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of Modern Europe

Huber | Kleinöder | Kleinschmidt [eds.]

Security and Risk

Challenges for Economy and Business
in the Global 20th Century



Nomos

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Edited by

Prof. Dr. Jan-Otmar Hesse

Prof. Dr. Christian Kleinschmidt

Dr. Alfred Reckendrees, Associate Professor

Prof. Ray Stokes, Ph.D.

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Politics of Security

Edited by

Prof. Dr. Thorsten Bonacker

Prof. Dr. Horst Carl

Prof. Dr. Eckart Conze

Prof. Dr. Christoph Kampmann

Dr. Sarah Kirst

Prof. Dr. Regina Kreide

Dr. Angela Marciniak

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Marie Huber | Nina Kleinöder | Christian Kleinschmidt [eds.]

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Security and Risk: The Case of Foreign Trade Securitisation

Marie Huber, Nina Kleinöder and Christian Kleinschmidt

This volume forms the second of a two-part series examining the nature of economic security and risk from a conceptual perspective and presenting a collection of current case studies. It also represents the conclusion to a 12-year research project, “Foreign Trade Securitization”, a sub-project of the Collaborative Research Center (CRC) project “Dynamics of Security. Forms of Securitization in Historical Perspective”.¹

Over the past 12 years, “Dynamics of Security” has predominantly engaged with the theoretical framework of critical security studies, in which security is not taken “as a given or self-explicatory concern of political actors and institutions.”² Instead, the framework “questions the ways that security issues are politically and socially constituted.”³ Critical security studies as an academic discipline comprises several approaches to international security studies. These include constructivist perspectives which use security as an analytical category, referring to “actions taken in the face of (real, imagined, actual, or anticipated) threats, and [for the purpose

1 “Dynamics of Security” is a 12-year Collaborative Research Center (CRC) project. A Collaborative Research Center is a long-term funded research collaboration that is based at German universities and funded by the German Research Foundation (Deutsche Forschungsgemeinschaft, DFG). CRCs are dedicated to a collaborative, interdisciplinary work programme, to “tackle innovative, challenging, complex and long-term research undertakings”. They are based on one main topic and concept that is developed over up to three research phases (each one consisting of four years) which need to be separately applied for. Institutionally, CRCs are divided into different project areas and subprojects that pursue their own research topics and are led by senior researchers. For an overview of the structure and topics of the CRC “Dynamics of Security” see URL: <https://www.uni-marburg.de/en/sfb138/research/subprojects> (accessed November 6, 2025). For details of the CRC programme more generally see URL: <https://www.dfg.de/en/research-funding/funding-opportunities/programmes/coordinated-programmes/collaborative-research-centres> (accessed November 6, 2025). This volume was funded by the Deutsche Forschungsgemeinschaft (DFG, German Research Foundation) – Project No. 227068724.

2 *Bonacker et. al.*, Freedom, 10.

3 *Ibid.*

of] communicating urgency.”⁴ The Copenhagen School of International Relations, for example, analyses processes of securitisation in the sense of speech acts in which something is marked as a security issue.⁵

The CRC “Dynamics of Security” has adapted the constructivist approaches from critical security studies to the analysis of the dynamics of historical situations. “Foreign Trade Securitization—Economic security beyond the nation state” was one of 15 sub-projects from the disciplines of sociology, political science, peace and conflict research, law and history clustered in the areas of law, violence and knowledge. The overall aim of the CRC “Dynamics of Security” has been

to examine, from a transdisciplinary perspective, how ideas of security have developed historically and how these ideas have found and continue to find expression in the development and implementation of political measures. The analysis focuses on the representation and production of security in different historical contexts and the relationship between these mutually dependent processes, which are conceptualized as ‘securitization’.⁶

Its main goals are thus the historicisation of security situations and the investigation of “the historically specific ways that security issues become constituted as political internalities, as not externalities like threats from outside.”⁷ Its analytical and conceptual approach is based on three key terms: *situations*, *heuristics* and *repertoires*. These are defined respectively as: something which has been perceived as a security problem and actively identified as such (a *situation*); the way in which the situation is marked and interpreted (*heuristics*); and finally, in terms of what solutions, approaches and strategies (*repertoires*) are developed and applied to address the situation.

In the past three research phases, the sub-project “Foreign Economic Securitization” has examined various aspects of security and risk that emerged over the course of the twentieth century as well as newer related phenomena in the present day. The initial premise for this research was the observation that the German economy and German companies have been characterised by a strong foreign and export orientation since

4 Jakob/Kleinöder, Security, 14.

5 For an overview of critical security studies and other concepts of “security” see from a historical perspective Conze, Sicherheit.

6 URL: <https://www.uni-marburg.de/en/sfb138/research> (accessed November 6, 2025).

7 Bonacker et al., Freedom, 10.

the end of the nineteenth century. This orientation has formed the basis for Germany's economic success, but, depending on the global political and economic situation, it has also been associated with major risks and uncertainties. Such risks and uncertainties have been apparent not only in the numerous phases of crisis and war over the course of the twentieth century, but also visible in 'normal' economic and trade activities in an increasingly international and globally-orientated world economy. In the course of the twentieth century, the German economy grew increasingly dependent on unhindered access to markets, an adequate supply of raw materials and energy and reliable economic framework conditions in a liberal global economic order. Consequently, it also grew increasingly vulnerable to specific factors: customs duties and protectionism, transport and supply chains, currency fluctuations, political upheavals and the energy supply. Whenever one of these factors was threatened, this was also perceived as a threat to Germany's strongly outward-looking economic model. This has become particularly evident during the "polycrisis" that is currently occurring worldwide as a result of a pandemic, multiple wars, difficulties in sourcing raw materials and energy and increasing protectionism.

Methodology and Theoretical Background

This volume forms the second of two exploring security and risk from different theoretical perspectives. In economics, the notion of *risk* (in a Schumpeterian sense) has long been acknowledged as a central driving force behind economic activities, propelling innovation and decision-making. The study of risk is a question that has also been addressed within critical security studies (for example, in the framework of critical risk studies).⁸ But in contrast to practical questions of risk and its management, the notion of "security" —defined in the first volume in this series as the antithesis of uncertainty and threat—references a different aspect, namely the constructivist premise whereby something is marked as a security issue, and demands equal attention for its critical role in shaping economic landscapes. In this volume, we use the concept of "risk" as it has been amplified in the economic field, deriving from questions in risk management and mostly referring back to the "Knightian" understanding of risk and its

8 Lund Petersen, Risk.

relation to uncertainty that has underpinned much of the relevant literature since the 1920s.⁹

Frank Knight's foundational distinction between calculable risk and fundamental (incalculable) uncertainty has long served as a cornerstone for business historians analysing entrepreneurial decision-making and economic development, and the first volume of the "Foreign Trade Securitization" series, *Security and Insecurity in Business History*, offered a conceptual exploration of security, insecurity and business history.¹⁰ It stressed the concept of an "enterprise-security nexus",¹¹ based on the assumption that risk and risk-taking is a central driver of economic development and entrepreneurial decision-making. Yet it also noted that economic actors have a "fundamental desire for security and aversion to risk. Risk-taking is only made possible by a sufficient degree of stability and security."¹² Nonetheless, despite growing recognition of security concerns in corporate environments, the term *risk* continues to dominate conceptually in business historical scholarship, often subsuming or overshadowing discussions of security-seeking behaviours.

This conceptual prevalence of risk terminology creates analytical blind spots when examining how corporations actually navigate between profit-oriented risk-taking and stability-oriented security measures. Contemporary debates in business history now grapple with whether traditional risk-centred frameworks can adequately capture the multifaceted dynamics that include geopolitical uncertainties, regulatory shifts and reputational concerns emerging from corporate social responsibility expectations, requiring more nuanced analytical tools that can account for both risk and security as distinct yet interrelated dimensions of corporate decision-making.¹³ In this second volume, we therefore turn our attention to the complex conceptual interplay of security and risk, bringing together several case studies to highlight different nuances and methodological approaches and testing the value of the concepts of security and risk for business history.

9 Knight, Risk.

10 Jakob/Kleinöder/Kleinschmidt, Security.

11 Jakob/Kleinöder, Security, 18.

12 Jakob/Kleinöder, Security, 12.

13 E.g. Jones/Lubinski, Risk; Casson/Da Silva Lopez, Investment; Jakob, Risk-taking; and Pitteloud, Protection, and discussed in the contribution by Christian Marx in this volume.

“Foreign Trade Securitisation” within the CRC (2014–2025)

The sub-project (also designated as project CO6)’s focus on (German) foreign trade securitisation foregrounded the question of non-state actors, namely companies. Critical security studies as a discipline often overlooks the private sector, tending to focus on state action and state/public actors when analysing *securitising moves* (meaning to address something as a security issue, usually combined with a call for taking action). Over the total 12-year period of the CRC, the sub-project was structured in three discrete four-year research phases, each addressing different topics and questions from a specific economic and business historical perspective.

Phase 1 (2014–2017): HERMES Export Credit Insurance and Post-War Economic Security

The first phase examined the external economic securitisation of West German businesses and companies, with a particular focus on the *HERMES* credit insurance agency. From the late nineteenth century, the German economy was strongly export-oriented, relying heavily on trade within Europe and increasingly on a global scale. The two world wars and Nazi autarky policies therefore each represented a decisive break in German foreign economic relations. Especially after the Second World War, West Germany swiftly sought to reconnect with global trade relationships amid internationalisation and liberalisation trends.¹⁴

However, the Cold War, decolonisation movements and economic restrictions through tariff and non-tariff trade barriers created significant uncertainty for West German businesses. International commerce involved regionally diverse *country risks* encompassing both political dangers (conflicts, wars, revolutions) and economic issues (payment and delivery capabilities, exchange rate fluctuations, currency problems, legal frameworks, mentalities, business customs). Export companies and plant manufacturers needed to identify, assess and evaluate these risks to develop appropriate strategic responses through information-gathering, risk assessment, price structuring, interest rates, delivery terms, payment conditions and bank guarantees.

14 On the significance of exports in German economic history, see most recently *Hesse, Exportweltmeister*.

Beyond private banking and insurance protection, state-backed guarantees became central to export security. The export credit agency *HERMES Kreditversicherungs-AG* (which now operates as *Euler Hermes Deutschland AG*) served as a crucial instrument for export protection and external economic security creation on behalf of the German government, simultaneously forming part of German foreign policy security strategies. It was founded in 1917 during the First World War, after worldwide economic integration and the first globalisation phase at the end of the nineteenth century intensified calls from business and interest groups for state assistance and protection (tariffs, protectionism). From 1926 onwards, the new *Hermes AG* served as an important foreign trade instrument for promoting exports on the basis of state guarantees. *HERMES* offered a form of insurance for exporters, underwriting cover for business with foreign enterprises; it protected transactions with states, authorities and public institutions, with a focus on manufacturing, export, financial, economic and political risk. These included insolvencies, payment defaults by trading partners, wars, revolutions and even government legislation that could have a negative impact on trade. After 1945 in particular, there was a gradual expansion of the range of risk factors and the scope of government financial guarantees through appropriate negotiation processes between the state and industry.¹⁵ State security interests thus corresponded with entrepreneurial desires for long-term market security and the protection of international economic spaces.

This created a dual securitisation process whereby entrepreneurial risk management was linked to the state's foreign economic and security interests. The *HERMES* system represented complex and sometimes divergent security perceptions and interests (companies, associations, the state), whose concrete implementation required permanent negotiations among stakeholders amidst constantly changing international conditions.¹⁶ In the context of the research sub-project and foreign trade securitisation, the *HERMES* export credit guarantees represented an endpoint in market security strategies implemented by the state, contrasting with medieval trade security which was fundamentally based on merchant self-help through trading networks and organisations (for example, the Hanseatic League,

15 Hesse, *Exportweltmeister*, 100–101; Weis, *Hermesbürgschaften*, 58–83.

16 For the history of *HERMES* credit insurance see *Bellers*, *HERMES-System*; *Bethge*, 75 Jahre; Weis, *Hermesbürgschaften*.

private insurance and trading companies, although royal letters guaranteeing protection and privileges already operated in the Middle Ages).¹⁷

During this first phase of the project, Simone Breimhorst used a case study of Brazil to examine *HERMES*'s role in German companies' return to world markets in the 1950s.¹⁸ Brazil represented one of the most promising economic partners and future markets for West German exports after the Second World War. As an exporter of coffee, cotton, tobacco, cocoa, sugar and precious woods, but also as an industrialising nation that had required foreign investment since the 1930s, Brazil eventually opened up to foreign investors under the Dutra government after the enacting of its democratic constitution in 1946.

However, by the early 1950s Brazil's industrialisation policy, based on increasing debt and growing inflation, had led to massive economic difficulties. In 1952, the Brazilian government announced its inability to pay import contracts in foreign currency, creating significant alarm in West German business circles. Jürgen Bellers termed this the "Brazil shock" (*Brasilien-Schock*)—the first post-war case in which German economic relations with a developing country were threatened by payment inability. This occurred during the politically uncertain Korean War period, which coincided with West Germany's economic upswing ("Korea boom") and first trade surplus on the eve of the "economic miracle" and emerging "export miracle."

The Brazil shock represented a double threat to German exports: it seemingly destroyed the hopes that had been based on Brazil's vast market potential and shook Germany's export confidence after a brief recovery period post-Second World War. The risks confronting West German exporters—particularly conversion and transfer risks—threatened to become problematic for trade with other developing countries like Colombia, Argentina, Pakistan and Iran, and Socialist states like Yugoslavia, Romania and China. This crisis exposed significant gaps in the post-war *HERMES* system, and triggered comprehensive discussions and negotiation processes in the early 1950s involving export companies, various federal ministries, the Bundestag, parliamentary committees, business associations and banks.

17 Christian Kleinschmidt has undertaken a long-term analysis of commercial security negotiation processes from the early Middle Ages through the twentieth century in the context of the research working group "Security Actors", see *Kleinschmidt, Eigeninitiative*.

18 *Breimhorst, Exportsicherheit*.

In her case study, undertaken within the CRC, Breimhorst focused not primarily on *HERMES*'s significance in post-war West German export policy, but rather on the constructivist aspects of perceptions of threats to West German export business. Using the CRC's securitisation paradigm, she analysed how the Brazil shock was defined as a concrete economic *situation*. She examined interpretive patterns (*heuristics*) whereby actors perceived "threatening developments", "currency-endangering effects" and "dangers" to the Federal Republic's economic development, and found that these were subsequently addressed through *repertoires* in the form of *HERMES* system reform and its expansion for crisis management.¹⁹

Phase 2 (2018–2021): Historical Perspectives and International Comparisons

In the second research phase, Mark Jakob also examined export credit insurance, focusing on *HERMES* in the early decades, particularly the 1920s, from a comparative perspective. His source-based research, drawing on German federal archives as well as various business and corporate records, was published in *Security and Insecurity in Business History*.²⁰ Jakob analysed similarities and differences between Germany's *HERMES* and the UK's Trade Credit Insurance (TCI), which were both integral to their countries' respective foreign trade policies. He characterised *HERMES* as a public-private partnership, while the British institution was established in 1919 as a state bank ("Export Credit Department") for export promotion, later becoming state credit insurance and renamed the "Export Credit Guarantee Department" (ECGD) in 1926. The ECGD's activities concentrated on countries like the Soviet Union (with which the Weimar Republic also conducted trade secured by *HERMES* credits following the 1922 Rapallo Treaty). Following Hitler's appointment to chancellor in 1933 and the beginning of the Nazi dictatorship, an Anglo-German payment agreement was concluded with Germany in 1934. In the further course of his project, Mark Jakob evaluated additional sources and research; these will be incorporated into a monograph to be published as part of the CRC series "Politics of Security" and also in the series "Economic and Social History of Europe".²¹

19 Breimhorst, Exportsicherheit.

20 Jakob, Risk-Taking.

21 Jakob, Sicherheitsnetz.

In this second phase the project produced the first edited volume referenced above, aiming at linking first insights and conceptual approaches from the CRC context with case studies from business history. In this first volume Mark Jakob and Nina Kleinöder presented the conceptual, methodological and theoretical foundations of the project’s business-historical security research in “Security and Insecurity of Enterprises,” alongside Jakob’s comparative contribution and Christian Kleinschmidt’s analysis of “Food and Supply Security” from the perspective of different actors (consumers, producers, the state) in the first globalisation phase before 1914.²² Jakob also examined West German economic contacts with Indonesia during decolonisation, where state guarantees and legal security played major roles in West German foreign economic policy—aspects that then became particularly relevant in the project’s third phase with its emphasis on West German economic interests in the postcolonial countries of the Global South.²³ The findings of this phase were also presented in a “Security History Network” podcast collaboration with Utrecht University.²⁴

Phase 3 (2021–2025): European Integration and Decolonisation

The third phase addressed issues of West German economic integration in relation to European integration and decolonisation developments since the 1950s and 1960s, through a securitisation analysis based on the “situations,” “heuristics” and “repertoires” categories. This has meant a stronger orientation toward constructivist and culturalist economic and business history, strengthening the sub-project’s core objective of anchoring *security*—alongside the established concept of *risk*—as a constitutive feature of economic thinking and action. In this phase the sub-project was divided into two parts: one research focus was based in Marburg, concentrating on business in post-colonial times and spaces, and one in Bamberg, investigating the manoeuvring of companies in the process of European integration.

This third phase has built on earlier findings that the availability of state-backed financial security led to a creeping reorientation in entrepreneurial decision-making: it was, and is, no longer guided solely by market risks and opportunities but increasingly also by political considerations. The re-

22 Klein Schmidt, Food.

23 Jakob, Konkurrenz.

24 Podcast Security History Network. URL: <https://securityhistorynetwork.com/2023/04/11/e3-business-history-and-security/> (accessed March 13, 2025).

searchers examined how German companies' traditional export orientation has been based on an understanding of security and reliability as prerequisites for internationalisation. This need for social and political security in entrepreneurial action has guided business decisions and made companies active participants in shaping economic and foreign policy.

This most recent research phase has examined microstructures and corporate decisions as a way of complementing the analysis of external communications through industry associations. Key to this analysis has been the acknowledgment that German company leadership in the 1960s consisted largely of individuals who had personally experienced the inter-war upheavals, Nazi economic control and a war economy, and the Allied occupation. To understand how companies managed new situations, and especially the role of security in their planning, the third phase of the project therefore also went beyond the European framework to examine German corporate activities outside the European Communities' economic space, particularly in former European colonies.

The fundamental research question regarding the significance of security for entrepreneurial action was investigated through studies of relationships between Germany and countries within the familiar European space, as well as Germany's relationships with the Global South, which was generally perceived in Germany as politically and/or economically "insecure" during decolonisation. Acknowledging a continuity in colonial perspectives beyond the period of formal colonisation, the research examined how enduring forms of colonialism have affected the securitisation of economic relationships. In both contexts, corporate and governmental behaviour have existed in a peculiar tension between economic nationalism and supranational aspirations.

Recent studies in global economic history have demonstrated that economic spaces are created primarily through networks of finance and commodity flows and the circulation of ideas, rather than through official regulations and agreements, with decolonisation prompting spatial shifts in the global economic system. Scholarship on concepts like "Eurafrica" has shown how economic spheres have perpetuated colonial relationships within new institutional frameworks.²⁵ Building on Slobodian's analysis of how globalisation processes reshaped economic governance and business patterns, our project has examined how decolonisation has created new

25 Hansen, *Eurafrica*.

spatial configurations while maintaining pre-war colonial continuities in industrial development, foreign trade policies and public-private foreign investment between Africa, Asia and Europe.²⁶

Within this broader scholarly framework, Steffen Dörre's work on German business engagement with Africa has revealed that the "overseas" spaces of developing countries commanded significant industrial attention from German business actors as arenas for the performative demonstration of global reach, while in fact remaining relatively peripheral to such actors when it came to their decision-making and corporate political demands.²⁷ This primarily rhetorical focus was instrumentalised in the form of intensifying demands from private actors (especially business associations) that the state should take on the assumption of risk and security provision. Key works in the literature such as Engel and Schleicher on African foreign economic relations and more recent studies by Faust and Lubinski on India, have insightfully demonstrated that Germany's perception of itself as a politically neutral actor and as a development role model in postcolonial contexts tends to prevail in the sources.²⁸ Our findings underline the importance of looking beyond this inward-directed view and revealing Germany's colonially-influenced perceptions of populations and territories. The findings also highlight continuities in a colonial way of thinking that, in terms of economic relationships, is based on entitlement.

The third phase of our project included several case studies examining these dynamics, some of which appear as chapters in this volume, while others are to be published in forthcoming papers. Marie Huber's research on the discourse and lobbying that accompanied the history of the German Development Aid Tax Law (*Entwicklungshilfe-Steuer-gesetz*) has provided a context for understanding national political concerns for economic security, including currency stability and export/trade surplus, while revealing new terminology like "political risk" and "absorption capacity."²⁹ Together with Shakila Yacob, Huber analysed insights into corporate adaptation strategies during decolonisation processes through a case study of a German trading company's navigation of the postcolonial transition in Malaysia; additionally, Huber, Kleinschmidt and Yacob's edited volume examining risk and security in international business through German

26 *Slobodian*, *Globalists*.

27 *Dörre*, *Wirtschaftswunder*.

28 *Engel/Schleicher*, *Staaten*; *Lubinski*, *Nationalism*; *Faust*, *Spannungsfelder*.

29 See chapter by Huber in this volume.

companies' experiences in Asia offers comparative perspectives on corporate securitisation strategies across different Asian markets and political contexts.³⁰ Marie Huber also conducted a micro-level study of German-Ethiopian business relations during the late imperial period (1955–1974), which demonstrated how German companies strategically explored target countries for expansion. Another study analysed *Lufthansa's* international network expansion from the 1960s to the 1980s, examining whether calls for government support were justified differently when they related to internal national political and economic interests in comparison to those that addressed external shocks like the oil crisis.³¹

The second part of the sub-project has focussed on processes of European integration from a business historical perspective. The internationalisation and expansion of enterprises in the European Common Market (the customs union as well as the single market) has become a crucial field of study, especially recently, both in business history and in research on the history of European integration.³² To this day, the European Community is considered a “security community” (K.W. Deutsch), a group of states with a community ethos which, through the establishment of formal and informal institutions, enables sustainable peaceful coexistence, not least economic prosperity (H. Kaelble). However, this characterisation overlooks a crucial aspect. What may be deemed security for one actor—in this context, for nation-states—can potentially generate threats or risks to another actor, specifically businesses, which are not simply subject to European integration policies but themselves contribute to the process of the latter's development. Methodologically, the project and its case studies saw businesses as agents which recognised potential threats as well as opportunities.³³ The empirical work of Philip Schulz on the German iron and steel industry demonstrates that companies were by no means mere objects or passive recipients of European policy controlled by increasingly supranational institutions (High Authority of the European Coal and Steel Community, EEC/EC Commission, etc.). Rather, they developed a differentiated view of European integration processes, on a spectrum that included perceived

30 Huber/Yacob/Kleinschmidt, *Strategies*.

31 Conference presentations, to be published in 2026.

32 Most recently for example *Ballor*, *Liberalisation*; *Ballor*, *CE Marking*; *Ballor*, *Agents*; *Komonrnicka*, *Initiative*; *Pitteloud/Donzé*, *Multinationals*; *Rollings/Warlouzet*, *History*; *Ramírez-Pérez*, *Market*; *Ramírez-Pérez*, *Unions*; *Ramírez-Pérez*, *Crises*.

33 European Business History Association, Annual Meeting 2024, panel organised by Nina Kleinöder and Philip Schulz, “European Integration and Corporate Risks?”.

threats such as restrictions on their autonomy (for example in relation to the antitrust issue) and growing competition due to the removal of trade barriers. At the same time, these processes also offered opportunities such as access to new markets, subsidies and protective measures, an advantage that was often openly articulated by the businesses concerned.

Of particular interest here is the insight into the role played by organisations at the meso level (in this case, by national and international associations) in official and unofficial discussion forums (e.g. the Club de Sidérurgistes). Agreements and measures that were put in place to cooperate with, or to block, non-European competitors (such as the emerging Japanese iron and steel industry) were often negotiated by the committees of such organisations. Tonio Schwertner's research on the European rubber industry makes an important contribution to this topic, highlighting how the opportunities and risks of European integration for companies were sometimes closely intertwined, and how they were negotiated by private actors.³⁴ It again underscores the centrality of meso-level committees and roundtables in shaping the industry's interest-driven politics. European rubber companies emerge as early agents and sites of Europeanisation, shaped by imperial legacies, opportunism, and a willingness to collaborate against transatlantic competition.

Contributions to this Volume

At the end of the 12-year funding period, the contributions in this volume once again bring together perspectives from members of the CRC and external guests, some of whom have accompanied the research over a long period. Many of them also participated in a conference in Marburg in November 2024 which focused on very different aspects of and perspectives on security and risk. This volume is dedicated to binding together the findings of the CRC subproject C06 as a whole and to bridging the gap to other research and concepts of risk and security in business history.

As stated above, our approach distinctly prioritises the question of security, aiming to illuminate the role of preventative measures, cautious strategies, (public) calls for measures that promote security and the deliberate avoidance of actions deemed too risky. It seeks to explore the less-trodden path of risks *not* taken, emphasising decisions and strategies that were

34 See Schwertner's chapter in this volume.

implemented to ensure stability and avert potential threats before they could materialise. The goal is to understand how security-focused interventions and foresighted approaches have shaped economic and business landscapes, underscoring the critical importance of prudence and prevention in navigating the complexities of risk and security, examining how the two concepts coexist, intersect, and influence each other in the economic domain as well as testing their conceptual boundaries.

For this volume we thus asked for contributions which engaged in a critical examination of the relationship between *risk* and *security* from a business perspective, in empirical case studies that prioritised this relationship, whether or not they adopted the concepts of security *situations*, *heuristics* and *repertoires* that underpin the CRC. The result represents a synopsis of different concepts and examples that enable a pluralistic view of security and risk.³⁵ Moreover, it represents an interdisciplinary approach that sheds light on risk and security in business contexts from perspectives that include Eastern European history (Sahling), financial sociology (Salzer, Langenohl), business history (Kleinöder, Marx), economic history (Kleinschmidt, Huber) and global history (Afoumba, Schwertner). Some contributions are closely related to the terminology of the CRC (Langenohl, Huber, Kleinschmidt, Schwertner), analysing the relationship between security and risk based on heuristics, repertoires and situations. The research methodology of the CRC is here found to be transferable to non-state-actors and their securitising moves. Other contributions focus more on questions of risk and risk management in the sense proposed by Knight, da Silva Lopes and others, looking at the interplay of risk and security in entrepreneurial decision-making processes (Marx, Kleinöder). These essays demonstrate how securitisation processes are rooted in a nexus of experience and expectations, and how companies deal with issues of contingency.

It can be seen that the constructivist security debate differs from risk analysis undertaken “on the ground”, for example by business leaders, that is essentially directed towards practical questions. But the former can offer important new perspectives on the latter. Although we argue here that the spectrum of actors considered in critical security studies must be broadened to include non-state actors in particular, the contributions in this volume show that securitisation processes still usually involve the

35 Critical risk studies also combine conceptual approaches of risk and security, although with a different premise, e.g. *Lund Petersen, Risk; Rasmussen, Risk.*

conjunction of state and business actors, which can be epitomised in the observation by the project researchers that “the state is always in”. At the same time we find that the focus on security can offer a fruitful approach to the analysis of public and private-sector relationships (see the contributions of Huber, Kleinöder and Schwertner in particular).

Future research on “economic security” can build on the approaches of this volume—and of the CRC as a whole—in giving greater consideration to the role of non-state actors and fields, for example with regard to the areas of law, finance and industrial relations. Historically, these are fields that have played an important role in the “German Model” (“Modell Deutschland”, or “Deutschland AG”), admittedly mostly in close cooperation with the state in the sense of corporatism.³⁶ They can also be linked to institutional economic approaches that attribute the power of integration, stability, trust-building, and thus also security, to “inclusive institutions”.³⁷ Non-governmental institutions and actors such as an independent legal system, banks that finance entrepreneurial investment, and associations and trade unions that negotiate opportunities for co-determination in companies, are equally important factors that ensure predictability, trust, cooperation, security and stability in the economy and business, and as such should also be examined with regard to aspects of “securitisation.”

Yet at the same time, the “German model” that was once so successful has been subject to increasing criticism since the 1970s and no longer exists in its original form. One of the main reasons for this has been a shift in the balance between security, risk and (economic) freedom, which from an economic perspective has been perceived as now too heavily weighted towards security. In particular, Germany’s traditional prioritisation of statutory protections and the “dynamics of security” have given rise to increasingly ossified structures that are losing momentum, which from an economic perspective can only be compensated with greater freedoms and rights of disposal.³⁸ This dialectic of security and freedom—that is, the balance between security, risk and freedom—, if taking into account aspects of securitisation, could be fruitfully applied to future economic and business history research, in which international comparisons should play an even greater role than in the past.

36 Hertfelder/Rödder, *Modell Deutschland*; Ahrens/Gehlen/Reckendrees, *Deutschland AG*.

37 Acemoglu/Robinson, *Nationen*.

38 Gläßner, *Freiheit*.

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Balancing Waters, Negotiating Risks: Economic Growth, Environmental Protection and Water Governance in Industrial Germany

Anna Corsten

The scene is the Gliwice Canal, on a swelteringly hot summer day in August 2022. The Oder River presents a devastating sight: for kilometres, countless dead fish float on the water's surface, while residents and fishermen stand stunned along the banks. Within just a few days, more than 100 tons of dead fish are recovered on the Polish side, while in Germany, it is 135 tons.¹

At the time that it happened, the cause of this massive fish die-off was unclear. Speculations ranged from industrial chemical discharges to natural phenomena. After extensive investigations, scientists identified the primary culprit as a toxic algal bloom of the brackish water alga *Prymnesium parvum*. This alga produces toxins that damage the gills of fish and other aquatic organisms, ultimately causing death by asphyxiation.² But how could a brackish water alga which normally thrives in saline environments inflict such harm in the freshwater Oder? Investigations revealed that unusually high salt concentrations in the river—which were presumed to have been caused by industrial discharges from the mining company KGHM Polska Miedź on the Polish side—had created ideal conditions for its growth. Low water levels and high temperatures had further contributed to algal proliferation.³ This environmental disaster sparked a public outcry and raised urgent questions about the regulation of industrial wastewater discharges and the protection of transboundary bodies of water. One central issue preoccupied a wide range of actors. To what extent—and in what form—are state interventions necessary to protect both the environment and the population, and how can such interventions be made without jeopardising economic development and jobs?⁴

1 Eggerichs/Przemek, Jahre; Hawiger/Billig, Fischsterben.

2 MDR Wissen, Leipzig; Zimmermann, Herumdoktern.

3 Lüdemann/Venohr, Giftalge.

4 MDR Wissen, Leipzig; Zimmermann, Herumdoktern.

The establishment of a sustainable water regime has long been one of the key resource challenges of the twenty-first century. The regulation of water access for industry, agriculture, fisheries, and private users is increasingly intertwined with fundamental questions of justice, economic development and ecological sustainability. Conflicts over vital water resources are as old as civilization itself—but with the onset of industrialisation, these disputes took on a new dimension. The rapid industrial development and explosive urban population growth of the nineteenth century introduced an unprecedented dynamic into the equation.⁵

Industrialisation led to an exponential increase in the demand for water across Europe and the United States—not only for human consumption but also for industrial production processes. At the same time, the densification of urban areas resulted in the pollution of water sources, bringing issues of water quality and management to the forefront.⁶ While the technological advances of the nineteenth century offered new possibilities for water supply and irrigation, they also introduced new potential for conflict, as the control and governance of this vital resource became an increasingly central concern.⁷ With the formation and rise of various nation-states in the nineteenth century, debates emerged around the possible need for national legislation to centralise water rights and the establishment of state authorities that could be responsible for managing such regulations.⁸ The shift from locally-based access and usage rights to complex, legally codified systems not only transformed the ways in which water-related conflicts were conducted but also reshaped how they were understood and resolved.

The dangers posed by industrial water pollution and the degradation of publicly accessible water sources were a pressing concern for contemporaries. The second half of the nineteenth century witnessed the rapid rise of the chemical industry, which contributed to growing water inequality. In 1856, British chemist William Henry Perkin synthesised the first aniline dye, mauveine, thereby initiating the foundation and expansion of the synthetic dye industry.⁹ This sector became particularly significant for the German Empire, where companies such as BASF, Bayer and Hoechst played a key role in the country's economic ascent. The development and produc-

5 *Sheail*, Management, 198.

6 *Sheail*, Management, 198–200.

7 *Butschek*, Industrialisierung, 115–120.; *Jakobsson* Industrialization; *Rudorff*, Verhältnis.

8 *Bayly*, Geburt, 251–54; *Osterhammel*, Verwandlung, 680–685; *Anderson*, Communities.

9 *Harrow*, William.

tion of pharmaceuticals—such as Bayer’s commercialisation of aspirin at the end of the nineteenth century—also date to this period. From the mid-nineteenth century onward, industrial enterprises increasingly invested in scientific research related to chemical products and their applications. They established in-house research departments and collaborated closely with universities.¹⁰

This article aims to trace the tension in the German Empire of the late nineteenth and early twentieth centuries between the need to sustain economic growth and the need to protect the environment, and the resulting debates. It will particularly explore the dynamics of water security, assessing the interplay between industrial expansion, environmental sustainability and transboundary water governance. In the first part, this paper will specifically examine how industrial sectors assessed concerns over security at the littoral zone, favouring economic benefits at the price of significant environmental impacts. Conversely, local agriculturalists and fisheries, whose subsistence depended on the river’s resources, advocated for rigorous environmental regulation. Their claims will be analysed in the second part of this paper. The third section focuses on state responses to the disputes over industrial water pollution. It examines how local and national authorities navigated the growing tensions between economic growth and environmental protection, and how they responded to the demands of competing interest groups. Particular attention is given to the development of legal frameworks, regulatory institutions and administrative practices designed to manage water use and mitigate pollution. The section also explores how state actors interpreted and balanced notions of public health, economic security and environmental risk in their policymaking during a period of rapid industrial and social transformation.

“To protect the greater economic interest”¹¹ – Positions of Industry

Criticism of industrial water pollution increased rapidly in the second half of the nineteenth century. Numerous complaints emerged—about foul odours, undrinkable water, fish die-offs and the constraints placed on agriculture. As a result, industrialists were increasingly compelled to engage with the accusations directed at them. In 1886, the German chemist Konrad

10 *Aftalion*, History, 32–43; *Haber*, Chemical, 39–46; *Stanitski*, Chemistry.

11 *Jurisch*, Verunreinigung, 40.

Wilhelm Jurisch (1846–1917) addressed the issue of industrial wastewater disposal in rivers on behalf of the Association for the Protection of Industrial Interests. In England at this time, the introduction of strict river laws was under discussion. Jurisch warned of the potential consequences: should such laws be rigorously enforced, he claimed, many branches of English industry would face ruin.¹² While he acknowledged that the industrial sector had recognised its responsibilities and was making efforts to reduce or at least mitigate the burden of wastewater discharges, Jurisch insisted that a careful balancing of interests was required: “In the case of conflicting and irreconcilable interests, the greater economic interest must be protected.”¹³ One particularly controversial example was the Rhine. While medical professionals such as the renowned public health officer Robert Koch urgently warned of the increasing contamination of the river, industrial experts like Jurisch countered that there was, as yet, no definitive proof of a serious health threat to local populations caused by factory effluent.¹⁴

The impact of pollution on fisheries was also a matter of controversy. Representatives from the fishing sector reported damage to fish populations, particularly near the industrial wastewater discharge points. However, Jurisch countered these claims by arguing that fish came into contact with harmful substances only for a fraction of a second before seeking out clean water again.¹⁵ From this, he derived the thesis that even arsenic-laden wastewater from aniline dye factories could be discharged into large rivers such as the Rhine and the Main without harming fish or fish farming. In his broader economic assessment, Jurisch regarded the significance of the fishing industry as marginal compared to that of the industrial sector as a whole. He attributed the decline in fish stocks not solely to industrial pollution, but also to population growth and consequent overfishing. Furthermore, he emphasised the vast economic disparity between the two sectors: while the fisheries contributed six million marks to national wealth in 1882, the value added by other industry amounted to 16,022 million marks.¹⁶

These figures were used to argue that damage to the fishing industry had to be accepted in favour of industrial progress. Jurisch also downplayed

12 *Jurisch, Verunreinigung*, 40.

13 *Jurisch, Verunreinigung*, 40.

14 *Jurisch, Verunreinigung*, 71–73.

15 *Jurisch, Verunreinigung*, 94–96.

16 *Jurisch, Verunreinigung*, 101.

public health concerns, asserting that it was not factory effluent but rather urban wastewater that was responsible for the spread of epidemics.¹⁷ From this, he derived the claim that the discharge of industrial wastewater into rivers was not only necessary but also legitimate. Rivers, he argued, were “natural conduits” for wastewater, and their use for this purpose was justified in the interest of industrial development.¹⁸ This line of reasoning must be situated within the broader economic and political context of the so-called “Long Depression” that followed the stock market crash of 1873. In Germany, the crisis marked the end of the speculative boom of the early 1870s and ushered in a prolonged period of economic stagnation, intensified by overproduction, market saturation and increasing international competition. Industrial consolidation and state intervention became defining features of the era, as the belief grew that industrial progress was essential for Germany to remain a strong nation, including for it to retain its military strength. It was within this climate of economic uncertainty and shifting priorities that arguments like those put forward by Jurisch gained traction.¹⁹

By the early twentieth century, industrial actors were beginning to acknowledge broader safety concerns, particularly the need to balance the economic safety of industry with the environmental security of water resources. However, economic considerations still dominated, with industries advocating for state subsidies to avoid bearing the full cost of wastewater treatment. Unlike Jurisch, who had rejected the idea 15 years earlier due to excessive costs, Georg Adam investigated the wastewater issue in 1905 on behalf of the Association of the German Textile Finishing Industry. He argued that the industry had to take technically feasible measures to purify wastewater before discharging it into rivers.²⁰ Adam reasoned that if industry had the right to discharge waste into bodies of water, others also had the right to use those waters for their own purposes. However, Adam

17 *Jurisch*, *Verunreinigung*, 107. Jurisch’s argument reflects a broader shift in environmental governance during the late nineteenth century, when industrial development was increasingly prioritised over ecological and public safety concerns. Speaking with Uwe Lübken and Frank Uekötter, risk-taking needs to be analysed in its broader context by focusing not only on single events but on longer perspectives of risk-taking. *Lübken/Mauch*, *Environments*, 2. See also: *Uekötter/Lübken*, *Functions*; *Worster*, *Rivers*, 19–21; *Smith*, *Hazards*, 54–56.

18 *Jurisch*, *Verunreinigung*, 108.

19 *Wehler*, *Gesellschaftsgeschichte*, 552–558.

20 *Adam*, *Stand*, 5.

was also concerned with minimising the costs for industrial operations. He proposed that state subsidies were necessary to enable factories to invest in purification systems, as the cleaning of wastewater was in the public interest. Nevertheless, the issue of economic efficiency had to be considered in the interest of the common good. Economic interests needed protection,²¹ and these interests were rated higher than those of fisheries, agriculture or local residents. While the various industrial sectors now admitted responsibility for river pollution, this responsibility was seen as limited and justified by the public interest in economic development. Adam also emphasised that domestic wastewater posed a more serious threat in terms of infectious diseases than industrial effluent.²² While this was scientifically accurate, it simultaneously served to divert attention from other environmental damage that affected different occupational groups and local residents. Like Jurisch, Adam focused on contrasting public welfare with economic efficiency.²³ The interests of industry were deemed worthy of protection due to their economic value, as they contributed to the common good through job creation and added value.

Many representatives of industry in the early twentieth century acknowledged that their wastewater posed a problem, but they also emphasised that no viable solutions were available. In 1905, W. Beumer stated in the *Mitteilungen des Vereins zur Wahrung der gemeinsamen wirtschaftlichen Interessen in Rheinland und Westfalen* (Newsletter of the Association for the Protection of Joint Economic Interests in the Rhineland and Westphalia) that the comprehensive purification of wastewater was either impossible or associated with extremely high costs. While commercial enterprises were increasingly restricted in their use of rivers and streams for waste disposal, there remained uncertainty regarding what industry could and could not do from a legal perspective.²⁴ Beumer stressed that although industry had to take responsibility for maintaining orderly (“ordentliche”) conditions, overly strict regulation could jeopardise its competitiveness. A complete and standardised solution to the wastewater issue was deemed unrealistic, yet industry was willing to support research in this area.²⁵ In this context,

21 Adam, Stand, 85–89.

22 Adam, Stand, 36.

23 Adam, Stand, 89–96.

24 BArch (Bundesarchiv Berlin), R 1501/ 109244, W. Beumer, *Mitteilungen des Vereins zur Wahrung der gemeinsamen wirtschaftlichen Interessen in Rheinland und Westfalen*, hrsg. vom Vereins-Vorstande, Jg. 1905, Nr. 4.

25 Ibid.

a lack of scientific knowledge contributed to the persistence of existing inequalities in access to water.

Analyses by industry-aligned experts at the turn of the nineteenth to the twentieth century reveal that their conception of the common good was primarily shaped by the economic benefits of industrial development. Safeguarding the public interest was equated with maintaining a flourishing industrial sector, whose contribution to societal stability was seen above all in the creation of jobs and the increase of national wealth. Embedded in this understanding was a distinct logic of security: the continued functioning and competitiveness of industry were considered essential to the economic and social order. Consequently, minimising health and environmental damage became a secondary concern—relevant only insofar as such harms posed a direct threat to productive capacity. Although companies publicly acknowledged their responsibility to reduce harmful discharges, they clearly tied this commitment to the condition that their economic performance remain unaffected. In doing so, they promoted an interpretation of the common good that positioned industrial progress as the primary driver of societal well-being. This legitimised an implicit logic in which social and ecological interests were subordinated to the imperative of economic security.

