7 and England's share dropped from 73.5 to 22.6 per cent.<sup>153</sup> Germany, in other words, was Chile's best customer from 1890 even as it was from 1901. This being the case, it is likely that the German share of Chile's exports declined between 1890 and 1913; by 1912 it had fallen to 20.4 per cent, only slightly ahead of the United States and behind the United Kingdom. Germany's importance to Chilean exporters almost certainly declined.

The hopes of a few zealots seldom represent the expectations of those more accustomed to dealing with realities; and there is no reason to believe that German governments and importing firms shared the hopes of colonial propagandists who urged that, as national markets became shut in behind restrictive tariff barriers, South America might become a distinctively German source of raw materials. Germany was comparatively late in the field; and, as will appear in a later chapter, the German government made little effort to woo producers in the ABC states. Had they entertained such hopes, however, they would have been disappointed. Germany's share of Chile's total exports fell from 33.7 to 20.4 per cent between 1901 and 1912 and possibly declined from an earlier date, whilst the share of Brazil's exports which went to Germany between 1902 and 1912

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152. Deutsches Handels-Archiv 1899. I. p. 1014. The German report for 1897 summed up rather nicely the difficulties in the Chilean practice of deciding the source of imports by the flag of the ship. It pointed out that since German steamships put into British, Dutch, Belgian and Italian harbours, and British steamships put into harbours in France, Spain and Portugal, and, further, since both German and British ships as well as those from the United States put into South American ports en route, and, furthermore, since goods which arrived in Chile were occasionally trans-shipped, this way of deciding the source of imports did not give an accurate picture: ibid., 1898. II. p. 164.

153. Calculated from tables of distribution of Chilean exports as published from time to time in Deutsches Handels-Archiv and Brit. Parl. Papers.

declined from 15.8 to 14.3 per cent. From 1890 to 1899 the German share of Argentine exports increased from 11 to 15.9 per cent, but by 1912 stood at 11.8 per cent, only marginally better than the 1890 share. In 1912 Argentina was overwhelmingly Germany's leading South American supplier; and yet of the ABC states Argentina was least monopolised by German buyers. Germany maintained its monopoly of the Brazilian tobacco trade, but on the German market Brazilian tobacco lost a little in importance; and of the far more valuable coffee and rubber exports Brazil sent half to the United States of America. The United States also increased its share of Chilean nitrate, whilst the German share declined. In the older and more established trade with Brazil and Chile, where German emigrants had settled in distinctively German communities and where German capital went into developing some branches of the trade, there was no advance; if anything, the trade regressed.

It is, however, a question of perspective. Viewed, not through the eyes of the colonial enthusiast of the 1880s, but from a more sober vantage point, by 1913 Germany's import trade with the ABC states had acquired a deal of significance. In that year German imports from the ABC states represented a combined value of 942.3 million marks. This was exceeded only by the United States' 1,711.1 million and Russia's 1,424.6 million marks, and it surpassed Great Britain's 875.9 million marks.

Individually, Argentina ranked seventh, Brazil twelfth and Chile sixteenth amongst countries exporting to Germany;<sup>154</sup> jointly the ABC states ranked third. At some time the ABC states were amongst Germany's top two or three suppliers of wool, wheat, linseed, salted hides, quebracho, maize, bran, oats (all from Argentina); of coffee, rubber, tobacco (from Brazil); and of nitrate, iodine and sole-leather (from Chile). Further, whilst Germany secured no commanding hold over the

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154. Statistisches Jahrbuch für das Deutsche Reich 1915. p. 257.

export trade of the ABC states, it took an increased share of such individual components of the trade as Argentine wool, wheat, linseed, quebracho and bran; and it maintained superiority as a market for Brazilian tobacco, Chilean nitrate and Argentine salted hides. A number of the important items in the German trade with the ABC states held high priority in the German import trade as a whole; wool, wheat and hides in the top five, coffee in the top eight, nitrate, maize and tobacco in the top nineteen, bran, rubber and linseed in the top twenty-two. Only oats, cocoa and tanning materials stood lower amongst the 56 or so items under which the German import trade was classified.<sup>155</sup>

One aspects of the trade remains clear, regardless of the perspective from which it is viewed. By 1894 Argentina had replaced Brazil as leading South American supplier and by 1913 provided more than Brazil and Chile combined. The reason for this is also clear. Argentina was a more prolific and varied producer, and in effect the trade with Brazil and Chile remained static. For the German import trade the use of emigration as an economic lever was ambiguous in its results. It was in Brazil, and to a lesser degree Chile, that closed German communities were established; and it was of the Chilean and Brazilian export trade that Germany took the highest share. Conversely, however, the value of their trade was far surpassed by that with Argentina. For Germany's import trade, by 1894 the effects of emigrant settlements in Brazil and Chile took second place to the abundance and variety of what Argentina had to offer.

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155. See e.g. Statistical Abstract No. 26, Brit. Parl. Papers 1910. CV. 1 and 1914. XCVII.

CHAPTER FIVE  
THE EXPORT TRADE

During the quarter of a century preceding 1914 German industries made a determined effort to secure and expand markets for their products, and the South American republics were amongst the targets towards which this energy was directed. Germany, it was said, had to export either goods or men.<sup>1</sup> The German export trade with the ABC states did expand, as has become evident in Chapter Three above; but before the significance of this expansion can be assessed it is necessary to see it in a wider perspective.

Between 1880 and 1913 the German net national product rose steadily, other than for retardations in 1891, 1899-1901 and 1910;<sup>2</sup> and the proportion contributed by exports between 1880 and 1898 fell from 18.3 to 12.9 per cent, rising again to 19.3 per cent by 1913.<sup>3</sup> Until the turn of the century, whilst the share of the national product provided by exports was falling, the value of imports remained at 16 to 17 per cent of the net national product; thereafter it rose to 20 per cent.<sup>4</sup> That is, until about the turn of the century imports remained relatively stable and the increased output of the growing German industries was consumed by the home market. Thereafter, as the value of imports rose relative to the national product Germany exported more and exports constituted an increasing proportion of the national product. These figures reflect two influences. Until about the mid-1890s whilst Germany's production and domestic income was rising a depressed world market put restraints on the German export trade, and this in turn

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1. Clapham, *op.cit.*, p. 319.

2. See tables in Hoffmann, Walther: Das Wachstum der deutschen Wirtschaft seit der Mitte des 19. Jahrhunderts (Berlin: Springer Verlag, 1965) pp. 825-828.

3. Calculated from imputed net national product in Hoffmann, *op.cit.*, pp. 825-826 and German export statistics.

4. Taken, rounded off, from Hoffman, *op.cit.*, p. 151.



restricted Germany's capacity to import. Thereafter exports began to constitute a growing proportion of the national wealth, both because German industry was generating a surplus for which foreign markets were vital and because Germany's now increasing imports had to be paid for. Both these factors, surplus production and increasing imports, had important effects on the German economy in the period under review. Writing about 1912 Werner Sombart<sup>5</sup> emphasised imports. He replaced the more customary statement that from an agrarian country Germany had become an industrial country by the formula that from an exporting country Germany had become an importing country since it had become increasingly necessary to import foodstuffs and raw materials. This is, of course, an over-simplification; nevertheless Sombart wished in this way to emphasise that the economic function of Germany's exports was the provision of means to pay for the imports on which the country was increasingly reliant. The emphasis here is placed on the balance of payments. Sombart estimated that Germany had invested between eight and ten thousand million marks in foreign enterprises and a further fourteen to fifteen thousand million in foreign government loans. From these investments Germany earned between one and one and one half thousand million marks, or one-eighth of the country's total import needs. Profits from shipping and passenger travel accounted for between one-quarter and one-half thousand million marks; and to cover the remaining cost of the nation's imports, a balance of between seven and eight thousand million marks, Germany had to export goods to this value, which in fact it was doing.<sup>6</sup>

Whilst German economic policy was faced with the problem of an unfavourable trade balance German industrialists were faced with the

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5. Sombart, Werner: Die deutsche Volkswirtschaft im 19. Jahrhundert und im Anfang des 20. Jahrhunderts (Stuttgart: Kohlhammer, 1954 ed.) p. 376.

6. Ibid, pp. 384, 389.

effects of the other factor, namely surplus production and the need for markets. From 1894 manufacturers of machinery were clearly concerned to expand their export trade. In January of that year the Brunswick Chamber of Commerce wrote to the industrialists in its district seeking financial support for the Association of German Machine Builders which intended sending overseas suitable engineers to study the needs and conditions in those areas which were indicated in consular reports as being likely markets for German machinery. The localities mentioned by the Chamber were Chile, Central America and Africa. The German machine and associated industries, wrote the Chamber, were well suited to offer vigorous competition on the world market and were ready for large increases in their overseas export.<sup>7</sup> The ABC markets, moreover, were evidencing a greater demand; in Brazil German importers commenced to carry permanent stocks of machinery from 1894, the year in which the Brunswick Chamber of Commerce's letter appeared.<sup>8</sup> The need for markets, however, became more acute. By 1903, according to a submission from the Association of Producers of Agricultural Machines and Implements, German machine-makers were convinced that it had become a matter of life and death to expand their export sales since foreign competition, favoured by cheaper production costs and the German tariff, was drying up the home market.<sup>9</sup> German paper manufacturers similarly found it necessary to find foreign markets for their increased production. By about the turn of the century Germany had become the second largest paper-producing country in the world, behind the United States of America and ahead of Great Britain; nevertheless the export figures from 1897 to 1901 showed

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7. Handelskammer für das Herzogthum Braunschweig an die Herren Industriellen im Herzogthum Braunschweig, im Januar 1894: HA Bremen W.I.2.

8. Deutsches Handels-Archiv 1895. II. p. 194.

9. Verein der Fabrikanten landwirtschaftlicher Maschinen und Geräte, an den Deutschen Reichskanzler. Leipzig 1. Februar 1903: HA Bremen Hp.I.10.1.

a marked decline in exports of printing paper.<sup>10</sup> The British Consul-General Ward of Hamburg, in a report on the German paper industry dated October 22, 1905, pointed out that in the most important branch of the industry, the manufacture of newspaper on rolls, a cartel had been formed in 1900 by 29 of the leading German mills; in 1902, the report added, the cartel was able to export about 10 per cent of the newsprint produced by the member mills.<sup>11</sup> Seen in the context of the preceding decline and the subsequent rise in exports of printing paper the formation of this cartel was clearly designed to boost sales on the foreign market. German cement manufacturers, faced with the problem of over-production and falling prices, also responded in the characteristic German way by cartellising. In Ward's opinion the cement industry, which dated back to 1852, had expanded more rapidly than any other German industry and by the turn of the century was over-producing.<sup>12</sup> Between 1885 and 1894 sixteen new cement factories had been erected, and a further thirty-one between 1895 and 1904; and firms such as the Hamburg Alsen Portland Cement Works found themselves faced by the effects of over-production.<sup>13</sup> Their plight was typical for the industry as a whole. In 1903 the British Consul-General Schwabach in Berlin observed that for some years the condition of the German cement industry had been most unsatisfactory,<sup>14</sup>

owing to the prevailing disproportion between supply and demand. The inland consumption is estimated at 14,500,000 casks per annum, whereas the works can produce close on 29,000,000 casks. This enormous disproportion is due to the numerous extensions and new works erected in 1895 and the following years, partly on account of the activity in the building trade, but chiefly in the expectation that the Great Midland Canal would be built.

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10. The inclusion of writing paper in this category until 1898 may slightly distort the picture, but a decline in exports of printing paper is obvious from the statistics, from 45,192 tons in 1896 to 18,349 tons in 1901.
11. Brit. Parl. Papers 1906. CXXII. p. 176ff.
12. Ibid, 1905. LXXXVI. pp. 227-228.
13. Alsen'sche Portland-Cement-Fabriken KG, Hamburg: 100 Jahre (Wiesbaden: Brandstetter, ?1963) p. 33.
14. Brit. Parl. Papers 1904. XCIX. p. 31.

Further, added Schwabach, German cement was practically excluded from the principal European markets by prohibitive duties and only transatlantic markets were available. Markets were thus a critical problem; so too were prices. Ward pointed out the considerable fall in the price of exported German cement between 1900 and 1905, a fall which German trade statistics amply attest.<sup>15</sup> To put an end to the slashing of prices which resulted from free competition between producers the Rhineland-Westphalia Cement-Producers syndicate was formed in Bochum in December 1903 by the fifteen producers in the district.<sup>16</sup> Over-production, falling prices and a restricted world market clearly occasioned the formation of this cartel shortly after the turn of the century; these were, it has been seen, the problems faced by the German cement industry in general. For the extensive Dyckerhoff cement works, the leading German cement exporters, the 1890s were the golden era for the export trade, the years from about 1900 being marked by the struggle for markets and by falling prices.<sup>17</sup>

The importance of the export trade for the German economy and for German industries is thus clear. Germany's export trade formed a by no means inconsiderable proportion of the national product, and from 1899 to 1913 that proportion increased. Germany thus succeeded in finding foreign markets for an increased amount of the nation's industrial output and could thereby pay for increased imports. By 1913 exports were valued at 10,097.2 million marks and imports at 10,769.7 million - the closest they had been during the period under review.

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15. *Ibid*, 1907. XC. p. 328; see also *ibid* 1904. XCIX. p. 161. Trade tables in *Statistisches Jahrbuch für das Deutsche Reich* for the relevant years yield the result that between 1895 and 1900 the average price per ton of exported German cement rose from 25.47 to 42.37 marks; between 1900 and 1905 it fell to 26.35 marks per ton.
16. *Geschäftsbericht des Verkaufsvereins Rheinisch-Westfälischer Cementwerke Gesellschaft mit beschränkter Haftung in Bochum für das Jahr 1904*: WWA Dortmund, K2 Nr. 317, p. 3.
17. *Hundert Jahre Dyckerhoff Zement* (undated centenary publication) p. 61. The Dyckerhoff firm had close links with South America.

The contribution made to Germany's total export trade by the more important industries appears in Table 16. Between 1890 and 1912 the most significant increases were those in the heavy industries, namely machinery and iron and steel, whilst silk and woollen manufactures, wearing apparel and sugar declined in importance. Other industries such as cotton, chemicals, coal, leather, paper, glass and cement remained more or less stable components of the export trade, and electro-technical products only made a separate appearance in the statistics after 1900. Arms and ammunition did not appear separately, being in the main concealed within the various relevant categories.

Table 16: German Total Exports 1890 and 1912<sup>18</sup>  
More Valuable Items

Item	1890		1912	
	Million Marks	%	Million Marks	%
Chemicals, Drugs, Dyes	249.1	7.3	838.5	9.4
Iron, Steel, Manufactures thereof	202.8	6.1	1,201.2	13.4
Silk Manufactures	186.3	5.6	205.2	2.3
Woollen Cloths and Materials	181.4	5.5	194.5	2.2
Cotton Manufactures	168.1	5.1	421.6	4.7
Dressed Leather and Manufactures	131.8	4.0	308.7	3.4
Wearing Apparel	121.3	3.6	118.3	1.3
Coal	115.6	3.5	436.6	4.9
Sugar	116.1	3.5	132.2	1.5
Machinery, inc. Locomotives	66.2	2.0	696.5	7.8
Electro-Technical Products	-	-	251.4	2.8
Paper	57.5	1.7	130.3	1.5
Glass and Glassware	42.7	1.3	119.5	1.3
Cement	15.4	0.5	34.1	0.4

Of these more significant export items five played only a minor part in the trade with the ABC states in this period; these were chemicals, silk manufactures, wearing apparel, coal and sugar (beet sugar), although the latter had been of greater value in the earlier years before South

18. Taken from Statistical Abstract No. 18, Brit. Parl. Papers 1901. LXXXVI and Abstract No. 26, ibid 1914. XCVII; percentages have been calculated from the figures supplied. Occasional minor variations appear in published statistics; the above are convenient since they are arranged in comparable categories.

American local production restricted the market. The value of the remaining nine, together with arms and ammunition, in the trade with the ABC states combined appears in Table 17.

Table 17: Value of German Exports to the ABC States Combined<sup>19</sup>  
Value and Percentage of Total Exports to ABC States

Item	1890		1913	
	Million Marks	%	Million Marks	%
Cotton Manufactures	22.9	21.0	47.9	8.5
Woollen Manufactures	19.3	17.7	22.7	4.0
Iron, Steel, Manufactures thereof	15.5	14.2	129.7	23.0
Machinery	6.7	6.1	54.0	9.6
Electro-Technical Products	-	-	31.5	5.6
Arms and Ammunition	6.5 <sup>a</sup>	4.9	40.6 <sup>b</sup>	7.5
Paper and Paper Products	4.4	4.0	23.9	4.2
Leather and Leather Products	3.3	3.0	17.0	3.0
Glassware	1.7	1.6	13.9	2.5
Cement	0.4	0.4	11.2	2.0

NB: a = figures for 1893, b = 1912, since those for 1890 and 1913 are not typical.

A comparison of these two tables shows that, as for the export trade in general, so in the ABC trade the most significant increases were in the heavy industries, that is iron and steel, machinery and arms and ammunition. Paper, leather, glass and cement typically remained more or less stable, although the latter two tended to increase in importance. Woollen manufactures typically declined in value. The sharp decline in the relative value of cotton manufactures was not typical; as will appear later in this chapter, this was due to the development of the South American cotton manufacturing industries.

A comparison of the two tables above reveals a further aspect of the export trade with the ABC states. In 1890 that trade, although relatively insignificant,<sup>20</sup> was heavily concentrated on the products of

19. Figures extracted, with percentages calculated, from trade tables in Statistisches Jahrbuch für das Deutsche Reich and Statistik des Deutschen Reichs. See Appendices 5-13.

20. It amounted to 109.3 million marks or 3.2 per cent of all German exports: Statistisches Jahrbuch für das Deutsche Reich 1892, p. 65.

the cotton, woollen, iron, machine, electric, paper, leather, glass and cement industries. In 1890 these products accounted for 68.0 per cent of Germany's exports to the ABC states as against 26.2 per cent of total exports, and by the end of the period for 62.4 and 37.5 per cent respectively. This concentration was in 1890 most markedly on the products of the cotton and woollen, iron and steel and machine-making industries, from which 59 per cent of exports to the ABC states was derived. The export trade with the ABC states was thus to a large degree concentrated in a few of Germany's more important industries.

It has been observed in Chapter Three that the German export trade with the three South American republics revealed a distinct pattern. Briefly stated, Argentina took from Brazil the latter's earlier supremacy and did so in two stages. Firstly in 1899 a slender lead was established, followed by a decline in the Argentine market in 1901 and 1902, and secondly a decisive lead was affirmed in 1903-1905 by a significant rise in exports to Argentina. These two stages were seen to correspond to two stages in Argentina's general assumption of trading supremacy in South America. The period commenced with a crisis in each of the ABC states; but the Brazilian crisis was more protracted than that in Argentina. In 1899 Argentina took the lead by default; Brazil was still suffering from economic depression whilst Argentina had recovered from the crop failures of two years previously, only to face a further set-back some two years later. In 1903 that was past. Argentine trade in general expanded and far surpassed that of Brazil and Chile, and the German export trade reaped the benefit.

This pattern is similarly discernible in most of the more important components of Germany's export trade with the three republics. It is apparent in the cotton manufacturing trade<sup>21</sup> as in the most valuable item

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21. See Appendix 5.

of that trade, coloured and printed thick fabrics.<sup>22</sup> Exports of woollen goods similarly conformed.<sup>23</sup> The same influences affected German exports of iron and steel products,<sup>24</sup> both in their total value and within many of the individual items. So, for instance, exports of railway lines followed the same pattern although the timing was not identical.<sup>25</sup> Until 1905 German trade statistics classified most of the remaining iron and steel exports as either rough or fine iron goods; and both categories conformed to the pattern.<sup>26</sup> In only one respect did the iron and steel trade deviate from the pattern. From the beginning of the period Argentina was, of the three, Germany's best customer for the valuable wire exports and the less valuable angle iron and iron for rims and ploughshares,<sup>27</sup> with the result that Argentina took a slight and temporary lead in 1892-1894. German exports of machinery similarly responded to the vicissitudes of the ABC markets<sup>28</sup> with one important deviation. Brazil in 1912 and 1913 resumed the lead earlier ceded to Argentina due, as will appear below, to the stimulation given to Brazilian machine imports by that country's policy of encouraging home industries.

The economic development of the three republics strongly influenced the development of Germany's export trade with them.<sup>29</sup> The Brazil trade, in

22. In 1890 Argentina took 4.6 per cent of Germany's total exports; by 1913 this had risen to 7.7 per cent: calculated from trade tables as published in Statistik des Deutschen Reichs for the relevant years.

23. See Appendix 6.

24. For official German values see Appendix 7. In German trade statistics these were classified as iron and iron goods.

25. From trade tables, Statistik des Deutschen Reichs, 1890-1913.

26. Ibid.

27. Statistics for exports of wire, angle iron and iron for rims and ploughshares appear in Statistik des Deutschen Reichs and Statistisches Jahrbuch für das Deutsche Reich.

28. See Appendix 8. It should be observed that from 1890 to 1905 these values represent "Instruments, Machines and Vehicles" whilst from 1906 they represent machines only.

29. In most other more important items the same pattern is apparent: the paper trade in general and printing paper in particular; glassware exports and glass bottles and flasks, and so forth. This is apparent from published Reich statistics cited in the above footnotes.



the earlier years Germany's most lucrative South American business and the hope of colonial enthusiasts and others who gave attention to South America, was eclipsed by that with Argentina even as Brazil's total trading strength was overshadowed by that of Argentina.

The development of Germany's electrical trade with the ABC states further exemplifies this shift in importance. Initially Brazil was the main South American market; by the turn of the century Argentina had assumed pre-eminence. The electrical trade warrants closer examination, not only as an example of the general trend but also due to the unique measure of support it received from German capital.

The German export of electro-technical products to the ABC states was effected by the two giants of the German electrical industry, Siemens and Halske (Siemens-Schuckert from 1903) and Emil Rathenau's Allgemeine Elektrizitäts-Gesellschaft or AEG which was founded in 1887 from the Rathenau German Edison Company of 1883. It was not until the 1890s that German products appeared in South America to any appreciable degree; Rathenau's company had only appeared on the scene a short time before, and the domestic history of the Siemens concern prevented its early participation. Siemens, a family business, was founded in 1847 and the three brothers spread their field of operation. Werner remained in Berlin, operating with Johann Halske as Siemens and Halske. Wilhelm went to England where in 1880 his branch of the business became a limited liability company under the name Siemens Brothers & Co. Ltd. Karl became the Russian representative.<sup>30</sup> Between Siemens' English and German firms an agreement was concluded to prevent competition between each other, Werner leaving most of the overseas business to Wilhelm since England dominated the world market and was the logical place from which to seek

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30. Siemens, Georg: History of the House of Siemens. Trans. A.F. Rodger (Freiburg/Munich: Karl Alber, 1957) Vol. I, Chapters 1 & 2; Von Weiher, op.cit., p. 145ff. Wilhelm, or William, was later knighted.

overseas orders. The English firm therefore held virtual monopoly in South America for the delivery of Siemens telegraph material and such,<sup>31</sup> sending inter alia telegraph material to Chile in 1854,<sup>32</sup> to Argentina in 1857 (this being the first telegraph to operate in that country),<sup>33</sup> and to Brazil some time after 1864.<sup>34</sup> Strained relationships between the London and Berlin firms, together with Werner Siemens' mounting concern at the fact that the division of labour left the world market to Germany's competitors, led to a change in the agreement. By the 1880s the Berlin firm continued to leave the British Empire as the reserve of the London firm but competed with the latter elsewhere.<sup>35</sup>

By the mid-1890s Siemens and Halske were represented in Brazil. In keeping with their policy of establishing Technical Bureaus to advise and assist in the installation of exchanges and other units<sup>36</sup> they opened a Bureau in Rio de Janeiro on January 1, 1895,<sup>37</sup> this office describing itself on its letterhead as General Representative in South America for Siemens and Halske Berlin.<sup>38</sup> It is clear that for some time the Berlin firm faced stiff competition in Brazil from Siemens Brothers London as well as from other German firms in the provision of cable, isolators, telegraph apparatus and such items.<sup>39</sup> Nevertheless Siemens and Halske found increasing business in the supply and installation of power units

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31. Eitel, Wolfram: Die historische Entwicklung des Übersee-geschäftes des Hauses Siemens und seine Organisation (Berlin, 1957/58) pp. 13-14; typescript in Siemens München Rep.12/Lm 910; von Weiher, op.cit. p. 158.
32. Werner to Karl 22.11.1854: quoted by Eitel, op.cit., p. 1.
33. Freie Presse Buenos Aires, Mai-Festschrift 1960, p. 111; copy in Siemens München Rep. 68/Lk 989.
34. Eitel, op.cit., p. 12.
35. Ibid, p. 19ff. The first overseas representative was appointed to China in 1879.
36. Siemens, op.cit., Vol. I. p. 304ff.
37. Eitel, op.cit., pp. 46-49.
38. This appears on a letter from the Rio representative A. Schramm to Siemens and Halske Berlin 16.12.1897: Siemens München Rep. 44/La 99.
39. The Brazilian government had until 1897 a purchasing office in Paris which published reports, the last of which covered the period 1894-1895. A little over half the electrical supplies purchased through the office came from England, almost all of it from Siemens Brothers: A. Schramm to Siemens and Halske 12.4.1898: Siemens München Rep. 25/L1 416.

and telegraph and telephone exchanges. Between 1890 and 1903 five light and power plants were delivered to Brazil, the first being in the State of Pará in 1895-96. This was a 900 h.p. steam-driven generator producing 2,000 volts, a large installation for its time which, together with one in Johannesburg, was regarded by the Berlin firm as an important pioneer work in its overseas expansion.<sup>40</sup> In March 1897 the Rio de Janeiro city authorities invited tenders for the provision of a new telephone exchange to replace one built a few years previously and which had proved unsatisfactory; Siemens and Halske successfully tendered and commenced work in March 1898.<sup>41</sup> About the same time, in June 1897, an electrical tramway system was installed in Bahia.<sup>42</sup> In the following years further lighting and power installations were supplied. Between 1902 and 1907 sixteen such installations appeared in the Siemens records, totalling 4,187 h.p. The State of São Paulo, where German settlement was concentrated, was the most valuable market. Due to the reorganisation of Siemens' Brazil representation, São Paulo receiving its own office, the Rio Technical Bureau was driven to break new ground elsewhere in Brazil and achieved a measure of success in Minas Geraes.<sup>43</sup>

It was to Brazil that exports of electro-technical products on a significant scale to South America were first undertaken by Siemens.

Meanwhile the AEG became active in Argentina. Rathenau's company

40. Eitel, *op.cit.*, Anlage 3 and p. 44.

41. Exposé über Erwerbung und Ausnutzung einer Konzession auf die Fernsprechanlage in Rio de Janeiro 13.9.1897; Siemens and Halske to Federal Telephone and Transport Dept., Rio de Janeiro 12.3.1898: both in Siemens München Rep. 25/Lo 579.

42. Bericht des Technischen Bureau's Rio de Janeiro ueber den Monat Mai 1897, Siemens München Rep. 25/Lp 278. See also Consul Medhurst's Report, *Brit. Parl. Papers* 1902. CV. p. 361.

43. Between 1908 and 1912 the Rio Bureau delivered 39 units totalling about 10,500 h.p., of which 23 were in Minas Geraes. The list of units, however, makes it clear that many were small; they averaged 269 h.p. and many were considerably less. The Director of the Rio Bureau reported in 1912 that business in high voltage installations had been meagre: Direktor Bücken, Ueber das Arbeiten des TB Rio bzw. der Rio-Filiale der Brasilianischen Siemens-Schuckertwerke 1904-1912, 20.8.1912, in Siemens München Rep. 15/La 103.

acquired the concession for the construction of a lighting and power station in Buenos Aires to replace the existing inadequate installation. To finance the project the AEG gained the support of a group of German bankers, headed by the Deutsche Bank, and the resultant Deutsch-  
Ueberseeische Elektrizitäts-Gesellschaft (DUEG) was formed in 1898 with an opening capital of 20 million marks.<sup>44</sup> The Rathenau and Siemens concerns had sought in previous years to avoid competition with each other by the typically German practice of cartellisation,<sup>45</sup> and the creation of the DUEG led to a further agreement between the AEG and Siemens and Halske. In a document concerning South American undertakings, signed in Berlin on July 9, 1898, the two firms agreed on a division of labour in South America. The AEG retained control over the DUEG with its Buenos Aires installations and its lighting and tramways undertakings in Santiago and Valparaiso. Siemens and Halske in turn retained the electrical undertakings in Rio de Janeiro and Bahia in Brazil. Other undertakings in São Paulo (Brazil), Lima (Peru) and in Buenos Aires were to be run jointly by both firms on an equal footing, each to get half the orders and profits and each to meet half the expenses.<sup>46</sup> The agreement operated without friction. By 1904 the DUEG in Buenos Aires had bought out all serious competition in the field of power supply - British, French and German - and monopolised the production and distribution of electrical power in the city.<sup>47</sup> In Chile the two German firms worked in

44. Seidenzahl, op.cit., p. 125. The role of German capital will be discussed in Chapter Six below.

45. In effect these agreements gave the AEG the right to construct power installations and Siemens & Halske the right to build and supply the dynamos and other machinery as well as the cable. By 1894 they had lapsed: Helfferich, op.cit., p. 54ff.; Seidenzahl, op.cit., p. 122; Siemens, op.cit., p. 92.

46. Abkommen zwischen der Siemens & Halske Aktien-Gesellschaft einerseits und der Allgemeinen Elektrizitäts-Gesellschaft andererseits betr. „Südamerikanische Unternehmungen“: Siemens München Rep. 21/Le 507. From documents in ibid 68/Lk 989 and 25/Ls 847 Siemens established representation in Buenos Aires, Valparaiso and Santiago.

47. Fürstenberg, Hans: Carl Fürstenberg. Die Lebensgeschichte eines deutschen Bankiers 1870-1914 (Berlin: Ullstein, 1931) pp. 342ff.; Kannapin, op.cit., pp. 168ff.; Lütge, Hoffmann & Körner, op.cit., pp. 297-298.

co-operation and were jointly financed by the Deutsche Bank.<sup>48</sup> In Brazil, their main South American territory, Siemens expanded their representation. When the Rio Bureau sought Berlin's permission to open a branch office in Bahia, the third largest town in Brazil, consent was readily given and in May 1911 it was opened for business. It was perhaps a belated effort. The electrical tramway which they had installed in 1897 had been acquired by the American Tramway Light and Power Company in 1906;<sup>49</sup> and whilst Siemens did not regard the latter as a serious competitor in Bahia they recognised that the American General Electric Company, which also had installed tramways, public elevators and cable cars, had an excellent reputation and represented serious competition. Berlin, in consenting to the opening of the Bahia branch office, obviously thought it should have been done sooner.<sup>50</sup>

The Siemens and Rathenau concerns avoided mutual competition not only by the 1898 agreement but also by agreements with the German Company for Wireless Telegraphy, Telefunken for short. In Germany Siemens and Halske and the AEG in May 1903 merged in the Telefunken company their rival interests in the development of wireless telegraphy and the telephone; Telefunken was in effect a joint venture of both firms and was bound by the terms of its founding agreement to purchase its requirements from the two parent companies.<sup>51</sup> To render this merging of interests effective in South America an agreement was concluded in Berlin on May 22, 1906 between Siemens-Schuckert and Telefunken, in which Telefunken ceded to Siemens' Rio Bureau sole right to represent them in

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48. Deutsche Bank to Bülow 18.3.1905, Chile 1.34, PA Bonn.

49. Brit. Parl. Papers 1908. CIX. p. 699.

50. Siemens-Schuckert to Siemens-Schuckert Werke Rio de Janeiro 15.3.1911; Companhia Brasileira de Electricidade Siemens-Schuckert Werke to Siemens Schuckert Berlin 5.6.1911: both Siemens München Rep.68/Li 260. Siemens also had temporary offices in Bello Horizonte and Victoria in Brazil: Companhia Brasileira de Electricidade Siemens-Schuckert Werke to Siemens Schuckert Berlin 31.8.1911, Siemens München Rep. 68/Li 260.

51. Siemens, op.cit., Vol. I. pp. 183-186.

Brazil, the latter in turn engaging to procure all their telephone supplies from Telefunken at preferential prices; the profits and costs of such joint enterprises were to be shared equally.<sup>52</sup>

By 1900 it was in Argentina that the German electrical industries, co-operating with each other by means of these agreements, achieved the greatest success. Although it was not until 1906 that products of the electro-technical industry were itemised separately in German trade statistics, from 1900, when German machinery was classified according to usage rather than as previously the material from which it was constructed, electrical machinery was separately itemised in machinery statistics. In both sets of statistics, those from 1900 and those from 1906, Argentina was overwhelmingly Germany's main South American market. In the abbreviated figures for 1900-1905 Argentina alone of the ABC states took sufficient electrical machinery to warrant inclusion.<sup>53</sup> From 1906, when the value of all electro-technical exports appeared in the statistics, exports to Argentina in each year exceeded the combined value of those to Brazil and Chile and rose from 7.7 to 18.9 million marks.<sup>54</sup>

The export trade in electro-technical products exemplifies the predominant position Argentina came to assume amongst Germany's South American markets. It also exemplifies the reason put forward in Chapter Three for Argentina's assumption of supremacy about the turn of the century.

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52. The Agreement is in Siemens München Rep. 68/Li 260. A similar agreement was concluded between Siemens and Telefunken concerning Chile and Bolivia; the Agreement dated March 18, 1908, is in the same Repertorium.

53. From Statistisches Jahrbuch für das Deutsche Reich, 1900-1905. Under the various items of trade in this source countries whose annual imports or exports of each item were valued at less than half a million marks did not appear amongst the sources or destinations for that item.

54. See Appendix 9. Argentina was the main market for dynamos, electric motors, transformers, equipment for lighting and power, and incandescent lamps. From 1908 Brazil led in telegraph and telephone installations. In the abbreviated statistics Argentina alone of the three appeared as a market for armatures and collectors, cable, and electrical measuring, counting and register installations.

Argentina, it has been seen, developed a greater importing capacity than did Brazil or Chile. In 1902 (Brazilian figures were not prepared for earlier years) Brazil's total imports were valued at 23.28 million pounds, Argentina's at 20.61 million and Chile's at 9.64 million; by 1912 Argentine imports totalled 76.79 million pounds, Brazil's 63.42 million and Chile's 25.08 million.<sup>55</sup> As with total imports in general, so in particular Argentine imports of electro-technical products exceeded those of the other two republics. This is apparent from a document dated July 1914 in the Siemens archives concerning electrical enterprises in South America.<sup>56</sup> The document pointed out that from the turn of the century Argentina made very substantial progress in the use of electrical power and equipment and was by 1913 the leading overseas consumer of electrical equipment. In 1913, the document continued, Argentina's total electrical imports stood at 40 million marks, whilst Brazil's were valued at 33 million and Chile's at 10 million marks. In that year Argentina took 6.8 per cent of Germany's electro-technical exports and the combined ABC states 11.3 per cent.

Comparable statistics are not to hand for all items imported by the three republics, but those that are lead to the same conclusion. From around the turn of the century Argentina's importing capacity exceeded that of the other two South American republics.<sup>57</sup> As the Argentine demand for imports increased, German industries reaped the benefit. Argentina became their leading South American market, outstripping Brazil which had earlier held pride of place. The economic development of the three

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55. Statistical Abstract No. 26, Brit. Parl. Papers 1910. CV. 1; No. 26, ibid 1914. XCVII.

56. Elektrische Betriebe in Suedamerika: Siemens München Rep. 36/Ls 103.

57. So, for example, total imports of cotton manufactures from 1902 appear in Statistical Abstracts in Brit. Parl. Papers, which demonstrate that between 1902 and 1912 Argentina nearly doubled its total imports whilst Brazil and Chile remained stable or declined. Different systems of classification and lack of complete statistics do not permit comprehensive comparisons.

republics strongly influenced the course of the German export trade with them.

The importing capacity of the South American republics, as of all industrial countries, was affected by the progress of home industries; this in turn had some bearing on the pattern of the German trade with the ABC states. By 1890 industries had been established in all three republics, and by 1914 industrialisation was well advanced in Argentina and Brazil and making steady progress in Chile. As is frequently the case cotton mills and boot and shoe factories were amongst the early industries; so also were tanneries, breweries, cereal mills and sugar refineries. Further, the production of paper, matches, hardware, kitchenware, ironware, furniture, soap and clothing made some headway, as did machine factories and workshops.<sup>58</sup> For the German export trade much of this was of trivial significance; the shrinking of the ABC markets for items such as matches or soap had a scarcely perceptible effect. In 1890, 59 per cent of German exports to the ABC states consisted of products of the cotton, woollen, iron, steel and machine industries;<sup>59</sup> and German trade and industry was only materially affected by South American local industries insofar as they impinged on these products.

