

# From “Business as Usual” to a More Global War: The British Decision to Attack Germans in South America during the First World War

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**A**t the end of 1915, the British government decided to extend the First World War across the Atlantic by waging an unprecedented campaign against Germans in South America. The new “Statutory List” prohibited British people from conducting commercial and financial transactions with designated “enemies” in neutral countries. In this war, British officials used their nation’s commerce as their arsenal. They believed that by controlling the transatlantic trade of British-flagged merchant shipping, London banks, and British-made products, they could permanently force Germans in South America out of business, while helping Britons to take their place.<sup>1</sup>

Many aspects of the extra-European dimensions of Britain’s effort during the First World War have been well combed by historians, including military campaigns and naval battles, the attitudes of the empire (especially the Dominions) toward the war, and the importance of the United States to Britain’s success.<sup>2</sup> The British

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<sup>1</sup> The war in South America has been touched upon, although not thoroughly explained or analyzed, in a variety of books, including Bill Albert, *South America and the First World War: The Impact of the War on Brazil, Argentina, Peru and Chile* (Cambridge, 1988); P. J. Cain and A. G. Hopkins, *British Imperialism: Crisis and Deconstruction, 1914–1990* (London, 1993); Roger Gravil, *The Anglo-Argentine Connection, 1900–1939* (Boulder and London, 1985); Rory Miller, *Britain and Latin America in the Nineteenth and Twentieth Centuries* (London, 1993).

<sup>2</sup> There are a vast variety of books focusing on the naval war; a classic account is Arthur Marder’s *From the Dreadnought to Scapa Flow* (London, 1961). On the empire during war, a good introduction is Robert Holland, “The British Empire and the Great War, 1914–1918,” in *The Oxford History of the British Empire*, vol. 4, *The Twentieth Century*, ed. Judith Brown and Wm. Roger Louis (Oxford, 1999), 114–37. On the importance of the United States, see Kathleen Burk, *Britain, America and the Sinews of War, 1914–1918* (Boston, 1985).

*Journal of British Studies* 44 (July 2005): 516–535

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economic war against Germany has also attracted significant attention. When writing about the British economic war, however, historians have rarely ventured beyond the issue of blockade, that is, the attempt to halt imports into Germany.<sup>3</sup> One historian who has moved toward a definition of Britain's economic war with a global scope, Avner Offer, argues that Britain's naval supremacy and its place as consumer and shipper of the "international food economy" gave it decisive advantages in the war against Germany. Offer shows, however, that before the war only a few (albeit an influential few) recognized this advantage.<sup>4</sup> This article illustrates the extent to which different groups of Britons began to recognize the potential potency of their global commercial position over the first year of war.

Offer has also described the efforts that overseas Britons made on behalf of the war effort, but he admits that his attention has been limited to the United States and the Dominions.<sup>5</sup> Examining the genesis of the war in South America forces us to broaden conceptions of the boundaries of Greater Britain. The British merchants of South America, in league with British diplomats and the Foreign Office, created this campaign. By trumpeting a British nationalism that belied their geographical and legal neutrality, these Britons in South America found themselves with direct access to power in London. Over the course of a sixteen-month-long debate, the British of South America proved ascendant over the "gentleman capitalists" of the service industries, as the objections of British financiers, shippers, and their allies in the Board of Trade failed to thwart the creation of this commercial war. The economic warriors of South America successfully rejected their opponents' mantra of "business as usual," believing that with some management the circumstances of wartime trade could be turned to their benefit, to the detriment of their German competitors.



In the early twentieth century, the British of South America probably numbered fewer than one hundred thousand on the whole continent, but as described by the novelist Joseph Conrad in *Nostramo*, they had a history of tremendous local political and economic power. Set in a fictional South American country at the start of the twentieth century, *Nostramo* featured a protagonist, Charles Gould, who had a long family history in the country—his grandfather had fought with Bolivar—but "with a flaming moustache, a neat chin, clear blue eyes, auburn hair, and a thin, fresh, red face, Charles Gould looked like a new arrival from over the sea." Gould not only looked thoroughly English, he had also been educated in England, and his trans-Atlantic cultural and economic connections dredged an impassable gulf between him and all but the most aristocratic of the locals, a difference that was indefinable but ineradicable: "in the talk of common people

<sup>3</sup> Among the myriad writings on the blockade are A. C. Bell, *A History of the Blockade of Germany and of the Countries Associated with Her in the Great War, Austria-Hungary, Bulgaria, and Turkey, 1914–1918* (London, 1961); Robert E. Bunselmeyer, *The Cost of the War, 1914–1919: British Economic War Aims and the Origins of Reparation* (Hamden, CT, 1975); Paul Vincent, *The Politics of Hunger: The Allied Blockade of Germany, 1915–1919* (Athens, OH, 1985); and Niall Ferguson, *The Pity of War* (New York, 1999), chap. 9.

<sup>4</sup> Avner Offer, *The First World War: An Agrarian Interpretation* (Oxford, 1989), 368.

<sup>5</sup> Offer, *First World War*, 7.

he was just the ingles—the Englishman of Sulaco.”<sup>6</sup> Throughout the first year of the Great War, men like Gould first demanded that Britain wage war against Germans in South America and then fashioned how the war would take place. The strategy of these businessmen emphasized their Britishness, rather than their geographic neutrality, in an unprecedented effort to hurt German competitors, whom they had long loathed. Like the citizens of Britain’s overseas dominions who raced to enter the war, the British of South America proved their unwillingness to assimilate into the “native” or “Latin” South American populations.<sup>7</sup> These men wanted to join the war effort, owing to a mix of nationalism and aspiration for a voice in Britain’s decision making, and hoped at the same time to reverse their waning dominance over the South American economies.

Statistically, in 1914 the United Kingdom was the main import and export partner of Argentina and Uruguay and, if not for the coffee addictions of U.S. consumers, would have held the same roles with regard to Brazil. Through the nineteenth century, British merchant houses in the port cities of the South American continent handled most of the republics’ foreign trade, helping to give the British a special relationship with local people and governments. In Brazil, British preeminence developed over the first three quarters of the nineteenth century as British import and export merchants gave Britain a dominant political and cultural presence.<sup>8</sup> Similarly, in Argentina between 1810 and 1880, British traders reaped the greatest profits, benefiting from their connections to exporters, manufacturers, and shipowners in Britain. Even after the 1880s, companies from across the world hired these British merchants as their agents, hoping to profit from their experiences with the Argentine government and with the local financial and commercial markets.<sup>9</sup>

Yet at the turn of the century, Britons in South America worried that their influence was declining. Illustrating their “neo-mercantilist pessimism,” they lamented that Britain’s share of the republics’ overall foreign trade sagged while that of Germany increased.<sup>10</sup> German manufacturers supplied ever-larger percentages of the continent’s needs in such goods as woollens, electrical supplies, and chemicals, for which demand was expanding. Of course, the fault lay in part in conservative practices among industrialists in the United Kingdom, but this problem went hand in hand with the enhanced competition from merchants of German background.<sup>11</sup> By 1900, German merchant houses controlled many of the goods shipped to and from South America. In imports such as drugs, chemicals, and consumer goods, the ties of German houses to their homeland led them to

<sup>6</sup> Joseph Conrad, *Nostramo* (New York, 1960), 51–52.

<sup>7</sup> Offer writes much about the racial mentalities of Britons in the Dominions in part 2 of *First World War*.

<sup>8</sup> See Allen K. Manchester, *British Preeminence in Brazil, Its Rise and Decline: A Study in European Expansion* (Chapel Hill, NC, 1933); Eugene Ridings, *Business Interest Groups in Nineteenth-Century Brazil* (Cambridge, 1994); Richard Graham, *Britain and the Onset of Modernization in Brazil, 1850–1914* (Cambridge, 1968), chaps. 6–10.