Industry representatives accordingly invoked a “natural right” to discharge wastewater into the environment.²⁶ However, increasing political pressure—such as that resulting from investigations by the German Imperial Health Office into a sugar refinery in Dessau—forced some companies to reconsider their position.²⁷ At the same time, individual industrial sectors shifted responsibility onto one another: the textile finishing industry and the Association of German Potash Interests, for example, identified paper, cellulose, starch and sugar factories as the main sources of water pollution.²⁸ The potash industry, however, came under particular scrutiny from environmental advocates and other industrial sectors after the German-American hygienist William Philipps Dunbar demonstrated in reports in 1913 and 1914 that potash wastewater could seep into deeper soil layers, potentially endangering groundwater quality and thus undermining envi-

26 *Baumeister*, Referat, 89–92.

27 BAArch, R 86/ 2524, Gutachten betreffend die Ableitung cyanhaltiger Abwässer der Zuckerraffinerie zu Dessau in die Elbe, Kaiserliches Gesundheitsamt 2009/07.

28 BAArch, R86/ 2522, Verein der deutschen Kaliinteressenten, Geschäftsführer, an Staatssekretär des Inneren, 10.7. 1913.

ronmental and public health security.²⁹ In response, the chemist Johann Heinrich Vogel, writing on behalf of the journal *Chemische Industrie*, issued a counter-statement dismissing any potential threat to tea or drinking water.³⁰

The contradiction between Dunbar's findings and Vogel's rebuttal illustrates how scientific knowledge became instrumentalised by various actors in negotiating competing visions of security. Industry stakeholders, equipped with financial resources and extensive networks, commissioned their own experts or published studies supporting their position. Through these means, they sought to ensure regulatory predictability and economic security, asserting their perspective as scientifically legitimate. By influencing public discourse, these actors aimed to safeguard their operational freedom, framing environmental pollution as a manageable risk rather than a fundamental threat to societal stability.³¹

The disputes reveal a fragmented landscape of competing interests, in which numerous actors—from fisheries and local residents to rival industrial sectors—argued against one another. Because the state had access to only a limited number of qualified experts and the legal framework remained ambiguous, influential companies often succeeded in pushing through their demands for minimal regulation.³² The resulting environmental costs typically affected residents, fisheries and agriculture disproportionately. Nonetheless, pressure increased to reconcile these divergent interests under the banner of the common good; while biologists such as Paul Schiemenz argued that a “robust, thriving industry”³³ and responsible wastewater management were equally vital to ensuring the broader security interests of the nation, industrial actors leveraged their political influence to prevent stringent regulatory measures, thereby preserving their right to discharge wastewater into public waters largely unimpeded.³⁴

Demands for an imperial law emerged in response to the perceived inadequacy of the existing legal framework. In this era of ground-breaking technological advancements, the introduction of the Imperial Trade Regulation (*Reichsgewerbeordnung*) of 1883 was intended to redefine the relationship

29 Dunbar, *Abwässer*, 21; Dunbar, *Abwässer II*, 9–13. On the debate about the potash industry as a cause of water pollution, see also Büschenfeld, *Flüsse*, 289–290; 299–303.

30 Vogel, *Abwässer*, 131–136.

31 Büschenfeld, *Flüsse*, 251–254.

32 Wey, *Umweltpolitik*, 42–44.

33 Schiemenz, *Einwirkung*, 381.

34 Corsten, *Wasserressourcen*, 600.

between industry, society and the environment.³⁵ This trade regulation, which was to be continuously expanded over the years, articulated a new understanding of responsibility and environmental protection. However, the roots of this environmental legislation reach further back. As early as 1869, the trade policy (*Gewerbeordnung*) for the North German Confederation laid the groundwork for protecting the population and its environment from industrial pollution—an ambition that can be traced even earlier to the Prussian *Gewerbeordnung* of 1845.³⁶ In contrast to previous, rather hesitant efforts to counteract environmental pollution, the Imperial Trade Regulation of 1883 represented a markedly more comprehensive approach. It established uniform legal conditions for industry and commerce and, for the first time, introduced specific legal provisions for the protection of water bodies from industrial contamination. It mandated permits for certain trades deemed potentially hazardous to the environment, thereby enabling the implementation of preventive measures against water pollution. This new legislation signalled a growing awareness of environmental protection and public health, although its practical enforcement was often hampered by the influence of local interests and industrial stakeholders.³⁷

The legal foundations of environmental regulation at the time operated with vague terms such as “the common good” (*Gemeinwohl*) or what was considered “customary” (*gemeinüblich*). In 1886, the Imperial Court ruled that the discharge of wastewater was generally permissible as long as it did not “exceed the customary degree, even if this impairs the absolute usability of the inflowing water for any arbitrary purpose”.³⁸ Whether a particular discharge exceeded what was considered customary had to be assessed on a case-by-case basis. In addition to this ruling, the Imperial Trade Regulation provided legal grounds for restricting industrial activity in the German Empire. Industrial operations could be suspended at any time due to overriding disadvantages and dangers to the public good. As in the Imperial Court’s ruling, this phrasing presented a fundamental problem: notions of what constituted harm, and at what point it became unacceptable, varied considerably. Moreover, administrative authorities and the court often reached divergent decisions on such matters.³⁹

35 Olmer, *Wasser*, 132.

36 Olmer, *Wasser*, 133; *Büschendorf, Flüsse*, 196–199.

37 Olmer, *Wasser*, 133–135.

38 Adam, *Stand*, 10.

39 Fischer, *Wasser*, 93–95; Zellner, *Verunreinigung*, 70–74.

The German Civil Code (*Bürgerliches Gesetzbuch*, BGB) of 1900 also addressed these issues. According to Section 906, discharges into rivers were permissible to the extent that they corresponded with what was “locally customary” (*ortsüblich*). However, verifying this remained difficult, as the standards for what constituted “customary” at either the local or general level were not clearly defined. While public interest was nominally taken into account, there were no established regulatory bodies or thresholds in place to ensure compliance.⁴⁰ Due to increasing pollution of major trans-boundary rivers such as the Rhine, particularly by upstream federal states,⁴¹ Prussia adopted more restrictive water regulations than other German states. In 1901, a Prussian decree on water purity mandated that police officers and gendarmes supervise and report water pollution. They were also instructed to inspect industrial facilities regularly and without prior notice. Medical officers were likewise authorised to monitor waterways. These measures met with criticism, as neither police nor medical officers had the necessary training.⁴² In 1913, following lengthy debates, Prussia significantly tightened its water legislation. According to Sections 25 and 41 of the Prussian Water Act, wastewater discharges were prohibited if they were shown to have caused harm to others. This helped to prevent an increase in pollution levels. However, the law did not address existing pollution: under Section 379, the longstanding right to discharge wastewater remained in place, provided approval from the industry’s supervisory authorities had been granted. In most cases, there were no qualified experts to assess such approvals.⁴³ While the new legislation improved conditions within Prussia, it did not establish a unified imperial law nor a comprehensive system of state oversight and enforcement. As a result, large rivers such as the Rhine remained heavily polluted. For instance, industries in Baden were able to continue discharging wastewater into the Rhine without restriction, thereby causing harm to both enterprises and residents in downstream western Prussia.

Meanwhile, the perspective of industrialists on stricter water legislation began to shift in the years around 1900. Industry representatives increasing-

40 *Fischer*, *Wasser*, 101–103.

41 While Prussia is often associated with its eastern provinces, after the Congress of Vienna (1815) the kingdom also incorporated extensive western territories, including the Rhineland and Westphalia. These regions became central to Prussia’s industrial development

42 *Adam*, *Stand*, 17–18.

43 *Olmer*, *Wasser*, 374–376.

ly faced pressure as their own production processes also suffered from severe water pollution. In 1902, chemistry professor Ferdinand Fischer from the University of Göttingen comprehensively addressed the assessment of industrial and municipal wastewater in public waterways in his work, *Das Wasser, seine Verwendung, Reinigung und Beurtheilung mit besonderer Berücksichtigung der gewerblichen Abwässer und der Flussverunreinigung* (Water, its Use, Purification and Analysis, with a Particular Consideration of Industrial Wastewater and River Pollution). In his analysis, Fischer criticised the “highly exaggerated demands of some agricultural representatives,” emphasising at the same time that the “one-sided fish advocates” paid insufficient attention to the fact that agricultural practices could themselves harm fish populations and even negatively impact industrial sectors.⁴⁴ Fischer argued that these resulting conflicts of interest could not be resolved “from behind an office desk,” but instead required the expertise of “chemists with practical technical experience.”⁴⁵ Furthermore, Fischer pointed out that various sectors—including starch, sugar and beer production, as well as tanneries, bleaching and dyeing industries—depended significantly on clean water for manufacturing their products.⁴⁶ He simultaneously stressed that freely flowing water should remain dedicated to the public welfare and thus should not fall entirely under the control of any single owner.

Industrial representatives accordingly advocated legislative reform, albeit explicitly oriented towards corporate interests. Already in June 1907, the German Central Association for Hydraulic Engineering and Water Management, represented by its general secretary Dr Max Sasse, asserted its goal of “representing the interests of all parties involved in water management issues, particularly those of industry and affiliated circles.”⁴⁷ The primary aim was a fundamental revision of outdated laws in a way that adequately considered industrial, agricultural and municipal needs alike; how this should be done remained unspecified.

The concept of safety in industrial considerations was primarily focused on the potential for economic growth. They viewed the costs of maintaining clean water as uneconomical, and thus downplayed the risks to rivers. To sum up, industrial actors often framed their economic contributions as essential to the safety of the nation, arguing that any regulation threatening

44 See: Fischer, *Wasser*, v–vi.

45 Fischer, *Wasser*, v–vi.

46 Fischer, *Wasser*, 30–35.

47 BArch Berlin, R 154/ 10327, Dr. Max Sasse, Generalsekretär des Centralverbandes für Wasserbau und Wasserwirtschaft an RMdI, Juni 1907.

industrial productivity would undermine national security by reducing jobs and weakening the economy. This conflation of economic safety with national security allowed industries to resist stricter environmental regulations.

“The Deadly Waters”⁴⁸ – Demands for Greater Water Security

The lack of a comprehensive water law for the entire German Empire as well as the lack of any regulatory body contributed to inequalities between industrial, fishing and agricultural enterprises, as sanctions on actors responsible for polluting rivers often remained de facto unworkable. State institutions and legislators were unprepared for the economic and environmental consequences of pollution and acted only gradually in response to the increasing criticism from various actors, such as fishing associations.⁴⁹ Overall, these associations viewed the damage caused by wastewater pollution as incalculable. Fishing enterprises, whose livelihoods depended on clean water, viewed the degradation of rivers as a direct threat to their economic safety, linking the loss of fish stocks and increased flood risks to broader concerns over public health and environmental security. Around the turn of the century, German rivers had experienced an increase in floods.⁵⁰ The rising threat of flooding due to wastewater, particularly along the Rhine, further fuelled the fishing industry’s pessimism.⁵¹ Thus, in response to arguments that they were economically insignificant compared to manufacturing industries, they countered that they, too, had suffered significant financial losses. They had experienced production shortfalls that significantly reduced their economic yields.

That various fishing associations opposed manufacturing’s view of their economic insignificance is hardly surprising. In 1913, the West German Fishing Association estimated the annual loss to fishing due to river pollution at 125 million marks. From the Association’s perspective, the industry threatened the safety of the river for other actors, such as local fishermen and residents, through pollution, which led to fish die-offs, environmental

48 BArch Berlin, R 86/2424, Louis Parisot: Chimiste. Les Eaux Homicides, in: *Le Matin*, Nr. 6069, 7.10.1900.

49 *Büschfeld*, Flüsse, 193–97.

50 *Hannig*, Suche.

51 *Heine*, Beiträge, 152.

disasters and the unusability of the water. Yet other, fundamental values were also at stake: water was necessary “in common use for drinking, watering livestock, washing and cooking [...]” and much more:⁵²

Water, which we necessarily require for common use [...] rightly represents our greatest national wealth. Whoever destroys or degrades this natural treasure for the benefit of a few not only harms the fishing industry but also agriculture, trade and industry, endangering public health and our national defence.⁵³

In emphasising the threat to the common good, representatives of the fishing associations demanded that all “beneficiaries” of the rivers, such as industry, but also agricultural and fishing associations and state institutions, must take action to improve the situation.⁵⁴ Fishing representatives were well aware that the economy of the German Empire depended on industry. Curt Weigelt saw the “nourishment of the German people” to be at risk if the regulations were too strict.⁵⁵ He therefore called for legal provisions “that limit industry without imposing unaffordable sacrifices, that supervise industry without harassing it with rigid regulations.”⁵⁶ Finding the right balance between restrictions and freedoms for the industry presented a significant challenge for contemporary actors. Fishing representatives saw the state as particularly responsible for legislating in a way that took the interests of all parties into account.

However, even among fisheries representatives, there were moderate voices striving to reconcile seemingly divergent interests. One prominent example was Professor Paulus Schiemenz (1856–1936), director of the State Institute for Fisheries in Berlin-Friedrichshagen and Professor of Fisheries and Fish Breeding at the Agricultural College in Berlin. Widely recognised as the founding figure of modern fisheries science,⁵⁷ Schiemenz repeatedly addressed the pressing issue of water pollution and its adverse impact on inland fisheries through numerous expert reports and public lectures. Overall, Schiemenz advocated greater efforts in wastewater treatment to

52 BArch Berlin, R 86/ 2523, Bericht über die am 25.Oktober 1913 zu Magdeburg abgehaltene XXIX. Generalversammlung des Westdeutschen Fischerei-Verbandes, erstattet vom Verbands-Vorstande.

53 Ibid.

54 *Weigelt*, Fischgewässer, 245–47.

55 *Weigelt*, Schädigung, 30–31.

56 *Weigelt*, Schädigung, 40.

57 *Köfler-Trockner*, Auf den historischen Spuren des IGB, 86–87.

protect fish populations sustainably. Nevertheless, he explicitly argued against imposing sweeping restrictions on industry, cautioning against creating unnecessary obstacles to industrial development.⁵⁸ According to Schiemenz, effective solutions required detailed, case-by-case evaluations of different wastewater types and their specific impacts on fisheries. This approach was especially pertinent for industries such as paper, cellulose, starch and sugar production, where sedimentation basins represented a beneficial measure but were not universally applicable.

Schiemenz emphasised the importance of scientifically grounded analyses to accurately determine which wastewater discharges genuinely harmed aquatic ecosystems before implementing extensive regulatory measures. He further criticised the fisheries representatives for their delayed efforts in developing robust scientific foundations for assessing wastewater issues. Due to this delay, these critical matters had frequently been addressed by non-experts rather than specialists, resulting in misguided judgments and inadequate regulations. Schiemenz utilised his scientific expertise to present a nuanced and less normative assessment of the situation. In his 1918 expert report for the Imperial Health Authority, later published in 1925 in the *Zeitschrift für Fischerei und deren Hilfswissenschaften*, Schiemenz emphasised the necessity of this differentiated approach, stating: “It is in the collective interest of our nation to maintain a vigorous, thriving industry, but it is equally in the collective interest that wastewater be discharged in a manner causing no harm.”⁵⁹ Schiemenz was advocating a balance between economic development and environmental protection, rejecting blanket prohibitions or regulations as inappropriate. Instead, he strongly recommended thorough, individual assessments of each specific scenario to ensure both the sustainability of fisheries and the economic vitality of industry.⁶⁰

Schiemenz’s analyses and proposals highlighted the intricate tensions between economic interests and environmental safeguards. His arguments underscored the importance of rational, scientifically-informed evaluations,

58 BArch Berlin, R 86/ 2522, P. Schiemenz, Wasserverunreinigung und Fischerei, in: Bericht des Geschäftsführers des Vereins der deutschen Kaliinteressenten an Staatssekretär des Inneren, 10.07.1913.

59 BArch Berlin, R 86/ 2522. Über die Einwirkung der Abwässer der Kali-Bergwerke auf die fischereilichen Verhältnisse der Leine, Gutachten erstattet dem Reichsgesundheitsamt im Februar 1918, in: *Zeitschrift für Fischerei und deren Hilfswissenschaften* 23.3 (1925), pp. 381–413, p. 381.

60 Ibid.

reflecting his nuanced perceptions of risk and safety. His work demonstrated that wastewater management encompassed not merely environmental protection concerns but also broader issues of economic justice and industrial advancement. Ultimately, few contemporaries engaged in such carefully considered mediation efforts.

Conversely, one “Scriba” (first name unrecorded) of the Chamber of Agriculture in Halle inverted the argument concerning the economic significance of industry. He acknowledged that industries such as sugar and paper had made notable progress in treating organic wastewater, but pointed out the persistent challenges posed by inorganic wastewater.⁶¹ Scriba warned about the increasing degradation of German rivers into “sewers” (*Kloaken*) and criticised many factories for neglecting treatment measures purely in order to save costs. According to him, the financial investment required for wastewater treatment facilities was minimal compared to the substantial economic profits that industries were making. Scriba asserted emphatically: “Many factories have no right to pollute the most essential condition of life for their fellow citizens and transform our magnificent German rivers into sewers simply to save a one-time expense of 2 % on the minimal maintenance costs of these facilities!”⁶²

With this statement, Scriba was condemning the environmentally destructive practices of many factories, driven primarily by greed, which neglected appropriate wastewater treatment measures. Like many industry critics, he employed ethical—particularly utilitarian—arguments to elevate his position morally. He criticised the short-sightedness of factory owners, arguing that a mere 2 percent of maintenance costs was tiny compared to the severe ecological and societal consequences that would result if action was not taken.⁶³ Scriba depicted the pollution of rivers, which were essential for both human and other natural life, as unethical and irresponsible. The stark contrast he drew between the “magnificent German rivers” and their impending transformation into “sewers” underscored not only physical damage but also the cultural loss associated with such environmental destruction. Rivers, he argued, were not merely natural resources but integral parts of a nation’s landscape, history and identity.⁶⁴ Scriba thus articulated a moral appeal: economic interests must not overshadow

61 Ibid.

62 Ibid.

63 Ibid.

64 On rivers and cultural identity see: *Cioc*, Rhine, 10–14; *Etzemüller*, Landschaft, 17–18.

the common good and environmental protection. Companies had societal responsibilities and must take proactive measures to prevent long-term damage.⁶⁵ His statements explicitly rejected short-term, profit-driven thinking in favour of a more conscious approach to managing natural resources.

The contrasting perspectives of Schiemenz and Scriba highlight the critical role played by risk assessment and safety considerations among fisheries and agricultural representatives. These evaluations not only framed environmental protection as an ecological necessity but also situated it within broader ethical, economic and social discourses. The interplay between careful, scientifically-informed decisions and ethical accountability underscored the fundamental tension involved in balancing immediate economic benefits against long-term ecological sustainability. But while farmers and fishermen emphasised the dangers and risks that pollution posed to ecological sustainability, industrial companies rebutted such claims with the alleged self-purifying capacity of rivers, a concept popularised by Max von Pettenkofer in the late nineteenth century.⁶⁶ According to this theory, rivers possessed a natural ability to cleanse themselves through the dilution, sedimentation and microbial breakdown of organic waste. This view suggested that bodies of water could absorb and neutralise pollutants without long-term environmental harm.

Around the turn of the century, however, different perspectives emerged regarding the long-term consequences of industrial pollution. Although the theory of self-purification was still influential, it was increasingly considered disproven—at least to the extent of the claims originally made by Pettenkofer. At the same time, perceptions of risk and the desire for security played a growing role in public discourse, particularly in the context of natural disaster prevention.⁶⁷ However, the long-term environmental consequences of pollution were often seen as less immediate or threatening by large parts of the population.

These debates illustrate how perceptions of risk and safety profoundly shaped policy discussions. State actors, caught between the demand for economic growth and rising concerns over environmental degradation, faced a dilemma: how to ensure both economic and environmental safety. This tension often resulted in half-hearted measures, as stricter regulations

65 BArch Berlin, R 86/ 2523, Bericht über die am 25. Oktober 1913 zu Magdeburg abgehaltene XXIX. Generalversammlung des Westdeutschen Fischerei-Verbandes, erstattet vom Verbands-Vorstande.

66 *Büschendorf, Flüsse; Büschendorf, Abwasserproblem*, 34.

67 *Hannig, Zukunft; Hannig, Gefahren*, 23.

were seen as potentially destabilising for the economy, even though the environmental risks threatened long-term societal safety.

Balancing Acts: The State as Mediator between Contested Evaluations of Safety and Risk

State institutions and administrative bodies in Germany increasingly recognised river pollution as a serious concern. They faced the challenge of evaluating and reconciling the numerous conflicting perspectives on the extent of river contamination. As legal debates remained contentious, state authorities were compelled to respond to the growing divergence of views regarding the causes and consequences of water pollution. Around the turn of the century, various governmental agencies were established tasked with addressing these issues. These institutions were intended to function as neutral, scientific bodies, providing expert assessments in cases of conflict and thereby contributing to the resolution of disputes.⁶⁸ On 1 April 1901, the Royal Testing Institute for Water Supply and Wastewater Disposal was established, primarily aiming at disease prevention and ensuring the “favourable economic development of populous communities,” as emphasised by Privy Medical Councillor R. Abel, an institute official, in 1913.⁶⁹ Abel stressed that the institute was conceived as an entity working in the public interest, advising central authorities and ministries.

Initially, the institute consisted of eleven staff members, including seven scientists. Due to rising demand and the increasing volume of evaluations, its budget and staff grew significantly. By 1912, the institute employed 44 people, including 25 scientists (physicians, chemists, engineers, botanists, zoologists), five technicians and seven office clerks. Scientists regularly collected water samples from Prussian rivers, predominantly focusing on the western, Rhine province, where 869 analyses were conducted between 1901 and 1912. The primary purpose of the institute was to advise state authorities, eliminating the need to commission private experts.⁷⁰ Additionally, industries such as textile factories, tanneries, leather factories and paper mills commissioned the institute’s evaluations, with private clients paying fees for these services. The unexpectedly high demand for evaluations

68 *Büschendorf*, Flüsse, 208–210.

69 *Abel*, Rat, 7.

70 *Abel*, Rat, 10–13.

resulted in revenue that exceeded initial state budget projections. Thus, the institute was supposed to function as a neutral body accessible to various interest groups, providing scientific assessments on water use conflicts. It positioned itself as the authoritative commission evaluating both hygienic and economic interests.⁷¹ After multiple reorganisations, the institute was expanded nationwide and renamed the Institute for Water and Air Quality (*Reichsanstalt für Wasser- und Luftqualität*) in 1942.

Yet nearly simultaneously with the establishment of the Royal Testing Institute, a similar initiative emerged at the imperial level through the creation of the Imperial Health Council (*Reichsgesundheitsrat*) on 20 March 1901. The Council's main responsibility was to prepare advisory reports aimed at improving water conditions, particularly regarding public health and veterinary regulation.⁷² However, these assessments lacked legal authority, and interventions could only be initiated at the explicit request of individual federal states. Consequently, as the German interior minister recognised in the 1920s, these expert evaluations frequently proved ineffective as policy instruments.⁷³

In contrast to the Imperial Health Council, the Royal Institute was a specialised research and testing facility focussed on the practical control and improvement of water quality. The institute maintained close ties with the Association for Water Supply and Sewage Disposal, founded by the Prussian State Ministry on 24 March 1900 to mediate the tensions between public health demands and industrial interests. Membership comprised Prussian urban and rural communities as well as industry associations. Nevertheless, the institute's reputation was particularly poor among agricultural stakeholders, who accused it of being biased towards industrial interests. Consequently, political pressures emerged to separate the Royal Institute from the Prussian association, although the implementation of this formal separation was ultimately halted by the outbreak of the First World War.⁷⁴

The Royal Institute's evaluations, often favouring industrial establishments, reflected broader perceptions of security and risk. By utilising state and scientific authority, its assessments reinforced existing risks to public

71 *Günther, Tätigkeit*, 17; *Abel, Rat*, 7.

72 *Olmer, Wasser*, 281–282.

73 *Olmer, Wasser*, 283.

74 *Olmer, Wasser*, 287–290.

health and perpetuated the dominance of certain industrial actors.⁷⁵ This dynamic illustrates how contested scientific knowledge could be mobilised to shape societal perceptions of risk and security, effectively supporting and entrenching established power relations. Thus, the establishment of centralised water governance institutions, despite public hopes, did not necessarily yield beneficial outcomes for all stakeholders. The establishment of these institutions demonstrated an awareness of the need for state regulation, but implementation was often inadequate as a means of effectively addressing the issue of river pollution. On the one hand, the interests of the various federal states clashed, many of which were critical of national legislation. On the other hand, various (especially industrial) associations exerted pressure on the government.⁷⁶ They saw state regulation as a threat to their economic growth. Particularly conservative and right-wing liberal parties in the Reichstag blocked progress toward national legislation in the early twentieth century due to their close ties to industry.⁷⁷ Jürgen Büschenfeld summarised: “The law had been adapted to the socioeconomic conditions of the young industrial society”.⁷⁸

Contested Waters: Risk, Security and the Politics of Expertise

Current political debates in Germany vividly illustrate the persistent tension between industrial growth and ecological protection. Friedrich Merz, leader of the Christian Democratic Union (CDU) and German Chancellor since May 2025, has emphasised that industry is at least as important as climate protection, advocating for a balanced approach that does not endanger industrial operations.⁷⁹ Similarly, former federal minister for foreign affairs Sigmar Gabriel has criticised the European Union’s proposal to ban internal combustion engines by 2035, warning that such measures could jeopardise key pillars of the German economy, particularly the car industry.⁸⁰ These perspectives underscore the ongoing tension between advancing environmental objectives and sustaining industrial strength, a balance that is crucial for Germany’s economic future. Policymakers grap-

75 *Das Kaiserliche Gesundheitsamt*, Kaiserliche.

76 *Corsten*, *Wasserressourcen*, 600–601; *Wey*, *Umweltpolitik*, 44.

77 *Corsten*, *Wasserressourcen*, 600–601.

78 *Büschenfeld*, *Abwasserproblem*, 44.

79 *Deutschlandfunk*, Merz.

80 *Die Welt*, “Gabriel”.

ple with balancing economic priorities against environmental sustainability, underscoring the ongoing complexity in integrating ecological concerns into economic frameworks.

As this article shows, this contemporary dynamic can be historically traced back to the late nineteenth and early twentieth centuries, a period in which economic security was increasingly prioritised over ecological considerations. Industrialisation brought substantial economic benefits, such as job creation, improved infrastructure and rising living standards, solidifying the perception of economic security as integral to national prosperity. During this era, the pursuit of safety significantly influenced conflicts over river pollution in Germany. Industrial actors promoted economic security, advocating regulatory frameworks that balanced environmental concerns with the imperatives of industrial growth, competitiveness and employment.⁸¹ Industry representatives regularly asserted that the rigorous regulation of waste disposal could impede economic development, risk job losses and negatively affect living standards, thus framing economic stability as crucial for societal welfare and national success.

Conversely, fishermen, farmers and local residents focused primarily on environmental safety, emphasising the protection of livelihoods, access to clean water and public health. For these communities, river pollution represented a direct threat to their economic survival and overall well-being, as polluted waters harmed agricultural yields, fish stocks and health. However, these groups often lacked sufficient political leverage to bring about significant policy changes.⁸² The tension between economic and environmental safety deepened disputes over river management, with industries leveraging their substantial economic contributions—such as employment and infrastructure improvements—to influence policy debates and outcomes.⁸³ State authorities, aware of the potential risks of pollution, including declining fish populations, public health hazards and agricultural disruptions, generally proceeded cautiously. Concerns regarding potential negative impacts on industrial competitiveness and investment slowed the pace of regulatory interventions. Despite growing scientific knowledge about the consequences of pollution, the situation continued to develop at the expense of environmental safety. State actors perceived the risk of economic decline or an escalating crisis—along with its potential social consequences—as

81 *Olmer*, *Wasser*, 265.

82 *Büschfeld*, *Natur; Büschfeld*, *Visionen*.

83 *Corsten*, *Wasserressourcen*, 600; *Wey*, *Umweltpolitik*, 42–45.

too great. At the same time, available technological solutions were still underdeveloped and, from the perspective of many industrial enterprises, too costly to implement.⁸⁴

The lack of a unified legal framework and dedicated regulatory institutions further complicated efforts to balance these competing interests. Fragmented regulations and inconsistent enforcement hindered clear resolutions, despite growing attention to environmental and public health concerns. Ultimately, economic security commonly took precedence due to industry's critical role in fostering economic growth and improving living standards. The divergent perspectives and priorities regarding safety between industry and local communities shaped environmental governance significantly, influencing regulatory outcomes. These early twentieth-century conflicts set significant precedents for future resource management issues. Prioritising immediate economic gains without sufficiently accounting for long-term ecological impacts created enduring environmental challenges, complicating later efforts towards pollution control and sustainable resource management in the twentieth and twenty-first centuries.

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84 *Olmer*, Wasser, 44–45.

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Security and Risk in Colonial Contexts: The Enterprise-Security Nexus in the Construction of the Swakopmund Jetty, c. 1911–1920

Nina Kleinöder

In 1911/1912, the construction companies *Grün & Bilfinger (G&B)*, based in Mannheim in Germany, and *Benrather Brückenbau AG (Flender)*, a bridge-building firm based in Benrath, began the construction of a six-hundred-metre-long iron jetty in Swakopmund in the German colonial territory “Deutsch-Südwestafrika” (German South West Africa or GSWA, today Namibia). This was to be one of the biggest projects G&B had ever undertaken outside Germany, and hopes were high that it would, among other things, help to expand a domestic building market that was stagnating, particularly in the area of infrastructure works. The German colonies appeared to promise a safe environment in which skills and knowledge could be grown and that would serve as an opportunity for further global expansion.¹ But when the contract was awarded, no-one could foresee that the project would never actually be finished.

The Swakopmund jetty project was one of many construction projects carried out by German companies in the *Schutzgebiet* (“protectorate”) of German South West Africa shortly before the First World War. In the following, it is used as a case study to demonstrate the complicated interplay of security and risk that such projects involved. My focus here is not primarily on what these entanglements meant in terms of national politics. Rather, I am interested in the implications they had for businesses and thus, their significance for the history of commerce and companies. My argument here builds on earlier theoretical discussions within the “Dynamics of Security” research centre, in particular as understood within the enterprise-security nexus that was the focus of the first volume in this series; here, however, I apply the theories discussed to an empirical case.² The

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On this see also *Stier/Krauss*, *Wurzeln*, 50–55.

2 *Jakob/Kleinöder*, *Security*.

chapter investigates colonial harbour- and jetty-building, in particular the building of the jetty at Swakopmund; in doing so, it illustrates the notion of securitisation applied to an infrastructural interface between maritime shipping and land transport in the colonial era. At the time, the jetty project was mainly conceived in terms of access to railway construction projects. This access was seen at the time as key to “entering global markets” and thus “opening up” the colonies to investors.³

A project aimed at creating access to and from the harbour in Swakopmund had already been discussed in the 1890s and initiated around 1899/1900, as nearly all trade between GSWA and the outside world had to go through this port. The natural choice would have been the harbour at Walvis Bay to the south, which was already well-established and geographically more suitable for shipping. But Walvis Bay was a British territory, so that the German colonists were forced to look for an alternative location where large volumes of traffic could easily access the shore.⁴ From this perspective, the proposed harbour and jetty were to function as a kind of revolving door, with European settlers and products coming into German South West Africa on one side and goods intended for the world market going out on the other. In this situation, how did actors in the private sector deal with the political, military, technical and natural risks involved? Such a perspective, relatively unusual in the literature, can offer valuable insights; on closer examination, it becomes clear that the history of the harbour and jetty in Swakopmund in the period from the beginning of the century until well into the First World War is among other things a history of persistent failure.

Until now, research on harbour and jetty-building has mainly focused on the technical issues involved⁵ and, more recently, on aspects relating to labour and environmental history.⁶ A broad overview of the harbour and jetty at Swakopmund identifies various phases in its construction. First was the building of a mole from 1899–1903, which soon silted up and was replaced, second, by a temporary wooden jetty during the war against the

3 Pfister, *Bernhard*: Die wirtschaftliche Bedeutung der deutschen Kolonialhäfen vor und nach dem Kriege, in: *Jahrbuch der Hafenbautechnischen Gesellschaft* 17 (1938), pp. 3–20. On the concept of “opening up” (German “Erschließung”) see the critique by *van Laak*, *Hochstraßen*, 104–105; cf. also *Kleinöder*, *Bridging*.

4 For an overview of harbour and jetty-building see *Kalb*, *Empire*, 70–72, 83–105, 159–168, 191–197, 229–231, 168–275; *Stengel*, *Mole*, 55–56.

5 Cf. e.g. *Rödel*, *Landungsbrücke*.

6 Cf. e.g. *Kalb*, *Empire*; *Todzi*, *Unternehmen*, 366–385.

Herero and Nama (1904–1908). In 1911, in a third phase, the construction of an iron jetty was begun, but due to the outbreak of the First World War never finished. It was eventually partly dismantled and repurposed under the South African Protectorate.

Research on the Swakopmund project has mainly been interested in the state-financed construction of the mole in the first phase, and the wooden jetty built by German troops during the colonial war in the second. There is also some literature on how landings were organised in general, for example the use of “Krumen” (also known as *Kroomen*, or the Kru people).⁷ This chapter, by contrast, investigates the privately-funded construction of the iron jetty by a consortium formed specifically for this purpose, the “Bauunternehmung für die Landungsbrücke Swakopmund (DWSA)”, hereinafter *BLS*. This consortium comprised the construction companies *Grün & Bilfinger (G&B)* and *Flender AG* (Benrath). It was registered in Mannheim, at *G&B*'s headquarters, and it was tasked with the construction of the iron jetty in Swakopmund from 1911.⁸

The starting point for my analysis is the general consensus in the literature that investors and commercial businesses were usually reluctant to become involved in infrastructure projects in the German colonies.⁹ Yet the example of Swakopmund shows that by 1911, two construction projects managed by the public sector had already failed, and that subsequently, a third attempt was made through handing it over to the private sector. The central questions of this chapter are thus: Why were commercial companies apparently no longer reluctant to take on this clearly very difficult challenge, given what had happened in Swakopmund from the project's beginnings in 1899? And why, despite the previous failures, did they still anticipate a secure and attractive business opportunity?

Semantically, the history of the German colonies is profoundly marked by ideas of *Schutz* (“protection”) and *Sicherheit* (“security”). Bismarck preferred to talk of the colonised territories as “Schutzgebiete” (“protec-

7 Krumen were migrated Black Africans who lived along the coast of West Africa and worked in a maritime environment, mainly on European vessels, in ports and in unloading. See *Gunn*, *Labor*.

For an overview of the work of the Krumen in GSWA see *Kalb*, *Empire*, 70–71; *Lyon*, *Genocide*, 45–49.

8 On *Grün & Bilfinger* see *Stier/Krauss*, *Wurzeln*; on *Flender AG* see e.g., *Flender Act.-Ges. für Eisen-, Brücken- und Schiffbau Benrath*, n.d. in: *Scientific Society Swakopmund* (hereafter *SSS*), 2004.14.33.

9 *Kleinöder*, “Place”; *Huber/Kleinöder/Krautter*, *Entrepreneurial Expectations*.

torates”), and this finds many echoes in contemporary terminology, with words like “Schutztruppe” (“protective troops”) or “Schutzbriefe” (literally “protective letters”, meaning letters of safe conduct issued to individuals or charters for companies). The official political annexation of German *Schutzgebiete* overseas from the mid-1880s was mainly motivated by military and political ambition (in the “scramble for Africa”) but also financial considerations, especially the ongoing search for new markets and/or raw materials.¹⁰ Such activities were underpinned by an imperialistic ideology concerned with issues of social *security* and order in the context of a colonialism that was based on the establishment of settlements.¹¹

Business decisions are made on the basis of an imagined future that can never be entirely certain, based as it is on experience on the one hand and expectations on the other. As such, they are always characterised by uncertainty to some degree. This was no different in the colonial context.¹² However, as noted already by Frank Knight in the 1920s, it is important to differentiate between risk, which is measurable, and uncertainty which is not. While businesses and business leaders can draw upon their knowledge and experience in order to calculate and plan for risks (at least those risks which are already known to or anticipated by them), uncertainties always remain, especially in a colonial context where knowledge of the territory or the relevant markets, for example, is often lacking.¹³ In terms of the theoretical scope of the “Dynamics of Security” research centre (CRC 138, discussed in detail in the introduction to this volume), the interesting question is how the actors involved dealt with the relationship between certainty and uncertainty and how they integrated these two factors into their decision-making processes and work processes during the period of the project. This involves the three analytical categories that are referred to here and in “Dynamics of Security” project as *situations*, *heuristics* and *repertoires* respectively. These categories are rooted in the Copenhagen School in Critical Security Studies (CSS) and are based on the general assumption that when a scenario is specifically addressed as a security issue,

10 On the workforce and the working conditions at the building site, see Kleinöder, On Site.

11 Cf. e.g. Bade, Fabri, 80–85.

12 Cf. Huber/Kleinöder/Krautter, Entrepreneurial Expectations.

13 Knight, Risk, 233–243.

certain processes unfold that are defined by the Copenhagen School as processes of securitisation.¹⁴ These phenomena are understood as follows:

1. *Situations*: How, in a first instance, are contexts identified that indicate a specific “security situation”?
2. *Heuristics*: What are the strategies used by actors to address questions of certainty and uncertainty in such situations? Who are the driving actors and which audience do they address?
3. *Repertoires*: What instruments do actors (in this article, businesses) develop in these situations? Knight, for example, assumes that two instruments in particular play a role in dealing with uncertain contexts. These are *insurance* (that is, the externalisation of uncertainty) and specialisation, both of which can also be identified in this particular instance.¹⁵

On the basis of the microhistorical example of the Swakopmund jetty, this chapter aims to find out how quite different forms of risk arose in this specific colonial business context, how they were negotiated and how the businesses involved responded to them in practice, as well as the steps they took to mitigate them in advance. Initially, therefore, this article differentiates between various risks as they appeared to the businesses before and during the construction project. These risks can be broadly divided into three categories, and the chapter is broadly structured around them; however, it is clear that in practice, the different types of risk were always entangled to some extent.

Natural and technical risks, for example, were often bound up with structural or other construction issues. The construction companies addressed such risks mainly through gathering as much information as possible in advance, and by seconding their own engineers and technicians to the site. But this did not protect them against uncertainty in relation to the topography of the site, for example, which could be severe or even catastrophic (storms, floods etc.).

Financial risks were often related to technical risks or arose out of the latter. They primarily affected the profits the businesses were likely to make from the project, and involved constant entrepreneurial risk management across the entire project, from drawing up the contract to organising the building work on site. Businesses were concerned, for example, with high transaction costs and principle-agent problems, as well as the question of

14 See Introduction and Christian Kleinschmidt’s chapter in this volume.

15 Knight, *Risk*, 243–263.

whether they would have access to sufficient workers, and they developed and applied numerous instruments to address such questions.

There was also *political risk*. This was mainly linked to the colonial context and the complexities of imperialism around 1900. It represented the bigger framework within which businesses had to operate, but over which they had little influence; in Knightian terms, then, it represented uncertainty as opposed to risk.

Based on the findings of this initial analysis, this chapter will then identify the negotiations and strategies that formed the foundation for a supposedly secure financial and project framework within which the actual building work could take place.

Following an introduction that sets out the context of colonial harbour-building and focuses on the identification and description of the general (security) *situation* of the jetty-building project in Swakopmund, the article will discuss how the preparations for the project—including the contractual arrangements—were made, analysing the risks and security *heuristics* identified. In which ways were security issues successfully addressed, thereby externalising entrepreneurial risks?

The second half of the chapter concerns the building site itself, showing which risks and uncertainties (especially in regard to the progress of the construction work) actually became a reality, and what instruments (security *repertoires*) the companies used and developed in response.

Economic and Military Security: Colonial Jetty-Building in the Shadow of Imperial Competition and Colonial Warfare

The building of harbours and jetties was intended to create infrastructural “hubs” that would play a fundamental role in connecting the colonies to the wider world and making them accessible. This was particularly important in GSWA as a so-called “settler colony” that depended on the import and export of people and goods. The extraction of raw materials, and the growing importance of the military during the war against the Herero and Nama (1904–1908), were both areas in which territorial access was key.¹⁶ The construction (in some respects more of an expansion) of the landing stages in Swakopmund and Lüderitzbucht took place during the heyday of

16 C.f. e.g., *Kreienbaum*, *Fiasco*; *Todzi*, *Unternehmen*; *Kalb*, *Empire*.

harbour construction and a general intensification of world trade. The latter can be quantified on the basis of historical records, which demonstrate not only an increase in tonnage at central ports but also increasing access to a growing number of ports at numerous outlying trading posts of the German Empire across the globe.¹⁷ This development led to an increased need for expertise that could deal with the new situation, leading to new construction projects on different continents, through which such expertise could be built and consolidated. It is also reflected in the increased business volume of German construction companies that operated in global markets.¹⁸ The example of *G&B* shortly before the outbreak of the First World War clearly shows that the colonial business carried out by larger construction companies such as *Philip Holzmann*, *MAN Gustavsburg* or the *Gutehoffnungshütte (GHH)* corresponds with the period in which these companies became international in scope, and/or represented a welcome incentive to increasingly move business abroad.¹⁹ From a business perspective, it made sense to use the protected arena of the colonies to escape the usual competitive markets. Businesses could hope to rely on the “appreciation and trust” of the national and local governments that awarded them projects and commissions.²⁰ Swakopmund thus forms part of a small group of colonial building projects which also included the expansion of the harbours at Tanga in German East Africa and Duala in Cameroon.²¹

At the same time, these examples demonstrate how much of a role local factors played in the infrastructural “opening up” of the colonies and what this meant in terms of connecting—but also differentiating—colonial markets. The harbours and jetties in the colonies were to be crossroads for products and raw materials destined for global markets; they were sites where a two-way traffic could take place between land and maritime shipping. To “open up” the colonies, however, it was essential to provide enough loading and transport capacity to get materials, heavy tools, equipment etc.

17 *Hungerland/Wolf*, Panopticon.

18 For a broader context of the internationalisation of the construction industry see *Linder*, Capitalism, 35–90.

19 *Kleinöder*, Bridging; *Stier/Krauss*, Wurzeln, 50–55.