Of these principal exports cotton manufactures were the most adversely affected. It is somewhat ironical that, whereas South America had initially been seen as a possible substitute for the older but shrinking

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58. Consular reports regularly referred to the advance of industrialisation, which is discussed at some length by Platt, Latin America and British Trade Chapter V. Graham, op.cit., pp. 44ff, 143ff, gives much detail, as does Dean, Warren: The Industrialization of São Paulo 1880-1945 (Austin: University of Texas Press, 1969). For the contribution of Germans to industrialisation in south Brazil, see von Delhaes-Guenther, Dietrich: Industrialisierung in Südbrasilien. Die Deutsche Einwanderung und die Anfänge der Industrialisierung in Rio Grande do Sul (Köln: Böhlau Verlag, 1973).

59. Page 168 above.



markets, by 1914 the Brazilian market for cotton manufactures had itself contracted to some degree due to home industries and protective tariffs. In 1890 cotton manufactures, valued at 168.1 million marks, stood high on the list of German exports.<sup>60</sup> In that year Germany's most valuable class of cotton goods exports, that classified as coloured or printed thick fabrics, was valued at 51 million marks or 30.4 per cent of total cotton manufactures exports.<sup>61</sup> In the same year no less than 30 per cent of exported coloured or printed thick fabrics went to the ABC states, half of that quantity going to Brazil alone.<sup>62</sup> Taking German cotton manufactures to the value of 22.9 million marks in 1890 the ABC states, led by Brazil, took some 14 per cent of Germany's exports. It was, however, in Brazil that the cotton industry developed most strongly; by 1910 Brazil was far ahead of all other Latin American cotton manufacturing countries whilst Argentina, in sixth place, was far behind and Chile ranked even lower.<sup>63</sup> With a ready supply of raw material produced in the northern Brazilian state of Pernambuco it was inevitable that, as the German Consul Wever reported in 1897, "of the industries of Brazil perhaps none has in recent years made such progress as has the manufacture of cotton woven goods."<sup>64</sup> Protected behind a tariff of 25 per cent to be paid in gold, wrote Wever's successor Dr. Falcke in 1901, the Brazilian products far underpriced German goods which became 70 to 150 per cent dearer than their original price.<sup>65</sup> German trade

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60. See Table 16, p. 166 above.

61. Weights and values from Statistisches Jahrbuch für das Deutsche Reich 1892, pp. 66-67; percentages calculated therefrom. In that year hosiery, valued at 57.9 million marks, represented 34.4 per cent; normally this item stood second behind coloured or printed fabrics.

62. Calculated from statistics in Statistisches Jahrbuch für das Deutsche Reich, 1892, pp. 66-67.

63. See Platt, Latin America and British Trade p. 95 and Table XIII p. 182. In Argentina capital found employment predominantly in the breweries, freezing plants, sugar mills and refineries, quebracho extractors, saladeros, and electrical and gas works.

64. Deutsches Handels-Archiv 1898. II. pp. 593-594. Wever reported similarly in 1899: ibid, 1900. II. p. 441.

65. Ibid, 1903. II. p. 236.

statistics document the result. In 1890 Brazil had been Germany's leading market for coloured or printed thick cotton fabrics; by 1913 India had become the leading market, followed at some distance by Great Britain, Argentina, Turkey, British Africa, the Netherlands and Brazil. The tonnage of coloured or printed fabrics sent to the ABC states remained more or less stable throughout the period, although that sent to Brazil fell away; but the proportion of total German exports of this commodity which it represented fell from 30 to 14.3 per cent. In other words, it had become necessary for German cotton manufacturers to find alternative markets for the increased tonnages exported between 1890 and 1913. The result, as had been seen,<sup>66</sup> was that whilst cotton manufactures provided a more or less stable share of total German exports their share of exports to the ABC states dropped sharply from 21.0 to 8.5 per cent. Brazil, previously Germany's leading South American market, ceded pride of place to Argentina, a development due in some measure to the more highly developed Brazilian cotton industries which placed strong restraints on the importing capacity of that country.

Whilst industrialisation in the ABC states adversely affected German exports of cotton manufactures it stimulated the export of machinery. As appears from Table 16 machinery accounted for an increased share of German total exports, from 2.0 to 7.8 per cent;<sup>67</sup> by 1912, valued at 696.5 million marks, machinery stood very high amongst German exports. In general the ABC states constituted a not insignificant market, taking between 8 and 10 per cent of exported machinery between 1890 and 1913, rising in value from 6.7 to 54.0 million marks. In particular, in the later years the Brazilian policy of encouragement to the development of national industries changed the pattern of the German trade with the ABC

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66. See p. 167 above.

67. See p. 166 above. Hoffmann, *op.cit.*, p. 154, shows a share increasing from 2.5 to 10.3 per cent; his figures include vehicles and electrical machinery: *ibid*, p. 522.

states. In 1903 the German Association of Producers of Agricultural Machines and Appliances pointed out that, whilst the Argentine tariff was very favourable for the export of machinery, the Brazilian tariff favoured only the export of agricultural appliances; the Brazilian duty of 15 per cent ad valorem on machinery and locomobiles was so high as to deter competition with American producers who were able to underprice Germany because of cheaper production and distribution costs.<sup>68</sup> A presidential decree of August 12, 1907, effected a change in Brazilian tariff policy to favour the import of machinery which would contribute to the growth of Brazilian industry; the tariff was liberalised by allowing the duty-free import of machines and apparatus for agriculture, for various important industries, and for mining.<sup>69</sup> The result, as the British Legation Secretary Cheetham observed,<sup>70</sup> was an increase in machinery imports, an increase attested by Brazilian trade statistics as Table 18 demonstrates.

Table 18: Brazilian Imports of Machinery, Appliances, Tools, etc.<sup>71</sup>

Value in Milreis	
1902	9,646,000
1903	10,964,000
1904	12,439,000
1905	16,280,000
1906	19,953,000
1907	30,934,000
1908	29,793,000
1909	31,454,000
1910	39,498,000
1911	51,408,000
1912	64,520,000

68. Verein der Fabrikanten landwirtschaftlicher Maschinen und Geräte, an den Deutschen Reichskanzler: Betrifft die neuen Handelsverträge. Leipzig, 1. Februar 1903: HA Bremen Hp. I. 10. 1.

69. Deutsches Handels-Archiv 1908. I. p. 275.

70. Brit. Parl. Papers 1909. XCII. pp. 642-643. Cheetham drew particular attention to increased imports of American machinery for the boot and shoe industry.

71. Taken from Statistical Abstract No. 26, Brit. Parl. Papers 1914. XCVII. The gold milreis was officially valued at 2s.3d.

In 1907 the import value rose sharply by nearly eleven million milreis, a rise of roughly 24.7 million marks which brought the 1907 value to roughly 69.6 million marks. After a period of stability following this increase there were further steep rises in 1911 and 1912. It was in these years that the Brazilian market for German machinery recovered; in 1907 German exports rose by 4.9 million marks and in 1912 by a further 10.4 million, and in that latter year Brazil resumed the leadership lost to Argentina in 1898.<sup>72</sup> Brazilian tariff policy to encourage home industries gave a substantial boost to German exports of machinery to that country.

For the German iron and steel industry the advance of industrialisation in the ABC states was similarly beneficial, despite occasional consular comment on the competition offered by home industries in various items. German trade statistics indicate that this competition did not close the market to German goods; at the most, it may have placed limits on its expansion. Further, the items affected were of comparatively slight value. So, for instance, by the turn of the century Argentine industries were producing iron stoves and bedsteads and mattresses which competed with European exports;<sup>73</sup> and whilst bedsteads and mattresses made no separate appearance in German statistics, in 1912 Germany sent stoves, ovens and such to the ABC states worth 3.8 million marks as against about 1 million in 1907.<sup>74</sup> Again, by the turn of the century German consular reports observed that local production of kitchen utensils restricted imports from Germany.<sup>75</sup> Competition there may have been; nevertheless household

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72. See Appendix 8.

73. In 1901 32 stove factories and 45 for the manufacture of iron beds and mattresses were counted in Buenos Aires, and in 1903 stove and bed manufactures were listed amongst the leading industries in Rosario: Brit. Parl. Papers 1902. CV. p. 137; 1904. XCVII. p. 31.

74. From Statistisches Jahrbuch für das Deutsche Reich for the years from 1906; classification prior to that date does not yield such itemised detail.

75. So, e.g., the report from Argentina in Deutsches Handels-Archiv 1899. II. p. 270.

and cooking implements worth 5.2 million marks went to the ABC states in 1913 as against 2.7 million in 1906, and fine cutlery worth over 4 million marks in 1913 compared with 2 million in 1906.<sup>76</sup> The manufacture of such items as wire nails in Brazil from the mid-1890s<sup>77</sup> was of no real significance, and in any case German wire-makers supplied much of the semi-finished material. Such restrictions as may have occurred in the market for finished goods were more than adequately compensated by the increased demand for semi-finished iron for use in the developing South American industries. In the later years Argentina assumed some significance as a market for German bar iron, one of the most valuable single items of export in the iron and steel category.<sup>78</sup> In 1913 exports to Argentina, valued at nearly 10 million marks, were exceeded only by those to the Netherlands, Great Britain, India and Japan; between 1901 and 1908 Germany supplied about 40 per cent of Argentina's imported bar iron<sup>79</sup> and a growing share of Brazil's imported semi-finished iron.<sup>80</sup> Furthermore, industrialisation entailed the erection of factories and other industrial installations, from which the German iron and steel industry benefited. In the later years Germany supplied between 50 and 60 per cent of Argentina's imported iron columns and joists,<sup>81</sup> exports to Argentina accounting for up to 14.9 per cent of total German exports<sup>82</sup> and in the best year being valued at 5.8 million marks. Industrialisation, in short, gave the ABC states added

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76. From Statistisches Jahrbuch für das Deutsche Reich for the years from 1906.

77. Brit. Parl. Papers 1895. XCVI. pp. 450-451.

78. Argentina took in the vicinity of 8 per cent of total German exports; calculated from German trade tables.

79. Deutsches Handels-Archiv 1905. I. pp. 76-77; 1907. I. pp. 394-395; 1908. I. pp. 866-867; 1910. I. pp. 1190-1191; Brit. Parl. Papers 1906. CXXII. pp. 537-539.

80. From statistics in Deutsches Handels-Archiv 1904. I. pp. 975-978; 1905. I. pp. 1037-1040; 1906. I. pp. 1070-1073; 1907. I. pp. 687-690; 1908. I. pp. 462-465; 1911. I. pp. 1026-1032; Brit. Parl. Papers 1909. XCII. pp. 639-640; 1910. XCVI. pp. 618-619; 1914-16. LXXI. p. 181.

81. Brit. Parl. Papers 1905. LXXXVII. p. 6-7; 1906. CXXII. pp. 537-539; 1914. LXXXIX. pp. 571-572.

82. Calculated from German trade statistics.

significance for the German iron and steel industry by creating a demand for semi-finished materials, building components and such, the value of which far exceeded any restriction in orders for finished goods which followed in its wake. Once more German trade statistics show the result; whereas in 1890 the combined ABC states took 6.2 per cent of Germany's exported iron and steel products, by 1913 the share had risen to 10.6 per cent and the value to 129.7 million marks.<sup>83</sup>

The main effects of the developing South American home industries were the restriction of exports of cotton manufactures and the stimulus to exports of iron and steel products and machinery. A further consequence of lesser importance merits brief comment. The German export trade in general between 1890 and 1913 was characterised by the increased proportion represented by semi-finished products. Finished goods consistently represented a little over 50 per cent; semi-finished goods rose from 16 to 21 per cent of total exports.<sup>84</sup> This trend has been observed in the iron and steel trade with the ABC states; it is also discernible in the lower-ranked leather trade. In all three republics leather industries of various sorts were developed which, since their products were afforded tariff protection, offered strong competition to European exports.<sup>85</sup> So far as leather boots and shoes were concerned the British consular report from Valparaiso, Chile, for 1897 typified the situation. Importing houses found it virtually impossible to compete with the cheaply produced local product, protected as it was by a duty of

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83. Calculated from trade statistics for the relevant years; for the value of exports to the ABC states see Appendix 7.

84. Hoffmann, *op.cit.*, p. 153.

85. From 1890 the value of Argentina's imports of leather and leather goods dropped, not recovering until after 1905: Statistical Abstract No. 18, *Brit. Parl. Papers* 1901. LXXXVI; No. 26, *ibid*, 1910. CV; No. 26, *ibid*, 1914. XCVII. For leather goods industries, especially boot and shoe factories, in Argentina see *Deutsches Handels-Archiv* 1892. I. pp. 58-59; *Brit. Parl. Papers* 1902. CV. p. 137; 1904. XCVII. p. 31; in Brazil *Deutsches Handels-Archiv* 1893. II. p. 198ff., *ibid*, 1896. II. p. 117; in Chile *ibid*, 1906. II. pp. 1205, 1212.

60 per cent on men's and women's sizes and 25 per cent on children's; the largest shoe importer in Chile consequently abandoned the attempt, imported bootmaking machinery, and turned to production rather than importing.<sup>86</sup> The development of home industries stimulated demand for semi-finished leather. Detailed statistics for the ABC states are not to hand, but it is clear that at least Brazil from 1902, when trade statistics for that country began to appear, imported far more semi-finished leather than leather goods such as saddles, wallets, shoes and gloves.<sup>87</sup> The result was that, whilst Argentina took from Brazil the lead in the finished leatherware trade in the familiar two stages, Brazil remained by far the leading South American market for German exports of semi-finished leather and skins<sup>88</sup> and for this reason remained Germany's best South American customer for leather and leatherware for most of the period under review.<sup>89</sup> By 1913 semi-finished leather was exported to the ABC states to the value of roughly 10 million marks,<sup>90</sup> giving no small compensation for shrinking exports of finished leatherware.

Taken in its totality industrialisation in the three South American Republics was beneficial to the German export trade. The increased exports of iron and steel, machinery and various semi-finished products<sup>91</sup> more than compensated for retarded exports of cotton manufactures and

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86. Brit. Parl. Papers 1899, XCVIII. p. 441.

87. In 1902, for instance, Brazil imported leather goods worth 2,428,855 milreis and rough and prepared hides and leather worth 6,533,761 milreis. See Deutsches Handels-Archiv 1904. I. pp. 976, 981; 1905. I. pp. 1039, 1043; 1906. I. pp. 1072, 1075; 1907. I. pp. 689, 693; 1908. I. pp. 464, 468; 1911. I. pp. 1727, 1728.

88. From trade tables for leather and leatherware in Statistisches Jahrbuch für das Deutsche Reich Jgg. 1892-1915.

89. See Appendix 13.

90. From trade statistics for 1913, Statistisches Jahrbuch für das Deutsche Reich.

91. In this regard the German trade with the ABC states was typical of the German export trade in general, and indeed of German industrial development in this period. For the latter, the growth rate of production was far higher in the heavy industries than in the textile industry; and whilst textiles, cloths and clothing provided a share of total exports which fell from 21.1 to 12.3 per cent, a proportion which rose from 9.2 to 21.0 per cent came from the metal-working and machine industries: see tables in Hoffmann, op.cit., pp. 63, 68-69, 154.

other lesser items. The market had expanded, not contracted; whereas in 1890 the ABC states jointly took 3.2 per cent of all German exports, by 1912 their joint share had risen to 6.1 per cent.<sup>92</sup> Industrialisation in the ABC states had a further effect by contributing to the emergence of Argentina as Germany's leading South American market. The more highly developed Brazilian cotton manufacturing industries inhibited exports to that country whilst those to Argentina increased; and the superior strength of Argentina as a market for German iron and steel, machinery (until 1912) and electro-technical products stemmed from that country's industrial development.

The domestic history of the ABC states exercised a further important influence on the German trade, an influence which did not stem from the economic and industrial history of those countries but from their military history and the disturbances of, or threats to, their peace. The needs which were thereby created provided opportunity for German armaments manufacturers as also for other industries; and due to the support given by the German government to the German arms industry the struggle for the market became the occasion for a far-reaching German military influence on the South American continent.

German armaments manufacturers had been active in South America before 1890. Krupp delivered guns to Argentina from 1864, to Brazil from 1871 and to Chile from 1872;<sup>93</sup> and from 1882 the firm which later became the German Arms and Munitions Factory Pty. Ltd. (for convenience often simply called Ludwig Loewe) recorded the despatch of larger orders to South America.<sup>94</sup> The wars which had accompanied the independent development

92. Statistisches Jahrbuch für das Deutsche Reich 1892 p. 65; 1915 p. 258.

93. Drei Kurze Zusammenstellungen der Firma Krupp für Prinz Heinrich bei dessen Südamerikareise 1914: Preußen 1.3.3.13, PA Bonn.

94. 50 Jahre Deutsche Waffen- und Munitionsfabriken Aktiengesellschaft (Berlin: VDI-Verlag, 1939) p. 25. The firm emerged from the munitions factory Henri Ehrmann, founded in 1872, and had its seat in Karlsruhe until its incorporation with the Berlin firm Ludwig Loewe & Co. From its inception the firm had close relations with Krupp and with the Mauser Brothers, buying the patents for production of Mauser weapons.



of the South American republics provided ready markets for armaments producers.<sup>95</sup> After the experiences of the frequent South American wars, however, between 1890 and 1914 a more direct European military activity was favoured on the South American continent since some South American governments instigated programmes for the modernising and professionalising of their respective armies. For a number of reasons, not the least being a sense of republican solidarity, South American governments had drawn on French influence and systems of military organisation; but the successes of the Prussian army in the wars of German unification, in particular its successes against the French, produced a wavering in the earlier pro-French direction and a distinct interest in the German military system.<sup>96</sup> The result was that German military instructors were appointed in Argentina and Chile, Emil Körner being active in Chile since 1885<sup>97</sup> and Alfred Arent and other officers at the Argentine War Academy from its inception in 1900.<sup>98</sup> In Brazil Germany did not establish a military mission despite attempts, largely instigated by the pro-German Brazilian Minister Rio Branco, in this direction from about 1906. German military influence was exercised in Brazil in other ways. Small numbers of Brazilian officers were admitted into service with the Prussian army from 1902;<sup>99</sup> and in 1908 top-ranking Brazilian military personnel were invited to the Prussian manoeuvres with results to be observed

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95. Not only German. France, England, Belgium and the United States also delivered weapons. For deliveries of Austrian guns, Moeller to Königl. Preuß. Kriegsministerium 25.6.1890, Deutschland 121.19.1, PA Bonn; Notiz 22.10.1895 re report, General Konsulat Antwerp 19.10.1895, Deutschland 121.19.2, PA Bonn.

96. So, e.g., Schaefer, Jürgen: Deutsche Militärhilfe an Südamerika. Militär- und Rüstungsinteressen in Argentinien, Bolivien, Chile vor 1914 (Düsseldorf: Bertelsmann Universitätsverlag, 1974) p. 22.

97. Much has been written about Körner. Schaefer, op.cit., pp. 21ff. and bibliography is useful.

98. Ibid, pp. 74ff. Also Brunn, Gerhard: Deutscher Einfluss und Deutsche Interessen in der Professionalisierung einiger lateinamerikanischer Armeen vor dem 1. Weltkrieg (JGSWGL, 6, 1969).

99. Two were admitted that year, more in later years: Treutler to Bülow 15.3.1902; War Ministry to Foreign Office 21.4.1902: both Brasilien 3.4, PA Bonn; War Ministry to Foreign Office 21.5.1906, Brasilien 3.6, PA Bonn.

below.<sup>100</sup>

South American civil wars and war scares, as also the occasional need to modernise or replenish war materials, became for the German armaments industry, supported as it was in South America by German or German-trained military personnel as also by the German government, profitable events. The development of that trade is summarised in Table 19.

Table 19: German Exports of Arms and Ammunition to the ABC States<sup>101</sup>  
Value in Thousands of Marks

Period	To Argentina	To Brazil	To Chile
1890-1894	9,898	4,941	273
1895-1899	17,130	7,856	12,064
1900-1904	7,156	1,569	4,004
1905-1909	8,989	13,821	4,200
1910-1913	45,516	31,319	28,692

It is clear that in every period other than 1905-1909 Argentina was the best market of the three. Of the 24 years between 1890 and 1913 Argentina led in 14, whilst Brazil led in 7 and Chile in 3. Being subject to influences of a nature other than the economic events outlined in an earlier chapter this class of export did not conform to the more generally observed pattern.

100. Brunn, Deutschland und Brasilien pp. 100-115 has a full account of German influence in Brazilian military circles.

101. These figures summarise those in Appendix 10. They can only be regarded as an approximation. Figures for shells and cannon were subsumed under iron and iron goods, and from 1906 the relevant sub-section was expanded to include stoves, radiators, machined tubing etc; from 1912 it was widened even further. Hence from 1906 these figures doubtless include more than shells and cannon. Further, since the statistics in this instance continued to be based on the older concept of the material from which goods were manufactured, it must be assumed that they do not include components of the complete cannon other than, as stated, the barrel; that the value of the mounting etc. is concealed elsewhere in the appropriate categories. In this regard, therefore, these figures represent less than the full value. The category containing rifles and hand weapons was also later expanded to include air guns and other weapons not necessarily war material. The above figures are less than those supplied by Krupp for Prince Heinrich's 1914 visit to South America; the latter doubtless included 1914 orders whilst the above figures end in 1913; and Krupp's figures doubtless included orders not yet delivered.

The serious and protracted Brazilian civil war of 1893-1895 proved lucrative to German armaments manufacturers. The Brazilian Budget for 1893 included a credit of 115,000 pounds or about 2.3 million marks for the purchase of rifles and ammunition in Germany;<sup>102</sup> and a consequent order for 70,000 rifles, together with ammunition, was placed with Ludwig Loewe by the Brazilian Military Purchasing Commission which was at the time in Europe.<sup>103</sup> This was amongst the largest orders received by German armaments manufacturers at that time.<sup>104</sup> German trade statistics between 1893 and 1895 reflect these purchases of rifles and ammunition; they also indicate that the profits from the Brazilian conflict were not confined to Loewe but that Krupp also gained orders for cannon and artillery.<sup>105</sup> This, indeed, is clear from the German Foreign Office documents. Early in 1894 Krupp was fearful of the damage which could be done to his standing with the Brazilian government by rumours circulating in Brazil that he was delivering war material to the rebel Admiral Mello. The rumours, Krupp assured the Foreign Office, were entirely unfounded and apparently came from French competitors seeking to discredit him; the Krupp firm only dealt with legitimate governments. At Krupp's request the Foreign Office cabled the Rio Legation to emphasise to the Brazilian government that the rumours were false and that Krupp would never be party to such practices.<sup>106</sup> The assurances were evidently accepted, for the following month the Brazilian Minister in Berlin sought to arrange for the delivery of further war material obtained from Krupp.<sup>107</sup>

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102. Report from the British Legation Secretary Frederic Harford: Brit. Parl. Papers 1893-94. XCII. p. 652.

103. Memoranda von Rotenhan 3.3.1893, 4.3.1893; Luxburg to Caprivi 3.3.1893; Brasilien 3 Geheim No. 1, PA Bonn.

104. Sir Charles Oppenheimer commented on the increase in German exports of war materials, adding that in 1895 the export of army rifles had materially increased with Turkey, Brazil and Spain the principal buyers: Brit. Parl. Papers 1896. LXXXVI. p. 162.

105. Statistik des Deutschen Reichs for the relevant years.

106. Krupp to Mühlberg 12.1.1894; Tel. Reichardt to Geschäftsträger Rio 12.1.1894: both Brasilien 1.22, PA Bonn.

107. Notiz Lindenau 9.2.1894, Brasilien 1.22, PA Bonn.

It was not only from the Brazilian civil war that German suppliers profited. Even more lucrative were the border disputes between Argentina and Chile which assumed more threatening proportions in the periods 1894-95, 1897-98 and 1901-02. The disputes arose from a treaty signed between Argentina and Chile in 1881 establishing the north-south boundary as the line between the highest peaks of the Andes. Since this line was also said to form the watershed and it subsequently transpired that it did not each country sought to interpret the treaty most advantageously to itself. The dispute incited an arms race in both countries from which the German arms industry, Krupp and Loewe in particular, derived considerable profits.<sup>108</sup> The German trade statistics indicate that the flow of German armaments to Argentina was more protracted during these years than was that to Chile. Exports of rifles and cannon to Argentina rose and fell as the dispute sharpened and receded but a steady supply of ammunition kept the overall value at a reasonably consistent level until it commenced to decline in 1901. Exports to Chile, by contrast, quite obviously accelerated in 1895-96, 1898 and 1902, with supplies of Mauser rifles from Loewe, for which he had bought the patent, and field cannon, mountain guns and turrets and shells from Krupp.<sup>109</sup> The value of Körner's influence in Chile for the German industry is obvious from German diplomatic reporting.<sup>110</sup>

The Argentine-Chilean dispute was settled without bloodshed and a disarmament treaty was concluded on January 9, 1903;<sup>111</sup> but whilst the

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108. Schaefer, *op.cit.*, pp. 16, 46-50, 61-66, 71-74 has compiled most of the information available from German diplomatic reporting.

109. So, e.g., Loehr to Hohenlohe 15.7.1895, Chile 1.23; Treskow to Hohenlohe 22.11.1897, 12.1.1898, Chile 1.25: PA Bonn.

110. Schaefer, *op.cit.*, p. 49 points out that Körner's pay as a General in the Chilean army would not have sufficed to have allowed him to purchase the real estate and mining interests he acquired in Chile; that is, his services did not go unrewarded. It is quite probable that Körner did receive a commission on armaments sales; but he also married into a well-to-do Chilean family.

111. Wangenheim to Bülow 19.1.1903, Chile 1.31, PA Bonn.

sporadic mounting of tension resulted in a restriction of imports from which German trade in general suffered, in these troubled waters German armaments suppliers fished to good effect. Schaefer's surmise,<sup>112</sup> based on a Krupp document from 1937, that they helped keep the waters troubled has some probability; but since an open conflict would damage foreign trade the German government was unwilling to take measures which would help precipitate it. The Foreign Office advised the War Ministry in Dresden in August 1898 that a request from Chile for the purchase of field artillery from German army supplies should be refused; the Foreign Office had been informed that Chile contemplated war with Argentina before the end of the year and did not wish to increase Chile's preparedness for a war which was not desirable to Germany's trading interests.<sup>113</sup>

German armaments producers claimed that the export business was vital to their existence; the needs of the home market were not sufficient to support the industry at the high level of quality and quantitative output which the German army demanded of it.<sup>114</sup> When, therefore, from about 1902 the Krupp concern lost part of its foreign market to both German and foreign competitors the South American states, especially Argentina, Brazil and Chile, became increasingly important for Krupp<sup>115</sup> and, since

112. Schaefer, *op.cit.*, pp. 46-48 and relevant footnotes. The Krupp document is dated September 1937 and deals with experiences in the armaments trade with foreign countries. As Schaefer reports it, it gives no specifics but refers in general to the practice of using political tensions to create a demand for arms.

113. Tel. Kriegsministerium Dresden to Foreign Office 26.8.1898 and reply 27.8.1898 on the draft of which appears explanatory note of reason for refusal: Chile 1.26 and Deutschland 121.19.3, PA Bonn. The German armies found it convenient to dispose of obsolete or unused war material by selling it to arms dealers for sale to foreign governments; between 1891 and 1899 17 German firms were known to be so employed: see list, dated 14.12.1899, in Deutschland 121.19.4, PA Bonn. In August 1899, a year after the above request, the Foreign Office had no objection to the sale of Württemberg artillery material to "Chile and Argentina or China and Brazil": Königl. Württembergisches Ministerium der Auswärtigen Angelegenheiten to Foreign Office 1.8.1899 and reply 9.8.1899, *ibid.*

114. Schaefer, *op.cit.*, p. 29 repeats this assertion.

115. Boelcke, Willi A. (ed.): Krupp und die Hohenzollern in Dokumenten. Krupp-Korrespondenz mit Kaisern, Kabinettschefs und Ministern 1850-1918 (Frankfurt: Athenaion, 1970) p. 179ff.

Krupp was usually the only German firm seriously considered by foreign governments for artillery supplies, for the German armaments industry. This became obvious in the tenacity with which Krupp, with the support of the German government and army, fought to retain the South American markets against French competition.

In December 1901 the German Minister in Brazil, Baron Treutler, advised the Foreign Office of various military projects planned by the Brazilian government. He pointed out that whilst Krupp was well represented in Brazil the French firm Schneider Creuzot was competing and had the advantage of the French descent of the Brazilian War Minister Marshall Mallet.<sup>116</sup> Shortly afterwards Treutler advised that the French firm had sent a special representative to demonstrate the French artillery.

Treutler had secured the agreement of the Brazilian War Minister also to see a Krupp gun; and he urged German participation in the forthcoming tests.<sup>117</sup> Krupp took the opportunity; and to give technical assistance in Brazil and establish liaison with Brazilian army officers he secured the services of Artillery Lieutenant von Restorff, the Foreign Office in turn advising Treutler that von Restorff was to receive every possible assistance in Brazil.<sup>118</sup>

The ensuing contest to acquire the Brazilian order underwent many vicissitudes before Krupp finally secured it. Schneider Creuzot sent another test gun in an attempt to match more nearly the Brazilian requirements,<sup>119</sup> and the German Foreign Office sought information which might be used to discredit the French competitor.<sup>120</sup> A change in the

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116. Treutler to Bülow 30.12.1901 and Foreign Office to Krupp 22.2.1902: Brasilien 3.4, PA Bonn.

117. Treutler to Bülow 14.3.1902; Foreign Office to Krupp and Minister for War 10.4.1902: Brasilien 3.4, PA Bonn.

118. Eccius (Krupp) to Richthofen 23.4.1902; Foreign Office to Treutler 3.5.1902: Brasilien 3.4, PA Bonn.

119. Treutler to Bülow 21.7.1902: Brasilien 3.4, PA Bonn.

120. Krupp to Foreign Office 15.8.1902; Foreign Office to Legations 23.8.1902: Brasilien 3.4, PA Bonn.

Brazilian government, including the War Minister, led to a postponement of the tests and indecision in the Brazilian government and military circles.<sup>121</sup> Before the tests were resumed an explosion on the testing-grounds destroyed the French gun and damaged one of the Krupp exhibits;<sup>122</sup> the French firm was allowed a further five months to replace its destroyed field gun, thus prolonging the tests.<sup>123</sup> The Krupp exhibits were meanwhile tested. Von Restorff presented an imaginative display, making a point of using the damaged gun on a makeshift mounting, presumably to demonstrate the capabilities of Krupp field guns in battle conditions.<sup>124</sup> After further indecisions Krupp received an order for four batteries, a relatively insignificant order but one which was both a victory for the German arms industry and, consequently, the forerunner to larger orders.<sup>125</sup> Two years later an order was lodged with Krupp for armoured turrets, twelve batteries of field guns, three batteries of field howitzers and three thousand rounds per gun, whilst Loewe received an order for twenty-five million Mauser shells.<sup>126</sup>

Other means were also employed to establish control over the Brazilian arms market. In the absence of a German military mission in Brazil the state of São Paulo, which had previously purchased its arms from Germany,

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121. Treutler believed the indecision to be due to friction within the government: Treutler to Bülow 22.11.1902, 29.12.1902, Brasilien 3.4, PA Bonn.

122. Treutler to Bülow 28.8.1903; a Brazilian military commission, set up to determine the cause of the explosion, found it was due to the carelessness of the Schneider Creuzot employees in their handling of explosives: Treutler to Bülow 5.9.1903, both Brasilien 3.4, PA Bonn.

123. Treutler to Bülow 21.9.1903: Brasilien 3.4, PA Bonn.

124. Treutler to Bülow 12.10.1903: Brasilien 3.4, PA Bonn.

125. Treutler to Bülow 30.5.1904: Brasilien 3.5, PA Bonn. Krupp was unable to deliver the guns by the agreed date and the Brazilian War Minister was sufficiently annoyed to inform Krupp's Brazilian agent Haupt Biehn & Co. that he would place no further orders with Krupp unless a security was lodged and a penalty clause introduced in the contract. Three months later Treutler wrote on two consecutive days that Krupp's failure was still remembered and had done Germany a disservice: Haniel to Bülow 25.2.1905, Treutler to Bülow 7.5.1905, 8.5.1905: Brasilien 3.5, PA Bonn.

126. Tel. Reichenau to Foreign Office 14.4.1908: Brasilien 3.8, PA Bonn.

appointed a French military mission to re-organise the police troops in that state, the success of which encouraged Brazilian pro-French circles to start a campaign to secure French instructors for the federal army. The German Minister saw the campaign as injurious to German political and economic interests and believed it should be resisted.<sup>127</sup> At his suggestion the Brazilian Minister for War, Hermes da Fonseca, and the General most likely to succeed him, Luiz Mendes de Moraes, were invited to participate in the 1908 Prussian manoeuvres and the autumn parade in Berlin.<sup>128</sup> In Germany the Generals and their party were lavishly entertained. The Hamburg Chamber of Commerce gave a reception in their honour,<sup>129</sup> and at the suggestion of the Foreign Office Krupp invited them to pay a visit to the Essen works.<sup>130</sup> The visit had the desired effect. The excellent impression it made on the Generals and the Brazilian press was reported at length by the German Minister in Brazil upon the return of the party,<sup>131</sup> and Fonseca, whose pleasure at the visit was obvious, informed the German Legation Secretary Maltzan that he had decided to place a substantial order with Krupp and Loewe totalling ten and three-quarter million marks.<sup>132</sup> Brazilian and German trade statistics reflect these orders. Brazilian figures show a rise in the value of arms, ammunition and military stores in 1909 and 1910 from 2.7 to 10.6 and 9.1 million milreis,<sup>133</sup> and German trade statistics show a very substantial increase in the German exports of arms and ammunition to Brazil around this period.<sup>134</sup>

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127. Treutler to Bülow 22.2.1906; Brasilien 3.6; Reichenau to Bülow 29.4.1908; Brasilien 3.8: both PA Bonn.

128. Reichenau to Bülow 11.5.1908, 24.5.1908; Hülsen to Foreign Office 18.6.1908; Foreign Office to Reichenau 20.6.1908; Reichenau to Foreign Office 30.6.1908: Brasilien 3.8, PA Bonn.

129. Prussian Ministry Hamburg to Bülow 8.10.1908: Brasilien 3.8, PA Bonn.

130. Foreign Office to Krupp von Bohlen-Halbach 17.8.1908: Brasilien 3.8, PA Bonn.

131. E.g. Reichenau to Bülow 12.8.1908: Brasilien 3.8, PA Bonn.

132. Maltzan to Bülow 3.2.1909, 25.2.1909: Brasilien 3.9, PA Bonn.

133. Statistical Abstract No. 26, Brit. Parl. Papers 1914. XCVII.

134. See Appendix 10.



As in Brazil so in Argentina a struggle developed between Krupp and Schneider Creuzot to secure the order for the re-equipment of the Argentine artillery; the contest lasted from 1907 to 1909, overlapping the later stages of that in Brazil. It is unnecessary to relate the details of the test shootings and the indecision in Argentine government and military circles, which appeared to the German Minister to arise from political rather than technical considerations, since they have been told elsewhere.<sup>135</sup> The order eventually went to Krupp, the most important reason being the work done by German military instructors in the modernising of the Argentine army. The argument that a changeover to French armaments would entail a corresponding change from the German to the French system of military training and strategy proved conclusive, backed as it was by the influence of the German instructors, the German Minister von Waldthausen,<sup>136</sup> von Restorff's arrival from Brazil and, if French reports are to be believed, by suitably placed bribes.<sup>137</sup> The outcome appeared in German trade statistics. In 1909 Argentina took German war material to the value of 2.2 million marks; in 1910, 1911 and 1912 the orders were valued at 13.3, 16.6 and 10.0 million marks.<sup>138</sup> Not only did Krupp receive orders for cannon and shells;<sup>139</sup> Loewe received a large order for Mauser rifles and ammunition.<sup>140</sup>

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135. By Brunn, *Deutscher Einfluss und Deutsche Interessen*, and by Schaefer, *op.cit.*, 139-151; the German political reports are in *Argentinien* 9.4 to 9.7, PA Bonn.

136. Julius von Waldthausen came from a wealthy Essen family of wool dealers which had close relations with Krupp as far back as 1857, in which year one of the Waldthausens became for a time a partner in the Krupp firm as a result of a loan from the former to Krupp: Mews, Karl: *Wollhandlung Wilh. & Conr. Waldthausen zu Essen-Ruhr: 100jähriges Bestehen 1820-1920* (München: Wolf & Sohn, 1920) p. 57; also Jaeger, Hans: *Unternehmer in der deutschen Politik 1890-1918* (Bonn: Röhrscheid, 1967) p. 162.