<sup>9</sup> Vera Blinn Reber, *British Mercantile Houses in Buenos Aires, 1810–1880* (Cambridge, MA, 1979).

<sup>10</sup> A phrase that Offer used to describe German war planners before 1914, this phrase also works well to describe the pessimistic yet belligerent Britons in South America. Offer, *First World War*, 350.

<sup>11</sup> Ridings, *Business Interest Groups*, chap. 12; Robert Greenhill, “Merchants and the Latin American Trades: An Introduction,” *Business Imperialism, 1840–1930: An Inquiry Based on British Experience in Latin America*, ed. D. C. M. Platt (Oxford, 1977), 159–97.

favor purchasing from German manufacturers rather than British. Furthermore, firms managed and owned by Germans overwhelmingly dominated trade in commodities, including coffee, wool, and grain, the exports of which had propelled South America's vaunted economic expansion since the 1880s.

Britons in the republics found a variety of explanations for their declining fortunes. The Germans displayed determination and organization at the local level, controlling the chain of exchanges that sent primary goods from producer to customer. Consul O'Sullivan-Beare in Bahia, Brazil, described the local tobacco industry in 1907:

The export trade of tobacco from Bahia is controlled by a number of German firms, who exhibit much enterprise in connection with that business. They finance the planters; they despatch their agents into all parts of the interior of the State to buy on the spot; and, usually, they purchase, for cash down, the tobacco crops when barely above ground. Such a method of trading obviously entails heavy risks; but, on the other hand, large profits are frequently made; and the fact that the German firms continue year after year to conduct business on the same lines would tend to prove that their methods work out satisfactorily for them on the whole.<sup>12</sup>

Tobacco was of minor importance to Brazil when compared to coffee. Brazil controlled 60 percent of world trade in coffee by 1913, and the bean accounted for more than half of the value of Brazil's exports between the 1870s and 1911.<sup>13</sup> The largest shipper from the burgeoning coffee port of Santos was the German firm Theodore Wille and Company, "one of whose local partners is always German Consul."<sup>14</sup> German exporters controlled the shipping and sale of coffee overseas through the start of the First World War. According to British government figures in 1909, only two of the top seven shippers in the Brazilian coffee trade were British, handling only 20 percent of the total exports. However, even these statistics overstated the British presence in coffee exporting; the largest supposedly British firm, Naumann Gepp and Company, Ltd., was founded by a German and employed German managers. The nationality of the exporters had proven to be important to the destination of the coffee. In 1908, Germany imported 1.93 million bags of coffee from Santos, while the United Kingdom imported only 0.21 million.<sup>15</sup> "It seems a pity," wrote the British consul at Santos, "that the once important transit and distributing trade in coffee, once centred in London, has been transferred to Hamburg."<sup>16</sup>

Germans had an even tighter grasp on the Argentine grain industry. In the 1880s, wheat and other grains came under intensive cultivation across the pampas.

<sup>12</sup> *Parliamentary Papers (PP)*, 1907, vol. 88, Cd. 3283, "Report for the years 1904–06 on the Trade of Bahia."

<sup>13</sup> Victor Bulmer-Thomas, *The Economic History of Latin America since Independence* (Cambridge, 1994), 169; William Glade, "Latin America and the International Economy, 1870–1914," in *The Cambridge History of Latin America*, vol. 4, *C. 1870 to 1930*, ed. Leslie Bethell (Cambridge, 1986), 14.

<sup>14</sup> Public Records Office (PRO), Foreign Office (FO) 368/1495, memo by Edward Greene at Brazil House in London on 28 February 1916 entitled "Report on the Santos Coffee Trade."

<sup>15</sup> *PP*, 1909, vol. 92, Cd. 4962–187, "Report for the year 1908 on the Trade of Brazil."

<sup>16</sup> *PP*, 1906, vol. 123, Cd. 2682, "Report for the years 1902–04 on the Trade of Santos."

European-based partnerships erected large establishments in Buenos Aires and Rosario, branches that usually became the center of the company. The so-called Big Four firms commanded the entire structure of the wheat trade by holding credit over the heads of agents and farmers in the pampas.<sup>17</sup> Britons accused these firms of collusion in the international marketplace, in the grain options markets of Rosario and Buenos Aires, and in purchasing from farmers along the railway lines. According to Reginald Tower, the British minister to Argentina from 1911 to 1920, the Big Four “constitute practically a trust.”<sup>18</sup> Although there was some disagreement as to their nationality, the Big Four were definitely not British.<sup>19</sup> Firms such as Bunge and Born were international in management and partnership, with large contingents of both Belgian and German capital, as well as management that contemporaries classified as German. On the eve of war, British firms controlled merely 9 percent of the grain exports from Argentina, despite the fact that the United Kingdom was the primary destination for these foodstuffs.<sup>20</sup>

German prewar innovations in banking exposed another British deficiency. The British commercial banks that handled the exchange and credit operations for many buyers of imports in South America held reputations for rock-solid trustworthiness and solvency. However, their policies of extending nothing but short-term (three-month) credits, and even those only to businessmen deemed to be extremely safe credit risks, meant that British banks left much potential business untouched, especially in speculative ventures and mortgages to big landowners.<sup>21</sup> Recently established German merchants and banks were more freewheeling in granting terms of credit up to a year and, as a result, quickly expanded their operations.<sup>22</sup> Some Britons believed that newer German houses in Brazil proved their inexperience when granting such favorable terms to Brazilians, but within a few years, it was recognized that these liberal lending practices won the Germans market share in both imports and exports at the expense of British manufacturers at home and merchant houses in Brazil. Resolutely laissez-faire in their attitudes,

<sup>17</sup> James R. Scobie, *Revolution on the Pampas: A Social History of Argentine Wheat, 1860–1910* (Austin, TX, 1964), 92–93.

<sup>18</sup> *British Documents on Foreign Affairs: Reports and Papers from the Foreign Office Confidential Print, Part I, From the Mid-Nineteenth Century to the First World War*, ser. D, Latin America, 1845–1914, vol. 9, *The Latin American Republics, 1910–1914*, ed. George Philip (Frederick, MD, 1992), documents 53 and 54, “Annual report on the Argentine Republic for 1913,” 1 January 1914, para. 177.

<sup>19</sup> For example, as Consul Hugh Mallet in Rosario in 1904 explained, “There are several British firms engaged in shipping grain, but the bulk of this trade is in the hands of foreigners, principally Germans.” Report for the year 1903 on the Trade and Commerce, &c., of the Consular District of Rosario, No. 3157, *PP, 1904*, vol. 97, Cd. 1766–91. Roger Grivil explains that “the grain trade was primarily in German hands,” but he relies for this assessment of nationality on characterizations by Britons during the war; see *Anglo-Argentine Connection*, 40.

<sup>20</sup> These statistics result from amalgamating the lists of suspected enemy firms and solidly British firms given by British Consul General Mackie to Tower (PRO, FO 368/1203, Tower to FO No. 356 of 7 November 1915) with the percentages of the prewar grain market held by each firm in a letter from Harold Ford of Ford and Company to Tower on 27 Oct. 1915 (PRO, FO 368/1207, Tower to FO No. 345 of 27 October 1915).

<sup>21</sup> Charles Jones, “Commercial Banks and Mortgage Companies,” in *Business Imperialism, 1840–1930: An Inquiry Based on British Experience in Latin America*, ed. D. C. M. Platt (Oxford, 1977), 36–40.

<sup>22</sup> *PP, 1903*, vol. 76, Cd. 1386–127, “Report for the year 1902 (January to September) on the Trade and Commerce of Brazil”; *PP, 1907*, vol. 93, Cd. 3283–116, “Report for the year 1906 on the Trade and Finances of the Republic of Uruguay.”