20 Annual Report of Grün & Bilfinger A.G. (Mannheim) for the eighth financial year from 1 January – 31 December 1913. On the General Assembly held in March 1914, see report for the supervisory board, p. 2, Unternehmensarchiv Bilfinger (hereafter UA Bilfinger), A 4465.

21 Tanga Hafenerweiterung 1911–1913 UA Bilfinger, A 2117; Duala Hafenanlagen, 1909–1914, UA Bilfinger, A 1650–1654.

onto land in the first place.²² In Lomé (Togo), but also in Swakopmund, ships wishing to dock had to cope with making shore in the difficult conditions of the Atlantic coast with its heavy surf. The ships would lie up in the roadsteads, while goods and passengers were transported on small launches or special landing rafts. Sometimes, goods were even floated across to shore. This was dangerous, and often resulted in serious or fatal accidents. But it also led to material losses when goods sank and could not be recovered. In addition, the whole process depended on the workers (mainly West African “Krumen”). Men working in this field were generally in great demand due to their special skills and experience, and as a result were practised in negotiating good wages and working conditions for themselves. Thus, from around the turn of the century, an increase both in the volume of cargo and in the expense of hiring skilled workers to land it safely, meant that businesses were increasingly calling for suitable docking facilities to be built.²³

The Colonial Department at the German Foreign Office (*Auswärtiges Amt*) in Berlin²⁴ responded with an extensive jetty-building project in the colonies, starting in Togo, where *Gustavsburg MAN* was commissioned with the building work from 1901. This decision was not only based on the needs of businesses. The Foreign Office was planning to build railways in the colonies, but this could not be done without some means of getting the necessary heavy machinery and materials to the shore. In this, they faced the problem of building jetties on sections of coast that were often topographically unsuitable, lacking natural harbours or other sites where ships could dock easily, and exposed to the strong surf of the Atlantic Ocean. This was a constant technical and logistical challenge for the construction companies.

22 Todzi discusses Swakopmund specifically, e.g. on the topic of the increased need to transport troops during the colonial war, in *Todzi, Unternehmen*, 370; see also *Rösser, Prisms*, 247–254; *Pfister, Bernhard: Die wirtschaftliche Bedeutung der deutschen Kolonialhäfen vor und nach dem Kriege*, in: *Jahrbuch der Hafenbautechnischen Gesellschaft* 17 (1938), pp. 3–20; *Schinzinger/Zapp, Bedeutung*.

23 Report of Customs Overseer Köhler, 11.7.1904, in copy held at the National Archives of Namibia (hereafter NAN), BSW 56/XXV.a. C.f. most recently *Kalb, Empire*, 70–71, 83–84; *Lyon, Genocide*, 45–49; for the period of the colonial war, *Todzi, Unternehmen*, 376–381.

24 The Colonial Department was only later transformed into a Colonial Office under the leadership of Bernhard Dernburg.

The situation in Swakopmund reveals the complications which ensued when a site was chosen based on colonial imperatives, as the decision to build in GSWA was based predominantly on growing imperial competition and the European “division” of colonial territories, rather than on its suitability for shipping. By contrast, the German occupation of the territory of Tsingtao (today’s Qingdao) in China was chosen specifically because of its geographical and strategic assets, in particular its harbour. The German colonisers in (West) Africa, however, had to contend with sub-optimal local features. The “scramble for Africa” was a scramble too for infrastructural advantage. The British had already claimed an enclave at Walvis Bay, the only natural harbour in GSWA. The German colonial administration in Berlin and the governor at Windhoek, looking for an alternative, could hardly have chosen less suitable sites than Swakopmund and Lüderitzbucht, where both the geography and the technical possibilities made building a jetty almost impossible. This decision would ultimately lead not only to multiple technical and logistical difficulties, but also, in the end, to considerable financial losses. Yet even some forty years later, in 1939, a publication of the *Hafenbautechnische Gesellschaft* referred to the economic importance of harbours from a colonial perspective: “Harbours are not simply instruments with which to manage inbound and outbound shipping. They have a much higher function as organs of economic development and economic promotion.”²⁵

From the point of view of the colonial administration, the security problems in the colonies could be partially addressed through a politically independent landing jetty from which German South West Africa could be accessed. Thus, before construction had even begun, the project can be seen to embody the dual security heuristics that underpinned the colonial state, in which questions of military and economic security went hand-in-hand. Economically speaking, a harbour suitable for large volumes of shipping would ensure access to global markets and thus economic access to other European imperial powers. This thinking was motivated by fears of economic competition and of being “booted out” of global markets, something that for Germany, as a late starter in terms of colonialism, was a

25 Pfister, Bernhard: Die wirtschaftliche Bedeutung der deutschen Kolonialhäfen vor und nach dem Kriege, in: Jahrbuch der Hafenbautechnischen Gesellschaft 17 (1938), pp. 3–20, 4 (“Häfen sind nicht nur die Instrumente, um binnenwärts und seewärts gerichteten Verkehr zu bewältigen. Sie sind in einem viel höheren Sinn Organe der Wirtschaftsentwicklung und Wirtschaftsförderung”), author’s translation.

very real concern, especially given the potential access to new seams of raw materials that the colony seemed to promise.

But the question of military security—which was fundamentally also a question of power and the perceived “right to rule” of the colonisers—was also key to the German government’s plans, especially given the experience of colonial warfare and the danger of uprisings and resistance. A major port facility would provide strategic access for the army, its troops and provisions. Infrastructural access to the colony was at the heart of this heuristic, and thus, it also represented a new business opportunity for companies. The German government wanted private companies to play a central role in the development of an enterprise-security nexus,²⁶ making access possible first through the construction of the jetty itself (via the *BLS* and then through the ongoing administration and clearances which were to be carried out by the firm of *Lührs, Woermann*).²⁷ Increasingly, the implementation of this nexus took the form of public-private partnerships.²⁸

Public-Private Partnerships: Construction Companies and the Colonial State

As Swakopmund became more and more heavily populated by settlers during the 1890s, the colonial administration began to pay closer attention to its topography. At the same time, discussions about a possible landing jetty in response to the growing traffic in the colony were already underway. These discussions took firm shape from 1899, with the decision to build a mole at a site north of the Swakop River where there was a natural bay. The decision was motivated in particular by the construction of the Swakopmund-Windhoek Railway that had begun in 1897 and the plans of the *Otavi Mining and Railway Company* (OMEG) to ship the products of their industries via the German *Schutzgebiet*, rather than via Porto Alexandre to the north.²⁹ Interestingly, we know from the extant plans and expert reports that even at this stage, the various actors involved were sceptical of success, seeing the plan more as an experiment than a project that could ever be

26 *Jakob/Kleinöder*, Security.

27 *Kalb*, Empire, 85; *Todzi*, Unternehmen, 366–369.

28 See also for the military context *van de Kerkhof*, Partnership.

29 *Baltzer*, Kolonialbahnen, 78–84; *Stengel*, Mole, 55–60.

realised.³⁰ And indeed, the first construction phase turned out to be a “constant battle against the sea.”³¹ Building was continually delayed because of the surf and the weather. The works were carried out and coordinated by the Colonial Harbour-Building Office in Swakopmund (*Hafenbauamt Swakopmund*), which as the harbour authority also took on responsibility for landing operations once the mole was finished in 1903.³² But even as the works neared completion, the mole was already beginning to silt up.

By 1904, the landing facilities were already more or less unusable, despite the expensive use of diggers to dredge the channel. The course of the Swakop River ran through the desert, and as a result, carried large amounts of sand which were then deposited in the harbour basin behind the mole, an unstoppable process that gained increasing momentum as time went on.³³ Yet with the outbreak of the colonial war in 1904, as we have seen above, the GSWA governorate and the colonial administration in Berlin urgently needed a site where large numbers of troops and heavy military equipment could be landed and moved further inland. Thus, the second phase of construction began at Swakopmund in 1904. This took the form of a provisional wooden landing jetty, built by the military railway construction battalion and intended primarily for direct use by the army.³⁴ But here, too, problems and limitations quickly became apparent. The jetty was not large or strong enough to cope with the growing amount of inbound traffic, and structurally, the pinewood that had been used (probably without being sealed first) gradually fell victim to the “shipworm” (German *Bohrwurm*, Lat. *Teredo navalis*).³⁵

30 This is the interpretation favoured by *Stengel*, Mole, 60–61.

31 Report by harbour construction overseer Ortloff, cited in *Stengel*, Mole, 61; for a detailed description of the preparations and construction work, see *Kalb*, Empire, 86–90.

32 Cf. Hafen 1895–1904, NAN, BSW 10/H.1; Hafen- und Schiffahrtssachen 1903–1911, NAN, BSW 56/XXV.a.

On the construction itself and working conditions on site see also the detailed discussion in *Lyon*, Genocide, 49–58.

33 Notes of a discussion about the silting-up of the harbour between the colonial administration and the commanding officer of the *Schutztruppe*, 22.8.1904, NAN, BSW 67/B.7; *Kalb*, Empire, 159–166.

34 Supplement VII to the budget for the GSWA Protectorate for 1908. Denkschrift über die Ausgestaltung des Leichterhafens Swakopmund, p. 93, Scientific Society Windhoek (hereafter SSW); more detailed report available in *Maercker, Georg*: Unsere Kriegsführung in Deutsch-Südwestafrika: Lecture held in Berlin 1908, 13–24.

35 Swakopmund District Office to the governor of GSWA, 16.6.1904, NAN, BSW 56/XXX.a; on shipworm see the detailed description in *Kalb*, Water.

Early Securitisation Processes and the Swakopmund Jetty

An analysis of the repeated failure of the building works in relation to both the mole and the wooden landing jetty reveals that even in the course of these early projects, securitisation processes were beginning to take on some importance. Arguments about security until 1908 were primarily to do with military concerns in the context of the colonial war. These arguments were based on an assumption that some form of uncomplicated solution was urgently needed to ensure that landing could take place swiftly and easily, an essential prerequisite for the prosecution of the war. The security situation addressed thus called for extensive, publicly-funded action.³⁶ Before this, the main motivation for improving access to the colony and linking it with global markets was economic, with less dramatic rhetoric and also less success. From 1904, however, the security *situation* was increasingly marked by threats to the local population and colonial interests in general. It is important to note here, however, that this securitisation analysis here refers only to the situation of the (constructed) risk to colonial interests; the threat to the African workers was not a matter of securitisation, but a real threat to their bodily survival. The improvements to the transport infrastructure were, however, portrayed as necessary to the war effort. This concerned the transport of both goods and people (troops), and indeed, such traffic increased heavily in Swakopmund over the following years.³⁷ But the double-sided nature of the security problem in wartime meant for example that the managers of the construction project also turned against the latter's own African workers. These workers were often prisoners of war who had been interned and forced to work on the jetty construction site.³⁸ The often terrible conditions in which they were forced to live and work were a constant threat to their survival. Mortality rates could be as high as 45 percent.³⁹

36 A similar situation can be observed during the construction of the railway by the railway building battalion ("Eisenbahnbaubattalion"), *Kreienbaum*, Forced Labour.

37 Compare the statistics set out in *Todzi*, Unternehmen, 369–375.

38 We know little about the living and working conditions of the builders, as much of the evidence has not survived, but see for example recent overviews of the conditions at the jetty in *Kalb*, Empire, 166–168; *Todzi*, Unternehmen, 375–381. On dualism in the security debate, on what kind of negotiations took place regarding whose safety, and on the general invisibility of German colonial history in the records ("the silence of the archive") see also *Kleinöder*, Schutzgebiete.

39 Zeller, cited in *Kalb*, Empire, 168.

Up until 1911, the state was often the sole actor involved in creating this infrastructure in Swakopmund, although in 1906, the colonial administration was already considering handing over the contract for building/expanding the jetty in Swakopmund to the private sector in view of the scale and complexity of the project. However, there were concerns from a budgetary point of view that the agreement of any fixed price could be disadvantageous in that it would encourage businesses to submit disproportionately high quotes.⁴⁰ The German Reichstag's budget committee recommended that initially, the colonial administration should request quotes from various businesses along with suggestions as to how the future construction of the jetty could proceed. These businesses included established players in the construction of infrastructure projects for the colonies, such as the shipping company *Woermann-Linie* (seen as a future user of the proposed jetty), the railway company *Lenz & Co* with Arthur Koppel, the *Brückenbauanstalt Gustavsborg MAN*, a bridge-building firm, *Philip Holzmann & Co.* and the local *Otavi Mines and Railway Company* (OMEG). But with the exception of the *Woermann-Linie*, not one of these businesses put forward a quote for the construction project.⁴¹ It seemed that it was not (yet) an attractive proposition, and too much uncertainty was involved given that this was a market with which the companies were not (yet) familiar.

The publicly-funded construction of the mole and then the wooden jetty since 1899 had also proved to be a massive failure and had revealed a number of unresolved questions. A look at the colony of Togo, however, shows that this was by no means a problem limited to the public sector. A jetty built there by the private firm *MAN Gustavsborg* collapsed in a storm in 1911 in a project linked closely to the Swakopmund project.⁴² In 1908, the German Colonial Office, established just one year previously in Berlin, turned to companies it thought would have the expertise to manage a third attempt to build a landing operation in Swakopmund—this time in the form of an iron jetty. In doing so, it was following the logic of “risk minimisation through specialisation” (Knight). From documents held in the archive of *MAN Gustavsborg*, it appears that the Colonial Office went

40 Final report on the Swakopmund Harbour Question, copy, c. 1906, p. 13, NAN, HBS 5/2/4.

41 Supplement VII to the budget for the GSWA Protectorate for 1908. Denkschrift über die Ausgestaltung des Leichterhafens Swakopmund, p. 95, SSW.

42 *Kleinöder*, Labour.

for a “belt-and-braces” approach, seeking *Gustavsbург*’s services as well as those of *G&B*. In an internal meeting in February 1910, *Gustavsbург*’s managers discussed submitting a proposal to the public authorities. But it is interesting that both *G&B* and *Gustavsbург* also took multiple steps to obtain the jetty contract. *G&B*, for example, approached *Gustavsbург* with the suggestion that they should submit a joint proposal, but insisted on retaining the right to work with *Flender*, while *Gustavsbург* stipulated that they should also retain their own right to submit a joint proposal with another company.⁴³ Whoever was ultimately to be awarded the contract, however, it is clear that by this point, the colonial administration wanted to get the project off their hands and have it finally managed by a private firm.

An analysis reveals the technical and financial risks that initially preoccupied the companies, but also the various strategies with which they attempted to address these risks even before the contract was awarded and the building work began. *Gustavsbург*, for example, decided to gather more information on the technical risks and the associated financial issues. To do so, they exploited their direct contact with the railway magnate Friedrich Lenz. Lenz was a well-known expert on the situation in the colonies, being responsible for numerous construction projects through the *Deutsche Kolonial-Eisenbahnbau- und Betriebs-Gesellschaft* (German Colonial Railway Construction and Operation Company). Lenz recommended that *Gustavsbург* should have nothing to do with the project; technically, it was too difficult and he “believed that a jetty would be an absolute error.”⁴⁴ *Gustavsbург*’s managing directors agreed. In any case, they were under the impression that the jetty was only being planned in order to meet the demands of the *Woermann-Linie*. As a result, *Gustavsbург* gave up on the Swakopmund project, although it continued to work together with *G&B* to submit a proposal for the Lomé jetty.⁴⁵ On the basis of (prior) knowledge and experience, *Gustavsbург*’s directors clearly decided that they should stick with a site that they knew—Togo—rather than entering into a new and risky contract for a project in GSWA. *G&B*, on the other hand, took on the management of both projects.

43 File note on discussion held on 6.2.1910, Nuremberg, 5, MAN Archive, fonds *Gustavsburg*, n.s.

44 File note of a meeting on 16.02.1910, Nuremberg, p. 5, MAN Archive, fonds *Gustavsburg*, n.s.

45 Contract between the State Treasury of the *Schutzgebiet* of Togo, MAN *Gustavsburg* and *G&B*, 1911, UA Bilfinger, A 2001.

Here, it is interesting that *G&B* was already using the provisions of the contract in an attempt to minimise financial risk and further uncertainties. The wording of the contract and each party's obligations from 1911–1912, documented in records held at *G&B*'s company archive, provide a more extensive insight into how the building project was planned. The subject of the contract was a “fully operational” landing jetty in Swakopmund, to be erected next to the wooden jetty.⁴⁶ The basic provisions of this contract reveal several ways in which the contractual parties addressed financial risks, to be resolved through the financing arrangements.

Initially, the project was to be subsidised by the state through fixed-price agreements.⁴⁷ The contract stipulated a fixed sum for administrative costs, and an agreed lump sum of around RM 3.5 million to cover all expenses. This was known as a *Stichsumme*. If we compare the *Stichsumme* of RM 3.5 million with *G&B*'s total estimated annual income of RM 21.5 million from construction projects (RM 12 million) and new contracts (RM 9.5 million), it is clear that for *G&B*, the Swakopmund contract represented an important business opportunity. In 1913, the majority of *G&B*'s new work was in the area of railway and bridge construction, with a further significant proportion of their turnover deriving from harbour and canal-building (worth around RM 1 million).⁴⁸ By comparison, then, the Swakopmund project, although it was in an area that had not previously formed part of *G&B*'s core business, was now to become a key component in their financial planning.

Additionally, the provisions stipulated a company bonus of 10 percent of their overall costs (which was quite usual for companies managing infrastructure projects in the colonies) and a highly attractive “savings bonus” of 25 percent if it did not spend the RM 3.5 million of total costs by an agreed date.⁴⁹ The contract wording thus externalised the risk to some

46 Contract between the Treasury of German South West Africa / Colonial Office and the two companies Brückenbau Flender Aktiengesellschaft in Benrath and Grün & Bilfinger Aktiengesellschaft in Mannheim, 27.12.1911/2.1.1912, copy, Section 1, UA Bilfinger, A 830.

47 On this see also *Stier/Krauss*, *Wurzeln*, 54–55.

48 Annual Report of Grün & Bilfinger A.G. (Mannheim) for the eighth financial year from 1 January – 31 December 1913. On the General Assembly in March 1914, see report for the supervisory board, 1, UA Bilfinger 4465.

49 Contract between the Treasury of German South West Africa / Colonial Office and the two companies Brückenbau Flender Aktiengesellschaft in Benrath and Grün & Bilfinger Aktiengesellschaft in Mannheim, 27.12.1911/2.1.1912, copy, Section 3, UA Bilfinger, A 830.

degree (so that although there was no insurance as such, it offered a certain financial assurance). It guaranteed a 10 percent bonus in addition to a potential further profit in the form of the 25 percent savings bonus. The general contractual terms stipulated three and a half years of building time following the award of the contract, with each week of delay triggering a fine of RM 1,000. This implies that there was a good deal of pressure to make sure that no problems arose in the course of construction, especially considering the bonuses that were at stake. The estimated costs were mainly for materials (just under RM 2 million) and the complex construction works in Swakopmund (RM 1.2 million); of the latter sum, RM 180,000 was reserved for the building overseers, RM 500,000 for the drilling works and over RM 200,000 for erecting the jetty. The contract also foresaw extensive cargo costs (RM 270,000) plus travel and equipment costs of RM 60,000.⁵⁰ It was planned that there would be four electric cranes with a load capacity of 2.5 to 3.5 tons each, enabling the processing of around 150,000 tons of cargo over 200 working days annually.⁵¹

These arrangements show how the companies attempted to minimise the financial risks. But what of the political risks? How did the companies involved view the role of the colony in their business at this juncture?

After the end of the colonial war in 1908, the colonial state was able to claim that things had settled down somewhat. GSWA was seen as a “pacified” (“befriedete”) colony. During earlier construction projects, for example at the start of the railway’s construction around 1900, the situation had been very different, and companies had expected to be dealing with a much greater level of political risk. The colonial state could also offer the advantages of exemption from customs taxes and the reimbursement of expenses for building materials and machinery. Expenses incurred by the company were not subject to taxation, and additionally, they were permitted to use the equipment belonging to the harbour authority free of charge. One very important aspect in terms of financial security was the fact that the consortium was able to receive ongoing payments as the building work progressed, as long as it provided evidence of its costs. In addition, the bonus to which it were contractually entitled was paid out in

On the contractual terms see also Rösser, Afrika.

50 Quote for the delivery of a landing jetty in Swakopmund for the Colonial Office in Berlin, UA Bilfinger, A 830.

51 13.10.2004. (III), Harbour Authority to *Bauunternehmung für die Landungsbrücke Swakopmund*, 15.6.1912, Scientific Society Swakopmund (SSS hereafter).

instalments for each 100 metres of jetty that they completed, rather than following completion.⁵²

But this did not mean that the consortium bore no remaining risk at all. Above all, it was still faced with considerable technical risks, such as the uncertainties arising out of the site's topography and climate that had already bedevilled earlier phases of construction. If things went wrong here, there could be huge financial implications. Costs might increase dramatically for materials. This was not all. There were also financial risks associated with potential transport delays—which could imply a potential loss of the bonuses—and with the availability of workers, not to mention the possibility of rising inflation leading to losses or even sanctions in the case that the work was not finished on time. In weighing up the technical, financial and political risks, the consortium eventually made its decision to proceed on the basis of the contractual arrangements—which were fundamentally secure—and above all, based on the profits that they anticipated. Last but not least, their payments were also backed by state guarantees.

The contractual arrangements underpinning this public-private partnership were therefore decisive. This was a contract of the sort that had developed into an effective instrument in the security *repertoire* available to colonial infrastructure projects: the uncertainty of the colonial context was *securitised* by the businesses involved (*heuristics*) and the colonial administration, in need for partners in the infrastructural constructions in the colonies, reacted with public guarantees and subsidies. Clearly, in this case, it offered a safe enough business framework for the consortium to take on the residual (and still unpredictable) risks and uncertainties.⁵³

But other considerations, besides those of immediate financial gain and the associated security and risk, also played a role in the consortium's decision-making process. To understand this, it is necessary to look beyond Swakopmund and to see the wider world from a business perspective.

52 Contract between the Treasury of German South West Africa / Colonial Office and the two companies Brückenbau Flender Aktiengesellschaft in Benrath and Grün & Bilfinger Aktiengesellschaft in Mannheim, 27.12.1911/2.1.1912, copy, Section 5, UA Bilfinger, A 830.

53 Cf. Rösser, Afrika.

The Global Business Context

From 1906, G&B had consistently pursued a strategy of expansion, based on a belief that its domestic competitors were becoming an increasing threat.⁵⁴ From 1911 onwards, the company took on multiple commissions in the German colonies simultaneously, adding to its continually lengthening list of publicly-financed projects. G&B pushed through its plans for global expansion at a period when despite the stability of its position, it was coming under increasing pressure to lower its prices in Germany, where construction was now a buyer's market.⁵⁵ In consequence, the company began from 1906 to look further afield, mainly towards South America, where it attempted to pick up business in Brazil, Argentina and Peru. It is interesting in this context that as early as 1906, West Africa was discussed as a possible market for overseas business. G&B's supervisory board believed that "big projects" ("große Arbeiten") would be coming the way of the building sector in the next few years.⁵⁶ This prognosis proved to be correct as far as G&B was concerned, as the company was awarded the contracts to build the harbour in Cameroon and the jetty in Togo.⁵⁷ The supervisory board and the board of trustees repeatedly noted that the company ought to be getting a foot in the door in this area through business contacts, study trips and joint projects with export companies. Their aim was to create links to foreign shareholding companies—such as the Argentinian and Brazilian Shareholding Association—with the goal of eventually submitting joint bids for tenders.⁵⁸ However, the First World War put an end to

54 Annual report of Grün & Bilfinger A.G. (Mannheim) for the first business year from 1 January – 31 December 1906, UA Bilfinger, n.s.

55 Annual report of Grün & Bilfinger A.G. Mannheim for the eighth financial year from 1 January – 31 December 1913. On the General Assembly in March 1914, see report for the supervisory board, 1, UA Bilfinger 4465.

56 Minutes of the supervisory board meeting on 20 March 1906, 4, UA Bilfinger, A 4460. Cf. the similar global expansion in bridge-building for the same period of MAN Gustavsburg. File notice on meeting held on 16.02.1910 in Nuremberg, MAN Archive, Gustavsburg, n.s.; and also for GHH cf. *Kleinöder*, Bridging.

57 One example for this is the close connection that the company representative Böhmlein enjoyed with the Cameroon governorate, for example when planning further excavations and building of the shore wall, as late as May 1914. Cf. Vol. 1, Minutes of directors' meeting on 2 May 1914, 62, UA Bilfinger, A 4442.

58 The directors also discussed acquiring shares in Porto Alegre, Brazil. Cf. Vol. I, minutes of the directors' meeting on 5 November 1912, 18, UA Bilfinger, A 4442.

these plans.⁵⁹ Indeed, the board of trustees noted in 1914 that the domestic competition was getting even worse: “[I]t is the German competitor that we have to fear most. German companies are the worst for fighting amongst each other rather than standing in solidarity against these foreign interests that have the banks behind them.”⁶⁰

The publicly-funded contracts, including those in connection with the colonies, went some way towards compensating for growing national competition. But *G&B*'s annual report of 1911 also notes critically that despite the increase in contracts with the public sector, “we do not anticipate making much from them.”⁶¹ Thus, the colonial projects offered a welcome addition to *G&B*'s portfolio, although it is clear that the company saw them mainly as a stepping stone to a global market. Even at the time when they were beginning to do business with the Colonial Office, it appears that their goal was not primarily to make a profit in the short term. Instead, the contracts were intended to compensate for other losses, and to bring long-term advantages and income. For the company, this meant a qualitative advantage over its competitors, especially where the public contracts were concerned, as the company would benefit from the “recognition and trust of its customers in government, whether nationally or locally, and this puts us in a position where we can ask for, and achieve, higher prices.”⁶² This was to be their strategy in relation to the Colonial Office as well.

The company's decision to take on the high-risk project in Swakopmund was therefore also made in the context of its perception that German construction companies often blocked each other, not only at home but also in foreign and colonial markets. It was therefore important to secure a contract with specific provisions relating to the colony, as this could prove

59 Minutes of the supervisory board meeting of 20 March 1906, pp. 3–4, UA Bilfinger, A 4460; minutes of the supervisory board meeting of 16 June 1913, pp. 43–48, UA Bilfinger, A 4460; minutes of the 14th supervisory board meeting of 7 March 1914, p. 50, UA Bilfinger, A 4460; annual report of Grün & Bilfinger A.G. Mannheim for the eighth business year from 1 January – 31 December 1913. On the General Assembly in March 1914, see report for the supervisory board, p. 3, UA Bilfinger, A 4465.

60 Annual report of Grün & Bilfinger A.G. Mannheim for the eighth business year from 1 January – 31 December 1913. On the General Assembly in March 1914, see report for the supervisory board, p. 3, UA Bilfinger, A 4465.

61 Annual report of Grün & Bilfinger A.G. Mannheim for the sixth business year from 1 January – 31 December 1911, UA Bilfinger, n.s.

62 Annual report of Grün & Bilfinger A.G. Mannheim for the eighth business year from 1 January – 31 December 1913. On the General Assembly in March 1914, see report for the supervisory board, p. 3, UA Bilfinger, A 4465.

helpful later when submitting proposals for other projects. Thus, *securitisation* in the context of the harbour and jetty-building at Swakopmund, in the sense of marking it successfully as a security issue, was mainly motivated by military considerations, but was also based on economic ideas of “opening up the market” and “adding value” to the colony, ideas entertained by the state and the business alike. In the eyes of the companies involved after 1908, the attraction and security of doing business in the colony derived above all from the way in which political risk was minimised in the colony as a whole, and the mitigation of technical and financial risk through the contractual provisions of a public-private partnership. Another attraction was the chance to grow the company financially as well as growing its skills base through new forms of specialisation (Knight). This was the basis on which the company was prepared to accept the residual risks: in other words, it attempted to transform situations of uncertainty into a quantifiable business risk.

The contract with the Colonial Office was also attractive to *G&B* because the company had not found it possible to get a foothold in other parts of the world without this protective state framework. At the same time, the domestic market was increasingly coming under strain. Evidence of how attractive the contract was—and of the success of the public-private partnership—can also be found in the record of a follow-up quote submitted jointly in 1913 by the three companies involved in Lomé und Swakopmund, namely *MAN Gustavsborg*, *Flender* and *G&B*—this time for an entirely new jetty in Lomé. This represented another form of specialisation based on the increasing knowledge that the companies were garnering in relation to the construction of jetties and harbours in the colonies.⁶³

Risk and Security on Site⁶⁴

We turn now to the view from the construction site itself. Which of the anticipated risks were relevant once construction had started? What new uncertainties—and thus new threats for the company—became apparent?

63 Construction schedule and proposal with quote submitted by MAN Gustavsborg, Brückenbau Flender Benrath and G&B for the building of a new jetty, 1913, UA Bilfinger, A 2002.

64 The question of the workforce is limited here to questions about security and risk from the employer’s perspective. For a more detailed discussion of labour and the workforce on this site, see Kleinöder, *On Site*.

What instruments were developed and applied by the site directors during construction to mitigate these?

The two partners, *G&B* and *Flender*, had formed a new consortium, the *BLS*, specifically for the purpose of building the 600-metre-long jetty.⁶⁵ *Flender* was a company that specialised in iron construction and bridge-building, with close links to the iron and steel industry in the Rhine Valley and the Ruhr. Its chief engineer, Rudolf Hitzemann, was tasked with designing the jetty for Swakopmund.⁶⁶ The consortium's registered office was based at the head office of *G&B*, a civil engineering company in Mannheim. Any correspondence to do with the construction site passed through this office, which functioned as the project's administrative headquarters.⁶⁷ From the sources, we are unable to tell how decisions were reached by the organisation, nor do we know exactly how administrative tasks were shared out between the staff working on the jetty project or at head office in Mannheim. However, we do have the construction documents from the site in Swakopmund. These indicate some disagreements over which member of the consortium was in charge of which parts of the project. The construction site itself was managed by two engineers, one from each of the two companies: Richard Riesenkamp for *Flender* and Carl Wick—later replaced by Mathaeus Richter—for *G&B*.⁶⁸

We also have the record of Riesenkamp's interrogation by the South African authorities after the First World War. This provides some retrospective details of the general way in which the site was organised. The administration of the South African Protectorate interrogated Riesenkamp in the hope of obtaining a more precise picture of how the business had been run and what activities had taken place on the construction site. The latter had come under South African control during the First World War, and the new authorities needed to clarify ownership questions relating to the site and its facilities. According to Riesenkamp, *G&B* and *Flender* were the only companies in the consortium, which had been formed purely for the purpose of building the jetty; the jetty was also the consortium's only project. Riesenkamp's statement confirms that the total value of the con-

65 For technical details of the construction see *Rödel*, Landungsbrücke, especially 74–91.

66 Photographs and documents in private ownership, "Objects built by Flender AG" (photocopy), 1979, SSS, 2004.14.33.

67 For examples, see various letters to and from the *Bauunternehmung für die Landungsbrücke Swakopmund*, SSS, 2004.14.1 – 11.

68 Cf. *Rödel*, Landungsbrücke. Report on new build of the jetty at Swakopmund, Staff, June 1912, p. 26, Federal Archive (BArch), R 151/1755.

tract was RM 3.5 million, but also that the budget had increased by 500,000 marks over the course of construction because of unspecified “problems.” This is the only record of an increase in the project’s budget. The funding was probably negotiated with the Colonial Office on the basis of technical adaptations that would need to be made in the course of construction; these did in fact become necessary due to structural changes in the placing of the diagonal stakes supporting the jetty from 1913. The changes were costly;⁶⁹ we have no record of the final invoice for the project, but in April 1914, the Colonial Office advised the governor in Windhoek that two thirds of the calculated total sum of around RM 3.9 million (as compared to the original agreement for RM 3.5 million) had already been paid out, while only one third of the total structure, measured by surface area, had been completed. There was thus “a discrepancy between what has been done and the amount of money paid for it.”⁷⁰ In practice, then, like many other infrastructure projects, this too turned out to be more expensive than planned. From the company’s point of view, however, this had already been successfully mitigated through the form of the public-private partnership.

Staffing and Recruitment

In contrast to the contracts that were drawn up for railway construction projects, the contract for the jetty did not stipulate that the colonial administration—in this case, the governorate of GSWA or the harbour authority in Swakopmund—would be responsible for providing local workers. Legally, the consortium was responsible for all recruitment.⁷¹ Regarding the management and technical functions of the construction site, the wording of the contract already implied a racist hierarchy, as well as clearly

69 Rödel even speaks of a plan to reduce the building costs as part of the fleet construction project. *Rödel*, Landungsbrücke, 86. Unfortunately, not all the sources listed are fully evidenced, so it is not possible to state this with any certainty. See also *Baunternehmung für die Landungsbrücke Swakopmund* (Mannheim) to the construction site, 17.1.1913, SSS, 2004.12.2.

70 State secretary at the Colonial Office to governor of Windhoek, 23.4.1914, BArch, R 151/1755. See also Claims Jetty Construction, interrogation of Riesenkaamp (Flender), n.d., NAN, ADM 234/SWAKOP97.

71 Building contract from 1911/12 between the consortium of G&B and Brückenbau Flender AG/Benrath with the State Treasury of the German South West Africa / Colonial Office (copy), Section 11, UA Bilfinger, A 830. On the workforce and the practice of recruitment, see *Kleinöder*, On Site, 5–13.

excluding imperial competition on-site. Anyone responsible for overseeing the technical engineering elements, as well as anyone with management responsibilities, was contractually obliged to be a “Reichsdeutscher”—a German from Germany or its European territories. As a result, around 30 qualified personnel—which included engineers, foremen and craftsmen—were seconded to Swakopmund by their employers in Germany.⁷²

From the consortium’s perspective, a reliable, qualified workforce on site was key to the project’s progress.⁷³ This continued to be the case at later stages of construction, too, as the site supervisors attempted to keep staff turnover on site as low as possible. Any conflict related to working conditions or pay could easily risk slowing down the progress of the jetty. But the respective staff of *Flender* and *G&B* were also competing with each other, as each company not only operated different wage systems (especially where bonuses were concerned) but also stipulated different working conditions in the different construction areas of the site. We can also observe how gradually, the responsibility for decisions relating to wages, performance and working conditions was increasingly transferred from Mannheim head office to the managers based at the construction site.⁷⁴

Around ten people were employed as managers (engineers) or overseers there, plus around 20 German craftsmen and labourers. Over the construction period, they were joined by a few (European) day labourers and by over 80 Herero, Ovambo and Cape workers. Cape workers made up around half of all these additional staff.⁷⁵ Recruiting a reliable workforce that was prepared to stay long-term, not to mention recruiting enough of them, was a structural problem for the site managers over the whole phase of construction. Staff turnover was consistently high, and it is clear that overall, there were simply never enough workers on site. Although the

72 Building contract from 1911/12 between the consortium of G&B and Brückenbau Flender AG/Benrath with the State Treasury German South West Africa / Colonial Office (copy), Section II, UA Bilfinger, A 830; *Bauunternehmung für die Landungsbrücke Swakopmund*, SSS, 2004.13.1 – 19, 33, 14.8 – 33.

73 Cf. also *Kleinöder*, Labour.

74 Cf. e.g., overseer to G&B (Mannheim), 6.3.1914, SSS, 2004.13.6; *Bauunternehmung für die Landungsbrücke Swakopmund* to overseer Schmid, 3.4.1914, SSS, 2004.13.6; *Bauunternehmung für die Landungsbrücke Swakopmund* (Mannheim) to the construction site, 22.4.1912, SSS, 2004.13.2.

75 As documented in the records of the *Bauunternehmung für die Landungsbrücke Swakopmund*, 1911–1914, SSS, 2004.13.1 – 14.33; the numbers are also confirmed in the calculation for the cost of building a canteen. *Bauunternehmung für die Landungsbrücke Swakopmund* (Mannheim) to construction site, 19.6.1913, 2004.14.18.

management of local recruitment for this project was not regulated by the state (unlike, for example, labour in the railway sector) it was influenced to some extent by the colonial administration. Yet even the colonial authorities had little influence compared to the local commercial employment agencies. Individual workers could also have a considerable impact on the labour market, for example through migration, flight, protest, etc.⁷⁶ Skilled workers in particular were in a comparatively strong position on the labour market, as demand for their services was high (and always growing) and they were in short supply.

The political situation, and the working conditions especially for African workers on site, often led to workers downing tools and abandoning the site at short notice, even if it meant they were in breach of contract. The site managers reacted with a policy of terminating the employment of anyone breaking their contract in this way, and with the immediate suppression of any protest. This made it impossible for them to re-employ staff. The priority of the managers was to avoid any form of unrest among the workers. Punishment—which usually took the form of physical punishment such as whippings—was outsourced to the local police, while workers who tried to obtain better working conditions or wages were sent back to South Africa immediately.⁷⁷

The colonial labour market, in fact, was a source of constant uncertainty for the companies involved. The German actors could only rely on their usual repertoires to a certain extent in dealing with this. The site managers attached a good deal of importance of roll-over contracts, and on retaining their workforce through incentives (for example, with bonuses for German workers). But the options for companies were limited. For example, contractual terms could not be extended beyond what was standard for the local area.⁷⁸

76 Cf. for example the turnover of Cape workers who moved to Walvis Bay, described in the report of the Imperial Harbour Authority to the Governorate in Windhoek, 12.12.1912, p. 64, BArch, R 151/1755.

77 *Bauunternehmung für die Landungsbrücke Swakopmund* to the Swakopmund Police Authority, 26.1.1912 und 1.8.1912, SSS, 2004.14.9; *Bauunternehmung für die Landungsbrücke Swakopmund* to Poppe, Schunhoff & Guttery, 24.8.1912, SSS, 2004.14.9; Poppe, Schunhoff & Guttery to *Bauunternehmung für die Landungsbrücke Swakopmund*, 24.8.1912, SSS, 2004.14.9. For a detailed discussion see Kleinöder, *On Site*, 19–22.

78 Kleinöder, *On Site*, 11–13.

Organisational and Financial Risk

Similarly to the problems faced on the local labour market, staffing was subject to difficult local framework conditions. This in turn endangered the progress of construction, yet it had never been factored into the risks that could affect costs. Through employing their own site managers and mechanics (as foremen) locally, the consortium tried to pre-empt any principal-agent problems that might arise as a result of the distance to head office. Local employment was thus an instrument used to minimise the long-distance situation. In the same way, the secondment of engineers employed by the consortium companies as site managers was intended to ensure that the flow of communication and information, especially in relation to technical issues and in regard to the official reporting duties of the harbour authority and the colonial governorate, could be easily maintained.

Despite this, however, there is clear evidence of increased transaction costs for reporting and communication in the early construction phase. These costs could only be reduced gradually. Clearly, all the actors in the communication triangle between head office, the site management and the colonial authorities, needed time to find an effective way of working together. Even at the very beginning of construction in January 1912, when the first mechanics and materials arrived in Swakopmund, delays crept in as a result of the travel time. Work could not start until the joiners arrived. The plans only arrived on site section by section.⁷⁹ There were also regular communication issues between the site and head office. The many instructions sent back and forth on how to label and document items destined for shipping, and the discussions about who was authorised to sign for them when delivered, reveal the initial organisational difficulties involved in communicating with a site that was so far away when correspondence took such a long time to arrive. In urgent cases, it was possible to resort to multiple telegrams, but here, too, it was first necessary to find a shared vocabulary. Thus, there were often problems on both sides in decoding what was meant by the abbreviations and condensed information used in telegraphic communications. For example, requests for money made by telegram had first to be interpreted, then if there were any errors, these had to be corrected retrospectively by post.⁸⁰ Often, these questions concerned

79 E.g., *G&B Mannheim* to the construction site, 4.1.1912, SSS, 2004.13.2.

80 E.g., *Bauunternehmung für die Landungsbrücke* (Mannheim) to the construction site, 4.1.1912 und 10.4.1912, SSS, 2004.13.2.

how expenditure should be correctly recorded and how reporting should be carried out for the construction budget on the one hand, and how the costs for the project as a whole should be calculated for the Colonial Office on the other.⁸¹ These examples show clearly how the head office in Mannheim initially attempted to monitor the progress of construction closely, requiring comprehensive reports on a more or less continual basis.⁸² But due to the time lag, this was often very difficult, as complex and detailed decisions regarding materials, tools or staff had to be made on the spot. Essential technical questions, for example about how to mix the concrete correctly or whether to change the location of the various stakes used to hold up the jetty, often had to wait a long time for an answer by post. The construction site managers responded in an increasingly pragmatic way to these issues. We can observe a gradual alignment in communication and reporting between the site managers and head office over the course of 1912. Increasingly, too, the managers were beginning to anticipate delays in receiving information and building instructions as well as delays to tools and materials. They would bridge the wait by assigning the men to do various other tasks such as painting or tidying. It was soon evident that security of supply would be an elementary factor in the progress of the project.⁸³ The result was a reorganisation of production and pre-production tasks, but also a restructuring of the way the site was managed overall. The experience that the managing engineers gained through these restructures resulted in significant specialisation and expertise, which in turn helped to minimise further uncertainty.

Other risks, however, could be externalised in the form of insurance. This included individual risk in relation to the German employees, for whom the company took out general accident and liability insurance against risks incurred during travelling to the colony.⁸⁴ Working on a construction site in the colonies was clearly seen as an especial risk in insurance terms, meaning that both the workers and the company had to take out extra cover. Old age and invalidity insurance cover that the employees might have had at home, for example, was not valid in the colony, so that

81 On the misunderstandings that arose as a result of the multiple reports, see for example *Bauunternehmung für die Landungsbrücke* (Mannheim) to construction site, 27.12.1911, SSS, 2004.13.2.

82 *Bauunternehmung für die Landungsbrücke* (Mannheim) to construction site, 27.12.1911, SSS, 2004.13.2.