137. So Schaefer, *op.cit.*, p. 142.

138. Appendix 10. In all it may have been higher; see p.187 fn. 101.

139. A significant rise in tonnage exported to Argentina from 1910 appears in the German statistics.

140. Steep rises appear in the German statistics.

The Krupp monopoly in the ABC states was thus ensured and the German armaments industry retained a strong hold on South American markets, despite strong competition in Chile from the Austrian Hirtenberg munitions factory and Steyr arms factory.<sup>141</sup> In the period 1910-1913 exports of arms and ammunition to the ABC states totalled 105.5 million marks;<sup>142</sup> and as a report from the German Minister von Erckert in Chile indicated in 1911 the resultant trade benefits were not confined to armaments suppliers. The Chilean military purchasing commission in Germany, wrote Erckert, regularly ordered from Germany military cloth for uniforms, saddles and bridles for the cavalry, and other military effects such as sashes, epaulettes, gloves, and even musical instruments. Recent orders had included, as well as arms and ammunition, installations for a munitions factory, field smithies, telegraph material for a riding school and portable wireless stations, rucksacks, leather harness and bandoliers, knives, sanitary installations, field hospitals and kitchens, and saddles. All this, concluded Erckert, indicated how well Germany's service to the Chilean army paid and how useful it was for Germany to remain on the present course.<sup>143</sup> German statistics for the export trade with Chile indicate that Erckert's satisfaction was justified. Figures for the export of leather and leather goods to Chile in 1912 show a rise in value of three million marks, almost entirely accounted for under the heading of saddlery, trunkware and other unspecified leather goods.<sup>144</sup> The same

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141. Erckert to Foreign Office 24.8.1911; Memoranda Rhomberg 25.8.1911, 31.8.1911, 19.9.1911, 20.9.1911: all Chile 1.44, PA Bonn. Also Schaefer, *op.cit.*, pp. 165-171.

142. See Table 19, p. 187 above.

143. Erckert to Bethmann Hollweg 31.10.1911: Chile 1.44, PA Bonn. If Erckert's estimation of the value of all recent orders at about 37.5 million marks was at all reliable it is an impressive indication of the value of Germany's military commitment to Chile for German trade as a whole. In 1911 German exports to Chile were valued at 85.4 million marks, in 1912 at 112.0 million; Erckert's estimated figure represents one-fifth of the total combined 1911 and 1912 exports.

144. See Appendix 13; in 1912 the value of German exports of leather and leather goods to Chile rose from 2.3 to 5.4 million marks. Reich statistics show an increase of nearly 3 million marks in the saddlery etc. category.

was probably true in Argentina. A victory for the French armaments firm, reported the German military advisers from Argentina in 1908, would adversely affect not only German influence in the army and the German arms industry, but also the entire German trade relationship.<sup>145</sup> It is reasonable to assume that Germany's continued military influence brought profit to other industries besides armaments.<sup>146</sup>

Thus far this examination of the German export trade has emphasised the pliability of that trade to the influences exercised by the South American markets - the vicissitudes in their economic history, the development of their home industries, the requirements of their military history. It was, however, far from being the case that the German export trade, its strength already established in the ABC states by 1890, merely rose and fell as the total trade of the three republics advanced or declined. German exports gained a larger share of the three markets.

In general the official import statistics of the three republics reveal two trends. Firstly in each of the three countries Great Britain provided a diminishing share; in Argentina it fell from 40 per cent to 30.8 per cent, in Brazil (where statistics were only prepared from 1902) from 28.1 per cent in 1902 to 24.5 per cent, in Chile from 43.4 to 31.6 per cent. Great Britain remained the principal supplier, although by the end of the period in Brazil and Chile Germany was not far behind. The second trend was the growing importance of the United States and of Germany. In Argentina the United States contributed a share which rose

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145. Military Report No. 4, Captains von Thauvenay, von der Goltz, Kretzschmar 18.8.1908: Argentinien 9.6, PA Bonn.

146. In October 1896, before German instructors became active in the Argentine War Academy, the German consul in Naples advised that the Argentine government had purchased from Italy 30,000 meters of military cloth for naval uniforms: von Rekowski to Hohenlohe 5.10.1896, HSA Stuttgart, Rep. E.46, Fasz. 425. It may reasonably be assumed that Argentina's increased importance for German textile manufacturers from shortly after the turn of the century when German instructors commenced modelling the Argentine army on the German pattern was assisted by the purchase of military cloths from Germany.

from 6.0 to 15.4 per cent, in Brazil it rose from 12.2 to 15.7 per cent, in Chile from 7.7 to 13.4 per cent. In each of the ABC states by the end of the period the United States had become the third most important supplier, outstripping such European countries as France and Belgium.

German exports clearly made gains in the ABC states, as Table 20 indicates.

Table 20: German Share of Imports of  
Argentina, Brazil, Chile

Year	Argentina	Brazil	Chile
	Per Cent	Per Cent	Per Cent
1890	9.0		22.9
1895	11.7		25.0
1900	14.7		26.7
1902	12.8	11.4	27.5
1905	14.2	13.3	25.2
1910	17.4	15.9	24.2
1912	16.6	17.2	27.2

In Argentina Germany, in third place in 1890, met competition from the United States and, before the turn of the century, from Italy; but from 1900 Germany was customarily Argentina's second most important supplier, and the German share of Argentine imports rose from 9.0 to as high as 18.0 per cent in 1911 and 16.6 per cent in 1912.<sup>147</sup> In Brazilian statistics Germany appeared in third place in 1902, but from 1903 moved to second position, supplying a share of Brazilian imports which increased from 11.4 to 17.2 per cent in 1912. Chilean imports in 1890 came principally from the United Kingdom and Germany. Throughout the period Germany remained in second position, and the German share rose from 22.9 to 27.2 per cent. Germany thus provided the largest share of the imports of its least significant market of the three; but the greatest advance was made in the two richest markets, Argentina and Brazil.

147. It is noteworthy, however, that the share provided by Belgium, which in the earlier years included some of Germany's export, fell off from 10 per cent in 1893 to 5.3 per cent in 1912; the increase in the German share may therefore include the value of goods previously arriving via Belgium.

In all three republics, it is apparent, German exporting industries had improved their position by 1914.

Statistical evidence of a German trade advance in the ABC states, however, does not convey the full story. The anxiety, even pessimism, of the 1890s at the prospect of closing world markets and the urgency to establish alternative areas of trading influence were not unwarranted. As Sir Francis Oppenheimer commented, in reporting the German press in 1913 on the subject, of the three industrial countries of the world Germany was in the least favourable situation. England had a colonial empire and the United States a large continent as trading spheres; but the German colonies could only be regarded as future sources of various raw materials. With no privileged territories Germany, as the late-comer on the scene, was compelled to regard the world as its market and to rely on its energies and enterprise to conquer it. In particular, added Oppenheimer, South America, Asiatic Turkey and China were pointed to as Germany's special trading areas outside Europe.<sup>148</sup> With a limited field for trading operations Germany was obliged to make the best of the feasible possibilities, and under these circumstances South America represented an important prospect. Nor was it quite the beggar's choice that this might suggest. In 1912 the combined total imports of the ABC states totalled 165.48 million pounds sterling;<sup>149</sup> and whilst they were obviously not in the same class as the leading European markets or the United States, they were important for German industries faced with over-production and the need to boost exports. The advance which was achieved, whilst falling far short of the expectations of the enthusiasts of earlier years, was under the circumstances a useful gain.

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148. *Brit. Parl. Papers* 1914-15. LXXII. p. 805.

149. *Statistical Abstract* No. 26, *ibid* 1914. XCVII. Individually Argentina's imports totalled £76.971 million, Brazil's £63.425 million, Chile's £25.084 million.

This advance, further, acquires added meaning when seen in the context of the German export trade in its totality. The list of Germany's leading customers in 1890 and 1913 makes this clear, as Table 21 demonstrates.

Table 21: Distribution of German Exports: Leading Markets<sup>150</sup>

1890		1913	
	Per Cent		Per Cent
Great Britain	20.7	Great Britain	14.2
U.S.A.	12.2	Austria-Hungary	10.9
Austria-Hungary	10.3	Russia	8.7
Netherlands	7.6	France	7.8
France	6.8	U.S.A.	7.1
Russia	6.1	Netherlands	6.9
Switzerland	5.3	The ABC States	5.6
Belgium	4.4		
The ABC States	3.2		

The ABC states jointly advanced two places up the list from ninth to seventh ranking, leaving Switzerland and Belgium behind on the way. Moreover, this is not all. In 1890 Great Britain stood far ahead of Germany's other customers, followed at some distance by the others. The leading four markets accounted for roughly half of Germany's exports, and the leading eight for roughly three-quarters; the ABC states, in ninth position, thus headed the countries taking the remaining quarter of Germany's exports in 1890. By 1913 the situation had changed. Great Britain still led; but the margin by which she led was halved and in general some measure of levelling had become apparent amongst Germany's leading markets. In 1913 the top six markets took roughly half and the ABC states, in seventh position, headed the countries taking the remaining half of Germany's exports. Thus the advanced ranking of the ABC states and the less uneven distribution of German exports amongst the leading markets resulted in the situation that the ABC states by 1913 had not only climbed two rungs of the ladder but had also in effect joined

150. Constructed from trade tables, Statistisches Jahrbuch für das Deutsche Reich, 1892. p. 65, 1915, p. 258.

a different league.

Individually Argentina, Brazil and Chile each took an increased share of Germany's total exports, as the following table demonstrates.

Table 22: Distribution of German Exports to ABC States<sup>151</sup>

Country	1890		1913	
	Per Cent	Ranking	Per Cent	Ranking
Argentina	0.8	21	2.6	11
Brazil	1.5	15	2.0	13
Chile	0.9	19	1.0	22

The increase in both percentage and ranking was the most pronounced for Argentina; and the greater value of the ABC states to German exporting industries was very largely due to their advance on the Argentine market.

The trade statistics both of the ABC states and of Germany are thus seen to agree that by 1913 German exports found a more assured place on the markets of the three South American republics than they had in 1890. It scarcely need be said that Kaerger's extravagant talk in 1896 of finding exclusively monopolised markets for German products<sup>152</sup> was never realised in South America; Britain remained the leading exporter into the ABC states. Germany, nevertheless, came to occupy second place on all three markets; by 1912 the value of imports from Germany was 64 per cent of the value of those from Britain.<sup>153</sup>

Germany came nearest to dominating the South American markets in the supply of electrical materials. By 1914 Germany provided about half of South America's imports, the value of which in turn represented half of Germany's total overseas electrical exports. Of Argentina's imports

151. From Statistisches Jahrbuch für das Deutsche Reich, 1892. p. 65 and 1915. p. 258.

152. See pp. 27, 29 above.

153. Calculated from trade tables, Statistical Abstract No. 27, Brit. Parl. Papers 1914. XCVII.

Germany supplied 53 per cent; of Chile's about 60 per cent came from Germany. Brazil's imports came mainly from the United States (42 per cent), Germany supplying 26 per cent.<sup>154</sup> For Germany the Argentine market was clearly the most valuable; and from that country, where Germany was credited in 1912 with providing 74 per cent of imported dynamos and electric motors,<sup>155</sup> British reports spoke with obvious justification of a German monopoly of lighting and power. By 1897 the British Acting Consul Laing, referring to the "almost incredible" transformation Buenos Aires had undergone, wrote that "German capital is flowing into the River Plate and is commencing to take up public works, which until quite recently were almost exclusively capitalised by British financiers"; and he was referring to electrical lighting and tramways installations.<sup>156</sup> The Germans, wrote the British Consul Mackie in 1912, were the first in the field and their plant, valued at one million pounds sterling, was one of the largest of its kind in the world.<sup>157</sup> With the market opened up by German capital in both Argentina and Chile<sup>158</sup> German trade reaped the benefits.

A hold on the ABC markets was also strengthened by German machinery from about the turn of the century, with the exception of agricultural machinery.<sup>159</sup> A year after his return from Buenos Aires the German Commercial Attaché Ramelow told German machine-makers that German agricultural machinery had been pushed out of Argentina by United States products; surprisingly, he added, Germans, who were proud of the fact

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154. Elektrische Betriebe in Suedamerika: Siemens München 36/Ls 103.

155. Brit. Parl. Papers 1914. LXXXIX. p. 573.

156. Ibid., 1898. XCIV. p. 64.

157. Ibid., 1914. LXXXIX. p. 503.

158. Brazilian enterprises were largely financed by the U.S.A.: Deutsches Handels-Archiv 1900. II. p. 443; 1903. II. p. 237. The role of German capital is discussed in Chapter Six below.

159. Germany's share of Argentine imports ranged between 2.1 and 13.1 per cent: see Brit. Parl. Papers 1901. LXXXI. p. 92; 1914. LXXXIX. p. 573; Deutsches Handels-Archiv 1905. I. P. 76; 1907. I. p. 395; 1908. I. p. 866-7; 1910. I. pp. 1190-1191.



that everywhere they studied and sought to match the needs of the market, appeared to have assumed that it was impossible to compete with the United States for this sort of business and had not paid sufficient attention to it.<sup>160</sup> But American competition remained too strong; Worthington reported from Chile in 1898 that the United States provided most of that country's imports,<sup>161</sup> and this remained the case.<sup>162</sup> Other German machinery, however, fared considerably better. Of Argentina's total imports of all machinery other than for agriculture the German share between 1901 and 1912 rose from 17.5 to 37.1 per cent, Germany in this latter year appearing as Argentina's main supplier.<sup>163</sup> This substantial increase came rather suddenly, in fact in the period between 1901 and 1903 when German machine-makers were particularly eager to obtain foreign markets.<sup>164</sup> The German increase in Brazil was not so marked; England continued to dominate the market and United States competition proved increasingly effective.<sup>165</sup> Of Chile's imports between 1901 and 1910, however, Germany was the main supplier.<sup>166</sup>

South American statistics do not permit similarly detailed conclusions for all items of the iron and steel trade; nevertheless the available

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160. Ramelow, Argentinien als Absatzmarkt.

161. Brit. Parl. Papers 1899. XCVI. p. 447f.

162. Apart from 1903, when the German share appeared as 34.3 per cent, it ranged between 5.9 and 17.8 per cent: Deutsches Handels-Archiv 1901. I. p. 90; 1903. I. p. 716; 1904. I. p. 308; 1905. I. p. 822; 1906. I. p. 749; 1911. I. p. 437; 1912. I. p. 129; Brit. Parl. Papers 1906. CXXIII. p. 240; 1908. CX. p. 48; 1910. XCVI. p. 776.

163. Deutsches Handels-Archiv 1902. II. p. 715; 1914. I. p. 1026; Brit. Parl. Papers 1914. LXXXIX. p. 572.

164. In 1901 the German share was 17.5 per cent, in 1903 35.2 per cent, only rising thereafter with fluctuations to 37.1 per cent: Deutsches Handels-Archiv 1905. I. p. 77; 1907. I. p. 395; 1908. I. p. 866; 1910. I. p. 1190.

165. The German share rose from 20.5 per cent in 1901 to 23.1 per cent in 1908: from values, Deutsches Handels-Archiv 1903. II. p. 228; 1904. I. p. 979; 1905. I. p. 1042; 1906. I. p. 1074; 1907. I. p. 692; 1908. I. p. 467; 1911, I. pp. 1728, 1732; Brit. Parl. Papers 1909. XCII. pp. 642-643; 1910. XCVI. pp. 615-616; 1914-16. LXXI. p. 180.

166. From values: Brit. Parl. Papers 1902, CV. p. 720; 1905. LXXXVII. pp. 502, 508; 1906. CXXIII. pp. 201-202; 1911. XC. pp. 642-643, 646-647.

information clearly shows competitive successes on all three markets. Of Argentine rail imports the German share between 1906 and 1912 increased from 12.0 to 26.4 per cent;<sup>167</sup> of Brazil's imports between 1902 and 1906 the increase was greater, from 0.9 to 36 per cent.<sup>168</sup> By 1913 these increases resulted in a German export of railway lines to the ABC states valued at nearly 14 million marks. German wire-makers, whose exports to the ABC states by 1913 exceeded 14 million marks, increased production specifically to meet the great demand for wire in the American republics;<sup>169</sup> and they achieved a fair measure of success on the ABC markets, notably in Argentina. The British Consul Bridgett observed in 1895 that "Germany and Belgium have almost destroyed our trade" in wire;<sup>170</sup> and by 1905 Consul Ross estimated that Germany provided half the fencing-wire and three-quarters of the other wire imported by Argentina.<sup>171</sup> Germany's strength on the ABC markets as a supplier of bar iron, iron joists and semi-finished iron has already been referred to above. Other German iron goods and hardware similarly achieved greater penetration of the three South American markets. In a special item on the import of German ironware in 1892 a German trade report from Argentina showed obvious satisfaction at the competition which German goods were offering, as also at the recognition which their quality was gaining.<sup>172</sup> Worthington in 1898 confirmed that such satisfaction was

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167. Deutsches Handels-Archiv 1908. I. pp. 866-867; 1910. I. pp. 1190-1191; Brit. Parl. Papers 1914. LXXXIX. pp. 571-572.

168. Deutsches Handels-Archiv for the appropriate years; the figures for 1906, rounded off, are confirmed in Brit. Parl. Papers 1907. LXXXVIII. p. 226. Germany's share fell away in later years.

169. Proceedings of the German Commission on Kartells: Brit. Parl. Papers 1905. LXXXIV. p. 494.

170. Ibid, 1897. LXXXIX. p. 187; see also ibid 1899. XCVI. p. 506 for Worthington's report, 1898. XCIV. p. 70 for Laing, 1905. LXXXVII. pp. 6-7 for Ross.

171. Ibid, 1906. CXXII. pp. 537-539. By 1912, according to Argentine statistics, Germany supplied 51 per cent of imported galvanised wire, the United States 31.7 and the United Kingdom 12.3 per cent: ibid, 1914. LXXXIX. pp. 571-572.

172. Deutsches Handels-Archiv 1893. II. p. 562. Only a few years previously, read the report, it had been necessary to conceal their German origin since it had been no recommendation.

not without cause, especially in lines such as locks, pocket cutlery, knives and forks and kitchenware.<sup>173</sup> In Brazil German hardware similarly enjoyed successes. Since 1888, when British iron and steel exports to Rio de Janeiro were eight times, and Belgian three times, the value of those from Germany<sup>174</sup> German progress had provoked the rumour that Germany was forcing British goods off the market. Such reports, admitted the British Acting-Consul Ancell in 1894, were not entirely unfounded; nevertheless, he added, Germany was far from monopolising the market. Germany directed its export at Brazilians who tended to buy cheaper and inferior articles; hence, whilst quantity prevailed quality did not.<sup>175</sup> The rumours were clearly exaggerated; nevertheless Ancell's admission in 1894 remained true in 1903. The British Consul-General Chapman made much the same admission in that year.<sup>176</sup> Such gains, although individually only worth a few million marks, complemented those in the more valuable components of the iron and steel trade and contributed to a greater penetration of the ABC markets.

Evidence of a German advance on the markets of the three republics is by no means confined to electro-technical products, machinery and iron and steel products. The German share of Argentine imports of cotton manufactures, for instance, rose from 7 per cent to 15 per cent<sup>177</sup> and of Brazilian imports from 10 to 16 per cent.<sup>178</sup> German exports of paper

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173. Brit. Parl. Papers 1899. XCVI. p. 502.

174. Deutsches Handels-Archiv 1890. II. 487f.

175. Brit. Parl. Papers 1895. XCVI. pp. 411-419.

176. Ibid, 1903. LXXVI. p. 481. In the last decade of the nineteenth century German enamelled wrought iron hollow-ware virtually put France off the market; German sinks, for instance, were lighter and consequently subject to lower freight and duty charges: ibid 1895. XCVI. p. 413 and 1900. XCII. p. 361f. See also ibid, 1902. CV. pp. 391-392.

177. Calculated from Deutsches Handels-Archiv 1894. I. p. 809; 1902. II. p. 715; 1914. I. pp. 1026-1027; 1915. I. p. 581; Brit. Parl. Papers 1914. LXXXIX. pp. 573-4.

178. Calculated from Deutsches Handels-Archiv 1902. II. p. 715; 1903. II. p. 226; 1914. I. pp. 1026-1027; 1915. I. p. 581; Brit. Parl. Papers 1910. XCVI. p. 613.

and leatherware took an increasing share of the ABC markets, as did other exports of lesser value.<sup>179</sup> For the German economy this advance had the most meaning insofar as it involved the leading exporting industries; this, it has been seen, was to a large extent the case. But the advance was not confined to these more important industries. By 1913 Germany was exporting to the ABC states sufficient of numerous other products to warrant inclusion in the abbreviated Reich trade statistics; pianos and musical instruments, toys, fine sugar products, quality gift articles, clothing, silk manufactures, dyes and paints, gold and silver ware, clocks and watches, rubber goods, cotton and woollen yarn and thread, fine china, gramophones and records, bicycles, coloured prints and postcards, scientific and optical instruments. The German export to the ABC states continued to come largely from the nine or ten categories referred to earlier in this chapter; but it became marginally more diversified and therefore of slightly greater significance to more German industries.

In 1890 Germany had an unfavourable trade balance, exports representing 79.8 per cent of the value of imports. By 1913 the margin had narrowed considerably, exports representing 93.8 per cent of imports.<sup>180</sup> The German export trade went a long way towards fulfilling the two functions referred to at the beginning of this chapter; from the turn of the century Germany was able to pay for increased imports by finding markets for surplus production. Exports to the ABC states constituted an increased proportion of this trade due both to the growing wealth of the ABC states, especially Argentina, as markets and to a greater penetration of those markets by German exporters. German exports to the three South American republics, further, accounted for an increased proportion of the national wealth. In 1890 exports to the ABC states represented 0.5 per cent of the German net national product, falling to 0.4 per cent in the

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179. The published statistics make this clear.

180. Calculated from official German trade statistics.

lean years 1897-1899 and 1901-1902; by 1913 their share had risen to 1.1 per cent.<sup>181</sup> Political economists in the 1880s and 1890s may have hoped for more; nevertheless in a competitive world market which Germany entered comparatively late it was a significant achievement.

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181. Calculated from German export statistics and imputed net national product in Hoffmann op.cit., pp. 825-826.

## CHAPTER SIX

TRADE AND BUSINESS PRACTICES

German trading achievements in South America formed part of a wider German trade advance of which England was already aware during the "Made in Germany" alarm of 1896.<sup>1</sup> The subsequently assembled opinions of British government and trading representatives from all over the world<sup>2</sup> gave evidence of German competitive zeal on the world markets including South America; the publishing of catalogues for South America in Spanish or Portuguese, the use of local weights, measures and currency, the granting of long-term credit, the willingness to work for smaller profits, the frequent visits of commercial travellers schooled in the language and habits of the country they worked, the care over small orders and with packaging and invoicing, and the careful attention to the needs of the market. Germany the newcomer was striving for its place in the sun. German business firms and salesmen sought to outdo their established rivals, and the often smaller German industries were readily adapted to the requirements of the customer.

South American markets, wrote the British Consul Mark from Santos, were peculiar; what they wanted was something cheap and showy.<sup>3</sup> German firms were undeterred by such peculiarities. The largest British importer in São Paulo found British consignments "frigid in the unadorned puritanism" of their packaging and was compelled by consumer demand to import the cheaper and more attractively parcelled German cutlery, haberdashery and

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1. See Hoffman, *op.cit.*, chs. III & VI. Williams' book "Made in Germany" appeared at the height of the alarm in 1896. Sir Charles Oppenheimer regarded continuous English talk about Germany's economic progress as a two-edged sword; it was designed to arouse British industry, but in fact it gave added encouragement to Germany: Brit. Parl. Papers 1899. XCIX. p. 711.
  2. In October 1898 a British Board of Trade Blue Book appeared: see "Opinions of H.M. Diplomatic and Consular Officers on British Trade Methods", Brit. Parl. Papers 1899. XCVI. pp. 619ff.
  3. Brit. Parl. Papers 1906. CXXIII. p. 52.

hosiery.<sup>4</sup> German consuls in South America were occasionally alarmed at such sales tactics. By sending only cheaper quality articles, warned a consular report from Iquique in Chile in 1887, Germany offered no competition to better class English products.<sup>5</sup> But in the early years there was little point in changing a successful strategy.<sup>6</sup> By directing their products at popular demand rather than at the minority with an eye for quality German exporters established themselves on the market; quality products could come later.<sup>7</sup> Brazilians, wrote Sombart, did not like things wrapped in black. The English sent excellent sewing needles packed in black paper; Germany took the market by sending inferior needles in pink packing.<sup>8</sup> The frequent visits of commercial travellers, often seen by British consuls as evidence of greater German business acumen,<sup>9</sup> came in for their share of German consular censure. Local commission houses or agencies of sound reputation, advised the German report from Rio in 1889, were always a sound basis for business operations, whilst travellers, anxious to secure orders at any cost, frequently promised more than their firms could fulfil; and consequent difficulties over payment were hard to straighten out.<sup>10</sup> The consul in Rio doubtless had specific cases in mind; but German firms continued to send travellers, and to good effect. "The Germans hold the largest proportion of trade in these parts" wrote the British Vice-Consul from Talcahuano in Chile in 1904; "they are very pushing indeed, and prefer to

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4. *Ibid.*, 1890. LXXIV. pp. 149-150.

5. *Deutsches Handels-Archiv* 1888. II. p. 334.

6. In 1896 the British report from Chile observed that Germany still sent the inferior class of metalware, hardware and cutlery which suited the lower class of customer: *Brit. Parl. Papers* 1898. XCIV. pp. 465-466.

7. Already by 1892 the German consul in Argentina reported that the quality of German ironware was gaining recognition: *Deutsches Handels-Archiv* 1893. II. p. 562.

8. Sombart, *op.cit.*, pp. 118-119. Germans, he added, had learned to adapt to the requirements of others since they had only recently acquired a unified State and could still hardly boast "civis germanus sum".

9. So, e.g., Hankin's report from Buenos Aires for 1900: *Brit. Parl. Papers* 1901. LXXXI. p. 89; or Nicolini's report from Bahia, *ibid.*, 1899. XCVIII. pp. 264-266.

10. *Deutsches Handels-Archiv* 1890. II. p. 489.

send representatives to travel and deal direct with the buyers here, or send out samples of goods to some known persons."<sup>11</sup> Nor were customers often disappointed by travellers' promises. An English merchant in Santiago bought German rather than English goods because he was better treated in every way by German firms - in packaging, promptness, credit and attention to his requirements.<sup>12</sup> It was not an isolated instance. Trade, wrote the British Consul-General at Rio de Janeiro, was not a matter of sentiment;<sup>13</sup> and the German traveller, representing a firm anxious to please, continued to get orders from non-German merchants.<sup>14</sup>

Such extreme compliance with the wishes and needs of the market was a characteristic of the early stages of the trade, when smaller factories were more adaptable and firms were willing even to incur financial risk to get a foot in the door. The granting of long-term credit is a case in point. Germans, advised the British Consul Bridgett from Argentina in 1895, sold "forward"; that is, they were prepared to take risks to obtain business.<sup>15</sup> They did obtain business; but they also accumulated bad debts and became less accommodating as a result. Faced with mounting bad debts in Brazil in 1901 Hasenclevers wrote from Remscheid advising their Rio firm to use strong measures against a defaulter. "We should spare ourselves no effort," they wrote, "to make life sour for Hime & Co. and to force people to pay us the necessary respect." Henceforth no sales were to be made to customers who were two months behind in payments; this was stressed as an inviolable rule without any exceptions.<sup>16</sup> A firm such as Siemens and Halske which was less likely to be involved in recurring sales to the same customer was less accommodating from the

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11. Brit. Parl. Papers 1906. CXXIII. p. 210.

12. Ibid, 1900. XCII. p. 511.

13. Wagstaff's report from Rio de Janeiro; ibid, 1898. XCIV. p. 273.

14. So, e.g., Staniforth's report from Rio Grande do Sul, ibid, 1902, CV. p. 390.

15. Ibid, 1897. LXXXIX. p. 188.

16. Joh. Bernhd. Hasenclever & Söhne to Hasenclever & Co. Rio de Janeiro 1.11.1901, 29.11.1901, 7.2.1902: SA Remscheid.



outset. In a letter to its Rio representative in 1893 the firm set out procedures to be adopted concerning installations in smaller places where money could not be procured so promptly. A bank or respectable firm was to act as guarantor and a total period of six months was the maximum for payment in full; on amounts overdue at the commencement of work interest charges of six per cent were to be paid.<sup>17</sup> Conditions for payment varied according to the nature of the business; and experience sometimes necessitated a restriction of the earlier liberality with credit.

Thus far attention has been focussed on the trade practices of individual firms, practices which formed the image German business houses had of themselves and to which they sought to conform in their drive to conquer the market. For many such firms business organisation was relatively simple. In a publication celebrating their fiftieth year Staudt & Co., one of the larger firms operating in the South American trade, wrote that in the 1880s and early 1890s the South American market required very little sales organisation. The exporting firms with their own overseas establishments constituted the channels through which orders in bulk were dispatched for supply to local wholesalers (the so-called "dealers at second hand"), usually Spanish or Portuguese residents, who in turn became the real distributors; the latter collected a sortment of wares and became suppliers and creditors to the retail trade.<sup>18</sup> Commission agents such as Staudt & Co. and Hasenclever & Sons and Theodor Wille continued to negotiate much of the trade throughout the period; but their business was supported by the shipping companies, banks and cartels which serviced the trade and influenced prices.

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17. Siemens and Halske to Rudolf Diehl 11.11.1893: Siemens München, Rep. 68/Li 260.

18. Staudt & Co.: Aus Anlass des Fünfzigjährigen Bestehens. Der Firma Staudt & Co. Ihren Mitarbeitern und Freunden Gewidmet. 1. Juli 1937. p. 26.

The German trade with the ABC states was both assisted by and made a material contribution to the development of German merchant shipping. From the founding of the Reich German shipping lines made steady progress in the South American trade, the tonnage entered from and cleared to South America more than trebling between 1873 and 1889.<sup>19</sup> From 1890 to 1914 this progress continued, most of it consisting of the ABC trade. German merchant marine statistics, set out in the following table,<sup>20</sup> demonstrate the advance.

Table 23: German Merchant Shipping Entered From and Cleared To all South America 1890-1913

Period	Entered from South America with cargo	Cleared to South America with cargo	Total entered and cleared with cargo
	Reg. Tons	Reg. Tons	Reg. Tons
1890-1894	3,408,521	2,587,910	5,996,431
1895-1899	4,231,774	3,290,030	7,521,804
1900-1904	5,667,489	4,085,040	9,752,529
1905-1909	7,912,298	5,507,029	13,419,327
1910-1913	6,484,657	5,347,021	11,831,678

Between 1890 and 1913 the total tonnage entered and cleared in the South American trade trebled, a fact which the above table does not fully convey since the last entry represents only a four-year period whilst the others cover five years. The complete figures reveal a further trend. In 1890 the Brazil trade was by far the most important for German shipping, followed by that with Chile then Argentina. By the mid-1890s the Argentine trade had taken a slight lead and by 1913 the tonnage involved in the Argentine trade was double the Brazilian and exceeded the combined Brazilian and Chilean. The advance of the Argentine trade already noticed was reflected in merchant shipping figures; and the South American trade, with Argentina assuming an overwhelming preponderance,

19. See p. 36 above.

20. This table consists of the totals of the relevant figures extracted from Statistisches Jahrbuch für das Deutsche Reich, Jgg. 1892-1915.

involved a significantly increased tonnage of German merchant shipping.

This increase was important for the German ship-building industry and for German shipping companies. In this period German ship-building flourished, using German iron and steel and encouraged to do so by preferential railway freights for the transport of German materials for the purpose. In 1882 the German shipbuilding industry had employed 22,524 men; by 1895 the number had risen to 35,336. Hamburg by 1898 was ranked second to London and ahead of Liverpool amongst European ports;<sup>21</sup> and by the turn of the century, if not earlier, the Hamburg-American Steamship Company (HAPAG) was the largest single shipping company in the world, measured by the aggregate tonnage of its steamships.<sup>22</sup> Between 1873 and 1894 the total carrying capacity of the German merchant navy increased by 139 per cent, and by a further 33 per cent between 1894 and the beginning of 1899;<sup>23</sup> and "of the shipping traffic between Hamburg and the other countries outside of Europe," wrote the British Consul-General Dundas from Hamburg in 1892, "the most important is that with South and Central America, which has advanced considerably."<sup>24</sup>

Dundas might have added that in the early 1890s it had advanced too rapidly. Conditions in the ABC states were unsettled and trade did not advance in proportion to the increased shipping for its servicing. For the German-South American trade the results were not without ambiguity. On the one hand the increased competition between shipping companies produced freight cuts which benefited trade; on the other hand the

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21. See the memorandum on German Maritime Interests, 1871 to 1898 by the British Commercial Attaché Gastrell of Berlin: Brit. Parl. Papers 1899. XCVII. pp. 519-527.

22. So Consul-General Sir William Ward from Hamburg: ibid, 1899. XCIX. p. 608; 1901. LXXXII. p. 661; 1903. LXXVII. p. 538.

23. From a German government Memorial on the Growth of German Maritime Interests, quoted in Brit. Parl. Papers 1900. XCIII. p. 639.

24. Ibid, 1894. LXXXVI. p. 436.

competition became so fierce that pool agreements were concluded which gave the various shipping companies virtual monopoly over their allotted routes and made it possible to keep freight charges at higher levels.

The annual reports of the Bremen Norddeutscher Lloyd for these years demonstrate the hardships shipping companies faced. In 1890 the Bremen company carried 107,083 cubic metres of freight to South America; in 1891 this fell to 62,370, and competition between Norddeutscher Lloyd and the Bremen "Hansa" line forced charges down thus compounding the financial hardships. In January 1893 the two Bremen companies entered a pool agreement and set up a joint agency in Buenos Aires; and about the same time an agreement was reached with English lines picking up and unloading at Antwerp to lessen the competition. In 1894, however, business with the La Plata states had not improved, and it was due to the continuing slump that Dr. Heinrich Wiegand, Director of Norddeutscher Lloyd, went to South America in 1895 to study the situation at first hand. Wiegand's consequent proposals for an increased German migration to south Brazil, with concomitant benefits to German shipping, were an important component in the lifting of the von der Heydt Rescript.<sup>25</sup> The more immediate response of Norddeutscher Lloyd to the depressed South American market was the ordering of four new ships to improve the services the company could offer, a move which demonstrated both the value placed on the La Plata business and a resolve to retain it.<sup>26</sup>

In the early 1890s Hamburg shipping companies faced similar problems. The Hamburg South American Steamship Company (for convenience abbreviated HSDG after its German name) and A.C. de Freitas & Co. had established routes to south Brazil in competition to the Liverpool company Lamport and Holt; a freight war between the two German firms resulted and the

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25. See p. 77 above.

26. Jahresberichte, Norddeutscher Lloyd Bremen, 1857-1906 (without publisher or date.

Freitas line commenced putting into Liverpool to offer immediate competition to Lamport and Holt for the south Brazil trade. The latter responded by putting on a direct monthly steamer voyage;<sup>27</sup> but, as the British Consul Hearn observed, the competition offered by the German steamers proved disastrous for British shipping to the south of Brazil.<sup>28</sup> The two German companies in turn ended their freight war by an agreement concerning charges and agents and established a combined service from Hamburg every fourteen days.<sup>29</sup> Moreover, to overcome the difficulty created by the shallow sand bar between Porto Alegre and the Atlantic they sent out four large lighters, each with a capacity of 600 tons of cargo, and a steam tug to tow them between the port and the trans-Atlantic steamers.<sup>30</sup>

The two Hamburg companies met the competition of the early 1890s with a large measure of success, using the same means as did the Bremen shippers, namely by sharing the route, by an agreement on freights and by a common agency in South America. As did Norddeutscher Lloyd they also purchased new steamers for the south Brazil routes.<sup>31</sup> Moreover they underpriced British competition. Archer reported in 1893 that sailing vessel freights from Hamburg were generally lower than from Liverpool, ranging between £1.7.6 and £1.15.0 per ton as compared with the latter's £1.15.0 to £2.5.0 per ton with a further 10 per cent primage. The Hamburg ships, further, discharged their cargoes free of expense to the

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27. Hearn's report for 1892 from Rio Grande do Sul, in Brit. Parl. Papers 1893-94. XCII. p. 597.

28. Ibid, 1894. LXXXV. pp. 243-244. Hearn complained that the south Brazil trade had thereby been diverted from Liverpool to Hamburg, and added: "The steam trade with south Brazil is one of growing importance, and one which might have been easily held with energy and determination, such as has been shown by the German companies when they found that British shipowners were apathetic and careless."

29. Deutsches Handels-Archiv 1894. II. p. 157ff.

30. Brit. Parl. Papers 1894. LXXXV. pp. 243-244.

31. In 1893 the Hamburg merchant fleet was increased by 26 ships of a total 27,308 tons. Some were for the South American trade: ibid, 1895. XCVIII. p. 41; 1897. XCI. p. 103. On January 1 1899 HAPAG owned 67 steamers, HSDG 30, Kosmos 25: ibid, 1899. XCIX. p. 608.

consignee whilst the Liverpool company charged the cost of lighterage and so forth, which usually added a further 6 or 7 per cent to freight and primage charges.<sup>32</sup> Further, the Hamburg steamship companies ran at the same freight charges as did the sailing vessels,<sup>33</sup> with obvious benefits to the former. By 1900 the British Consul Staniforth of Rio Grande do Sul, a comparatively small port servicing German settlements, was commenting on the overwhelming preponderance of German steamers at a port which only a few years previously had been practically monopolised by British steamships.<sup>34</sup> It was an advantage which the German lines sought to maintain. In July 1910 the German consul at Rio Grande reported that the joint service would increase from two to three voyages per month. This was not due to increased business but was designed to meet English competition and to maintain Hamburg's shipping predominance in that State.<sup>35</sup>

The object of the various pool agreements into which German shipping companies entered was to obviate competition which forced freights below an acceptable profit margin.<sup>36</sup> The interests of shipping firms did not exactly coincide with those of trading companies which naturally wanted freights to be as low as possible. In the main a useful via media was

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32. *Ibid*, 1894. LXXXV. p. 267. Archer added: "It is this difference in freight which has had much to do with, if it has not been the sole cause of, diverting the iron trade to Germany."