British banks operating in South America also repeatedly rejected proposals to make the bestowal of credit to South American importers contingent on their purchasing British-made goods. Such actions by these British banks grated on the sensibilities of those Britons in South America who believed themselves part of a national competition against Germany. On the eve of war, the vigilant and opinionated minister to Uruguay, Alfred Mitchell-Innes, complained to the Foreign Office that a British construction company had just won a tender to pave roads in Montevideo but had done so with money from a local German bank in Buenos Aires. The contractor went to the Germans, Mitchell-Innes contended, only after the London and River Plate Bank refused to offer an advance. "It is one of the duties of our banks to support English companies," he proclaimed to his superiors. "There may, of course, be some explanation; but prima facie it looks like a case of letting a profitable business slip into the hands of a foreign bank through too strict adherence to technical rules."<sup>23</sup> As a result of its own conservative practices, the strong British financial sector was not utilized to bolster British commercial competitiveness. According to many of the Britons in South America, the German ascendancy was based on cooperation between different sectors of their international economic machine, encompassing manufacturers, banks, and the imperial government at home along with German merchant houses and businessmen in South America. These Britons grew to hope that Britain would follow this German model.

It was with this sense of their own historic power under siege that the British of South America reacted to the outbreak of European war in August 1914. They were immediately disappointed by what they saw from authorities in London. When Britain declared war, various official war plans existed in London. Virtually all prewar planners worked under the assumption that any conflict would be with Germany, but there were widely varying conceptions of how such a conflict might be fought. Some supported a maritime strategy of defending the empire and maintaining international trade, in which the Admiralty would play the paramount role. The "Continentalists," on the other hand, assumed that the British army must be thrown immediately into any war in Europe.<sup>24</sup> The diversity of views on the military aspects of war was mirrored in and influenced by a similar disunity over waging a war against the enemy's economy. Given the British history of naval power and extensive foreign trade, the question of neutral rights proved particularly contentious. Could neutrals freely trade with belligerents? Inconclusive debates over the Declaration of London in 1910 left the question of neutrality unresolved.<sup>25</sup> Economic war planning of the Committee of Imperial Defence (CID) assumed that Britain's economic war against Germany would consist of a traditional naval blockade of Europe, with battleships and cruisers covering the entrances to

<sup>23</sup> PRO, FO 368/1164, Mitchell-Innes to FO No. 47 Com'l, 6 July 1914.

<sup>24</sup> Differences among politicians and between the Admiralty and War Office have been described in David French, *British Economic and Strategic Planning* (London, 1982); and Nicholas d'Ombraim, *War Machinery and High Policy: Defence Administration in Peacetime Britain, 1902–1914* (London, 1973).

<sup>25</sup> John W. Coogan, *The End of Neutrality: The United States, Britain, and Maritime Rights, 1899–1915* (Ithaca, NY, 1981), chaps. 5–7; also Viscount Grey of Fallodon, *Twenty-five Years, 1892–1916* (New York, 1925), 2:105–9.



German-controlled ports.<sup>26</sup> Admiral Jackie Fisher, Maurice Hankey, and Lord Esher, all leaders in the CID, believed that subsequent control of world resources, especially food, would enable Britain to throttle the German economy.<sup>27</sup> Neutrals would be affected, but when thinking of neutrals, these economic war planners thought solely of neutral European states and neutral-flagged shipping. When the economic war versus Germany began, Germans in unaligned countries were considered neutrals themselves.<sup>28</sup> Thus there were no immediate efforts to halt trade between these people and Britons.<sup>29</sup>

It took a yearlong effort by British diplomats and businessmen in South America to get the British government to jettison “business as usual” there. The Anglo–South Americans initially criticized the Admiralty. Over the opening months of war, British shipping agents and crews in South American ports felt that they had been thrown to the wolves, as German cruisers harried British merchant ships across the Atlantic. In an extraordinarily successful run before sinking at the end of October 1914, the German cruiser *Karlsruhe* was able to take twenty thousand tons of coal from the eighteen ships it captured and, by scuttling fifteen of them, took a bite out of the British merchant marine.<sup>30</sup> British people in the South American ports charged that rich German businesses and individuals supplied the cruisers with coal, food, and ammunition. Brauss, Mann and Company was well known among the British in Argentina and Uruguay as “among the most dangerous of enemy firms,” largely owing to its efforts to outfit German cruisers.<sup>31</sup> Malcolm Robertson, the British chargé d’affaires in Rio de Janeiro, claimed that German coffee firms in Brazil plowed their profits into aid for the elusive German warships.<sup>32</sup>

Admiralty warships destroyed the German cruiser threat by the spring of 1915, but a new problem arose. Distressed Britons in South America reported that despite Britain’s domination of the seas, local German companies had little difficulty conducting transatlantic trade. They still used British banks and ships and imported British-made goods, and United Kingdom–based companies continued to employ Germans as their South American agents. As a result, many South American Britons judged the government in London to be either inept or unpatriotic in failing to adequately address the difficulties posed by their German neighbors.

The continued operation of German business was considered most egregious in the lucrative wheat, wool, and coffee trades. Long-held British desires to overturn German dominance of the River Plate grain trade were augmented by analyses

<sup>26</sup> d’Ombrain, *War Machinery*, 17.

<sup>27</sup> Offer, *First World War*, 220–306.

<sup>28</sup> *Parliamentary Debates*, Commons, 5th ser., vol. 66 (1914), col. 584.

<sup>29</sup> PRO, Cabinet (CAB) 16/18B, Trade with the Enemy supplementary papers 1912. The CID was obviously somewhat concerned with the possibility of Germany’s being supplied by neutral countries during a war. They compiled information focusing on imports of “certain important raw materials into Germany.” Large amounts of Argentine wool, hides, skins, and linseed flowed into Germany, while Brazil supplied much rubber.

<sup>30</sup> Archibald Hurd, *The Merchant Navy* (New York, 1921), 1:152–70.

<sup>31</sup> PRO, FO 118/390, Tower to Foreign Trade Department No. 15, 6 February 1916. Also, PRO, FO 505/358, Innes to FO No. 27 Com’l, 28 September 1915.

<sup>32</sup> PRO, FO 368/941, Robertson to FO No. 25, 16 October 1914. Also, PRO, FO 368/1233; see memo by Llewellyn-Smith of the Board of Trade on Theodore Wille and Company, in minute of 5 May 1915.

of trade since the start of the war. From August 1914, grain shipments to neutral Scandinavian ports from German-tainted firms such as Bunge and Born and Weil Hermanos underwent an unprecedented expansion after the British naval blockade halted the wheat, corn, and linseed headed directly to German ports. The British Chamber of Commerce in Argentina reported to Minister Tower that over the seven weeks before 28 October, at least twenty-two ships with over a hundred thousand tons of cereals had exited for Scandinavian ports. There had been no such shipments over the same period the previous year.<sup>33</sup> Once in Stockholm or Copenhagen, transshipping this grain across the Baltic to Germany was simple. Observers in Uruguay and Argentina noted similar changes in the flow of wool and sheepskins to Scandinavia and to neutral Italy.<sup>34</sup> As for coffee, over a year after the start of war Vice-Consul Robinson at Santos, Brazil, voiced his frustration that Eugen Urban, a German coffee exporter, could continue to "boast openly that he ships for Germany."<sup>35</sup>

Both before and during the war, the vast majority of the shipping tonnage in the River Plate flew the Union Jack, and British ships similarly dominated Brazilian trade routes.<sup>36</sup> The fact that these British ships continued to carry goods for such German businesses infuriated the local British communities. On 28 August 1914, Minister Tower noted ruefully that the sinking of the British steamship *Hyades* by the German cruiser *Dresden* was not without its positive side—four thousand tons of maize destined for a German firm at Rotterdam sank to the bottom.<sup>37</sup> The consul general at Buenos Aires, Horatio Mackie, estimated that German-run grain firms had long-term contracts controlling 85 percent of the British tonnage available in Buenos Aires. Mackie believed that by allowing Germans in Argentina to control these assets, local agents of the British lines failed to act "up to the spirit" of British enemy trade laws.<sup>38</sup>

Suggestions to remedy the problems of British shipping flowed in from all quarters. The British Chamber of Commerce in Argentina suggested that the British government withhold war risk insurance from shipowners who allowed their vessels to carry goods for German firms.<sup>39</sup> They also believed, like Mackie, that the government could control cargoes transported aboard British shipping by making British ships present their bills of lading and insurance documents for the endorsement of British consuls at each port they steamed in or out of around

<sup>33</sup> PRO, FO 118/337, Tower to FO Tel. No. 31 Com'l, 29 October 1914.