83 Various letters between construction site and head office, 1911–1912, SSS, 2004.13.2.

84 Employees' insurance, 1911–1913, SSS, 2004.14.14.

workers employed directly by the consortium had to purchase their own insurance in the form of insurance stamps sent out from Germany.⁸⁵ The company also had to pay for insurance against fire for the entire site, and there is evidence of far-reaching shipping insurance being taken out to help minimise any financial liability in the case of material losses, the latter being no seldom occurrence on the construction site.⁸⁶

Apart from all these issues, however, one problem in particular remained. This was the fact that the whole construction project was essentially based on a process of trial and error, resulting in regular interruptions. Most of these delays were due to technical issues, which in turn were predominantly related to the topographical and natural features of the site itself. The archives offer ample evidence, in the form of documents and correspondence between the site managers and head office in Mannheim, not only of high transactional costs (especially in relation to the above-mentioned communication issues) but also of the increasingly crucial question of how to transfer the necessary technical know-how between the various actors involved. To address this, the managers took steps to rotate personnel and placed great weight on developing and retaining expertise, for example by exchanging information and workers with the Togo construction site and overseeing a significant process of professionalisation at the Swakopmund site.

In addition, the materials had to be constantly tested, from the concrete to the boring tools to the paint. Expensive and repetitive paint tests were carried out seemingly endlessly. The early phase of construction involved laying concrete foundations, and at this point it became obvious that the site managers had only limited decision-making powers. Not they, but the Government Materials Testing Office in Germany had to authorise the use of concrete in advance, even before the decision to use a specific technique could be made.⁸⁷ Only a few weeks later, there were problems with the winches used to construct the foundations. They had to be replaced

85 *Bauunternehmung für die Landungsbrücke* (Mannheim) to the construction site, 27.12.1911, SSS, 2004.13.2.

86 Insurance certificate of the *Nord-Deutsche Versicherungsgesellschaft* in Hamburg, SSS, 2004.13.11; details of the transport insurance can be found in, for example, *Bauunternehmung für die Landungsbrücke Swakopmund* (Mannheim) to the construction site, 17.9.1912, SSS, 2004, 12.2.

87 E.g., *Bauunternehmung für die Landungsbrücke Swakopmund* (Mannheim) to construction site, 12.4.1912, SSS, 2004.13.2; *Bauunternehmung für die Landungsbrücke Swakopmund* (Mannheim) to construction site, 22.4.1912, SSS, 2004.13.2; *Bauun-*

after it became evident that the materials being used were too weak.⁸⁸ As construction went on, it becomes clear that the head office in Mannheim became less and less interested in monitoring the technical situation on site and more and more interested in making sure that the work could progress as seamlessly as possible. Orders for new materials, tools etc. were almost automatically approved, “as stoppages must be avoided in all circumstances.”⁸⁹

Because of the pressure to complete the project as soon as possible, the construction managers were thus soon in a position to make decisions more independently. This development was partly triggered by the fact that the materials that had already been used were suffering from their exposure to the extreme weather, and partly because of the regular loss of materials during transportation or unloading, when they often sank in the surf conditions. If they were not lost prior to or during arrival, they often perished or broke soon afterwards (the boring tools were particularly subject to this problem).⁹⁰ Tools were sometimes also stolen from the building site.⁹¹

The site managers used a good deal of improvisation in addressing these problems. The problems arising out of the geography of the site itself in particular remained a constant threat, as had already become obvious during the construction of the mole and the wooden jetty in the earlier construction periods. Especially the surf and weather conditions regularly meant that work had to be stopped, thus delaying the project’s progress more and more.⁹² The records also include reports by workers of phases in which the work had to be suspended alternating with high-pressure phases

ternehmung für die Landungsbrücke Swakopmund to the Harbour Authority, Swakopmund, 27.3.1913, SSS, 2004.13.10 (IV).

88 *Bauunternehmung für die Landungsbrücke* (Mannheim) to construction site, 27.12.1911, SSS, 2004.13.2.

89 *Bauunternehmung für die Landungsbrücke* (Mannheim) to construction site, 27.12.1911, SSS, 2004.13.2.

90 E.g., *Bauunternehmung für die Landungsbrücke Swakopmund* (Mannheim) to construction site, 12.6.1912, 20.6.1912, 17.9.2012, 17.1.1913 und 3.1.1914, SSS, 2004.13.2; *Bauunternehmung für die Landungsbrücke Swakopmund* (Mannheim) to the harbour office, Swakopmund, 12.11.1912, SSS, 2004.13.10 (III).

91 *Bauunternehmung für die Landungsbrücke Swakopmund* to the Swakopmund District Office (Police), 14.8.1912, SSS, 2004.14.12.

92 For example, letter from the *Bauunternehmung für die Landungsbrücke Swakopmund* to the Harbour Authority, Swakopmund, 27.3.1913, SSS, 2004.13.10 (IV). Numerous photographs also document the repeatedly strong surf and the periods where it was not possible to continue work, for example in July and August 1912; cf. UA Bilfinger, F 10_1, Swakopmund.

in which they were expected to undertake extra work, for example through working night shifts.⁹³

The Return of Political Risk: The End of the Construction Works in 1914

With the outbreak of the First World War, the Swakopmund jetty project came to an abrupt end. When the South African troops marched into the colony, everything changed. Contact to the consortium's head office in Germany ceased almost immediately.⁹⁴ The jetty was partly demolished; building materials were moved, mainly to Walvis Bay; and at least according to reports received by the South African authorities, documents relating to the building works were destroyed, most of them by blowing up the safe in the construction office where they were kept.⁹⁵ From this point on, the head office in Mannheim had very little idea of what was happening on site. The focus was now on the managing engineers who had remained in Swakopmund, who now bore sole responsibility for their workforce and the building materials. There was a new protectorate, run by a South African administration, and it was this administration that interrogated the former construction supervisor Richard Riesenkamp, the civil engineer sent out by *Flender AG*. From the record of the interrogation, it is clear that all building work stopped permanently as soon as war broke out, and as a result, the jetty was never used, not even in part. There is also evidence that the jetty was abandoned by the Germans almost immediately. Unlike other construction sites in the colonies, it was not demolished or blown up by its managers.⁹⁶ Riesenkamp, too, left with the German troops. He later reported, however, that he had gone back to the site repeatedly during the war. According to a claim against the authorities that he brought in

93 E.g., construction site to *Bauunternehmung für die Landungsbrücke Swakopmund* (Mannheim), 10.4.1912, SSS, 2004.13.3.

94 Annual Report of Grün & Bilfinger A.G. Mannheim for the ninth financial year from 1 January – 31 December 1914. On the General Assembly in May 1915, see report for the supervisory board, p. 3, UA Bilfinger 4465.

95 Interrogation of Richard Riesenkamp by the South African Administration/Office of the War Losses Commission, n.d., NAN, ADM 234/SWAKOP97.

96 On railway-building in Cameroon see *Kleinöder*, *Kolonialwirtschaft*, 322.

the name of the company, the South African administration of the new protectorate had soon begun to remove materials from the site.⁹⁷

Riesenkamp also stated in the interrogation that the first 100 metres to have been built had not yet been accepted by the Colonial Office. However, this contradicts evidence in the records of the site managers showing initial part-payments (to cover at least the costs already incurred) of around RM 2.5 million, including administrative overheads and company profits.⁹⁸ We can only speculate whether Riesenkamp deliberately falsified his statement in order to emphasise to the South African administration that the company was still the sole owner of the jetty, which in turn would have supported the claims for payment submitted by the former managers. It is noticeable, however, that in all his statements, Riesenkamp was very careful to avoid implying any links between the construction site and the governorate of the former colony. Instead, he aimed to show that all business transactions had been directly processed and approved within the German Empire and agreed between Berlin and Mannheim.⁹⁹ From his statements, we can also deduce that around 270 metres of the total facility had been built by the time war broke out. The remaining 330 metres remained unfinished, although enough materials for a further 400 metres or so had already arrived at the building site.

In statements to the South Africans made during his interrogation, Riesenkamp assumes that the jetty still belongs to the consortium, although at this point he had also already begun to sell off materials and parts in order to finance wages and other ongoing costs during the war.¹⁰⁰ This was clearly a step that he and the other managers felt they had to take, as they had lost all contact with their head office and thus no further payments would come from Germany. Their main problem was how to pay the workers who had remained in Swakopmund, who, during the war years, only received enough money to cover essential costs. A large part of the income from the sales of material was organised locally. According to Riesenkamp, again in the statements he made when under interrogation,

97 Interrogation of Richard Riesenkamp by the South African Administration/Office of the War Losses Commission, n.d., NAN, ADM 234/SWAKOP97.

98 *Bauunternehmung für die Landungsbrücke Swakopmund* (Mannheim) to construction site, 20.6.1912, on the subject of the fifth payment on account, SSS, 2004.13.2.

99 Interrogation of Richard Riesenkamp by the South African Administration/Office of the War Losses Commission, n.d., NAN, ADM 234/SWAKOP97.

100 See also the comprehensive inventory of all buildings, materials etc. taken by the construction site; general inventory taken May 1916, SSS, 2004.13.1.

the South Africans had taken down and removed the capacitor bank along with tools, office buildings and stationery, all of which had been taken to Walvis Bay. He claimed that documents had been confiscated and he had been personally threatened with imprisonment.¹⁰¹ It is interesting that the South African administration was unsure for a long time who actually owned the jetty. As a result, negotiations of possible compensation for the consortium continued into the 1920s. Ultimately, however, the consortium received nothing. Indeed, far from receiving any compensation, the engineers were themselves faced with claims by the protectorate administration, who demanded that they pay rent for their continued use of the site's living quarters after the outbreak of war.¹⁰²

In terms of construction, the South Africans soon decided to dismantle the jetty's cranes and sell the materials, leaving the jetty to be used simply as a pier. The former engineer Mathaeus Richter even offered to do this work for them, as we know from a quote he submitted to the South African administration. It would have been a sad irony for Richter if he had had to dismantle the jetty that he had built, now that the political situation had changed so drastically and there was an urgent need for new sources of income.¹⁰³ However, the work was awarded to another, cheaper business from Lüderitzbucht, which eventually dismantled the cranes with some difficulty in 1924. With this, the jetty took on the character it still has today as a pier, without ever having been used as a jetty for either goods or passengers.¹⁰⁴

What can we learn from the story of the German building site in Swakopmund and above all, from its ending? The First World War indeed represented a form of political risk. But it was on an entirely different scale and had an entirely different origin from the risks that had been anticipated by the colonial administrators. The government in Berlin and

101 Interrogation of Richard Riesenkaamp by the South African Administration/Office of the War Losses Commission, n.d., NAN, ADM 234/SWAKOP97.

102 Interrogation of Richard Riesenkaamp by the South African Administration/Office of the War Losses Commission, n.d., NAN, ADM 234/SWAKOP97; M. Richter to Director of Public Works, 30.3.1921, Director of Works to Secretary for South West Africa, 12.9.1921, NAN, PWD 25/PWD304; Secretary of South West Africa to Director of Works, 27.2.1925, NAN, PWD 25/PWD304.

103 Richter to Director of Public Works Dept, 23.1.1923; Director of Works to Imperial Cold Storage Co. Capetown, 31.1.1923, NAN, PWD/PWD304.

104 Director of Works to Secretary of South West Africa, 16.6.1924; Director of Works to Swakopmund Magistrates' Office, 27.8.19124; Brechlin, 22.10.1924, NAN, PWD 25/PWD304.

the colonial governorate had expected to have to deal with local “uprisings” or other forms of resistance, not with a war between the European colonial powers. There was one uncertainty, too, that the consortium had never factored into its calculations, but that eventually spelled the end of the entire jetty project. With the First World War and the transition of the colony to a South African protectorate, from 1915 the site was entirely lost to the consortium, with no compensation. Thus, the building of the jetty eventually proved to be a very high-risk project, albeit in a way that had not been foreseen. Besides the financial loss incurred by the consortium, there was also a bodily threat to the (German) employees after the outbreak of war, and even without this, they were subject to considerable financial insecurity, as no further payments came into the site and they were thus forced to rely on themselves from 1914.

The history of the jetty at Swakopmund reveals itself to be the story of a failure. Looking back from the present day to the initial idea mooted in the 1890s, it can be seen that the plan to build a harbour and landing operation was based on the premise that the German colonies would survive for many decades and even flourish, both economically and politically. Once this premise was disproved by the South African takeover, it became clear that the entire project was not, and perhaps never had been financially viable. The South African government had direct access to Walvis Bay as a central entry point from the sea, and thus saw a jetty in Swakopmund as completely pointless. They had no hesitation in announcing that far too much money had already been wasted on the project, and made plans to turn it into a recreational facility as part of a new “Swakopmund seaside resort.” Discussions about the future of the Swakopmund jetty were held at the highest level, even with the South African prime minister in Pretoria. It was in the course of these discussions that the administrator of the Protectorate, Howard Gorges, wrote to General Smuts in December 1919, “The place is, as you know, dead as a port. [...]” The South African government was therefore keen to repurpose the putative jetty—soon to be a pier—, and considered gifting it to the residents of Swakopmund, which, it was hoped, would become “the ‘Brighton’ of the Protectorate.”¹⁰⁵

105 Sir Howard Gorges to General Smuts, 11.12.1919, copy with answer from 18.12.1919, NAN, ADM 154/ W10; cf. also Sir Howard Gorges to Colonel Wallace, Director of Railways, Swakopmund, 24.12.1919. NAN, ADM 154 / W10.

Conclusion

Any larger construction projects undertaken in the colonies were subject to a complex constellation of natural, technical and political risk, a fact that is epitomised by the Swakopmund jetty project. They were activities undertaken in unknown environments characterised by poor infrastructures and many uncertainties. In this case, too, the site chosen for the landing jetty at Swakopmund was an inherently high-risk site, with a host of technical and natural uncertainties that had to be managed through a process of trial and error.

Even before the contract was signed, there were a number of general risks including natural and technical risks (uncertainty about the building foundations and the natural, above all the climatic conditions), as well as the connected financial risk. This had already led to the project being rejected by some of the consortium's competitors. But entering into a colonial contract with its specific legal form (a fixed-price contract) triggered a security *repertoire* for *G&B* that had been established and proved useful in the course of other colonial infrastructure projects. It is clear that from *G&B*'s point of view, the contract offered adequate security in terms of the planned successive payments and the related bonuses. Both the Colonial Office and the consortium seem to have placed a good deal of weight on an anticipated reduction in political risk following the end of the colonial war in 1908, which gave both parties the confidence to enter into a public-private partnership.

Once work had begun on site, the problems that did indeed occur were thus addressed according to this repertoire. But it was to prove inadequate in this case. For example, the difficulty in recruiting workers represented a continual risk to the project's progress. The consortium tried to address this through various instruments such as longer contracts, direct recruitment etc., but these had only short-term success, if any. This reveals the colonial labour market as a factor of structural uncertainty for companies: it did not function according to the normal mechanisms of capitalist markets, and was also very different from the labour market that the consortium had experienced in Germany. Security repertoires established in the domestic context proved unhelpful in the colony. Judging from the way in which the building site was organised generally, the constantly changing labour market in the colony was the main financial threat to the jetty's punctual completion, and this never changed over the entire course of the project. One may therefore speak of a specifically *colonial risk*.

Once construction started, this problem was compounded by the geographical distance of the site from the head office in Mannheim, which resulted in high logistical and transportation costs and frequent losses of building materials. Although any damage incurred during shipping could be paid for out of the consortium's insurance cover, the monetary compensation could not make up for the ensuing delays. Thus, the threats to the security of supply and to a seamless building operation (caused for example also by climatic or topographic circumstances) would prove to be the construction site's Achilles' heel, and any delays to the project's progress meant a financial risk.

An additional, related problem was the principal-agent issue. This was particularly obvious during the first phase of the project, as information was lacking and there were constant gaps in communication, which were reduced only gradually as the project went on. To mitigate this, the consortium resorted to a variety of (new and familiar) repertoires to minimise risk and to establish mechanisms to reduce the principal-agent problem and remedy the difficulties of asymmetrical information flows. The actors concerned also became more experienced in dealing with these problems. They strengthened communication networks and externalised risk where possible (through specialisation and insurance cover). As a result, the control over decisions and the tempo in which they were taken—for example when ordering replacement parts or agreeing bonus payments—was increasingly transferred from head office in Mannheim to the managers on site, in order to benefit the security of supply. It became clear that responsibilities and competencies were increasingly moving away from the principal and towards the agent; once the First World War began, the agent became almost completely independent of the principal, making decisions about the workers and the construction itself without any contact to the head office in Germany.

From 1904, the war against the Herero and Nama was a political risk that led colonial actors to see security as a critical issue and thus to view the expansion of the colony infrastructure as an essential response. At this time, the risk was borne (mainly) by the state. When the colonial war ended in 1908, both the (colonial) state and businesses saw the political risk in the "pacified" colony as significantly reduced. Reducing political risk and ensuring a politically stable environment were seen as key to attracting business investment to the colonies. In this case, it worked, as the building of the iron jetty in Swakopmund was placed entirely in the hands of a private consortium. But in 1914, the consortium was blindsided by a

political risk coming from an entirely different quarter—Europe. With the outbreak of the First World War, the company lost all access to the site and was unable to complete the project.

An analysis of the securitisation at Swakopmund offers a clearer perspective on the relationship between the state and the private sector in a colonial context. Attempts to securitise the building project started with the provisions of the contract itself, which implicitly made the whole undertaking a political security issue: it was up to the state to foster construction of the infrastructure (here specifically the building of the jetty) in order to “open up” the colony. The Colonial Office had a strong political and military interest in the success of the project, and was thus prepared both to fund it and to offer considerable financial incentives—in the form of anticipated profits—to potential contractors. The enterprise-security nexus is demonstrated here above all in the intersection of the “political and military abilities to provide security”¹⁰⁶ for economy and enterprises. The securing of economic and military land access to GSWA was so important that it outweighed even topographical and other natural constraints. The company, however, successfully externalised most of the investment risk and became a securitising agent in its own right as a non-state entity, becoming an actor in the opening up of the colony and incurring the dependence of the colonial administration. In this way, the consortium was propping up national expansionism. But on the other hand, from the consortium’s perspective, colonial expansion also offered (or appeared to offer) access to new markets,¹⁰⁷ underpinned by the security of a public contract complete with the relevant guarantees and the prospect of specialising in order to minimise the risk on (global) markets. Thus, from the point of view of the consortium, the provisions of the contract and the political situation in the colony offered an environment that appeared to be secure. It was on this basis that the consortium was prepared to accept the commercial risk inherent in the project—or, to put it another way, it believed that no major risk was in fact involved.

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Sovereign Numbers: The Chinese Tariff and Economic Expertise in the 1910s and 1920s

Tim Salzer

Statistics and Economic Diplomacy in Republican China

During the second half of the nineteenth century, the Chinese economy, along with other East Asian economies, was drawn into a transnational trade network and an international political order dominated by Western powers, especially the British Empire. This integration was initially secured through a series of high-level agreements that were later labelled the “unequal treaties.”¹ Such treaties were first concluded between the Qing imperial court and Britain after the First Opium War (1840–1842) and the privileges guaranteed by them were then extended to other major trading partners of the Qing Empire throughout the second half of the nineteenth century.² The socio-legal trade regime that emerged from these treaties in the late Qing Empire, and which persisted into the Republic of China (ROC, 1912–1949), had several salient features. First, tariff rates for most import goods from major trading partners were fixed at comparatively low levels at a maximum of 5 percent, and any modification required the consent of all foreign signatories, usually through an international conference. In practice, since such conferences turned out to be very difficult to convene, this arrangement effectively locked tariffs in place. Second, the treaties opened new trade ports beyond the southern port of Canton, where legal

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- 1 The work on this article was funded by the Deutsche Forschungsgemeinschaft (DFG, German Research Foundation) – Project No. 227068724. *Wang*, Discourse. Also *Peters*, Treaties, for an overview of similar treaties outside of East Asia for which the treaties concluded with the Qing served as model.
 - 2 The legal basis for this regime were hence a succession of different treaties, rather than a single overarching agreement, each of which was concluded between the Qing court and a foreign government. Wang provides the following chronology for the conclusion of the most important bilateral treaties leading to the emergence of this legal regime: Britain (1842), the U.S. (1844), France (1844), Sweden/Norway (1847), Russia (1851), Prussia (1861), Portugal (1862), Denmark (1863), the Netherlands (1863), Spain (1864), Belgium (1865), Italy (1866), Austria (1869), Japan (1871), Brazil (1881), Mexico (1899) and Switzerland (1918). See *Wang*, Discourse, 10.

foreign trade had previously been concentrated, and assigned responsibility for administering the tariff to a newly created institution, the Maritime Customs Service (founded 1854). The Customs Service was formally part of the Qing bureaucracy, yet, it was mostly staffed by nationals of the treaty signatories. Due to this fact, it operated with considerable organisational autonomy from the rest of the administration.³ Finally, the treaties granted extraterritorial rights to foreign merchants. As previous scholarship has emphasised, these treaties did not so much “open up” a previously autarkic society as restructure existing transnational commercial networks in the region. As a result, maritime foreign trade, which had previously been concentrated along the southern coast, increasingly moved to the east, particularly to the commercial port of Shanghai.⁴

The emergence of this new trade system coincided with profound changes in the practices of economic diplomacy. The colourful variety of at times elaborate rituals and protocols that had structured earlier economic and political diplomacy in the region, including the famous prostration before the Qing emperor which was demanded of most foreign delegates (*koutou* 叩頭), was replaced by new institutionalised techniques and instruments for negotiating commercial and political agreements and resolving conflicts.⁵ Previous scholarship has shown that, in the new socioeconomic and legal context created by the treaties, the mastery of foreign and international law by Chinese bureaucrats became a crucial prerequisite for successful economic diplomacy. Qing and later ROC diplomats progressively learnt to manipulate the language of international law and Western political philosophy, grounding their demands for treaty revision in Western legal concepts such as the right to equal sovereignty and, after the First World War, the principle of self-determination.⁶

International law, however, was only one of several Western techniques of government which historical actors in the ROC drew upon to advance their own cause in the international arena. In parallel, especially in the years before and after the First World War, ROC politicians and administrators increasingly relied upon economic statistics when they interacted with their Western counterparts. While numbers had long been established

3 *Van de Ven*, Past.

4 *Gipouloux*, Méditerranée; *Xin*, Global.

5 Cf. *Brook/van Praag/Boltjes*, Mandates; *Andrade*, Embassy.

6 *Wang*, China; *Manela*, Moment; *Carrai*, Sovereignty.

among many Western elites as symbols of factuality and truth,⁷ in the post-war years they became increasingly important in European economic diplomacy, especially in negotiations over war guilt and reparations and ultimately the future global economic order,⁸ against the background of the collapse of the social, political and legal institutions underpinning the period of the “first globalisation”.⁹ In this broader context, ROC politicians and bureaucrats, well aware of the rhetorical force of numbers, produced their own statistics to advance their agendas in international negotiations. Research on this political and diplomatic history of statistics in republican China still remains limited, despite a rich historiography on statistics in China more broadly¹⁰ and extensive studies on the increasing role of expert knowledge in transnational economic relations and in the realm of economic administration, which tend to focus on Western actors.¹¹

This chapter aims to mitigate the lack of research on the history of statistics in the ROC, by studying the use of statistics by ROC bureaucrats over the 1910s, in the context of discussions surrounding the Chinese tariffs. Recent studies by Jamie Martin and Allen Lumba have highlighted the ambiguous role of economic, legal and statistical expertise in post-war economic diplomacy.¹² In this context, economic and legal experts did not merely provide rational and apolitical solutions to social and economic problems in international affairs. Instead, experts working for Western governments and for institutions such as the League of Nations often invoked technical knowledge to justify interference in the domestic affairs of newly created or newly independent nations. In this sense, their claims to superior knowledge served to undermine the emerging normative principles of equal sovereignty and self-determination in military and economically weaker polities, and in this way, they contributed to the perpetuation of older patterns of politico-economic domination. The history of Chinese economic experts in post-war diplomacy broadly confirms this picture: although negotiations surrounding the tariffs were framed in a technical language, outcomes ultimately depended more on the military power behind each delegation than on the internal stringency of their argumentation. Yet,

7 E.g., Porter, Trust; Desrosières, Politique; Deringer, Values.

8 Tooze, Economies; Clavin, World; Yee, Stability.

9 Most notably, the gold standard, see Eichengreen, Capital.

10 Bréard, Reform; Lam, Passion; Schillinger, People; Paulès, Âge; Ghosh, Making.

11 Flandreau, Money; Martin, Experts; Slobodian, Globalists; Mallard, Gift; Mulder, Weapon; Bemmman, Weltwirtschaftsstatistik. But see Thornton, Revolution.

12 Lumba, Monetary; Martin, Meddlers.

as we will show, Chinese efforts to gather economic intelligence proved significant, as they laid the foundation for an expansion of statistical work within the economic administration and institutionalised a new socio-type within the administrative apparatus: the economic expert, analysing a steady stream of statistical data in order to inform state action.

Numbers to Confront the Fiscal Crisis

The collection of numerical data in East and Central Asia had a long and proud history well before the First World War, especially in the Qing Empire, as part of the policies dedicated to the prevention and alleviation of famine.¹³ Yet the history of statistics in the region truly began only in the second half of the nineteenth century, through a series of encounters with Western countries. The first step in this development was the creation of a statistical department within the Maritime Customs Service (MCS), which regularly published data on foreign trade. For the first time, numerical data collected in the empire were explicitly labelled “statistics” and made available to a broader readership, both inside and outside the empire.¹⁴ Within the Qing administration, however, the statistics produced by the MCS appears to have attracted little attention from high-ranking officials.¹⁵ A second crucial moment came in 1906, when reformist intellectuals at the Qing court promoted constitutional government and argued that the collection of accurate statistical data—above all population figures—was a prerequisite for economic and social modernisation, and essential if China was to compete with foreign powers on the international stage.¹⁶

The golden age of economic statistics—beyond statistics on foreign trade alone—began in the 1910s and 1920s.¹⁷ The driving force behind the development of this new form of economic information was a severe fiscal crisis. The early twentieth century was marked by a dramatic breakdown in the public finances of the Qing Empire, and this crisis was carried over into the republican era. The difficulties took the form of rising expenditure during a period when the government had increasing difficulty in sustain-

13 Will/Wong, *People*; Li, *Famine*.

14 Bréard, *Invention*; Van de Ven, *Past*.

15 Bréard, *Invention*.

16 Bréard, *Reform*; Schillinger, *People*.

17 Bemmman, *Weltwirtschaftsstatistik*.

ing stable revenues. Several factors contributed to the expenditure crisis. A whole series of socio-political upheavals throughout the nineteenth century, including the White Lotus Rebellion (1794–1804) and Taiping Civil War (1850–1864), had depleted the empire’s financial reserves. At the turn of the twentieth century, the financial difficulties of the central government were amplified as a result of the Japanese invasion (1894–1895), the Boxer Rebellion and the ensuing war (1899–1901) and the resulting war indemnities for the Qing court. Beyond the costs of war and unrest, the regime also faced the heavy financial burden of its own modernisation agenda.¹⁸ Under the so-called New Policies reforms (1902–1911), the Qing government had undertaken sweeping administrative changes at an overwhelming cost, including an overhaul of the domestic educational system and the modernisation of the army.¹⁹

On the revenue side, the central government was put into a precarious position by the growing fiscal autonomy of its own provinces. Here again the socio-political upheavals of the nineteenth century had played a crucial role by amplifying pre-existing centrifugal tendencies. As the historian R. Kent Guy has shown, in the Qing Empire, the provincial governments, previously relatively marginal administrative units, had gradually managed to consolidate themselves as independent centres of political authority.²⁰ The internal crises of the nineteenth century, and in particular the Taiping civil war at mid-century, had escalated these trends, leading to the provinces increasingly taking charge of fiscal affairs. The most significant development in this respect was the creation of new taxes during the Taiping rebellion, which were meant to help the provinces fund their military operations against the rebels. Chief among these new taxes was the so-called *Lijin* (釐金), or internal transit duty, of which the provinces retained the lion’s share. Recent scholarship has shown that the *Lijin* expanded the overall extractive capacity of the state,²¹ and can therefore be seen as a driver of the emergence of a more interventionist form of economic governance. Yet, this increase in overall extractive capacity did not directly translate into a stronger central state.²² Rather, it redistributed fiscal power, strengthening the provinces while further weakening the central government’s grip on economic affairs.

18 Dong, Sinews.

19 McCord, Power.

20 Kent Guy, Qing.

21 Halsey, Quest.

22 Paulès/Serfass, Teleology.

During this moment of crisis, statistical information became crucially important for the central administration. In the final years of the empire, the Qing court made efforts to centralise information on the revenue of all provinces as a first step towards fiscal reform.²³ Most importantly, in 1911, one year before the republican revolution, the central government organised an empire-wide financial conference to collect data on provincial revenues. At roughly the same time, it set up new administrative offices in the provinces to restructure public finances²⁴. Although the Qing Empire collapsed the following year under the pressure of the Xinhai revolution, this new institutional infrastructure largely survived at both the provincial and central levels.²⁵ At the same time, the Xinhai revolution further exacerbated the already dire fiscal situation of the central administration due to the initial weakness of the newly established republican government. In the course of the revolution, provincial governments had completely stopped remitting fiscal revenues to the centre, escalating the tendency towards fiscal decentralisation that had taken shape over the second half of the nineteenth century.²⁶ Due to the weak credibility of the new regime when it came to dealing with foreign markets and the tight coordination between foreign banks to impose extreme conditionality against foreign loans, the administration could not confront all its financial obligations through the issuance of public debt either.

In this broader context, the tariff on maritime trade became a key preoccupation for ROC administrators and politicians for a variety of reasons. First of all, with the expansion of overseas foreign trade over the second half of the nineteenth century,²⁷ the tariff had quickly grown into one of the most important sources of fiscal revenue and increases in the tariff could raise substantial revenues for the central administration.²⁸ Second, as a foreign-run institution, the MCS, the organisation in charge of administering the tariff, was relatively insulated from the political upheavals that followed the collapse of the imperial socio-political order. Indeed, as several scholars have shown, the MCS not only weathered the revolution but was able to assert an even higher degree of organisational autonomy than before 1912.²⁹

23 Wang, Land.

24 邹进文, 民国

25 劉壽林/孔慶泰/万仁元/王玉文, 民國

26 Van de Ven, Finance; Liu, Changes.

27 Keller/Shiue, China

28 Zhang, Ideological.

29 Osterhammel, China, 227; Van de Ven, Past.

As a result, in the wake of the revolution, the tariff remained an important potential source of revenue, the collection of which was firmly established under the authority of a single central-level institution. Third, from the final decades of the nineteenth century the tariff had become a central *topos* in neo-mercantilist and protectionist thought among local elites aspiring to an industrial future in their own country; the combination of high taxes on internal commerce,—the *Lijin*—, and low taxes on external trade was considered an absurdity by those same intellectuals and merchants.³⁰ Instead, they advocated for the suppression of the internal duties and an increase in the tariff.³¹ To implement these reforms, accurate statistics were not only crucial in order to assess the scope of the fiscal crisis and to compare the costs and benefits of competing courses of action. As we will argue in the remainder of this chapter, they were also crucial parts of the solution, as technical artefacts that would actually permit the government to increase fiscal revenues.³²

The Political Economy of Valuation

In early 1912, even before securing formal recognition from several major international powers, the Ministry of Foreign Affairs (外交部) of the newly created republic approached representatives of treaty signatories to initiate a revision of the Chinese tariff schedule. The legal basis for this demand was the MacKay Treaty concluded in the aftermath of the Boxer Rebellion and the resulting military conflict (1899–1901), which had stipulated that the Chinese tariff could be revised ten years after its signing, a deadline that fell in the first year of the republic. Clause 8 allowed for a tariff increase in exchange for the abolition of the internal transit duties,³³ since these were considered a hindrance to the development of trade with foreign merchants

30 *Feuerwerker*, Industrialisation.

31 林美莉, 西洋

32 In an earlier publication, Mark Jakob and Nina Kleinöder formulated this distinction between diagnostic tools to identify collective threats and courses of actions to actually overcome them with the conceptual pair “frames” and “repertories”; see Jakob/Kleinöder, *Security*. I am borrowing the idea that in many social contexts quantified knowledge can function at once as “repertory” and as “heuristic” from an informal discussion with Leon Wolff, Sven Opitz and Finn Langbein.

33 *MacMurray*, Treaties.

and their representatives.³⁴ Yet in 1912, when renegotiation became due, the central administration faced two key obstacles. First, it lacked the authority to compel provincial governments to abolish the *Lijin*. Second, despite repeated efforts by government-appointed fiscal experts since the first decade of the twentieth century,³⁵ the anticipated loss in provincial revenue from abolishing the *Lijin* remained uncertain. It appeared increasingly likely that raising the tariff alone would not suffice to offset the shortfall caused, and that additional revenue sources, most notably commercial and production taxes, would be necessary to sustain the central government's finances.

In this context, the new administration chose to frame the revision of the schedule not as a legal or diplomatic matter, but as a technical issue. The Chinese negotiators would remain within the bounds of the existing legal framework and simply produce new statistics intended to demonstrate that prevailing tariff rates no longer reflected actual economic realities. In other words, the issue was recast not as a matter of legal reform, but of properly implementing the existing regime through more accurate measurement. As a letter to the Chinese delegate in Japan put it: "Revising the tariff schedule is not the same as increasing the tariff [rate]" ("修改稅則與加稅不同").³⁶

The central factor in these efforts was the price of imported commodities. Prior to the Opium Wars, changes in the economic value of commodities were not of central importance in the administration of foreign trade. As economic historian Paul Van Dyke has argued, under the so-called Canton System, in which foreign trade with the Qing Empire was centred on the southern port of Canton (廣州 Guangzhou), all import duties were based on either weight or volume.³⁷ Against this background, the commercial treaties drawn up after the Opium Wars institutionalised a new conceptual distinction between two broad categories: *specific* (從量) and *ad valorem* (從價) duties. In both cases, the treaty stipulated that most commodities should be taxed at 5 percent of their value. However, what "value" meant in each case differed. For many commodities, the treaties included not only a mention of the applicable tariff rate, for example 5 percent, but also an implicit estimate of their monetary value at the time of the negotiations. In this case, the commodity was said to be subject to *specific duties*. For other commodities, the tariff schedule only indicated "5 %

34 林美莉, 西洋

35 Van de Ven, Finance.

36 李景銘, 修改; 「關稅改良會委員籌備銷場產地等稅」(1914), 〈提議修改稅則案〉, 《北洋政府外交部》, 中研院近史所檔案館藏 (IMH), 03-24-001-04-003.

37 Van Dyke, *Canton*, 8-11.

ad valorem”, without any estimation of the market value. This meant that employees of the ROC administration working in the Maritime Customs Service would have to determine themselves how much the commodity was worth at the moment of its arrival on Chinese soil and, accordingly, how much merchants would have to pay in *ad valorem* (import) duties.

Foreign contemporary treatises and commentaries on commercial policy and political economy, some of which were familiar to ROC officials, usually discussed the choice of either an *ad valorem* or specific duty regime in terms of a trade-off between accuracy and ease of implementation.³⁸ Specific duties were considered as relatively easy to implement, but not very accurate. Officials only needed to measure the weight or volume of the imported good, apply the price fixed in the tariff schedule, and calculate the duty accordingly. But because market prices could fluctuate considerably, this fixed price would necessarily diverge, to some extent, from actual economic conditions. *Ad valorem* duties, by contrast, were considered to be more accurate, but less easy to implement. Officials had to estimate the current market price of the good and then apply the tariff rate to that valuation and to the quantity imported. The price used for the administration of *ad valorem* duties was therefore more likely to match prevailing conditions. Yet, to arrive at such an estimate of the price, required additional investigative work that could be avoided in the case of specific duties.

However, beyond these practical considerations, the two kinds of duties differed also significantly in how they distributed political agency over fiscal policy-making. The main question, in this respect, was who was controlling the definition of commodity prices for the purpose of levying the tariff. In the case of *specific* duties, delegates to international tariff conferences would negotiate the relevant prices on the basis of which the duties would be calculated. These prices would then apply until revision by another conference. In the case of *ad valorem* duties, on the other hand, employees working in the MCS in the ROC would have some leverage in determining the market values of imported goods.

While in appearance an arcane technical matter, or just a question of principle, the revision of the prices used as reference could have a significant impact on governmental finances. In 1912, the majority of imported goods fell under the regime of specific duties.³⁹ This had as consequence,

38 Fisk, Policies; Seligman, Importance.

39 Wright, Struggle, 353–354, 370.

that despite a continuous and consequential rise in prices of imported commodities since the last revision of the tariff, income from import duties had stagnated, since the monetary value of the tax had already been decided upon in the commercial treaty, and could only be revised after having received the accord of all the signatories of the latter. Chinese commentators deplored this fact as the “extreme inflexibility of the Chinese tariff”,⁴⁰ or an ultimate illustration of the lack of Chinese sovereignty, since even apparently empirical phenomena such as price changes were in actuality dictated in a normative manner by treaties. At the turn of the twentieth century, the tariff amounted to between one quarter and one third of central government revenue. According to the estimation by the then inspector-general of customs, Francis Aglen, an increase in prices could raise the applicable customs duties by almost 90 percent.⁴¹ Hence, developing a correct measure of import goods was not a pedantry, but a matter with substantial financial implications.

Building New Networks of Economic Expertise

The collection of data in relation to new prices for import commodities thus stood at the centre of the Chinese strategy to increase customs duties and, incidentally, to protect the infant industrial sector. However, the capturing of these data presented several practical difficulties. In many cases, commodity prices were neither public nor uniform. Indeed, as works in economic history and economic sociology have repeatedly shown, the ability to obtain public, uniform commodity prices cannot be taken for granted. Instead, these conditions can only be achieved through a substantial amount of collective work, including the standardisation and categorisation of commodities⁴² and the development of technical instruments to actually display and communicate the prices to market participants.⁴³ However, in the early years of the ROC, commodity prices were only rarely made public in such a manner. Instead, often negotiations were held in a private

40 *Chu*, Tariff.

41 季景銘, 修改

42 *Cronon*, Nature.

43 *Garcia-Parpet*, Construction; *Cochoy/Hagberg/Kjellberg*, Technologies; *Cochoy/Hagberg/Kjellberg*, Price.

setting, involving only the transacting parties and perhaps a broker.⁴⁴ During the same period, there were some endeavours to overthrow this moral economy of price fixing. Such attempts are well documented after the British colonisation of Hong Kong, where the colonial administration put great efforts into the creation of new market halls, driven by hygienic, traffic-related and socio-economic concerns.⁴⁵ Furthermore, new commodity exchanges emerged in certain coastal towns of the ROC around the beginning of the 1920s, which their proponents presented as a solution to the problem of having to endlessly “haggl[e] over the prices.”⁴⁶ Other examples were the construction of large new market halls in certain commercial cities in order to standardise prices, such as Shanghai, Hangzhou, Suzhou, Beijing and Chengdu, where prices would be at times announced publicly. However, in many documented cases, these attempts to transform market practices in the Republic encountered considerable resistance from both vendors and purchasers.⁴⁷

In the 1910s, for the central administration to gather and publish data on market prices was hence an active intervention in a realm of practice which was considered private to merchants and traders, and could not but raise the spectre of tax increases among market participants. The collection of this kind of data hence presupposed an extension of the realm of state action, which needed to be both logistically achieved and socially legitimised.⁴⁸ This was by no means obvious for the then relatively weak and financially strained central government. Bureaucrats in the administration noted that an alternative feasible approach would have been to observe the prices of goods imported into the ROC in their countries of origin and augmenting these by an estimate of the insurance and shipping fees.⁴⁹ However, employees of the Ministry of Foreign Affairs considered such an option to be equally sensitive. Instead of directly requiring information on prices from its foreign counterparts, the Ministry sent an enquiry to their representatives in Russia, the United States and Japan asking them

44 *Mann*, *Brokers*; *Zhang*, *Timber*.

45 *Tsui*, *Everyday*.

46 *The North-China Herald*, *New Cotton Goods Exchange*.

47 *Wang*, *Myth*; *Wang*, *Modernizing*.

48 *Loveman*, *Modern*.

49 「關稅改良委員會會員吳貫因提議預定貨價辦法請查照辦理」(1913), 〈提議修改稅則案〉,《北洋政府外交部》,IMH, 03-24-001-03-006.

to secretly investigate local commodity prices.⁵⁰ A final way to circumvent these difficulties was to use a set of prices which were then called “customs values”.⁵¹ The customs value was the multiplier which customs officials used in order to translate heterogeneous measures of volume or weight of imported goods into a single monetary unit. Upon landing, importers had to fill out an import application, which included a declaration concerning the value of each category of imported goods. This declaration needed to be filled out whether or not the goods fell under the regime of *ad valorem* taxes or specific duties. Thus, even if the good was covered by specific duties, which meant that the tax did not depend on its presumed market value, the administration collected this information anyway, so that it could regularly estimate the volume of foreign trade in terms of its aggregate monetary value.⁵²

From the very outset of the preparatory work for negotiations, it was clear to both Chinese and foreign officials that the question of foreign trade valuation was politically charged. The core issues revolved around who would get to determine the actual value of imported goods. The measurement strategy which the Ministry of Foreign Affairs finally came to champion was the use of real local market prices, meaning commodity prices on Chinese soil, so that the valuation process would be controlled by its own officials. During the preparatory negotiations, the British advocated using *cost of arrival*, the price of a commodity at its point of sale, including insurance and freight. Chinese negotiators rejected this, as it would place the process of commodity valuation outside the formal jurisdiction of the ROC. Foreign merchants could easily falsify shipping documents, and if Chinese officials contested their declarations, they would have no recourse other than to appeal to the consuls of the relevant treaty power for verification.

In preparation for the negotiations, since accurate data about market prices was not readily available to the administration, the central government was compelled to develop new forms of expertise about the economic realities on its territory. This implied first and foremost the need to build a series of new social networks that would allow the administration to

50 「希密查來華洋貨出口價值製表寄部」(1913),〈提議修改稅則案〉,《北洋政府外交部》,IMH,03-24-001-02-022.

51 「關稅改良委員會會員吳貫因提議預定貨價辦法請查照辦理」(1913),〈提議修改稅則案〉,《北洋政府外交部》,IMH,03-24-001-03-006.