33. *Ibid*, 1895. XCVI. p. 499.

34. *Ibid*, 1902. CV. p. 378.

35. Rößler to Bethmann Hollweg 6.7.1910, SA Bremen 3- A.3.B.4. Nr 251. Due to the shallow bar across Rio Grande harbour and the delay caused by trans-shipping goods into lighters some firms sent goods via Rio de Janeiro in English shipping for carriage thence to Rio Grande do Sul in Brazilian coastal shipping. The two Hamburg lines sought to counter this by providing quicker service to south Brazil thereby compensating for time lost by trans-shipping at the bar.

36. In addition to the agreements referred to in this chapter the Hamburg Kosmos line took over the Hamburg-Pacific in 1898 (de Paz, *op.cit.*, p. 143); from 1901 HAPAG and Kosmos agreed on a division of labour in South America (*ibid*, p. 146); and similar agreements were reached between HSDG, Freitas, Kosmos and HAPAG (Eckert, *op.cit.*, p. 966). In 1902 German lines also participated in the Morgan Trust: see Huldermann, Bernhard: Albert Ballin Trans. W.J. Eggers (London: Cassell, 1922) Chapter V.

achieved; the Hamburg companies underpriced their main competitors, gained virtual monopoly over the south Brazil route and made handsome profits.<sup>37</sup> At the same time they benefited German trade not only financially but also by maintaining regular and efficient links with Hamburg. Occasionally, however, German consuls believed they had reason to complain. In January 1896 Consul Wever of Rio de Janeiro advised that the Rio state railways would shortly invite tenders for 10,000 tons of railway lines; and he feared that, as had consistently happened in the previous two years, Belgian offers would underprice German. The fault, Wever declared, lay with the HSDG which abused its transport monopoly from Hamburg by charging 32.50 marks per ton of ironware which could be shipped from Antwerp for 15 or 16 marks.<sup>38</sup> The Secretary of the Hamburg Senate Ecker took the matter up with Laeisz of the HSDG, and the latter pointed out that the Hamburg company's higher freight charges were necessary since their steamers were faster and more modern than those of the Antwerp shippers, with whose tariffs they could not compete. However, whilst the handling of railway lines was not popular since their loading and unloading was troublesome and often delayed sailing, the Hamburg company was prepared to make what Laeisz called "considerable concessions" for very large orders.<sup>39</sup> Although government intervention

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37. British consular reports, particularly in later years, showed obvious interest in German shipping and reported the dividends declared by the leading German steamship companies: see e.g. *Brit. Parl. Papers* 1909. XCV. p. 604; 1911. XCII. p. 752; 1913. LXX. p. 685; 1914. XCI. pp. 609ff. In 1912 HAPAG paid 10 per cent, HSDG 14 per cent, the Bremen "Hansa" 20 per cent; Norddeutscher Lloyd was more cautious at 7 per cent. In other years most companies paid less.

38. Wever to Hohenlohe 8.1.1896, SA Hamburg C.I.d.178. De Freitas junior, at the time visiting Brazil, said neither his firm nor the HSDG would be inclined to lower freights since they had only recently ended a tariff war with Lamport and Holt and had no desire to start a ruinous struggle once more.

39. Memo, Ecker 22.2.1896, SA Hamburg C.I.d. 178. What the concessions were is not stated. They were not sufficient to bring the price of German rails down to that of the Belgian; Krupp got the order due, in Wever's opinion, to the adroit salesmanship of Krupp's Rio representative: Humbracht to Versmann 23.5.1896, enclosing copy of Wever to Hohenlohe 29.4.1896, SA Hamburg C.I.d. 178.

was required to secure the freight concession, in general Wever's complaint had little justification. It was scarcely possible to run fast modern steamers at the same cost as older and slower ships, and a resumption of the freight war of earlier years could have jeopardised the maintenance of such services.<sup>40</sup>

It is scarcely surprising that consular reports concerning the value of German shipping to German trade should be loudest from districts such as southern Brazil where Hamburg shipping had established a virtual monopoly. The German consul Baerecke from Paran  in 1898 thought it unlikely that German exports to that State would be pushed out by those from other countries so long as the direct steamship line from Hamburg remained without competition; and his view was typical of consular reporting from the Brazilian southern states.<sup>41</sup> At Buenos Aires, Rio de Janeiro and Valparaiso German shipping doubled or trebled between 1890 and 1912; but it was always overshadowed by British tonnage which had an overwhelming lead and also increased at a comparable rate,<sup>42</sup> and in the general increase in trade and shipping through these harbours the increased German tonnage did not exercise an influence so immediately obvious. Nor was the eventual appearance of German shipping in the northern Brazilian harbours as beneficial to German trade as it was in southern Brazil.<sup>43</sup>

40. In general the fear of the effects of a freight war was justified. Dundas reported from Hamburg in 1895 that competition for the River Plate trade and cheap rates to Brazil offered at Antwerp made business difficult: Brit. Parl. Papers 1897. XCI. p. 103. In 1907 the Hamburg companies and Lamport & Holt came into conflict over freights for Brazilian coffee to the U.S.A. and freights fell from 35 to 10 cents a bag: ibid, 1908. CIX. pp. 650, 694-695.

41. Deutsches Handels-Archiv 1900. II. p. 73; also 1893. II. p. 496, 1896. II. p. 336, 1897. II. p. 347-348.

42. Figures appear in Brit. Parl. Papers and Deutsches Handels-Archiv for the respective years.

43. The Liverpool Red Cross and Booth Lines serviced Amazonas, making voyages from Hamburg from 1894. In 1901 HAPAG started a monthly service to north Brazil in conjunction with the HSDG; but since rubber was the principal export, for which New York and Liverpool were the main markets, British shipping continued to dominate northern harbours: Deutsches Handels-Archiv 1892. II. pp. 151-152; 1894. II. p. 141; 1895. II. p. 404; 1897. II. p. 506; 1900. II. p. 968; 1902. II. p. 124; 1904. II. p. 961; Brit. Parl. Papers 1900. XCII. pp. 315-316; 1902. CVII. p. 474; 1903. LXXVII. pp. 538-539.



The evidence of consuls on the spot and the obvious expansion of German shipping services to South America make it apparent that German trade gained considerable benefit from the services of German shipping companies; it is obviously impossible to quantify this benefit. It is perhaps more demonstrably obvious that German shipping companies and their shareholders did well from the South American trade. Between 1890 and 1913 the tonnage of German shipping in the South American trade trebled once more as it had between 1873 and 1889; and by 1912, it has been seen, the companies operating those routes were paying record dividends. The establishment of direct shipping links with Germany, moreover, strengthened the influence of German settlers and traders in southern Brazil and Chile; and whilst the object of the various agreements entered into by German shippers was the maintenance of tariffs at profit-making level, these charges were in the main competitive and offered further inducement to South American buyers to purchase from Germany.

As in shipping, so in banking Germany attempted to challenge British predominance. The first German overseas banks, it has been seen in Chapter One, were established in South America in the hope of emancipating German overseas trade from the English world banking monopoly. It was an ambitious hope. London dominated world banking and Germany was late on the world scene and in South America.

From the beginning the German overseas banks had found it necessary to open branches in London, the world's leading discount market and clearing house. The Deutsche Bank in 1871 established the German Bank of London Limited and in 1873 the Deutsche Bank (Berlin) London Agency; and the Hamburg Commerz- und Discontobank participated at the same time in the

founding of the London and Hanseatic Bank.<sup>44</sup> The object was to gain a measure of independence from the British banks; it is probably true, as Emden wrote,<sup>45</sup> that the strength of the branches of foreign banks in London only consolidated London's position as the centre of world banking. London remained supreme, not only in international exchange but also in the standing its banks continued to hold in South America after the opening of the German banks there. The latter was, of course, in some measure due to the former; it was also due to the fact that the London banks had long experience and sound reputation whilst the German banks were new-comers. The result was that even German firms such as Hasenclever's Rio branch did not exclusively use the German banks. In April 1890, for instance, Hasenclevers forwarded remittances drawn on the Brazilian Banco do Brasil and on Baring Brothers;<sup>46</sup> in 1891 remittances were drawn on the London Rothschilds and on the London Joint Stock Bank Limited.<sup>47</sup> During the Brazilian civil war and naval revolt of the early 1890s Hasenclevers found the British Bank of South America more accommodating than the Brasilianische Bank für Deutschland which had reacted to the uncertainty of the times by raising its interest rates to 9 per cent.<sup>48</sup> In the following years Hasenclevers found the German bank

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44. See pp. 21-22 above; also Whale, P. Barrett: Joint Stock Banking in Germany. A Study of the German Creditbanks before and after the War (London: Cass, 1968 ed.) pp. 67-68. In 1895 and 1899 the Desdner Bank and the Diskontogesellschaft similarly opened London branches, and from 1899 to 1909 the Darmstädter Bank had a "community of interest" arrangement with the Bankers' Trading Syndicate.

45. Emden, Paul H.: Money Powers of Europe in the Nineteenth and Twentieth Centuries (London: Sampson Low, Marston & Co., 1937) p. 224.

46. Hasenclever & Co. Rio de Janeiro to Joh. Bernhd. Hasenclever & Söhne 2.4.1890, SA Remscheid.

47. Hasenclever & Co. Rio de Janeiro to Joh. Bernhd. Hasenclever & Söhne 10.3.1891, 2.5.1891, SA Remscheid.

48. Hasenclever & Co. Rio de Janeiro to Joh. Bernhd. Hasenclever & Söhne 2.10.1893, SA Remscheid. The Rio branch believed such caution unnecessary; despite Mello's blockade and bombardment of Rio the German ship "Arcona" had delivered bonds to the German bank to increase its gold holdings.

more satisfactory;<sup>49</sup> nevertheless it is scarcely surprising to find that the Remscheid head office preferred prudence to patriotism and advised the Rio branch in 1901 not to do all its business exclusively with the Brasilianische Bank für Deutschland. It was sounder practice to spread their business as widely as possible by continuing to use the English banks which had served them well.<sup>50</sup>

Hasenclevers' experience and practice typifies the situation in which the German banks found themselves. Having a smaller share of international banking business they found it necessary to establish themselves; they did not have the financial resilience of the English banks. Before devoting themselves specifically to servicing the trade between Germany and South America they had first to gain the confidence of South American business circles by proceeding cautiously. This becomes obvious from the 1912 publication of the Brasilianische Bank für Deutschland to commemorate its twenty-fifth year. To win the confidence of the Brazilian populace and to make the profits required for its own existence, wrote the bank, it had been necessary to engage in the country's general banking business. In a country with a fluctuating and "sick" currency great care had been essential. It was only by establishing itself in this way that the bank could hope gradually to serve Germany as a pioneer in the expansion of commercial relations between the two countries and to serve German industry. Hence, whilst the German mark had gained wider use in the financing of Brazil's trade,<sup>51</sup> the draft drawn on London remained almost supreme in all important international and Brazilian financial transactions. In 1912 it remained the case that the first

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49. Hasenclever & Co. Rio de Janeiro to Joh. Bernhd. Hasenclever & Söhne 9.2.1895, SA Remscheid.

50. Joh. Bernhd. Hasenclever & Söhne to Hasenclever & Co. Rio de Janeiro 6.12.1901, SA Remscheid.

51. It was Georg von Siemens' aim to free German trade from British currency; it was an early goal of the Deutsche Bank to get "Away from the Pound": Emden, *op.cit.*, p. 222. So far as the result was concerned all that can be said with certainty is that the German mark had gained acceptance by 1914.

prerequisite for the opening of an overseas banking business was a credit and drawing address in London, as evidenced by the fact that German overseas banks drew not only on the London agencies of the German banks with which they were affiliated but also to a considerable extent on the leading English banks. England remained Brazil's leading banker, taking over the bulk of Brazilian state loans and investing more capital in the country than did any other country.<sup>52</sup> The hopes of a German consul in Brazil in 1889 that the newly-founded Brasilianische Bank für Deutschland would serve German industry by mediating in trade and money exchange between the two countries<sup>53</sup> were in 1914 only partially realised.

Nevertheless the German banks did become involved in servicing trade. Hasenclevers for instance, whilst continuing to use English banks, remitted payments through the Brasilianische Bank für Deutschland and its parent banking house in Hamburg the Norddeutsche Bank. They also used the London and Hanseatic Bank in which the Commerz- und Discontobank had an interest.<sup>54</sup> The same firm also used the German banks for remitting funds to Brazil. When in 1890 the Brazilian government required that part of the import duties be paid in gold<sup>55</sup> Hasenclevers' Remscheid head office paid into the Norddeutsche Bank in Hamburg the required sums which were transferred to the bank affiliated with it in Brazil to cover the import duties, the bank charging a commission.<sup>56</sup> Sometimes German firms did their business through a long-established and well capitalised import and export firm such as Theodor Wille. The latter's Brazilian house Wille Schmilinsky & Co. was used both by Hasenclevers and by Siemens for banking transactions. Hasenclevers occasionally remitted payments, drawn

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52. Brasilianische Bank für Deutschland. Hamburg-Brasilien 1887-1912. (Hamburg: Lütcke & Wulff, 1912) p. 4ff.

53. Deutsches Handels-Archiv 1890. II. p. 489.

54. Hasenclever & Co. Rio de Janeiro to Joh. Bernhd. Hasenclever & Söhne 27.11.1890, 9.2.1891, SA Remscheid.

55. See p. 95 above.

56. Hasenclever & Co. Rio de Janeiro to Joh. Bernhd. Hasenclever & Söhne 16.10.1890, SA Remscheid.

on Wille's Brazilian firm, to their Remscheid head office;<sup>57</sup> and Wille was closely involved in Siemens' Brazilian enterprises. After Siemens advised the Deutsche Bank in November 1897 that they had successfully tendered for the new Rio telephone exchange steps were taken to set up the necessary financial organisation. The Deutsche Bank advised Siemens and Halske that the Hamburg Commerz- und Discontobank should be brought into the business, since on the co-operation of Wille Schmilinsky "we must lay especial value." Wille belonged to the board of directors of that bank and, further, the Commerz- und Discontobank was represented on the board of the Elektrizitäts-Aktiengesellschaft, formerly Schuckert & Co., with which firm Siemens was associated and later merged.<sup>58</sup> Wille was consequently involved in the telephone exchange operation as the agency through which payments for the installation costs were transferred to Brazil. Wille Schmilinsky drew in pounds sterling on the London agency of the Deutsche Bank, the Berlin bank debiting Siemens with the corresponding sum in marks and charging commission.<sup>59</sup> Siemens continued to effect transactions through Wille long after the Rio telephone exchange was completed.<sup>60</sup>

In terms of direct material advantage the German banks operating in the ABC states probably derived more benefit than they conferred on the German trade. German writers, as Whale points out,<sup>61</sup> were apt to calculate what Germany had to pay English banks in interest and charges

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57. E.g. Hasenclever & Co. Rio de Janeiro to Joh. Bernhd. Hasenclever & Söhne 8.5.1891, SA Remscheid. In this instance payment was in sterling.

58. Deutsche Bank to Siemens & Halske 2.12.1897: Siemens München, Rep. 25/Lo 579.

59. Deutsche Bank to Siemens & Halske 26.7.1898, Siemens München, Rep. 25/Lo 579.

60. In the annual balance sheets of the Brazilian Siemens Schuckert works from 1904 to 1914 it was not until 31st July 1912 that the credit balance under Wille's name was exceeded by that for other banks such as the Deutsche Ueberseeische Bank, the Deutsch-Südamerikanische Bank and the Brasilianische Bank für Deutschland: Bilanzbuch der Companhia Brasileira de Electricidade Siemens-Schuckertwerke-Rio. 1904-1914. Siemens München Rep. 17/Lc 371.

61. Whale, op.cit., pp. 90-91.

for their mediation of payments between Germany and other countries, although the cost was not as great as they made it appear since the London discount market was cheaper than that in Berlin due to the volume of business it handled. In 1890 Hugo Kunz<sup>62</sup> estimated that British bankers profited to the extent of 500,000 marks from the German-Chilean trade alone, and in 1906 Hauser<sup>63</sup> believed that the gross profits of English banks from the mediation of payments between Germany and other countries amounted to between three and three and one-half million marks, presumably per annum. The amount is doubtless inflated; but whilst British banks continued to service German trade they derived substantial profits from it. From the preceding account it has become apparent that German banks began to reap some of these profits; how much cannot be calculated. The total bank charges for the German trade with the ABC states in 1890 may have stood at approximately three million marks, rising to perhaps twelve million in 1913;<sup>64</sup> but since it is impossible to know what proportion of the trade was paid for through the German banks the percentage of these charges that went to the German banks cannot be known. Certainly it was not very large; nevertheless some small share of the bank profits found its way into German banks and represented the only direct financial benefit derived from the mediation of German banks in payments for the German-South American trade. This in turn contributed to the banks' financial reserves and consequent ability to service Germany's South American trade.

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62. Kunz, Hugo: Chile und die Deutschen Colonien (Leipzig: Commissions Verlag, Julius Klinkhardt, 1890) pp. 205ff.

63. Hauser, Die deutschen Ueberseebanken, quoted by Whale, op.cit., p. 91 fn. 1. Whale also cites Riesser, German Great Banks, written about the same time, for the same conclusions as reached by Kunz concerning British profits from the German-Chilean trade.

64. Kunz and Riesser, quoted above, estimated a gross bank profit of 500,000 marks on an aggregate trade of 60 million marks; the estimations above are calculated on the same proportion of the total German import and export trade with the ABC states.

The German banks in South America were the instrumentalities, not only for the servicing of trade, but also for the involvement of German capital in South American enterprises and loans. In general the German credit or joint stock banks<sup>65</sup> were in a peculiarly favourable position to direct capital into undertakings they thought desirable. In contrast to the English and American stock exchanges the German exchange or bourse was a state institution; and in the issuing of bonds the joint stock banks acted as intermediaries or, in Sombart's phrase, midwives.<sup>66</sup> Through their control over the issue of bonds and the advice they gave to their clientele the banks exercised a very strong influence on the placement of the available national wealth.<sup>67</sup>

Within Germany the electrical industry, described by Oppenheimer as "the banker's spoiled child",<sup>68</sup> was particularly reliant on bank capitalisation; the initial capital outlay for establishing light and power installations was considerable and it was some time before returns on any large scale could be expected.<sup>69</sup> The operations of the German electrical industry in the ABC states required a similar measure of financial backing. In 1895 the AEG gained the support of a group of German bankers for the Buenos Aires power station and the resultant Deutsch-Ueberseeische

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65. Whale, *op.cit.*, p. 1ff provides a succinct account of the types of German banks. Credit banks were joint stock banks carrying on general banking and acquiring their constitution under the general law relating to companies.

66. Sombart, *op.cit.*, pp. 195-196.

67. See Bruck, W.F.: Social and Economic History of Germany from William II to Hitler 1888-1938 (New York: Russell & Russell, 1962 ed.) pp. 80-92. Bruck points out that the banks bought up issues of stock and subsequently placed them on the market; he adds (p. 86) "The banks had also an almost dominant control over the Stock Exchange. Handling their customers' money, they possessed great influence both as buyers and sellers."

68. Brit. Parl. Papers 1902. CVII. p. 625.

69. For the relations between the banks and the German electrical industry in general see Bruck *op.cit.*, p. 91f., Whale *op.cit.*, p. 57ff.

Elektricitäts-Gesellschaft (DUEG) was created in 1898.<sup>70</sup> In the same year the Deutsche Bank formed the Brasilianische Elektricitäts-Gesellschaft, with a capital of five million marks, to finance Siemens and Halske's Brazilian operations, in particular the Rio telephone exchange.<sup>71</sup> As in Germany so in the ABC states it was typical that the operations of the electrical industry, which have been discussed in Chapter Five, should be financed predominantly by the Deutsche Bank and the Berliner Handels-Gesellschaft.

Of the South American enterprises in which German capital was invested the most heavily capitalised was the DUEG in Argentina. In 1910 the former German Commercial Attaché at Buenos Aires Stöpel told the German Colonial Congress in Berlin that, whilst German capital in Argentina did not even approach the dominant position held by England especially in the railways business, the one important exception was the electro-technical field, at the head of which stood the DUEG with a registered capital of 80 million marks.<sup>72</sup> To Siemens-Schuckert the success of the DUEG aroused an admiration which was tinged with regret. In a report dated July 1914 they pointed out that<sup>73</sup>

after the successful development which this company (sc.DUEG) has experienced with its present active capital of about one quarter thousand million marks, one would have expected that further capital would have been found without any trouble for similar undertakings, but unfortunately this hope has not been realised.

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70. Participating were the Deutsche Bank (16%), the AEG (16%), the Berliner Handels-Gesellschaft (12.8%), Leo Delbrück (11.2%), the Nationalbank für Deutschland (8%) and five other banking firms including two from Switzerland and one from London: Seidenzahl, *op.cit.*, p. 126. For a brief discussion of the operations of such banking consortiums see Whale, *op.cit.*, pp. 45-46.

71. Deutsche Bank to Siemens & Halske 16.5.1898 and Agreement 6.6.1898, both Siemens München 25/Lo 579; also *Brit. Parl. Papers* 1900. XCII. p. 387. The same company acquired the Villa Isabel tramline, which was drawn by mules, and electrified it. The line was later sold to a Canadian firm: Zimmermann, *op.cit.*, p. 120; *Brit. Parl. Papers* 1907. LXXXVIII. p. 245.

72. Stöpel, *op.cit.*, p. 1123.

73. Elektrische Betriebe in Suedamerika, Siemens München Rep. 36/Ls 103.



Nevertheless the same caution which the banks displayed about the investment of capital - and this will be discussed below - was properly exercised to ensure its effective use. Not until the Deutsche Bank had made its own survey of the viability, costs and prospects of the proposed Rio exchange<sup>74</sup> was it prepared to finance Siemens and Halske;<sup>75</sup> nor was it prepared to form a company for the purpose until completely satisfied about certain financial clauses in the contract.<sup>76</sup> From time to time the banks even assumed a further role by becoming channels through which information concerning likely prospects for further business expansions was relayed. One correspondent, convinced of the importance to the "indolent Brazilians" of tramways, recommended their installation on a small outlying island; "the ideal of the Brazilian," he added, "would be fulfilled if the tram were to take him to bed." The Deutsche Ueberseeische Bank forwarded the letter to Siemens; but there is no record of the latter seeking to satisfy this particular Brazilian ideal.<sup>77</sup>

In the development of the extensive South American railways German capital played a negligible role. Of the rapidly developing Argentine railways system England capitalised over 80 per cent,<sup>78</sup> a fact which the German consular report from Argentina regretted as a serious handicap to the German iron and steel industry.<sup>79</sup> Similarly in Brazil it was largely British capital that operated in that field, it being calculated in 1900 that about 30 million pounds of British capital was invested in

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74. G. Siemens (Deutsche Bank) to Präsident Bödiker, Siemens & Halske 22.9.1897 and enclosures: Siemens München Rep. 25/Lo 579.

75. Siemens & Halske to Deutsche Bank 25.9.1897 and reply of same date: Siemens München Rep. 25/Lo 579.

76. See Chapter Seven below.

77. The letter dated 8.1.1898 from one Bernhard Witzenz to the Stettin firm Bernhard Karschny which in turn sent it to the Deutsche Ueberseeische Bank is in Siemens München Rep. 25/Lo 579.

78. It was estimated that in the early 1890s 90 per cent of Argentine railways belonged to English companies: *Brit. Parl. Papers 1893-94*. XCII. p. 158. In 1908 85 per cent of capital outlaid in further railway expansion came from English investors: *Stöpel, op.cit.*, p.1118.

79. Deutsches Handels-Archiv 1890. I. p. 107.

Brazilian railways.<sup>80</sup>

The only German attempt at involvement in railway enterprise in Brazil was the Santa Catharina Railway. From archive material at Potsdam Brunn has shown that the plan for linking the projected German Hansa colony with the town of Blumenau had been proposed by the German Minister Krauel as early as 1895. The plan was supported by the Foreign Office in the hope of resisting the increasing influence of the United States in southern Brazil; but the refusal of the banks to bury their capital in southern Brazil held the project up for more than ten years.<sup>81</sup> The Santa Catharina project was advocated as an essential part of the policy of directed emigration following the abrogation of the von der Heydt Rescript and the founding of the Hanseatic Colonisation Society in 1897. The latter, it has been seen in Chapter Two, made little headway; and attempts were made to move the government and German capital to render practical support. The Hamburgischer Correspondent in February 1901 pointed out that since the von der Heydt Rescript had been lifted "it is not German diplomacy but German high finance which leaves it (sc. the Hansa Society) in the lurch and does not appear to have made itself clear about the bad effects its negative attitude must have for German economic policy."<sup>82</sup> From a letter written by one Emil Odebrecht from Blumenau in south Brazil in February of the same year to A.W. Sellin, Director of the Hanseatic Colonisation Society, it appears that petitions went to the

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80. Brit. Parl. Papers 1902. CV. p. 431.

81. Brunn, Deutschland und Brasilien p. 258. The reports of the British Vice-Consul (later Consul) Archer of Porto Alegre from 1897 reflect the stop-go nature of the negotiations. The German concessionaire went to Europe to form and capitalise a company: Brit. Parl. Papers 1898. XCIV. p. 357; a syndicate has been formed, engineers have come to survey the terrain, the project is likely to proceed: ibid 1899. XCVIII. p. 365; no capital available for one line, but it is said a company with a capital of 10 million marks is in process of formation in Germany for the other line in the project: ibid 1900. XCII. pp. 330-331.

82. Hamburgischer Correspondent 4.2.1901.

Kaiser himself to have the railway enterprise taken in hand.<sup>83</sup> The government nevertheless made little headway against the obduracy of the banks. In 1905 Wiegand of Norddeutscher Lloyd wrote to the Chancellor Bülow that the Hansa colonies were in a critical condition; capital was needed to develop the settlement, in particular to provide a railway line to carry produce from the inland settlements in Blumenau and Joinville to the sea and the outside markets. Wiegand had earlier sought the co-operation of the Prussian government in an attempt to have such a project financed by the Prussian Seehandlung Bank; the Prussian government, he said, had a responsibility to the Hansa colonies since it had enacted the von der Heydt Rescript which had interrupted progress in south Brazil. The Prussian Minister for Finance von Rheinbaben, said Wiegand, had told him that the Seehandlung, as a state bank, could not capitalise such projects where risk was involved. The Hansa colonies, urged Wiegand, must not be allowed to decline. They represented the first large-scale attempt at a rational direction of German migration overseas; were this to fail another such opportunity would not easily come their way.<sup>84</sup>

The unwillingness of the Prussian government to involve the state bank in the Santa Catharina project was based on further reasons of prudence.

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83. Odebrecht wrote: "Of railway construction, to the satisfaction of our Jacobins, for a long time no one here has dared say any more! Now your performances and above all the petitions to the Kaiser have rather raised hopes. Much is at stake here so far as our Deutschtum goes..." The letter from Odebrecht, "this loyal German man", was quoted by Sellin in a letter to the German government. Sellin added that Germans there were complaining that the Yankees were snapping away the fattest morsels of cheese from the German settled territories; he hoped that ways may be found "not to abandon to strangers the German cultural work achieved in Santa Catharina for more than 50 years." A copy of the letter, dated 23.3.1901, is in Brasilien 11.1, PA Bonn.

84. Wiegand to Bülow 7.2.1905: GSAPK Berlin, Rep. 109, Nr 5353. Only a steady stream of Germanic blood into South America, wrote Wiegand, could create there the independence and self-confidence necessary if South America were to resist the United States Monroe Doctrine and pretensions to power.

It did not wish it to appear that German government influence was behind the Hansa project,<sup>85</sup> a wise precaution in view of the "German Danger" scare.<sup>86</sup> Nevertheless Wiegand's case obviously impressed Bülow; for the matter was discussed by Mühlberg of the Foreign Office with Havenstein, President of the Seehandlung Bank, and the latter invited a number of bankers, as well as representatives of Norddeutscher Lloyd and HAPAG, to a confidential discussion on May 22, 1905.<sup>87</sup> During the conference Legation Councillor Goetsch, who represented the Foreign Office,<sup>88</sup> expressed the Chancellor's urgent wish that German financiers should intervene "in the national interest" for the building of the line. The meeting, however, was cautious. It agreed in principle with the Chancellor's wishes, but was only prepared to finance the project when it appeared likely that the line could be developed with reasonable hopes of success. Fürstenberg of the Berliner Handels-Gesellschaft was commissioned to obtain expert advice which was to be passed on to the Seehandlung Bank and another meeting called.<sup>89</sup>

The report which duly eventuated from W. Paul, who was sent to investigate conditions in Brazil, offered little encouragement;<sup>90</sup> but taken in conjunction with other considerations of a less immediately material nature it did not damn the project out of hand. Harry von Skinner, who gained the concession for the line, had reason to believe that the earlier failure to capitalise such a project weighed heavily against Germany's reputation in such affairs and that the Santa Catharina government had

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85. Brunn, Deutschland und Brasilien p. 259 footnote 125.

86. See p. 66ff above.

87. Präsident der Königlichen Seehandlung to Mühlberg 18.5.1905, GSAPK Berlin Rep. 109, Nr 5353.

88. Foreign Office to Havenstein 21.5.1905, ibid.

89. Memorandum 23.5.1905, ibid.

90. Paul to Lenz & Co. 12.11.1905, ibid. Paul found friction between the officials in the Hansa colony. Economic conditions were most unimpressive; the colonies virtually lived off butter production, but the nearby cities of Rio de Janeiro, São Paulo, Santos and so forth took their butter supplies from elsewhere. Paul added that there was some evidence of wealth and the area could develop.

hesitated to grant the concession to a German firm. It was, he said, only the influence of the German-Brazilian Dr. Lauro Mueller, who was state Minister for Transport, that effected a favourable decision. Deutschtum would be imperilled if yet again such a plan were to founder; the United States would take up and develop the concession.<sup>91</sup>

With Paul's report to hand another meeting was convened on February 17, 1906, and the Santa Catharina Eisenbahn Aktiengesellschaft was constituted with an opening capital of 400,000 marks; the company consisted in the main of the banks and business houses which Havenstein had invited to the earlier meeting.<sup>92</sup> Even after the formation of the company the problem of funding it was not fully solved. In September 1906 Wiegand reported that he could see no hope of bringing the German shipping companies to take over the one and a half million marks share of the company allocated to them. His own company had agreed to take over one-third of the sum, but Ballin of HAPAG had had bad experiences in the coastal shipping business in south Brazil and was not to be persuaded to participate. Hanseatic trading circles were scarcely likely to put up funds since Brazil's unfriendly import tariff had aroused strong feelings.<sup>93</sup> Acting on Wiegand's report Havenstein advised the Foreign Office that the project had collapsed.<sup>94</sup> The latter replied in December 1906 that although the bank consortium had declined to go any further with the matter the Foreign Office had not abandoned hope that it would come about in some other way;<sup>95</sup> but before that letter was written the first offer

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91. Gutachten über den Bau und Betrieb einer Eisenbahn von Blumenau über Aquidaban nach Hammonia, printed by H.S. Hermann in Berlin over the name of Harry H. v. Skinner, Oberingenieur: *ibid.*

92. Geschäfts-Bericht für erste Geschäftsjahr: GSAPK Berlin, Rep. 109 Nr 5354, and SA Bremen 3- A.3.B.4 Nr 237. In October 1907, shortly before the commencement of work, the capital was raised to 3 million marks.

93. Wiegand to Ministerialdirektor Hoeter 18.9.1906: GSAPK Berlin, Rep. 109 Nr 5353.

94. Havenstein to Foreign Office 25.9.1906, *ibid.*

95. Foreign Office to Havenstein 31.12.1906: GSAPK Berlin, Rep. 109 Nr 5354.

of finance came to hand in the form of a letter from the Hamburg Senate to the Chancellor stating its ability to raise half a million marks. This was followed in January 1907 by offers of smaller sums from the Nationalbank für Deutschland and the Mitteldeutsche Creditbank.<sup>96</sup> The response was sufficiently encouraging for the meeting of the Santa Catharina company held in Berlin on January 16, 1907 to express confidence that the full six million marks needed could be found. The confidence was justified; a number of banks, shipping lines and trading firms such as Stoltz, Wille, Laeisz and Woermann made contributions.<sup>97</sup>

The line, funded by secured loans through the Seehandlung Bank,<sup>98</sup> was opened to traffic in October 1909,<sup>99</sup> fourteen years after Krauel first suggested it. The hesitation of the banks to fund it and the readiness of Wiegand and Havenstein to drop it in the final stages show a strong measure of disillusionment concerning undertakings in Brazil. It was not only the banks which were disillusioned. In 1906, the year in which the Santa Catharina company was formed, the German envoy Treutler wrote from Brazil that Germany must set limits to its efforts to maintain Brazilian Deutschtum. German Brazilians were chauvinistic citizens of their new homeland, wrote Treutler, and were irritated by references to their German background. Germany could only hope to ensure their economic usefulness to the Reich by doing as little as possible to hold

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96. Senatskommission für die Reichs- und auswärtigen Angelegenheiten Hamburg to Bülow 14.11.1906; Nationalbank für Deutschland to Havenstein 14.1.1907; Mitteldeutsche Creditbank to Havenstein 15.1.1907: all GSAPK Berlin, Rep. 109, Nr 5354.

97. Minutes of Meeting 16.1.1907 and undated list of participants: *ibid.*

98. The Seehandlung advanced the funds on security of bonds and other papers lodged with it by other participating banks. Details of the transactions appear in documents between the Seehandlung and the various banks in GSAPK Berlin, Rep. 109, Nr 5354. Such bank-secured loans were known as Lombard loans.

99. Börsen-Courier 30.10.1909. It was constructed by Arthur Koppel & Herrmann Bächstein A.G. of Berlin. For the shipping of materials a special agreement was made with Norddeutscher Lloyd, HAPAG and HSDG. By May 1908 14 steamers and 1 sailing ship carried materials to Brazil: Geschäfts-Berichte, SA Bremen 3- A.3.B.4. Nr 237.

them to German customs and language.<sup>100</sup> Two years later Treutler's successor Reichenau gloomily observed that, whilst the United States wooed Brazil as ardently as Jacob did Rachel, Germany showed little inclination to do so.<sup>101</sup> It was, indeed, to forestall American efforts that the Santa Catharina line was advocated; but the direct intervention of the Foreign Office was required before German capital could be involved.<sup>102</sup> The interest of the Kaiser himself was obvious. When in 1911 the German envoy Michahelles negotiated an agreement between the Santa Catharina state government and the German company for an extension of the line Bethmann Hollweg's enthusiastic report was annotated by the Kaiser "bravo", and the comment was appended: "Very satisfactory. The Minister should be decorated."<sup>103</sup> In the event, however, the hesitation of German financial interests was justified. The existing line was run at a loss, and the European disorders which precluded the outbreak of war made it impossible to capitalise the proposed extensions.<sup>104</sup>

The disenchantment of German banks over Brazilian ventures was in part induced by an unfortunate sally into the Brazilian coastal shipping business. From the time of the establishment of the Brazilian republic the government of that country legislated that coastal shipping should become a nationalised undertaking, and the Baron de Iacequay founded a Brazilian steamship company, the Lloyd Brasileiro, to carry out inter alia the coastal trade.<sup>105</sup> Due to the still undeveloped condition of Brazilian shipping the government postponed its decision to nationalise

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100. Treutler to Bülow 1.9.1906: Brasilien 11.6, PA Bonn.

101. Reichenau to Bülow 27.6.1908: Brasilien 1.39, PA Bonn.

102. Brunn, Basilien und Deutschland, p. 259, from Potsdam material. The involvement of the government is clear in the above account.

103. Bethmann Hollweg to Kaiser Wilhelm 31.12.1911 and Kaiser's marginalia: Brasilien 1.41, PA Bonn.

104. Brunn, Deutschland und Brasilien p. 260.

105. Dönhoff to Caprivi 30.10.1891: SA Bremen 3- A.3.B.4. Nr 91. The company was subsidised by the government. The text of the Brazilian coastal shipping law, dated 11.11.1892, appears in Deutsches Handels-Archiv 1893. I. pp. 92-93.

coastal shipping until December 1896.<sup>106</sup> The Brazilian line was, indeed, in difficulties almost from the beginning. Since 1893 interest on two loans remained unpaid, the deficit continued to climb, and in 1896 no dividends were paid to shareholders. The German Minister Krauel believed the disastrous condition of the company to be due to incompetent and dishonest management and to the antiquated condition of the shipping and in 1897 foresaw imminent bankruptcy.<sup>107</sup> The implication was obvious; under better management the company could become a profitable venture.<sup>108</sup> When the Brazilian government proposed the sale of Lloyd Brasileiro to some foreign company German shipping lines and firms considered acquiring it. The Consul-General in Rio sent an optimistic report to the Hamburg Chamber of Commerce, which recorded its enthusiastic consent to the proposal that this "important undertaking" come into German possession. The Chamber entered into discussions with the HSDG, HAPAG, de Freitas, Rob. M. Sloman, the firm Schroeder Brothers & Co., and the Brasilianische Bank für Deutschland; but the proposal foundered on the requirement under Brazilian law that the captain and leading crew were to be Brazilian.<sup>109</sup>

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106. See Chapter Seven below. It was initially deferred until December 1894, then for a further two years: Deutsches Handels-Archiv 1896.I. The British Lamport & Holt company transferred their coastal ships to the Brazilian company about 1891, due in Vice-Consul Archer's opinion to premature expectation of the implementation of the law: Brit. Parl. Papers 1894. LXXXV. p. 266.