<sup>34</sup> PRO, FO 118/357, extract from the *Review of the River Plate* of 8 October 1915, in Tower to FO No. 315, 8 October 1915. Also, PRO, FO 118/337, Tower to FO No. 280 Com'l, 2 November 1914.

<sup>35</sup> PRO, Admiralty (ADM) 137/2833, note from Vice-Consul Robinson at Santos, 3 September 1915.

<sup>36</sup> *PP*, 1910, vol. 96, Cd. 4962–146, "Report for the year 1909 on the Trade and Commerce of the Consular District of Rosario," and Cd. 4962–187, "Report for the year 1909 on the Trade of Brazil." In 1909 the grain port of Rosario, Argentina, saw entry of nearly 1.7 million tons of steamships, of which over 1.35 million were British; in the same year, 6.2 million of the 12.2 million tons of ships entering Brazilian ports were British.

<sup>37</sup> PRO, FO 118/335, Tower to FO No. 148 Pol, 28 August 1914.

<sup>38</sup> PRO, FO 118/342, Mackie to Tower, 7 October 1914.

<sup>39</sup> PRO, FO 118/337, Tower to FO Tel. No. 31 Com'l, 29 October 1914.



the globe.<sup>40</sup> The consul at the grain port of Rosario agreed, explaining that the information garnered from such document inspections would help the government to trace transactions from departure to destination.<sup>41</sup> With such regulations, the consuls aimed not to scare British shipping away from the South American ports but rather to cripple German importers and exporters in the republics by making it more difficult for them to continue their business with Europe and the United States. And they trumpeted a potential corollary as well—if local British firms were given preferential access to the increasingly scarce space on British merchant ships, they could have an enormous advantage over the Germans in the local marketplace.

Yet back in London, these initial proposals met rejection from British shipowners. Some feared losing market share to neutral lines if their activities were restricted. In defending their haulage of goods for German firms in South America, the head of the Harrison steamship line explained to the Admiralty in December 1914 that “British ships would have to abandon the whole of the Brazilian trade if they refused to carry for such German firms. . . . Certainly if it is abandoned, it will not be recovered.”<sup>42</sup> The Admiralty worried that new regulations on shipowners might lead British steamship lines to transfer their ships to neutral flags.<sup>43</sup> But the Board of Trade proved by far the greatest supporter of the intransigent British shipowners. The Board’s Marine Department stated that because it was largely a tramp trade conducted on an irregular schedule, the amount of tonnage and the freight rates charged for the haulage of grain from Argentina were best regulated by market forces. In February 1915, the board opined that the government should not step into this market by chartering ships to bring grain to Britain from Argentina, nor should any measures should be taken against the Big Four grain firms.<sup>44</sup>

A similar debate erupted over German domination of the Brazilian coffee trade. Malcolm Robertson wanted British shipping lines to stop giving space on their ships to coffee shipped by the German exporters, explaining that “unless Banks, Shipping Companies and Merchants consult and work together at this moment there will be no possibility of our capturing German trade in Brazil.”<sup>45</sup> Foreign Office clerks pinpointed weak British enemy trade laws as the main problem, but within the interministerial Contraband Committee, the consensus remained that “the Board of Trade do not wish these consignments to be interfered with . . . however much we may regret it,” and thus South American Germans continued to utilize British ships.<sup>46</sup>

Like shipowners, British bankers in South America opposed restrictions on their activities by the British government, fearing such restrictions would cause them to lose business to their competitors. Despite the reputation these banks had for

<sup>40</sup> PRO, FO 368/928, Mackie to Tower, 7 October 1914, in Tower to FO No. 268 Com'l, 16 October 1914.

<sup>41</sup> PRO, FO 118/342, Dickson to Tower No. 41, 14 October 1914.

<sup>42</sup> PRO, ADM 137/2828, letter from Norman Hill to Captain Webb on 2 December 1914.

<sup>43</sup> PRO, ADM 137/2917, memo of 21 January 1915 entitled “Transfer of British Ships to Neutral Flags.”

<sup>44</sup> PRO, FO 368/1202, Board of Trade (BT; Marine Dept.) to FO, 15 February 1915.

<sup>45</sup> PRO, FO 368/941, Robertson to FO No. 25, 16 October 1914.

<sup>46</sup> PRO, FO 368/1232, Hurst minute of 23 March 1915, and minute by Cave (Contraband Committee) of 19 May 1915.

stability in times of crisis, within three weeks of the start of war, over two hundred depositors had withdrawn their accounts from the Buenos Aires branch of the London and River Plate Bank. The manager of the bank fretted that the withdrawals were by Germans who had decided to bank with the Banco Aleman.<sup>47</sup> British bankers worried about losing large German firms as clients and thus rarely acted on their own against the Germans. In this they were aided by the leniency of the British government through the opening months of war. On 11 August 1914, the London and River Plate Bank headquarters anticipated regulation when it informed its branches that drafts drawn by Germans would not be accepted. Two weeks later, it stepped back, merely advising its managers to be cautious "in all your transactions with Germans."<sup>48</sup> When a January 1915 revision of the "trade with the enemy" laws apparently forbade all London-based banks to conduct business with enemies outside the United Kingdom, the managers of the London and River Plate Bank in Buenos Aires were informed by their London home office that the government only aimed to prevent goods from entering Germany.<sup>49</sup> The bank's chairman, Robert A. Thurburn, predicted that a loophole in the law would "leave our business generally unaffected," and he was soon proven correct when the Treasury granted the British banks and their branches in South America a license to conduct transactions with branches of German banks and firms in neutral territory.<sup>50</sup> British banks in South America thereafter repeatedly avowed to refuse business with any branch of a German company, but local Britons doubted the bankers' promises.<sup>51</sup> In October 1915, Hope Gibson of the British Chamber of Commerce in Argentina complained that the local branch of the Anglo-South American Bank granted credit to the local German house of Brauss, Mann and Company. After being questioned, the bank noted that there was no legal reason to stop trading with that firm but claimed it would do so no longer.<sup>52</sup> Such equivocation did not endear these banks to many of the British merchants in South America, who, even before the war, had lamented the failure of their nation's bankers to conduct business in a manner that enhanced the commercial competitiveness of other Britons in the republics.

Through the first half of 1915, shipowners, bankers, and the Board of Trade proved powerful opponents of commercial warfare in South America. In the face of this intransigence, many of the British in South America, including merchants and other businessmen, diplomatic and consular officials, and the English-language press, decided to change the practices of these shipping companies and banks by themselves. In Brazil, British Minister Arthur Peel urged shipping agents as "a matter of patriotism" to refuse to haul goods for local firms known to be German.<sup>53</sup>

<sup>47</sup> Bank of London and South America papers, University of London (hereafter BOLSA), D35/17, confidential from Buenos Aires to London on 20 August and 5 September 1914.

<sup>48</sup> BOLSA, D1/29, confidential telegrams from London to Buenos Aires on 11 August and 24 August 1914.

<sup>49</sup> BOLSA, D1/29, letter of 14 January 1915.

<sup>50</sup> BOLSA, D6/17, letter from Buenos Aires to branches on 8 February 1915, passing along Thurburn's letter of 14 January. Also, BOLSA, D1/29, letter of 4 February 1915.

<sup>51</sup> BOLSA, D76/1, private from Dey to Thurburn, 26 February 1915.

