

Germany in Central America, 1820s to 1929: An Overview*

By Thomas Schoonover

Central America attracted the attention of the metropole states as the vital point for expanding into the Pacific basin in the nineteenth and early twentieth centuries. The competition in the world market during the expanding phase of modern capitalism has been so multifaceted and pervasive as to form a major perspective of the nineteenth and twentieth centuries. In addition to a struggle among the metropole states for distribution of security and well-being, laissez-faire competition erupted between firms and sectors of the national economy, between metropole and peripheral land, labor, and capital, and the many combinations which rose from the survival drives in a dynamic situation. The world system penetrated new areas, tying older areas into the system with new threads, reweaving old areas with new linkages and bonds, thus ever broadening the competitive nature of the world system. Any core or aspiring metropole state had to interest itself in the Central American isthmus as it became a bone of contention or risk being eliminated from the immense accumulation of wealth which the Pacific demography and geography promised. The economics and geography of Central America produced a conflict between Britain and the United States in the mid-nineteenth century. While the early competition focused on Britain and the United States, France and Germany were quick to enter the fray.

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The stories of French and German involvement in Central America are generally only passingly known. This essay will focus upon German relations with Central America, dividing the period from 1823 to 1929 into four periods for analytical purposes. The first period of Germanic-Central American relations, 1823 to the 1850s, included the period of Hansa commercial activity and Prussian perspectives of Central America as linked to the internal "Großdeutsch-Kleindeutsch" struggle between Austria and Prussia over which power would dominate Germany's future. The second period, 1860 to the 1880s, corresponded to internal German unification to mitigate difficulties in the German political economy and to the expansion abroad to help resolve these internal problems of the political economy. The third period, the 1890s-1918, encompassed ever heightening competition between the imperial powers, often over peripheral areas, as the great powers sought to resolve internal problems through unification, free trade experiments (internally and externally [open door or the British free trade offensive]) colonial and informal expansion, and war. The inability to resolve the difficulties through social imperialist policies meant tensions rose until violence was used to tear through the problems. The fourth period, 1918 to 1929, delineates the era of recovery and renewal of competition and expansion, as if little had been learned from the earlier struggles and tensions of competition for material success¹.

The German states, divided until 1871, experienced various phases in their involvement with independent Central America. The Napoleonic era had alerted German leaders to the realization that unification was necessary before the German people would become prosperous and independent of powerful British and Dutch economic influences. The Prussian role in negotiating the Zollverein (Customs Union), in encouraging state participation in transportation, communications, and industrial development, and in foreign commerce represented small steps toward assuming a central role. Prussia's inability to attract the Hansa cities —

¹ Fernand Braudel, *Civilization and Capitalism*, 3 vols. (New York 1979); Imanuel Wallerstein, *The Modern World System*, 2 vols. (New York et. al. 1974-1980); William Appleman Williams, *Contours of American History* (Chicago 1966); Hans-Ulrich Wehler, *Grundzüge der amerikanischen Außenpolitik, 1750-1900* (Frankfurt 1983); Fernando H. Cardoso, Enzo Faletto, *Dependency and Development in Latin America* (Berkeley 1979); Andre Gunder Frank, *Essays on the Development of Underdevelopment and the Immediate Enemy* (New York 1969), offer insight into world system, social imperialism, and dependency.

Hamburg, Bremen, and Lübeck – into the Customs Union left the Customs Union with unreliable overseas connections².

During the earliest decades, the Hansa states sought commercial opportunities, while the Prussian and Austrian governments sustained the principle of legitimacy and preservation of monarchical institutions. The lack of consumers for German quality linens and iron works and the inaccessibility of west coast Central American harbors meant that only a modest trade developed between the two regions. When the Central American states threatened to cease trade with nations not extending them recognition, the Hansa cities negotiated commercial agreements. Prussia refused to adhere to these treaties because it rejected even the appearance of an inferior, dependent position in developing economic links to Central America. Prussia knew it could not win the support of the Hansa cities and the industrializing states of Germany for a “Kleindeutsch” resolution to a splintered Germany unless it could offer them protected and expanded access to world trade routes. Rising German productivity and the Latin American demands for formal recognition eventually persuaded Prussia to appoint Hansa and Hannoverian Consul-General Carl Friedrich Rudolph Klee as its consul general in Central America. Klee lamented that the large indirect trade in German products via British and French merchants left the expansion of sales of German products at the mercy of foreigners³.

Prussia drifted into the imperial competition between Britain and the United States over the isthmus transit routes during the 1848 to 1851

² Hajo Halborn, *A History of Modern Germany*, 3 vols. (New York 1959–1969), vols. II and III; W.O. Henderson, *The Rise of German Industrial Power, 1834–1914* (Berkeley 1975); Knut Borchart, “Germany, 1700–1914”: *The Fontana Economic History of Europe: The Emergence of Industrial Societies*, ed. Carolo M. Cipolla, 6 vols. (Glasgow 1973), vol. IV, part 1, pp. 76–77, 112–113; Manfred Kossok, *Im Schatten der Heiligen Allianz: Deutschland und Lateinamerika 1815–1830. Zur Politik der deutschen Staaten gegenüber der Unabhängigkeitsbewegung Mittel- und Südamerikas* (Berlin 1964); Heinrich Dane, *Die wirtschaftlichen Beziehungen Deutschlands zu Mexiko und Mittelamerika im 19. Jahrhundert* (Köln–Wien 1971), pp. 5–6, 56, 78–79, 148–150; Lang, decree announcing Carl Friedrich Rudolph Klee’s appointment, n. d., 1845, AA II, Rep. 6, Nr. 3518, Deutsches Zentralarchiv, Merseburg, hereafter DZM.

³ Hans-Ulrich Wehler, “Industrial Growth and Early German Imperialism”: *Studies in the Theory of Imperialism*, ed. Roger Owen and Bob Sutcliffe (London 1972), pp. 71–92; Heinrich August Winkler, *Pluralismus oder Protektionismus? Verfassungspolitische Probleme des Verbandswesens im Deutschen Kaiserreich* (Wiesbaden 1972), pp. 6–9, 31, 33.

TABLE I

German Investment in Central America, 1898–1943*
(million German marks [M], million US dollars [\$])

| | Guatemala | Costa Rica | Nicaragua | Salvador | Honduras | Panama |
|------|--------------------------------|------------|---------------------|----------|----------|---------------------|
| 1898 | 183.5 M ^a | | 14 M ⁱ | | | |
| 1900 | 250 M ^b | | | | | |
| 1905 | 300 M ^c | 25 M | 24 M | 30 M | | 0.5 M |
| 1906 | 250 M | | 250 M ^j | | | |
| 1909 | 190 M ^d | | | | | |
| 1914 | 250 M ^e | | | | | |
| 1918 | 867 M ^f | | 2.5 \$ ^k | | | 0.2 \$ ^l |
| 1920 | 1,000– 2,000 M ^g | | | | | |
| 1926 | 35–40 \$ ^h | | | | | |
| 1943 | 50 \$ | | | | | |

* United Nations, *El financiamiento externo de América Latina* (New York 1964); OAS, *Foreign Investment in Latin America* (Washington 1955); J. Fred Rippy, "German investment in Guatemala": *Journal of Business* 20 (Oct. 1947), pp. 212–219.

^a Von Erckert report, [1898], alte P-II-8/97, Staatsarchiv, Hamburg.

^b Manuel María de Peralta, Minister of Costa Rica, estimate.

^c Paul Behneke to Emperor William, 18 May 1905, RM 5/v. 5401, Behneke to Emperor William, 18 May 1905, RM 5/v. 5402, Behneke to Emperor William, 18 May 1905, RM 5/v. 5432, Bundesarchiv, Militärarchiv, Freiburg.

^d Total for real estate and commerce only, Bonin to Bernhard von Bülow, 1 July 1909, Rep 120, C XIII, 16^a, Nr. 4, Band 2, DZM.

^e *Nachrichtenblatt des Reichsauswanderungsamts*, 15 Dec. 1920, pp. 866–869, Auswanderungsamt II, Lit. C¹¹⁹, Band 1, Staatsarchiv, Hamburg.

^f French estimate, Chayet to Ministère des affaires étrangères (MAE), 20 Jan. 1919, Amér. 1918–1940, C. A., num. 39, Archive du Ministère des affaires étrangères (AMAE).