107. Krauel to Hohenlohe 12.6.1897; SA Bremen 3- A.3.B.4. Nr 234. Since Hamburg firms, as well as English and French bankers, were amongst the shareholders the German Minister approached the Brazilian government concerning the unpaid dividends and some payments were made. To meet these commitments Lloyd Brasileiro was obliged to sell at a loss 9 of its old ships, leaving it with 21 ships in poor condition.

108. This was also obvious to the British Vice-Consul Rhind of Rio, who recommended it to British enterprise. He was, nevertheless, aware of the problem involved in the necessity to run such a line under the Brazilian flag: Brit. Parl. Papers 1905. LXXXVII. p. 422.

109. Auszug aus dem Protocoll der Deputation für Handel und Schiffahrt, Handelskammer Hamburg 20.2.1900: HA Hamburg 95.C.4.16. Lloyd Brasileiro was sold by auction in April 1900, the Banco da Republica do Brazil apparently acquiring it: Deutsche Bank in Hamburg to Handelskammer 18.4.1900: ibid.



The aim of acquiring an interest in the coastal shipping business, however, was not dropped. Germany already held virtual monopoly over shipping to the south of Brazil, and the coastal shipping business would strengthen the German presence in those ports. Southern Brazil, moreover, was of particular interest for German emigration and trade. Consequently in 1904 the Hamburg shipping firm de Freitas, in conjunction with a Brazilian company, founded a new line with a capital of 175,000 pounds subscribed in Hamburg and Brazil; at the wish of the Foreign Office HAPAG and the HSDG joined the venture.<sup>110</sup> From its inception the company was in difficulty. Wages and taxes were higher than expected, strikes vitiated the efficiency of the service, and in 1906 negotiations were opened to sell the line to Lloyd Brasileiro. In September of that year the German Minister Treutler was able to report completion of the sale and the fact that German capital was no longer involved in Brazilian coastal shipping. In view of the role of the German Legation in founding the company, he added, there was at least some satisfaction in knowing that money was not lost in the sale.<sup>111</sup>

In other South American undertakings German capital was employed more profitably. The Chilean nitrate industry was predominantly capitalised and managed from London; but German consumers, mainly sugar beet growers, obtained much of their supply directly from Hamburg importers who had branches in Chile.<sup>112</sup> At the end of 1893, when the Chilean government announced its intention to auction 38 nitrate works in Tarapaca which had

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110. Brit. Parl. Papers 1905. LXXXVII. pp. 422, 477; Brunn, Deutschland und Brasilien p. 257.

111. Treutler to Bülow 29.9.1906; HA Hamburg 95.C.4.16. The same problem continued to put Lloyd Brasileiro in a precarious condition and attempts were made to sell it again: Schönherr to Bülow 23.3.1908, SA Bremen 3- A.3.B.4. Nr 234; Münzenthaler to Bethmann Hollweg 15.11.1911, 27.8 1913, HA Hamburg 95.C.4.16.

112. Reichsamt des Innern to Senat der freien und Hansestadt Hamburg 16.9.1893 and reply 19.2.1894 enclosing Denkschrift betreffend Salpeterhandel mit Chile: SA Hamburg C.I.d.176.

come into its possession from Peru,<sup>113</sup> opportunity was presented to German capital to buy into the industry. The German Minister von Treskow advised that in Chilean government circles the hope had been expressed that Germans would share in the bidding,<sup>114</sup> and at the public auction held in October 1894, some Germans acquired properties in the Antofagasta province.<sup>115</sup> Treskow was disappointed that "German capital and German industry had not found itself prepared to open up an extensive and lucrative field of activity in the Chilean nitrate province to the advantage of German agriculture and industry." His chagrin was understandable but unrealistic. Bidding at the further auctions in 1895, wrote Treskow, was bound to be low; but the very reason which made prices favourable made caution advisable since, as Treskow himself reported, the nitrate industry was in a depressed condition.<sup>116</sup> In 1903, when the nitrate industry was flourishing, a German firm operating as the German Nitrate Company investigated large nitrate areas in the Taltal district and in due course acquired them. German machinery, carried by "Kosmos" steamers, was installed and by April 1904 two large nitrate works, capable of producing over 108,000 tons per annum, were in operation.<sup>117</sup> It was a profitable venture. German capital invested in Chilean nitrate nevertheless remained far behind British. In 1908 the British Consul Hudson of Iquique reported that, of the estimated 27.5 million pounds invested in the nitrate industry, Great Britain had provided 10.7 million, Chile 10.5 million and Germany 3.3 million.<sup>118</sup>

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113. Diario Oficial 29.11.1893.

114. Treskow to Caprivi 17.3.1894: BHSa I München Rep. MH 5373.

115. Treskow to Caprivi 18.10.1894: ibid.; Deutsches Handels-Archiv 1895. II. p. 473.

116. Treskow to Hohenlohe 13.2.1895: BHSa I München Rep. MH 5373. For the nitrate industry about this time see pp. 108-109 above. Treskow's report was circulated to German state governments by the Ministry for the Interior: BHSa I München Rep. MH 5373; HSA Stuttgart Rep. E.46 Fasz. 437; SA Hamburg C.I.d. 176.

117. Brit. Parl. Papers 1905. LXXXVII. pp. 509-510, 519-520, 586-587.

118. Ibid., 1910. XCVI. p. 634. Hudson repeated the total and the British figures in 1910: ibid., 1912-13. XCIV. p. 542.

German participation in other South American industries was in the main similarly slight. Capital was invested in breweries,<sup>119</sup> building projects,<sup>120</sup> the Argentine meat industry<sup>121</sup> and other enterprises. In later years German capitalists showed some interest in small mining ventures in Brazil and Chile.<sup>122</sup> In public works other than electrical undertakings German capital was scarcely involved. When in 1911 the German firms Dyckerhoff, Widmann and F.H. Schmidt gained the contract for the erection of dry docks and an embankment wall at the new war harbour Puerto Belgrano the German surveyor at Buenos Aires wrote that at last Germany had a share in the great works which were carried out in Argentina, even though it was only a rather moderate share.<sup>123</sup>

Estimates of capital investments in Argentina and Brazil (they are not to hand for Chile) are inflated due to the inclusion of real estate, business premises and other assets purchased by Germans resident in the two republics. According to figures laid before the Reichstag about 1907<sup>124</sup> 535 million marks were placed in Argentina. This consisted of 150 million marks in business houses, 50 million in industrial installations, 100 million of industrial capital in enterprises such as electrical works, quebracho works, meat conserve works, brewing and such, and over 235 million in real estate. This estimate did not include the

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119. Brit. Parl. Papers 1898. XCIV. p. 69; 1906. CXXIII. p. 115; Deutsches Handels-Archiv 1900. II. p. 441; 1906. II. p. 1211.
120. The Deutsche Uebersee Bank financed the Frankfurt building firm Philipp Holzmann in some large building projects in Argentina: Lütge, Hoffmann and Körner, op.cit., p. 297.
121. Germans had shares in the two largest meat extract factories in Argentina and Uruguay, the Compania de Productos Kemmerich and Liebig's Extract of Meat Company: Deutsches Handels-Archiv 1894. II. p. 59.
122. Iron and manganese mines in the former, gold and copper in the latter: Brit. Parl. Papers 1905. LXXXVII. pp. 516, 560, 528; 1909, XCII. p. 583.
123. Offermann to Bethmann Hollweg 20.5.1911: SA Bremen 3- A.3.A.1.Nr 185. The British Consul-General Mackie reported that the work was carried out by a combination of German firms such as iron foundries, cement works and plant manufacturers and was valued at 1,340,000 pounds: Brit. Parl. Papers 1914. LXXXIX. p. 563.
124. Neubaur, op.cit., p. 183.

allegedly considerable share of the stock of English railways companies said to be in German hands. The capital invested in Brazil slightly exceeded that in Argentina; for Brazil the figure was 595 million. This was due to the very large amount estimated for the outlay in German wholesale trading houses, of which coffee exporters received special mention; the figure given for wholesale traders was 500 million. Property, especially that acquired by the Hanseatic Colonisation Society, was valued at 55 million; this estimate, which is roughly one quarter the value estimated for real estate in Argentina, is credible in that it consisted of agricultural holdings as against Argentine residential property. Industrial capital in Brazil was estimated at 40 million marks, less than half that working in Argentina; this was invested in tobacco factories, mills, weaving and spinning factories and such.<sup>125</sup>

German government representatives and business men were critical of German banks and other financial interests for their inactivity and unwillingness to take risks; this has become apparent from the foregoing account. Kannapin has shown<sup>126</sup> that this caution was deliberate policy. German banks preferred to share in the financial activities of foreign companies rather than to create their own. Against the criticism of the German Minister in Argentina in 1912 the Diskonto-Gesellschaft defended this practice on three grounds; firstly, German Conservative parties had made trouble about the investment of capital overseas, secondly some parties (presumably those to the Left) were always opposed to the bourse and the operations of big capital, and thirdly legislators had limited

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125. In 1910 Stöpel's estimate of German capital in Argentina was roughly double that given to the Reichstag in 1907. Of the 20 thousand million marks invested in Europe and overseas, he said, one thousand million was in Argentina: Stöpel, op.cit., p. 1108. Such estimates may be presumed to be inflated for propaganda purposes. Feis, op.cit., p. 74 estimated that of the 23.5 thousand million marks in long-term foreign investments in 1914 3.8 thousand million was placed in Latin America.

126. Kannapin, op.cit., pp. 183-191; his source is in the Potsdam archives.

the freedom of the banks on the Exchange by enacting that the banks were not to tie up capital in long-term undertakings unless they could quickly find buyers for the securities of such ventures. The State Commissioner Göppert at the Berlin Stock Exchange defended the Diskonto-Gesellschaft's practice by pointing out that there was not sufficient capital available in Germany for all the enterprises in which the banks may have wished to participate. By joining foreign companies, said Göppert, German capitalists did not carry all the risks, and the German banks needed only to participate far enough to ensure that German industry received some of the consequent orders. There is much probability in this reasoning. The degree to which organised public opinion was able to control government decisions will be explored in Chapter Seven; and that Germany did not have as much capital available for South American enterprises as did England is widely attested. German electrical concerns in South America were in this regard unique. The caution of German banks was eventually laid aside for the Santa Catharina railway project and for the south Brazil coastal shipping enterprise; but southern Brazil, in which both ventures were located, held a peculiar interest for Germany, and experiences with neither company were likely to recommend further financial sacrifice for Brazilian Deutschtum.

In 1910 the Director of the Dresdner Bank stated that the Foreign Office had frequently stimulated German banks to compete for South American and other government loans, adding that even when the banks were approached from other quarters the consent of the Foreign Office was sought.<sup>127</sup> Government control over overseas loans was, as Laves<sup>128</sup> points out, increasingly exercised by informal rather than formal means; by conversations between government officials and bankers to avoid possible

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127. Quoted in Feis, op.cit., p. 174.

128. Laves, Walter H.C.: German Government Influence on Foreign Investments, 1871-1915 (Political Science Quarterly XLIII, 4, 1928) pp. 498ff.

embarrassment to the government. Documentary evidence of government interest in individual negotiations is therefore not always to hand; but it can safely be assumed that the activities of German banks in financing South American government loans were approved and perhaps encouraged by the German government.

Between 1885 and 1890 the Deutsche Bank and the Diskonto-Gesellschaft participated in six loans to the Argentine federal government, provinces and cities.<sup>129</sup> The largest of these was the 1,984,120 pound sterling loan negotiated by the Buenos Aires municipal authorities in an agreement concluded on November 3, 1888 with the Diskonto-Gesellschaft, the Deutsche Bank, a number of French banks and Baring Brothers of London. The loan was at  $4\frac{1}{2}$  per cent for the consolidation of the debts of the municipality, and was opened for subscription in May 1889 in London, Berlin, Frankfurt, Hamburg and Cologne. Shortly after the loan was negotiated came the Argentine crash and a consequent halt to payments due from the Buenos Aires municipality. After further negotiations it was agreed in 1892 that the municipality should pay daily into the Argentine National Bank 36 per cent of its gross income to service the loan. Until 1900 the agreement was observed but thereafter irregularities occurred in payments and remissions. The Diskonto-Gesellschaft remonstrated with the Argentine President and asked the Foreign Office to join with the British government in bringing pressure to bear in Argentina.<sup>130</sup> After reassuring itself that the British government intended to take similar measures<sup>131</sup> the Foreign Office cabled its Minister Wangenheim at Buenos Aires to join his English colleague in taking up the matter with the Argentine government unless there were special objections to such a

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129. Kannapin, *op.cit.*, pp. 68-73.

130. Directors Diskonto-Gesellschaft to Foreign Office 16.10.1901: Argentinien 1.19, PA Bonn.

131. Foreign Office to Metternich 17.10.1901; Tel. Metternich to Foreign Office 24.10.1901: both Argentinien 1.19, PA Bonn.

procedure. It was stressed that no special emphasis was to be placed on Germany's role in the affair; the common interests of England and Germany were to be kept to the fore.<sup>132</sup>

Wangenheim did raise objection. The literal observance of the 1892 agreement, he wrote, would place a heavy and unjustifiable burden on the Buenos Aires municipal authorities. In 1892 the city income was seven and three-quarter million pesos, whereas by 1900 it had reached nearly fifteen million. The stipulated 36 per cent of the latter amounted to almost five and one-quarter million pesos whereas the servicing of the loan required only one and one-quarter million. The City government was in fact seeking to have this clause of the contract altered.<sup>133</sup> Shortly thereafter the Buenos Aires authorities resumed payments into the National Bank on a reduced scale, a procedure with which the Diskonto-Gesellschaft's local representative Ernesto Tornquist was in agreement. So too was the English Minister.<sup>134</sup> The Diskonto-Gesellschaft was not; but its request for diplomatic insistence on the strictest observance of the agreement merely produced a cautious advice to Wangenheim to discuss the affair with the Argentine government at his discretion.<sup>135</sup> There the matter was wisely allowed to rest. German interests were well served by Wangenheim's advice against insistence on a literal fulfilment of the 1892 agreement and by the discretion of the German government despite the request of the Diskonto-Gesellschaft for firmer action. It was about the same time that a German ship went as far as to bombard the harbour of Carácas when England and Germany made a joint show of naval strength in Venezuela to enforce payment of debts repudiated by Cipriano Castro's

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132. Tel. Foreign Office to Wangenheim 28.10.1901: Argentinien 1.19 PA Bonn.

133. Wangenheim to Bülow 13.11.1901: Argentinien 1.19 PA Bonn.

134. Wangenheim to Bülow 1.12.1901: Argentinien 1.19 PA Bonn.

135. Directors Diskonto-Gesellschaft to Foreign Office 4.2.1902; Foreign Office to Minister Buenos Aires, to Embassy London and to Directors Diskonto-Gesellschaft 13.2.1902: all Argentinien 1.19 PA Bonn.

revolutionary government.<sup>136</sup> Circumstances in Argentina were different and a similar mistake was avoided.

German capital also went into an Argentine government loan in 1908-1909 to finance that country's armaments programme. It was rumoured in 1908, when negotiations for the loan were initiated, that the French government would only agree to its listing on the French bourse if Argentina placed its armaments orders in France,<sup>137</sup> a rumour subsequently confirmed by the German Minister in Paris.<sup>138</sup> London subscribed to the loan as did also the New York financiers Morgan & Co.;<sup>139</sup> and the Deutsche Bank showed obvious pleasure in advising that the 1,640,000 pound share allocated to Germany had met with great success, adding that this demonstration that the German market was not as impotent as the Herren Franzosen believed it to be would make them more cautious in the future.<sup>140</sup> The armaments order went to Germany and Krupp's interests were serviced by the German banks as also in this instance by French, American and English capital. Through participation in these Argentine loans the Diskonto-Gesellschaft and the Deutsche Bank, with the approval of the Foreign Office and perhaps at its instigation, had some part in securing Argentine solvency and consequent ability to pay for the country's imports. As Sombart's calculations demonstrate<sup>141</sup> the financial rewards were not negligible.

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136. The documents are in Lepsius, Bartholdy & Thimme, Die Große Politik Bd.17, Kap.cxii; Gooch, G.P. and H. Temperley: British Documents on the Origins of the War 1898-1914 (London: H.M.S.O., 1927) Vol. II. p. 153ff. The affair has been commented on by a number of authors.

137. Hatzfeldt to Bülow 8.12.1908: Argentinien 1.34, PA Bonn. For the contest between Krupp and Schneider Creuzot for the Argentine order see p. 194 above.

138. Radolin to Bülow 1.3.1909: Argentinien 1.34, PA Bonn. The 80 million francs share of the loan reserved for France was nevertheless subscribed since the Paris banks had already invested the sum. Radolin reported that the Argentine Minister in Paris was very indignant at the pressure exerted by the French government; it offended Argentine pride.

139. Metternich to Bülow 21.2.1909: Argentinien 1.34, PA Bonn.

140. Deutsche Bank to Bussche 10.3.1909: Argentinien 1.34, PA Bonn.

141. See p. 162 above.



Germany's commercial and political status in Argentina was also served; and German diplomacy was obviously careful to ensure that this remained unharmed. In August 1910 the consortium which founded the Deutsch-Südamerikanische Bank, headed by the Dresdner Bank, sought the listing on the Berlin stock exchange of a two million pound sterling Province of Buenos Aires loan. The stock exchange listing office questioned whether the Buenos Aires province merited the confidence which authorisation of the listing would indicate. The Dresdner Bank therefore sought the advice of the Minister in Buenos Aires and asked what impression would be made in Argentina by a non-listing of the loan.<sup>142</sup> The Minister was cabled accordingly<sup>143</sup> and his reply that there were no financial reasons for a refusal and a non-listing would be extremely harmful to German-Argentine trading relations<sup>144</sup> was sent to the Dresdner Bank. The information, reported the bank, was put to good use and the loan was listed.<sup>145</sup>

Brazilian government loans found less support in Germany. This is interesting because, whilst political considerations were of great importance, economic conditions were less attractive. When there was a clash between financial and political advantage, financial considerations won the day. The prolonged period of unrest associated with the overthrow of the monarchy and the subsequent civil war was scarcely likely to inspire confidence; this was true not only in Germany. The British Legation Secretary Beaumont reported in 1898 that in the preceding few years Europe had been very reluctant to invest in Brazil other than in coffee estates, mining, and a French loan to the State of Minas

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142. Dresdner Bank to Foreign Office 17.12.1910: Argentinien 1.42, PA Bonn.

143. Foreign Office to Minister Buenos Aires 17.12.1910: Argentinien 1.42, PA Bonn.

144. Tel. Bussche to Foreign Office 20.12.1910: Argentinien 1.42, PA Bonn.

145. Dresdner Bank to Foreign Office 27.12.1910: Argentinien 1.42, PA Bonn.

Geraes.<sup>146</sup> Immediately after it was founded in 1887 by the Diskonto-Gesellschaft the Brasilianische Bank für Deutschland negotiated two loans for Brazilian railway companies; these went bankrupt shortly afterwards and German investments were lost.<sup>147</sup> This loss and subsequent Ministerial reports from Brazil concerning the financial difficulties of the Brazilian states bred caution; and when the Foreign Office in 1902 advised the Diskonto-Gesellschaft that the State of Rio Grande do Sul intended raising a loan the bank declined any participation in it.<sup>148</sup> It was not until 1905 that a German bank funded a Brazilian government loan. In that year the Dresdner Bank, which had just participated in the establishment of the Deutsch-Südamerikanische Bank, negotiated a 3.8 million pound loan for the São Paulo state government. The loan was to finance railway extensions; but since an American syndicate took over the railway project and the loan<sup>149</sup> German industries derived no benefit. In general, it has been seen, German financiers were wary of involvement in Brazil; and since the São Paulo loan eventually capitalised American enterprise in Brazil it was scarcely likely to bring about any change of heart. It was not in fact until 1914 that a further attempt was made to involve German capital in a Brazilian government loan and the war intervened before negotiations were concluded.<sup>150</sup>

Other than for the electrical industry German capital played a limited role in the development of German trade with the ABC states. Available

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146. Brit. Parl. Papers 1899. XCVIII. p. 235.

147. Loans were made to the Oeste de Minas railways of 22.5 million marks and the Araruama railways of 6.5 million: Deutsches Handels-Archiv 1890. II. p. 489. Brunn, Deutschland und Brasilien p. 253, from Brazilian sources, says German creditors lost about 50 per cent of their investments.

148. Treutler to Bülow 30.10.1901, 28.12.1901; Consul Feindl to Bülow 22.12.1902; Foreign Office to Diskonto-Gesellschaft 30.1.1903; Diskonto-Gesellschaft to Foreign Office 2.2.1903: all Brasilien 2.1, PA Bonn. A number of Brazilian state loans were placed on the London market by Rothschild: Brit. Parl. Papers 1893-94. XCII. p. 652; 1899. XCVIII. pp. 229-231; 1903. LXXVI. pp. 486-487.

149. Brit. Parl. Papers 1908. CIX. p. 672.

150. Brunn, Deutschland und Brasilien p. 254.

resources were limited and banks cautious. Whilst in 1914 Germany had an estimated 3.8 thousand million marks in long-term investments in all Latin America Great Britain had the equivalent of 15.46 thousand million.<sup>151</sup> The limited support given by German financial interests, however, was in effect supplemented by the price policy of the German cartels, by means of which the home market was made to subsidise German foreign trade.

In his study, published in 1973, of cartels and monopolies in Imperial Germany Fritz Blaich<sup>152</sup> points out that the cartellised coal, pig iron and steel industries sold more cheaply on the foreign market than at home in order to boost export sales.<sup>153</sup> Although coal was not sold in any quantity to South America iron and steel products comprised a substantial share of exports to that continent, and the pricing policy of the German cartels had a direct bearing on the South American trade. During the period under review this complaint was often heard; and it was brought into the open during the lengthy hearings on German cartels conducted by the Ministry for the Interior from 1903 to 1906.<sup>154</sup> During the hearings the Hagen wiremakers Springmann and Lippert, for instance, claimed that the steel cartels sold semi-finished products more cheaply overseas than to German manufacturers to the detriment of the latter on foreign markets. Schaltenbrandt of the Düsseldorf steel cartel denied the charge;<sup>155</sup> nevertheless similar complaints were sufficiently persistent to occasion

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151. Feis, *op.cit.*, p. 74.

152. Blaich, Fritz: Kartell- und Monopolpolitik im kaiserlichen Deutschland. Das Problem der Marktmacht im deutschen Reichstag zwischen 1879 und 1914 (Düsseldorf: Droste Verlag, 1973) pp. 112ff.

153. Bruck, *op.cit.*, p. 95 refers in general to this practice.

154. Deutscher Handelstag, Mitteilungen an die Mitglieder 6.10.1902: copy in HA Bremen C.17.I.a. Representatives of the cartels, as well as of their customers and independent experts participated. The Enquiry arose from frequent discussion about the cartels during proceedings leading up to the new tariff which came into force in 1906: Handelskommission des Senats an die Handelskammer (Bremen) 21.3.1902, HA Bremen C.17.I.a.

155. Besondere Beilage zum Deutschen Reichsanzeiger und Königlich Preußischen Staatsanzeiger 18.8.1905.

a printed refutation from the Steelmakers Association. German wire-makers, wrote the Association, had mistaken their intentions; the Association was aiming at higher, not lower, prices overseas for finished goods.<sup>156</sup> But it was not denied that the Association had practised a policy of price differentiation to favour export of semi-finished materials; and two reports on the Cartel Enquiry published in 1903 and 1904 by the British Board of Trade put it beyond doubt that German manufacturers were selling more cheaply to foreign markets than at home. The Board believed that Germany was dumping on the foreign market because supply exceeded domestic demand. "The fact that dumping is a policy habitually practised by the German Kartells," reported the Board, "is beyond controversy."<sup>157</sup> The practice was not confined to the iron and steel industries; for instance the paper cartels, which also did a good business in the ABC states, clearly sold more cheaply on the foreign market.<sup>158</sup>

Detailed evidence of the extent to which or the markets on which dumping was practised is not available from these reports. As Marshall<sup>159</sup> points out, the Cartel Enquiry did not probe deeply and information which witnesses were unwilling to give was not extracted. Blaich found it difficult to determine in individual cases whether a "genuine dumping", by which he meant sale at prices which did not cover production costs, occurred.<sup>160</sup> There is, however, no difficulty in showing that dumping occurred on the South American market. In January 1893 Count Kanitz

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156. Stahlwerks-Verband, undated document; received by Bochum Handelskammer 1.11.1904: copy in WWA Dortmund K2 Nr 302.
157. Memorandum on the Export Policy of Trusts in certain Foreign Countries; Cd.1761: Brit. Parl. Papers 1903. LXVII. p. 608.
158. Abstract of the Proceedings of the German Commission on Kartells; Cd.2337: Brit. Parl. Papers 1905. LXXXIV. For the paper cartel, p. 488.
159. Marshall, Alfred: Industry and Trade (London: Macmillan, 1932 ed.) Pt. III, chs. IX and X.
160. Blaich, op.cit., p. 113.

told the Prussian Diet:<sup>161</sup>

In February last year, Rhenish-Westphalian works furnished South America with a large quantity of steel rails at the price of 83 marks per ton f.o.b. Rotterdam. Such a price does not leave any profit for our works, but they can do nothing in the matter; at home they cannot dispose of their rails, and unless they are willing to reduce their works and dismiss more workmen, they cannot do otherwise than sell at a loss to foreign countries.

The British Consul Ross reported from Buenos Aires that "the increase in German imports in 1900-01 is ascribed to great overproduction, which brought on forced sales at liquidation prices."<sup>162</sup>

It was not only through price regulation or dumping that the cartels assisted German exporters; they did it also by the allowance of export bounties. The Westphalian wire-makers Hüsecken and Bäcker were allowed by the Cologne Union of German Brassworks an export premium of 3 marks per 100 kilograms of brass and tombac which was purchased for fine drawing and subsequent export.<sup>163</sup> In addition to wire<sup>164</sup> coal and steel also received export bounties.<sup>165</sup> There is no reason to doubt that the South American trade was similarly favoured; these were exports to South America. Both by price differentiation and by the allowance of export bounties the cartels in effect brought the home market to subsidise foreign trade and contributed to the measure of success it enjoyed in South America.

The cartels were not alone in bringing down the price of some German exports. The various state and federal railways authorities gave assistance by a system of exceptional tariffs, the object of which was to assist German products to compete with foreign rivals. Such a system

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161. Quoted by Oppenheimer, Brit. Parl. Papers 1893-94. XCIII. pp.832-833.

162. Brit. Parl. Papers 1903. LXXVI. p. 385.

163. Verband deutscher Messingwerke an Hüsecken & Bäcker 16.12.1908, 6.1.1909, 19.2.1909: RWWA Köln, Abt. 6, Nr 8, Fasz. 9.

164. Brit. Parl. Papers 1905. LXXXIV. p. 491 refers, without detail, to the export bounty on wire.

165. Marshall, op.cit., p. 564. Bruck, op.cit., p. 95 refers to export bounties on iron and steel.

had operated since at least 1882.<sup>166</sup> Exceptional tariffs became even more favourable by the additional fixing of special freight charges for export and import. These "overseas tariffs" represented a substantial reduction of the exceptional tariff rates; freight charges, for instance, on machinery and machine parts and ironware of all descriptions from Cologne to Hamburg were under normal rates 2.04 marks per 100 kilograms, but export rates brought this down to 1.06 marks.<sup>167</sup> Similar reductions were available for other routes and other export goods.<sup>168</sup> By these means exports to the ABC states were subsidised by the German taxpayer.

In the ABC states Germany, although still partially overshadowed by Great Britain at the end of the period, sought its place in the sun with some success. The competitive efficiency with which German firms sought to rival their foreign competitors was well supported by German shipping companies, by the prices policy of the cartels and by railways freight tariffs. German banks and financial interests of necessity played a more cautious role. German banks appeared comparatively late in South America and initially lacked the resilience of their English competitors, and Germany did not have England's capital resources for investment. Even so, the support given by German banks and financiers was significant. The German electrical industry gained a commanding position in Argentina and parts of Chile and the armaments industry received effective backing. Capital invested in South America furthered German imports of Argentine quebracho, Brazilian coffee and tobacco and, to a lesser degree, Chilean

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166. See Appendix IV (Report on Railways in Germany) of Report of the Board of Trade Railway Conference (1909): Brit. Parl. Papers 1909. LXXVII. Cd.4677, pp. 98-99.

167. Ibid, p. 104. Information concerning the date when such export tariffs were introduced is not to hand. Occasional reference to overseas tariffs appears in German archive sources: e.g., Sitzung der Eisenbahnkommission vom 18. September 1908; Vorlage der Königlichen Eisenbahndirektion betreffend die Ausnahmetarife für Eisen und Stahl der Spezialtarife I-III im Verkehr mit den Seehäfen: both HA Bremen E.X.32 Bd. 1.

168. Brit. Parl. Papers 1909. XCV. pp. 448-452.

nitrate; and German exports were materially boosted by capital invested in and credits extended to German importing firms in the South American republics. Brazilian government loans were in the main capitalised by England; but in Argentina German political and commercial status was enhanced by loans to Argentine governments. Even the German mark gained a foothold in the German-South American trade, and to some degree the trade with Germany became independent of the London money market.

Although German bankers and financiers entered the field later than their English counterpart, by 1914 they had firmly established themselves in the German trade with the ABC states and made a valuable contribution to German commercial progress there.

CHAPTER SEVENTHE ROLE OF THE GERMAN GOVERNMENT

It has already become apparent in the preceding chapters that the German government watched over German trading interests in South America in a number of ways. It was with an eye to trade that the government came to support emigration to Brazil, tried to involve German banks in various South American loans and enterprises, relayed to trading circles information concerning commercial conditions in the South American republics and interested itself in shipping and rail freight charges. During this period government interest operated at two levels. On the one hand the government concerned itself with the details of the trade in predictable and routine ways; on the other hand it was involved in long-term and fundamental matters related to commercial treaties and the exercise of German influence by means of the armaments industry. The second of these two levels of involvement warrants detailed examination, but before this is undertaken the less weighty matters merit brief reference since they exemplify the government's role.

Amongst the routine activities of the government was the distribution of consular reports from South America. Relevant excerpts were printed by the Ministry for the Interior and distributed to the appropriate Chambers of Commerce for discreet use,<sup>1</sup> while some of the reports were also published after an interval in the Deutsches Handels-Archiv. Occasionally these reports were critical of the German home industries and such criticisms were promptly circularised by the government. A watch was kept on the packaging of German goods. Reports of the faulty packing and consequent breakage of Dresden chandeliers and Berlin lager beer for

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1. That is, the original source of the information was not to be publicised. The Ministry wished to avoid lengthy involvement in discussion over detail; that was not its function. Copies of such reports are still extant in Chamber of Commerce archives: e.g. RWWA Köln.



Argentina and the despatch of flannel lengths which did not conform to specification were circularised by the Ministry for Trade and Industry in Berlin.<sup>2</sup> Three months later the Ministry for the Interior circularised its own sharply worded reprimand of a section of the German trading community. The government's efforts to support the German export trade, wrote Boetticher the Minister, were repeatedly hindered by the carelessness and lack of adaptability of some firms; complaints about faulty packaging had not ceased although the Argentine report had already been distributed.<sup>3</sup> The Ministry's campaign about packaging was continued. In 1894 the annual consular report from Concepcion in Chile was distributed with a strong recommendation that it be heeded; Consul Schumacher, complaining about the careless bottling of Harz mineral water, wrote that too many German manufacturers had the idea that anything was good enough for South America.<sup>4</sup>

German Ministers in South America similarly kept an eye on German trade interests. In 1895, on instructions from the Foreign Office, the envoy in Buenos Aires sought tariff reductions on imported cotton and woollen goods;<sup>5</sup> and indeed no item of the German export trade appeared too insignificant to warrant such representations. When the Argentine government raised import duties from 25 to 60 per cent on glass mirrors in 1894 the Bavarian Ministry for the Interior was asked by the Fürth glass makers to see to it that the Reich government do all it could in

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2. Ministerium für Handel und Gewerbe an die Handelskammer zu Bochum 11.9.1890: WWA Dortmund, K2 Nr 865.
  3. Reichsamt des Innern an den Hohen Senat pp Bremen 11.12.1890: HA Bremen, W.I.2.
  4. Reichsamt des Innern an Königlich württembergische Ministerium der auswärtigen Angelegenheiten 2.5.1894: SA Stuttgart Rep. E.46 Fasz. 437. The campaign was successful; British consular reports occasionally exhorted British traders to be as careful as were the Germans: e.g. Brit. Parl. Papers 1898. XCIV. p. 70; 1901. LXXXI. p. 251; 1903. LXXVI. p. 481.
  5. Reichardt to Boetticher and Posadowsky 21.8.1895, enclosing copy of Heintze to Hohenlohe 2.8.1895; Reichardt to Boetticher and Posadowsky 15.9.1895: both BA Koblenz R2/1507. The tariff reduction was politely refused.

their interests.<sup>6</sup> Similar intercessions were even made by the German envoy on behalf of cigarette and cigar cases from Heidenheim and Pforzheim; the official valuation in the Argentine customs tariff, complained the makers, was too high.<sup>7</sup> Of far greater importance were the protracted negotiations of the German Envoy Krauel with the Brazilian government on behalf of the Hamburg South American Steamship Company concerning Brazilian coastal shipping laws. The Brazilian government intended putting into effect in November 1894 an earlier law restricting coastal shipping to Brazilian vessels. The Hamburg shipping firm had installed its own lighter service at Porto Alegre to facilitate loading and unloading across the shallow sand bar, and saw this service threatened by enforcement of the recent cabotage laws. After some months of negotiation Krauel gained recognition of the Hamburg company's lighters as an extension of the transatlantic voyage since no intermediary harbour was involved in the operation.<sup>8</sup>

On his transfer to Brazil Krauel's intervention was also sought on behalf of the Siemens and Halske electrical concern. Late in 1897 the firm had obtained the concession for installation of a new telephone exchange in Rio de Janeiro. Before work commenced Siemens and the Rio prefecture could not reach agreement on certain financial clauses in the contract, the Berlin firm believing that the existing clauses gave no adequate protection to investors if a revolution occurred in Brazil. The Deutsche

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6. Bezirks-Gremium für Handel und Gewerbe der Stadt Fürth an Königliche Staatsministerium des Innern 2.5.1894; König.Staatsministerium des Innern an K. Staatsministerium des K.Hauses u.des Äußern 14.5.1894; K.Staatsministerium des K.Hauses u.des Äußern an Auswärtiges Amt 23.5.1894: all BHSA I München MH 11889. Krauel's efforts were unsuccessful: Krauel to Caprivi 18.7.1894, 12.9.1894: *ibid.*
  7. Auswärtiges Amt to Königlich Württembergische Ministerium der auswärtigen Angelegenheiten 5.11.1900: HSA Stuttgart Rep. E.46 Fasz.425.
  8. Auszug aus dem Protokolle des Senats (Hamburg) 15.4.1891; Vorstand der auswärtigen Angelegenheiten an Deputation für Handel und Schifffahrt 6.12.1894; Reichardt to Direktion Hamburg-Südamerikanische Dampfschiffahrts-Gesellschaft 15.4.1895; Krauel to Hohenlohe 29.6.1895; Erckart to Hohenlohe 1.5.1896: all HA Hamburg 95.C.4.15.

Bank, in turn, was unwilling to raise German capital and set up a syndicate until the disputed clauses were altered; but the Rio prefecture seemed unwilling to make the required amendments. Early in 1898, while this stalemate prevailed, Krauel was in Lübeck and Bödiker, the President of Siemens and Halske, wrote seeking his intervention.<sup>9</sup> Bödiker did not leave the matter there. Anxious at the size of the jeopardised contract and of the further prospects in Brazil he saw the Foreign Office Under-Secretary von Richthofen<sup>10</sup> who in turn spoke with the Brazilian Minister in Berlin. The same day the latter cabled the Rio prefect, whom he knew personally, and the matter was settled.<sup>11</sup>

The concern over even the smallest matters shown by the German government for German trading interests was sufficiently effective to arouse some jealousy in British trading circles, although British opinion by and large regarded it as improper for a government to do more than represent its country's interests in general and leave the detail to the individual trading firms.<sup>12</sup> German government involvement was exercised at a more detailed level than British custom would allow. It was nothing out of the ordinary that, before his departure for Brazil, the newly-appointed Minister Baron von Treutler should meet representatives of various Hamburg trading firms for an exchange of information and viewpoints concerning their individual interests.<sup>13</sup>

At the more fundamental level of commercial treaties, and even in the matter of support for Krupp's armaments interests, German commercial diplomacy in South America was not as effective. The reason for this

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9. Bödiker to Krauel 29.3.1898: Siemens München Rep. 25/Lo 579.
  10. Siemens & Halske to Deutsche Bank 30.3.1898: *ibid.*
  11. Tel., undated, Bödiker to Krauel: *ibid.*
  12. Platt, D.C.M.: Finance, Trade, and Politics in British Foreign Policy 1815-1914 (Oxford: Clarendon Press, 1968) pp. xxxvii, 96-99.
  13. Letter of invitation to the meeting from Dr. E. Schwenke, Handelskammer Hamburg, to Senator O'Swald, dated 16.2.1901, is in SA Hamburg C.I.d. 178.

throws light on aspects of the political life of the Wilhelmine Reich as well as on the more immediately pertinent South American trading connection. In the opening years the government revealed a measure of commercial short-sightedness; in the later years it was subject to pressures which severely restricted its freedom to act. This becomes apparent in four episodes which will receive closer attention.