52 *Wright, China*.

redirect the flow of economic information to some of the country's most important commercial cities. As sociologist Gil Eyal has argued, *expertise* should not be understood primarily as the property of exceptional individuals, such as experts or intellectuals. Rather, expertise is the outcome of extensive social networks of collaboration. Within such networks, so-called experts mobilise non-experts to secure critical resources, such as funding and information, which enable the production of authoritative truth-claims. Furthermore, expertise only genuinely exists insofar as experts are capable of creating publics that function as the audience for their discourse.⁵³ In such networks of expertise, authorship, along with the accompanying social legitimacy and authority, is typically attributed to experts alone, even though the truth-claims themselves are in fact the product of collective labour.⁵⁴

At the centre of this emerging network of expertise stood the newly established Tariff Improvement Commission (關稅改良委員會 *Guanshui Gailiang Weiyuanhui*), a joint body composed of representatives from the Ministry of Finance, the Ministry of Industry and Commerce, the Ministry of Transport and the Ministry of Foreign Affairs.⁵⁵ The commission was at the apex of a chain of command in which customs offices in major cities were instructed to collect data on prices, a task that these stations, in turn, delegated to local chambers of commerce.⁵⁶ The Chinese chambers of commerce, tasked with leading the investigations on the ground, were themselves relatively recent creations, whose history was closely tied to earlier negotiations of treaties concerned with foreign trade and tariffs. The chief negotiator of the 1902 MacKay treaty, Sheng Xuanhuai 盛宣懷, had, by his own admission, been impressed by the tight and effective collaboration between foreign negotiators and merchant communities at the time. After the conclusion of negotiations, Sheng successfully called for the legalisation and promotion of chambers of commerce, believing that they would allow merchants to support the government's reform efforts in economic modernisation, especially for upcoming international negotiations concerned with trade.⁵⁷

53 Eyal/Buchholz, *Sociology*; Eyal, *Sociology*.

54 Cf. Reed, *Power*

55 李景銘, 修改, 28.

56 上海市工商业联合会, 上海, 286; 大公報天津版, 函告調查商貨

57 Fewsmith, *Guild*; Chen, *Network*, 57.

From the administration's perspective, the cooperation with the chambers of commerce was valuable not only because their members were deemed to possess intimate knowledge of market conditions. It was also useful because the chambers could shoulder some of the financial burden of the investigative work, or at least advance funds for a while, in a context where the government itself was already financially stretched. This cooperation relied on a combination of state coercion and on overlapping economic interests. Indeed, the archives of the Shanghai General Chamber of Commerce show that it made repeated complaints that the government was falling short on its obligations and reimbursing funds for investigation either too late or at a much lower amount than what was needed. For instance, in February 1914, the chamber had advanced around 1,000 taels to fund the investigative works.⁵⁸ By the summer of 1914, expenses were estimated at 5,000 taels, but the central government had only allocated 2,000 taels. However, despite conflicts around the issue of funding, in public statements during Spring 1914, members of the chamber continued to underline that the reform of tariff valuation would serve Chinese business interests and that the chamber thus had a stake in knowing what prices would be used.⁵⁹

Ultimately, the preparatory work for the tariff revision conference did not result in any tangible modification of Chinese tariff policy. This was, first and foremost, due to the sudden outbreak of war in Europe and the interruption of conference preparations. According to an official memoir recounting the negotiations, discussions only resumed after the Allied powers proposed in April 1917 that China's entry into the war should grant it the right to reopen tariff negotiations.⁶⁰ In fact, inside the ROC administration, preliminary efforts to revise the tariff policy had begun prior to China's formal declaration of war in late 1916, with renewed demands from the administration to the chambers of commerce to provide it with recent price data; only robust and verifiable data would persuade foreign powers to revise the tariff schedule. To ensure the credibility of the statistics, the administration required the chambers to use standardised forms and provide documentary evidence, such as entries from account books or receipts.⁶¹

58 上海市工商业联合会. *上海*, 296.

59 申報, *本埠新聞全國商會聯合會開會記*, March 20, 1914.

60 李景銘. *修改*

61 天津市档案馆, 天津社会科学院 and 天津市工商业联合会. *天津*, 1937.

Institutionalising Economic Expertise in the Administration

Gathering the information and empirical material to support a quantitative argument was one thing. Getting foreign negotiators to accept a case was a whole different issue. The emerging network of expertise around the Tariff Improvement Commission never got the chance to test the solidity of its claims, since negotiations were temporarily interrupted by the onset of the Great War. Another opportunity arose, however, at the end of the war, when the ROC administration succeeded in scheduling a new international conference for tariff revision. Before the conference, the administration once more created a specialised group of fiscal experts with a similar portfolio of responsibilities as the pre-war Commission, the so-called Import Tax Revision Committee (財政部修改現行進口稅則委員會 *Caizhengbu Xiugai Xianxing Jinkou Shuize Weiyuanhui*), led by Zeng Shuqi 曾述榮, Li Jingming 李景銘 and Lai Faluo 賴發洛. Of the three, Li Jingming was arguably the best-known official and most publicly recognised as a “financial expert.” Before the revolution, Li had been an imperial civil servant. After the revolution, he was elected to the National Assembly and then gone on to gain experience in fiscal affairs through posts at the Taxation Office, the National Tax General Planning Office and the Audit Office. The committee’s inaugural meeting on 5 January 1918 included officials, mainly consuls and customs administrators, from Belgium, the United Kingdom, the United States, France, Japan, Russia, Denmark, the Netherlands, Italy, Norway, Sweden, Spain, Portugal and Brazil.

The strategy of the Chinese delegation during the conference was once more to present the issue of import price actualisation as distinct from treaty revision and thereby to circumscribe a specific realm of competence for the committee, justified by its purported superior technical knowledge of the matter at hand. This strategy was generally promising insofar as it could potentially align the interests of the Chinese and foreign negotiators, since it would empower all the negotiators at once, allowing them to make independent decisions without requiring the approval of their respective governments.⁶²

Shortly after the onset of the conference, Zeng and Li complained about the bad faith of merchants who had provided them with price data. They accused both foreign merchants and domestic importers of reporting prices

62 U.S. Department of State, *Papers*, Document 619; U.S. Department of State, *Papers*, Document 644.

that were far below actual market levels, since both groups were seeking to pay lower import taxes and expand their businesses in China. Zeng and Li therefore suggested to gather data from local producers of Chinese substitutes for imported goods, who would profit from tariff increases and thus had incentives to report higher, and possibly more accurate prices than Chinese importers. Accordingly, they contacted the National Goods Protection Association 國貨維持會, an association of Chinese producers which had long called for protectionist measures,⁶³ requesting recent price data. However, as the Chinese delegation would quickly discover, the negotiations were not simply a technical debate. In the end, the agreement about the tariff was the result of geopolitics and economic and military superiority. Thus, the international conference ultimately settled on the proposal from the Japanese delegation.

Initially, the Japanese had proposed averaging customs values from the years 1911 to 1916. This was contentious not only because it relied on customs values, widely seen as flawed and not only by the Chinese, but also because the selected timespan favoured pre-war years when prices were lower and excluded 1917, when wartime inflation had peaked. Julian Arnold, the American commercial attaché and head of the US delegation, objected strongly to this proposal. He stated that he was “unqualifiedly opposed” to using customs valuations in principle, since these figures were full of discrepancies, having been based on importers’ applications without proper verification. Faced with opposition, the Japanese delegation slightly revised its proposal, suggesting instead an average based on prices between 1912 and 1916, to be drawn from “customs valuations and all other available evidence.”⁶⁴ The Chinese representative to the conference, Cai Tinggan 蔡廷幹, ultimately acquiesced to this modified proposal. While technical expertise and accuracy did not help to strengthen the case of the Chinese delegates, the former became relevant again when the ROC delegation tried to use the little room for manoeuvre with which the Japanese proposal had left them. Indeed, the reference to “other available evidence” had created some hope among Chinese officials that they still would be able to raise the tariff by some amount by providing better price data than that offered by the customs value. However, in many cases the data compiled by Chinese investigators was rejected by foreign delegates, who claimed it lacked a grounding in factual evidence.

63 Gerth, *China*.

64 U.S. Department of State, *Papers*, Document 637.

In the end, the production of economic expertise by the administration would prove more or less irrelevant to the tariff negotiations. However, the efforts undertaken by the administration would turn out consequential within the broader administrative history of the ROC, as it laid the groundwork for the institutionalisation of a new form of fiscal, statistical and economic expertise within the administrative state. Following the conference, the head of the Chinese delegation, Cai Tinggan, proposed that permanent investigators employed by the Ministry of Finance should be stationed in Shanghai. These investigators would conduct monthly price surveys, the results of which would be published and distributed to foreign merchants by the Ministry of Finance. Three officials were assigned to carry out this work: Guo Shen from the Jiangsu Stamp Duty Office 江蘇印花稅處, Yan Jiazhao 嚴家灼 from the Shanghai Songjiang Salt Inspectorate 上海松江稽核所, and Sheng Jun 盛俊, a former imperial official who had graduated from Fudan University and gone on to study in Japan. This price-gathering work was soon institutionalised through the establishment of a new agency: the Bureau of Markets 財政部駐滬調查貨價處, which was financed through customs revenue⁶⁵ and divided into two sections, one for general affairs and one for statistics, the latter headed by Sheng Jun.

These developments would prove of crucial importance in the 1920s. During the Washington Conference in 1921 and 1922, for instance, the Republic was finally granted the right to measure import prices for tariff schedule revisions via the Bureau of Markets. Later, when China regained full authority over tariff policy in 1929, former Bureau employees Sheng Jun 盛俊 and Shou Jingwei 壽景偉 joined the expert council of the National Tariff Commission 國定稅則委員會, which went on to shape the direction of Chinese tariff policy in the following years. The eventual success rested on the visibility of the Bureau to foreign merchants and officials, as well as the capacity of the Bureau to integrate emerging international circuits of economic expertise, particularly those centred on the League of Nations' Economic and Financial Section.⁶⁶

In this regard, this author supports the observation of economic historian Dong Yan that it was in interactions between Chinese officials and foreign actors that foreign-educated experts first gained significant leverage

65 財政部統計科, '訓令江海關監督駐滬調查貨價處月支經常費按照新定預算數目自二月分起在常稅項下撥發列入計算書呈報候核文', 財政月刊, 10.111 (1923), pp. 17–18.

66 *Bemmann, Weltwirtschaftsstatistik.*

in the republican state. These actors were valued because they spoke the languages of their international counterparts. This also underpins the observation by Patricia Clavin, that after the First World War a broader shift in economic diplomacy occurred in which statistical knowledge and technical expertise became increasingly central in negotiations, even if initially only at a rhetorical level.⁶⁷ Finally, from the perspective of Chinese fiscal transformation, this new form of expertise heralded the gradual emergence of a fiscal regime in which fiscal extraction would increasingly follow economic dynamics and would be informed by economic data that was more systematically and frequently collected than previously.⁶⁸

Conclusion

The historian Philip Kuhn has famously argued that political history in the late Qing Empire and early Republic of China was marked by a general tendency “to resist foreign domination by using some of the foreigners’ own technologies of dominance, both material and societal.”⁶⁹ Among such technologies, Kuhn included not only military and industrial tools, but also “political technologies.”⁷⁰ Subsequent historical and legal scholarship has substantiated this claim by examining the strategic use of international law by the ROC’s administrators, which foreign powers had used to integrate the Qing Empire into the emerging global economy. In this body of work, scholars have shown how late Qing and ROC reformers learned to speak the language of international law in order to defend their own interests. In the realm of the governance of foreign trade, previous work has emphasised the use of international legal discourse, particularly appeals to the equal “sovereignty” of Qing and ROC political authorities that underpinned Chinese demands for “tariff autonomy.”⁷¹

However, this was not the only strategy employed by ROC administrators in this context. A parallel approach, which thus far has received limited attention in the historiography, centred on another mode of justification

67 Clavin, *World*, 21.

68 Analogous to what has been described by Kotsonis, *States; Wansleben, Uncertainty*. Compare for instance Zhang, *Foundations and Yeh, Tax*.

69 Kuhn, *Origins*, 1.

70 Kuhn, *Origins*, 66–67.

71 Carrai, *Sovereignty*.

and relied on different networks of expertise. At the heart of this strategy were statistics, arguably as much “political technologies” as the law.⁷² Within this argumentative framework, rather than directly challenging the existing legal order, officials sought to demonstrate its improper implementation, since it was based on economic data that no longer reflected prevailing economic conditions. They thereby attempted to shift the debate from normative claims to empirical investigations of economic realities. While initially ineffective in international negotiations, these institutional efforts fostered new networks of expertise and produced new cultural artefacts, most notably statistics documenting short-term economic changes, that would go on to shape fiscal and social policy in the Republic of China during the 1920s and 1930s.

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72 Bréard, Reform.

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The Securitisation of Transactions after Financial Crashes: The Case of Black Thursday, 1929

Andreas Langenohl

Introduction

This article zooms in on an operation that is key to modern finance but often neglected in its accounts, including accounts of the crises of financial capitalism: namely, the financial transaction, especially the exchange transaction. In the history of economics, this notion is usually associated with that of transaction costs, signalling the emergence of institutional from neoclassical economics. More generally, the notion of a transaction refers to a process in which a value item is passed on into another legal person's ownership. While this process can be unidirectional—for instance, in the case of settlement or inheritance—, in the economy and in finance it most often takes the form of an exchange transaction, that is, the mutual exchange of two value items that are held to be commensurate in value, and often in a (competitive) market. Such exchange transactions are highly formalised and ubiquitous in modern economies, operating through a medium of exchange (money) which at the same time makes it possible to establish the commensurability of different items and services in the form of a price.

Why would such a ubiquitous, inconspicuous, and seemingly simple operation—an operation that can be easily automated, as can be seen in the fact that in many segments of the financial market automated trading procedures now account for the overwhelming majority of exchange transactions—be interesting in terms of security perceptions and the economy? The answer that this article gives is that transactions become a security issue when they become *securitised*,¹ that is, associated with a threat perception. A recent example of the securitisation of financial transactions can be depicted in the very broad tendency of governments worldwide to identify

1 The work on this article was funded by the Deutsche Forschungsgemeinschaft (DFG, German Research Foundation) – Project No. 227068724.
Buzan et al., Security; Wæver, Securitization.

financial markets and their institutions as “critical infrastructures”² for the economy and for society as a whole.³ As financial markets and institutions are held to provide key services to the economy and society—such as pricing, enabling corporate governance and transacting payments—any dysfunctionality attains the significance of a vital threat.

Yet, this article opts for discussing instances in which financial transactions themselves become problematised; that is, become thematic as such. It is one thing to see a security issue in the general setup of the modern financial economy (of which transactions are a part), as is often done in justifications of why the financial economy should be regarded a critical infrastructure;⁴ but it is another to single out transactions as breaking points in terms of threat and risk to the stability of the financial system. The present article focuses on one such latter case—namely, an official committee report on “Black Thursday” in October 1929 and its protracted consequences—in order to highlight the coupling of financial and security considerations at the operational core of modern finance: formalised exchange transactions.

With respect to the theme of the present volume, the article’s first contribution relates to perceptions of how risks and insecurities are built into modern financial infrastructures. As will be shown, transactions should not only be regarded as something which is *enabled by* financial infrastructures (for instance, exchanges and communication technology), but as *part of* financial infrastructures themselves; they enable crucial financial processes, such as the formation of prices and the establishment of financial value. Threats perceived in financial transactions thus have the capacity to cast into doubt the viability of financial systems in general. They are public manifestations of an “infrastructural inversion” through which the basic modalities of infrastructures, often operating below the threshold of public attention, become visible.⁵ Hence, in the social studies of finance and international political economy, this article contributes to the burgeoning literature on the role of infrastructures for the constitution of the financial system.⁶

As a second contribution, the approach taken here does not historicise risk and uncertainty in the sense that it aims at explaining the rise of secu-

2 Aradau, Security.

3 Brunner/Suter, Information.

4 See Muellerleile, Traffic.

5 Bowker/Star, Things.

6 See Brandl/Westermeier/Campbell-Verduyn (eds.), Infrastructure.

rity concerns around financial transactions from their historical contexts. Instead, the approach is comparative in that it reconstructs the problematisation (in a Foucauldian sense) of financial transactions in the wake of the 1929 stock market crash with reference to other historical moments in which transactions were problematised in response to financial crises—namely, the massive turmoil on the stock and option markets in the US in October 1987 and the most recent global financial crisis which first made itself felt in 2007 and had massive global consequences from 2008. The article thus represents a comparative study of the risk and security-related public questioning of exchange transactions as a key “market device” of modern finance.⁷

Transactions: The Inconspicuous Core of Finance

The passing on and exchange of value items lies at the heart of finance, both conceptually and historically. The historical emergence of modern finance is often understood in terms of the role of credit for commercial ventures such as long-distance trade and for public projects like colonialism, colonial and inter-state wars and infrastructural projects. Hence, financial capitalism, said to predate industrial capitalism by centuries, is actually understood as credit capitalism.⁸ However, upon closer inspection, an equally essential and even more deeply rooted function of finance is the processing of payments. In medieval society, making payments over long distances was a complicated affair, as legal tender had to be carried over long distances too. Hence, the invention of financial instruments, like bills of exchange, that made that transport unnecessary while safeguarding the reliability of payments being made on agreed terms and on an agreed date, was essential for the consolidation of long-distance trade, including early colonial ventures.⁹ Up to the present day, the financial stature of a transactor—that is, their access to funds and assets—is not more important than their ability to initiate, process and finalise transactions effectively in such a way that payments can be made and received effectively, unambiguously and on time.

7 *Muniesa et al.*, *Devices*.

8 *Braudel*, *Wheels*; *Lobo-Guerrero*, *Insuring*.

9 *Braudel*, *Wheels*.

The historical root of modern finance in the processing of payments is of paramount salience up to the present day. In operational terms, what is often termed “speculative finance” is fundamentally an immense intensification of exchange transactions in number and in volume. Technological innovations have repeatedly accelerated the velocity with which transactions can be processed, so much so that today the bulk of transactions in certain market segments is fully automated through “high frequency trading”, taking place within fragments of a second.¹⁰ The role of transactions for the constitution of finance is also epistemologically based in the science of financial economics, founded in the twentieth century with the express aim of constructing models that emulate and/or prescribe the formation of prices on liquid securities markets. For this, the exchange transaction is the most important, albeit usually only implicit, element.¹¹ Finally, the entire project of cryptocurrencies, rolled out with the ambition to guarantee the effectiveness of payments in digital commercial environments, testifies to the continuing importance of being able to effectively make and receive payments.¹²

Thus, transactions can be regarded as part of modern financial infrastructures.¹³ Like financial institutions, technologies and market models, transactions enable the financial economy. Yet they do so in manifold ways. First, as already mentioned, exchange transactions deliver an important service to the entire economy, namely, the pricing of economic values (including risks).¹⁴ This service of pricing is irreducible to any of the other components of financial infrastructures. For instance, while history has seen many ways of information transmission in the financial system—through travelling traders, letters, telegraph and ticker tape, by telephone, or today through the internet—¹⁵ and while the financial system has found many ways to analyse the economic value of assets through fundamental, technical or sentiment analysis, or through information markets, the price signal that inevitably results from the coupling of different exchange transactions on a competitive market cannot be attained by any other means than by a series of reciprocal and mutual transmission of two value items. While economies in general may rely on alternative ways of determining

10 *Lewis, Boys.*

11 *Muth, Expectations; Ross, Valuation.*

12 *Nakamoto, Bitcoin.*

13 *Langenohl, Transactions.*

14 *Muellerleile, Traffic.*

15 *Braudel, Wheels; Stäheli, Speculation; Knorr Cetina/Bruegger, Microstructures.*

the price of a given commodity (for instance, at the decree of authorities or oligopolies), the effectiveness of transaction-based pricing is indispensable for the constitution of highly standardised global and liquid securities markets.

Second, this constitutive significance of transactions for modern finance has a more fundamental political-economic layer. Transactions produce prices in the way that industrial capitalism produces commodities. Indeed, prices are the commodities that the financial economy fabricates. As industrial production abstracts from the concreteness of labour and replaces it with labour time,¹⁶ the financial production of prices abstracts from the economic point of reference (the company value, for instance) and replaces it with cross-referencing among cross-commensurated financial products.¹⁷

Third, transactions allot agency in the financial economy. Someone who is capable of transacting is equipped with financial agency, defined as the capability and right to make and receive payments through financial infrastructures. The relevance of this point becomes most clear when considering the severe consequences of blacklisting individuals and banning them from basic banking services, or politically motivated financial sanctions that typically take the form of excluding individuals or institutions from transaction infrastructures. Blacklisting cripples individuals' financial agency, effectively putting at risk their employment, housing and social relationships.¹⁸ Financial sanctions against institutions or entire political economies belong to the most feared means of international confrontation short of military intervention, and have historically been named "economic weapons".¹⁹

The towering significance of transactions for constituting economic (and social and political) actorhood has two implications. First, as many market segments are fully automated, financial agency is not limited to humans alone. In their infrastructural quality and their constitutive character for actorhood, transactions are not necessarily human-centred.

Second, transactions outweigh other aspects of financial infrastructures when it comes to allotting and distributing financial agency. This is epitomised in contemporary decentralised finance, where the capability to make

16 *Postone*, Time.

17 *Langenohl*, Sinnverengung; *Langenohl/Wetzel*, Finanzmärkte.

18 *De Goede*, Chain.

19 *Mulder*, Weapon.

and receive payments through crypto transactions does not at all depend on institutions of the traditional financial system.²⁰

I argue that transactions and in particular exchange transactions—that is, the enabling of reciprocal transmissions of commensurate value items—tie together key operations of financial infrastructures. Exchange transactions produce prices, the fundamental and irreducible commodity of the modern financial economy; through price production, they enable fundamental calculative services for the entire modern economy, including the pricing of company value (and hence corporate governance) and economic risks; and they define who and what can be regarded an actor in financial market activity.

The Inconspicuousness of Financial Transactions, Challenged

The pre-eminent significance of transactions is rarely recognised, either in financial discourse or in more critical approaches in fields such as international political economy or the social studies of finance. It is only relatively recently that they have received greater attention, within the emerging framework of financial infrastructure studies.²¹ However, in this paper, I wish to focus on those moments when transactions do become problematised in finance.²² This is the moment “when transactions turn awry”,²³ that is, when crises in the financial system are attributed to malfunctions in transactional processes.

Most recent examples for such a problematisation of financial exchange transactions are concerns about cyber-attacks against financial institutions, which have notably been reported as disrupting transaction processing and in particular the attainment of transaction finality²⁴ (that is, the agreement by both parties to the transaction (and potentially third parties) that a transaction has duly taken place and has produced complementary results in all accounts involved²⁵). In another context, the emergence and consolidation of crypto currency-based transactions was based on an express

20 *Caliskan*, Platform.

21 *De Goede/Westermeier*, Geopolitics; *Pinzur*, Semiotics; *Muellerleile*, Traffic; *Brandl/Westermeier/Campbell-Verduyn* (eds.), Infrastructure.

22 *Langenohl*, Prices; *Langenohl*, Transactions.

23 *Langenohl*, Transactions.

24 *Rella*, Blockchain.

25 *Langenohl*, Prices.

concern with the security of trade transactions in digital payment environments, where it was feared that such environments invite each party to betray the other by not paying for a received service or by withholding that service after receiving payment.²⁶ However, transactions have also been problematised after significant financial crises, like the one caused by Black Monday in 1987 or by the global financial crisis unfolding after 2007. While 1987 gave reason to make bottlenecks and resulting time lags in digital data transmission responsible for the crash of segments of stock and derivatives markets in the US,²⁷ the much larger financial meltdown since 2007/2008 has been attributed, among other things, to a multiplication of increasingly complex transactional relationships corresponding to the inflation of derivative securities based on real estate prices in the US.²⁸

This research invites the argument that the problematisation of transactions in financial crises creates what one could call an *emic praxeology* of finance. While there can be an unproblematic presumption of the reality of transactions both in financial models and in the financial economy as long as things run smoothly, in times of crisis transactions can become entry points for disruptions that are inexplicable through standard models and procedures in finance. These disruptions thus demand additional explanations which may reference changes in technologies, financial structures, or even broader societal-institutional dynamics. This chapter focuses on whether and how transactions were problematised as roots of the world financial crisis of 1929. Before engaging in the empirical discussion, it is worthwhile briefly detailing the research interest and the value it may add to existing research.

First, from a point of view that is interested in the securitisation (Buzan et al. 1998) of transactions, while transactions have been problematised in the financial sector on several occasions, this has happened in significantly different ways.²⁹ Responses to cyber-attacks and crypto projects capitalise on the specific transaction vulnerabilities that emerge from digital technologies;³⁰ the response to the 1987 crash, on the contrary, focused on a lack of computer and data transmission capacities.³¹ Analyses of the

26 Nakamoto, Bitcoin.

27 Muellerleile, Traffic.

28 Langenohl, Transactions.

29 Buzan et al., Security.

30 Langenohl, Prices.

31 Muellerleile, Traffic.

profound and protracted global financial crisis unfolding since 2007 have been relatively uninterested in technology; instead, the crisis tends to be attributed to an inflation of derivative logics in the context of eroding traditional financial relationships such as those between lending banks and borrowers, which have been replaced by mushrooming derivatives transactions on credit markets.³² These examples show that the infrastructural centrality of transactions for the financial economy has not produced a coherent pattern of securitisation. Rather, transactions can be posited as the “referent object”³³ of securitisation—that is, as that which is itself threatened in its functionality *for* the financial system—, or as a threat *to* the financial system, with the two attributions sometimes blending into each other. An analysis of whether and how transactions were problematised in the wake of the world financial crisis of 1929, as undertaken in this paper, adds to our understanding of the oscillation of transactions in their attribution as referent objects of threats and as threats in themselves.

From a historical and sociological point of view, the question arises at which points transactions, as the historical and conceptual core of finance, received institutional boosts, challenges and transformative impulses. Notwithstanding the important recent reminder that finance also includes asset classes that are rarely traded but kept so as to produce constant revenue,³⁴ the idea of the centrality and ubiquity of transactions, and especially exchange transactions, continues to prevail in finance. Yet this claim does not imply any essentialism in terms of transactional logic as finance’s core. Rather, we should ask how finance’s transactional logic has been iteratively strengthened, challenged and transformed. For instance, while the political perception of the 1987 crisis articulated in what has become known as the Brady Report (named after the chairman of the “Presidential Task Force on Market Mechanisms” that produced it) was couched in a technological idiom that demanded more computer capacity so as to be able to face future inflations of transactional processes, thus effectively valorising transactional logics,³⁵ the Financial Crisis Inquiry Commission Report analysing the roots of the global financial crisis 20 years later dis-

32 Langenohl, Transactions.

33 Buzan *et al.*, Security.

34 Adkins *et al.*, Economy.

35 Presidential Task Force on Market Mechanisms, Report, 21–22.

played a certain scepticism regarding the unquestioned amplification of “structured transactions” in the mortgage market.³⁶

Analyses such as these reveal that crises attributed to transactions can problematise different aspects of them, and show that they can have the propensity to validate financial practices or to question them. Hence, I analyse the political responses to the 1929 financial crisis from the point of view of how, and which aspects of, financial transactions were problematised, and with a view to the question of whether and how the transactional logic of finance was valorised or challenged.

Methodology

As in an earlier paper with respect to the financial crises of 1987 and 2008,³⁷ I will concentrate on the official report of a commission set up by the US government to investigate into the causes of Black Thursday in 1929 and the aftermath.³⁸ This is known as the Pecora Report, named after the chairperson who, after initial failure, made the commission’s activities more effective, producing analyses of large amounts of documents and of public committee interviews with financial professionals and stakeholders.

My analytical strategy resembles a discourse analysis in the tradition of Michel Foucault, which is interested in historical discursive practices of problematisation. “Problematisation” here refers to a discursive process in which certain phenomena observed by contemporaries are questioned regarding their ethical viability in the absence of clear normative structures, for example legal norms.³⁹ Hence, problematisation refers not to the criticism of any kind of deviant behaviour and practices but to practices which operate in a realm that is under-regulated with respect to socially institutionalised norms. In the context of this chapter, problematisation thus does not refer to disapproval of evidently deviant behaviour, such as the breaking of laws and existing financial regulation. Rather, it refers to those sectors in finance where practices and processes become possible whose normative status is unclear and whose ethical viability becomes a matter of concern, in particular under conditions of crisis. In the Pecora Report, and in the

36 *The Financial Crisis Inquiry Commission*, Inquiry, 234.

37 Langenohl, Transactions.

38 *United States Senate Committee on Banking and Currency*, Practices.

39 Foucault, Truth, 295–296; Foucault, Sexuality, 14–24.

legislative initiatives that followed it, transactions are addressed in precisely this sense.

Analysis and Findings

The processes surrounding what is referred to as Black Thursday (24 October) 1929 have been the subject of an intense debate among economists of different schools for decades.⁴⁰ The crisis was one of the biggest meltdowns in financial history, exacerbated by urges to overleveraged investors to sell securities at any price. The crash of 1929 is held responsible for the protracted global economic downturn of the late 1920s and early 1930s. The securities trade in the US was severely disrupted for more than five years.

Hence the Pecora Report, published in 1934, addressed not only the causes of the 1929 stock market crash, but also financial practices in its aftermath to 1933. It was meant to portray the imperfections of the US financial market as a whole. Interestingly, the report's main thrust dovetails with Kindleberger's analysis of Black Thursday and its consequences, which highlights the "instability of credit and fragility of the banking system, or impacts on production and prices when the credit system becomes paralyzed through loans rendered bad by falling prices – all of which go far, in my judgment, to explain what happened in the early stages of the 1929 depression."⁴¹ Kindleberger, in delineating his analysis from a monetarist or Keynesian view on the crisis,⁴² foregrounds self-amplifying dynamics in both the build-up and the bursting of a speculative bubble, and argues that the ultimate mistake in handling the crisis was the lack of preparedness of any major financial institution to assume the role of lender of last resort.⁴³

It is the aspect pertaining to the build-up of the bubble that mainly preoccupies the Pecora Report. Its opening paragraphs make clear that the US financial economy had become an issue of national significance that could not be ignored and whose effects on the political economy could not be overestimated:

Transactions in securities on organized exchanges and over-the-counter markets are affected with a national public interest. Directly or indirectly

40 See Kindleberger, Depression; and the summary of the debate in: Kindleberger, Manias, 64-68.

41 Kindleberger, Manias, 67.

42 Kindleberger, Manias, 64-68.

43 Kindleberger, Depression.

the influence of such transactions permeates our national economy in all its phases. The business conducted on securities exchanges has attained such magnitude and has become so closely interwoven with the economic welfare of the country, that it has been deemed an appropriate subject of governmental regulation.

[...] [D]ue largely to development of the means of communication—the expanding network of telephone, telegraph, ticker, radio, and newspaper facilities—the entire Nation has become acutely sensitive to the activities on securities exchanges. While only a fraction of the multitude who now own securities can be regarded as actively trading on the exchanges, the operations of these few profoundly affect the holdings of all. Moreover, the currently realizable value of securities held by banks, trust companies, insurance companies, endowed institutions, and the like, is dependent upon market quotations and consequently the welfare of countless individuals who have a financial interest in such institutions is directly affected by activities on the exchanges.⁴⁴

This highlighting of the significance of the securities markets for the “entire Nation”, “countless individuals” and their “welfare” marks any greater stock market turmoil as a case of threat to the nation. Consequently, the report embarks on the task of investigating the reasons for the crash of 1929 and its consequences. Crucially, it finds “manipulation” by powerful groups to be a core cause:

The true function of an exchange is to maintain an open market for securities, where supply and demand may freely meet at prices uninfluenced by manipulation and control. In the past this function has been fulfilled most imperfectly. The exposure of the extent and effect of manipulative practices upon organized exchanges was one of the most salutary and important accomplishments of the investigation.⁴⁵

The “manipulative devices” the reports mentions in the subsequent pages are practices characterised as illicit like pools, options, price manipulations by specialists or short selling.

Yet the Pecora Report does not start out with a problematisation of those manipulative practices, but with a review of the massive increase in numbers of transactions, the fees that institutions earn from them and the

44 United States Senate Committee on Banking and Currency, Practices, 5.

45 United States Senate Committee on Banking and Currency, Practices, 30.

principal danger to the general public arising from this increase in transactions.⁴⁶ The very first chapter is titled “Securities Exchange Practices”, and its first section “Extent and importance of transactions on exchanges”.⁴⁷ Exchange transactions are flagged as a core problematic, but also as a jumping-off point for the investigation:

Operations on organized exchanges have assumed extraordinary proportions. On 34 organized exchanges throughout the country, 1,525,018,217 shares were traded in during the year 1928, 1,849,454,014 during the year 1929, and 561,729,033 during the year 1932. As of July 31, 1933, there were listed on those exchanges 6,057 common and preferred stock issues with a total market value of \$95,051,876,295; and 3,798 bond issues with a total market value of \$49,080,819,993.⁴⁸

The increase in the number of exchange transactions prior to the crash is directly correlated with the enabling of new, problematic forms of trading, in particular, short trading (that is, leveraged speculation with borrowed money which, when the chain broke down, forced asset owners to sell their assets at any price). The implication is that the sheer number of transactions alone already indicates some underlying problem. At the same time, the report underscores its interest in an increasing number of transactions of groups within financial institutions, which received payments for processing transactions. Another point that the report stresses is the imbalance in the number of transactions executed by different groups participating in the exchange. An example cited is that 27 percent of all transactions were handled by exchange members, as opposed to the general public,⁴⁹ and the profits they received from handling transactions for themselves “were chiefly derived at the expense of small investors who purchased a few stocks at a time.”⁵⁰ A further example mentioned in the report is the exaggerated share in the volume of transactions by specialist traders.⁵¹ As an example, it refers to a “specialist [in American Commercial Alcohol who] handled for his own account more than one-fifth of all shares bought and sold”.⁵²

46 *United States Senate Committee on Banking and Currency, Practices*, 5–7.

47 *United States Senate Committee on Banking and Currency, Practices*, III.

48 *United States Senate Committee on Banking and Currency, Practices*, 5.

49 *United States Senate Committee on Banking and Currency, Practices*, 19–20.

50 *United States Senate Committee on Banking and Currency, Practices*, 22.

51 *United States Senate Committee on Banking and Currency, Practices*, 25.

52 *United States Senate Committee on Banking and Currency, Practices*, 28.

The number and volume of transactions serves in the report as summative evidence of the causes for and the impact of the crash of 1929. The imbalances in the respective share of trading volume among the different constituencies are rendered in the form of tables especially in the first chapter of the report, where “the net commissions received by member firms and individual members of 29 organized exchanges” and “the net interest received by member firms of the same exchanges for the period between January 1, 1928, and August 31, 1933”⁵³ are shown as follows:

	<i>Commissions</i>
New York Stock Exchange.....	\$1,561,649,477
New York Curb Exchange.....	46,029,588
27 miscellaneous exchanges....	<u>41,989,626</u>
Combined total commissions.....	1,640,008,691
	<i>Interest</i>
New York Stock Exchange.....	\$320,040,673
New York Curb Exchange.....	1,358,731
27 miscellaneous exchanges....	<u>4,054,568</u>
Combined total interest.....	325,453,972

These tables provide the general foundation for the report’s approach, which after the first chapter proceeds with process reconstructions of problematic practices referring to breaches of fiduciary responsibilities, moral hazard, biased information policies up to outright disinformation, and stock price manipulation. Transactions, therefore, serve as a quantitative indication for estimating the size of hazards emanating from the concentration of trade volume in the hands of groups that the report contrasts with the “general public”.

As a last result of this analysis, it can thus be established that the report regularly contrasts specialised stakeholder groups at the exchange with a much broader spectrum of society, for instance, the non-exchange member investors, the “small investors”, or, most generally, the “American investing public”.⁵⁴ Furthermore, the report regularly refers to regulatory legislation as a consequence of the crashes since 1929, especially the Securities Exchange Act of 1934. In alignment with the report’s emphasis on manipulative practices, it highlights prohibitions on effecting transactions

53 United States Senate Committee on Banking and Currency, Practices, 6.

54 United States Senate Committee on Banking and Currency, Practices, 137.

involving moral hazard or manipulative intentions.⁵⁵ The identification of problematic financial market practices thus leads to the conclusion that the state must intervene and make such problematic practices outright illegal.

In the overall picture, the analysis of the Pecora Report affirms this chapter's earlier arguments about transactions as parts of financial infrastructures, which become problematised when they "turn awry" and which are depicted in the commission reports on the market crash of 1987 and the outbreak of the financial crisis in 2008.⁵⁶ However, in the case of the Pecora Report, their significance in the crash attains a form that differs from their significance in discussions of later crises, as explained below.

With respect to the crisis of 1987, the Brady Report stressed the bottlenecks in information technology that resulted in "transaction delays", that is, time lags in processing transactions.⁵⁷ In regard to 2008, the FCIC Report identified the substitution of traditional lending relationships between mortgagors and banks with countless financial exchange transactions emanating from new credit derivatives like collateralised debt obligations as one major source of the crisis, leading to a mushrooming of derivative products and resulting in an effacement of real markets risks: "[W]here banks traditionally took money from deposits to make loans and held them until maturity, banks now used money from the capital markets—often from money market mutual funds—to make loans, packaging them into securities to sell to investors."⁵⁸ But in the Pecora Report, the sharp increase in the number of transactions is framed as an indication, or a warning sign, of underlying illicit and problematic financial practices, like trading on credit, short selling or trading for oneself. As a consequence, the report recommends legal limits on the right to execute transactions, for instance, in case of potential moral hazard.

55 Like in *United States Senate Committee on Banking and Currency*, Practices, 54–55.

56 Langenohl, Transactions.

57 *Presidential Task Force on Market Mechanisms*, Report, 56.

58 *The Financial Crisis Inquiry Commission*, Inquiry, 42.

We can summarise these findings in the following table:

	Pecora Report	Brady Report	FCIC Report
focus of problematisation	increase in number of transactions, imbalance regarding the respective share of different groups in them	congestion of transactions resulting from limited computer power and integration of different market segments (stocks and options)	replacement of traditional mortgagelender relationships by derivative credit transactions
threats identified	indication of illicit trading practices	resulting in time lags, unclear finality of transactions	resulting in opacity of credit market risks
remedies recommended	legal limits to transaction rights	increase of computer power and market integration	macroprudential regulation

Table 1: Different problematisations of transactions in three post-crisis commission reports

The table gives an indication of the major differences between the Pecora Report and the two more recent ones. While the latter see transactions as a *causal operator* in the crisis, the Pecora Report rather represents them as an *indication of underlying structural causes* for the crisis. It is not the sheer number and volume of transactions as such that constitute the problem, but the illicit practices which these numbers evidence. The Pecora Report views transaction numbers and volumes as valuable seismographs for structural imbalances in the financial system, crucially including the differential power of the different stakeholder groups, with the “general trading public” or “the small investor” finding themselves in the weakest position. In contrast to this perspective, transactions are more part of the problem for the Brady and the FCIC reports, as their numbers and volume do not give any reliable indication of *underlying* problems; rather, their numbers and volume contribute to *causally* creating the problem in the first place.

Conclusion: The Historic Specificities of a Ubiquitous Financial Form

These findings give us ground to reflect on the infrastructural approach to financial market crashes. Transactions are generally seen as central parts of the financial economy, and were seen as such in the official reports on the

three crises discussed in this chapter. From today's perspective, we might be tempted to say that in all three reports, transactions are components of infrastructures, that is, of "matter that enables the movement of other matter".⁵⁹ In the realm of finance, they move information and enable pricing in competitive and (usually) highly liquid securities markets. But when problematised, they are also revealed to inhabit roles that cannot necessarily be derived from their alleged infrastructural functions. In this respect, the Pecora Report differs from the Brady Report and the FCIC Report in treating transactions as a diagnostic instrument that reveals structural problems in the financial system. Numbers, sizes and distributions of transactions are first and foremost evidence that some fundamental problem exists—they are not necessarily always and already a cause of the problem. The Brady and FCIC reports, by contrast, see transaction dynamics as direct *causal* factors in a crash, without taking the opportunity to see the volume of transactions as *indication of a deeper structural crisis*.

These findings show that talking about the "functions" of transactions in financial infrastructures is itself problematic, as it ignores the historicity of how transactions become operative in finance and how they are expected to function. The securitisation of finance as a "critical infrastructure" for the entire economy, or even for the whole of society, that is typical of our present condition, thus runs the risk of essentialising highly standardised and automated exchange transactions as the ahistorical core of finance. In doing so, it ignores the historical fact that the constitutive reliance of finance on this particular type of transaction is a fairly recent phenomenon. For instance, David Pinzur has shown that other modalities of transacting financial items were quite widespread in the US well into the second half of the nineteenth century; for example at cotton exchanges, where the commensuration of cotton with financial securities involved much more complicated negotiations between financial institutions and cotton producers. As a result, exchange prices for cotton-based securities emerged rather from those negotiations than from a quasi-automatic commensuration on the basis of supply and demand, as was the case with the grain markets at the Chicago Board of Trade (CBOT).⁶⁰ Even as this kind of financial pricing eventually gave way to a Chicago-style pricing that presupposed highly standardised and cross-commensurated commodities, its historical presence indicates that standardised exchange transactions, typical of to-

59 Larkin, *Liquidity*, 329.

60 See Pinzur, *Semiotics*; Pinzur, *Power*; Pinzur, *Infrastructure*.

day's market, have been just one way among others to operate financial pricing.

Infrastructural inversion in finance,⁶¹ as a typical response to large-scale financial crises, does not unproblematically reveal the substantial roots of a given infrastructural malfunction. Rather, it is first of all indicative of historically circumscribed frames of perception—in other words, of “situations” of security which historically differ with respect to how the crisis situation is defined and identified, which interpretive frames are used for such identification, and which repertoires are recommended to tackle the security situation.⁶² As Larkin noted, infrastructures do not automatically become visible when they fail; instead, they become visible as the consequence of a political act— an act of securitisation, as this chapter has argued.⁶³

Yet, if exchange transactions in the financial economy differ so greatly in how they are securitised and perceived as entangled with financial crises, what then is the use of linking different problematisations of transactions in financial crises in the first place? What unites standardised exchange transactions despite different critical approaches to them? I argue that it is the social form of the exchange transaction that makes it possible, indeed requires that we identify them as constitutive, if highly problematic, components of modern finance. Transactions have clear and documented beginning and end points; they exclude any rights or obligations that would precede their beginning or follow their completion; they unambiguously define financial agency and accountability; and, through their capacity to commensurate different value items within standardised valuative frames called markets, they produce financial prices. They are “market devices”, that is, “objects with agency”⁶⁴ whose social form permits their serialisation, inflation, automation, and projecting over the entire financial economy and beyond. As market devices, transactions attain the potential to constitute the financial economy as what it is held to be today: an infrastructure.