^g Schlubach estimate.

^h Karl Sapper estimate, Richard von Kühlmann to AA, 2 June 1926, III, Guat., Wirtschaft 13, Politisches Archiv des Auswärtigen Amtes, Bonn (PAAA).

ⁱ Paul Metternich to Carl Burchard, 12 June 1899, Senatskommission für die Reichs- und auswärtigen Angelegenheiten, neu A II, C. 22, Staatsarchiv, Hamburg.

^j Von Ammon to Emperor William, 3 Feb. 1906, RM 5/v. 5402, Bundesarchiv, Militärarchiv, Freiburg.

^k Chayet to MAE, 21 Jan. 1919, Amér. 1918–40, C. A., num. 68 (Nic.), AMAE.

^l Simonin to MAE, 21, 24 Jan., 2 Feb. 1919, Amér. 1918–40, C. A., num. 96 (Pan), AMAE.

period. After the grave internal crisis of the 1848 revolution and Frankfurter Parliament, Prussia sought to regain lost prestige, to use the Customs Union to facilitate its supremacy in Germany, to prevent Austrian predominance in Germany, to attract the Hansa cities and the industrial areas of Germany, and to fortify German nationalism, while

subordinating it to the Prussian monarchy. Such far-reaching objectives pressured Prussia to adopt courses of action acceptable to its allies within the context of German unification, while strengthening German power and prestige⁴.

Various competitive forces tugged at Prussia's position in Central America. One pull came from Austrian competition with Prussia for leadership of a unified Germany, while another pull came from various imperial powers which sought to maximize their rights to transit over the Middle American isthmus. In 1850, Prussia named Privy Counsellor Franz Hugo Hesse to head a mission to acquire trade and colonization opportunities and to protect greater German transit possibilities. Inescapably, Hesse's dispatches returned to the central theme of nineteenth century imperial relations with Central American transit and communication routes. Hesse observed, the United States had achieved domination of Panama, Tehuantepec, and Nicaragua which signified a defeat for England and a shift of great advantages to the US navigation and trade in the Pacific basin. Aware of the difficulties involved in renewing the Customs Union compact, Hesse speculated that the prospective agreements with Salvador and other Middle American states might persuade the German states of the value of the Customs Union. The Prussian government wished that all Customs Union states would approve the Prussian-Salvadoran treaty which contained a clause that might attract the Hansa cities into the Customs Union. Prussian leaders intended to use the political and economic leverage derived from the Customs Union's recurring successes to undermine Austria's "großdeutsche" plans to its alternative "Kleindeutsch" under Prussian leadership⁵.

Prussia experienced social transformations associated with industrialism, including the building of a communications system, developing a factory system, urbanization, and internal migration from agrarian

⁴ Hans Haussherr, "Der Zollverein und die Industrialisierung": *Moderne deutsche Wirtschaftsgeschichte*, ed. Karl E. Born (Köln 1966).

⁵ Thomas Schoonover, "Prussia and the Protection of German Transit through Middle America, 1848–1851": *Jahrbuch für Geschichte von Staat, Wirtschaft und Gesellschaft Lateinamerikas* 22 (1985), pp. 393–422; Franz Hugo Hesse to Otto von Manteuffel and August von der Heydt, 29 July 1852, 2. 4. 1., Abt. II, Nr. 5198 (AA II, Rep. 6, Nr. 1581), Hesse to von Manteuffel, 30 Aug. 1854, 2. 4. 1., Abt. II, Nr. 638 (AA II, Rep. 6, Nr. 3519), DZM; [Packulben] to von Petkhoven, 27 Jan. 1854, Never to Ministerium des Königlichen Hauses und des Äussern, 5 Feb. 1854, von Petkhoven to the King, 11 Feb. 1854, Abt. II, Geheimes Staatsarchiv, M. A. 80041, Bayerisches Hauptstaatsarchiv, München.

TABLE 2
German Settlers in Central America, 1844–1930

| | Guatemala | Costa Rica | Nicaragua | Salvador | Honduras | Panama |
|------|-------------------|------------------|------------------|----------|-----------------|-----------------------|
| 1844 | 425 ^a | | | | | |
| 1852 | | | | 8 | | |
| 1864 | | 164 | | | | |
| 1865 | | 400 ^l | | | | |
| 1883 | | 240 | | | | |
| 1887 | | | | | 43 ⁱ | |
| 1888 | | 298 | | | | |
| 1891 | | | 15 ^e | | | |
| 1892 | | 342 | | | 50 ^j | |
| 1898 | 900 ⁿ | | | | | |
| 1901 | | 300 | | | | |
| 1905 | | 176 ^f | 400 | | | 60 |
| 1914 | 1400 ^b | | | | | |
| 1920 | | | 310 ^h | | | |
| 1921 | 140 ^c | | | | | |
| 1922 | 253 ^d | | | | | |
| 1923 | 408 ^d | | | | | |
| 1924 | 550 ^m | | | | | |
| 1927 | | 685 | | | | under 50 ^k |
| 1930 | 2950 ^c | | 200 | | 400 | |

^a Estimated German participation in Belgian colonization project at Santo Tomás, Guatemala, Ferdinand Schröder, "Deutsche Kolonisationsversuche in Zentralamerika": *Der Auslandsdeutsche* 12 (1929), pp. 268–269.

^b *Nachrichtenblatt des Reichsauswanderungsamts*, 15 Dec. 1920, pp. 866–869, Auswanderungsamt II, Lit. C (II) 9, Band 1, Staatsarchiv, Hamburg.

^c Germans who reentered Guatemala from 1 Jan. until late April 1921, French minister to MAE, 25 April 1921, Z-Europe 1918–29, Allemagne, num. 598, AMAE.

^d German emigrants to Central America, Paul Tiraud to Raymond Poincaré, 21 May 1924, Z-Europe 1918–29, Allemagne, num. 598, AMAE.

^e Hugo Grothe, *Die Deutschen in Übersee* (Berlin 1932), p. 70, estimates the total German presence in Central America between 4,000 and 4,500.

^f Paul Behneke to Emperor William, 18 May 1905, RM 5/v. 5401, Behneke to Emperor William, 18 May 1905, RM 5/v. 5402, Bundesarchiv, Militärarchiv, Freiburg.

^g Around Managua only, Gustavo Lembke to Marshall Biederstein, 19 Nov. 1901, 09.01, Nr. 52608, Deutsches Zentralarchiv Potsdam (DZP).

^h 1920 Nicaraguan census, Paul Serre to MAE, 17 May 1921, Amér. 1918–40, C.A., num. 69, AMAE. Nicaragua had 10,375 foreign residents.

ⁱ Charles A. Brand, *The Background of Capitalistic Underdevelopment: Honduras to 1913* (diss., U. of Pittsburgh 1971), p. 57, quoting Honduras, *Censo de 1887*.

^j J. Gourdoy to Minister of Marine, 15 March 1892, BB⁴ 1596, Archive de l'armée de la mer, Paris.

^k Adult males, Richard von Kühlmann to Auswärtiges Amt (AA), 19 Nov. 1927, III, Pan., Handel 13, PAAA.

^l Nikolaus Riggenbach, *Erinnerungen eines alten Mechanikers* (St. Gallen 1887), pp. 51–52.

^m Désiré Pector, *Régions isthmiques de l'Amérique tropicale* (Paris 1925), p. 44.

ⁿ Rippy, op.cit., p. 212.

areas to the growing urban centers. The late nineteenth century crises, when productivity expanded, although pock-marked with periods of stagnation, were normally interpreted as overproduction phases. The dynamic growth produced internal migration and shifted wealth from rural, aristocratic groups to urban industrial and finance bourgeois. Fortunate German entrepreneurs used some excess accumulation as risk or venture capital⁶.