<sup>52</sup> PRO, FO 368/1205, letter from Hope Gibson to Tower, in Tower to FO No. 279 Com'l, 1 October 1915. Also, PRO, FO 368/1205, Parliamentary Council, Sir A. Thring to FO, 1 December 1915.

<sup>53</sup> PRO, FO 833/18, Peel to FO No. 55, 1 September 1915.

At the end of October 1914, Mitchell-Innes telegraphed the Foreign Office to state that three Liverpool-based lines employed a German as their agent in Montevideo.<sup>54</sup> Upon receiving a letter from the Foreign Office, two of the lines said that they did not know whether the man in question was German but would sack him in any case.<sup>55</sup> But David MacIver, Sons and Company refused to fire the agent, a man suspiciously named Schwartz, before seeing proof that he was an “alien enemy.” MacIver explained that Schwartz was a Uruguayan subject whose late father, an immigrant to the River Plate from Germany, had been the line’s first agent in Montevideo.<sup>56</sup> Mitchell-Innes acknowledged that Schwartz was Uruguayan born and bred, but he argued that “this makes no practical difference. His sympathies are understood to be entirely German, and I cannot give him confidential instructions.”<sup>57</sup> MacIver finally fired Schwartz early in December 1914.<sup>58</sup> Responding to this episode, at the start of January 1915 the Foreign Office issued a blanket order to its South American diplomats to “invite British shipping firms to not employ German agents.”<sup>59</sup> Firms refusing to do so would be reported by telegraph to the Foreign Office, which would then put pressure on their home offices in the United Kingdom. By March, Minister Tower had approached a large number of British firms in Argentina, asking them to fire German employees.<sup>60</sup>

Along with such quasi-official pressure, British public opinion in the South American ports forced British shipping lines to toe the line against Germans. From the opening days of war, rumors swirled that the German Coal Company (Deutsches Kohlen Depot) in Montevideo and Buenos Aires was hoarding coal to supply a German cruiser squadron steaming in from the Pacific.<sup>61</sup> Consul General Mackie warned the masters of the British steamships of Buenos Aires “that purveyors of coal are liable to heavy penalties for delivering that fuel to a German firm in this city.”<sup>62</sup> Because the coal might go to fuel German cruisers, Mackie believed such trade constituted a criminal activity under British law. The Foreign Office hastened to tell him that despite their desire “to impede and restrict German commerce as much as possible,” many in the government feared that changes in coal marketing in South America would unsettle the practices of the strategically and economically vital British coal industry and disrupt shipments of food from the River Plate to Britain. However, the Foreign Office encouraged Mackie to “use his influence” to get British ships in South America to cease such trade voluntarily.<sup>63</sup>

The resulting episode illustrates well the jagged rifts that were developing among Britons in both South America and London. When Mackie’s paid informants discovered that the British steamships *Clivegrove* and *Bengrove* were unloading

<sup>54</sup> PRO, FO 368/1165, Mitchell-Innes to FO Tel. No. 19 Com'l, 29 October 1914.

<sup>55</sup> PRO, FO 368/1165, FO to the Larrinaga, Lynzan, and Maciver Lines, 3 November 1914.

<sup>56</sup> PRO, FO 368/1165, MacIver to FO, 10 November 1914.

<sup>57</sup> PRO, FO 368/1165, Mitchell-Innes Tel. No. 62 Com'l, 14 November 1914.

<sup>58</sup> PRO, FO 368/1165, MacIver to FO, 2 December 1914.

<sup>59</sup> PRO, FO 118/350, FO to Mitchell-Innes Tel. No. 1 Com'l, 2 January 1915.

<sup>60</sup> PRO, FO 118/355, Tower to FO No. 72 Com'l, 11 March 1915.

<sup>61</sup> PRO, FO 505/355, Norman to Mitchell-Innes Tel., 4 August 1914.

<sup>62</sup> PRO, FO 118/342, Mackie to Norman, 6 August 1914.

<sup>63</sup> PRO, FO 368/926, FO to Mackie Tel. No. 2 (drafted by Eyre Crowe), 9 August 1914; also, FO to Mackie Tel. No. 4, 15 August 1914.

coal to the German Coal Company, Mackie sent a warning to the masters of those ships that they must cease such operations immediately. When they refused, Mackie slipped articles to local British newspapers lambasting their conduct. The resulting public outcry drove the two ship captains to stop the coal transfer.<sup>64</sup> Tower supported Mackie, writing to the Foreign Office that the consul general's actions had been motivated "solely by considerations of patriotism" and followed "the only course consistent with British interests." The Foreign Office agreed and was infuriated when soon thereafter the shipping company that owned the vessels, Hoult and Company of Liverpool, billed the Foreign Office £495.14.2 to cover its losses for what it claimed was an illegal detention.<sup>65</sup> To retaliate, the Foreign Office suggested to the Admiralty that they suspend the certificates of competency of the two captains. The Admiralty agreed, but the Board of Trade refused.<sup>66</sup> When Hoult continued to press their case, Foreign Office officials could hardly believe it. "Impudent people," wrote Algernon Law, the controller of commercial and consular affairs at the Foreign Office; Hoult's actions were "a shameful business." Another Foreign Office clerk noted icily that the subsequent sinking of the *Ben-grove* by a German submarine was "a poor reward for her master's services to the enemy."<sup>67</sup> The Foreign Office held its ground, refusing payment, and Hoult dropped the matter at the end of April 1915.<sup>68</sup>

As this incident illustrated, British officials and the English-language press in Buenos Aires could change the activities of British ships, and this success enhanced the confidence and determination of would-be British commercial warriors. The reticence of British shipowners, bankers, and officials to dive into a war against the German exporters of South America infuriated many of the British who lived and conducted business in the republics. Their response was to nurture new commercially oriented, nationalist community-building efforts in the South American cities, and along with consular and diplomatic officials and English-language newspapers, they worked assiduously to halt trade conducted by locally established German businesses. These Britons were under no compulsion to do so, as they lived and worked in avowedly neutral countries whose laws they were bound to follow. But the war provided the British in South America with an opportunity to fight a foe they had long puzzled over. The British felt that the activities of German firms over the opening months of war provided further examples both of the general deceitfulness of German merchants and of the importance of countering German organization by fostering similar cooperation between British merchants and their government. Looking to destroy the pernicious *Deutschtum* that seemed poised to dominate South American commerce, British people in the South American republics drew the attention of British officials to loopholes in enemy trade laws. At the same time, these Britons severed their own connections with all things German, including employees, customers, partners, and clients. Per-

<sup>64</sup> PRO, FO 368/926, copy of Mackie's letter, in Norman to FO No. 119 Com'l, 7 August 1914. Also, Mackie to Tower, 22 September 1914, in Tower to FO No. 163 Com'l, 24 September 1914.

<sup>65</sup> PRO, FO 368/926, letter from Hoult and Company, 9 October 1914.

<sup>66</sup> PRO, FO 368/926, Admiralty (ADM) to FO, 24 November 1914. Also, BT to FO, 24 December 1914.

<sup>67</sup> PRO, FO 368/1202, Tower to FO No. 29 Com'l, 2 March 1915.

<sup>68</sup> PRO, FO 368/1202, Hoult to FO on 27 April 1915, and FO response on 30 April 1915.

manently replacing German traders with Britons became the highest priority for British commercial warriors in South America during 1914 and 1915.

Some of the British acted by writing letters to Tower and Mitchell-Innes or to the English-language South American press, denouncing certain firms or people as “Huns.” But the more constructive form of participation in the war effort came from commercial organizations. British Chambers of Commerce, all created in the largest cities of the republics during the months immediately preceding and after the start of the war, became both a forum to unify the local British communities and the primary link between British businessmen overseas and the British government at home. Although these chambers claimed to work for “the advancement of local British commercial interests taken as a whole,” they tended to be dominated by merchant houses hawkish toward the economic war, rather than by shipping and banking interests.