Against this background, the different securitisations of transactions discussed in this article reveal different aspects of the inherent vulnerabilities of a financial system that is considered as an infrastructure. The Brady Re-

61 *Bowker/Star*, Things.

62 *Bonacker et al.*, Historicization.

63 *Larkin*, Liquidity.

64 *Muniesa et al.*, Devices, 4.

port capitalised on the insufficiency of the technical substrate of calculative infrastructures, while the FCIC Report revealed transactions as powerful tools in the constitution of a hyper-complex arrangement of securities trading whose opacity is in the way of an effective oversight. However, it is the Pecora Report that offers the most complex problematisation of financial transactions, revealing two entangled but highly different layers of transactions' functionality for finance: first, their potential to include large segments of the population – “the general public” – in financial agency, and second, their diagnostic function in locating imbalances in the distribution of trading volumes that might indicate structural problems in the financial system requiring political regulation. In other words, without literally considering finance to be an infrastructure, the Pecora Report effectively questions the notion that financial markets, if unchecked by political regulation, can ever be fully functional infrastructures.

Even if standardised exchange transactions are held to be indispensable parts of modern financial infrastructures, the characteristics of their social form defy any functionalist reasoning regarding their place in finance precisely because that form can build up, inflate and trigger financial crises. In other words, the very ubiquity of exchange transactions in modern finance is less an indicator of their infrastructural functionality than a reminder of the inherent frailness of finance as an infrastructure.

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Energy Security and Securitisation in the Federal Republic of Germany: Between Reconstruction and the Oil Crisis (1945–1973)

Christian Kleinschmidt

Introduction

Energy security has long been a topic of considerable interest to specialists and the public alike, not least since the beginning of the war in Ukraine. Discussions often cite earlier crises and anxieties surrounding energy security. Probably the most vivid collective memories are associated with the oil crisis of 1973. This event has held a particular fascination for historians, a fascination that reached its peak at the time of the fiftieth “anniversary” of the crisis in 2023.¹

The research field, however, is highly varied. One strand considers the role of oil as an energy source, and its economic and geostrategic importance in the era of the Cold War and decolonisation, for example in relation to OPEC and the interests of the Global South since the 1960s.² Another touches upon the interests and strategies of the major oil-producing concerns.³ There is also a significant body of research that discusses the development and consequences of the oil crisis in West and East Germany respectively.⁴ Here, Henning Türk’s publication on the history of energy provision in West Germany and the GDR is one of the few to consider retrospectively the role of different energy sources throughout the period of the oil crisis. Unlike most researchers in this area, Türk goes so far as to offer a long-term perspective on German energy provision over a period

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Recent literature includes Türk, *Treibstoff*; Glässer, *Marktmacht*; Graf, *Öl*.

2 Krienbaum, *Öl*; Merrill, *Crises*; Bini/Garavini/Giuliano (eds.), *Shock*; Yergin, *Prize*; Graf, *Öl*; Glässer, *Marktmacht*.

3 Glässer, *Marktmacht*, 41–95; Luciani, *Companies*; Sampson, *Schwestern*.

4 Hohensee, *Ölpreisschock*; Hohensee/Salewski (eds.), *Energie-Politik-Geschichte*; Türk, *Treibstoff*.

stretching from the Third Reich to the 1970s, with a special focus on the parallel histories of the two German states from 1945–1990 (as Türk points out, there is as yet no history of energy provision for Germany as a whole).⁵ Falk Illing offers a *longue durée* analysis of the role of energy provision in economic and security policy for the period between 1949 and 2013, with an occasional discussion of energy security.⁶ A small brochure by Helga Steeg, executive director of the International Energy Agency (IEA) from 1984–1994, makes mention of historical aspects of energy supply security, although mainly in relation to the work of the IEA from 1974.⁷

This chapter examines energy and energy provision from a security perspective. In this analysis, the concept of *energy security* is of central importance. Against our own historic backdrop of the war in Ukraine and the resulting insecurity in relation to energy provision, we are often unable to understand why politicians, economists and businesses entered into certain dependent relationships after the Second World War, apparently in full knowledge of the risks involved. Consequently, the following analysis also endeavours to understand the perceptions, interpretations and imaginaries of various actors over a longer period of time, along with their subsequent actions and to what extent they had choices and options in the realm of energy provision and energy security. In this way, we can also locate them in the context of their respective political and economic framework conditions.

Until now, the topic of energy security has mostly been dominated by research from an economic and political perspective. Frank Umbach, the research director at the European Cluster for Climate, Energy and Resources Security (EUCERS) at the Center for Advanced Security, Strategic and Integration Studies (CASSIS) has instigated particularly valuable approaches in the last few years. He views the topic within a geopolitical and ecological context, highlighting its significance within foreign, defence and economic policy. As a corollary, it becomes clear that crises and wars are of key importance in how these policy areas respond.⁸ Umbach's definition of energy security is based on that of the IEA, which understands it as "the

5 Türk, Treibstoff, 11, 14. Türk's 160-page book represents an initial summary of the topic. A comprehensive study of the history of crude oil is offered in *Karlsch/Stokes, Öl*.

6 Illing, *Energiepolitik*.

7 Steeg, *Energieversorgungssicherheit*.

8 Umbach, *Energiesicherheit*; Umbach, *Internationale Energiesicherheit*; Umbach, *Sicherheitspolitik*.

uninterrupted availability of energy resources at an affordable price,” while differentiating between long-term and short-term energy security:

*Long-term energy security mainly deals with timely investments to supply energy in line with economic developments and environmental needs. On the other hand, short-term energy security focuses on the ability of the energy system to react promptly to sudden changes in the supply-demand balance.*⁹

The former therefore involves questions of the long-term energy supply and supply security, as well as the resulting vulnerabilities; it is concerned with import dependencies, interruptions in the supply chain, risk assessments, experiences and perceptions, and the consequent measures to be addressed through energy policy, practical planning and storage. This also involves consideration of alternative energy sources and various diversification strategies in the context of a long-term structural transformation that is affected by short-term internal and external events.

Over the period from 1945 to 1973, the importance of external influences increased dramatically, starting with the differing policies of the Allied occupying forces, and subsequently events such as the Korean War, the Cold War and the conflicts in the Middle East. The period also saw the first phases of decolonisation and the impact of this on the energy supply. In the case of West Germany, to Umbach's long-term and short-term aspects of energy security must be added numerous internal and external influencing factors. Together, these led to a complex entanglement of aspects of energy security and ultimately securitization under constantly changing geopolitical and geo-economic framework conditions.

Umbach's research focuses mainly on the period since 2000. His book, *Globale Energiesicherheit* (Global Energy Security), must therefore be read against the backdrop of this period, especially the events of 9/11 and their aftermath, the growing importance of the new global player China and developments in the Middle East. All of these had, and still have, vital importance for energy security in Germany. The question of energy security—or, to put it another way, the uncertainty surrounding energy provision—is a golden thread running through Germany's history, at least in the West. This theme, then, lies at the heart of this chapter. But in retrospect, it can be seen that its history reaches back much further than the oil crisis of 1973–1974.

9 Cited after *Umbach*, Sicherheitspolitik, 9.

This chapter examines energy security in West Germany between 1945 and 1973. In doing so, it pays particular attention to the central topics of the research group “Dynamics of Security” (SFB/TRR 138), addressing questions about specific energy “situations”, “heuristics” and “repertoires”.¹⁰ My aim is not to trace the development of energy provision in general.¹¹ Rather, I want to look at this topic from a security perspective. “Dynamics of Security” foregrounds issues of “energy security” in order to establish how and at what periods energy provision was treated as a security-relevant issue. In the period under discussion (1945 to the oil crisis of 1973–1974), this means identifying different phases of energy security and looking for specific traits and/or patterns within these phases. These, in turn, are seen as the basis for the “securitisation” structures that define the three key aspects of our investigation, “situations”, “heuristics” and “repertoires”:

Situations: The first task is to identify situational phases and undertake situational analyses in relation to (energy) security. I ask how situations and related phenomena and contexts in relation to energy provision changed in different periods of time: the immediate post-war period; Allied occupation and its significance for the future economic order in Germany (a social, market-based economy; the Marshall Plan); the reconstruction period and the transition from coal to crude oil as the dominant form of energy; the emergence of a new European, international economy in the 1950s; and finally the period of growing international conflict and the Cold War in the 1960s.

Heuristics: The second step is to understand how these developments were seen by the actors involved at each stage, looking at how they were assessed, interpreted, perceived and communicated.

Repertoires: Finally, I analyse the response of West Germany to each phase, looking at the measures and solutions adopted by policymakers to ensure the energy supply and to strengthen energy security. The structure of this chapter broadly follows this systematic approach.

10 For a methodological background to the concepts used in this chapter, see *Bonacker, Sicherheit*.

11 For a more detailed analysis, see *Türk, Treibstoff*.

Energy Supply and Energy Security “Situations”, 1945–1973

Occupation (1945–1949)

The provision of energy following the end of the Second World War was dominated by two key issues. First, concerns centred on the physical availability of coal including both hard coal (*Steinkohle*) and lignite, or “brown coal” (*Braunkohle*), in the aftermath of the destruction of many mining operations in the war and the exploitative extractive policy of the Nazi regime and its Four-Year Plan. But there were also major uncertainties in relation to ownership and property rights, as well as disputes among the Allies over how best to ensure the security of coal, one of West Germany’s flagship industries, as a basis for the reconstruction of Germany.

Since industrialisation, hard coal had been the dominant source of energy in Germany. There were usually ample supplies available, which helped to ensure energy security. But the First and Second World Wars led to an unprecedented demand for raw materials and fuel. This in turn led to crises, not so much because resources themselves were in short supply, but initially, during the First World War, because of problems with transportation, and subsequently as a result of state policy measures before and during the Second World War, such as Hitler’s Four-Year Plan and insistence on economic self-sufficiency. The latter in particular led to a break with global markets, making it impossible for Germany to obtain crude oil at the cheaper global prices. Synthetic fuel production under the Four-Year Plan, crude oil supplies from the Soviet Union and friendly Eastern European states, and later through extraction from Nazi-occupied Eastern Europe, could not meet growing energy demands during the Second World War. No solution was found for this problem at the time.¹²

Once the war ended, the entire question of energy provision had to be re-thought and restructured on the basis of the varying interests of the occupying powers. Hard coal remained the most important energy source in West Germany—and indeed in Europe after 1945—and the Ruhr continued to own the richest coal seams in Europe, so that in principle, there were abundant sources of energy available. Yet despite this basic availability, there were still problems obtaining coal even after 1945, mainly due to transport issues, lack of manpower and difficulties in distribution.

12 *Türk*, *Treibstoff*, 17–26; *Roelevink/Ziegler*, *Rohstoffwirtschaft*, 132–133; *Tooze*, *Ökonomie*, 243–288.

This threatened Germany's energy security, especially as hard coal and the economic development of the occupied zones were the "key to industrial manufacturing output" and thus to European reconstruction.¹³

The coal problem was thus also the energy problem, and was therefore a decisive factor in the "situation"—that is, in economics and economic policy constellations—after the end of the war. For example, it played a major role in the French claims to the Saarland and its coal seams, claims that arose out of France's economic and defence interests. From a West German point of view, coal was also the reason for potential Allied attempts to confiscate, export or dismantle energetic and industrial resources for their own purposes; at one point, even a possible internationalisation of the Ruhr under Soviet leadership was mooted. Coal was also key to the decentralisation and restructuring of essential industries after the end of the Third Reich and their embedding in a new social order, as called for by the West German trade unions.¹⁴

Thus, the situation after 1945 was characterised by a complex entanglement of conflicting interests and multifactorial uncertainties in relation to the energy supply, based both on infrastructure problems and conflicting national and international interests, including hostility to proposed nationalisation, the potential dismantling of operations through the Allies, Western European (especially French) interest in gaining control of German hard coal and the Soviet desire to "internationalise" the Ruhr. As a result, Germany's energy provision was highly dependent on the claims and interests of the Allied powers. Energy was decisive for the post-war "situation" in Germany and Europe, which entered a newly threatening phase with the beginning of the Cold War and its attending uncertainties.

1950s

The beginning of the 1950s was also marked by an energy crisis. Government regulation of the coal industry ended in 1950, but enforced exports of coal to other nations continued. There was no certainty that enough coal would continue to be available, either in Germany or in Europe as a whole. Eventually, West Germany began (again) to operate small collieries such as drift and tunnel mines, and even to import coal from abroad,

13 *Abelshausen*, Ruhrkohlenbergbau, 44.

14 *Petzina*, *Wirtschaft*, 492–505.

especially from the US. But with the outbreak of the Korean War in the summer of 1950 and the beginning of the Cold War, the energy crisis took on geostrategic and global dimensions. Soon, the electricity supply was also impacted, as it was also coal-dependent. The Korean War brought a dramatic upswing in the demand for raw materials and armaments. This in turn affected the West German energy economy, which was itself facing demands from the US government for its expansion, if necessary through government regulation. Ultimately, West German energy providers, like many other industries, would benefit from a “Korea boom”.¹⁵

West Germany’s energy situation was embedded in international, European and global energy contexts, as became increasingly clear in the course of the 1950s. This decade saw the “Europeanisation” of the industry with the founding of the European Coal and Steel Community (ECSC) in 1952, the establishment of the European Economic Community (EEC) and EURATOM in 1957, the Suez crisis in 1956, the 1958 mining crisis in West Germany—which marked the beginning of the transition from coal to crude oil—and West Germany’s agreement with the Soviet Union in the same year regarding large-diameter pipes for the supply of oil, and later, gas.

This bundle of “situations” increasingly revealed uncertainties and vulnerabilities in the development of the West German economy. In particular, in this period of Germany’s “economic miracle” and against the backdrop of a surplus of both hard coal and lignite, it revealed an almost unprecedented discrepancy between the substantial energy resources available domestically (in the form of coal), economic growth and external challenges. The Suez crisis in 1956 brought these challenges to a head. The war in Suez represented a major threat to the crude oil supply to West Germany, as 30 percent of its oil came via the Suez Canal. The conflict itself, however, was only one aspect of the Cold War, during which crude oil became a “central factor in US security and foreign policy”. As such, it touched on fundamental questions—from Nasser’s plans for nationalisation to the Soviet Union’s dominant influence in the Middle East. It implicitly demonstrated far-reaching geostrategic shifts in relation to the global energy supply.¹⁶

Yet another threat—at least from the perspective of German industry and its focus on coal—were the imports of hard coal from the US, which as

15 *Abelshauser*, Ruhrkohlenbergbau, 70–72; *Adamsen/Heiner*, Investitionshilfe, 85–89, 105, 109.

16 *Glässer*, Marktmacht, 85; *Karlsch/Stokes*, Öl, 296–301.

early as the beginning of the 1950s had been helping to mitigate supply bottlenecks. Two years later, this situation had worsened to the point of a full-blown “coal crisis”. But this crisis had nothing to do with a shortage of coal in West German mining regions. Rather, it had become clear that the German deep mining industry, which required an immense investment of money and technology on the part of the state, could not match the prices offered by competing coal regions in the US. Although the American government also subsidised its domestic coal industry, it was able to do so at a far lower cost. This led to a paradoxical situation in which West Germany, despite continuing to own abundant coal seams, could hardly afford to mine them. Simultaneously, crude oil was proving to be an increasingly strong competitor. In 1958, the first collieries were closed in West Germany. The next years saw more and more mines shut down, along with a huge increase in crude oil imports from various regions of the globe. In combination, these two factors were the catalyst for a fundamental restructure of the energy provision in West Germany and a transformation of its energy market.¹⁷

This was not all. 1958 also saw West Germany’s first contract with the Soviet Union to provide large-diameter pipelines to the USSR for the purpose of laying an oil pipeline. While this agreement can be seen as part of an overall transformation of the energy sector, it was also hugely significant from a geostrategic perspective, taking place as it did at the height of the Cold War. The export of large-diameter pipes by West German steel companies had been prohibited for many years under an “embargo list” drawn up during the Cold War to prevent trade in “sensitive” goods with Eastern Bloc countries. In 1958, however, such exports were taken off the list, and consequently, the Soviet Union entered into major trade agreements with European companies—and especially with West German manufacturers—for the provision of oil and gas pipelines. In return, the USSR exported crude oil to Western Europe, including West Germany. Against the backdrop of the coal crisis, from a West German perspective this was a welcome chance to add to and diversify its energy provision. But at the beginning of the 1960s it led to significant differences with the Kennedy administration in the US. Nor were these differences resolved in the course of the next decades.¹⁸

17 *Abelshausen*, Ruhrkohlenbergbau, 87–101; *Karlsch/Stokes*, Öl, 310–314.

18 *Müller*, Erdgas-Röhren-Konflikt, 504–505.

In summary, energy provision in West Germany in the 1950s was becoming increasingly internationalised. This led to considerable challenges for traditional domestic energy in the form of hard coal and lignite. It also resulted in a “situation” of growing dependence on foreign suppliers. This created insecurities. But during the Cold War, such insecurities were viewed as a price worth paying from a political, geostrategic and economic perspective, given the need to remain close to the US and the problems Germany was facing on the coal market.

1960s

In the 1960s, the energy situation in West Germany was characterised by an increasing demand for energy on the part of industry and private households alike during an economic boom, and conflict situations arising from the Cold War and decolonisation.

Although the growth rate of the West German economy slowed slightly in this decade compared to that of the 1950s, it still lay somewhere between just under 4 percent and 5 percent. The general advance of mass consumption and the increasing use of household gadgets and cars led to a corresponding increase in energy use by manufacturing and individuals. The primary energy consumption of West Germany as a whole rose by around 50 percent in this decade. The increased consumption by private households was particularly noticeable. In the industrial sector, this transformation in energy use was most apparent in the chemical industries, where, within just a few years, the respective use of coal and crude oil was almost completely inverted. In 1957, around three quarters of all chemicals were manufactured on the basis of coal. Six years later, the figure was only 37 percent, with the remaining two thirds based on crude oil and natural gas. Indeed, the much-heralded “age of plastic”, which itself stood for the transformation of consumer society, was only possible as a result of a fundamental transition from coal to crude oil. Overall, this structural change on the energy market was characterised by a rapid rise in the use of crude oil accompanied by a clear decrease in the use of hard coal from the mid-1960s. Between the end of the 1950s and the mid-1960s, in terms of energy use hard coal made up around 80–95 million tonnes of coal equivalent (tce). By 1970, this figure had sunk to around 70m tce. By contrast, the proportion of crude oil rose from around 10m tce in 1958 to

around 70m tce in 1970. 1966 was the first year in which West Germany consumed more crude oil than hard coal. These figures demonstrate how the “fall of coal” and the “victory of crude oil” were concomitant processes, and are evidence of a dramatic structural change in energy provision in West Germany in the 1960s.¹⁹

This structural transformation was due to several different factors. First, crude oil offered a number of natural advantages to coal, first and foremost a significantly higher calorific value. Crude oil prices were also sinking heavily. The price of crude oil was not only lower than that of German coal, but also than that of the imported US-American coal that since the 1950s had been an increasingly strong market competitor in West Germany. This price advantage was linked to a significant extent to the discovery of new oil fields in the Middle East, Africa and South America.²⁰

But although in the 1960s the cheap oil supply seemed to be good news for West German companies and consumers, it came with a different kind of price label attached. This was the growing dependence of West German energy provision on countries that produced crude oil. In this sense, the founding of OPEC in 1960 was highly significant, as it led to the emergence of new actors on the international energy market just as decolonisation processes were accelerating in the aftermath of the Second World War. This combination of factors meant that the political and economic constellations that underpinned global energy provision shifted dramatically.

The founder members of OPEC were Iraq, Iran, Kuwait, Saudi Arabia and Venezuela, initially the only South American country to be involved. They were joined over the course of the following decade by Qatar, Libya, Abu Dhabi, Indonesia, Algeria and Nigeria. OPEC’s interests consequently moved away from those of the previously dominant Western oil-producing countries, and also and especially from those of the big international oil concerns (notably those in the US and the UK). But there were conflicts of interest within OPEC itself, not least because of the diverging loyalties and interests of its members in the Cold War. Most of these countries were so-called “developing nations”. As such, their interest was mainly in gaining a higher share of the profits from crude oil, something that also increasingly played a role in their striving for political emancipation. This

19 *Türk*, Treibstoff, 44–45; *Abelshausen*, Wirtschaftsgeschichte, 303–305; *Abelshausen*, Ruhrkohlenbergbau, 92–93; *Karlsch/Stokes*, Öl, 317; *Bader-Gassner*, Pipelineboom, 34–35; *Kleinschmidt*, Kunststoffzeitalter, 361–368.

20 *Abelshausen*, Ruhrkohlenbergbau, 90–91; *Türk*, Treibstoff, 44–45.

had already become apparent during the Suez crisis in 1956 and later during the Six-Day War in 1967, when the Arabian oil-producing countries issued an embargo and the Suez Canal was blocked for a second time. Two years later, when the Libyan revolution brought Colonel Muammar al-Gaddafi to power, Gaddafi not only threatened to stop oil production, but also announced his intention to cooperate more closely with the Soviet Union. This represented a particular threat for Western European countries who were highly dependent on Libyan oil; at the end of the 1960s, around a quarter of all their crude oil imports came from Libya.²¹ The Libyan situation highlights how closely decolonisation was bound up with the Cold War at the end of the 1960s, not least in terms of energy provision.

In this, the Soviet Union's role was paramount, as could already be seen even at the start of the decade when the "Soviet oil offensive", as Wiebke Glässer describes it, linked economic goals—such as access to Western currencies—with geostrategic soft power through the increase of crude oil exports to Western Europe. In using oil to exert political power in this way, Russia hoped to be able to strengthen its influence on the NATO alliance. In the four years from 1958 to 1962 alone, West Germany's imports of oil from the Soviet Union increased sixfold. The price of Soviet oil undercut market rates, making it attractive not only for Western European countries, but also for "developing nations".

The Soviets were helped by a gradual liberalisation of trading conditions from the mid-1950s. At the beginning of the Cold War and during the Korean War, NATO members had put security measures in place such as the Export Control Act, the Mutual Defense Assistance Control Act and the regulations of the Coordinating Committee for Multilateral Export Controls (CoCom), with the intention of limiting trade in specific and/or sensitive goods with the Soviet Union. From the mid-1950s on, however, it was in the interest of Western European countries—including Germany—to expand their economic dealings with the USSR, so that many of these controls were relaxed. While at the beginning of the 1960s the US still sought to boycott Soviet crude oil and to embargo pipe exports, West Germany by contrast actively set about supplying pipes to the Soviet Union. These pipes eventually became the crude oil pipeline "Druzhba" ("Friendship"), transporting crude oil to various locations including Schwedt in East Germany, where it was used to provide fuel for stationed Soviet

21 Glässer, *Marktmacht*, 183–187, 208–211; Graf, *Öl*, 58–59, 68.

troops. Cheap Soviet oil was also delivered to West Germany, thus not only undermining the USA's plans for a pipe embargo, but also initiating what was to become a lengthy phase of Russia supplying crude oil—and later natural gas—to West Germany. Under the policy of *détente* practised by West Germany and the USSR in the 1970s, this dependency on Russian energy took on ever larger dimensions.²²

Thus, West Germany's "situation" in terms of energy provision underwent a dramatic change in the three decades between the end of the war in 1945 and the oil crisis of the mid-1970s, a period in which West Germany's economic boom was also gradually drawing to an end. The National Socialist Four-Year Plan had aimed at total self-sufficiency through technological innovation, political regulation and military aggression. The Federal Republic initially wanted and was able to supply most of its own energy needs domestically, thanks to its access to hard coal and lignite. But after deregulation towards the end of the 1950s, energy became a good on the free market, allowing crude oil to gain dominance over coal. By the end of the 1960s at the latest, crude oil had taken over from coal as the most important form of energy. This meant, however, that Germany was increasingly dependent on imported raw materials from various parts of the world, at a time when geostrategic alliances and enmities were taking on a new global significance in the context of the Cold War and decolonisation. This in turn meant that Germany was subject to new political anxieties as well as vulnerable to potential economic shocks.

The Transformation of the "Heuristics" and "Repertoires" from 1945–1973

Occupation (1945–1949)

In the period immediately following the war, and during the period of Allied occupation, there was little certainty for any actors involved in the buying and selling of energy. This was due in particular to legal uncertainty over who owned and controlled assets, and to the restructuring of heavy industry, the threatened dismantling of industrial operations and the urgent need to mitigate the acute coal shortages. The economy, economic growth,

22 Müller, Erdgas-Röhren-Konflikt, 505–506; Glässer, Marktmacht, 109–112, 139–145; Perovic, Rohstoffmacht, 78–106.

jobs and the rebuilding of Germany all stood or fell with the success or failure of the energy strategy. Within the coal industry itself, both employers and workers were particularly worried about the possible closure of mines and dismantling of operations in the occupied zones, which they saw as an existential threat. In 1949, a press release issued by the *Industriegewerkschaft Bergbau* (National Union of Mineworkers) highlighted the paradoxical situation in which Germany found itself. Just one year previously the Marshall Plan had set out a plan for the economic rebuilding of Europe; with this in mind, it was “not acceptable that with one hand the American taxpayer is providing the money to rebuild countries in Europe, while with the other it brings about the destruction of operations that are essential to peacetime manufacturing, thus putting the reconstruction of Europe at risk.”²³ The authors of the press release from which this quote is taken back up their argument with a further reference to “current international law” (“[das] geltende internationale Recht”) and the judgments at Nuremberg, drawing a parallel between the latter’s view of German actions during the war as “robbery and looting” (“Raub und Plünderung”) and the planned dismantling of factories and mines by the occupying powers.²⁴ Here, the potential threat to West German reconstruction is construed as a threat from the Allied occupiers, drawing an explicit parallel with the looting and theft carried out by German forces in occupied territories in the Second World War.

The operations that were threatened with potential closure were not only coal mines and their processing facilities, but also the factories established under the National Socialist policy of self-sufficiency that used the Fischer-Tropsch process to manufacture synthetic fuels. It seems clear that the coal industry assumed it would be able to continue using these factories to refine coal, albeit within the very different post-war economic framework and mainly in order to prevent the “takeover of crude oil”. At this time, however, there was no concern that “coal would ever really be replaced by crude oil

23 “[Es geht nicht an], mit der linken Hand das Geld der amerikanischen Steuerzahler den europäischen Ländern zum Wiederaufbau zu geben, mit der rechten Hand aber durch Zerstörung für die Friedensproduktion wichtiger Betriebe den wirtschaftlichen Wiederaufbau zu gefährden.” Press release of the *Industriegewerkschaft Bergbau* of 22 October 1949 on developments in relation to planned closures; original quoted in: *Martiny/Schneider* (eds.), *Energiepolitik*, 80.

24 *Martiny/Schneider* (eds.), *Energiepolitik*, 81.

in the long term”.²⁵ It was even thought that “the competition between coal and crude oil can probably never result in a clear and sustainable victory for the latter”.²⁶

Unions and managers alike continued to think in terms of energetic self-sufficiency even under the very different circumstances of occupation. The perspective in the coal industry was that such self-sufficiency was only threatened by Allied policy. This continued to be the case when it came to the social and political new order sought by the Western powers and set out in their aims and objectives for Germany after the end of the war. An important part of this new order was a general decartelisation and decentralisation of German industry. New policies, such as those embodied in “Law 75”, a decree decentralising the coal and steel industries in the Ruhr, and “Law 27”, which listed the German coal and steel industries that were to be reorganised, were seen from a German perspective as another threat to the rebuilding of the coal industry, not least because it meant breaking up the existing *Verbundwirtschaft*—the “joined-up” networking of the energy supply to different companies and factories within Germany’s heavy industry. Had this break-up been implemented, it would have caused significant technical difficulties.²⁷ Here, too, unions and managers were of one mind, seeing the Allied plans as a threat to a secure energy supply that up until that point had, from their point of view, functioned well; for them, these plans were an additional threat to reconstruction. One important difference between the companies and the trade unions, however, was that for the unions, the success of reconstruction and the reorganisation of coal mining—as indeed, the success of industrial reconstruction as a whole—depended on transforming the ownership of heavy industry altogether through the nationalisation, or “socialisation”, of key industries.²⁸

But the Allies were also concerned with energy security and the implications for international security at a moment when it was becoming clear that Russia and the West would soon be in deadlock. In this context, the

25 “Erdöl und Kohle im Wettbewerb.” Report from *Die Bergbau-Industrie*, 15 July 1949, in: *Martiny/Schneider* (eds.), *Energiepolitik*, 72. Translation: ER.

26 *Martiny/Schneider* (eds.), *Energiepolitik*.

27 Joint trade union statement on the restructure of the coal-mining industry (Second Memorandum), 29 April 1949, cited in: *Martiny/Schneider* (eds.), *Energiepolitik*, 61–62. Translation: ER.

28 *Abelshausen*, *Ruhrkohlenbergbau*, 20–29, 53–54. For reasons of space, this article will not discuss the connection between nationalisation proposals and security in more detail.

“question of coal” took on a “relevance for international security of the highest order.”²⁹ This mainly referred to energy provision based on hard coal, but against the backdrop of diverging security and foreign policy interests on the part of France, the US, West Germany and the Soviet Union. The historical research on European integration is extensive, and as such, France’s security interests in relation to Germany have been intensively analysed, as have the resulting tensions with the United States. Aware of the possibility of a Cold War, the US pursued an increasingly constructive occupational policy, building shared interests with the West occupied zones to counteract scenarios of Soviet threat, such as the demands for internationalisation of the Ruhr and the implied takeover of its resources.³⁰

Shortly after the end of the war, General de Gaulle had already warned that the economic security of the whole of Western Europe depended on the future of the Ruhr. If Germany retained control of the Ruhr and its annual coal output of 140 million tons, it would recover its economic power and once more become a threat. Germany, De Gaulle claimed, needed coal to survive, but it did not need the whole of the Ruhr and its operations.³¹ From a French perspective, then, the main concern was to ensure the secure future of energy provision in France within the framework of a foreign economic policy aimed at ensuring safety from a new German threat. From this point of view, the key to security was to control Germany, the West German economy and West German energy resources. Uwe Røndigs speaks in this context of “security through division” (“Sicherheit durch Teilung”), based ultimately on ideas of a collective security structure for the Ruhr. These ideas eventually came to fruition in the laws mentioned above, which aimed at decentralising the Ruhr mining operations, and in the Schuman Plan in 1950.³²

In terms of energy security at the national level, security heuristics during the period of occupation were mainly about various interests in relation to supply and control. These interests saw Allied interventions as a threat to the rebuilding of Germany, and as such, this thinking was still based on an assumption that energy provision was a problem to be solved at the national level. But on the Allied side, particularly on the part of the French, Germany was still seen as a potential threat in a period when other serious

29 Røndigs, *Globalisierung*, 73.

30 See e.g., Brunn, *Einigung*, 34–42; Petzina, *Wirtschaft*, 495–497.

31 De Gaulle in *The Times*, 10 September 1945, quoted in translation in Røndigs, *Globalisierung*, 73.

32 Røndigs, *Globalisierung*, 74–75.

external threats were becoming apparent in relation to the international order; an order that would ultimately, in the form of European integration, prove advantageous for West Germany.

From these security-relevant *situations* arose specific behaviours and problem-solving strategies which we may call *repertoires*. During the period of occupation, these were characterised by three main features. First (1), the Allied occupying powers were the only powers that could take decisive action in Germany at this point. As a result (2), solutions to energy supply problems had to be international in scope. Finally (3), it was gradually becoming clear that the West German energy supply had to diversify.

On the first point: A reliable supply of energy in the occupied zones was a basic prerequisite for economic recovery and rebuilding after the war. As such, the occupying powers had an interest in ensuring that West German coal-mining operations could resume as swiftly as possible. This was done through the creation of new institutions such as a German administration for the Ruhr mines, the “German Colliery Management” (*Deutsche Kohlenbergbauleitung*, DKBL). These, however, were ultimately controlled by the Allies, who also restructured the economy of the Ruhr through Laws 75 and 27. Further actions such as the European Recovery Program and currency reform created the framework conditions for a (comparatively) free-market approach to coal-mining. This, however, could not mitigate coal shortages in the short term, meaning that further directive and mandatory measures had to be put in place to ensure that the limited resources could be distributed reliably in order to meet demand both domestically and abroad.³³ Although the enforced export of coal to other European countries was criticised from the West German side as amounting to reparations by another name, the Allies’ management of the energy supply did much to ensure political security through helping to avoid a similar situation arising as after the First World War, when the enormous reparations demanded by the Treaty of Versailles had led in the short term to the occupation of the Ruhr and in the middle term to the instability of the Weimar Republic.

On the second point: These “repertoires” demanded an international approach to energy supply issues that respected the diverging interests of the West German occupied zone and the Allies, and the differing interests of the Allies themselves. The Marshall Plan played the greatest role in this, not least in relation to coal. In 1949 and 1950 respectively the proportion of

33 *Abelshauser*, Ruhrkohlenbergbau, 50–57, 64–70.

gross capital investment financed through the European Recovery Program was 47 percent and 40 percent, far more than the figure for West German economic participation in the Marshall Plan overall (6.4 respectively 7.4 percent). Considering that 14 percent of the investments of the West German energy companies were financed through the ERP in 1949, rising to 24 percent in 1950,³⁴ it is safe to say that one of the objectives of the Marshall Plan, at least in its first years, was also to ensure reliable energy provision in the West zones. The creators of the Marshall Plan had multiple factors to take into account: West German mandatory coal exports, like the provisions of the “Minor Marshall Plan”, as it was known, were intended to strengthen intra-European economic aid along with trade, payments and offsetting transactions.³⁵ As such, the Marshall Plan was an international programme aimed at creating “security through integration”,³⁶ not least in regard to the energy supply, and as such represented the opposite of the self-sufficiency that had characterised German energy provision just a few years before. Thus it can be said that “in the years from 1947 to 1949/1950, the need for security encouraged cooperation in the sphere of energy provision and this cooperation created more inner stability and outward security for the West European nations.”³⁷

On the third point: In this “situation”, energy provision security was predominantly a question of coal security; the uncertainties named above were predominantly based on the “coal emergency”. But West Germany was also beginning to turn its attention to alternative energy sources, something its coal industry initially saw as a threat. This was especially true in relation to crude oil, which also played an important role in the Marshall Plan. The Plan foresaw not only imports of crude oil and machinery to the West zones, but also a significant expansion to German and European refinery capacities, from which not only German, but also American and British oil concerns were to profit. Esso and Shell, for example, both applied for subsidies under the Marshall Plan for the purposes of building new refineries in West Germany in which the German companies DEA and Wintershall were shareholders.³⁸ DEA, Wintershall and Olex-Deutsche BP were West German companies that cooperated with Allied companies to create a West

34 *Abelshauser*, *Ruhrkohlenbergbau*, 66–67.

35 *Abelshauser*, *Wirtschaftshilfe*, 212–224.

36 *Krüger*, *Sicherheit*.

37 *Krüger*, *Sicherheit*, 171. Translation: ER.

38 *Karlsch/Stokes*, *Öl*, 258–263.

German crude oil industry. The Deutsche Vacuum Oel AG (DVOAG, later Mobil Oil) even sought to collaborate with the coal industry by entering into a cooperation agreement with their long-term distributor for synthetic fuels since the 1920s, the Benzol Association. In spite of the dominance that hard coal maintained in energy provision immediately after the war, this was an important step towards the creation of a West German crude oil industry. Such an industry would also be able to use facilities for synthetic petroleum production that dated from the German war economy and the Nazi policy of self-sufficiency, and thus make a significant contribution to diversifying the West German energy supply.³⁹

1950s

The question of energy provision became more urgent at the beginning of the new decade. As the 1950s progressed, it would become clear that energy provision in West Germany was increasingly determined by external influences, bringing a corresponding dependence on foreign sources of energy. This was a catalyst for discussions about West German energy policy and the security of its energy supply, which, as time went on, could no longer be viewed independently of the international and global constellations that determined energy provision nor of foreign affairs and the wider economic changes happening in the world. In this, the Korean War played a central role. This moment, however, also saw a marked change in the perceptions and attitudes of the Western powers in the context of the Cold War and the Korean War. Now that their attention was freed up from the immediate existential demands of the post-war situation in Europe, politicians could turn their focus from economic security to the military threat posed by the Soviet Union.⁴⁰ Military security and energy security were increasingly seen by decision-makers as two sides of the same coin.

In cabinet meetings, the German chancellor, Konrad Adenauer, called the coal shortages one of the most pressing issues of the day. Finance minister Ludwig Erhard believed that the Korean War was one of the major causes for the deteriorating coal situation, while Franz Blücher, the federal minister for the Marshall Plan, spoke of a dangerous development in the global market for raw materials, which he increasingly saw as a

39 *Karlsch/Stokes*, Öl, 263–274.

40 *Krüger*, Sicherheit, 156.

pan-European problem. The various ministries were united in bemoaning the supply issues, agreeing that sufficient coal for domestic households had to be maintained even if this came at the price of an inadequate coal supply to the economy as a whole. The federal minister for transport saw a potential threat to the coal reserves that were needed for the German Federal Railway, while Blücher raised the difficulty of heating hospitals and clinics adequately without sufficient fuel.⁴¹

How did the federal government respond to the energy crisis at the beginning of the 1950s? What measures were taken to secure the energy supply? As early as 1949, Ludwig Erhard, as “Director of Economic Administration”, had overseen legally binding emergency measures to ensure the electricity and gas supply. A year later, the federal government passed the *Energienotgesetz des Vereinigten Wirtschaftsgebiets* (Emergency Energy Law for the United Economic Territory) with the aim of easing supply bottlenecks. In the short term, hard coal imports from the US also helped to mitigate supply problems. But the US administration was keen for the German government to revert temporarily to a planned economy in response to the international raw materials and energy crisis during the Korean War. Erhard was against this, as he believed that it threatened his efforts to implement a social market economy, a project he had thrown everything behind since the end of the 1940s. Following intensive discussions on the economy and security in 1952, the so-called *Investitionshilfegesetz* (Investment Help Act, officially the *Gesetz über die Investitionshilfe der gewerblichen Wirtschaft*, “Act on Financial Assistance for the Business Sector”) was passed. The aim was to strengthen German industry’s ability to regulate and finance itself through investment within a market framework.

41 Minutes of plenary proceedings in the Bundestag, 151st cabinet meeting on 5 June 1951, in: *Booms*, Die Kabinettsprotokolle, Stand der Entflechtung und Kohlenlage. URL: https://www.bundesarchiv.de/cocoon/barch/0000/k/k1951k/kap1_2/kap2_42/para3_1.html?highlight=true&search=kohlenkrise&stemming=true&field=all#highlightedTerm (Accessed August 22, 2023); Minutes of Cabinet meeting 1951, 117. Minutes of cabinet meeting on 19 December 1950, A. Stand der Entflechtung und Kohlenlage. URL: https://www.bundesarchiv.de/cocoon/barch/1000/k/k1950k/kap1_2/kap2_90/para3_12.html#d8e83 (Accessed August 22, 2023); 120th cabinet meeting on 8 January 1951, A. Kohlenlage URL: https://www.bundesarchiv.de/cocoon/barch/1000/k/k1951k/kap1_2/kap2_2/para3_17.html (Accessed August 22, 2023); Minutes of plenary proceedings in the Bundestag, 119th cabinet meeting on 4 January 1951. The international situation on raw materials. Securing raw materials imports for Germany URL: https://www.bundesarchiv.de/cocoon/barch/1000/k/k1951k/kap1_2/kap2_1/para3_3.html (Accessed August 17, 2023).

Around 130,000 businesses put a total of 1.16 billion Deutschmarks (DM) into the economy. The money was used to subsidise various bottleneck sectors, including electricity, gas and hard coal. The hard coal industry alone received 228 million DM.⁴²

The Investment Help Act was the expression of an economic and political “repertoire” which West Germany would increasingly use to resolve economic problems. It followed a corporative pattern, leading to ever-closer cooperation between the economy, businesses, the state and various non-profit organisations. This entanglement of interests, according to Werner Abelshauser, was something that had characterised German economic politics even in the nineteenth century, simply taking a new shape after the creation of the Federal Republic of Germany. In regard to the Investment Help Act, Abelshauser speaks of a “return to a corporative market economy”, which as such was also highly relevant for ongoing energy provision and energy security.⁴³

But against the backdrop of the Korean War and the coal crisis, the Investment Help Act was to have unintended consequences. The boosting of the coal-mining industry would prove to be a poisoned chalice. Although it helped in the short term, in the middle and long term it meant supporting a failing industry and thus laid the foundations for the industrial structural crisis of the late 1950s. The problem was only exacerbated by the American coal imports from 1951.⁴⁴

The need for an expansion and/or diversification of the energy basis was becoming more and more urgent, but met with strong resistance from the representatives of the domestic coal industry. Discussions on energy provision and energy security intensified in the second half of the decade in the context of the Suez crisis, the founding of the EEC and EURATOM, the mining crisis and, from 1958, the gas pipeline agreement with the Soviet Union. It was becoming increasingly difficult to separate national from international, and European from global interests. The transformation of energy provision led to a “situation” that was ahead of its time in embodying many of the fundamental aspects of globalisation, bringing with it all the concomitant fears and uncertainties with which we are familiar today.