Other than trade, early German activity involved colonization schemes in Santo Tomás de Guatemala and on the Mosquito coast. The early stages of German industrialization were accompanied by rapid population increases and a decline in the quantity and quality of labor which the political economy could gainfully employ. The unemployed Germans emigrated in large numbers in the mid-nineteenth century. German colonization activity aimed at Central America's virgin lands attracted attention in the early 1840s. The Prussian government recognized that continued German colonization on the frontiers of the new world threatened difficulties with the United States and Great Britain. Germans participated extensively in the Belgian Santo Tomás de Guatemala colony, where over half of the 850 settlers in 1846 were German (see Table 2). In 1844–1846, Prince Carl of Prussia, the brother of King Frederick William IV, became a partner in a contract with the Mosquito King to settle a large area in the Mosquito kingdom. The Prussian government followed this scheme's development with great interest because it involved the Prussian royal family and entailed a possible confrontation with the British. In 1852, the project died from quiet British unfriendliness and non-support⁷.

⁶ Hans Rosenberg, *Grosse Depression und Bismarckzeit. Wirtschaftsablauf, Gesellschaft und Politik in Mitteleuropa* (Berlin 1967); Rudolf Braun, Wolfram Fischer, Helmut Grosskreutz and Heinrich Volkmann (eds.), *Industrielle Revolution: wirtschaftliche Aspekte* (Köln 1972); Rolf Engelsing, *Sozial- und Wirtschaftsgeschichte Deutschlands* (Göttingen 1973).

⁷ "Auswanderung nach dem Reiche des Mosquitokönigs, 1842", Abt. II, Bestand: Bayerische Gesandtschaft London, No. 479; "Das Gesuch des Dr. Strecher in Mainz um Anerkennung als General Agent der Belgischen Compagnie zur Colonisation des Districts Santo Thomas Guatemala", Abt. II, Bayerisches Hauptstaatsarchiv, München; Johann Heinrich Siegfried Schultz, *Über Colonisation mit besonderer Rücksicht auf die Colonie zu Santo Tomás, im Staate Guatemala, und die Belgische Colonisations-Compagnie* (Köln 1843), pp. 5, 29–36; Berthold Georg Niebuhr, "Pro Memoria über die Stellung Preußens zu den deutschen Auswanderern namentlichen Rand-Amerika", 17 Feb. 1845, Bernhard Ernst von Bülow to Albrecht Friedrich Eichhorn, 10 March 1845, Rep. 76 II, Section 1. Gen. b, No. 98, "Gründung einer deutschen Colo-

TABLE 3

German Firms in Central America, 1852–1927

| | Guatemala | Costa Rica | Nicaragua | Salvador | Honduras |
|--------|------------------|-----------------|-----------------|----------|-----------------|
| 1852 | | | | 1 | |
| 1861 | 2.5 ^a | | | | |
| 1879 | 15 ^b | | | | |
| 1891 | | | 12 ^h | | |
| 1897/8 | 68 ^c | | | | |
| 1900 | 50 ^d | | | | |
| 1901 | | 4 ^e | | | |
| 1905 | | 9 ^f | | | |
| 1927 | | 34 ^g | 38 ⁱ | | 34 ^j |

^a One joint German-British, René Louis Marie de Botmiliau to MAE, 1 Feb. 1861, CCC, Guat., vol. 6, AMAE.

^b Firms signing complaint against augmented Guatemalan customs duties, CCC, Guat., vol. 9, AMAE.

^c Von Erckert report, [1898], alte P-II-8/97, Staatsarchiv, Hamburg.

^d Hugo Grothe, *Die Deutschen in Übersee* (Berlin 1932), p. 70.

^e Large, many small.

^f Large, Behneke to Emperor William, 18 May 1905, RM 5/v. 5401, Bundesarchiv, Militärarchiv, Freiburg.

^g Deutscher Wirtschaftsdienst, "Wichtigere Handelsfirmen in Costa Rica", in Ahrens to AA, 15 Nov. 1927, III, C. R., Handel 24, Nr. 8, PAAA. Total of 216 firms listed for Costa Rica.

^h Gustavo Lembke to Marshall Biederstein, 19 Nov. 1901, 09.01, Nr. 52608, DZP.

ⁱ Deutscher Wirtschaftsdienst, "Wichtigere Handelsfirmen in Nicaragua", 5 Sept. 1927, III, Nic., Handel 24, Nr. 4, PAAA. Total of 124 firms listed for Nicaragua.

^j Deutscher Wirtschaftsdienst, "Wichtigere Handelshäuser in Honduras" [1927], III, Hond., Handel 24, Nr. 4, PAAA. Total of 180 firms listed for Honduras.

In the early 1850s, public meetings and colonization clubs in various parts of Germany viewed Nicaragua and Costa Rica as the best prepared areas for German colonization, especially Baron Alexander von Bülow's promising colonization project in Costa Rica. Carl Scherzer reminded the German Bundestag of "the advantages which the German nation, German industry, and German commerce would derive from colonizing Central America with Germans". He argued that German emigrants would more likely preserve their language and cultural identification in Central America than in the United States. His huge colonization project failed to obtain support from Austria, Prussia, or from former US diplomat and Central American railroad and colonization promoter, Ephraim George Squier. The balance-sheet on colonization reveals that during the 1840s and Hesse's eight-year mission various treaties were negotiated, several

contracts were signed, and perhaps 2,000 colonists migrated. In the 1860s, the German settlers continued to arrive, building clubs and schools as well as engaging successfully in agricultural, commercial, and financial affairs. The “surplus labor” elements from Germany often represented and retained success and prominence in Central America. This does not mean German bourgeois emigrated, but that some among the emigrants flourished in an area where modest capital, personal links to a metropole economic system, and the benefits of metropole education, cultural ties, and contacts facilitated success for German emigrants far beyond anything they could have expected in Germany. Not all German emigrants became wealthy and influential, however. The records talk of drunks, no-goods, and people of modest achievement. In the mid-nineteenth century, German interests and culture were permanently established in Middle America⁸.

Prussia’s internal army and constitutional crisis of the late 1850s and the subsequent wars of unification diverted German attention to more central questions for a brief period. In the Caribbean, the Germans

nie auf der Mosquito-Küste”, AA, 2. 4. 1. II, No. 5245, DZM; “Die Auswanderungen und deren in Anregung gebrachte Leistung betreffend”, 16 June 1847, DB 1/28, vol. II, Bundesarchiv, Außenstelle Frankfurt; A. Fellechner, Dr. Müller, and C.L.C. Hesse, *Bericht über die im höchsten Auftrage des Prinzen Karl von Preußen und des Fürsten von Schoenburg-Waldenburg bewirkte Untersuchung einiger Theile des Mosquitolands* (Berlin 1845); essays on Central America in *Die Deutschen in Lateinamerika: Schicksal und Leistung*, ed. Hartmut Fröschle (Tübingen 1979), pp. 566–568, 578–581, 597–599, 632–638; Galvin B. Henderson, “German Colonial Projects on the Mosquito Coast, 1844–1848”: *The English Historical Review* 59 (May 1944), pp. 257–271; Marcus L. Hansen, *German Schemes of Colonisation before 1860* (Northampton 1924), pp. 27, 47, 56, 59.

⁸ Published materials on colonization organizations in I Hauptabteilung, Preußisches Staatsministerium (Rep. 90), Nr. 232, Geheimes Staatsarchiv Preußischer Kulturbesitz, Berlin; Jahresberichte des Hamburger Colonisationsvereins, 1851–1855, Akten des Bundestages, DB/28, vol. 1, *Protokolle der Deutschen Bundesversammlung vom Jahre 1858* (Frankfurt [1859]), p. 1089, Bundesarchiv, Außenstelle Frankfurt; Hesse to von Manteuffel, 30 Dec. 1852, 2. 4. 1., Abt. II, Nr. 5246 (AA III, Rep. 14, Nr. 534), DZM; Karl Scherzer to Ephraim George Squier, 6 May 1856, E.G. Squier papers, container 3, Scherzer to Squier, 2, 17 Aug., 11 Oct., 2 Dec. 1856, Squier papers, container 2, Library of Congress; Julio Castellanos Cambranes, *El imperialismo alemán en Guatemala: el tratado de comercio de 1887* (Guatemala 1977); idem, “Aspectos del desarrollo socio-económico y político de Guatemala, 1868–1885, en base a materiales de archivos alemanes”: *Política y Sociedad* 3 (Jan.–June 1977), pp. 7–14; Dane, op. cit., pp. 90–91, 119, 123, 137–144.

sought to use the local economies as a sponge for small, but growing, German surpluses in textiles, iron wares, capital, and surplus population, and as a supplier of additional raw materials and new products to satisfy demands for an improved life style. The German and other European merchants became more active in Central America as a result of the decline of US commerce during the US Civil War. The data on the number of firms and residents in Central America in the 1840s–1860s era suggest a modest level of activity (see Tables 2 and 3). While some of these “advances” had long been pushed by Hansa, Rhine and Ruhr merchants, producers, and exporters, increasing elements of the traditional ruling aristocratic, military, and bureaucratic classes joined in seeing useful aids to the problems of an industrializing economy via foreign commercial and capital expansion. Social imperialism generated support to pay for the army and to reduce the threat of liberalization of German politics. A host of problems – the breakdown of guilds, migration to urban areas, the chronic high unemployment, the growing socialist or activist labor groups, and rising crime rates – lent themselves to amelioration via social imperialism⁹.