From the start of the war, the chairman of the British Chamber of Commerce in Argentina, Hope Gibson, pledged to devote his organization to recommending improvements to the economic war. Minister Tower, who had been crucial in founding the chamber in July 1913, promised to submit the chamber’s suggestions to the British government.<sup>69</sup> For Gibson’s group and the other British Chambers of Commerce in South America, pointing out the deficiencies in Britain’s economic war was a crucial if sometimes overwhelming duty. From the start of war, the Chamber of Commerce in Buenos Aires argued that prohibiting business between British firms and Germans would open “exceptional possibilities for the British manufacturer to regain lost ground and also seek new fields in South America.”<sup>70</sup> Looking to spur an improvement in banking and credit facilities, the chamber issued a harsh December 1914 report claiming that “we can discern little or no sign of any willingness on the part of the private Joint Stock Banks to give tangible support to the aspirations of home traders to enter the enemies’ trade preserves.” The chamber believed that the government should induce British industry to change the way that businesses in the United Kingdom conducted trade in South America, and Tower agreed that “if then a real effort is to be made to take advantage of the present unique opportunity common sense seems to demand that Great Britain should take a leaf out of the German book.”<sup>71</sup> Tower backed the chamber’s call for manufacturers to appoint, as their agents in South America, British firms with experience in local markets that could best represent the interests of British commerce. The relationship would have reciprocal benefits, as manufacturers in the United Kingdom would be provided with enhanced commercial intelligence. For example, to teach manufacturers what local consumers desired, the chamber planned to send to the United Kingdom samples of German-produced goods that had proven popular. Tower explained in a Christmas Eve 1914 despatch to the Foreign Office that the chamber had already helped him understand the nature of German commerce, and he assured the Foreign Office that its members “are fully prepared to play their part in the assault on German trade.”<sup>72</sup>

<sup>69</sup> *Buenos Aires Herald*, 25 September 1914, 32. On Tower’s role in the founding of the Chamber of Commerce, see *Buenos Aires Herald*, 1 July 1913, and the *Standard* (Buenos Aires), 1 July 1913.

<sup>70</sup> *Buenos Aires Herald*, 28 August 1914, 15. Also, PRO, FO 118/337, Tower to FO No. 320 Com’l, 24 December 1914.

<sup>71</sup> PRO, FO 368/1202, Tower to FO No. 320 Com’l, 24 December 1914.

<sup>72</sup> *Ibid.*

The proposals and complaints of the British Chamber of Commerce in Buenos Aires were repeated by other newly formed chambers elsewhere in South America. By the middle of 1915, the prewar belief that insidious bonds linked German firms, German banks, and the German government had led these British merchants, diplomats, and consuls to conceive of a Germany unbound by geographical borders. According to those in South America who already hated the Germans, it was high time for politicians and officials to flex British muscle and initiate the transfer of German trade to Britons.



In London, the Foreign Office heard the call to arms. According to the historian D. C. M. Platt, the Foreign Office should have been the least likely of government ministries to take the lead in a campaign against "business as usual."<sup>73</sup> Platt argues that laissez-faire reigned within the Foreign Office from the early 1800s through the 1920s. Others have suggested that the reticence of the Foreign Office to engage in commercial warfare contrasted with the interventionist-minded Board of Trade.<sup>74</sup>

However, Platt may underestimate the degree to which prewar developments transformed the mentalities of the South American hands in the Foreign Office. British analysts noted that Germany, lacking a large imperial market, paid especially close attention to Latin America.<sup>75</sup> The fervently anti-German attitude expressed in their diplomats' dispatches could only have fertilized the anti-German biases held by many in the Foreign Office.<sup>76</sup> And even before the war, there were indications that the Foreign Office, tilting an ear to the entreaties of the consuls and diplomats in the republics, was making efforts to aid British trade in South America. The Commercial Department of the Foreign Office envisioned British officials in South America touting for British trade and defended its representatives overseas who decided to do so. A Foreign Office report in 1910 advocated extension of Britain's foreign trade promotion program that it had run jointly with the Board of Trade since 1899. Victor Wellesley, one of the first commercial attachés ever appointed (to Rome in 1908) and an important Foreign Office senior clerk, spearheaded his ministry's drive to grasp full authority over these attachés from the Board of Trade. Wellesley envisioned the commercial attachés as a new segment of the Foreign Office's overseas service, acting "as the focus of commercial intelligence and as a link between the mercantile community in the United King-

<sup>73</sup> D. C. M. Platt, *Finance, Trade and Politics in British Foreign Policy, 1815–1914* (Oxford, 1968), 318–33. Others have agreed with Platt; e.g., Miller, *Britain and Latin America*, chap. 3; Zara Steiner, *The Foreign Office and Foreign Policy, 1898–1914* (Cambridge, 1969), 173–85; and Ross J. S. Hoffman, *Great Britain and the German Trade Rivalry* (Philadelphia, 1933), 229–43.

<sup>74</sup> For an example of such opinion about the Foreign Office, see John McDermott, "Total War and the Merchant State: Aspects of British Economic Warfare against Germany, 1914–16," *Canadian Journal of History*, no. 21 (1986): 70–74. On the Board of Trade, see F. X. J. Homer, "Foreign Trade and Foreign Policy: The British Department of Overseas Trade, 1916–1922" (PhD diss., University of Virginia, 1971), 43–49.

<sup>75</sup> D. C. M. Platt, *Latin America and British Trade, 1806–1914* (New York, 1973), 102.

<sup>76</sup> For the anti-German biases of the Foreign Office clerks and undersecretaries, see Steiner, *Foreign Office*, chap. 3.



dom and abroad.”<sup>77</sup> Wellesley hoped the government would subsidize British Chambers of Commerce abroad, like France and Germany did, making these chambers the intelligence gatherers for their attachés. The proposed attaché system would draw overseas Britons closer to the British state.

Board of Trade officials rejected Wellesley’s suggestions, hoping to eventually command the attachés themselves and also favoring a far more ambiguous, laissez-faire role for these officials. They argued that attachés should never answer specific queries from individual merchants and manufacturers in Britain about openings for trade in foreign markets. The Board of Trade felt that “on principle,” British Chambers of Commerce abroad should not receive grants from the British government. Wellesley angrily replied that the Commercial Intelligence Branch of the Board of Trade, the prime contact between the government and businessmen in the United Kingdom, was incompetent and out of touch with the needs of these British businessmen for information about foreign markets.<sup>78</sup> In the eyes of Wellesley and many others in the Foreign Office, the Board of Trade discouraged innovation and refused to learn from failure.

The divide between the two ministries persisted into the war. Following the recommendations flooding in from its diplomats and consuls in South America, the Foreign Office in the summer of 1915 persistently lobbied for an economic war policy that would destroy German businessmen while simultaneously constructing a new beginning for British commerce. It devised a plan for commercial war that followed recommendations from British officials abroad and especially from the British Chamber of Commerce in Argentina. In an unprecedentedly blunt manner, the chamber’s Executive Committee passed four resolutions on 23 June 1915 demanding that firms in the United Kingdom stop dealing with German firms in Argentina. The chamber included a list of German firms (sixteen exporters, fifty-one importers, three import/export firms, three contractors, and five shipping companies) and enumerated the misdeeds of these would-be enemies. Not only should this list of firms be attacked; the chamber explained that, if given the opportunity, loyal British firms could immediately take up their business.<sup>79</sup> The report sparked a debate within the Foreign Office over whether present attempts at “moral suasion” would ever change the actions of businesses in Britain, and if not, whether a prohibition on such British trade would violate the neutrality of the South American countries. H. W. Malkin, a Foreign Office international law specialist, argued that present methods had failed and that the government must “go the whole hog and prohibit trade with them [German firms in South America].”<sup>80</sup> Malkin recognized that it would be difficult to convert the Board of Trade to this position but urged that the Foreign Office try. A letter subsequently went out to the board explaining that German residents in Argentina were con-

<sup>77</sup> *British Documents on Foreign Affairs, Part II, From the First to the Second World War*, ser. K, Economic Affairs, Cultural Propaganda, and the Reform of the Foreign Office, 1910–1939, vol. 1, *Economic Affairs, September 1910–December 1933*, ed. D. Cameron Watt (Frederick, MD, 1997), document 2, Victor Wellesley, “Notes, Comments, and Suggestions on the Working of the New System of Commercial Attachés,” 19 September 1910, 11.