The first episode had to do with Germany's trade with Brazil which, from 1891 until the First World War, lived in the shadow of Brazilian trade concessions to the United States of America. The pan-American efforts of the United States included an attempt to gain a firm footing in the South American market by means of reciprocity agreements; and the first was concluded with Brazil on January 31, 1891.<sup>14</sup> Under the terms of the agreement Brazil admitted duty-free from the United States a number of goods which Germany also was exporting to Brazil, such as iron goods and tools and machinery; and a reduction of 25 per cent was allowed on other goods, including cotton goods and leather and rubber products which similarly affected German trade. In return, the United States admitted duty-free Brazilian sugar, molasses, coffee, hides and rubber.<sup>15</sup> The willingness of the United States to grant this concession to Brazilian coffee became the corner-stone in the Brazil-United States trade relations in the following years when over-production made it imperative that Brazil find satisfactory markets for its coffee. Although the 1891 agreement was terminated in September 1894 the United States gained an advantage which continued to cause concern in Germany until 1914.

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14. Brunn, Deutschland und Brasilien p. 268. The Hamburg Chamber of Commerce saw the treaty as a USA attempt to gain for itself in all America an advantage similar to that which the McKinley tariff gave it in its own country: Handelskammer Hamburg to Deputation für Handel und Schiffahrt 23.3.1891, HA Bremen Hp.II.53.
15. The text of the agreement is in Deutsches Handels-Archiv 1892. I. p. 473. The Brazilian agriculturalists and industrialists, as well as importers of European goods, were predictably hostile to the terms of the agreement: Brit. Parl. Papers 1893-94. XCII. pp. 528-529; Dönhoff to Caprivi 17.2.1891: Brasilien 1.14, PA Bonn.

The American negotiators in 1891 could scarcely have foreseen the importance which the concession to Brazilian coffee would assume in later years;<sup>16</sup> but they were wise enough to know that concessions had to be granted if counter-concessions were to be gained. The German government lacked that wisdom in 1889 and 1890.

Late in 1889 the German government was given opportunity to forestall the advantage the United States gained in 1891. In November 1889 the Foreign Office advised the Ministers for the Interior and the Treasury that the Brazilian Minister in Berlin had requested a reduction of the duties on imported Brazilian coffee; and the advice of the two Ministers was sought.<sup>17</sup> The request was considered and in due course declined. Maltzahn from the Treasury wrote to Boetticher of the Interior expressing doubts about the desirability of altering the duties. At 40 marks per 100 kilograms it was a productive and certain source of income, and Maltzahn doubted whether Brazil could offer adequate counter-concessions.<sup>18</sup> Boetticher agreed. The customs on coffee, yielding as it did 40 to 50 million marks annually, was second only to that on grain; further, added Boetticher, it was not excessive, only increasing the price by about one-quarter.<sup>19</sup> Being thus in agreement the two Ministers advised the Foreign Office,<sup>20</sup> the decision was taken accordingly and the concession not granted.

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16. Brunn, Deutschland und Brasilien p. 269 cites Brazilian sources for the view that at the time sugar exports were of special importance to Brazil.

17. Auswärtiges Amt an Staats-Sekretär des Innern und Staats-Sekretär des Reichsschatzamts 7.11.1889: BA Koblenz R2/1444.

18. Maltzahn to Boetticher 26.4.1890: ibid. In 1886, 1887 and 1888 customs on raw coffee had yielded 19.55, 15.06 and 15.81 per cent of total customs revenue.

19. Boetticher to Maltzahn 21.5.1890: ibid.

20. Boetticher and Maltzahn to Marschall 14.7.1890: ibid. They added that the 1889 income from coffee duties of 45.3 million marks represented 12.56 per cent of total customs revenue.

In terms of the immediate situation the decision was justifiable. Between 1886 and 1889 the income from coffee duties showed a downward trend as did the percentage of total customs revenue which it represented; and the Treasury would find little attraction in the thought of accelerating this decline in an important source of income. Further, the political situation in Brazil and Germany's attitude towards it were ill-defined at the time. Whether such political considerations had any bearing on the matter does not appear; but Germany, like the United States, could scarcely have foreseen the urgency which coffee markets were to assume for Brazil in the coming years.

Unlike the United States, however, the German government decided in effect not to invest in the future of the German export trade with Brazil by buying good will. In its long term results it was an unfortunate decision.

The Reciprocity Agreement between Brazil and the United States, which was concluded shortly afterwards, provoked varying responses in German business circles. On the one hand Hasenclevers' Rio representative was unworried; it would be a long time, he wrote, before the Yankees could match German quality for the same price.<sup>21</sup> On the other hand the Hamburg Chamber of Commerce demanded that the government lodge a firm protest in Rio and seek a most-favoured-nation treaty.<sup>22</sup> The Chamber of Commerce in Zittau, a centre of the textile industry, issued a printed criticism of government officials who, it alleged, had lacked that watchfulness which the protection of Germany's economic interests required. The need for overseas markets, it continued, forced the industrialised nations into an increasingly bitter struggle and the outcome depended on the business expertise of their overseas representatives. That such a treaty

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21. Hasenclever & Co. Rio to Joh. Bernhd. Hasenclever & Söhne 28.4.1891: SA Remscheid.

22. Baasch, op.cit., Bd.2 Pt. 1, p. 22f.

could be negotiated demonstrated that German consular officials needed proper business education.<sup>23</sup>

The Foreign Office responded to the situation by cabling the Minister in Brazil, Dönhoff, to seek for German exports concessions similar to those granted to American goods. Dönhoff's efforts were fruitless. The Brazilian authorities replied that they were not prepared to further reduce customs revenue by a treaty with Germany; the agreement with America was unpopular enough. Dönhoff believed that the Brazilian Foreign Minister was suitably impressed by a casual reference to the possibility of a tariff war, but nothing came of it. Marschall of the Foreign Office, on receiving Dönhoff's report, regarded Brazil's response as dilatory; he was not prepared to have an insignificant country such as Brazil treat Germany in this way. The Reich had not hesitated to wage a tariff war with Russia; hesitation to use similar measures against Brazil would damage the prestige of the German government. In a note of March 31, 1892 to Caprivi Marschall suggested applying a differential tariff to Brazilian coffee, tobacco and hides, and nine days later advised Maltzahn that the Chancellor accepted in principle his proposal for a tariff war. As reported by Marschall, Caprivi viewed the situation as a general might plan a military campaign against an insurgent people. A tariff war, if fought, should be prosecuted energetically, not only to bring Brazil to submission but also to serve as an object-lesson to other countries which might consider similar stubbornness. Before the question went to the Bundesrat Marschall sought the Treasury's advice on the extent to which the tariff could be increased and the Brazilian exports to which the measures should apply. Marschall also wished to know whether Germany could obtain coffee and tobacco elsewhere at comparable prices should Brazil not yield. Similar questions were put to Boetticher

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23. Handels- und Gewerbekammer Zittau an Königl. Ministerium des Innern Dresden 4.6.1891: copy in HA Bremen Hp.I. 1. Bd.1.

of the Reich Ministry for the Interior, the Prussian Minister for Trade Berlepsch, and Miquel of the Prussian Treasury.<sup>24</sup>

Although Maltzahn was not prepared to dismiss Marschall's proposal out of hand he saw practical difficulties. For the customs authorities a differential tariff was undesirable; the accounting was difficult and evasions were hard to detect. Moreover, the coffee revenue was a valuable source of income. Maltzahn also doubted its tactical efficiency. Either Germany would continue to import the same quantities of Brazilian coffee, in which case the only loser would be the German consumer who would have to pay more, or Brazil would sell more to the United States.<sup>25</sup> The result of these consultations was that the proposal for a tariff war was allowed to drop.<sup>26</sup>

Germany did not succeed in negotiating a commercial treaty with Brazil; but American concessions to Brazilian coffee exports gave the United States the advantage once more in 1904, by which time Brazil urgently needed markets due to over-production and low prices. That year Brazil granted customs concessions to countries similarly favouring Brazilian coffee; and since the United States imported it duty-free the concessions were granted to that country.<sup>27</sup> Import duties were reduced by 20 per cent on a number of United States products,<sup>28</sup> and although the concession was not repeated for 1905 it was resumed in 1906 on an increased number

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24. Marschall to Maltzahn 9.4.1892, Secret, by his own hand, enclosing copy of Dönhoff to Caprivi 21.2.1892 and Promemorium Betrifft die Frage der Differenzierung Brasiliens 31.3.1892: BA Koblenz R2/1444.

25. Maltzahn to Foreign Office 26.4.1892: *ibid.* Maltzahn ran counter to Caprivi's idea of a vigorous tariff war by suggesting a differential tariff against Brazilian tobacco leaf.

26. Brunn, *Deutschland und Brasilien* p. 270 from Potsdam sources.

27. Treutler to Bülow 1.1.1904: BA Koblenz R2/1632. The *Gazeta de Noticias* wrote that the American Minister had threatened to strike coffee off the free list should such concessions not be granted.

28. Treutler to Bülow 20.4.1904; Foreign Office to Treasury 24.4.1904: *ibid.* Concessions were allowed on rubber goods, condensed milk, meal, clocks and paint.



of goods.<sup>29</sup> In the main the favoured items were of lesser significance for German trade, although German pianos had found a useful market in Brazil and the Bremen Roland Rubber Works had appointed a representative for Brazil about that time and was naturally disturbed that American competition gained this advantage.<sup>30</sup> Whilst, however, no serious harm was done to German trade<sup>31</sup> the government in 1890 lost the opportunity to gain a firmer hold on the Brazilian market and left the way open for the American rival. German business men whose opinions were represented by the Zittau Chamber of Commerce showed an understanding of the situation which the government at that time lacked.

Between 1890 and 1897 the German Minister Boetticher became more aware of the sort of diplomacy necessary to protect Germany's commercial interests. The threatened termination of Chile's trade agreement with Germany and other European countries saw him less willing to allow the Treasury to influence commercial policy.

In October 1895 the Foreign Office advised Count von Posadowsky-Wehner, who had become Secretary of State for the Treasury in 1893, of Chile's intention to terminate the 1862 treaty with Germany,<sup>32</sup> and Chile's decision was publicised in trading circles. The Chambers of Commerce promptly wrote to their members stressing the importance of making the government aware of the wishes of German trade and industry before August 27, 1896, the date on which the treaty was to expire. The Chambers sought members' opinions on the best way to formalise the German-Chilean commercial relationship and undertook immediately to nominate

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29. Foreign Office to Treasury 6.7.1906: BA Koblenz R2/1633. Cars, windmills, pianos, typewriters and ice-chests were added, and in January 1910 also cement, corsets, dried fruit, school furniture and writing tables: Foreign Office to Treasury 26.1.1910, *ibid*.

30. Senat Bremen to Reichsamts des Innern 22.10.1906: SA Bremen 3-A.3.B.4. Nr 218.

31. Michahelles to Bethmann Hollweg 11.4.1910: BA Koblenz R2/1633.

32. Reichardt to Posadowsky 6.10.1895: BA Koblenz R2/1450.

suitable experts to advise the government as required.<sup>33</sup> The Hamburg Chamber of Commerce called into conference a large number of the firms involved in the Chile trade, all of which agreed that the German trade with Chile was completely satisfactory and that Chile's tariff was not unduly harsh. It was further agreed that any attempt to have the Chilean tariff altered could lead to disagreements due to the often-attested Chilean sensitivity concerning its national prestige; moreover Germany could only be the loser in a tariff war. German shipping interests in the Chile trade were also pointed out; Kosmos had 16 steamers in the west coast trade and the Hamburg-Pacific 12, and Laeisz had 16 sailing ships involved. The meeting resolved that it was important for the most-favoured-nation treaty to remain in force, and the Chambers of Commerce were advised accordingly.<sup>34</sup> From subsequent documents it is clear that other Chambers responded in similar vein.

As the termination date approached Posadowsky confirmed with the Foreign Office that Chile had given no reason to expect a new treaty;<sup>35</sup> in May 1896 it appeared that the treaty would indeed lapse in the following August. But the situation changed. In August 1896, a few days before the expiry date, the Chilean government and the German Foreign Office agreed to an extension of the date to May 31, 1897. The Treasury was immediately advised.<sup>36</sup> Further, the German Minister in Chile Ernst von Treskow, who in June had already reported that the Chilean President intended only to form closer trade relations with the Hispano-American states by terminating the European treaties,<sup>37</sup> added in October

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33. Deutscher Handelstag, Mittheilung an die Mitglieder, Berlin 14.10.1895: HA Hamburg 95.C.5.3. The Handelstag is synonymous with the Congress of the Associated Chambers of Commerce.

34. Handelskammer Hamburg an Präsidium des Deutschen Handelstags 15.11.1895: *ibid.*

35. Posadowsky to Marschall 7.5.1896; Reichardt to Posadowsky 13.5.1896: both BA Koblenz R2/1450.

36. Reichardt to Posadowsky 22.8.1896: *ibid.*

37. Treskow to Hohenlohe 7.6.1896: Chile 1.24 PA Bonn.

of the same year his belief that Chile's preference for a South American Zollverein was cooling down. It would cost South America more for imports without any broadening of its export market.<sup>38</sup> There were good reasons to believe Chile did not whole-heartedly desire to sever commercial relationships with Germany.

Nevertheless, ten days before the expiry date the Treasury set in motion procedures for the removal of Chile from Germany's treaty partners. German state governments with their own customs authorities were advised that the treaty would expire on May 31, 1897 and, since a new treaty was not likely, the clauses of the general customs tariff were to be applied to imports from Chile.<sup>39</sup>

The earlier canvassing by the Chambers of Commerce was obviously effective, for Posadowsky's action drew a number of protests directed to the Ministry for the Interior. Consequently, four days after Posadowsky's letter to the German state governments Boetticher of the Interior wrote him a letter which was as remarkable for its far-sightedness as was his action in 1890 for the lack of it. Boetticher pointed out the commercial magnitude of Posadowsky's action. German firms exporting to Chile, he wrote, urgently wished that German goods receive most favoured treatment in Chile. Even a short period without a treaty would give the competitor countries France, North America and England an advantage; and in a tariff war Germany would undoubtedly come off worse. Chile would make moves towards Germany soon, continued Boetticher, and that country's present efforts to conclude special agreements with a few South American countries did not really concern Germany. To insist on the strict formalities of the situation was pointless and harmful.<sup>40</sup> In reply Posadowsky professed not to be able

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38. Treskow to Hohenlohe 3.10.1896: BA Koblenz R2/1450.

39. Copy in BA Koblenz R2/1450; also HA Hamburg 95.C.5.3.

40. Boetticher to Posadowsky 25.5.1897: BA Koblenz R2/1450.

to see how a continued most-favoured treatment of Chile could benefit the German export trade, but before the deciding meeting of the Bundesrat took place he was prepared to have an inter-departmental conference on the matter; this he set for May 31.<sup>41</sup> The conference between the Treasury and the Interior was duly held, with von Mühlberg present to represent the Foreign Office.<sup>42</sup>

By the time the conference met the Foreign Office was in possession of further information which confirmed Boetticher's expectations. A telegram had just arrived with Chile's decision to give German exports most favoured treatment other than for the special consideration Chile would continue to show to the South American republics.<sup>43</sup> With this information to hand the obvious course was agreed on; whilst Chile could not be included amongst treaty countries, for the time being Chilean exports were to be treated as though a treaty existed.<sup>44</sup> Boetticher's evaluation of the situation was vindicated; shortly afterwards the treaty was renewed.<sup>45</sup> Further, Treskow's subsequent report from Chile on July 4 confirmed Boetticher's belief that Chile's efforts to negotiate agreements with the South American countries were of no concern to Germany. Chile's Latin American trade policy, wrote Treskow, was directed against North America; Chile was seeking to resist the pan-American endeavours of the United States.<sup>46</sup> If he was correct, then it was in Germany's interests to encourage rather than impede them; for it was in 1896 and 1897 that the Kaiser returned to his theme that a European customs union was necessary to combat United States trade

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41. Posadowsky to Boetticher 26.5.1897: ibid.

42. Marschall to Posadowsky 28.5.1897. ibid.

43. Marschall sent a copy to Posadowsky on June 2: Marschall to Posadowsky 2.6.1897 with copy of Pinto (Chilean Legation Berlin) to Foreign Minister Berlin 31.5.1897: ibid.

44. Record of Meeting held in Berlin 31.5.1897: ibid.

45. Posadowsky to Bundesregierungen mit eigener Zollverwaltung usw., 3.6.1897: ibid.

46. Treskow to Hohenlohe 4.7.1897: Chile 1.25, PA Bonn.

thrusts.<sup>47</sup> Germany shared Chile's concern at the spread of United States commercial influence.

If, then, the German government blundered over the treatment of Brazilian coffee in 1890, by 1897 at least one government department showed greater diplomatic finesse in safeguarding the interests of German exporters. Boetticher of the Interior had become the mouthpiece of the business community; his letter to Posadowsky clearly reflected the opinions submitted by the various Chambers of Commerce. Brunn's criticism<sup>48</sup> that the government lagged far behind the business community needs some modification; the change of attitude in the Ministry for the Interior between 1890 and 1897 is quite apparent. The Treasury changed less, despite the change of Ministers; in 1890 it showed a careful and perhaps proper regard for Reich finances, and in 1897 it demonstrated an unimaginative regard for protocol, albeit tempered with a willingness to take council. For the Chile treaty the difference between the two government departments proved to be unimportant since the Foreign Office was able to play the deus ex machina role thanks to the timely arrival of a diplomatic dispatch which held the solution to the problem. Further, the difference involved no basic clash of interests; no producing class in Germany saw its existence threatened by the import of Chilean nitrates, and the government was not caught up and divided by a clash of producer and industrialist interests.

Such a clash did occur over the Argentine treaty. Since September 1857 Germany had a treaty with the Argentine republic which included the most-favoured-nation clause. Between 1890 and 1914 this treaty became the subject of lively controversy in which, inevitably, the German government became involved. The controversy arose both from the nature of the

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47. Leusser, op.cit., pp. 10-11. For earlier reference to this subject see Chapter One above.

48. Brunn, Deutschland und Brasilien p. 245.

imports from Argentina and from the unfavourable trade balance with that country. Imports from Argentina consisted mainly of agricultural produce, and since Argentina did not take corresponding amounts of German products the complaints of agrarians received a wider hearing in later years. The reaction against the Argentine treaty focussed into two crisis periods, the first about 1894-95 and the second a decade later.

The first period was in essence an expression of agrarian opposition to Caprivi's new trade treaties<sup>49</sup> and was given further point by Argentina's remarkable progress as a wheat-producing country. Late in 1894 it became known that Baron Heyl zu Herrnsheim, supported by a number of other Reichstag deputies, intended introducing into the Reichstag a bill demanding the termination of the Argentine treaty.<sup>50</sup> The Federation of German Industrialists took prompt steps to counter the move; in December 1894 it circularised its members, seeking information and opinions for the preparation of a counter campaign,<sup>51</sup> a move also made by the Chambers of Commerce.<sup>52</sup> The result was a file of correspondence protesting at the proposed termination of the treaty. Hasenclevers replied from Remscheid that it was hopeless to try to keep Argentine produce out of Germany and the attempt to do so rested on a gross underestimation of Argentina's productive potential; further, a tariff war would be foolish and harmful to German exports.<sup>53</sup> Tornquists of Argentina wrote in similar vein, adding that German shipping would suffer losses.<sup>54</sup> The

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49. This is referred to in Chapter Four above.

50. Copy of the Motion is in BHSA I München, MH 11889, and BA Koblenz R2/1507.

51. Centralverband deutscher Industrieller an die zum Centralverband deutscher Industrieller gehörigen Verbände, Vereine pp und Einzelmitglieder 14.12.1894: RWWA Köln Abt.1. Nr 24d Fasz. 60, and HA Hamburg 95.C.2.7. Bd. 1.

52. The document is in HA Hamburg 95.C.2.7. Bd. 1.

53. Joh. Bernhd. Hasenclever & Söhne an Directorium des Centralverbandes deutscher Industrieller 29.12.1894: SA Remscheid.

54. E. Tornquist, Deutschlands Handelsbeziehungen mit Argentinien 23.12.1894: RWWA Köln, Abt.1. Nr 24d Fasz. 60. Tornquist added that since import duties represented from two-thirds to three-quarters of the total Argentine state income, and Argentina needed more than

Hamburg Chamber of Commerce pointed out that the increased import of Argentine grain was in Germany's interests. While the grain exports of south Russia, India and the United States were in the main handled by English trading and shipping companies, Argentine grain exports - and not only those to Germany - were largely carried out by German firms; the Hamburg South American Steamship Company had increased its fleet specifically for the Argentine grain trade.<sup>55</sup> Other petitions were received; the Hamburg Chamber of Commerce alone received over seventy,<sup>56</sup> and others such as the Nürnberg Chamber of Commerce joined the protest.<sup>57</sup>

The Federation of German Industrialists duly issued a 29-page petition to the Reichstag against termination of the treaty, embodying many of the points made in the various submissions. The Federation recognised the plight of the German agrarians but submitted that Heyl's motion was not the way to remedy it. It further recognised that the capricious raising of its tariff by an Argentine government seeking to bolster up the country's shaken finances affected some German exports; but, it added, Heyl's proposal was self-contradictory. On the one hand it sought better conditions for German exports to Argentina, on the other hand it sought to make it more difficult for Argentina to export to Germany; the one precluded the other. Argentina was important to Germany, and German industry must recognise the gravity of the Argentine crisis of the late 1880s and bear with the temporary disabilities that country's tariff

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half of this to service its foreign debts, it could not afford to lower its tariffs for German exports. In July 1890 the Argentine government considered a tariff war against European countries whose protective tariffs threatened Argentine exports: Foreign Minister Pena, Circular to Argentine Ministers in Europe, July 1890, and Consul Ferié's comments: SA Bremen 3- A.3.A.1. Nr 72.

55. Denkschrift der Handelskammer Hamburg 30.1.1895: HA Hamburg 95.C.2.7. Bd. 1.

56. They are in HA Hamburg 95.C.2.7. Bd. 2.

57. Handelskammer Nürnberg, An Hohes Reichskanzleramt des Deutschen Reichs 16.1.1895: HA Bremen Hp. II. 50. 122.

might impose.<sup>58</sup>

Heyl zu Herrnsheim presented his motion to the Reichstag, speaking to it on March 13, 1895. He pointed out that official wheat reports for 1894 from all the major import cities - Antwerp, Rotterdam, Hamburg, Berlin - all referred to the effects of Argentine grain, claiming that a complete metamorphosis of the grain business had occurred in Germany due to the quantities of Argentine grain.<sup>59</sup> But Heyl was fighting a lost cause at the time; the opposition was too strong and too well-organised, and the Argentine treaty formed part of a policy vigorously promoted by Caprivi with the support of industrialists. If a custom is sanctified by long tradition Heyl's proposal was buried in sacred ground; it was referred to a committee and in the course of time forgotten.<sup>60</sup>

If, however, Heyl's motion was buried the agrarian cause was not. The declining fortunes of the Argentine wheat harvests until 1897<sup>61</sup> may have taken the sting from their cause for a short time by making less Argentine grain available; but from 1898 it became evident that Argentina's earlier successes in wheat production were no passing phase. In 1900 Argentina became Germany's leading supplier, and in 1901 German statistics recorded the highest total import of wheat Germany had taken to that time. The threat which German agrarians believed faced them had

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58. Centralverband deutscher Industrieller, An den Hohen Reichstag 24.1.1895: copies in BHSA I München MH 11889, RWWA Köln Abt. 1 Nr 24b Fasz. 36.

59. Stenographische Berichte über die Verhandlungen des Reichstags, IX Legislaturperiode, 59. Sitzung: printed excerpt in BHSA I München MH 11889 and BA Koblenz R2/1507.

60. Stenographische Berichte, IX. Legislaturperiode, Berichte der XIII. Kommission 24.5.1895: printed excerpt in HA Bremen Hp.II 50. 122. The committee had five sessions; it recommended termination of the treaty as soon as it was possible to negotiate a further treaty more favourable to the German export trade. It further recommended the termination of other most-favoured-nation treaties and their replacement by a European Zollverein. Nothing came of these proposals.

61. See Appendix 2. Further, in 1897 Germany had goods harvests, to which fact the British Consul Powell of Stettin attributed the general drop in Germany's wheat and rye imports for that year: Brit. Parl. Papers 1899. XCIX. p. 575.



not evaporated, and they continued to lobby for protection of their interests with some success. Reporting from Baden in 1899 the British Consul Ladenburg wrote that, whilst the Mannheim Chamber of Commerce ascribed Germany's present commercial prosperity to the Caprivi treaties, the powerful agrarian interest had obtained from the government an undertaking that in future commercial treaties greater protection would be given to all agricultural products.<sup>62</sup>

Their opportunity came shortly afterwards. In June 1901 moves were started in Germany for the preparation of a new customs tariff, and it was vigorously debated in the Reichstag in 1902. Further, the most-favoured-nation clauses in the German treaties were due for official reconsideration at the end of 1903,<sup>63</sup> and as it became known, or was guessed, that the Argentine treaty was due for examination requests and suggestions were sent to the Ministry for the Interior. As in 1894-95 there was some dissatisfaction amongst German exporters at the effects of the Argentine tariff.<sup>64</sup> The Association of Hamburg Exporters, for instance, wanted the most-favoured-nation treaty replaced by a treaty containing agreed long-term customs rates. Only in this way could German exporters be certain what the Argentine tariff would be over a fixed period of time and how it would affect prices.<sup>65</sup> The Cologne gas-motor factory was also aware of growing dissatisfaction over the Argentine treaty, although it insisted that it would be contrary to German interests to terminate it, especially since France and Spain had

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62. Brit. Parl. Papers 1900. XCIII. p. 725.

63. See p. 128 above.

64. In the earlier period, for instance, the Cologne Chamber of Commerce received some 28 letters in reply to its request for information; whilst only one of these favoured terminating the treaty with Argentina, eight expressing no opinion because they were not involved in the Argentine trade and nineteen opposing termination, there were frequent references to the problems which the high Argentine tariff caused German exporters. The letters and the Chamber's subsequent submission are in RWWA Köln, Abt.1 Nr 24b Fasz. 36.

65. Verein Hamburger Exporteure an Reichsamt des Innern 16.10.1903; HA Hamburg 95.C.2.5.

commercial delegations in Argentina to try to regain lost ground there.<sup>66</sup> In this later discussion, however, a new dimension was added. Argentina also had reservations about its commercial relations with Germany.<sup>67</sup> On May 22, 1905 these dissatisfactions materialised when the Argentine Minister in Berlin handed over an official request for concessions to Argentine exports of quebracho wood and extract, meat extract and frozen meat.<sup>68</sup> Germany did not import Argentine cattle or meat to any extent and Argentine cattle men wanted the German treaty terminated in favour of closer relations with England; further, the German tariff on quebracho caused dissatisfaction.<sup>69</sup> The treaty faced a more serious challenge in 1905 than it had a decade earlier.

The reaction of the German government to this situation is clear, despite a gap in the documentary evidence. The gap concerns the function of the agricultural attaché Kaerger who went to Argentina in 1895. The East German historian Klaus Kannapin, who had not seen the material in Bonn or Koblenz and who was determined to discover sinister undertones in the dealings of the Reich government, implies that this was not what it seemed to be. In Kannapin's account the visit of Karl Kaerger to Argentina was connected with projects for emigration and eventual annexation. Kaerger, according to Kannapin, was a colonial expert who, after being in Brazil, was sent to Argentina with the status of agricultural expert;<sup>70</sup> the

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66. Gasmotoren-Fabrik Deutz (Köln-Deutz) to Sekretariat des Reichsamts des Innern 7.11.1905: BA Koblenz R2/1651.

67. Von Sanden to Waldthausen 19.7.1905: ibid.

68. Foreign Office to Treasury 31.12.1905: ibid.

69. In 1902 the tariff was increased, as again in 1904; see Chapter Four above.

70. Kannapin, op.cit., p. 121. Although Kannapin had the Potsdam material at his disposal he gives no evidence for this view. The Koblenz material indicates that Kaerger went of his own accord, with Foreign Office approval. Kannapin has obviously selected from Kaerger's extensive reports on South America the material about agricultural colonies in Argentina and regards this as Kaerger's real interest. Like Hell before him, Kannapin also places undue weight on Kaerger's statement referred to above, p. 29.

conspiracy implication is obvious. Because of its relevance to the crisis in the German-Argentine commercial relations the Kaerger episode needs further examination.

In March 1895 Heyl's motion was introduced into the Reichstag and in August of the same year Posadowsky, at the time in the Treasury, wrote to the Foreign Office concerning Argentine primary industries. The letter is not extant in Foreign Office files; but its general point of reference can be surmised from the reply subsequently sent by Reichardt of the Foreign Office. Before Reichardt answered Posadowsky's letter two things happened. The first was that Consul Steifensand of Buenos Aires wrote a lengthy report on Argentine cultivation of wheat, maize and linseed and sent it to Berlin at the beginning of October 1895. The second was that in October Kaerger also commenced to send in his reports, which will be further referred to below. A copy of Steifensand's report was the Foreign Office's answer to Posadowsky's letter of August 1895,<sup>72</sup> it being obvious that Posadowsky had sought information about Argentina's agricultural development. The reason for his request is also obvious; he wanted to examine the implications of the Argentine treaty in view of agrarian agitation against it, focussed in Heyl's Reichstag motion.

In the same month that Steifensand wrote his report Kaerger also wrote the first of a series of lengthy accounts of agricultural development in South America; this first report dealt with veterinary conditions for the handling of exported beef, pork and mutton from Argentina.<sup>73</sup> This was of obvious importance for the Argentine treaty in view of German resistance, as will shortly appear, to Argentina's urgent request for Germany to import Argentine meat. Two months later Kaerger sent to Berlin the

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71. Steifensand to Hohenlohe 5.10.1895: BA Koblenz R2/1507.

72. The covering letter commenced by referring to His Excellency's letter of 27th August of the previous year, in reply to which the Steifensand report was enclosed: Reichardt to Posadowsky 20.1.1896: ibid.

73. It is in BA Koblenz R2/1507.

first instalment of a lengthy treatise on agriculture in the Argentine provinces of Santa Fé and Cordoba; this made it clear that Kaerger was favourably impressed by the agricultural potential of the country.<sup>74</sup> Further instalments were sent in January, March and April 1896<sup>75</sup> and copies were forwarded from the Foreign Office to Posadowsky.<sup>76</sup> The industrious Dr. Kaerger continued, until at least May 1900, to write exhaustive reports, not only from Argentina but also from Uruguay, Chile and Mexico, on various matters of agricultural and related significance which were of obvious importance for the German-South American trade - on agriculture, agricultural colonies and grain production in the province of Buenos Aires, cattle disease in Uruguay and Argentina, the Chilean cattle industry, the Argentine meat extract industry and cattle industry, wine production in Argentina and Chile and the Chilean nitrate industry.<sup>77</sup>

Kaerger was certainly aware of the interest generated in Germany about migration and its use in Germany's commercial interests; but he believed that little point was to be served by directing migration to a country which could not eventually be annexed to the Reich. For this reason he explicitly disavowed any interest in Argentina for colonisation. No future German colonial policy could ever succeed in giving the country even half a German character, wrote Kaerger; a strongly centralised Argentine state would not allow without a struggle the tactics of divide et impera and England and the United States would not stand by passively.<sup>78</sup> With such a disavowal early in his South American travels

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74. Kaerger to Hohenlohe 31.12.1895: ibid.

75. Kaerger to Hohenlohe 13.1.1896, 24.3.1896, 25.4.1896: ibid.

76. Reichardt to Treasury 20.2.1896, 28.4.1896, etc.: ibid.

77. The reports are in BA Koblenz R2/1450, R2/1507, R2/1636, R2/1649, R2/1653. The British Legation Secretary Clarke in 1899 referred to an item in the Argentine paper Pais which recalled that some two years before the German government, wishing to know the capabilities of Argentina for wheat-growing, sent out a special expert to report on the subject: Brit. Parl. Papers 1900. XCII. p. 139. Kaerger's work was eventually published.

78. Quoted by Kannapin, op.cit., pp. 123-124.

- and his allusion to it was virtually a footnote to his main interest - Kaerger proceeded with what he was there for, the scientific investigation of South American primary industries. Steifensand's understandably much less comprehensive report was thus expertly supplemented and Posadowsky's request for information about Argentina's primary industries was fully answered. Kaerger's wish to research the South American agricultural development provided the German government, faced with the Heyl motion and the question of the Argentine treaty, with an excellent opportunity to gain expert information.

Documentary evidence is silent concerning the practical conclusions which the German government drew from Kaerger's reports; but two things can be said with certainty. Firstly Kaerger left the government in no doubt about the considerable potential of the country and what might be expected from it. The set-back of 1897 was only temporary and a political decision would be required at some stage. Secondly it is clear from subsequent developments that Kaerger's expertise was wasted so far as the German government was concerned. The realities to which the government bowed were not scientific but political.

In a confidential report to Hamburg, Bremen and Lübeck the Hanseatic Minister in Berlin, Dr. Klügmann, summed up the situation as he saw it in 1900. In 1892, he wrote, Caprivi and Marschall had energetically presented to the Reichstag the new tariff and trade treaties. Caprivi had intended the creation of a European Zollverein to resist the threatened customs union between England and her colonies and the pan-American aspirations of the United States. The Kaiser had fully agreed with this policy, and the campaign had been vigorously promoted in spite of the resistance of the Conservatives. This time, continued Klügmann, nothing similar was to be expected. The initiative lay, not with the

government, but with the present agrarian majority in the Reichstag. The Argentine treaty could be regarded as a test case. The Minister for the Interior (Posadowsky from 1897), rather than the Treasury, would lead the tariff negotiations and the Minister himself was known to place great value on governing according to the wishes of the Reichstag majority. The Foreign Office would naturally participate in the Prussian government's handling of trade treaties; but Bülow was undoubtedly warned by the fate of his predecessor Caprivi and would almost certainly avoid too obvious a resistance to the agrarian and protectionist Reichstag majority.<sup>79</sup> The implications of Klügmann's report are interesting. In the Chancellery Caprivi the General of Infantry had given way to the professional politician, and the Interior was led by a man with an eye to the Reichstag majority; there were to be no heroics. But in any case they would be futile, as Caprivi had learned to his cost. It is an assessment of the power of the Reichstag, even in such details as the Argentine treaty, which will reappear later in this chapter.

Klügmann's predictions proved to be accurate. The agrarians had reason to be satisfied with the new tariffs of 1902, with a duty of 7.50 marks on wheat and 7 marks on other grain.<sup>80</sup> In the face of the sustained and organised campaign of the agrarian conservatives Caprivi's trade policy had given way to political expediency. The extent to which the Reich government had lost the initiative became clear in 1905 when what was feared actually eventuated and the Argentine Minister formally asked the

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79. Klügmann, Hanseatische Gesandtschaft Berlin, Gesandtschaftsbericht 13.10.1900: SA Hamburg A.I.4.

80. Puhle, *op.cit.*, p. 239 regards the 1902 tariff as one of the greatest victories of the Agrarian League. "As the customs tariff of 1902 and the trade treaties of 1906 were prepared," wrote the Industrialists League, "the decisive viewpoint of the government was the protection of agriculture": *Bünd der Industriellen, Erklärung zur deutschen Handelspolitik und zur Vorbereitung künftiger Handelsverträge*: HA Bremen Hp.I. 1. Bd. 2. Dr. Heinz Potthof told the Trade Treaty Association much the same thing in January 1906: *Verhandlungen der Mitgliederversammlung des Handelsvertragsvereins am 21. Januar 1906 zu Frankfurt a.M.*: *ibid.*

Foreign Office to reconsider its refusal to allow the import of Argentine cattle and meat and sought concessions for quebracho wood and extract and meat extract.<sup>81</sup>

The Argentine note was handed over on May 22, 1905 and the Foreign Office sought the opinion of the Interior. Posadowsky's reply came only after an embarrassingly long delay; he did not answer until September 20, 1905. His letter, when it came, revealed the extent to which he was determined to follow the wishes of the Reichstag agrarian majority. True to Klügmann's assessment of the situation, Posadowsky replied that he saw no reason to accept the Argentine request; the new tariff had given Argentina concessions worth 20 million marks. Further, continued Posadowsky, unless Argentina were prepared to make concessions to German industry, it would be difficult to justify not terminating the treaty; there was strong pressure in Germany to do so.<sup>82</sup> The Argentine treaty appeared to have small chance of survival were it left to Posadowsky. Richthofen of the Foreign Office seemed aware of this. He replied that the new tariff did not favour Argentina by 20 million marks but cost that country 13 million; Germany should not demand but rather offer concessions.<sup>83</sup> The Interior and the Foreign Office clearly could not agree on the issue, for two months after Richthofen's reply he wrote to the Treasury calling an inter-departmental consultation between the Reich and Prussian government departments involved;<sup>84</sup> this was set for January 6, 1906 - over seven months after receipt of the Argentine note.