By the later 1860s, the Prussians were searching for naval stations in Asia, the Pacific, and the New World. Bremen entrepreneur Edward Delius urged a Prussian naval presence at the Darien area. Prussia pursued a variation of Delius’ proposal. In mid-1866, Bismarck was attracted to the scheme of American politician, Civil War general, and speculator John C. Frémont who had obtained a Costa Rican government contract to build a railroad from Puerto Limón to the Pacific. Frémont offered to sell his “rights” to either the Prussian or US governments. He employed Delius to offer the Prussian government bonds in his company, employment for German labor, and the choice location for a naval station in Puerto Limón as compensation for Prussian capital participation. A Prussian naval squadron surveyed along the Atlantic coast of Central America in 1868. The squadron’s commander, Captain Friedrich Wilhelm Franz Kinderling, made the difficult overland trip to San José. He encountered strong resistance to his inquiry about a possible transfer of rights over Puerto Limón to Prussia. Kinderling requested a six-month

⁹ Martin Winckler, *Bismarcks Bündnispolitik und das europäische Gleichgewicht* (Stuttgart 1964); Herbert Schottelius, *Mittelamerika als Schauplatz deutscher Kolonisationsversuche, 1840–1865* (Hamburg 1939).

period to allow Prussia to send an authorized negotiator. Costa Rican Foreign Minister Julio Volio refused to make any exclusive promise, suggesting a private company should manage Prussian interests near Puerto Limón. Kinderling reported that Costa Rica welcomed the prospect of German, rather than North American immigration. When the mission's objectives were leaked to the public, Bismarck disapproved of Kinderling's activity in Costa Rica. Historian Tulio von Bülow has convincingly argued, however, that Kinderling was Bismarck's confidential agent, floating a trial balloon. Kinderling's confidential report to the Prussian Naval High Command indicated he was a special, confidential agent. Likewise, his promotions in 1871 and 1878 hint at service to, rather than hindrance of, Bismarck's objectives¹⁰.

After 1870, Prussian rule within the unified German Empire appeared settled. Growing German capital, the expanded consumer market, the extension of a uniform tariff, and increased security played important roles in the subsequent economic expansion of the German empire. The German economy had to integrate more thoroughly into the world economic system in order to fulfill the rising expectations of materialistic-oriented German bourgeoisie, nobility, and elite elements of the working class. Security became increasingly identified with the opportunities won from the competitive struggle for protectorates, naval and military stations, and formal or informal agreements to assure access to the world system. German officials and businessmen assigned Central America significance as a transit area, market, and source of products which the new German life style and capital accumulation demanded¹¹.

Germany upgraded its representation in Central America in the 1860s–1880s, years concurrent with German trade and investment expan-

¹⁰ Eduard Delius to the foreign ministry, 6 Aug. 1866, Rep. 77, Tit. 226, Nr. 118, Band 2, DZM; Tulio von Bülow, "Sobre el proyecto de base naval alemana en 1868": *Revista de los Archivos Nacionales* 7 (1943), pp. 147–149; Arthur Morrell to William H. Seward, 8 May 1868, enclosing Friedrich Wilhelm Franz Kinderling to J. Friedrich Lahmann, 20 April 1868, Lahmann to Julio Volio, 1 May 1868, Volio to Lahmann, 6 May 1868, US Department of State, *Papers Relating to the Foreign Relations of the United States, 1868* (Washington 1869), p. 2; Kinderling to Royal Navy High Command, 22 May 1868, 2. 4. 1. Abt. II, Nr. 644 (AA II, Rep. 6, Nr. 3573), DZM; "Franz Kinderling", MSg 1/1101, p. 185, Bundesarchiv, Militärarchiv, Freiburg. Helmuth Polakowsky, "Estación naval alemana en Costa Rica, 1883": *Revista de los Archivos Nacionales* (1943), pp. 56–65, denies Bismarck approved Kinderling's proposal.

¹¹ Reinhard Spree, *Die Wachstumszyklen der deutschen Wirtschaft von 1840–1880* (Berlin 1977); Castellanos Cambranes, *El imperialismo alemán*.

sion into Central America. Some of Germany's "excess capital" and displaced labor entered Central America, especially Guatemala and Costa Rica. US agents became apprehensive about the expanding wealth and influence of Germans in Central America. In 1877 and 1878, an incident involving brothers Paul and Christian Moritz Eisenstück, merchants and consular officials in Nicaragua, produced a major German complaint, an ultimatum, and, finally, a five vessel German squadron to demand satisfaction to German wishes. The economic position of Germans in Central America was strengthened through this diplomatic and military show of force. The German government considered this incident a significant test of its ability to marshal diplomatic and military force to protect its expansion activities. US Minister George Williamson asserted: "The Germans and not the British are our real competition for the trade of the whole of Spanish America". In 1880, US Minister Cornelius Logan agreed that German competition was economically and strategic-politically threatening¹². While specific data for the 1860s, 1870s, and 1880s is scarce, the fact that German investment and the number of settlers and firms for the 1890s are so large confirms the estimations and evaluations of Williamson, Logan, and other US agents and observers.

Siemens, Krupp, Deutsche Bank, Überseebank, Kosmos, Hamburg-Amerika-Passagier-Aktiengesellschaft (HAPAG), and many smaller German enterprises increased Germany's military and economic role in Central America, but produced jealousy and confrontations with the Monroe Doctrine (see Table 3). In the early 1880s, German Minister Werner von Bergen accused the United States of imperial ambitions. During a dinner attended by US and Central American officials, von Bergen asked Salvadoran Foreign Minister Gallegos, "How long he believed Salvador could retain her freedom and autonomy?" When Gallegos asked for an explanation, von Bergen mentioned the US intention to absorb the Central American states. Von Bergen noted that the dinner celebrated the opening of the Guatemala Central Railway, built by Yankee concessionaires. This railroad, he warned, would bring a flood of Yankee im-

¹² George M. Williamson to William Evarts, 24 Sept. 1877, RG 59, DD, CA: 14 (M 219/r 33), National Archive, Washington, D.C. (NA); Cornelius Logan to Evarts, 14 April 1879, 14 May 1880, RG 59, DD, CA: 16 (M 219/r 35), NA; Bernhard von Bülow, *Deutsche Politik* (Berlin 1916), pp. 18–19; A. Tesdorf, *Geschichte der kaiserlichen deutschen Kriegsmarine in Denkwürdigkeiten von allgemeinem Interesse* (Kiel 1889), pp. 199–202; Karl Paschen, *Aus der Werdezeit zweier Marinern* (Berlin 1908), pp. 186–187, 192–197; Paul Koch, "Aus der Zeit von Admirals v. Stosch", *Marine-Rundschau* 14 (1903), pp. 694–696.

migrants to submerge the Central American states. Assuming the German government did not approve such statements, Secretary of State William Evarts expected a satisfactory German explanation. Von Bergen also labored to build “a better relationship between Guatemala and Mexico . . . [to] prevent the United States from using the discord between the two countries to win a dominating influence in Central America, which would directly harm the considerable German material interests”. In the late-nineteenth century, political and diplomatic contacts in Middle America contributed to the rivalry between Germany and the United States¹³.