<sup>78</sup> *British Documents on Foreign Affairs, Part II*, ser. K, vol. 1, ed. Watt, 23n.

<sup>79</sup> PRO, FO 368/1205, Chamber of Commerce letter, 23 June 1915, in Tower to FO No. 175, 25 June 1915.

<sup>80</sup> PRO, FO 368/1205, minute by Malkin, 7 August 1915.

tinuing to carry on their trade. "The time is fast approaching," argued the Foreign Office, "when a serious effort should be made to diminish both now and in the future German trade with neutral countries." Extending "trade with the enemy" laws to prohibit trade with Germans in neutral countries would accomplish this goal.<sup>81</sup> G. H. Villiers, the assistant head of the Commercial Department, despised what he called the "intolerable attitude of the B of T who seem to wish to promote trade with German firms in neutral countries."<sup>82</sup> Commercial Department clerk Basil Newton quickly wrote a position paper outlining the Foreign Office position, explaining that "there is abundant evidence that enemy subjects in neutral territory are as much our enemies as persons who actually reside in hostile territory" and suggesting that British ships should not be allowed to carry goods sent or received by "enemy" firms in neutral countries. His report cited in particular British diplomats and consuls "in certain of the lesser developed countries, e.g., in South America," who believed that restrictions on trade with Germans there would "be of considerable benefit to the permanent interests of British trade."<sup>83</sup>

The Foreign Office, represented by Lord Robert Cecil and C. G. B. Hurst, presented Newton's proposal to the War Trade Advisory Committee (WTAC), a new interdepartmental body that replaced the Restriction of Enemy Supplies Committee in September 1915. Cecil ran the Contraband Department of the Foreign Office, which throughout 1915 negotiated contraband and rationing agreements with trade groups in the neutral countries adjacent to German-controlled territory. Along with the efforts of the Admiralty to intercept cargos suspected to be destined for Germany, these agreements had already succeeded in staunching the flow of Argentine wheat and other South American commodities to Germany. By the autumn of 1915, Cecil had become the prime public advocate of the way that the Foreign Office prosecuted the blockade. He recognized that the Foreign Office walked a tightrope between the desires to weaken Germany by depriving it of supplies and hurting its economy and the necessity of maintaining good relations with neutral governments, especially the United States.<sup>84</sup> Cecil constantly dealt with the question of whether it was worthwhile to irritate neutral countries, and he had learned much about how to mitigate such irritation.

When the WTAC was created, Cecil's experience and confidence immediately enabled him to guide the committee in the direction the Foreign Office desired. He demanded war against the Germans of South America. Following the recommendations from the Britons of South America, Cecil and others from the Foreign Office argued that measures against overseas Germans must be more than just an extension of the blockade.<sup>85</sup> They claimed that German firms in South

<sup>81</sup> PRO, FO 368/1205, letter from FO to BT, 11 August 1915.

<sup>82</sup> PRO, FO 368/1205, minute by Villiers of 13 September 1915 on the Argentine trade returns for the first half of 1915, in Tower to FO No. 246 Com'l, 11 August 1915. Villiers was upset by the huge export of products from Argentina to Scandinavia.

<sup>83</sup> PRO, FO 833/18, memo by Newton, 20 September 1915.

<sup>84</sup> Gascoyne-Cecil papers, British Library, Add MS 51105, minute by Cecil, 19 July 1915. Also in PRO, FO 800/95, papers of Lord Edward Grey. Also, Viscount Cecil of Chelwood, *A Great Experiment* (New York, 1941), 44. Also, see *Parliamentary Debates*, Commons, 5th ser., vol. 75 (1915), cols. 579–626.

<sup>85</sup> PRO, CAB 39/2, Paper No. 2 in agenda for first meeting of the War Trade Advisory Committee on 29 September 1915.

America were stockpiling vital commodities such as wool for postwar shipment to Germany, which would enable German industry and international trade to rebound quickly upon conclusion of an armistice. A new British war would thwart such a German postwar resurgence, would wreck German propaganda efforts in neutral countries, and would also punish German businesses for helping their homeland's war effort. The Foreign Office lamented that there had been conflicting instructions given by various ministries to British traders, shippers, and bankers, and it proposed the creation of a new agency focused exclusively on this war. By using the available intelligence, in particular the recommendations of British diplomats, consuls, and commercial organizations abroad, the new organization would determine exactly which companies and individuals in non-European neutral countries merited being named as enemies of Britain. They would treat as an enemy anyone who acted against British interests in neutral overseas countries.

When a subcommittee was formed to consider such a redefinition of enemy status, the deck was stacked in favor of the Foreign Office. It was chaired by Lord Robert Cecil, and the first to testify before the committee was R. T. Nugent, the young Foreign Office clerk who drafted his ministry's plan. Nugent argued that any extension of warfare must "destroy as far as possible the whole German financial and commercial organisation in neutral countries . . . [while] assisting British recuperation by the substitution of British commercial organisations and channels of distribution for German." To avoid diplomatic rows, Nugent explained that any measure should legally apply to all neutral countries. However, in application the measure must vary from country to country. It should be weak in Europe and the United States to mitigate friction with those important governments. But in less strategically vital countries, "such as many South American States and the Portuguese and Spanish colonies in Africa, more drastic measures would seem both possible and desirable. . . . It is fortunately in these very countries," continued Nugent, "that the destruction of German trade promises the most hopeful results, where the political and commercial sentiments of the inhabitants are least likely to be offended, and where the German organisation is at once most vulnerable, and most dangerous in its political, military, and commercial potentialities."<sup>86</sup>

The subcommittee of the WTAC deliberated on the Foreign Office plan through the end of November 1915. Not surprisingly, Cecil relied on the testimony of Britons in South America to support a policy change. For instance, Mitchell-Innes wrote a memorandum explaining that, with the elaborate financial network linking the modern world together, "to-day an operation undertaken in Montevideo may as materially help Germany as if it had been done in Berlin. Money in any country can be utilised the world over. Hence the important thing to-day is no longer domicile, still less nationality, which is often a purely technical thing, but the power and will to help the enemy."<sup>87</sup> He warned that in Uruguay (and likely across the rest of the continent), there would be much ill will toward Britain if any enhancement of economic warfare in South America was not mirrored by identical measures

<sup>86</sup> PRO, FO 833/18 and CAB 39/74, "Memorandum by Mr. Nugent on certain Aspects of the Proposal to extend the Prohibition of Trading with the Enemy to Neutral Countries," 18 October 1915.

<sup>87</sup> PRO, FO 833/18, Mitchell-Innes to FO No. 26 Com'l, 28 September 1915.

in North America, but as long as the United States was included then the Uruguayan government would not protest. In general, Mitchell-Innes was optimistic about the proposed war, believing that "if the policy of boycotting German firms were followed out at both ends, there is a reasonable prospect of some harm being done" to German firms and to *Deutschtum* in general. It would also be a positive signal to the British communities in South America as at least a "platonic expression of the desire of our Government" to hurt the Germans and to pay attention to commerce in South America.