The Investment Help Act entered into force at almost exactly the same moment that the European Coal and Steel Community (ECSC) was

42 Adamsen, *Investitionshilfe*, 87, 226–235; Abelshauser, *Ruhrkohlenbergbau*, 77.

43 Abelshauser, *Wirtschaftsgeschichte*, 163; Illing, *Energiepolitik*, 98–99.

44 Abelshauser, *Ruhrkohlenbergbau*, 80; Adamsen, *Investitionshilfe*, 227.

formed, representing a common (West) European energy policy, although at this point it had not formulated any joint energy policy integrating the various energy carriers. Initially, the ECSC took shape more or less in response to the Schuman Plan, which pursued European integration mainly in terms of French interests in relation to security and energy. 1957 saw the establishment of the European Economic Community (EEC) with EURATOM. EURATOM was intended to set a new tone for energy policy based on innovative nuclear technologies, but never fulfilled its promise to create a joint atomic policy. It could not compete with American initiatives and investment in nuclear power stations in Europe, and even “divided the nuclear community” (Gerhard Brunn), leading ultimately to a nationalisation of the nuclear programmes of the Western European states. It was not until Europe began to move away from hard coal and towards dependency on crude oil that a joint European energy policy began to take shape. In 1968, for example, the members of the EEC pledged to maintain specified minimum reserves of crude oil.⁴⁵

The Suez crisis in 1956 had shown how vulnerable crude oil was to supply chain interruptions and uncertainties, just as Europe was beginning to move away from coal. Simultaneously, it was hard to resist the price advantages of crude oil on the global market, especially given the constant opening up of new oil fields in the Middle East. In this “situation”, the issue of energy provision in West Germany became even more urgent, resulting in the mining crisis of 1958. This crisis triggered another fundamental debate on energy security, structural change and the social order. Heinrich Gutermuth, chairman of the *Gewerkschaft Bergbau und Energie* (Trade Union for Mining and Energy) gave a speech at the union’s General Assembly in 1958 in which he stated that “the Federal Republic of Germany is traditionally a nation of coal, and as such, has a duty to meet the country’s basic need for coal through the domestic mining industry.” This, he went on, was above all because “consumers are dependent on the fluctuations of the world market and thus bear the enormous risks associated with prices and shipping.”⁴⁶ His argument may have seemed more pertinent in the immediate aftermath of Suez, but Gutermuth was mainly referring to the increase in coal imports from the US and Eastern Europe, which he linked

45 Brunn, *Einigung*, 76–80, 124–128; *Graf*, *Öl*, 84.

46 Gutermuth, “Bergbauwirtschaftspolitik heute und morgen.” Speech given at the 6th General Assembly of the Industrial Union of Mineworkers in Munich from 8–13 June 1958. Cited in *Martiny/Schneider* (eds.), *Energiepolitik*, 127. Translation: ER.

to a demand that foreign coal imports should be dialled back. Gutermuth wanted more state intervention, monitoring and control in the energy sector. His demands came to a head in his claim that “the liberal system that has been tried in the coal industry has not worked.” It was nothing but “a fiction”, he said, “to assume that we have a real market economy. And it is even more fatal to try to operate an industry on the basis of market economy principles which has naturally—much like agriculture—developed to function in very specific conditions.”⁴⁷

By contrast, the federal government and especially Ludwig Erhard, supported the introduction of cheaper American coal, arguing that the coal crisis could only be resolved through the markets. Finally, at a meeting held at the Chancellery in August 1958, the representatives of the mining companies threw themselves on the side of the trade unions. Gutermuth spoke at this meeting too, repeating that “the primary basis of energy in Germany is coal, and will continue to be coal for a long time.” It went without saying, he claimed, that Germany could not expect security to come without a price attached:

*Germany already spends billions on military security. It is not disproportionate to make similar funding available to ensure other forms of security: a secure energy supply, a secure mining industry and security for the people who work there.*⁴⁸

Six months later, Gutermuth even spoke of “an economic Stalingrad in the Ruhr.” He was speaking of what was seen by the trade unions and the coal industry as economic defeat on the Rhine and in the Ruhr, along with the associated fear that mining would collapse altogether and of the mass redundancies that heralded this supposed collapse.⁴⁹

It was a fact that German hard coal—as had already been prophesied in 1949, to general disbelief—could not prevail against the ultimate victory of crude oil. Besides the German government, especially Erhard, it was mainly the chemical industry, as an increasingly important industry in the *Wirtschaftswunder* era, which pushed forward this structural transfor-

47 Gutermuth, *Bergbauwirtschaftspolitik*, 129.

48 Protocol of meeting in Federal Chancellor’s Office, cited in *Martiny/Schneider* (eds.), *Energiepolitik*, 144. Translation: ER.

49 Gutermuth, “Wirtschaftliches Stalingrad an der Ruhr.” Speech held on the occasion of mass rally of the Industrial Union of Mineworkers on 25 January 1959 in Bochum. Cited in *Martiny/Schneider* (eds.), *Energiepolitik*, 167. Translation: ER.

mation through its demand for cheap crude oil. Corporative “repertoires”, in which the West German government, industry and various associations including the trade unions all played a part, helped to shape the structural change in a way compatible with “social” principles—although the jury is still out on whether a more radically market-oriented solution, such as that later pursued by the Thatcher government in the UK, would not have eventually been more economically viable.⁵⁰

But in terms of energy security based on oil, in the mid-1950s there were good reasons to expect that there would be more than enough oil globally for many years to come, despite occasional shortages and supply chain problems. Rüdiger Graf speaks in this context of “petroknowledge”, meaning knowledge about how much oil is actually available. Such knowledge was often shot through with contingency, uncertainty and ignorance, but from the mid-1950s, especially among petroleum geologists, it was also marked by increasing optimism. This was based on a number of assumptions, above all the belief that new and more extensive oil fields would continue to be discovered across the globe, along with the belief that the necessary technologies would be developed and constantly improved to deal with them.⁵¹

This is somewhat reminiscent of the optimism about the availability and sustainability of West German hard coal in the immediate post-war period, an optimism that was over at the latest by the time of the mining crisis ten years later. The half-life of prognoses in the energy sector is extremely short. This is true whether the prognosis is negative or positive, as we can see in the case of the Club of Rome’s ideas about the finite availability of crude oil at the beginning of the 1970s.⁵² But—as is clear from the example of the West German chemical industry—the phenomenon of “petroknowledge” and the related uncertainty and contingency for energy consumers in the 1950s and 1960s did not mean that said consumers, placed in this “situation”, chose to go with the supposedly safer, but more expensive, option of hard coal. Instead, they chose the cheaper alternative: crude oil. Business decisions are always made under uncertainty. This was no less true, and was perhaps especially true, in the case of coal, given most businesses’ experience in the immediate past. In this light, a decision in this period for the cheaper and supposedly still sustainable crude oil was rational,

50 *Türk*, Treibstoff, 47–48.; see also various contributors in *Goch* (ed.), Strukturwandel.

51 *Graf*, Öl, 9–13, 45.

52 *Meadows/Meadows/Randers/Behrens*, Limits, 57–59.

especially since the Suez crisis had been successfully overcome just a few years before and had not materially affected the economy's agency.⁵³ The federal government, too, did not see the Suez crisis as a warning against increased energy dependency, but rather as confirmation of their wish to pursue a more liberal energy policy. After all, the crude oil supply had increased significantly after the crisis, and competition among the various oil concerns had led to a drop in prices.⁵⁴

Not only this, but also the expansion of the crude oil infrastructure in Europe—and thus also in West Germany—, the building of new refineries near consumer centres and a comprehensive network of commercially-managed oil pipelines across Europe seemed to promise an excellent foundation for increased energy security based on crude oil.⁵⁵

Now that oil was also coming from the Soviet Union (for example under the trade agreement on natural gas large-diameter pipes from the beginning of the 1960s, in parallel with the beginnings of the mining crisis), this was seen as an additional, welcome source of energy for West Germany, allowing the state to minimise risk through supplier diversification and thus to increase energy security. With this, the West German energy supply now finally found itself at the interface of the geostrategic interests of a variety of actors such as the US, NATO, the Soviet Union, OPEC and the (Western) European nations and the EEC.

1960s

In West Germany, it was predominantly the iron and steel industries, organised within the framework of the *Ost-Ausschuss der deutschen Wirtschaft* (German Eastern Business Association, OA), which were interested in business links and a trade deal with the Soviet Union. This interest had existed since the days of the Weimar Republic, but now, in the context of the Cold War, found itself in conflict with US expectations. After the negative experiences of the Korean War, the US Coordinating Committee for Multilateral Export Controls (CoCom) had issued strict controls on exports to the Soviet Union. These controls, however, were called into question by numerous European countries as the 1950s went on, including the UK,

53 Graf, Öl, 54–56.

54 Karlsch/Stokes, Öl, 305.

55 For a detailed discussion, see Bader-Gassner, Pipelineboom.

Italy and West Germany. From the mid-1950s, West Germany stepped up its contact to the USSR with visits and invitations, and in April 1958, one year after the founding of the EEC, a trade deal was ratified by the Federal Republic and the USSR based on the exemption of large-diameter pipes from the general embargo.⁵⁶

The West German interest in trading with the Soviet Union had grown in inverse proportion to the ability of European states, including West Germany, to rely on domestic fuel sources, especially when major oil companies were involved. The US, on the other hand, was not dependent on trade relations with the USSR. Thus, the interests of the US and Western Europe diverged significantly on this point, leading to disputes when it came to east-west trade policy. This was ultimately to lead to major economic uncertainty, mainly based on the Soviets entering the global oil market, threatening prices and profits of the big Western oil concerns such as Exxon, Shell and BP. In 1960, a report by Standard Oil raised significant security concerns over West European oil imports from the USSR, stating: "Although the Soviet oil offensive is linked to economic need, its main goal is doubtless the weakening of Western alliances and to disrupt normal trade and investment structures."⁵⁷ This claim must be read in the context of Standard Oil's considerable interest in persuading Western nations to issue restrictive measures against the USSR. Two years later, the US National Petroleum Council went even further, arguing, "The ultimate goal of the Soviet Bloc is to extend its political control, destroy freedom and communize the world..."⁵⁸ But such concerns over security were not limited to the West. In the Soviet Union itself there was an anxiety that supplying energy to Western states at scale could lead to increased dependence on foreign, capitalist markets.⁵⁹

In the West, uncertainty was compounded by the lack of a common European energy policy under the EEC, and by the differences in opinion and conflicts of interest among the member states of Western alliances. Finally, in 1960, NATO established the NATO Study Group. This was in part a reaction to the founding of OPEC, and was concerned with ques-

56 *Rudolph*, *Wirtschaftsdiplomatie*, 126–128.

57 Cited in *Perovic*, *Rohstoffmacht*, 99.

58 "Impact of Oil Exports from the Soviet Bloc, Vol. 1. A Report of the National Petroleum Council's Committee and Working Subcommittee on the Impact of Oil Exports from the Soviet Bloc. Adopted by the National Petroleum Council October 4, 1962." National Petroleum Council, Washington, D.C., 1962.

59 *Perovic*, *Rohstoffmacht*, 101.

tions relating to the global oil market, oil exports, oil production and oil consumption and with the effects of these on NATO member states. But fundamentally, the group was unable to resolve the disagreements between NATO and the EEC regarding east-west trade relations.⁶⁰

At this period, the interests of the Federal Republic were still based on the supply problems of the post-war era. This meant that for West Germany, the possibility of sourcing crude oil from the Soviet Union represented a useful diversification of its energy portfolio. From the USSR's perspective, supplying oil to West Germany had an immense infrastructural significance at a moment when the Soviet Union was moving away from coal towards crude oil and natural gas. As a result, mutual fears of dependency cancelled each other out. This eventually led to further agreements between the USSR and West Germany over the next few years, which, however, led to further significant discord between the Federal Republic, the US and NATO. Not only West Germany, but also Italy entered into offsetting transactions with the USSR. These stipulated that the USSR would supply raw materials in return for large-diameter pipes, an agreement that was soon stymied by NATO's decision to issue a pipe embargo following the Cuban Missile Crisis in 1962. But this led to yet more conflict and soon failed, not least thanks to states not in NATO, such as Sweden, sending pipes to the USSR instead. The embargo was finally lifted in 1966. In 1970, under the policy of *détente* initiated by Willy Brandt and his coalition government, the Federal Republic entered into a further, comprehensive agreement on large-diameter pipes with the Soviet Union. In this agreement, the OA again played a decisive role, thanks in particular to Otto Wolff von Amerongen, who had been actively establishing contacts and networks in the Soviet Union since the 1920s, and to Berthold Beitz and Ernst Wolff Mommsen.⁶¹ Mommsen was both a business leader and a politician. As manager of Thyssen, and later as state secretary in the Federal Ministry of Defence, he embodied the two sides of energy security: domestic supply and military defence.⁶²

Looking at the decades-long importance of these personal networks and close links between business and politics, it is appropriate to speak of path dependencies: of personal and institutionalised experiences, and ultimately

60 *Glässer*, *Marktmacht*, 124–125, 139–145.

61 *Rudolph*, *Wirtschaftsdiplomatie*, 111–128, 155–171, 231–239; *Perovic*, *Rohstoffmacht*, 101–103.

62 *Hesse*, *Röhren-Manager*.

of an “interdependency management through cooperation”—a phrase that can fittingly be used to describe the (West) German-Soviet relations over many decades, whatever the political regime in place at the time. These experiences were based on mutual economic dependence, on a positive attitude towards the transactions and an expectation that they would be beneficial for both sides, and doubtless not least on the long-term reliability of the Soviet Union as a trading partner.⁶³

As the 1960s went on, West German energy consumption rose steeply, in line with West German economic growth. This was especially true of crude oil consumption. More than two thirds of the total oil supplied to West Germany came from foreign oil concerns. This meant dependence on imports and thus also an increased vulnerability to and uncertainty based on potential supply-chain interruptions, in an increasingly complex supply situation characterised by the diverging interests of multiple actors in the context of the Cold War and ongoing decolonisation. West German politicians, economists and business leaders were by no means unaware of this. But because crude oil was available at a low price from the Middle East and North Africa, they preferred to think that there was “no immediate cause for alarm.”⁶⁴

However, from the middle of the 1960s, the political situation in the Middle East worsened as relationships between Israel and the Arab states deteriorated. And because West Germany entertained complicated trade, development and arms arrangements with both sides, it was clear even before the outbreak of the Six-Day War that “oil supplies to the Federal Republic are threatened with a threefold political risk,” as the trade unions expressed it to the West German government.⁶⁵ By this, they meant the potential disruption to the relations between the Western major powers and the oil export countries, the conflicts between the oil export countries and the oil concerns and finally, the tensions in the triangular relationship between West Germany, Israel and the Arab countries.⁶⁶ This last in particular

63 *Rudolph*, *Wirtschaftsdiplomatie*, 235–240. The concept of “interdependency management through cooperation” is used by researchers in the field of urban sociology. See for example *Schmidt*, 77–134.

64 *Graf*, *Öl*, 75.

65 “Die Erdölzufuhr muß gesichert werden [We need to secure the crude oil supply]”. Reportage in the Trade Union Circular on Mining and Energy, May 1965, cited in *Martiny/Schneider* (eds.), *Energiepolitik*, 255. Translation: ER.

66 “Die Erdölzufuhr muß gesichert werden [We need to secure the crude oil supply].” Reportage in the Trade Union Circular on Mining and Energy, May 1965, cited

would mean that West Germany “would not be able to protect its oil supply given the multiple potential for political conflict.”⁶⁷ This prognosis would prove to be correct—not only in the immediately following years, but up until the present day, as would become clear just two years later when the Six-Day War led, directly and indirectly, to the oil crisis of 1973–1974 and the many oil crises that were to follow.

This lent a new urgency to the need to take action to secure the energy supply, something which had been ever more apparent since at least the mining crisis of 1958, the displacement of coal as West Germany’s most important energy source and an energy policy that was increasingly based on diversification. But until well into the 1960s, West Germany’s energy security policy tended to be reactive rather than proactive, and was comparatively uncoordinated. According to Illing, the established energy policy predominantly consisted of promoting growth and industry through low prices, flanked by a few protective measures put in place mainly for the coal industry (e.g., the *Gesetz zur Sicherung des Steinkohleneinsatzes in der Elektrizitätswirtschaft* (Act to Secure the Use of Hard Coal in the Electricity Sector) of 1966, the *Gesetz zur Anpassung und Gesundung des deutschen Steinkohlenbergbaus und der deutschen Steinkohlenbergbaugebiete* (Act on the Adaptation and Recovery of the German Hard Coal Mining Industry and German Hard Coal Mining Districts) in 1968 and the founding of the company “Ruhrkohle AG” in the same year). Even under the Grand Coalition government of the late 1960s, there is no evidence of “any real policy aimed at securing the national energy supply;” despite the urging both of government representatives and national bodies.⁶⁸

Domestic hard coal and lignite was being replaced not only by American and Eastern European coal, but also and especially by crude oil from the Middle East. Natural gas was not yet widely used, and nor was nuclear energy, although the latter was of increasing interest to the US and was already being used to generate electricity there. In the Federal Republic, however, despite wide-ranging government initiatives, nuclear power was proving less popular, and indeed, was hardly relevant at this period beyond its use in reactors built for research and experimentation. The state was too concerned about how it could be financed, especially in case of any

in *Martiny/Schneider* (eds.), *Energiepolitik*, 255–256. Translation: ER; *Kleinschmidt*, *Entwicklungshilfe*, 176–192.

67 *Martiny/Schneider* (eds.), *Energiepolitik*, 257.

68 *Illing*, *Energiepolitik*, 102, 106–117, 122.

accident and potential compensation claims, and the potential need for government guarantees.⁶⁹

In terms of diversification strategies aimed at securing the long-term energy supply, West Germany was more interested in the potential of crude oil. To this end, from the late 1950s/early 1960s the state made an effort to strengthen the role of West German industry in domestic oil extraction and distribution, and to expand the necessary infrastructure for it to do so. Between 1956 and 1963, for example, crude oil extraction in the Federal Republic increased from 3.5 to 7.4 million tons, making Germany the biggest oil producer in Western Europe. Yet this expansion had little impact on the dominance of foreign oil concerns and the dependence on foreign oil supplies. Even though West German oil refineries were becoming more important, and were seen as important distributors for petrol stations owned by West German companies such as Aral, Gasolin or DEA, they were increasingly competing with foreign suppliers such as Esso, Shell or BP, who gradually increased their market share in the Federal Republic.⁷⁰

With the idea of strengthening the West German international position and expanding its influence within the EEC, from the mid-1960s the West German government and leading national oil and mining companies discussed the establishment of a national oil company. In 1966, these discussions led to the founding of the DEMINEX (“Deutsche Mineralölexplorationsgesellschaft mbH”). Its objective was to source new oil storage facilities not only at home but above all, abroad. The plan was subsidised by the government to the tune of 45 million DM, although originally the amount was to have been 800 million. But the government did not have the finance and subsidy options to keep it afloat, especially as it was already spending a considerable amount subsidising the domestic hard coal-mining industry. Another attempt was made at the end of the decade. This time, it was more successful, but DEMINEX never became the national German oil concern that was originally planned, and was only moderately successful in sourcing new sources of oil in the North Sea, Africa and Jordan.⁷¹

In summary, the 1960s can be seen as a period in which an increased awareness of and sensitivity to political and economic risk and dependencies among the actors concerned was in continual conflict with the attraction of new energy sources—especially oil—that seemed to hold out

69 *Radkau*, *Technik*, 355–367; *Türk*, *Treibstoff*, 73–74.

70 *Karlsch/Stokes*, *Öl*, 318–321.

71 *Karlsch/Stokes*, *Öl*, 359–362, 376–377; *Illing*, *Energiepolitik*, 96–98.

the promise of a solution to the energy supply problem. In terms of the “repertoires” available to the multifaceted world of energy provision, this led to a relatively reactive and situational problem-solving pattern. By the beginning of the oil crisis in the early 1970s, there was still no joint German or European policy on energy or energy security. As Henning Türk has shown, it was not until a few days prior to the beginning of the oil crisis, in October 1973, that the coalition government of the SDP and FDP presented an energy programme to the Bundestag.⁷²

Conclusion

Energy security is an ongoing challenge that has preoccupied Germany, the West German economy, businesses and private households for a very long time. This chapter has mainly been concerned with aspects of energy provision security and energy securitization: that is, the question of how and when energy, in the period discussed here, became a security issue. In doing so, the chapter uses the central analytical categories of “situations”, “heuristics” and “repertoires”. Between West Germany’s post-war reconstruction and the oil crisis, the “situation” for energy provision changed fundamentally as crude oil replaced hard coal as the most important energy source. This process of transformation brought with it numerous uncertainties for the actors involved. It touched on questions relating to the possibility of external agents controlling West German energy resources (e.g., under the occupation policy of the Allies), to issues of the economic order and the right to economic co-determination, on energy imports from abroad and political influence in the context of the Cold War. Within this framework, it is possible to identify an increased awareness of and sensitivity to the political and economic risks and dependencies arising out of a highly complex situation (“heuristics”), but at the same time, the actors involved were, depending on their own interests, torn between a supposedly safe reliance on the traditional energy source, hard coal, and the promises held out by new fuel sources, especially crude oil. This conflict was particularly apparent in relation to the energy imports from the Soviet Union from the early 1960s. In the Cold War era, this phenomenon met with very varied reactions; on the one hand, Soviet imports were cheap, but on the other, there was a fear that they could lead to new dependencies, as

72 Türk, Treibstoff, 75.

well as worries about security. Considering the corresponding “repertoires” in relation to “petroknowledge”—which was based on technology-oriented ideas about cheap and sufficient crude oil reserves—this led to corresponding hopes for and a focus on the future, underpinned by a diversification of the West German energy base and—in the case of the relationship to the USSR and, later, Russia—to a form of “dependency management through cooperation” that continued until 2022.

At the same time, the “repertoires” practised in the context of West German energy security represented above all reactive and situational problem-solving patterns, so that right up until the beginning of the oil crisis in 1973, no coordinated energy policy concept or energy security concept existed either for Germany or for Europe. As Henning Türk has shown, it was not until a few days prior to the beginning of the oil crisis, in October 1973, that the coalition government of the SDP and FDP presented an energy programme to the Bundestag.⁷³ However, even this did not lead to a fundamental resolution of the uncertainties confronting West German energy provision.

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73 Türk, Treibstoff, 75.

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Europe as a Lifeline: The Rubber Industry in Times of Insecurity after the Second World War

Tonio Schwertner

Introduction

The crucial historical juncture of the Second World War was followed by a period of high politics, of plans to reorganise the European continent, regional economic cooperation, the “end of empire” and the transition of the international system to the bipolarity of the Cold War. Naturally, states played a central role in all of this. They were, however, not alone. The following chapter represents a detailed examination of private actors from the rubber industry in three distinct settings, arguing that in each, these actors employed “securitisation moves”. The example of the rubber industry illustrates that private actors played a significant role in shaping international politics, particularly during transitional periods.

Initially, the chapter focuses on the demands of plantation managers and their supporters during the decolonisation of British Malaya, showing how the narrative of the situation changed when the conflict evolved. A second section portrays the calls of German industrialists for European cooperation immediately after the Second World War. Finally, the third section examines the communication of large tyre companies in the 1960s and 1970s, analysing the strategies they used to justify extraordinary business decisions to shareholders and competitors.

The application of securitisation theory reveals that in all three cases, the actors employed references to Europe: either a constructed and alleged European identity or the future prospect of European cooperation. Thus, business actors used “Europe” as a lifeline when they felt threatened.

In the following, securitisation is understood as the “process of presenting an issue in security terms, in other words, as an existential threat.”¹ The Copenhagen School of International Relations, most notably Ole Wæver

1 The work on this article was funded by the Deutsche Forschungsgemeinschaft (DFG, German Research Foundation) – Project No. 227068724.
Buzan/Hansen, Evolution, 214.

and Barry Buzan, understands security as a discursive concept that is employed to justify or demand extraordinary (mostly political) reactions.² The theory assumes that “securitisation” is negotiated between a “securitising actor” and an audience which must be convinced that something constitutes a security issue.³ Moreover, security is seldom demanded for the “securitising actor” alone but rather framed with regard to a larger entity that is endangered but must survive.⁴ In the literature, “securitising” actors are usually assumed to be members of a political elite: political leaders, governments, decision-makers or lobby groups, and the audiences that securitising actors try to convince are institutions with political power, parliaments, or even the electorate.

To facilitate the comparative study of “securitisation” in a historical perspective, the collaborative research centre (CRC) *Dynamiken der Sicherheit* (Dynamics of Security) in Marburg and Gießen has proposed three concepts. *Security heuristics*, is understood as a “cognitive and semantic framework” used to analyse the historical context in which the identification and construction of a security issue takes place.⁵ *Security repertoires* comprise all measures and responses of actors to security issues.⁶ Finally, *security situations* mean all instances in which repertoires and heuristics can be identified and analysed.⁷

This chapter contributes to historicising the securitisation theory. It examines non-state actors and their securitisation acts, thereby addressing the criticism of securitisation theory as state-centred.⁸ By applying the theory to inter-business relations, the chapter reveals “securitisation moves” made by multinational companies as a justification strategy for extraordinary business decisions. The chapter highlights that private actors participated in framing situations as security-relevant in order to further their own interests. The reference to Europe in all three cases, underlines, as others have

2 See Buzan/Hansen, *Evolution*, 214.

3 See Conze, *Sicherheit*, 87–88.

4 See Conze, *Sicherheit*, 88.

5 Jakob/Kleinöder, *Security*, 15.

6 Conze, *Sicherheit*, 177.

7 See also Bonacker *et al.*, *Safety*.

8 See Daase, *Historisierung*, 403–404.

done, the early involvement of private actors in the multifaceted processes of Europeanisation after the Second World War.⁹

From Gangsters and Lawlessness. The Balancing Act of Securitising in British Malaya

During the Second World War, the Western Empire States' forced control and rule in Southeast Asia crumbled. The Japanese army conquered the European colonies in the region in a storm. According to a well-known argument by Eric Hobsbawm, as control collapsed, the nimbus of (military) superiority of Western Empire States broke down too, and ultimately heralded the "end of empires."¹⁰ Of course, the Second World War was not the end of European colonialism in Southeast Asia. On the contrary: even before the Second World War had officially ended, the British Empire began to plan the reestablishment of control in its former colony.¹¹ This was no surprise; after all, Malayan exports played a significant role in supplying the Empire with sufficient dollar reserves. In the interwar period, rubber exports from the British colony had earned nearly as many dollars as all exports from the UK to the US combined.¹² Considering that the rubber industry in British Malaya was, at that time, relatively new, this is all the more impressive.

A Step Back – How Rubber Became a European Colonial Project

Rubber possesses remarkable characteristics: it is water- and air-tight, insulates against electricity, and above all is elastic, returning to shape after the application of force.¹³ Yet the use of rubber only became common in Europe in the late nineteenth century, even though Europeans had known of it since their arrival in the Americas.¹⁴ Up until the twentieth century, as far

9 Lately, the scholarly debate about the early involvement of private actors in Europeanisation has been lively. See, for example, *Ramírez Pérez, Crises; Ballor, Agents; Komornicka, Support.*

10 See *Hobsbawm, Extremes*, 216.

11 See *Rudner, Strategy*, 24–28.

12 *Rudner, Strategy*, 23.

13 See *Pichersky, Plants*, 122.

14 See *Soentgen, Bedeutung*, 296–297.

as Europe was concerned, rubber was exclusively a natural product derived from the milk of certain plants (called latex), most of which grew naturally in Central and South America.¹⁵

Early European attempts to use the material failed because untreated rubber is unstable—rigid when cold and sticky when hot.¹⁶ Indigenous people from Latin America knew how to avoid the decomposition of rubber and, therefore, were able to produce quality rubber goods long before Europeans.¹⁷ Only with the invention of vulcanisation, a chemical process of adding sulphur to rubber under heat, did Europeans come up with their own mechanism to process the material.¹⁸ Subsequently, rubber became widely used not only in water-resistant clothing and decorative furniture but also for crucial industrial uses like seals, hoses and belts.¹⁹

Most natural rubber at the time came from the Amazon basin in Latin America, where a subcontractor-based industry developed.²⁰ Rubber collectors (*seringueiros*) tapped latex from wild *Hevea Brasiliensis* trees and sold it to (mostly indigenous) landowners (*patrão*). While the *seringueiros* were *de jure* independent, they were often bound by debt to the *patrão*.²¹

With the invention of the rubber tyre and the rapid spread of bicycles and cars, rubber prices rose dramatically. Consequently, the British government began to promote systematic cultivation in its colonies.²² After successful attempts to germinate seeds of the *Hevea Brasiliensis* in London, seedlings were distributed across the British Empire.²³ In Singapore, the director of the Botanical Garden, Henry Nicholas Ridley, initiated extensive research on the potential of large-scale rubber cultivation in British Malaya and promoted the crop to European planters in the British colony.²⁴ At the time, the colonial administration actively encouraged industrial agriculture as it promised revenues from new land, and it thus did what it could to ensure a friendly environment in the British colony for European in-

15 See Pichersky, *Plants*, 124–126.

16 See *Soentgen*, *Bedeutung*, 311.

17 See *Soentgen*, *Bedeutung*, 312–314.

18 See *Harp*, *Rubber*, 208–209.

19 *Ibid.*

20 Rubber was also collected and harvested in African colonies. See, for example, *Oestermann*, *Colony*.

21 See *Tully*, *Milk*, 77–84. For more details, see *Linneweh-Kaçmaz*, *Formbarkeit*, 62–73.

22 See *Tully*, *Milk*, 186–187.

23 See *Salisbury*, *Ridley*, 145.

24 *Salisbury*, *Ridley*, 145.

vestors.²⁵ As a result, large rubber plantations, mainly financed, owned and managed by Europeans, emerged all over British Malaya at the beginning of the twentieth century. Exports to the United States, driven by the latter's growing car industry, made Malaya the British Empire's key dollar earner in the interwar years.²⁶

Securitising the Emergency

Despite the undeniable and heavy setback to British imperialism after the Second World War, epitomised by the independence of India, the initial return of the British Empire to Southeast Asia was swift. Other than France and the Netherlands, which experienced harsh resistance as they attempted to re-establish colonial control after the war, the British return to Malaya was less problematic. However, plans to centralise the Federated Malayan States, the Unfederated Malayan States and the Straits Settlements into a larger Malayan Union failed due to opposition from the Malayan political community, and resulted in increasing Malayan nationalism and polarisation of the ethnic Chinese and Malay inhabitants. Although the British administration was able to resolve the crisis with the establishment of the Malayan Federation in 1948 and the separation of the predominantly Chinese-populated Singapore, the incident highlighted the potential for conflict after the British return.²⁷ Nevertheless, there were no indications in the 1940s that Britain intended to give up its economically valuable colonies in Southeast Asia.²⁸

In June 1948, just as the administrative crisis was resolved, the High Commissioner for Malaya, Sir Edward Gent, declared a national emergency as a reaction to the increasing violence that was targeting European-owned and managed rubber estates.²⁹ In public perception today, the "Malayan Emergency" is used as a *pars pro toto* to describe the militant insurgency led by the Malayan Communist Party (MCP) and fought by the Malayan National Liberation Army against the British colonial admin-

25 This included, among other things, the enforcement of Western understandings of land ownership and the assurance of a sufficiently large workforce by setting up a work migration program for workers from India; see *Drabble*, Rubber, 14–19.

26 *Rudner*, Strategy, 23.

27 *Tan*, Decolonization, 13–16.

28 *Tan*, Decolonization, 14.

29 *Deery*, Malaya, 29, 50–51.

istration. This conflict only ended in 1960, more than two years after the political independence of Malaysia.³⁰ The beginning of the conflict, which the Malayan Communist Party (MCP) called the Anti-British Liberation War, is typically dated to the declaration of the emergency in June 1948. However, there was a prelude to Gent's decision. In early 1946, Malaya experienced its first general strike, organized by the relatively new Pan-Malayan Federation of Trade Unions (PMFTU), which stood under the influence of the MCP.³¹ Even though the umbrella trade union organisation initially backed down, in 1947 organised workers again laid down their work and vigorously and sometimes violently demanded substantially better working conditions.³² In this situation, private actors became vocal and demanded government action.

Already in 1946, Frank Ascoli, the chairman of Dunlop Plantations, for example, turned to decision-makers in London and not only voiced his worry about the situation in Malaya but also classified the situation as a system-relevant problem. As Nicholas White has shown, he named the "Chinese Communists" the perpetrators responsible for the labour conflicts in the colony.³³ However, the businessman's intervention in London was not just about pointing fingers. In his report, Dunlop's manager argued that the unrest had the potential to hinder the resumption of rubber production in general. He depicted the unrest as a security issue pertaining not only to the plantation industry but also likely to affect the prosperity of the whole colony at large. In a similar vein, Sydney Palmer, the president of the United Planting Association of Malaya (a British-dominated association of plantation owners), contacted the colonial government in Malaya and headed his letter with the word "COMMUNISM".³⁴ In doing so, Palmer situated the conflict in British Malaya in the context of rising tensions between East and West and clearly identified the deteriorating labour relations as an extraordinary security issue.

During the years from 1946 to 1948, militant activities against employers became more orchestrated as draconian reactions, violence on the part of planters, high unemployment and low rubber prices aggravated the already

30 Hack, Fear, 671.

31 See Deery, Malaya, 43.

32 See Deery, Malaya, 43–44.

33 NAK, BT 64/1878 as cited in: White, Counter-insurgency, 155.

34 White, Counter-insurgency, 155.

tense situation.³⁵ Reports on shootings and violent threats to white plantation managers became a common feature of the largest colonial newspaper *The Straits Times*, an organ closely aligned with the plantation industry.³⁶ Most of the conventional historiography has depicted these acts of violence as a part of a centrally planned militant campaign led by the Communist party. Indeed, there are indicators that suggest an increasing willingness to adopt a twin-track strategy of militant and legal action within the MCP.³⁷ This does not mean, however, that the MCP was well prepared for the underground guerilla war triggered when the party was prohibited after the declaration of a state of emergency following the execution of three white plantation managers by armed Chinese gunmen with connections to the MCP in June 1948, an event discussed in more detail below.

Publicly, however, the construction of a security issue that was both planned and could be responded to had begun much earlier. The *Straits Times*, for example, sided with plantation owners and other employers in British Malaya, and early in 1947 reported on the “lawlessness” that the “Communist-organised” “troublemakers” were spreading.³⁸ The article not only demanded the personal security of planters and employers; the anonymous author spoke in the name of the personalised “Singapore and the Malayan Union” and the “public”, which he portrayed as victims of “the bandits and murder gangs, the ineffectualness of authority and strike after strike.”³⁹

Organised interest groups of estate managers in British Malaya actively took part in the discussion of the situation, thus contributing to the discourse that surrounded it. When a European plantation manager, Archie Nicolson, was killed by three masked men in a robbery in October 1947, the chairman of the Johore Planters’ Association, Mr Boyd, publicly contemplated evacuating women and children from the plantations “until security conditions improved.”⁴⁰ By highlighting the concerns of the plantation managers for their families, the speaker of the association increased the pressure on the government to act. The article implied that the personal

35 Deery, Malaya, 44.

36 In September, a planters’ association even published an open thank-you note praising the newspaper for its reports on the situation, see: N.N., Thanks From Planters, in: *The Straits Times*, 29.09.1947, p. 1.

37 Deery, Malaya, 50.

38 N.N., Get Within Law!, in: *The Straits Times*, 09.02.1947, p. 6.

39 Ibid.

40 N.N., Planters May Send Wives Out Of Johore, in: *The Straits Times*, p. 1.

security of the plantation managers and their families was not clearly distinguishable from the security of the colony. After all, the planters' associations themselves disseminated the narrative that the personal attacks on managers were an attempt to destroy the Malayan rubber industry as a whole, an industry that played an essential role for decision-makers in the colony and in London.⁴¹

As time passed, the public statements issued by planters formulated concrete demands vis-à-vis a concrete audience. It was the colonial government that the planters addressed when they pictured the situation of "increasing lawlessness and the resultant insecurity to planters' lives". The planters demanded extraordinary measures like military patrols, "ruthless application of the sentences of death, banishment, and particularly flogging", and the armament of planters.⁴² The culminating demand for a "state of emergency" was met by Sir Edward Gent with his declaration in June 1948. In the media, it was underlined that these extraordinary measures would not only safeguard the planters, but by extension, "ordered life and public security in this country", as inoperable rubber estates would "ruin this country and everybody in it".⁴³

Planters' associations, the managing staff of rubber estates, and the employer-friendly newspaper all participated in the securitisation of the growing tensions in the colony. Rhetorically, the unrest was identified as "lawlessness", and the perpetrators were named "gangsters" or "bandits" and thus clearly portrayed as illegitimate and isolated from the larger population.⁴⁴ This was the framework or the *heuristics* of the early securitisation of the Malayan situation. Furthermore, the securitising actors underlined the impact of the situation for a broader entity (the public or the prosperity of the whole colony) while addressing a specific audience (decision-makers in Britain and British Malaya). The proposed *security repertoires* ranged from stricter enforcement of the law to the armament of planters and extraordinary measures; the last aspect was demanded, quite literally, with the call for a state of emergency. At this point, the already established narrative of lawlessness and banditry became the official language used to report on the conflict. Phillip Deery has shown that the terminology was

41 N.N., The Labour Unrest, in: The Straits Times Singapore, 09.06.1948, p. 4.

42 N.N., Planters in Malaya to be Armed. Gent's Answer to Delegation, in: The Straits Times, 28.10.1947, p. 7.

43 N.N., Reactions to Murder, in: The Straits Times Singapore, 02.06.1948, p. 6.

44 See Deery, Terminology, 236.

decided upon by the Information Research Department (IRD), a unit within the Foreign Office, to underscore that British troops were not fighting a “national uprising”.⁴⁵ This narrative was almost immediately adopted by an official from the colonial office, who argued during a House of Commons debate that it was not “a nationalist movement which Britain was engaged in putting down [...] but [...] the conduct of gangsters who were out to destroy the very foundations of human society and orderly life”.⁴⁶

Interestingly, securitisation acts did not end with the decision of Edward Gent to give in to the demands of the planters and declare a state of emergency in the colony. Other than had been anticipated by decision-makers in London and Malaya, the enforcement of emergency law and the following police action against the “bandits” did not end with a swift victory for the British. Instead, it developed into a long guerrilla war that lasted for twelve years.⁴⁷ During this period, it was seen as increasingly vital to underline that British allies were not fighting a politically mature independence movement. Consequently, the securitisation acts changed. By 1950, it was not enough to portray the insurgency as a security issue in relation to the prosperity of the British colony. After all, statements by the British prime minister and Labour politician, Clement Attlee, had caused confusion about Britain’s continuous commitment to the colony.⁴⁸ Now, actors interested in the rubber industry in Malaya began depicting a British withdrawal as the main security issue.

Herbert Ashplant, for example, a former plantation manager in Malaya, argued in 1950 in an article in an industry magazine that “a garment designed for nationally-conscious European wear would be utterly unserviceable for the politically unweakened, unblended racial groups of the once happy Peninsula”. His words implied that an independent Malaysia would end prosperity in the region and thus endanger economic interests not only of the rubber industry but Britain at large and that only a capable, i.e. European, government could guarantee the necessary conditions for prosperity.⁴⁹ Here, and in other articles, the journal followed a process of *othering*:

45 See Deery, Terminology, 233–236.

46 N.N., Government’s Pledge in House of Commons Debate, in: The India Rubber Journal 115/3 (1948), p. 3.

47 Deery, Malaya, 51–52.

48 UK Parliament, House of Commons Hansard (1950), Malaya (Government Policy), URL: <[https://hansard.parliament.uk/Commons/1950-03-28/debates/3364445f-979a-4427-a323-e88e375fb7c7/Malaya\(GovernmentPolicy\)](https://hansard.parliament.uk/Commons/1950-03-28/debates/3364445f-979a-4427-a323-e88e375fb7c7/Malaya(GovernmentPolicy))> (Accessed October 14, 2025).

49 Ashplant, Whither Malaya, in: The India Rubber Journal 118/20 (1950), pp. 3–7, 3.

it constructed a collective European identity by grouping together a diverse set of actors and characteristics into one group of inferior, uncivilised and exotic “others” to legitimise colonial rule.⁵⁰ The colonised Malayan, Indian and Chinese people living in British Malaya were not only accused of being incapable of forming a democratic government, but also of being incapable of expressing valid political positions at all. The editors of the *India Rubber Journal* argued, for example, that it would be a “widespread characteristic of the Oriental [...] to give his European interrogator the sort of answers he senses they wish to get.”⁵¹ The reference to an alleged European identity served as a security heuristic. Only evoking the racist narrative of European superiority justified the speaker’s interpretation of the situation as a threat to security. To avert this constructed threat, he demanded a clear statement from the British government that they would commit to the colony and fight against the insurgency.⁵²

The opinion piece by Herbert Ashplant reveals another remarkable aspect of the securitisation of the Malayan emergency. The longer the conflict dragged on, the more British decision-makers and private actors alike were worried about losing international support. After all, the United States had shown the seriousness of its anti-colonial stance by granting independence to the Philippines and using payments of the European Recovery Programme as political leverage to convince the Netherlands to withdraw from Indonesia.⁵³ Extensive political leeway and support from London were not enough to protect British commercial interests in Malaya. Thus, the author argued, a British retreat would lead not to liberation or democracy (of which in any case he deemed the colonised people of Malaya incapable), but Communism, and ultimately Malaya falling under China’s influence.⁵⁴

Ashplant did not attempt to conceal the audience for whom his article was intended. He cynically addressed his “large-hearted American friends”, whom he thought too critical of British imperialism.⁵⁵ Interestingly, in this article, the perpetrators were not “bandits” but “Communist Terrorists

50 For more theoretical context, see *Thomas-Olalde/Velho*, Othring.

51 *N.N.*, Notes of the Week, in: *The India Rubber Journal* 122/1 (1952), p. 9.

52 *Ashplant*, Whither Malaya, in: *The India Rubber Journal* 118/20 (1950), pp. 3–7, 3.

53 *Stockwell*, Decolonization, 188.

54 *Ashplant*, Whither Malaya, in: *The India Rubber Journal* 118/20 (1950), 3–7, 7.