The world economic crisis, 1873–1898, which included a decline in the silver-gold ratio that disturbed the monetary systems around the world, compelled each Middle American country to devalue sharply its silver based currency, often forcing paper into the commercial life of the country. In 1891, foreign merchants and diplomats vigorously protested the Guatemalan law forcing acceptance of the paper currency instead of silver coins. The law threatened to ruin German business within a few months. In 1898, foreign office economic specialist von Erckert detailed German economic activity and investment in Central America (see Table 1). In Guatemala, Germans owned fifty matrix merchant houses with eighteen branches and 64 million marks of rural and 600,000 marks of urban real estate which represented a total of 2,725 square kilometers, including 17.7 million coffee trees and 14.3 square kilometers of sugar plantings. There were no German banking firms nor any German investment in mining and only a little in railroads. German working capital in Guatemala totaled 183.5 million marks. In 1899, Berlin estimated the gross profit of German firms trading in Nicaragua at 1.8 million marks and German investment in Nicaragua at 14 million marks¹⁴. While specific investment data is not available for Costa Rica, Salvador, and Honduras, the information on

¹³ Evarts to Andrew D. White, 6 Aug. 1880, RG 59, DI, Germany: 16 (M 77/r 67), NA; Logan to Evarts, 14. Oct., 1880, 7 Jan., 1 Feb. 1881, RG 59, DD, CA: 17 (M 219/r 37), NA; Titus to William Hunter, 20 Sept. 1881, RG 59, CD, Guatemala: 4 (T 337/r 4), NA; Fritz T. Epstein, “Germany and the United States: Basic Patterns of Conflict and Understanding”: *Issues and Conflict*, ed. George L. Anderson (Lawrence 1959), p. 290; William Wharton to Chapman Coleman, 11 March 1892, RG 59, DI, German: 18 (M 77/r 69), NA; Werner von Bergen to Otto von Bismarck, 22 Sept. 1888, Abt. IA, Mexiko 2, Band 2, Politisches Archiv des Auswärtigen Amtes, Bonn (hereafter, IA, Mexiko 2, Band 2, PAAA).

¹⁴ Von Bergen to Leo von Caprivi, 10 April 1891, IA, Guatemala 1, Band 3, PAAA;

settlers and firms suggests that these countries benefited from larger German capital than Nicaragua. The extensive German investment and trade in Central America faced major losses if those countries devalued their currencies.

When national capital for the Guatemalan National Railroad dried up, German foreign office economic specialist von Erckert reported the new government intended to finish the project with foreign capital. He preferred German capital to complete the railroad project, because:

“scarcely anywhere else in the exterior would a German rail-line find a hinterland where so many German interests exist in so small a space, where a larger part of the land belongs to Germans, another part is mortgaged to Germans, where two-thirds of the exports go to Germany and almost one-fourth of the imports come from Germany. One can also allude to the earnings offered to our industry from the deliveries for the railway”.

Resident German trade and agricultural circles were interested in completing the Atlantic railroad because 35–40 million marks of goods moved annually between Guatemala and Germany around the Magellan Straits or over the Panama Railroad and Pacific Mail Steamship Company¹⁵.

By the end of the nineteenth century, the German economy, straining to continue rapid growth, pushed for vital world markets, investment opportunities, raw materials, and naval support points. Albert Ballin, director of the HAPAG, claimed that a Panama canal would be a powerful weapon in North American hands. A. Ballin’s associate reflected upon the “unhealthy consequences [sole US control over the canal] would have for German trade and navigation and even for its position in East Asia”. The Panama Canal Company scandals negated any possibility of raising funds in France, and Ballin became convinced that “success [with German financial circles] was unthinkable without effective support from the Imperial government”. Ballin trusted Foreign Minister Bernhard von Bülow to recognize that positive action to assure an internationally neutral canal, not merely passive protection, was needed to safeguard the endangered German interests¹⁶.

von Erckert report of 1897/1898, alte P-II-8/97, Paul Metternich to Dr. Carl Burchard, 12 June 1899, Bestand: Senatskommission für die Reichs- und auswärtigen Angelegenheiten, new A III, c. 22, Staatsarchiv Hamburg.

¹⁵ Enclosure with Reichards to Bremer Senate, 28 April 1898, A. 3. C. 1., Nr. 85, Staatsarchiv Bremen.

¹⁶ Albert Ballin to Bernard von Bülow, 2 Sept. 1899, enclosing Koch to Ballin, 30 Aug. 1899, IA, Amerika Generalia, Nr. 12, Band 1, PAAA; Hans-Ulrich Wehler, *Das deutsche Kaiserreich 1871–1918* (Göttingen 1973).

Ballin's concern about the Panama Canal falling under sole American control stimulated the mind of Admiral Alfred von Tirpitz who claimed the fighting navy and merchant marine shared interests in a shortened route from Europe to the Pacific Ocean because of Germany's "varied economic relations to Latin America and the Pacific". Von Tirpitz maintained that for Germany a closed canal would pose a major obstacle because the German navy planned a strategic offensive which required a campaign to seize the closed canal (which would mean war with the United States) or alternatively to use the resource and time-consuming Magellan Straits and the Suez Canal. He emphasized "the meaning of such a connection will increase steadily in the future because our growing foreign interests will constantly compel us to increase our occupation of foreign stations". Berlin's oldest merchant organization maintained "a serious disturbance of our foreign trade relations would be very disadvantageous not only for the circles immediately effected, but would indeed have ominous consequences for almost the whole population". If Germany could not obtain a favored position with regard to the future canal, von Tirpitz wanted assurance of the canal's international character. Without assured access to the canal, the existence of German economic interests on the west coast of Latin America was threatened, and the healthy continuation of German Caribbean area activity would be endangered. Few informed German groups presumed Germany could withdraw from Latin America, particularly Middle America and the Caribbean, and still experience a fruitful economic future¹⁷.

German firms were seeking to extend rather than limit their involvement in Central America. In 1900, Siemens' subsidiary, Empresa Eléctrica de Guatemala, which invested about M 3,400,400 in the lighting and electrical business in Guatemala after 1890, offered to pay the outstanding Guatemalan debt related to the electrical works and to purchase the Guatemalan president's thirteen shares of Empresa stock at about thirteen times their market value in exchange for doubling the duration of its concession and the right to convert to a German corporation. When Guatemalan President Manuel Estrada Cabrera broke off negotiations,

¹⁷ Alfred von Tirpitz to foreign ministry, 29 Oct. 1899, IA, *Amerika Generalia* Nr. 12, Band 1, PAAA; *Denkschrift der ältesten der Kaufmannschaft von Berlin betreffend die Neugestaltung der deutschen Handelspolitik . . . 1900* (Berlin 1901), I Hauptabteilung, Rep. 108, Nr. 5104, Geheimes Staatsarchiv Preußischer Kulturbesitz.

German diplomat von Eyb intervened immediately. The Siemens officials believed the subsequent physical attack upon von Eyb in the streets of Guatemala City was a response to his protection of the Empresa. In mid-1901, under pressure from the German government, the Guatemalan government began repaying its debt to the Siemens subsidiary. The Guatemalan president, however, denied the Empresa the right to become inscribed as a foreign corporation as long as a Guatemalan owned one share of stock¹⁸.

In late 1903, the Germans (represented by Empresa manager Ernst Greve) and Americans twice rejected the request of Estrada Cabrera's government to construct a pavilion for Guatemala's annual Minerva festival, popular celebration consisting of music, dancing, and free drinks. While reporting Empresa's moral victory in the Minerva affair, Greve explained how he had deceived the Guatemalan government about price and profit in a clever manner which would facilitate continued deception regarding price and profit in the future. After the deception, Greve calculated the Empresa's gross profit amounted to forty percent of total revenue¹⁹.

In mid-1905, Captain Paul Behneke, commander of the German naval vessel "Falke", summarized German business, settler, and cultural activity in Central America. He estimated fifty-five Germans collectively had invested about one-half million marks in Panama (see Table 1). In Costa Rica, Germans had invested fifteen million marks in nine large German businesses, about seven million marks in land, and three million in credit. He estimated German investment in Nicaragua at twenty-four million marks, divided into twelve million in trade and six million each in land and credit which he believed was slightly larger than the North American investment. Although nineteen German business houses operated in Nicaragua, trade flowed strongly to the United States. The next year, a German consular agent surprisingly estimated the German investment in Nicaragua at about 250 million marks, in contrast to sixty million for the

¹⁸ Report on Empresa Eléctrica de Guatemala, Oct. 1900, Tonio Bodiker to the foreign ministry, 29 Oct. 1900 (copy in IA, Guatemala 1, Band 4, PAAA), Bodiker to Oswald von Richthoven, 29 Oct. 1900, Bodiker to [?], 31 July, 1901, 25/Lt. 201, Werner-von-Siemens-Institut für Geschichte des Hauses Siemens, Munich.