When the consultation was held it became clear that, whilst all agreed that the most-favoured-nation treaty with Argentina should be maintained,

81. See p. 267 above.

82. Posadowsky to Richthofen 20.9.1905: DZA Potsdam, AA Nr 12585 B1. 110, quoted by Kannapin, *op.cit.*, p. 157.

83. Richthofen to Posadowsky 28.10.1905: DZA Potsdam, AA Nr 12585 B1. 126ff., quoted by Kannapin, *op.cit.*, p. 157.

84. Foreign Office to Treasury 31.12.1905: BA Koblenz R2/1651.

there was disagreement over the extent to which the agrarian interests were to be confronted to achieve this end. To smooth Argentine feelings the meeting decided to recommend reduction of the duty on meat extract and was prepared to consider reduction of the duty on quebracho; but the disagreement over meat and livestock could not be resolved, and the result was a decision to adopt delaying tactics and not urge any negotiations with Argentina, at least for the time being.<sup>85</sup> This decision, or better indecision, makes it appear that Posadowsky's delay in answering the Foreign Office had been deliberate; at least it reflected the hesitation in government departments when confronted with the choice between safeguarding German trading interests or complying with the wishes of the powerful agrarian interests. Caught in this conflict between the trading and the agrarian groups, with the possibility that political survival might be at stake,<sup>86</sup> the government departments were divided and powerless. It was only the convenient success of Argentine negotiations with France and Belgium over cattle and meat exports that relieved the situation. The Argentine Minister was able to advise the Foreign Office in subsequent discussions that he was prepared to drop the explosive issue of meat and livestock for the time being;<sup>87</sup> it was another deus ex machina solution to an insoluble impasse.

The extended episode surrounding the Argentine treaty demonstrates the pressure exerted by the agrarian party on the government, a pressure which effectively limited the ability of the government to serve German commercial interests in the negotiations with Argentina. Once more Brunn's criticism of the performance of German diplomacy needs modification; the government was under political pressure which made it

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85. A record of the meeting is in BA Koblenz R2/1651. Kannapin, op.cit., pp. 159-160 reports the meeting from documents at Potsdam; his account agrees with that above from the Koblenz material.

86. This is clearly the implication of Klügmann's report.

87. Kannapin, op.cit., pp. 159-160.



powerless to act as German trading interests would have wished. The degree to which parliamentary pressures were capable of curtailing government action is further revealed in the final episode with which this chapter is concerned.

The role of the Foreign Office and the German diplomatic corps in watching over the interests of the armaments industry, in particular those of Krupp, has appeared in Chapter Five. German Ministers sought to further Krupp's interests in a number of ways with the support of the Foreign Office and the army. The concern shown by the German Minister in Brazil that a Brazilian Military Attaché be appointed to Berlin was motivated by a similar concern for the German arms industry. On hearing that the French government had invited Brazil to make such an appointment to Paris the German Minister, Count Arco Valley, recommended that Berlin invite a similar appointment. The French government, he wrote, worked ruthlessly and often brutally in the interests of French industry and often made French loans dependent on orders for French military supplies. Germany should see to it that it was not only in Paris that the Brazilian army was represented. The appointment was duly recommended and made.<sup>88</sup>

The contest in 1902 and 1903 for the Brazilian armaments order, involving as it did competition between Krupp and the Düsseldorf Rheinische Metallwaaren- und Maschinenfabrik, had political ramifications in Germany which brought the government's support for Krupp in such contests into serious question. The Düsseldorf firm, for convenience named after its founder Heinrich Ehrhardt, was founded in May 1889 as a branch of the Hörder Mining and Foundry Association (later Phoenix A-G) to meet a special need, namely the introduction into the German army of the new M/88 shell. This required entirely new production installations not at the

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88. Arco to Bülow 6.7.1909: Deutschland 127.23, PA Bonn. Correspondence eventuating in the appointment of Lieutenant-Colonel Jullien in October 1909 is in the same folio.

time available either in State or private factories. The project was said to be urgent and the War Ministry sought the co-operation of private industry for its execution. From a publication celebrating its twenty-fifth year it is evident that the Ehrhardt firm, after meeting the special need for which it was created, did only meagre business from about 1896 and sought foreign markets in order to survive.<sup>89</sup> Ehrhardt had special reason for hostility towards the Krupp competition which time after time left him empty-handed. In 1895, after discussions which lasted for eighteen months, Ehrhardt took up from a Krupp employee by the name of Haussner the design for a recoiling barrel gun after Krupp had shown no interest in producing it himself.<sup>90</sup> Ehrhardt produced and patented the cannon, which became so popular that Krupp eventually produced a model sufficiently like the Ehrhardt gun for Ehrhardt to take him to court in October 1903 for violation of the patent.<sup>91</sup> The Düsseldorf firm, struggling to break into the world market and having no love for the powerful Krupp competitor, fought bitterly to break the Krupp monopoly of Foreign Office support, and expressed confidence that its record showed it could compete with Krupp on the foreign market if given reasonable and equal opportunity.

On January 13, 1903 Captain von La Valette St. George, an Ehrhardt representative, visited Legation Councillor von Kries of the Foreign

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89. Zum 25 jährigen Bestehen der Rheinischen Metallwaaren- und Maschinenfabrik Düsseldorf-Derendorf den 7. Mai 1914 (Düsseldorf: Strucken, 1914) pp. 9-14.

90. Stenographische Berichte über die Verhandlungen des Reichstages, XI. Legislaturperiode, I. Session, 1903/1905, Siebenter Band, S. 5618-5620. At a subsequent hearing at law Krupp claimed that, since Haußner was still in his employ at the time, the design was automatically Krupp property; it was claimed conversely that since Krupp had not taken it up when offered the design Haußner was free to trade it elsewhere.

91. A copy of Ehrhardt's 1903 prospectus, with details of the hearing, as also of Ehrhardt test shoots in Switzerland, England, Norway, Denmark, the U.S.A., Austria, Turkey and Spain, is in Deutschland 121.19.5, PA Bonn. In the hearing at law the judge ruled that each party had won and lost; the Krupp gun was a close copy of Ehrhardt's but was different in some respects. Neither party had to pay costs.

Office about the Brazilian order. He asked Kries for government neutrality in the contest between Düsseldorf and Essen. So far, he said, Krupp and von Restorff had received the support of the German Minister in Brazil; Ehrhardt believed he was entitled to the same support and asked that the German Minister Treutler be advised accordingly. La Valette claimed that his firm had won a victory in England and Norway over other competitors including Krupp and that the latter was therefore no longer entitled to retain its monopoly for the export of German war material. Kries submitted this information to the Foreign Office for a decision, together with a note from La Valette thanking the Foreign Office for its support in Turkey and asking for the same in Brazil and elsewhere and neutrality in the event of competition with other German firms.<sup>92</sup>

Von Kries followed his report with a lengthy memorandum to the Foreign Office dated January 22, 1903 and setting out official Foreign Office policy. The German heavy industry and wholesale trade, he wrote, received every permissible assistance from the Foreign Office and imperial representatives abroad in their endeavours to win and hold foreign markets. In general, official support was given without discrimination to every German undertaking provided the necessary conditions were satisfied, namely the guarantee of efficiency and reliability. The sole exception was the armaments industry. Because of the dominant position held by Krupp it had become the practice, in all cases when Essen came into competition for foreign orders with other German firms, to use official influence exclusively for Krupp. This was due, in Kries' opinion, to the sharp competition offered by France and England in the armaments business and to the consequent desirability of concentrating German support on the one firm best fitted for the contest. Von Kries then pointed out the allegedly successful challenge which the Düsseldorf

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92. Von Kries to Foreign Office 13.1.1903, 17.1.1903; La Valette to Foreign Office 16.1.1903: Brasilien 3.4, PA Bonn.

firm had offered to Krupp in overseas tests, and raised the question whether La Valette's request should be agreed to, since a refusal might be difficult to justify and might, moreover, produce unwelcome public discussion.<sup>93</sup>

Before Kries wrote this memorandum the Foreign Office decided that Ehrhardt's claim to technical superiority over Krupp should be investigated, and a confidential request for information went to the War Ministry and the Admiralty.<sup>94</sup> The consequent reports did not encourage Foreign Office support for Ehrhardt, although the War Ministry report was more encouraging than that from Tirpitz. The latter summarily dismissed Ehrhardt as inferior to Krupp whilst the former administered its damnation with faint praise. Von Gossler of the War Ministry referred to the services Ehrhardt had rendered. However, he added, there were deficiencies in Ehrhardt deliveries and greater care was necessary in dealing with that firm. Gossler believed this was due to the comparatively short time Ehrhardt had been in business; he lacked Krupp's experience and was attempting more than his technical and financial means would permit. Gossler concluded that it was not in Ehrhardt's interest to give him the same support overseas as was given to Krupp before a sounder basis for such expansion had been laid; he added that before a final decision was reached it seemed desirable to seek the Kaiser's opinion. This he would gladly undertake.<sup>95</sup>

On technical grounds there appeared no reason to depart from the procedure outlined in von Kries' memorandum of January 22, namely the granting of Foreign Office support exclusively to Krupp. But as with Kaerger's reports from Argentina, political considerations outweighed expertise.

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93. Memorandum, von Kries, 22.1.1903: *ibid.*

94. Foreign Office to Minister for War and Admiralty, 19.2.1903: *ibid.*

95. Ministry for War to Richthofen 28.2.1903; Tirpitz to Foreign Office 13.3.1903: both Brasilien 3.4, PA Bonn.

Kries' memorandum had shown uneasiness at the possibility of "unwelcome public discussion"; and his reaction to Gossler's report revealed unmistakably that more than purely technical considerations were to be considered. In a confidential memorandum marked "urgent" he referred at length to Gossler's offer to obtain the Kaiser's opinion. Kries could see difficulties in this offer. The Minister for War, he wrote, would present the question only from the military and technical view-point to the neglect of political and economic aspects; and these were at least as important. The deliberations of the Budget Commission early in March 1903 showed that the contest between Krupp and Ehrhardt contained dangers of a parliamentary nature. Ehrhardt would not passively accept a refusal but was bound to bring the affair into public discussion in unpleasant ways. Since responsibility for deciding the matter lay with the Foreign Office it was advisable that any referral to the Kaiser should come from the Foreign Office so that from the beginning the affair be presented in the right light.<sup>96</sup>

The Budget Commission proceedings to which von Kries referred and which he saw as important to the Brazil order were regarded as confidential and details were therefore not available to the press, nor does a report of the course of the discussion appear in the printed reports incorporated in the Reichstag proceedings.<sup>97</sup> From the subsequent Reichstag debates over the Military Budget, however, it is clear that in the Commission von Gossler had been subjected to a vigorous attack concerning the monopoly held by Krupp for army supplies and on Krupp's alleged profiteering at the expense of the army and the German taxpayer. Krupp was alleged to have reduced his price for one order from 44 to 24 million

96. Von Kries, Confidential Memorandum 15.3.1903: Brasilien 3.4, PA Bonn.

97. Only a summary release appeared in the press. The Commission considered the Army Budget from February 27 to March 4, 1903, rejecting inter alia the proposed acquisition of a troop practice ground in Ohrdruf since it would harm agricultural holdings in the area: Weser-Zeitung, Bremen 28.2.1903 to 5.3.1903.

marks when competition was offered by another firm. The attack was taken up in the Reichstag on March 10, 1903 by the Social Democrat Bebel, who was not at the time a member of the Budget Commission. Directing a question to Gossler about new field artillery reputedly ordered by the army Bebel referred back to what he understood had transpired in the Budget Commission and made it the occasion for a lengthy attack on the Krupp monopoly, as also on the Cologne-Rottweil gunpowder ring and the armaments firm Ludwig Loewe. These concerns, said Bebel, had installed men from the Reich administration in key positions to increase the influence they could exercise in high places; and the military and naval administrations had unwittingly fallen victim to these monopolist rings. Krupp, who was regarded as a great patriot, was profiteering and cheating the Reich; it was extraordinarily easy to be patriotic when one could make such enormous profits by it. Gossler vigorously defended Krupp. Without Krupp Germany could not have won her great wars. Krupp's price reduction had been due to new technical discoveries which reduced production costs; and the figures on which the charge of profiteering was based could only have been supplied to the Budget Commission members by agents of another firm. The Budget Commission, continued Gossler, had received a motion for open competition for future army contracts; this all sounded very nice but would only lead to the formation of the very rings which were under attack - but all these questions had been aired and answered in the Commission. The Social Democrat Springer, in Bebel's defence, denied that the questions had been answered in the Commission; it had been unanimously agreed that the military administration had fallen victim to the cartels. It was against firms which used their monopoly to harm the Reich that the present attack was directed. In reply to Gossler's rather menacing invitation to Bebel to repeat his allegations outside the Reichstag the latter returned to the

same theme; he was not impugning Gossler or the army of malpractice but seeking to defend them from it.<sup>98</sup>

Such attacks on Krupp were by no means new;<sup>99</sup> but this one, with its implications for the contest in Brazil, was primed by statistics supplied by a German competitor. In view of the bitterness and persistence with which Ehrhardt fought the Krupp monopoly there can be little doubt that this was the firm to which Gossler referred. Ehrhardt's cause was championed in the Reichstag by the Social Democrat party with some skill; the Social Democrats appeared to be defending the German military administration against monopolist malpractice. Von Kries' memorandum of March 15 demonstrated the success of these tactics and the embarrassment they caused the government. Under the circumstances the political ramifications took priority over technical considerations; Kries was in fact prepared to set aside expert military and naval opinion and to consider a break with Krupp's long-standing monopoly of government support in competition for overseas orders, in particular in the Brazil contest.

Whether Ehrhardt's request for Foreign Office support in Brazil ever went to the Kaiser does not appear from the Foreign Office files; but for the time being the Krupp works retained their monopoly. Some eight months later German diplomatic reports from Brazil showed that the Ehrhardt firm had not helped its own cause in that country. The German envoy Treutler confidentially advised the Foreign Office that Ehrhardt's Brazilian representative Repsold, "who had already often fought Krupp competition

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98. Stenographische Berichte über die Verhandlungen des Reichstag, X. Legislaturperiode. II. Session. 1900/1903. Zehnter Band, 280. Sitzung, S.8539-8549. A full coverage appeared in the press, e.g. in the Bremen Weser-Zeitung, Beilage 11.3.1903.

99. For the scandal surrounding Friedrich Alfred Krupp in 1902 and his suicide see Manchester, William: The Arms of Krupp 1587-1968 (London: Michael Joseph, 1964) chapter 9. Also Boelcke, op.cit., pp. 111-113 for attacks on Krupp in general.

in a manner not exactly choice or loyal", had once again used methods which could only damage Ehrhardt's reputation and also that of Germany. Repsold had written to the Brazilian War Minister accusing the entire Weapons Testing Commission of partisanship for Krupp, alleging that the members of the Commission had been entertained by the Krupp representative in such a princely manner that their judgment had been clouded - a charge which Treutler declared to the best of his knowledge to be false. Faced with an angry demand for satisfaction Repsold wrote a letter of apology, the tone of which was in Treutler's opinion so "obsequious" that it could only have damaged his reputation even further.<sup>100</sup> When in the following year Ehrhardt belatedly sent Lieutenant Callenberg to Brazil the latter was informed by Treutler that, whilst it was his main concern that a German firm get the order regardless of which firm, he naturally could not give official support which would jeopardise the chances of a German competitor already represented there.<sup>101</sup> For the time being the procedure set out in Kries' earlier memorandum was still observed.

But the matter did not rest there. In March 1905 the Krupp-Ehrhardt conflict, which had become of vital concern to the German government over the Brazilian order, once more came in for Reichstag discussion and, as will shortly appear, affected government practice in Chile. The Deputy Eickhoff, in whose electorate the Ehrhardt works were located, speaking to the Foreign Office Budget on March 17 directed an attack against the Krupp monopoly of Foreign Office support to the detriment of the Düsseldorf firm. In no other industrial country of the world, said Eickhoff, was the manufacture of guns so monopolised as in Germany. Ehrhardt's achievements with the recoiling barrel had earned him the right to similar consideration as was given to Krupp; but he did not

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100. Treutler to Bülow 27.11.1903: Brasilien 3.4, PA Bonn. A copy of Treutler's report was forwarded to the Minister for War on 24.12.1903.  
101. Treutler to Bülow 28.4.1904: Brasilien 3.5, PA Bonn.



receive it. Eickhoff pressingly urged that the Foreign Office should give Ehrhardt the support that firm had earned. The debate on March 17 and 27 was vigorous. Eickhoff's speeches received continual support from the Social Democrats, and Erzberger of the Centre Party spoke in support of Eickhoff's attack on the Krupp monopoly which, he said, was not in the Reich's financial interests. In reply Richthofen of the Foreign Office laid emphasis on the practical problems as he saw them. The prime interest of the German diplomatic representative abroad, said Richthofen, was to secure the order for Germany, regardless of the individual firm; there was no question of preferring Krupp to Ehrhardt. When, however, two German firms were involved in competition with a foreign firm there was a danger that the German diplomatic representative may, by his impartiality towards the two firms, merely succeed in losing the order for Germany.<sup>102</sup> This was in essence the procedure outlined in von Kries' memorandum of January 22, 1903 concerning Ehrhardt's request for support in Brazil; to ensure that Germany got the order the Foreign Office focussed its support on the firm most likely to succeed, namely Krupp.

Nevertheless Richthofen's reply pointed to a contradiction between Foreign Office principle and practice; in principle Krupp was not favoured above his compatriots, in practice he was. To those attacking the practice it may have seemed mere sophistry for Richthofen to say that in principle both firms were equally favoured; but, as diplomatic reports from about this time make clear, it was not. Following Eickhoff's interpellation in the Reichstag the Foreign Office investigated the extent to which Krupp had received official support; and the consequent reports gave point to Richthofen's statement. There were practical reasons for supporting

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102. Stenographische Berichte, XI. Legislaturperiode. I Session. 1903/1905. Siebenter Band. 166. und 173. Sitzung, 17 & 27.3.1905, Ss. 5360-5366, 5615-5630.

Krupp; but so effective was the Reichstag attack that even these were set aside in Chile, as will shortly appear.

The practical grounds for confining official support to Krupp were stated in the reports from Turkey and Roumania. As in Brazil Krupp had been the only German firm in the running; Ehrhardt's lower tender had only been used by the pro-French party to discredit Krupp and secure the order for France.<sup>103</sup> The German Military Attaché in Peking, Major von Claer, added a further point. When a German diplomatic or military representative was directly questioned about the two German firms and which one he thought the better, to practice neutrality by evading the questions and pretending ignorance about the technical details of the products of each firm only resulted in the order going to France. In such circumstances it was impossible both to be neutral and to work in Germany's interests.<sup>104</sup> But in the political situation which had developed in Germany since the Budget Commission attack on the Krupp monopoly in March 1903 these considerations had to be put aside. Commenting on the reports from Turkey and Roumania Privy Councillor Zimmermann, in a memorandum of March 1906 to the Foreign Office, accepted the assurance that in these countries it was never a question of which German material would be ordered but only of whether it would be ordered from Krupp or from France; but he referred back to Richthofen's statement in the Reichstag on March 17, 1905. This declaration that Krupp was not preferred before Ehrhardt, said Zimmermann, must be stressed. The Foreign Office represented the interests of German industry as such, and it was a matter of complete indifference which firm represented this interest so long as it was efficient and reliable. The interpellation of Eickhoff in the previous year, he added, had given this basic

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103. Kiderlen to Bülow 12.2.1906: Rumänien 6.1; Marschall to Bülow 23.2.1906: Türkei 142.23; both PA Bonn.

104. Claer to Kriegsministerium 30.12.1905: Türkei 142.23, PA Bonn.

principle renewed importance for imperial representatives in foreign countries; it was their express duty to observe strict neutrality in cases of competition between German firms.<sup>105</sup>

In February 1909 the German Minister in Chile, Baron von Bodman, reported that a Chilean Military Commission under General Körner was to visit Europe to decide where new guns were to be ordered. It appeared to be decided in principle that the orders were to go to Germany and it was to be decided between Krupp and Ehrhardt. The German Minister advised that there were strong feelings against Krupp in some Chilean circles on two grounds; in his last order for Chile Krupp had delivered 7 cm guns without pointing out that 7.5 cm guns were universally preferred, and Krupp's price was one-third higher than Schneider-Creuzot and half as high again as Ehrhardt. Bodman wrote that, although ministerial support for Krupp might have seemed desirable in such circumstances, in the forthcoming competition he regarded it as his duty to remain completely neutral and only to represent German industry in general. Bodman regretted that Krupp and Ehrhardt could not reach some agreement and obviate the danger of Chile turning to Schneider-Creuzot as a way out of the counter-claims of the two German manufacturers.<sup>106</sup> When Krupp eventually secured the order Ehrhardt wrote a letter of protest to the Foreign Office complaining at the result and seeking Foreign Office intervention on his behalf. Ehrhardt was disappointed that Krupp got the order. There were, he lamented, forces at work behind the scenes which drove the economically weaker to the wall. The War Commission had given Krupp the order for guns but had unanimously decided on Ehrhardt ammunition; but the Chilean authorities had ignored the Commission's recommendation and had ordered both guns and ammunition from Krupp.

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105. Zimmermann, Memorandum for Foreign Office Secretary of State 19.3.1906: Türkei 142.23, PA Bonn.

106. Bodman to Bülow 14.2.1909: Chile 1.39, PA Bonn.

Ehrhardt clearly was not complaining that the Foreign Office had supported Krupp;<sup>107</sup> Bodman knew what was required of him and had obviously carried it out.

Ehrhardt's complaint was more probably directed against Krupp; subsequent reports show that this was justified. Erckert, who replaced Bodman in Chile, cabled Berlin in July 1912 that the Chilean Minister in Berlin, Augusto Matte, had been reported in the Chilean press as saying that a member of Krupp's board of directors boasted of achieving the recall of the Chilean Military Commission from Berlin. This was done by Krupp's Santiago representative. The Commission, said Erckert, had dutifully objected to the delivery of Krupp supplies; it had, as seen above, chosen Krupp guns but Ehrhardt ammunition. The press reports, Erckert added, came from friends of Matte and supporters of Ehrhardt. They were, said Erckert significantly, unfortunately authentic and their publication endangered all German interests. Matte appeared as a dutiful official who, in the best interests of his country, had exposed German corruption; it was therefore urgent that Krupp seek to extenuate himself in Chile over the affair.<sup>108</sup> In a subsequent cable Erckert said that the heart of the matter was that influential people in the Chilean War Ministry were Krupp supporters and sought to have all orders placed in Germany. They were opposed to the Military Commission in Berlin "and its tool Matte" because the latter group worked for Austria, France and, so far as fortress guns were concerned, Ehrhardt. The result of this conflict between the War Ministry and the Military Commission had been the

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107. Rheinische Metallwaren- und Maschinenfabrik to Foreign Office 18.1.1910. The Foreign Office professed total ignorance about why this had happened in Chile and pointed out that, since two German firms were involved, the Imperial government had taken the side of neither and therefore could not intervene in Chile on Ehrhardt's behalf against Krupp; Schoen to Rheinische Metallwaren- und Maschinenfabrik 21.1.1910: both Chile 1.40, PA Bonn.

108. Tel. Erckert to Foreign Office 21.7.1912: Chile 1.45, PA Bonn.

dissolution of the Commission and the weakening of Matte's influence.<sup>109</sup>

The "forces at work behind the scenes" which lost for Ehrhardt the order which went to Krupp were clearly not set in motion by the Foreign Office. Factions were at work in Chilean military and government circles for and against Krupp; and Krupp, his Chilean representative, or both used bribery to get the order. In the matter of arms deliveries a change in Foreign Office principle and practice had been effected through the Reichstag's power of interpellation. Although German diplomats continued to support Krupp when there was no German competition or when foreign governments decided that Krupp was the sole German armaments factory to come into consideration, from the time of the Krupp-Ehrhardt contest for the Brazilian order in 1903 a change in direction was obvious. The change was fully established from 1905. The government was no longer prepared to have it appear that Krupp enjoyed a monopoly of its support for foreign orders, and justice had at least to be seen to be done so far as Krupp's main German competitor was concerned.

These episodes demonstrate a number of important developments in the role of the German government in the South American trade. From the beginning the government took to heart the interests of German trade in various routine ways - by the distribution of consular reports to the Chambers of Commerce, by taking advice from the Chambers, by admonitions to greater care with foreign orders, by consular and ministerial

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109. Tel. Erckert to Foreign Office 27.7.1912: Chile 1.45, PA Bonn. The Valparaiso Deutsche Zeitung of 30.4.1912 reported proceedings in the Chamber of Deputies when Matte laid charges against the Chilean War Minister, by interpellation, of having ignored the competition of all other munitions factories in favour of the "German arms factory"; it was inferred that pressure had been exerted by the factory's administration or by its Chilean representative. Matte, reported Erckert commenting with obvious relief on the former's death in Berlin in 1913, had been influenced by Chilean officers who had followed a course not favoured by the Chilean government, partly representing non-German munitions firms and partly representing German firms other than Krupp; he had harmed German interests in general: Erckert to Bethmann Hollweg 9.3.1913, Deutschland 127.20.1, PA Bonn.

intercession on behalf of German industry in the ABC states. In the earlier years of the period the effectiveness of these efforts was somewhat negated by the short-sighted officialdom of government departments; but by at least 1897 this was partly overcome as the Ministry for the Interior showed greater wisdom despite the continued propensity of the Treasury to observe the letter of the law in the Chilean case.

The developments concerning the Krupp-Ehrhardt contest and, more particularly, the Argentine trade treaty demonstrated, however, that the government did not have the unrestrained freedom to act which it was popularly supposed to possess. In the earlier years German manufacturers had been able to influence the government into protecting their interests in the ABC states; but by the turn of the century the political constellation in Germany was such that the government found itself not always capable of giving the German export trade the support it demanded. The German agrarian pressure group, a survival of pre-industrial Germany, was still sufficiently entrenched in the Reichstag and in high places to be able to restrain government support for German industry where such support might be at the expense of real or fancied agrarian interests. If the political centre of gravity had shifted from the agrarian east to the industrial west<sup>110</sup> the shift was by no means absolute; and, further, the Social Democrats were also able to play a role and effect a measure of change in government support for Krupp. The more fundamental schism between agrarian and industrialist was reflected within the government in the disagreement between the Ministry for the Interior and the Foreign Office, and it was only due to circumstances which were not of its own making that the government was able to extricate itself.

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110. Oppenheimer, as cited in Chapter Four above.

CONCLUSIONS

The drives which motivated Germany's commercial expansion in South America were in many respects identical with those responsible for German expansionist policy in general in what came to be called the era of Weltpolitik. Commercial expansion had become essential to Germany's survival as a great power. The search for markets continued to be urgent, particularly since existing markets appeared to be shrinking behind protective tariff barriers; and in these circumstances the underdeveloped countries acquired added importance. Nor was it only markets that were needed. As one of the most rapidly industrialising countries in the world Germany had become increasingly dependent on imported raw materials and foodstuffs, for which assured sources were vital. A further consideration also entered the picture. From 1880 German emigration rose sharply, one hundred thousand or more leaving the Reich annually. It was urged that if these migrants were directed to underdeveloped countries such as the ABC states they would not be lost to the Reich through assimilation into the culture of their new homeland; moreover, they would further German commercial influence by creating new markets and by preempting for Germany the resources of the countries where they settled. The cultural aspirations of the prophets of a Greater Germany added weight to the argument; the interest in overseas Deutschtum stemmed from more than merely commercial self-interest. Germany had a cultural mission. The progress of the human race had depended on the distinctive contributions of the great civilisations of the past; now it was Germany's turn. The twentieth century, a spokesman for the Naval League told the 1905 Colonial Congress, belonged to the Germans.<sup>1</sup>

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1. Verhandlungen des Deutschen Kolonialkongresses 1905, p. 934. The speaker was General von Liebert.

South America, and in particular Brazil, seemed especially suited for this sort of expansionist policy. Germany had long-standing commercial relations with the continent, it was thought of as an under-developed country, and significant numbers of Germans had settled there, most of them in Brazil. Not only had the process of Germanisation already commenced in Brazil; for a short time it seemed possible that a member of a German princely house might occupy the throne. Dynastic hopes rapidly faded and expectations of Germanising southern Brazil weakened in the following years, but hopes that emigrants could be used to spread German influence in South America persisted.

The fact that Argentina came to surpass Brazil both as a market and as a supplier in the German trade should have shown that there were limits to the commercial value which Germany could derive from migrant settlements in South America. By the turn of the century Argentina had become the leading South American trading country in general, with a more diversified and plentiful export and a richer import market; and it was here, the least Germanised country of the three, that German traders and industrialists did the best business. To be sure, in the early years there was some merit in the concept of using emigrants as a basis for commercial expansion. Sufficient Germans had settled in south Brazil to offer a degree of encouragement to hopes of a New Germany arising there, the trade of the district was largely dominated by Germany, and German shipping monopolised the harbours. But the dream was impossible so far as Brazil, or for that matter anywhere in South America, was concerned. For a start, total emigration declined and those who did emigrate continued to go mainly to the United States. More importantly, the notion rested on false premises. Advocates of directed emigration continued to write and speak as though Brazil were merely a land of primeval hinterland and virgin forest and culturally under-developed



inhabitants.<sup>2</sup> They chose to ignore the degree of civilisation already established by the Portuguese and English who had held the stage for decades and even centuries. England had strong commercial interests there, the United States was vigorously asserting the Monroe Doctrine and claiming rights to tutelage of the South American republics under the general guise of Pan-Americanism, and the republics themselves were fully aware of the danger of becoming mere pawns in a developing game of power-politics for the South American continent. Although Germany achieved a fair degree of penetration in some provinces there was no prospect of any South American republic peacefully becoming a German sphere of influence, let alone a colony.

"It is unavoidable," Holstein once said, "that with our present expansionist colonial policy we should sometimes get into sticky situations."<sup>3</sup> This was as true of the German involvement in South America as it was of the more notorious involvements in the age of Weltpolitik. By the time the German Danger scare erupted into the foreign press it was in the main out of date; but not completely so. Pan-Germans still hoped for colonial acquisition in Brazil. The German emigration and Deutschtum policy in general was by no means exclusively commercial in its aims, although by the mid-1890s the German government saw this as its main purpose in South America. But even in Imperial Germany governments were subjected to strong and conflicting pressures which made it difficult to maintain a single-minded and unambiguous course. The constant aim was commercial expansion; but if a territorial bonus should also accrue, well and good. German policy in South America lent itself to the extravagant claims and demands of the Pan-Germans and others whose printed statements created embarrassments for diplomats and

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2. So. e.g., Wolff op.cit., p. 1014 and Jannasch's reply, pp. 1017-1018.

3. Rich, Norman and M.H. Fisher: The Holstein Papers (Cambridge: Cambridge University Press, 1955-1963) Vol. IV p.92.

provided fuel for Germany's commercial rivals. Stung by attacks in the Pan-German Alldeutsche Blätter the German envoy Treutler wrote in 1903 that the behaviour of the Pan-Germans was seriously detrimental to German interests.<sup>4</sup> Nevertheless they were a powerful lobby, and some of the official annoyance was doubtless due to the indiscretion of their statements rather than to fundamental disagreement with their aims.

Other pressures were also brought to bear on the German government; in particular the conflicting interests of agrarians and industrialists made it difficult to develop a clear commercial policy. Whilst industrialists wished to further the export trade agrarians feared that the price of increased exports would be the lowering of tariff barriers on grain imports. Before the turn of the century the sole pressure group which the German government obviously heeded so far as the South American trade was concerned was the industrial group represented by Chambers of Commerce and the Federation of German Industrialists. After that time the government was clearly uneasy at the opposition to its commercial policy from the Agrarian League and the Social Democrats, an opposition which limited government effectiveness in negotiations over the Argentine treaty and made the government limit its support for Krupp's bid for South American markets. Although parliamentary opinion in the Wilhelmine Reich did not generally carry much weight it could be formidable on occasions. Huber<sup>5</sup> draws attention to the growing measure of control the Reichstag could exercise over government. As in parliamentary democracies so in Germany this control was most effective when the government was insecure and its parliamentary support was tenuous; and such periods of insecurity occurred in the years under review. The Argentine treaty and the Krupp-Ehrhardt conflict over the

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4. Treutler to Bülow 13.10.1903: Deutschland 135.16, PA Bonn.

5. Huber, E.R.: Deutsche Verfassungsgeschichte seit 1789 (Stuttgart: Kohlhammer, 1970, ed.) Bd. III, pp. 900-901.

Brazilian armaments order demonstrate the point. Early in 1894 Caprivi's decision concerning recognition of the Brazilian naval insurgents had amounted to a decision for government support of German trading interests in Brazil, a decision consistent with the motives underlying Caprivi's trade treaties in general. By the turn of the century any fixed policy which this decision represented was hampered by the political restrictions within which it had to operate.

German trading and business firms were in the main free from such restraints, and ambiguities in German Deutschum policy scarcely affected them. The policy itself they turned to good account. The development of agricultural colonies of German settlers in Brazil and Chile gave them a foothold on the South American markets by creating a demand for German textiles, hardware, cooking utensils, beer, clothing and such; and when South American local industry began to compete with these items they developed the trade in others. Moreover, whilst business men in general shared the extreme nationalism of the Pan-Germans their activities were not adversely affected by Pan-German aspirations to annex south Brazil. Their concern was to advance German economic interests, and this they did to good effect. Trading firms showed a clear determination to outdo more established foreign rivals in South America, and succeeded sufficiently to arouse a brief period of alarm in England at German trade rivalry. Banks and financiers, despite their late appearance on the scene and limited resources, established themselves in South America and participated in the financing of enterprises such as the Deutsch-Überseeische Elektrizitäts Gesellschaft. Shipping companies brought benefits to the trade and secured practical monopoly over the south Brazil route. Some of the financial benefit England had gained by servicing the German-South American trade went into German banks rather than English, and Germans earned some part of the proceeds from South

American government loans. This commercial advance was aided by the government in numerous ways. Due to the circumstances prevailing in the ABC states the support given by the government and the army to the German arms trade proved highly beneficial. Whereas the electrical industry was backed in the ABC states by the banks, the armaments industry was supported in Argentina and Chile by military missions for the development of their armies. Moreover, in all three republics it was supported by the attachment of South American officers to the Prussian army, by the entertainment in Germany of influential military personnel, by the appointment of military attachés and by diplomatic and military support. The German arms trade with South America, which brought substantial business to armaments manufacturers and the benefits of which spilled over into other industries, became an instrument of Deutschtum policy, a means for spreading German influence which was appropriate to South American needs at the time and which had a distinct measure of success.

The final balance sheet was decidedly in Germany's favour. Commercially Germany had become more important to the ABC states. In 1890 Germany had ranked third amongst countries exporting to Argentina and Brazil and second amongst Chile's suppliers, providing half or less of Britain's share. Germany, however, was producing the goods which the ABC states required, and the pricing policy of the cartels and reduced freight charges made it possible to offer them at competitive prices. By the end of the period Germany stood in second place behind Britain in overall trade with the ABC states; in Brazil and Chile the gap between Germany and Britain was narrow, although it was greater in Argentina. German exports to the ABC states were further assisted by the development of a stable mutual trade. In earlier years it had not been so urgent for Germany to import; but rapid industrialisation, a growing population and greater wealth made it both necessary and possible. It was necessary to

farm the land more intensively, and nitrate fertilisers were required; nevertheless Germany could no longer feed its population, and agricultural produce was required in increasing quantities. Germans, moreover, were a coffee-drinking people, and came to be able to buy more coffee. Germany, in short, needed what the ABC states had to offer and could pay for it. The result was that, whereas in 1890 Germany had occupied third place amongst the markets for the products of the three republics, by the end of the period it had moved up to second position, behind Britain in Argentina and Chile and behind the United States in Brazil. Germany did not secure the exclusive control of the South American trade of which a few enthusiasts dreamed in the opening years; but realists had good reason for satisfaction at the outcome.

The ABC states similarly gained enhanced significance for the German import trade. Initially Brazil had been Germany's best South American suppliers, due in the main to coffee exports; these comprised nearly 80 per cent of Brazilian exports to Germany. Imports from Chile were dominated to the same extent by nitrate. The German import trade with each of the two countries rested on narrow foundations, although those in Brazil were of long duration and had much money and labour invested in them. By contrast Argentina had more to offer. By 1913 six of the nine main imports Germany took from the ABC states came from Argentina; these were wool, wheat, linseed, salted hides, maize and bran, and they were closely followed by other products. Argentina provided an important part of the foodstuffs and raw materials on which Germany had come to rely; and it was largely due to the increased imports from Argentina that by 1913 the ABC states combined occupied third place amongst Germany's suppliers, being surpassed only by the United States and Russia.