Within the WTAC, the Foreign Office plan found support from other ministries. The Admiralty demanded increased restrictions on the trade of Germans and ridiculed the Board of Trade for its reluctance to take action.<sup>88</sup> H. B. Butler, the head of the trade with the enemy department of the Home Office, saw some potential difficulties in administering a commercial war but concluded that with the formation of a publicly announced list of enemy firms, the creation of a new ministry to oversee the campaign, and the support of consuls, diplomats, and British businessmen everywhere, a new enemies policy could succeed. In the next meeting, Hurst called for this new department to be formed under the Foreign Office.<sup>89</sup> Following Nugent's template, a new policy was close to completion.

Resistance came, predictably, from the Board of Trade and the bankers. W. H. Hollis, the managing director of the British Bank of South America, testified that cutting off its business with German exporters in South America would be a futile gesture. After the war, the cash and expertise of German merchants would allow the Germans easily to regain control of primary exports. Hollis argued that British regulations would "choke" the Argentine and Brazilian governments, which relied heavily on customs revenues to fund domestic programs and to service their foreign debts, and would likely spur retaliatory attacks on highly visible British enterprises by people in South America who opposed the power of foreign capital.<sup>90</sup> E. J. Pretyman of the Board of Trade noted that Britain's command of the majority of the world's merchant tonnage could enable the government to install effective measures against the overseas Germans, but he feared that this might rouse neutral governments and civilians against Britain.<sup>91</sup> Thomas Worthington, the director of the board's Commercial Intelligence Branch, did not think the business of German firms could be destroyed. Focusing on South America and particularly Brazil in his testimony to the subcommittee, Worthington urged improvements in the organization of British commerce through fostering contacts between businessmen and the government overseas. However, he stated in the end that the British government would be unable to destroy the main German businesses.<sup>92</sup> The Board of Trade was deeply concerned that the Foreign Office proposal would cause the Commercial Intelligence Branch to lose many of its responsibilities, fearing correctly that the Foreign Office wanted to create a commercial diplomatic service

<sup>88</sup> PRO, CAB 39/74, two memos entitled "Trade with the Enemy in relation to South American Trade" and "South American trade."

<sup>89</sup> PRO, CAB 39/74, minutes of fifth meeting of the subcommittee, 12 November 1915.

<sup>90</sup> PRO, CAB 39/74, minutes of sixth meeting of the subcommittee, 19 November 1915.

<sup>91</sup> *Ibid.*

<sup>92</sup> PRO, CAB 39/74, "Notes of Interview with Mr. Worthington, Director of the Commercial Intelligence Branch of the Board of Trade," 6. The interview occurred during the fourth meeting of the subcommittee, 20 October 1915.

that directly linked the Foreign Office to manufacturers and exporters in the United Kingdom. Board of Trade officials obstinately declared that they would not hand over any of their present functions as the primary intermediaries between the government and British traders, manufacturers, and shippers.<sup>93</sup>

The qualms of the board, however, had little impact on the outcome of the subcommittee's final recommendations, which followed the desires of the Foreign Office. "The South American countries are by far the most important in relation to our enquiry. It is mainly with reference to them that the desirability of the new policy must be judged."<sup>94</sup> If Parliament agreed and passed the trade with the enemy extension law recommended by the WTAC, the government would gain, in Cecil's words, the "power to put a list of prohibited persons in the same position as enemies."<sup>95</sup> The government would do so by drawing up a blacklist "with great care and in close consultation with traders at home and abroad."<sup>96</sup> It was not the first blacklist of enemy firms abroad, but it would be the first one with any legal muscle. Earlier blacklists focused on limiting access to financial facilities, transatlantic cables, and coal, but they were secret, circulated only to government departments that might then attempt to persuade companies in the United Kingdom to voluntarily halt their trade. The new Statutory List would be published in the United Kingdom and in newspapers abroad. British subjects were legally forbidden to enter into business with firms on the Statutory List. By placing someone on the list, the British government could openly attack any business or individual anywhere in the world by forbidding their use of any British services. The definition of "enemy" enshrined in the new policy made constant scrupulous attention necessary to determine listable enemies at any given time; indeed, this flexibility was the key feature of the new war. Britain could vociferously attack the Germans of South America (and, potentially, their local fellow travelers) by placing their names on the Statutory List. At the same time, the law would enable the British government to avoid rows with the most important overseas neutral, the United States, merely by refraining from listing too many U.S. businesses.

The subcommittee report stressed that the new department should be created by consolidating the trade with the enemy departments of the Foreign Office, Home Office, and Treasury, while suggesting halfheartedly that "it might also be found possible to obtain some assistance from the Board of Trade." As "an outlying branch of the Foreign Office," the new department would be led by Foreign Office staffers who would utilize diplomats and consuls to communicate with British traders around the world, linking them together in an attack against Germans while helping British businesses in neutral countries connect commercially to their compatriots in the United Kingdom.<sup>97</sup> Created soon thereafter by a law passed after a cursory debate in the House of Commons, the new Foreign Trade Department oversaw the compilation of the Statutory List, working with the dual mission to destroy German-owned and operated businesses in South America while

<sup>93</sup> PRO, CAB 39/74, testimony by Mr. Fountain, in the minutes of eighth meeting of the subcommittee, 29 November 1915.

<sup>94</sup> PRO, CAB 39/74, "Draft Report of the Sub-Committee appointed to consider the definition of 'enemy.'"

<sup>95</sup> PRO, CAB 39/74, minutes of sixth meeting of the subcommittee, 19 November 1915.

<sup>96</sup> PRO, CAB 39/74, "Report on Enemy Trading, Administration."

<sup>97</sup> *Ibid.*

replacing them with British companies. It was a wartime mission intended to last into any postwar peace. At the end of 1915, the long-held hopes of British merchants in South America had come true.

The economic war against Germans overseas resulted from a debate between advocates of a variety of war strategies and economic ideologies. While hoping to gain control of trade policy and a new agency in Britain, the Foreign Office particularly looked to satisfy the desires of the merchants in South America who utilized their identities as Britons to make unprecedented claims on the government in London. The government responded by shirking the desires of the "gentleman capitalists," the bankers and shipowners and their allies in the Board of Trade, by creating a new department intended to link permanently these distant Britons with both businesses and the state in Britain. In this case, official intrusion in the British economy was uniquely designed both to fight the war and to last beyond the end of war.

There was virtually no public outcry in the United Kingdom for such measures. Actions already undertaken by the Admiralty and Contraband Department had virtually stopped supplies moving from South America to Germany. Without constant pressure from businessmen and diplomats in South America, the issue of Germans in neutral countries beyond Europe might never have arisen. The creation of this campaign against Germans overseas further complicates our understanding of the British government's system of economic controls during the First World War, proving that the nationalism and opportunism of British interest groups beyond the formal boundaries of the British Empire must not be overlooked when explaining the revolutionary wartime changes that took place in the structure and policies of the British government.

It has never been recognized as such, but the new campaign against enemies in South America explains why the Foreign Office subsequently became a driving force in further extending wartime economic controls and in planning for a post-armistice economic offensive against Germany. The decision to fight Germans in South America immediately preceded an appeal by Walter Runciman, the president of the Board of Trade, asking all ministries to consider the question of postwar reconstruction. Runciman obviously wished to regain control of economic policy, but it was too late. The mentality that would dominate all postbellum planning was the same one that demanded an attack against the threatening and inviting target of Germans in South America. The debate over South America led many in London to conclude that a postbellum trade war would inevitably erupt, pitting global British businesses against German competitors, and that the way to win this competition would be to expand government involvement in economic planning for the sake of "national efficiency."<sup>98</sup> Long-term strategic concerns and diminishing allegiances to laissez-faire doctrines combined when the British jettisoned "business as usual," in a movement propelled by the belligerent Britons of South America.

<sup>98</sup> Peter Cline, "Winding Down the War Economy: British Plans for Peacetime Recovery, 1916–19," in *War and the State: The Transformation of British Government, 1914–1919*, ed. Kathleen Burk (London, 1982), 157–76. Also, Rodney Lowe, "Government," in *The First World War in British History*, ed. Stephen Constantine et al. (London, 1995), 37–38.