¹⁹ Ernest Greve to Siemens & Halske, 9, 29 Sept., 16 Dec. 1903, Greve to Transportation Minister, 13 Sept. 1903, Siemens to Empresa Eléctrica, 7 Nov., 1903, 25/L1 449, Werner-von-Siemens-Institut für Geschichte des Hauses Siemens.

TABLE 4

Foreign Investment in Central America, 1839–1939^a
(million francs [F], million pounds [£], million US dollars [\$])

| Year | French | German | British | US |
|------|--------------------|--------------------|-----------------------|----------------------|
| 1839 | | | 0.0679 £ ^c | |
| 1880 | | | 7.5 £ | |
| 1890 | | | 11.7 £ | |
| 1896 | 250–300 F | | | |
| 1897 | | | | 11.5 \$ |
| 1902 | 267 F ^b | | | |
| 1906 | | 300 F ^d | | |
| 1908 | | | | 31.8 \$ |
| 1909 | | | | 50.0 \$ ¹ |
| 1912 | | | | 47.5 \$ ¹ |
| 1913 | 88 F | | 118.6 \$ | |
| 1914 | | | 21 £ | 82 \$ |
| 1919 | | | | 96.3 \$ |
| 1923 | | | | 67.3 \$ ^c |
| 1924 | | | | 119 \$ |
| 1929 | | | | 201.7 \$ |
| 1930 | | | 126.3 \$ | 227.1 \$ |
| 1938 | 217 F | | | |
| 1939 | | | 13 £ | |

^a See above Table 1.

^b Includes 220 million francs invested in the Panama Canal, but excludes 80 million francs invested in the Honduran railroad.

^c Central American Federation external dept upon dissolving, Victor Quintana Díaz, *Inversiones extranjeras en Guatemala* (Guatemala 1973), p. 34.

^d Désiré Pector, *Les richesses de l'Amérique centrale* (Paris [1908]), pp. 298–299.

^e Grosvenor M. Jones to Emmet, 28 March 1926, RG 151, 620-Lt. Amer., NA. Notes estimates by Charles F. Speare (1909), John B. Osborne (1912), and the Commerce Department (1923).

United States and about thirty million for the British who also owned about thirty-six million in Nicaraguan state bonds. There is no firm basis to believe that German capital in Nicaragua doubled the combined US and British investment. One recent student of German and US investment insisted that around 1900, German capital in Latin America was larger than US funds. About 1904, Zelaya's Nicaragua had invigorated its search for alternative investors to replace or supplement US capitalists. Note, for example (Table 2), the large number of Germans reported to reside in Nicaragua in 1905. Zelaya and his associates were conscious that the prospects of attracting German capital for a canal project (since the

United States had chosen Panama) correlated in some fashion with the number and size of German enterprises in Nicaragua which would benefit from the canal project. Behneke estimated the German investment in Guatemala had reached about 300 million marks: 150 to 160 million in land, 110 million in credit, 30 million in trade, and 10 million in a railroad, the Empresa Eléctrica, and other small industrial enterprises, about two and one-half times the total value of all other foreign investment. Germans owned sixty percent of the coffee plantations. German interests and investments in Salvador ranked behind North American and French which totaled about thirty million marks. There were 176 German residents, four clubs, but no German school in Costa Rica (see Table 3). About 400 Germans resided in Nicaragua, supporting three clubs. Behneke described a large German community in Guatemala which supported five clubs and a German school. Salvador had few German residents and no clubs²⁰.

In the early twentieth century, German influence was on the rise in Central America, but was confronting mounting US political opposition which sought to skew the economic scales. Behneke expected the US assumption of authority over the Panama Railroad in April 1905 would aid the Kosmos line (which had been serving the west coast of Latin America since about 1880) in conjunction with HAPAG service to extend operations into the Pacific. Behneke lamented that, although "there is no foreign land on whose economy Germany is so strongly participating and on whose development, therefore, Germany is so interested as Guatemala . . . the North American influence dominates here also". The Guatemalan minister of war regretted that "an active [German] officer will scarcely be allowed to enter into the Guatemalan army given the jealousy and suspicion of the United States and the harassment of its press". Early in the twentieth century, Germany's role in Nicaragua appeared to be strong. Nicaraguan President José Santos Zelaya endured, Heyer pointed out, because "his weapon" was his army, which had been reorganized with German aid and supported through a Cadet school under German direction. "Germany had in any case no grounds to be unsatisfied with the con-

²⁰ Paul Behneke to Emperor William, 24 April 1905, RM 5/v. 5428, Behneke to Emperor William, 18 May 1905, RM 5/v. 5401, Behneke to Emperor William, 18 May 1905, von Ammon to Emperor William, 3 Feb. 1906, RM 5/v. 5402, Behneke to Emperor William, 18 May 1905, RM 5/v. 5412, Behneke to Emperor William, 18 May 1905, RM 5/v. 5432, Bundesarchiv, Militärarchiv Freiburg.

tinuation of his rule”, since Zelaya had been “generally friendly toward German interests, and, in any event, a strong government like his offered the best guarantee against American intervention”²¹. German influence in Guatemala rested upon steady growth through migration of settlers and capital. The German role in Nicaragua grew rapidly and apparently was related to Nicaragua’s search for an alternative patron after the United States decided to build a canal at Panama.

In addition to clashes in Samoa, the Philippines, China, the Congo, and over pork sales, the United States and Germany competed for access to the canal, naval stations, investment, commerce, and political influences. Germany and Britain both had investments greater than or equal to US investment prior to World War I (Table 4). In fact, prior to 1903, even French investment in Central America equaled US capital. The United States also trailed the major European metropole powers in the number of settlers and firms until roughly the era of World War I. The nature of capitalist imperial competition and the peculiar US sense of insecurity prompted the North American government to devote considerable political pressure towards improving its economic position in Central America. A North American syndicate negotiated a loan contract with Guatemala, asking for land and mineral rights rather than customs revenue as security. German diplomat Bonin predicted that mining activity which paid higher wages and offered year-round employment would undermine the hiring of agricultural labor for the numerous German coffee plantations. Bonin argued that the American economic conquest of Guatemala through railroads and banana plantations “should not occur at the expense of German agriculture, of the 160 million marks of German money invested in land, nor at the expense of the German importers, of the 30 million marks invested in German trading firms, nor at the cost of German credit which preserves the market here for German industry” (see Table 1). Travelling through Guatemala, Bonin observed, left the impression of travelling through a German colony (see Table 2). Bonin lamented that young Germans were tempted to opt for US citizenship because Germany lacked political influence in Guatemala. German entrepreneurs seldom willingly surrendered any economic opportunity to

²¹ Heyer to Bülow, 23 Jan. 1906, 09.01, Nr. 12494, Deutsches Zentralarchiv, Potsdam, hereafter DZP; von Seefried to von Bülow, 27 Sept. 1905, R 85/2852, Bundesarchiv Koblenz.

US business. About 1912, a very bitter struggle developed between the United Fruit and a HAPAG-Atlas-Atlantic Fruit combination. If Atlantic Fruit “fell under United Fruit control”, Seelinger warned, “United Fruit would achieve a power which would make it very difficult, if not eternally impossible, for Germany to further penetrate that business and to continue our shipping lines”. The Middle American states generally welcomed German capital, given their apprehension that US economic penetration would lead to political domination²². German economic, diplomatic, and maritime interests normally recognized their mutual interdependence and the relationship of their combined power to successful competition with other imperialist powers.

Persistent German attempts to promote the open door in Middle America represented an unexpected challenge to the United States. The US open door policy (proclaiming equal access to trade and investment), so vital to American governmental and business circles, excluded Latin America. US policy generally rejected the establishment of foreign bases in commercial or strategic key areas. German maritime firms needed to secure west coast American harbors, however, if they intended to use the Panama canal to develop a rich field for German capital and entrepreneurial spirit in the west coast’s economic upswing. The Lodge corollary, Seelinger noted, threatened any foreign acquisitions near the canal zone. Seelinger observed, “the Americans have followed essentially their own interests in deciding questions related to the canal . . . and they have proceeded thereby with absolute ruthlessness”. Seelinger expected “the opening of the Panama canal will create a situation which will lead the industrial and maritime nations into a great struggle to open economically still undeveloped lands and to shape new communication routes and new consumer markets”. The US open door policy, however, excluded Latin America because the Monroe Doctrine of the twentieth century asserted US priority²³.

