GERMAN COMMERCIAL RELATIONS WITH SOUTH AMERICA, 1890-1914

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The Weitpolitik 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.