The search for markets in the three South American republics was at least partially satisfied, even as Germany was in general successful on the world market. Until 1898 exports made a diminishing contribution to the German national product; but after the depression of the 1890s exports made a growing contribution and by 1913 nearly matched the value of Germany's considerably increased imports. The ABC states played a not insignificant role in this expansion, taking increased proportions of Germany's iron and steel, machinery, electro-technical products and of other items of lesser value. By 1913 the ABC states jointly stood in seventh place amongst Germany's markets; and the gap between them and Great Britain, which remained Germany's leading market, was much narrower than it had been in 1890. Needless to say, the three South American republics did not match the earlier expectations of German political economists. Great Britain remained firmly entrenched and the more proximate United States of America made a decided advance on the three markets. Nor were the ABC states as under-developed as had sometimes been believed, and items such as German cotton manufactures faced keen competition from local South American, especially Brazilian, industries. In some respects, indeed, the ABC states came gradually to resemble the very markets for which they were initially seen as a substitute; home industries were advancing behind protective tariffs. The struggle for the South American markets was not easy; and under such competitive conditions German achievements were the more remarkable.

"The Kaiser," wrote the British Minister at Munich, "has dreamed of empire in South Africa and China and his eyes now turn towards South America."<sup>6</sup> In the ABC states, whilst no imperialist dreams were realised, German commercial interests were firmly planted by 1914.

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6. Cartwright to Grey 12.1.1907: in Gooch and Temperley, op.cit., Vol. VI, p. 4.

## GERMAN IMPORTS FROM ARGENTINA - WOOL

Year	ARGENTINE EXPORT			GERMAN IMPORT		
	TOTAL	TO GERMANY		TOTAL	FROM ARGENTINA	
	Tons	Tons	%	Tons	Tons	%
1890	118,406			128,614	28,326	22.0
1891	138,606	28,529	20.6	144,416	47,258	32.7
1892	154,635	45,046	29.1	159,052	51,689	32.5
1893	123,230	29,643	24.1	149,063	47,007	31.5
1894	161,907	39,137	24.2	161,079	54,966	34.1
1895	201,353			183,202	65,583	35.8
1896	187,619	44,242	23.6	170,245	61,727	36.3
1897	205,571		21.6	163,294	68,964	42.2
1898	221,286	69,948	28.6	176,805	82,789	46.8
1899	237,111	57,811	25.0	177,644	74,756	42.1
1900	101,113	21,696	19.1	138,114	61,468	44.5
1901	228,358	54,685	24.0	150,171	67,604	45.0
1902	197,936	49,750	25.1	161,804	66,678	41.2
1903	192,989	53,739	27.8	166,340	75,018	45.1
1904	168,509	47,182	28.0	158,963	68,417	43.0
1905	191,007	47,839	26.4	165,152	64,186	38.9
1906	149,110	43,621	29.3	122,028	41,974	34.4
1907	154,810	37,014	23.9	184,795	58,131	31.5
1908	175,538	41,422	23.6	179,369	55,292	30.8
1909	176,682			194,102	58,922	30.4
1910	150,599	42,654	29.7	196,466	58,135	29.6
1911	132,036	42,888	30.9	196,330	56,911	29.0
1912	164,964	62,048	36.6	217,977	55,843	25.6
1913				198,987	49,741	25.0

Sources: The Argentine figures have been derived from Statistical Abstracts appearing in Brit. Parl. Papers and from consular reports and appended trade tables in Brit. Parl. Papers and Deutsches Handels-Archiv. The figures in consular reports sometimes appear in bales rather than weight and occasionally disagree. In the above table gaps appear where no weights are given.

The German figures have been extracted from Statistik des Deutschen Reichs and Statistisches Jahrbuch für das Deutsche Reich for the relevant years.

Percentages have been calculated from the figures supplied.

## APPENDIX 2

## GERMAN IMPORTS FROM ARGENTINA - WHEAT

Year	Total Import	Main Countries of Supply					
		RUSSIA		UNITED STATES		ARGENTINA	
		Tons	%	Tons	%	Tons	%
1890	672,587	370,823	55.1	51,988	7.7	7,782	1.2
1891	905,332	515,212	56.9	143,539	15.9	12,397	1.4
1892	1,296,213	257,299	19.8	630,213	48.6	66,170	5.1
1893	703,453	21,636	3.1	314,928	44.8	151,396	21.5
1894	1,153,837	280,594	24.3	323,498	28.0	346,245	30.0
1895	1,338,178	678,203	50.7	193,594	14.5	263,229	19.7
1896	1,652,705	852,465	51.6	266,875	16.1	141,603	8.6
1897	1,179,521	751,907	63.7	207,261	17.6	32,603	2.8
1898	1,477,455	775,506	52.5	528,021	35.7	83,361	5.6
1899	1,370,851	332,311	24.2	710,318	51.8	252,203	18.4
1900	1,293,864	278,196	21.5	455,934	35.2	479,929	37.1
1901	2,134,200	496,079	23.2	1,237,147	58.0	223,770	10.5
1902	2,074,530	628,186	30.3	1,019,415	49.1	158,177	7.6
1903	1,929,109	786,875	40.8	565,281	29.3	321,981	16.7
1904	2,021,129	886,525	43.9	184,216	9.1	564,221	27.9
1905	2,287,587	1,006,288	44.0	65,922	2.9	716,642	31.3
1906	2,008,082	756,827	37.7	299,041	14.9	525,147	26.1
1907	2,454,846	564,528	23.0	542,780	22.1	860,837	35.1
1908	2,090,544	258,135	12.3	746,698	35.7	877,187	42.0
1909	2,433,098	1,223,721	50.3	305,506	12.6	572,876	23.5
1910	2,343,742	1,496,880	63.9	168,584	7.2	324,910	13.9
1911	2,488,333	1,119,353	45.0	302,603	12.2	537,710	21.6
1912	2,297,422	558,439	24.3	446,512	19.4	546,201	23.8
1913	2,545,959	519,300	20.4	1,005,408	39.5	446,605	17.5

Note: In 1893 Roumania supplied 143,578 tons or 20.4 per cent of the German imports.

Source: Official German trade statistics as given in Statistik des Deutschen Reichs and Statistisches Jahrbuch für das Deutsche Reich for the appropriate years.

Percentages have been calculated from the figures supplied.



## GERMAN IMPORTS FROM BRAZIL - COFFEE

Year	BRAZILIAN EXPORT			GERMAN IMPORT		
	TOTAL	TO GERMANY		TOTAL	FROM BRAZIL	
	Tons	Tons	%	Tons	Tons	%
1890				118,126	52,823	44.7
1891				125,611	63,832	50.8
1892				122,032	61,589	50.5
1893				122,191	56,795	46.5
1894				122,358	44,371	36.3
1895	355,837	67,722	19.0	122,390	54,075	44.2
1896				129,897	57,638	44.4
1897				136,395	60,925	44.7
1898				153,270	83,417	54.4
1899				156,137	82,995	53.2
1900	549,328	106,660	19.4	160,826	91,824	57.1
1901	898,862	135,839	15.1	171,974	102,329	59.5
1902	789,443	142,935	18.1	171,435	112,285	65.5
1903	775,634	136,939	17.7	181,998	119,538	65.7
1904	601,472	93,949	15.6	180,093	117,435	65.2
1905	649,240	121,934	18.8	180,166	117,093	65.0
1906	837,948	176,863	21.1	186,529	124,328	66.7
1907	940,810			189,625	131,749	69.5
1908	759,507		17.5	192,791	143,083	74.2
1909	1,012,842		19.5	213,488	158,333	74.2
1910	583,424			170,856	134,059	78.5
1911	675,468	108,239	16.0	183,190	141,393	77.2
1912	724,818	109,224	15.1	170,867	127,299	74.5
1913			14.1	168,250	115,949	68.9

Sources: Total Brazilian export from 1902 taken from Statistical Abstract No 26, Brit. Parl. Papers 1914.XCVII and converted from bags of 60 kg. into metrical tons. Total exports prior to 1902 taken from consular reports in Brit. Parl. Papers.

Brazilian export to Germany taken from Deutsches Handels-Archiv for the relevant years. Percentages for 1908, 1909 and 1913 have been calculated from values, for the other years from quantity.

German import statistics taken from Statistisches Jahrbuch für das Deutsche Reich, 1892-1915.

Percentages have been calculated from the figures supplied. Gaps appear in the above table where no statistics to hand.

## GERMAN IMPORTS FROM CHILE - NITRATE

Year	GERMAN IMPORT		CHILEAN EXPORT			
	Total	From Chile	Total	To Orders	To Germany	
	Tons	Tons	Tons	%	Tons	%
1890	344,209	319,219	1,065,277	61.49	204,028	19.15
1891	395,653	371,401	787,328	62.34	135,890	17.26
1892	379,899	367,190	804,062	63.09	155,366	19.32
1893	384,710	373,731	948,186	49.75	229,013	24.15
1894	404,561	395,346	1,098,454	45.27	313,426	28.53
1895	459,514	458,581	1,238,604	37.02	415,383	33.54
1896	449,028	447,779	1,107,045	37.20	417,505	37.71
1897	465,493	465,261	1,078,328	41.08	296,839	27.53
1898	425,054	424,901	1,293,850	26.28	411,786	31.83
1899	526,944	526,688	1,397,766	24.94	399,192	28.56
1900	484,544	483,886	1,454,101	25.52	395,859	27.22
1901	529,568	529,091	1,262,334	23.99	361,818	28.66
1902	467,024	466,754	1,379,034	26.42	335,626	24.34
1903	467,130	466,822	1,457,298	17.61	390,684	26.81
1904	506,172	505,878	1,496,784	16.43	398,331	26.61
1905	540,916	540,191	1,651,875	26.02	396,622	24.01
1906	593,218	591,848	1,731,437	32.11	389,236	22.48
1907	591,131	590,807	1,657,278	34.39	372,008	22.45
1908	604,457	604,202	2,051,921	36.12	502,147	24.47
1909	665,450	664,995	2,219,641	31.94	588,560	26.52
1910	749,945	748,946	2,355,403	36.53	500,141	21.23
1911	730,939	730,083	2,449,515	36.85	561,564	22.92
1912	812,898	810,760	2,493,082	37.32	565,726	22.69
1913	774,318	770,288	2,738,327	34.94	629,297	22.98

Sources: German import statistics taken from Statistisches Jahrbuch für das Deutsche Reich, 1890-1915.

Chilean export statistics taken from British and German consular reports and statistical tables in Brit. Parl. Papers and Deutsches Handels-Archiv for the relevant years. These are given in Quintales or Spanish Centners (each of 46 kg.) and have been converted to tons of 1,000 kg. in the above table for purposes of comparison. From time to time the Chilean statistics have been amended; the latest sources have been used above.

Percentages have been calculated from the figures supplied.

GERMAN EXPORTS TO ARGENTINA, BRAZIL, CHILECOTTON AND COTTON GOODSVALUE IN THOUSANDS OF MARKS

<u>Year</u>	<u>ARGENTINA</u>	<u>BRAZIL</u>	<u>CHILE</u>
1890	4,381	11,246	7,283
1891	5,353	8,510	3,762
1892	9,715	11,122	10,585
1893	8,085	14,405	3,634
1894	3,563	11,780	4,122
1895	5,679	13,387	8,869
1896	7,100	9,293	5,930
1897	4,200	6,411	7,284
1898	5,323	7,913	3,794
1899	6,505	7,508	6,132
1900	8,866	6,194	8,252
1901	6,372	5,188	5,813
1902	6,241	7,186	5,279
1903	10,642	8,377	9,598
1904	15,075	9,003	8,573
1905	18,206	10,099	9,851
1906	20,001	8,259	8,497
1907	17,682	12,455	14,320
1908	19,366	7,673	5,349
1909	18,254	7,877	7,488
1910	22,107	13,217	9,815
1911	20,982	16,882	9,329
1912	19,364	15,134	8,331
1913	25,942	14,081	7,884

Source: Statistik des Deutschen Reichs for the relevant years.

GERMAN EXPORTS TO ARGENTINA, BRAZIL, CHILEWOOLLEN GOODSVALUE IN THOUSANDS OF MARKS

Year	ARGENTINA	BRAZIL	CHILE
1890	4,606	8,154	6,506
1891	2,794	6,837	3,123
1892	4,561	6,827	9,698
1893	6,468	8,991	5,226
1894	3,494	7,994	2,457
1895	2,412	9,563	5,717
1896	3,486	6,010	4,592
1897	3,229	3,462	3,670
1898	3,376	4,106	2,159
1899	4,920	3,436	3,876
1900	5,466	2,875	6,112
1901	3,244	2,025	4,646
1902	2,533	2,752	3,409
1903	3,460	3,124	4,023
1904	6,274	3,567	3,950
1905	7,447	3,602	4,415
1906	6,087	2,426	4,923
1907	8,467	4,763	8,169
1908	7,763	3,049	3,274
1909	9,271	2,739	4,829
1910	9,840	3,571	7,143
1911	9,450	4,148	7,816
1912	10,061	4,573	7,086
1913	12,600	3,868	6,270

Source: Statistik des Deutschen Reichs for the relevant years.

APPENDIX 7GERMAN EXPORTS TO ARGENTINA, BRAZIL, CHILEIRON AND IRON GOODSVALUE IN THOUSANDS OF MARKS

<u>Year</u>	<u>ARGENTINA</u>	<u>BRAZIL</u>	<u>CHILE</u>
1890	4,672	6,787	3,964
1891	3,970	10,047	2,506
1892	9,050	7,587	3,895
1893	12,129	8,447	2,543
1894	10,515	8,596	3,050
1895	11,487	16,334	9,670
1896	10,471	11,776	6,436
1897	7,310	7,329	2,564
1898	8,079	7,358	2,794
1899	13,305	7,422	3,171
1900	15,015	8,606	5,362
1901	15,303	6,234	6,096
1902	12,140	8,675	7,081
1903	20,954	10,502	9,750
1904	23,252	10,593	10,178
1905	30,710	12,221	9,366
1906	32,375	15,952	6,983
1907	50,459	21,386	15,201
1908	33,880	18,681	11,658
1909	44,575	18,152	10,269
1910	59,155	23,008	10,950
1911	67,052	28,902	17,090
1912	57,327	35,891	25,513
1913	64,194	44,477	21,023

Source: Statistik des Deutschen Reichs for the relevant years.

GERMAN EXPORTS TO ARGENTINA, BRAZIL, CHILEMACHINERYVALUE IN THOUSANDS OF MARKS

Year	ARGENTINA	BRAZIL	CHILE
1890	1,743	3,172	1,817
1891	741	5,249	917
1892	1,122	3,527	2,343
1893	2,241	3,834	2,005
1894	1,855	3,767	1,414
1895	2,363	4,295	2,895
1896	2,007	3,212	1,565
1897	2,479	5,595	1,313
1898	2,216	1,799	867
1899	3,510	3,407	1,080
1900	3,854	2,442	2,269
1901	3,659	1,508	2,702
1902	3,217	1,859	2,271
1903	5,295	2,284	3,282
1904	8,007	3,291	4,129
1905	12,444	6,687	7,552
1906	11,777	4,845	9,682
1907	12,515	9,794	8,066
1908	11,004	10,000	4,018
1909	14,186	7,679	4,340
1910	20,046	11,659	4,198
1911	22,321	16,983	5,857
1912	19,007	27,416	10,402
1913	21,432	24,124	8,524

Source: Statistik des Deutschen Reichs for the relevant years.

Note: Due to the classification changes in Reich statistics which operated from 1906, the figures in the above table before and after that year are not comparable. From 1890 to 1905 the category to which these figures refer covers "Instruments, Machines and Vehicles"; from 1906 the category was narrowed to "Machines", separate categories appearing in the statistics for vehicles, electro-technical products, instruments, &c.

APPENDIX 9GERMAN EXPORTS TO ARGENTINA, BRAZIL, CHILEELECTRO-TECHNICAL PRODUCTSVALUE IN THOUSANDS OF MARKS

Year	ARGENTINA	BRAZIL	CHILE
1906	7,706	1,362	2,121
1907	11,361	2,739	2,767
1908	10,175	2,608	6,903
1909	10,051	3,633	2,370
1910	15,205	4,869	3,227
1911	14,572	5,486	3,313
1912	16,939	7,219	5,001
1913	18,900	7,253	5,338

Source: Statistik des Deutschen Reichs for the relevant years.

## APPENDIX 10

GERMAN EXPORTS TO ARGENTINA, BRAZIL, CHILEARMS AND AMMUNITIONVALUE IN THOUSANDS OF MARKS

Year	ARGENTINA	BRAZIL	CHILE
1890	61	289	0
1891	220	166	10
1892	1,850	505	211
1893	3,989	2,446	43
1894	3,778	1,535	9
1895	3,666	6,182	5,860
1896	3,964	958	2,904
1897	2,133	278	74
1898	2,159	222	2,252
1899	5,208	216	974
1900	2,943	564	42
1901	1,969	131	347
1902	1,090	174	3,182
1903	933	403	359
1904	221	297	74
1905	354	1,371	94
1906	1,300	1,640	729
1907	3,070	2,013	1,291
1908	2,047	1,642	1,353
1909	2,218	7,155	733
1910	13,304	4,518	1,224
1911	16,645	2,373	1,072
1912	10,051	9,496	21,036
1913	5,516	14,932	5,360

Source: This table represents the totals of exports of shells and cannon barrels, all ammunition, and guns for purposes of war as appearing in Statistik des Deutschen Reichs for the relevant years.



APPENDIX 11GERMAN EXPORTS TO ARGENTINA, BRAZIL, CHILEPAPER AND PAPERWAREVALUE IN THOUSANDS OF MARKS

Year	ARGENTINA	BRAZIL	CHILE
1890	1,196	2,258	951
1891	982	2,207	701
1892	1,994	2,467	1,147
1893	2,053	2,364	938
1894	1,786	2,359	814
1895	2,457	3,577	1,131
1896	3,101	3,078	824
1897	2,707	2,862	710
1898	2,610	2,858	649
1899	2,623	2,671	683
1900	3,186	3,375	1,368
1901	3,216	2,359	1,009
1902	2,860	2,598	760
1903	4,056	2,668	1,048
1904	4,841	2,710	1,189
1905	5,567	3,115	1,414
1906	5,884	2,667	1,265
1907	7,931	4,432	2,245
1908	8,332	4,516	1,135
1909	11,831	5,517	1,946
1910	12,847	6,237	2,166
1911	12,352	6,909	2,510
1912	11,981	6,566	2,181
1913	13,929	7,832	2,168

Source: Statistik des Deutschen Reichs for the relevant years.

APPENDIX 12GERMAN EXPORTS TO ARGENTINA, BRAZIL, CHILEGLASS AND GLASSWAREVALUE IN THOUSANDS OF MARKS

Year	ARGENTINA	BRAZIL	CHILE
1890	414	510	747
1891	227	681	414
1892	792	800	936
1893	1,441	768	558
1894	1,072	658	800
1895	1,138	1,104	1,515
1896	1,208	1,278	1,323
1897	1,244	1,161	873
1898	796	1,213	448
1899	1,203	1,128	1,009
1900	1,187	881	1,815
1901	903	558	1,292
1902	967	571	1,173
1903	1,367	833	1,714
1904	2,520	719	1,963
1905	2,883	992	2,586
1906	4,054	1,869	3,229
1907	4,418	2,949	4,156
1908	3,670	2,134	1,719
1909	4,670	1,816	2,257
1910	4,209	2,857	2,213
1911	4,393	3,205	3,286
1912	4,079	3,610	2,917
1913	6,179	4,128	3,556

Source: Statistik des Deutschen Reichs for the relevant years.

GERMAN EXPORTS TO ARGENTINA, BRAZIL, CHILELEATHER AND LEATHER GOODSVALUE IN THOUSANDS OF MARKS

Year	ARGENTINA	BRAZIL	CHILE
1890	766	1,717	772
1891	285	1,867	765
1892	516	1,506	1,628
1893	631	1,940	1,082
1894	579	2,140	1,099
1895	800	2,440	2,680
1896	2,113	1,986	1,956
1897	1,053	1,534	1,386
1898	1,096	1,498	1,186
1899	1,583	1,487	1,440
1900	1,094	1,156	1,584
1901	829	1,050	1,249
1902	1,457	1,553	1,357
1903	1,249	1,524	1,963
1904	2,109	1,751	1,502
1905	2,722	2,223	2,017
1906	2,363	2,381	2,048
1907	2,391	2,973	2,469
1908	2,569	2,305	1,366
1909	3,387	4,610	1,811
1910	5,712	5,865	1,869
1911	4,761	7,090	2,301
1912	5,181	8,372	5,372
1913	5,710	8,808	2,515

Source: Statistik des Deutschen Reichs for the relevant years.

1. UNPUBLISHED DOCUMENTSA. POLITICAL ARCHIVE OF THE GERMAN FOREIGN OFFICE, BONN (Politisches Archiv des Auswärtigen Amts)

- |  |   |
|--|---|
| Argentinische Republik 1.10,<br>Argentinien 1, vols. 11-46 | Diplomatic Correspondence concerning the general affairs of the Argentine Republic, 1889-1913.  |
| Argentinien 5, vols. 1-3                                   | Documents concerning Argentine-Brazilian relationships, 1889-1909.                              |
| Argentinien 9, vols 1-13                                   | Argentine military and naval affairs, 1889-1914.  |
| Brasilien 1, vols. 9-42                                    | Diplomatic correspondence concerning the general affairs of Brazil, 1890-1913.                  |
| Brasilien 3, vols. 1-10                                    | Brazilian military and naval affairs, 1890-1910.  |
| Brasilien 8, vols. 1-2.                                    | Documents concerning the diplomatic corps in Rio de Janeiro, 1888-1913.                         |
| Brasilien 11, vols. 1-8                                    | Diplomatic correspondence concerning Brazilian relations with Germany, 1889-1913.               |
| Brasilien 14 (secret) vol. 1.                              | Diplomatic correspondence concerning the Press in Brazil, 1907-1916.                            |
| Brasilien 14, vols. 1-4                                    | The Brazilian Press, 1890-1913.   |
| Chile 1, vols. 6-47  | Diplomatic correspondence concerning the general affairs of Chile, 1890-1913.                   |
| Deutschland 121.19, vols. 1-8                              | German military affairs: the sale of weapons.   |
| Deutschland 127. vol. 20                                   | Diplomatic correspondence concerning the Chilean Legation in Berlin, 1888-1920.                 |
| Deutschland 127, vol. 23                                   | Diplomatic correspondence concerning the Brazilian Legation in Berlin, 1890-1917.               |
| Deutschland 135, vol. 16                                   | Diplomatic correspondence concerning the Imperial German Legation in Rio de Janeiro, 1890-1906. |
| Deutschland 135, vol. 24                                   | Diplomatic correspondence concerning the Imperial German Legation in Santiago, 1889-1919.       |
| Preußen 1.3.3, vol. 13                                     | Documents concerning the visit of Prince Heinrich to South America.                             |
| Rumänien 6, vol. 1   | Military and naval affairs.   |
| Türkei 142, vol. 23  | Military and naval affairs.   |

Reichsfinanzministerium (R 2),

vol. 1444  
vol. 1450  
vol. 1507

vols. 1632-1633  
vol. 1636  
vols. 1649-1652

Tariff and trade treaties with Brazil.  
Tariff and trade treaties with Chile.  
Tariff and trade treaties with the  
La Plata states.  
German trade relations with Brazil.  
German trade relations with Chile.  
German trade relations with the  
La Plata states.

C. HAMBURG STATE ARCHIVE (Staatsarchiv der Freien und Hansestadt  
Hamburg)

Hanseatische Gesandtschaft Berlin:

A.I.4  
H.II.13c

H.II.22

Political Reports, 1897-1912.  
Reports concerning commercial  
treaties with American states.  
Documents concerning trade relations  
with Brazil, 1907-1909.

Deputation für Handel, Schifffahrt  
und Gewerbe. Spezialakten:  
XIX A.3.2

XIX C.30.2

XIX C.34.2  
XIX C.35.3

Reports concerning German overseas  
banks, 1884-1885.  
Annual trade and shipping reports  
from Brazil, 1882-1914.  
Chile's foreign trade, 1870-1913.  
Argentina's foreign trade, 1884-1911.

Senatskommission für die Reichs-  
und Auswärtigen Angelegenheiten I:  
A. III. c.5,6

A. III. c.8,9

A. III. c.10

C. I. d.38

C. I. d.153

C. I. d.176

C. I. d.178

C. I. d.181

C. I. d.183

Documents concerning German consular  
representation in Argentina, 1894-1920.  
Documents concerning German consular  
representation in Brazil, 1894-1915.  
Documents concerning German consular  
representation in Chile, 1894-1920.  
Documents concerning the Argentine  
quebracho industry, 1905-1914.  
Reports on the competition offered  
by the United States sewing-machine  
industry.  
Reports on commercial conditions in  
Chile, 1893-1914.  
Reports on commercial conditions in  
Brazil, 1894-1913.  
Reports on the Brazil coffee trade,  
1898-1912.  
Reports on commercial conditions in  
Argentina and on trade, 1895-1911.

D. BREMEN STATE ARCHIVE (Staatsarchiv der Freien Hansestadt Bremen)

Auswärtige Angelegenheiten:  
Argentinien (3- A.3.A.1)  
Nr 72, Nr 90

Brasilien (3- A.3.B.4)  
Nr 91, Nr 176, Nr 234

Nr 251

Nr 237

Documents concerning trade policy and  
commercial affairs in Argentina.

Documents concerning coastal shipping  
in south Brazil.

Documents concerning the south Brazil  
service of Hamburg shipping firms.  
Business reports of the Santa  
Catharina railway company.

Nr 104, Nr 175, Nr 218

Reports on Brazilian trade and commerce.

Chile ( 3- A.3.C.2)

Nr 158

Documents relating to the peace treaty between Chile and Bolivia.

E. STUTTGART STATE ARCHIVE (Hauptstaatsarchiv Stuttgart)

Königliches Kabinett (Rep. E 14)

Fasz. 728, 729

Documents concerning consulates and trade affairs.

Ministerium der Auswärtigen  
Angelegenheiten (Rep. E 46)

Fasz. 420

Documents concerning trade with Brazil, 1883-1913.

Fasz. 425

Documents concerning trade with Argentina et. al. 1890-1917.

Fasz. 437

Documents concerning trade with Chile, 1893-1906.

Fasz. 886.20

Documents concerning emigration to Argentina, 1883-1891.

Fasz. 891

Documents concerning emigration to South America, 1848-1919.

Ministerium der Auswärtigen  
Angelegenheiten (Rep. E 49)

Verz. 3 VIII.65; 3 VIII.86;  
22.15/15

Documents concerning commercial treaties with Argentina and Chile.

F. BAVARIAN STATE ARCHIVE, MUNICH - DEPARTMENT 1, GENERAL (Bayerisches Hauptstaatsarchiv, Allgemeines Staatsarchiv)

Handelsministerium (Rep. MH)

Nr 5368-5371

Information concerning business houses in overseas trade, 1886-1908.

Nr 5373

Trade and shipping with various South American states, 1846-1908.

Nr 11889-11891

Tariff and trade relations with Argentina, 1894-1914.

Nr 11929, 11930, 11934

Tariff and trade relations with Brazil, 1890-1914.

Nr 11942

The German-Chilean commercial treaty, 1860-1897.

G. BAVARIAN STATE ARCHIVE, MUNICH - DEPARTMENT 2, SECRET (Bayerisches Hauptstaatsarchiv, Geheimes Staatsarchiv)

Bayerische Gesandtschaft in Paris,

Nr 3314

Correspondence concerning emigration to Argentina, 1855-1857.

Ministerium des Äußern (Rep. MA 1921)

Nr 54133

Documents concerning Argentine citizenship.

Nr 61671

Documents concerning emigration to Argentina, 1855-1860.

Nr 61728

Documents concerning German colonies in south Brazil.

Nr 63948

Documents concerning the use of Argentine quebracho.

Nr 66043

Documents concerning delivery of arms to Chile.

H. PRUSSIAN STATE ARCHIVE, BERLIN (Geheimes Staatsarchiv, Preußischer Kulturbesitz)

Seehandlung (Preußische Staatsbank)

Rep. 109

Nr 4100-4107, 5441-5445

Trade reports from consuls and envoys, 1885-1927.

Nr 5353-5356

The financing of the Santa Catharina railway company in south Brazil.

I. HAMBURG CHAMBER OF COMMERCE ARCHIVE (Archiv Handelskammer Hamburg)

Argentinien (95. C. 2)

Nr 2

Documents concerning shipping.

Nr 5

Documents concerning commercial treaties.

Nr 7

Documents concerning the proposal to terminate the Argentine treaty.

Nr 11

Circulars concerning the German-Argentine Central Association for the Furthering of Commercial Interests.

Nr 14

Documents concerning commission houses.

Nr 15

Documents concerning German exports to Argentina.

Nr 20

Commercial reports and statistics concerning Argentina.

Brasilien (95. C. 4)

Nr 13

Documents concerning the commercial treaty between the Hanseatic cities and Brazil.

Nr 14

Documents concerning German-Brazilian trade organisation.

Nr 15, 16

Documents concerning Brazilian coastal shipping; German interests therein.

Nr 21

Documents concerning Brazilian currency.

Chile (95. C. 5)

Nr 3, 8

Documents concerning the commercial treaty with Chile.

J. BREMEN CHAMBER OF COMMERCE ARCHIVE (Archiv der Handelskammer Bremen)

Handelsvertretung (Ha)

Nr 11, 12, 18

Documents concerning Chambers of Commerce and commercial policy.

Kartelle (C.17)

Nr Ia

Documents concerning German cartels and their price policy.

Eisenbahn Tarife (E.x)

Nr 32.1, 32.2

Documents concerning railway tariffs for exported iron and steel.

Handelspolitik (Hp)

I. 1.1, 1.2; 14.1, 14.2;  
10.1, 10.2

Documents concerning German trade treaties and trade policy, 1851-1915.

II. 50. 74-137

Documents concerning commercial relations with Argentina, 1858-1918.

II. 53

Documents concerning trade with Brazil, 1872-1920.

II. 56

Documents concerning trade with Chile, 1850-1919.

Warenverkehr (W.II)

Nr 30, B.1, B.2, C.1, C.2, C.3

Documents concerning the Bremen tobacco trade, 1879-1917.

K. WESTPHALIAN ARCHIVE OF TRADE AND INDUSTRY, DORTMUND (Westfälisches  
Wirtschaftsarchiv)

Industrie- und Handelskammer Bochum

( K2 )

Nr 302, 317, 865

Documents concerning cartels, 1900-1913.

Nr 1220, 646, 637, 921, 281,  
1077, 238, 508

Documents concerning tariffs, trade treaties, and German industrial organisations.

Industrie- und Handelskammer

Bielefeld ( K3 )

Nr 62, 86, 624, 656

Documents concerning tariffs and commercial treaties.

L. RHINELAND-WESTPHALIAN ARCHIVE OF TRADE AND INDUSTRY, COLOGNE  
(Rheinisch-Westfälisches Wirtschaftsarchiv zu Köln E.V.)

Abteilung 1: Industrie- und  
Handelskammer zu Köln

Nr 14 Fasz. 4

Nr 24b Fasz. 36

Nr 24d Fasz. 60

Nr 24d Fasz. 61

Documents concerning German Chambers of Commerce 1884-1897, and concerning commercial treaties with Argentina and Chile.

Abteilung 2: Industrie- und  
Handelskammer zu Mülheim

Nr 5 Fasz. 13

Nr 10 Fasz. 1

Documents concerning overseas trade and trade statistics, 1871-1910.

Abteilung 4: Industrie- und  
Handelskammer zu Stolberg

Nr 10 Fasz. 4

Correspondence concerning customs declarations for the export trade.

Abteilung 5: Handelskammer Münster

Nr 19 Fasz. 8

Extracts from consular reports for discreet use.

Abteilung 6: Verein deutscher  
Messingwerke

Nr 8 Fasz. 2, 4, 5, 6, 8, 9

Matters concerning prices for brass products.

M. CITY OF REMSCHEID ARCHIVE (Stadtarchiv Remscheid)

Geschäftsarchiv der Firma Johann  
Bernhard Hasenclever Söhne

Copy Books (dating from 1789),  
business correspondence and trading  
accounts.

N. WERNER VON SIEMENS INSTITUTE FOR THE HISTORY OF THE HOUSE OF  
SIEMENS, MUNICH (Werner-von-Siemens-Institut für Geschichte des Hauses  
Siemens)

44/La 99; 21/Le 507; 12/Lm 910;  
68/Lr 488; 36/Ls 103

General documents concerning Siemens'  
South American business; the organis-  
ation of their overseas department.

35-44/Lc 339; 27/Li 984; 68/Lk 989

Documents concerning Siemens' Argen-  
tine business; also Chile.

15/La 103; 15/La 784; 15/Lc 100;  
15/Lc 186; 15/Lc 207; 15/Lc 371;  
35-5/Lh 342; 68/Li 260; 15/Li 978;  
25/Ll 416; 15/Ll 507; 25/Lo 11;  
25/Lo 579; 26/Lo 12; 26/Lo 13;  
15/Lp 279; 25/Lp 277; 25/Lp 278

Documents concerning Siemens' busi-  
ness in Brazil.

15/Lk 752; 25/Lm 433; 25/Ls 847

Documents concerning Siemens'  
business in Chile.



## 2. PUBLISHED REPORTS, GOVERNMENT AND PARLIAMENTARY PAPERS and DOCUMENTS

### A. GERMAN CONSULAR REPORTS

Deutsches Handels-Archiv. Zeitschrift für Handel und Gewerbe. Herausgegeben im Reichsamt des Innern (Berlin: Mittler & Sohn)

This publication appeared annually in two parts, the first containing trade reports and the second statistical tables. Reports from all consular districts in Argentina, Brazil and Chile, together with all relevant statistical tables of trade and shipping, from 1888 to 1914 were consulted. Many of the originals are held in the Deutsches Zentralarchiv Potsdam.

### B. BRITISH ANNUAL AND MISCELLANEOUS COMMERCIAL REPORTS

British Parliamentary Papers. Accounts and Papers.

Annual and Miscellaneous Commercial Reports from all consular districts in Germany, Argentina, Brazil and Chile from 1890 to 1914 were studied, as were all relevant Statistical Abstracts for the Principal and Other Foreign Countries for this period. In addition the following papers were used:

- 1899.XCVI. Opinions of H.M. Diplomatic and Consular Officers on British Trade Methods.
- 1899.XCVII. German Maritime Interests, 1871 to 1898.
- 1900.XCIII. Memorial on the Growth of German Maritime Interests.
- 1903.LXVII.Cd.1761. Memorandum on the Export Policy of Trusts in Certain Foreign Countries.
- 1905.LXXXIV.Cd.2337. Abstract of the Proceedings of the German Commission on Kartells.
- 1909.LXXVII.Cd.4677. Report of the Board of Trade Railway Conference, Appendix IV (Report on Railways in Germany).

### C. OFFICIAL STATISTICAL COMPILATIONS

Statistik des Deutschen Reichs Neue Folge. (Berlin: Puttkammer)

Trade tables relevant to this study appear in the following volumes:

51, 54, 55, 60, 61, 66, 67, 73, 74, 79, 80, 85, 86, 91, 92, 97, 98, 122, 123, 128, 129, 135, 136, 142, 143, 152, 153, 158, 159, 165, 166, 172, 173, 181, 182, 189, 190, 196, 197, 231, 232, 241, 242, 251, 252, 260, 261, 270, 271.

Statistisches Jahrbuch für das Deutsche Reich. Herausgegeben vom Kaiserlichen Statistischen Amt. (Berlin: Puttkammer & Mühlbrecht).

One publication appeared annually. The volumes for the period 1880-1916 Nos. 1-37) were used.

### D. PUBLISHED AND EDITED DIPLOMATIC DESPATCHES

Gooch, G.P. and H. Temperley: British Documents on the Origins of the War 1898-1914 (London: H.M.S.O., 1927)

Lepsius, J., A.M.Bartholdy, & F.Thimme: Die Große Politik der Europäischen Kabinette 1871-1914: Sammlung der Diplomatischen Akten des Auswärtigen Amtes (Berlin: Deutsche Verlagsgesellschaft für Politik und Geschichte, 1922-1927)

## 3. NEWSPAPERS

Selected editions of the following were used:

Besondere Beilage zum Deutschen Reichsanzeiger und Königlich Preussischen Staatsanzeiger, 1905.

Börsen-Courier, 1909.

Hamburgische Correspondent, 1901.

Weser-Zeitung, Bremen, 1903.

## 4. BOOKS, JOURNAL ARTICLES, DISSERTATIONS

## A. GENERAL

- Alsen'sche Portland-Cement-Fabriken KG, Hamburg: 100 Jahre. Wiesbaden: Brandstetter, 1963 (?).
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