²² Bonin to von Bülow, 1 July 1909, Rep. 120, C XIII, 16^a, No. 4, Band 2, DZM; Seelinger to foreign ministry, 1 Aug. 1912, R 85/134, Bundesarchiv Koblenz; Gnet to Empirical Chancellor, 12 Sept. 1912, Bestand: Senatskommission für die Reichs- und auswärtigen Angelegenheiten, neu C. I. d. 164, Staatsarchiv Hamburg. On US ideological and political support for economic advancement, see Philipp Darby, *Three Faces of Imperialism: British and American Approaches to Asia and Africa, 1870–1970* (New Haven 1987), pp. 142–146, 169–173, 213–214.

²³ Von Seefried to von Bülow, 4 April 1906, IA, Costarica 1, Band 3, Seelinger to foreign ministry, 11 Sept. 1912, IA, Amerika Generalia, Nr. 12, Band 10, PAAA.

Prior to US entry in the Great War, German officials pondered how to hinder US economic activity if that should become necessary, while the United States tried to reduce German influence in Central America. The Germans did well initially in a propaganda contest with Britain and France during World War I because of the strong German role in Central American society. When the Guatemalan German colony quickly exhausted its resources subsidizing three Guatemalan newspapers, the German foreign ministry assumed the subsidy until the war's end. In Honduras, two papers published information from Germany. Two German priests in Tegucigalpa labeled the funds raised an example of the potential political "side-benefits" from cultural influence. US officials wanted to replace German investments in Central American coffee, marketing, shipping, communications, and energy technology. Ultimately, the propaganda assault of the United States, Britain, and France led to sequestration of German property and jailing or exiling of many German businessmen throughout Central America, except in Salvador. After the Great War, the German Foreign Institute acted to undo the damage done by the allied propaganda, so Germans could successfully reenter Latin American social and economic activity²⁴.

In April, 1918, the Hamburg government and merchants argued in a confidential report that Germany had long ceased to be an enclosed, land-oriented state, functioning instead as a world power. The foreign service of a world power had to eschew the passive role of protecting and adopt more aggressive roles. To achieve these goals, Hamburg urged the foreign ministry to establish a political reputation to match Germany's military and commercial position. The Hamburg Chamber of Commerce argued Germany's foreign service required reliable bureaucrats who would draw the commercial groups into the decision-making process. The German

²⁴ Melvin Small, "The United States and the German 'Threat' to the Hemisphere, 1905-1914", *The Americas* 28 (1972), pp. 252-270; Reinhard R. Doerries, "Amerikanische Außenpolitik im Karibischen Raum vor dem Ersten Weltkrieg": *Jahrbuch für Amerikastudien* 18 (1973), pp. 62-77; Nicolaus Cornelsen to Theobald von Bethmann Hollweg, 28 Dec. 1914, IA, Hond. 2, Lehmann to von Bethmann Hollweg, 8 Sept., 5 Oct., 2 Nov. 1914, 28 March 1915, Walter Dauch to Dr. Weber, 29 Jan. 1915, Dauch to L. Asch, 15 March 1915, Auswärtiges Amt (AA) to German Minister in Stockholm, 8 May 1915, IA, Guat. 5, Bd. 1, PAAA; French Minister to Ministère des affaires étrangères (MAE), 22 Nov. 1914, CP 1918, Guat., *Negotiations et affaires commerciales*, Archive du ministère des affaires étrangères, Paris (AMAE) materials in Deutsches Auslandsinstitut, R 57/DAI 413, Bundesarchiv Koblenz.

naval staff responded that only older men, preferably with military service, should be selected for the consular and diplomatic corps. With capital and other resources short, Germany struggled to reestablish its economic and political ties with Central America. Germany assumed that its domestic well-being as an advanced nation depended upon trade and investment in the external world. The Schüler reform of the foreign ministry, undertaken in the 1920s, strengthened the role of commerce in the German foreign office. The German government reaffirmed its confidence in colonization, investment, trade, and culture to generate the conditions to expand German economic activity and to enrich the local German population, the transient merchants, and homeland firms, banks, and investors²⁵.

The Germans restored their profitable position in Central America so quickly in the 1920s that they aroused the jealousy and suspicion of US, British, and French officials. Some Central Americans viewed the German revival as an opportunity to use German capital, colonists, and trade to restrict aggressive “Yankee imperialism”. The number of German residents in Central America grew rapidly in the 1920s, as did the number of German firms (see Tables 2 and 3). Germany’s commercial recovery was measured in its use of the Panama Canal: Germany was 13th in 1921, 6th in 1922, 5th in 1923, and 4th in 1924, and in its revived purchases of Salvadoran coffee: Germany was 6th in 1923, 2nd in 1924, and 1st in 1925 and 1926. German investment in Guatemala recovered to about forty million dollars in 1926, a large figure when considering German domestic recovery needs (see Table 1). After recovering in shipping and access to raw materials, the difficult task was creating market opportunities for German products²⁶.

²⁵ “Hamburger Vorschläge zur Neugestaltung des deutschen Auslandsdienstes”, April 1918, “Stellungnahme von A I to A IV (Hamburger Vorschläge zur Neugestaltung des deutschen Auslandsdienstes)”, 8 May 1918, RM 3/4382, Bundesarchiv, Militärarchiv Freiburg; annual report, Hamburg Chamber of Commerce, 1918, S 6, Nr. 991, IHK Dortmund; Thomas Schoonover, “Imperialism in Middle America: US Competition with Britain, Germany and France, 1820s–1920s”: *Eagle Against Empire: American Opposition to European Imperialism, 1914–1982*, ed. Rhodri Jeffreys-Jones (Aix-en Provence 1983), pp. 41–58.

²⁶ Handelskammer Hamburg, *Bericht über das Jahr 1926* (Hamburg 1926); *Hamburger Nachrichten*, 21 Nov. 1925, Senatskommission für die Reichs- und auswärtigen Angelegenheiten, N.R., III, B 94, Staatsarchiv Hamburg; Wilhelm von Kühlmann to AA, 25 May 1926, 11 March, 31 Dec. 1927, 12 Nov. 1929, III, S. Salv., Wirtschaft 1, PAAA.

In the 1920s, new German elements – such as Allgemeine Elektrizitäts Gesellschaft (AEG), Walter Sprung in Costa Rica, Wayss & Freitag in Salvador and Costa Rica – and old firms like Siemens competed for concessions in road construction, city sanitation, engineering, urban transportation, and public utilities (see Table 3). In 1924, US Minister Arthur H. Geissler intervened twice in contract matters on behalf of Westinghouse, but AEG obtained both contracts, one of which was worth \$ 3,000,000. German Consul Nicolaus Cornelsen in Honduras helped an AEG engineer to bid on an electric light and power contract for Tegucigalpa after a North American firm seemed to have secured the contract. Despite the US minister's intervention to prevent the contract, Honduran officials signed a purchase agreement for AEG equipment. Cornelsen hoped that further contracts would follow this project. AEG's success in Guatemala and Honduras pointed to the rapid recovery of powerful German influence²⁷.

Costa Rican President Ricardo Jiménez, concerned about growing US influence in his country, asked German engineer Walter Sprung to supervise engineering and construction contracts. Sprung quietly favored German firms which, however, occasionally competed bitterly with each other. In the mid-1920s, AEG and Siemens blocked each other's contracts in Costa Rica. German Minister Wilhelm von Kühlmann, incensed, pleaded that once a contract was let, the unsuccessful German competitors should not interfere. The squabbling discredited German business and pushed concessions to other countries. In early 1929, after winning a fierce competition with North American firms for a \$ 600,000 contract to pave the streets of San José, Costa Rica, Wayss & Freytag of Frankfurt reported intrigues jeopardized the contract. The German foreign ministry worked behind the scenes to undermine the intrigues directed against Wayss in order to encourage German firms to compete against the United States elsewhere in Central America²⁸.

²⁷ Albert Antoine Revelli to MAE, 27 Jan. 1924, F³⁰1956: Guat., Archive du ministère de l'économie et du finance, Paris (AMEF); Revelli to MAE, 6 Oct. 1924, Amer. 1918–40, C. A., num. 22, AMAE; Cornelsen to Kühlmann, 4 Dec. 1928, III, Hond., Industrie 10, PAAA.

²⁸ Kühlmann to AA, 16, 25 Sept., 24 Nov. 1925, 31 Aug. 1926, 10 Aug., 21 Dec. 1927, Walter Sprung to Kühlmann, 6 Nov. 1925, 5 May, 27 Sept. 1926, 28 Feb., 1 April, 6 June, 28 July 1927, Albert von Lentz to Kühlmann, 26 Aug. 1927, AA to German Minister in Guatemala, 27 April 1927, III, C.R., Industrie 30, PAAA; Kühlmann to AA, 11 Jan. 1928, Lentz to AA, 23 July 1928, III, C.R., Handel 30, Nr. 1, Walter de Haas to German Legate in Guatemala, 17 Jan. 1929, Kühlmann to AA, 29 Aug. 1929, Wayss & Freytag, 14 Oct. 1929, III, C. R., Industrie 3, PAAA.

As German economic activity in Central America accelerated after the mid-1920s, the Berlin government selected Gustav Noske, former minister president of Hannover and renowned Social Democratic politician turned infamous for his role in suppressing labor interests during the Kapp-Putsch in 1920, to make an extensive official trip through Latin America in 1927 to investigate German activity. Another sign of the importance of Central America to German foreign policy aimed at economic recovery was the appointment of Wilhelm von Kühlmann as minister in 1926. Kühlmann had served with distinction in the German foreign service and in the Kaiser's personal service from the 1890s until Wilhelm's abdication. Noske reported the Germans occupied powerful economic positions in Costa Rica and Guatemala, but were much more numerous and influential in Guatemala. He valued the observation of a German consul and large plantation owner in Guatemala: "We (Germans) play about the same role in Guatemala, as the anti-Semites alleged against the Jews in Germany. As economic exploiters of the country, we are every bit as loved as the Jews are loved normally by us in the homeland". Noske recalled that most German emigrés wanted to make a fortune in Guatemala and return to Germany. This expatriated capital did not benefit the masses in Guatemala, he noted, as it might have done in the hands of a domestic capitalist elite. He overlooked that domestic capitalists might invest in foreign countries. Various German residents warned that Guatemala would not tolerate this huge capital loss forever. The matter was made worse because the capital accumulators paid almost no taxes. Noske observed that in the long run, white nations could not rule Latin America. The Guatemalan Indian inevitably compared the exalted life style of the German to his own wretched existence and hard labor. Until the Indians or black groups finally asserted themselves, however, Germans should conduct business because the United States would continue to invest, trade, and extract profits²⁹.

The German foreign minister pointed out in 1928 that the foreign investment in Germany and an expansive business phase in Germany meant that future market growth must be found outside Germany. Germany's rebuilt economy had saturated domestic consumer capacity. He concluded that "in the future everything must be done to penetrate foreign markets

²⁹ Gustav Noske to Preußischer Minister des Innern, 28 June 1927, III, M.-Amer., Pol. 15, AA to Noske, [15 Dec. 1926], III, M.-Amer., Verkehrswesen 12, PAAA.

for German industry. It was the German government's job to assure that this did not occur under the appearance of crisis signals"³⁰. Thus, in 1928, just as with the Hesse mission of 1850, German's political and economic leadership had presumed closer, more intimate ties with Central America would alleviate some of Germany's internal socio-economic ailments and the contact would facilitate security and prosperity for Germany.

The domestic German economy from the mid-nineteenth through the early twentieth centuries experienced sporadic undeterminable economic cycles which raised a host of problems that the leaders of Germany's political economy sought to alleviate abroad. When German interests approached such a key area of the world economic system as the Central American isthmus, they encountered other nations' businessmen whose corrupted laissez-faire ideology – evident in open door and free trade rhetoric covering government-supported multinational business ventures – generated intense competition. This competition was clothed in strategic, political, social, and cultural language to reinforce the home countries' determination to assure minimum access to the capacity of Central American transit to generate wealth and security by linking the Atlantic and Pacific worlds. These understandable German aspirations confronted similar perspectives from the leadership of the United States, Britain, and France in the nineteenth and early twentieth centuries.

While the study of Central America's relations with the world in the nineteenth and early twentieth centuries have understandably focused upon Britain and the United States, this perspective has overlooked a host of significant relationships. From the 1840s and 1850s, Germany's political and economic leadership had presumed closer, more intimate ties with Central America would alleviate some of Germany's ailments and the contact would facilitate security and prosperity for Germany. Prussia was an early defender of German interests on the Middle American isthmus. The 1850s mission encouraged levels of German activity which called forth warning signals from US, British, and French diplomats in the 1860s and 1870s. In the 1880s, German entrepreneurs were heavily involved in coffee, merchant activity, and shipping. By the early twentieth century, German entrepreneurs were scurrying to enter public utilities as a means to introduce Siemens, AEG, and other technological products. German

³⁰ Reichswirtschaftsminister to Reichskanzlei, 16 Feb. 1928, R 431/1175, Bundesarchiv Koblenz.

banks were financing coffee trade-related and utilities investments. The burgeoning US political economy used the First World War era as an excuse to undermine German, French, and British activity in Central America. German entrepreneurs made considerable recovery in the 1920s, however. The US hegemony in Central America seemed secure in the 1930s, but the contradictory and unstable nature of organized capitalism (an ill-defined, highly competitive, yet confused and unstable in goal-orientation, combination of laissez-faire ideology with bureaucratic-corporatist structures) allowed little room for self-confidence in a competitive world system.

While we can sketch an outline of German relations with Central America and with the other metropole powers, several aspects require investigation in order to allow us a more reliable picture of the relationship. We have only one history of a firm which worked largely in Central America, although at least one other firm has left extensive records. German shipping firms were early major participants in Central American trade, but we know little of this story. We need to know more about other firms and entrepreneurs. We need a study of German views and policies with regard to an isthmian canal and Germany's role in the canal projects. Above all, we need a study of German expansion, not its colonialism which receives repeated attention. The informal and indeed formal (in the sense of planned) commercial and investment expansion has received only modest attention. The expansion arguments grew out of the social and economic structural changes of the industrialization process. Since this was a process, there is no real focal date, but an ongoing alteration of German production forms with consequent changes in social and economic objectives of the political elite.

The United States and Germany pursued social imperialism in their relations with Central America. Both states manipulated their Central American policies in response to domestic economic and political problems. The dissemination of laissez-faire convictions and the nineteenth and twentieth century projects to internationalize laissez-faire – British free trade, the open door, Wilson's fourteen points – represented the frustration of faltering and bastardized, domestic laissez-faire systems. The metropolises believed salvation could be achieved through expanding the area of market competition unto a world scale. The consequence was intensified competition, but with few mechanisms to control the abuses and excesses because of the weak institutions of international law and

order in the nineteenth and early twentieth centuries. This competition intimidated the host Central American states, because they were pressured to pick sides in metropole conflicts, such as World War I, but also on smaller scales in regard to concessions for canals, steamship lines, loans, and so forth. The Central American states also suffered restricted sovereignty. For example, the United States insisted its Monroe Doctrine forbade Costa Rica, Nicaragua, Honduras, or Salvador to sell islands in their possession to non-New-World-states. Already in the late nineteenth century, the Central American states were swamped with metropole agents pushing developmental schemes. Soon the peripheral Central American states had surrendered major control over their internal communications' network, public utilities, national debt, currency, state revenue, and other economic activity which made up the gross national product to foreign metropole interests. The Central American states and societies struggled to find a secure role in the revised world order. The huge power imbalances between the metropolises and themselves largely determined their success. The peripheral Central American states were incorporated by bits and pieces – enclaves – into the broadening market-exploitation system. Metropole rivalry was rooted in home country internal disorders, implemented on a worldwide, highly competitive economic and strategic battlefield, yet unquestionably had profound, lasting, and transforming impact upon the Central American societies.