55 The United States in general, and the Truman administration specifically, were crucial audiences for the British at that time. British decision-makers were keen to safeguard American support to guarantee the stability in Southeast Asia and were

[sic] [which] are made of 99 per cent Chinese, Marxist-trained trouble makers".⁵⁶ The change of terminology was not accidental. Indeed, Philip Deery has shown that the switch from "bandits" to "communists" became the official policy in Britain two years later. In 1952, the Ministry of Defence published a memorandum underscoring that public documents would no longer refer to the enemies in Malaya as "bandits" but as "communist terrorists" instead.⁵⁷

Directing the securitisation move at American readers altered the framework again. Commercial interests and the need to maintain imperial stability were not sufficient reason to convince public opinion in the United States to accept Britain's colonial war in Malaya. In the context of the heating-up of the Cold War—Ashplant's opinion piece was, after all, published mere weeks before the Korean War broke out—a potential British withdrawal from Malaya was depicted as threatening the international order, as it would mean the advance of Communism in Southeast Asia.

The securitisation moves of private actors in British Malaya thus changed over time and according to audience. Initially, European planters and their allies depicted the growing aggression against employers as a security issue for the whole colony and demanded extraordinary political measures to protect their businesses (and their lives). After the 1948 declaration of a state of emergency, the Malayan insurgents were delegitimised and infantilised by categorising the uprising as "banditry" and underlining the alleged inferiority of the colonised people compared to Europeans. Finally, international industry magazines like the *India Rubber Journal* published articles in which the conflict was depicted as a Cold War fight against international Communism, as a way of securing the international tolerance of Britain's campaign and rule in the colony. It is safe to assume, however, that the private actors in British Malaya were less concerned about geopolitics in general and more about the protection of European ownership of property in Malaya.

attentive to public criticism of the campaign from the United States; see *Deery*, Terminology, 243–244.

56 *Ashplant*, Whither Malaya, in: *The India Rubber Journal* 118/20 (1950), pp. 3–7, 7.

57 *Deery*, Terminology, 245–246; see also footnote 65.

European Economic Cooperation: The Only Alternative!

Decolonisation was not the only transitional context in which private actors from the rubber industry resorted to securitisation moves. After the Second World War, the future of Germany was no longer in the hands of the Germans. Germany had lost substantial amounts of territory, and private actors feared for the future of German industry and its access to larger markets. The rubber industry, which had played a crucial role in the war effort of Nazi Germany, was especially concerned. In this context, private actors used securitisation to depict their preferred international policies as the only acceptable ones.

Rubber and the German War Effort

The German rubber industry had played a central role in Germany's attempt to build a racially hierarchical and Fascist empire on the European continent. Hitler himself had underscored the enormous relevance of continuous access to rubber in the armament efforts of the "Third Reich". In a secret memorandum on Germany's Four-Year Plan, the dictator explicitly cited the need for German mass production of synthetic rubber and simultaneously promised that the German state would obtain the product from German private companies at cost-covering prices.⁵⁸ This was by no means self-evident. After all, synthetic rubber was still far more expensive than natural rubber in the 1920s and 1930s, despite great technological advances in the field.⁵⁹ Only after the Nazi regime promised state contracts and pressured the German chemical cartel *I.G. Farben* to start mass production of synthetic rubber, did the German industry begin to build large-scale capacities for rubber production.⁶⁰

In the following years, Nazi Germany became one of the leading producers of synthetic rubber.⁶¹ The rubber-producing industry was not the only branch that profited from the economic policies of the Nazi regime. The largest German rubber processing company, *Continental*, was quick to welcome the regime change. In Paul Erker's words, *Continental* became

58 See *Streb*, *Technologiepolitik*, 98–99.

59 See *Soentgen*, *Synthesekautschuk*, 48–49.

60 See *Soentgen*, *Synthesekautschuk*, 50.

61 (*IRSG*), *Statistics*, 29, Table 10.

an “NS model company”, playing a crucial role in the German armament effort and attempting to restructure the European rubber market during the Second World War.⁶² In close collaboration with the Reich Economic Ministry (*Reichswirtschaftsministerium*), managers in the German rubber industry met with their Italian and French counterparts to discuss a European rubber and tyre market under German leadership.⁶³ Similarly, smaller companies, like the German family company *Freudenberg* that had diversified into the processing of synthetic rubber only in the 1930s, became suppliers to the German arms industry.⁶⁴ All in all, the German rubber industry played a central and supportive role in the German war effort during the Second World War.

After the war, however, the German rubber industry was in a precarious situation. The senior management of some companies in particular stood under the scrutiny of the Allies. Among them was Richard Freudenberg, who was initially appointed interim regional manager but was arrested by the Allies just weeks later.⁶⁵ He was not released for a further two years, when he was cleared of all charges (surprisingly, according to current knowledge).⁶⁶ The Allies initially agreed that Germany’s economic potential had to be tamed. Actors from the German rubber industry perceived this situation as threatening and tried to securitise the transition period.

Securitising the Transition

The Second World War ended with the unconditional surrender of the *Wehrmacht* and the occupation of Germany at the beginning of May 1945. Only weeks later, the victorious Allied powers of the United States, Britain and the Soviet Union met to discuss the fate of Germany and Europe. At the end of the conference that lasted several weeks, the Allies agreed to dismantle German cartels, decentralise Germany’s economy and “eliminate

62 See *Erker*, *Zulieferer*.

63 See *Erker*, *Zulieferer*, 610–613.

64 See *Scholtyssek*, *Familienunternehmen*, 261–271.

65 *Scholtyssek*, *Freudenberg*, 216.

66 See *Scholtyssek*, *Familienunternehmen*, 417.

Germany's war potential".⁶⁷ Germany lost substantial former territories and was divided into occupation zones administered by the Allies.⁶⁸

The occupation had immediate effects on the German rubber industry. With regard to the chemical industry, it meant a temporary end to synthetic rubber production. Given the importance of rubber to the German war effort, the Allies not only prohibited its production but also planned to dismantle production facilities in Germany completely.⁶⁹ However, different approaches to rubber production quickly became apparent in the occupation zones. While rubber production was strictly prohibited in the zones administered by the US and the British, and played no noticeable role in the French zone, rubber production in the Soviet occupation zone was, after initial plans to dismantle it, supported from 1946 onwards.⁷⁰

For the rubber processing industry, the picture was somewhat different. Frequently, rubber products proved so crucial that even the occupying forces had to rely on it. *Freudenberg's* sealing division, for example, even though the company was classified by the Allies as an armaments manufacturer, was able to resume production already in the autumn of 1945, not least because the American army was among its first customers after the war.⁷¹ Still, it was not all sunshine for the German rubber industry. Rubber imports were scarce, and the industry complained about bureaucratic barriers to exports.⁷² Moreover, the Allied powers stipulated maximum quotas of products that the industry was allowed to manufacture, although these quotas were adjusted and increased in 1948.⁷³ The adjustment was unsurprising given the influence of the *Arbeitsgemeinschaft der deutschen Kautschukindustrie in der britischen Zone* ("Working Group of the German Rubber Industry in the British Zone", AdK), led by two leading managers of Germany's second largest rubber company, *Phoenix*, Otto A. Friedrich

67 Protocol of the Proceedings of the Berlin Conference, Office of the Historian. URL: <<https://history.state.gov/historicaldocuments/frus1945Berlinv02/d1383>> (accessed March 23, 2025).

68 See *Hilger*, Demontage, 198.

69 See *Streb*, Technologiepolitik, 152.

70 *N.N.*, Die Gummi-Industrie im Wiederaufbau, in: *Kautschuk und Gummi* 1.1 (1948), pp. 5–9, 7.

71 See *Scholtzseck*, Familienunternehmen, 426.

72 See, for example, *N.N.*, Gleichstellung im Exportgeschäft, in: *Kautschuk und Gummi* 2.5 (1949), pp. 138–139.

73 *N.N.*, Die Gummi-Industrie im Wiederaufbau, in: *Kautschuk und Gummi* 1.1 (1948), pp. 5–9, 7.

and Albert Schaefer.⁷⁴ Thus, the German rubber industry experienced, unsurprisingly, challenges after the Second World War.

The solution to the problems of the transition would be found in a gamble on European Economic Cooperation. In 1948, the beginning of negotiations about a European Recovery Program, financed by the United States, seemed to offer a way out for German industry. After all, the Marshall Plan counted on Germany's industrial potential for the reconstruction of the continent. The German magazine *Kautschuk und Gummi* was relieved to report on a growing international consensus that Europe's recovery would only succeed if all its "economic possibilities were used to reach this goal"⁷⁵ – including German industry, which thus needed to be spared further dismantling. According to the magazine, the decision was a "victory for reason".⁷⁶ At this point, closer European economic cooperation was still only a vague political ideal, although it was already inspiring various projects and giving rise to international organisations—sometimes with competing competencies.⁷⁷

Consequently, the German rubber industry attempted a balancing act, vehemently supporting still vague notions of European cooperation all while trying to push their own understanding of it. In some instances, actors from the German rubber industry resorted to securitisation measures to reach this goal. Richard Freudenberg, for example, once he had been released from prison, decided to run as a member of the Bundestag in the first elections after the war. In his campaign, he underscored the need for European economic cooperation, using a securitisation move that portrayed his demands as the only viable way forward. In 1949, he was convinced that Germany was in urgent need to be led out of its "confinement and lack of freedom".⁷⁸ He vigorously maintained that European cooperation was the only way out of the situation, as other alternatives had been tried and had failed before: "Not an extended national but a European space will bring us the necessary development opportunities and pave the way for peaceful and reassuring times".⁷⁹ He unequivocally pointed out that this was not

74 See *Erker*, Wettbewerb, 522.

75 *N.N.*, Demontagestop oder Demontage der deutschen Wirtschaft, in: *Kautschuk und Gummi* 1.11 (1948), pp. 293–294, 293.

76 *Ibid.*

77 See *Patel*, Project, for example, 17.

78 "An die Wahlberechtigten des Landkreises Mannheim-Land", July 1949, Stadtarchiv Weinheim (SA Weinheim) Rep. 56/15.2.1.

79 *Ibid.*

an ordinary political choice. Instead, according to Freudenberg, it was a question of life and death: a choice for European cooperation was not only about “preserving our European culture, but about the very preservation of all our lives”.⁸⁰ With this securitization move, he portrayed his demands as the only viable way forward.

The AdK agreed with Richard Freudenberg in principle. In a statement published in *Kautschuk und Gummi*, however, it also pointed to Germany’s alleged difficult starting conditions, stemming from war damage, industrial dismantlement, and the loss of its patents.⁸¹ Despite these difficulties that, according to the lobby group, put the German rubber industry at a disadvantage compared to neighbouring states, the AdK saw no alternative to European economic cooperation. The association argued that it was indeed the only solution to Europe’s economic misery after the war, as the alternative would surely mean “Europe’s Bolshevization”.⁸² It does not seem far-fetched to assume that the AdK really supported European cooperation because it would put an end to Allied plans to marginalise the German economy. In the same article, the author expressed the rubber industry’s hope for international concessions as “an impoverishment of the German economy [...] would necessarily impact the recovery of other European countries”.⁸³

In both examples, a representative from the German rubber industry used securitisation strategies to depict European economic cooperation as a *security repertoire* which represented the only viable policy alternative. The AdK constructed Bolshevism as the alternative to European economic liberalisation, while Freudenberg depicted the Nazis’ aggressive and ultimately failed attempt to establish a vast national empire as the negative correlate to the positive of European cooperation. Given such alternatives, the failure to support European economic liberalisation could by implication only mean poverty and death. The security heuristics in these cases were anecdotal references to systems of injustice but nonetheless based on collective experience. After all, the border between the Soviet Socialist system and the Western idea of capitalism now literally divided Germany in half, while

80 Ibid.

81 Heinz Fritz, Die Öffnung der Märkte, in: *Kautschuk und Gummi* 2/10 (1949), pp. 295–297, 295.

82 Heinz Fritz, Die Öffnung der Märkte, in: *Kautschuk und Gummi* 2/10 (1949), pp. 295–297, 296.

83 Ibid.

German citizens in 1949 were all too conscious of the consequences of Germany's expansionist past. In this instance, the representatives constructed a threat that would only materialise in a possible future scenario. The extraordinary policy action that was demanded from the decision-makers was thus not a reaction to the status quo but a choice of a policy instead of an alternative. Of course, the actors had specific ideas on how to implement European economic cooperation. Richard Freudenberg went on to become a member of the Bundestag and the Bundestag committee for foreign trade, positions that enabled him to discuss his ideas with the German chancellor and the German economic minister.⁸⁴ The AdK published a list of demands with its endorsement of European rapprochement.⁸⁵

American FDIs and Securitisation among Competitors

Fast forward twenty years, and the economic integration of Western Europe had indeed contributed to a reinvigoration of its economies. Of course, the high growth levels had benefited rubber companies. However, the economic success also attracted investments from overseas and increased competitive pressure on European markets.⁸⁶

European Rubber Companies and American FDIs

In 1967, the French journalist and intellectual Jean-Jacques Servan-Schreiber published his book *Le Défi Américain* and caused a stir. It became an immediate best-seller in France and was later published and read all over Europe.⁸⁷ In the first part of his book, Servan-Schreiber attempted to interpret the sharp increase of American investments in the European Common Market and called the situation an "assault on Europe".⁸⁸ He was not alone in his assessment. Already two years earlier, the West German current affairs magazine *Der Spiegel* had published an article in which the

84 See, for example, Richard Freudenberg to Konrad Adenauer, 22.02.1951; Richard Freudenberg to Ludwig Erhard, 01.12.1950, SA Weinheim Rep. 56/15.2.4.

85 Heinz Fritz, Die Öffnung der Märkte, in: Kautschuk und Gummi 2/10 (1949), pp. 295–297, 297.

86 Schaufelbuehl, Investments, 882.

87 See the foreword by Arthur Schlesinger Jr. in the English version published by Avon Books in 1969, *Servan-Schreiber*, Challenge.

88 See *Servan-Schreiber*, Challenge, Part I.

American investments were compared to the invasion of Europe by the American troops during the Second World War:

*During the Second World War, Henry Kaiser contributed with his liberty ships [...] and his Jeeps to the military invasion of Europe. Today, he is a pioneer of a second invasion, an American economic conquest of Europe by American investments that trigger alarm in the capitals of the EEC member states.*⁸⁹

The high levels of economic growth in Europe and especially in the European Economic Community (EEC) were indeed attracting American businesses. Between 1955 and 1970, foreign direct investments (FDIs) by the US in the EEC increased by 460 percent (compared to a 180 percent increase in all FDIs).⁹⁰ Generally, American companies expected that the foundation of the EEC would lead to a decrease in American exports to Europe.⁹¹ On the other hand, private actors hoped that economic growth in the EEC would generally increase the standard of living and the demand for consumer goods, thus providing an excellent investment opportunity.⁹² As Janick Marina Schaufelbuehl underscores, American investments were directly triggered by efforts towards European economic rapprochement.⁹³ The larger trend of increasing investments also impacted the European rubber industry.

Even though rubber is a material used for a wide array of products, nearly 50 percent of all rubber is used for tyre production.⁹⁴ In the early twentieth century, driven by the demand from the automobile industry after the war, tyre companies grew quickly. In several industrialised nations, the national tyre markets experienced trends of concentration, ultimately leading to an international oligopolistic competition dominated by the leading American rubber companies.⁹⁵ International foreign investments by large American rubber companies were thus not an entirely new phenomenon in Europe in the late 1950s and 1960s, although in the 1920s

89 N.N., »WIR KAUFEN DIE GANZE DEUTSCHE INDUSTRIE«, in: DER SPIEGEL (05.10.1965); translation by the author.

90 Schaufelbuehl, Investments, 882–884.

91 See Schaufelbuehl, Investments, 883–884.

92 See Schaufelbuehl, Advantage, 667–668.

93 Schaufelbuehl, Investments, 883.

94 See Barlow/Jayasuriya/Tan, Rubber, 216.

95 See Erker, Wettbewerb, 379–389.

and 1930s, all the large American rubber companies had withdrawn from Europe to some extent, sensing an increasing risk of war.⁹⁶

The withdrawal was, however, only temporary. In the early 1960s, the German newspaper *Frankfurter Allgemeine Zeitung* (FAZ) reported reverently on the “great American dynamic” of foreign investments made by US rubber companies.⁹⁷ The large American rubber companies expanded their activities in Europe considerably during this period. The American *Goodyear* company acquired a smaller German tyre company in the 1960s, and its competitor *Goodrich* also established production facilities in Germany.⁹⁸ In France, *Firestone* and *Goodyear* invested in factories in the late 1950s,⁹⁹ and *Firestone* and *Goodrich* built production facilities in Italy.¹⁰⁰

Securitising American Investments

The issue European rubber companies faced with American competitors on their home markets was the size advantage. A study by the European Commission on the Concentration and Competition in the automobile industries stated accurately that there “are no small or medium-sized tiremakers [sic]”.¹⁰¹ But there were still significant differences between companies. The German rubber company *Veith*, for example, was a relatively small tyre-maker, albeit with a turnover of over 100 million DM in 1962.¹⁰² In 1963, the formerly independent company decided to sell a majority stake to the Italian rubber company *Pirelli*.

To the shareholders, the managing director, Gert Silber-Bonz, justified the decision with reference to a whole string of potential dangers: the threat to an independent company in a quasi-oligopolistic market structure, the rising costs of the necessary investments to keep up with the competition, and the international competition to supply the increasingly international

96 See *Erker*, Wettbewerb, 464.

97 *Wiborg*, Klaus: Europas Reifenindustrie ließ sich nicht überrollen, in: *Frankfurter Allgemeine Zeitung* (FAZ) (21.10.1963), p. 23.

98 *Erker*, Wettbewerb, 533, 578.

99 *Dumond*, Modernisation, 98.

100 *Montenegro*, Pirelli, 195.

101 *Marfels*, Concentration, 200.

102 *Lingnau* (Li.), Gerold: Veith beginnt zusammen mit Pirelli eine neue Entwicklungsphase, in: *Frankfurter Allgemeine Zeitung* (FAZ) (22.08.1963).

German automobile companies.¹⁰³ Silber-Bonz thereby constructed the future of the company as a security issue. Had *Veith* decided against the sale to *Pirelli*, claimed Silber-Bonz, this situation would have been even worse, as if *Pirelli* had bought another German company as part of their commitment to entering the German market *Veith* would have ended up with an even more powerful competitor.¹⁰⁴ By referring to the many economic and financial dangers for relatively small companies inherent in the internationalizing tyre market, *Veith's* managing director portrayed the decision to sell the majority stake to a European competitor as a decision to safeguard the company's, and more importantly, the shareholders' interests.

Interestingly, the media followed a similar rhetorical strategy. In the *FAZ* newspaper article cited above, the takeover of *Veith* by *Pirelli* was depicted as a victory against the American competition. Since *Veith* had collaborated with the American tyre company *Goodrich* before the deal with *Pirelli*, the takeover by a European company was a sign of "stiff resistance" from Europe. The threatening impression of a "dollar avalanche that would overrun the European tyre industry"¹⁰⁵ was averted. Instead, the European rubber industry had signalled to its global competitors that "the potent competition from overseas [was] definitely not always on the winning track."¹⁰⁶

In both cases, although directed at different audiences, the language of securitisation attempted to depict an alternative to an already chosen path—a *fait accompli*—as dangerous. To its shareholders, *Veith's* managing director underscored that the global development of the oligopolistic tyre market would have endangered *Veith* as an independent company. The economic editor of one of Germany's largest newspapers constructed a powerful image of the strength of American rubber companies as an avalanche. This threatening American avalanche had been stopped, so the narrative, by the European takeover of the German company. Interestingly, the state did not provide the security in this situation. Rather, the looming threat of a (hostile) American takeover was averted by the extraordinary measure of selling an independent business to a European partner.

Even European flagship companies like *Pirelli* (Italy), *Continental* (Germany), *Michelin* (France) and *Dunlop* (UK), contemplated extraordinary

103 Silber-Bonz, Gert: VEITH morgen, in: profile. 1 (1964), 1, pp. 37–40, 37–38.

104 Silber-Bonz, Gert: VEITH morgen, in: profile. 1 (1964), 1, pp. 37–40, 38.

105 Wiborg, Klaus: Europas Reifenindustrie ließ sich nicht überrollen, in: Frankfurter Allgemeine Zeitung (FAZ) (21.10.1963), p. 23.

106 Ibid.

measures as a reaction to the growing American competition in Europe. In 1963, the chairmen of *Dunlop* and *Pirelli*, Sir Reay Geddes and Leopoldo Pirelli, met in Paris. In the protocol prepared for the Italian company, the first agenda point was simply titled “Americani” (Americans). The directors of both companies were concerned about the commercial decisions of American companies, most notably in France, where *Michelin* was being forced to offer extra discounts to automobile manufacturers.¹⁰⁷ Both men perceived the behaviour of the American companies in Europe as hostile. Linguistically, this was expressed by calling the strategic decisions of their American competitors *fighting acts* (“*azione di lotta*”), placing them in the semantic field of war and conflict.¹⁰⁸

The businessmen did not just talk. Members of the boards of directors of all four European companies agreed to coordinate their commercial strategy in response to the growing American competition. In 1966, a technical directors’ meeting took place in Zurich, at which the European rubber companies in the cartel agreed to adopt the price suggested by the respective market leader in every European country, which would have effectively forced other competitors to follow suit.¹⁰⁹ These secret agreements were possible since the four European companies, according to their own estimates, controlled around 60 percent of the Western European market, whereas majority American companies had a market share of 19 percent and companies with an American minority holding another 8.5 percent.¹¹⁰ However, these decisions were only the lowest common denominator on which all four companies agreed. *Pirelli*, *Dunlop*, and *Continental* were interested in even more extensive cooperation, such as collaborating on a technological level to counter the size advantage of the American competition. Much to their dismay, *Michelin* decided against any technological cooperation with its European competitors, not least because it felt it was way ahead of them.¹¹¹

Michelin’s withdrawal from closer cooperation did not hinder *Continental*, *Pirelli* and *Dunlop* from advancing their plans. In fact, the chairmen of the companies began to talk in more detail about a plan to form what

107 Dunlop – Incontro a Parigi, 10.12.1963, Fondazione Pirelli (FP), Presidenza Leopoldo Pirelli (LP), D1-Dunlop (1959–1968).

108 Ibid.

109 Incontro con Dunlop, Michelin e Continental a Zurigo, 29.11.1966, FP, LP, G/II-1 Continental.

110 Ibid.

111 Personal, 29.04.1965, FP, LP, D1/Contatti Ing. Leopoldo / Mr. Geddes 1959–1968.

they called, in more military language, a “European front”¹¹² against the Americans. Again, the businessmen chose wording from the semantic field of war. Ultimately, *Continental*, *Dunlop* and *Pirelli* came to an unusually far-reaching secret collaboration agreement.¹¹³ After the negotiations were complete, the actors again used securitisation to justify the extraordinary measure of collaborating with competitors. Leopoldo Pirelli even suggested that their agreement was the only way to survive:

*Looking into the future, the prosperity and survival of Europe itself can only be secured if collaboration amongst the Countries of our Continent continues to grow across all fields. This is true in politics and in culture, but it is particularly true in the economical [sic] field, where we need to place our work at the same level—and possibly at a better level—of efficiency compared with competitors from other continents.*¹¹⁴

In his letter to Georg von Opel, Leopoldo Pirelli depicted the cooperation agreement as a crucial step in a bigger rescue mission for the European continent. For the benefit of his business partner (his securitisation *audience*), he constructed the greater efficiency of American companies as a threat to the survival of the European continent (the securitisation *heuristics*). The cooperation agreement (the securitisation *repertoire*) would increase the competitiveness of the European companies. In this rhetoric, the European companies only stood a chance against the American rubber giants if they acted collectively. Thus, the economically risky decision to enter into technological cooperation with European competitors was constructed as providing security against the threat of a strong American market position. Although American competition was undoubtedly strong, Leopoldo Pirelli was engaging in securitisation in constructing it as potentially “fatal”. The European tyre companies were not alone in pushing this narrative when they talked about the strategies of their American competitors. On the contrary, books like *Le Défi Américain* or the quoted *Spiegel* article had already established the narrative of American investments as a threat.

112 Incontro Reay Geddes/ Leopoldo Pirelli a Milano, 20.10.1966, FP, LP, D.

113 See, CDP. Accordo ufficiale, 01.01.1968, FP, LP, GII/-1.

114 Letter of Leopoldo Pirelli to Georg von Opel, 06.12.1967, LP, FP, G/II-1.

Concluding Thoughts

This chapter has analysed three *security situations* in which the securitising actors had close connections to the European rubber industry. Interestingly, in all three situations, private actors constructed a threat as the alternative to a policy or choice they preferred. In such a narrative, the demanded policy, or strategic decision, was rhetorically depicted as the only way to ensure a more secure outcome. The example of the rubber industry shows how private actors engaged in *securitising moves* to influence international politics and global competition. While in some cases, the audience of these moves were state actors who were called upon to take extraordinary measures, in other cases companies addressed their competitors or shareholders, depicting the market context as dangerous.

During the emergency in Malaya, rubber producers framed violent attacks on rubber estates and their managing staff as a security issue for the colony at large. However, they were not only seeking government protection from the insurgents' attacks. They also wanted political continuity and thus framed not only the Communist insurgency as a threat but also the idea of an independent colony. In a first step, and primarily directed at the colonial government in British Malaya, the media close to the plantation industry promoted a narrative of an increasing lawlessness and criminality that was likely to endanger the colony's future prosperity, and demanded rigorous government action. This language was later officially adopted by state institutions as it attempted to avoid the impression that, in calling in the army to defeat the criminals, Britain was fighting a bigger independence movement. On the other hand, to ensure the continued support from the international community, the conflict was later framed as a Cold War conflict and the British military campaign as a fight against Communist terrorists. The example shows that private actors not only constructed a given situation as a security issue in order to support demands for an intervention, but that it was also crucial to categorise the situation as a certain *kind* of insecurity.

In the second situation, the German rubber industry was confronted with the Allies' plans to dismantle the German industry immediately after the Second World War. Soon, companies grasped that European economic cooperation could offer security, as virtually all plans for regional economic cooperation factored in the German industry. Thus, private actors like the business association AdK and the spokesman of a rubber processing company, Richard Freudenberg, adopted securitisation tactics, depicting any

policy alternative as fatally dangerous by portraying it as either leading to “Bolshevism” or associating it with the ultimately failed Nazi expansionist project.

Finally, we have seen how private companies made use of securitisation to justify business decisions. While it is not unusual for companies to navigate risk, this chapter shows that tyre companies securitised American investments in Europe. By portraying the competitive pressure from the United States as a security issue, *Veith's* managing director was able to justify the board's decision to sell the formerly independent German company to *Pirelli* through invoking the potential dangers that this decision had avoided. Only a few years later, Leopoldo Pirelli depicted the decision to engage in an unusually wide-reaching cooperation agreement with some of *Pirelli's* largest and most powerful European competitors as a step towards safeguarding the European continent from the American competition.

In all the above situations, European cooperation or a supposed European identity played a crucial role in developing repertoires to guard against threats. During the Malayan emergency, a constructed collective European, politically enlightened identity served to demarcate the Europeans from the people they had colonised, who, in a process of *othering*, were rhetorically denied the political maturity necessary to self-govern. This constructed European identity formed part of the *security heuristics*. In Germany after the Second World War, and among European rubber companies in the 1960s and 1970s, European Economic Cooperation was presented in terms of a *security repertoire*. The alignment of a national economic policy with Germany's European neighbours after a devastating war, and the decision to embark on a large-scale technological collaboration with large competitors, certainly qualify as extraordinary measures. By framing alternative solutions as existential dangers and threats, private actors legitimised strategic business decisions among themselves and formulated political demands to national decision-makers. The chapter has shown that historically, companies—not just state actors—have participated in securitisation. Moreover, it reveals that securitisation theory can be instructive for understanding extraordinary business decisions when private actors make use of securitisation moves without reference to the state as the provider of security. Lastly, it demonstrates how private actors in the second half of the twentieth century engaged in processes of Europeanisation, using ideas of a European identity and European cooperation as a lifeline in danger.

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Navigating Transition: The contractualisation of British economic relations to Cameroon amid independence

Dolly Afoumba

Studies on decolonisation have usually portrayed the relationship between the colonisers and the colonies, the fight for independence and the challenges surrounding the complex interplay between sovereignty and colonial continuity. Few have focussed on a decolonisation process that involves two colonial powers fighting to maintain or manage economic dependency in a shared territory. In such a context, the relationship between the two colonial powers determines whether their respective economic agents are risk of losing everything, or alternatively, whether they enjoy guarantees that coordinated actions will secure their market interest and minimise the losses. Meanwhile, the process is even more complicated for the colonised territory, whose leaders and inhabitants have to deal with external forces, the persistence of colonial structures and the agency of local elites. This constellation makes the outcome of decolonisation unpredictable and uncertain.

Decolonisation often involves dismantling colonial economic structures and establishing new systems. This process frequently generates instability and uncertainty, as nations face the challenge of building self-sufficient economies while remaining entangled in persistent dynamics of dependency. As Grégoire Mallard and Jérôme Sguard note, “intermediary periods are marked by protracted political conflicts, epistemic opacity in law, and thus economic disorganisation”.¹ In this context, the task of reflecting on how best to mitigate the risks of a failed or incomplete transition does not fall solely on the territory moving toward independence. Former colonial powers are equally concerned, as their economic interests extend well beyond political domination. These interests take shape through independent actions through public or private firms, expatriate state officials and direct market connections, most of which operate within preferential frameworks (such as reduced tariffs or customs exemptions). Moreover, the colonial context is not limited to the colony-metropole dyad; it also

1 *Mallard/Jérôme*, Knowledge.

involves third-party actors. These include foreign economic agents or other colonial powers pursuing their own interests in the territory. This was particularly the case with the United Kingdom in Cameroon, caught between the dual constraints of ending its colonial policy while safeguarding specific economic interests, in a context defined both by the local demand for national sovereignty and by France's political and economic dominance in the region.

Interesting in this context is therefore the question of how the United Kingdom managed the systemic transition process in Cameroon. This chapter pays particular attention to the British government's responses to the concerns of four key economic agents. First, the Cameroon Development Corporation (hereinafter, the Candev), established in 1947 by the British colonial government as a replacement for the West African Plantation Victoria (WAPV) and the African Fruit Company (AFC), which were both German-owned companies operating in British Cameroon. The Candev was created "to acquire, develop and operate extensive plantations of tropical crops such as rubber, bananas and oil palms".² Second, the Colonial Development Corporation (hereafter, the CDC); this was a public corporation established alongside the Commonwealth Development Corporation by the British Labour government after the Second World War under the Overseas Resources Development Act of 1948.³ Its purpose was to investigate, formulate and carry out projects for developing resources in colonial territories, with the aim of expanding the production of foodstuffs, raw materials and other agricultural, industrial or trade developments.⁴ The Candev became the property of the Commonwealth Development Corporation and was placed under the authority of the CDC, responsible for organising trade in British Cameroons and facilitating the expansion of cash crop production. Third, Elders and Fyffes, a firm acquired by the American multinational corporation, the United Fruit Company (UFC), in 1913. It was established in Europe as a robust import, handling and distribution system, with facilities including depots, ripening rooms and specialised transport methods. The company was renowned for its effective marketing campaigns, such as the slogans "*Bananas, the all-food fruit*" and "*Remember, they must be ripe*", as well as its branding efforts, such as the

2 *Cameroon Development Corporation*, Report, 6.

3 *Wicker*, Development, 214.

4 *Wicker*, Development, 214.

“Fyffes” logo on bananas.⁵ Elders and Fyffes played a significant role in the European banana trade, particularly in the UK and Germany. During and after the Second World War, the firm held the key to exporting the main crops from British Cameroon, particularly bananas, to England. Between January and June 1940, they shipped approximately 4.5 million bunches of bananas before exports were halted in November due to the war, and after the war the company continued to operate in Cameroon.⁶ Fourth, the British expatriate staff in the Cameroon.

To assess the British response to the expectations of these economic actors in the post-plebiscite period, I examine the British Empire’s efforts to manage transition in Cameroon between 1961 and 1963. More specifically, I analyse the methods employed by British administrative actors to maintain economic ties with the country, the legal mechanisms through which the United Kingdom sought to regulate its postcolonial presence, and the role played by Cameroonian actors in this process—one that I describe, following Mallard and Sguard, as *contractualisation*. These authors introduce the concept of *contractual knowledge*, which they define as a composite form of legal and paralegal expertise encompassing the negotiation, renegotiation, and enforcement of obligations arising from contracts.⁷

Methodologically, the chapter explores the efforts of the UK to mitigate uncertainty in terms of risk and security. Knight (1921) distinguished between measurable risk, which can be calculated and managed, and unmeasurable uncertainty, which arises from unique situations where probabilities cannot be objectively determined. He argues that uncertainty alters economic structures, necessitating decision-making based on opinions rather than perfect knowledge. In colonial states moving into independence, risk and uncertainty are both specific to the transitional process: uncertainty because of the abrupt and often emotional character of the end of colonisation, and risk because the change unfolds in an environment of unstable and contested authority and evolving autonomy, which renders the actions of the main actors (the politicians, the economic agents and the population) unpredictable or difficult to anticipate. Moreover, in the context of power struggles, transitions are often shaped, and sometimes imposed by the colonial state that continues to control the political administration of the dominated territory. This makes it difficult for both the newly indepen-

5 Wilke, Banane, 41.

6 Wilke, Banane, 289.

7 Mallard/Sguard, Knowledge, 27–29.

dent country, in this case Cameroon, and for external actors (foreign firms) to anticipate and monitor what they are likely to gain from the process.

While Amin emphasises that the outcomes of decolonisation can appear predictable insofar as a newly independent state becomes incorporated into the global capitalist system, the Cameroonian case reveals important nuances. The structural position of former colonies may indeed tend toward clarity, yet the pathways through which this position is established are not necessarily certain. In Cameroon, the presence of competing French interests meant that Britain's postcolonial role was far from predetermined. The outcome for the UK was therefore uncertain, compelling the British Empire to actively manage the transition in order to preserve its economic foothold.

Mallard and Sguard consider that the transition from British imperial governance to multilateral legal systems in former colonies mirrors the shifts in power dynamics during decolonisation.⁸ These shifts often involve uncertainty as newly independent nations seek to assert their sovereignty while integrating into a global system dominated by former colonial power. In Cameroon, the United Kingdom strove to legitimise its presence in the dominated territory post-independence, and the British administration thus sought to contractualise its economic relations with Cameroon through trade agreements to ensure that its interests were protected, establishing a new legal framework which Mallard and Sguard call *contractual knowledge*. Contractual knowledge combines formalistic law and practical law and involves the standardisation of legal provisions and interpretive rules, which reduces uncertainty by creating predictable frameworks from market exchange. In the case of Cameroon, the British government put a variety of measures in place to establish clarity, namely negotiated trade agreements and *pour-parlers* to mitigate losses amidst currency changeover.

Cameroon – A Transimperial Territory

Cameroon was a hosting territory of transimperialism, i.e. a territory that had to navigate colonial rule between three European empires. Thus, looking at the process of decolonisation in Cameroon requires us to go beyond nationalised narratives and focus on the entangled processes of imperial

⁸ Mallard/Sguard, Knowledge, 30.

competition, cooperation and connectivity.⁹ At the end of German domination in 1916, the country was made subject to new regulations by the League of Nations and placed under the mandates of France and Great Britain in 1919, with 20 percent of the territory on the western side under British rule,¹⁰ and the remaining 80 percent under the French system of assimilation.¹¹ The same partition remained when the United Nations was established in 1945 and the mandate became a trusteeship with the same prerogatives and requirements for the responsible territories (France and the UK). These requirements foresaw the submission of an annual report on the activities promoting development in the respective French and British territories, in order to enable the international organisation to determine whether the population could administer its territory autonomously.

The name of the country changed several times depending on the colonial power in control and the form of government. German Cameroon was named Kamerun. The mandates were officially referred to as “Cameroons under British Mandate” and “Cameroon under French mandate” respectively. The British part consisted of Northern Cameroons in the north and Southern Cameroons in the south. It was a mandated territory until the UN trusteeship in 1945, when the country retained the naming British Cameroon including Northern and Southern Cameroon. During the talks for independence only the appellation Southern Cameroon and or British Cameroon remained. The French part was called French Cameroon before and after the trusteeship.¹² Once the reunification of the British and French parts was complete, British Cameroon, consisting solely of Southern Cameroon, retained the names Southern Cameroon, Anglophone Cameroon, English Cameroon or West Cameroon. The French-speaking part retained the above-mentioned names, to which was added the Republic of Cameroon.

9 *Hedinger/Heé, History.*

10 *Dupraz, Legacies.*

11 *Lekane/Asuelime, Country.*

12 The form of government also led to changes in the names of the parts of the country. Cameroon became the Federal Republic of Cameroon after reunification, but the names of the federated states remained unchanged. On the one hand, there was East Cameroon or French-speaking Cameroon or even francophone Cameroon, and sometimes the Republic of Cameroon (for those in the English-speaking part who still did not identify with the union of the two Cameroons), and on the other, West Cameroon or English-speaking Cameroon or even Anglophone Cameroon.

France and Great Britain each administered their side of the country separately. The French assimilation policy allocated collaborative Cameroonians the status of so-called *évolués*, meaning those who respected French standards and were integrated into the colonial administration alongside French officials.¹³ The British part of Cameroon was governed as an extension of Nigeria, with Northern Cameroons integrated into Northern Nigeria and Southern Cameroons administered as part of Eastern Nigeria. British indirect rule assigned traditional chiefs or collaborative elites the responsibility of managing the local administration on behalf of the colonisers, alongside colonial agents.¹⁴ In British Cameroon, integrated into Nigeria, this system relied on the Nigerian socio-political structure. The French and British colonial rule in Cameroon remained unchanged after the UN trusteeship.

In British Cameroon, local unrest was caused by the economic domination of Nigerian elites and German merchants, as Germany had retained some assets and lands on the British side after 1916. Germany also controlled trade in specific areas, since it retained “heavy investments in the plantations, which covered over 360 square miles, together with railways and rolling stock, light planes, dwellings and factories”.¹⁵ The connection to Nigeria, which was under British colonial rule, meant that Nigerian chiefs and ethnic groups had a certain amount of agency in regard to Cameroonians, a situation which caused distress especially in the southern area of British Cameroon that was connected to Eastern Nigeria. Konings notes that the British administration of Southern Cameroon as a portion of the Nigerian territory led to flagrant neglect, and the strong economic dominance of Igbo and Efik-Ibibio migrants.¹⁶ This caused a gradual rise in the number of Cameroonian nationalist and autonomist activists calling for self-government.¹⁷ Shortly before the outbreak of the Second World War, Nigeria’s economic forces in Southern Cameroon left the territory to take pre-emptive action ahead of the war. They abandoned and closed their businesses, causing further frustrations and economic disorientation.¹⁸

13 *Lekane/Asuelime*, Country, 140.

14 *Dupraz*, Legacies, 654.

15 *Ndi*, War, 207.

16 *Konings*, Struggle, 289–325, 291.

17 *Konings*, Struggle, 289–325, 291.

18 *Ndi*, War.

Before the Second World War, the two parts of the country were subject to different economic regimes. British Cameroon, with its connection to Nigeria, fell under the regulations of the British West African market and the sterling area system, with Nigerian sterling used as legal tender in the territory. The sterling area emerged from the pre-war Sterling Block as a more formal and regulated system, designed to consolidate the British Empire's financial resources and mitigate the strain of war debts on the United Kingdom.¹⁹ Its core function was to strengthen intra-imperial trade and the international position of sterling by establishing it as the dominant reserve and transaction currency for member states, whose own currencies were pegged to it. The French part of the territory, connected to French Equatorial Africa, evolved under the economic and market regulations of the French colonies. Throughout the war, the Free French under De Gaulle and the British coordinated their actions to secure their finances and connect their markets, for example through Anglo-French monetary cooperation, and Cameroon was at the centre of their coordinated activities when Germany occupied France during the Second World War. However, by the end of the war, the implementation of economic reforms by the Free French government in French colonies, including Cameroon, marked a significant shift in the region's monetary system, centralising all the economic management of French colonies into De Gaulle's hand, with the subsequent marginalisation of British interests. At the same time, Cameroonians' claims for independence were given little or no attention in these post-war economic reforms. The creation of the *Caisse Centrale de la France Libre* (Central Treasury of Free France, CCFL) and its transformation into the *Caisse Centrale de la France d'Outremer* (Central Treasury of Overseas French Territories, CCFOM) centralised economic control under Free French administration. The introduction of the "CFA franc" further consolidated French dominance, imposing more challenges to British economic activities especially in the context of claims for a systemic transition. The plebiscite of 1961, resulting in Southern Cameroon's decision to join the Republic of Cameroon,²⁰ marked a crucial turning point. At that moment,

19 Stockwell, End, 25.

20 John Ngu Foncha became Prime Minister of the Southern Cameroons. When French Cameroon gained its independence on 1 January 1960, Southern Cameroonians were asked to decide on their fate. The United Nation organised a plebiscite on 11 February 1961, where they voted to join the Republic of Cameroon rather than Nigeria. The plebiscite resulted in a victory for the KNDP (Kamerun National Democratic Party), which won 70.5 percent of the vote. See *Takougang*, Nationalism.

Great Britain had no other choice than to manage an economic transition in Cameroon which would respect both the needs of Cameroonians for autonomy and the demands of its economic institutions as well as British citizens working locally. This was all the more important as the Nigerian sterling they used lost its status as legal means of exchange in southern Cameroon in favour of the CFA franc controlled by France.

In terms of economic challenges, this meant that the United Kingdom would have to respond to potential losses in trade and monetary exchange. Regarding trade, the transition involved the end of the trusteeship trade preferences, which meant the possible introduction of tariff barriers on key Cameroonian exports to Britain, such as bananas, copper and cocoa. In terms of monetary challenges, expatriate staff, British firms and other commercial agents could face financial losses resulting from the demonetisation of the Nigerian shilling and the introduction of the French CFA franc, which granted specific advantages to French trade in Cameroon, often at the expense of other foreign currencies and external trading interests.

Securitisation in the Transition Period: The Trade Agreement to Circumvent Uncertainty during the Systemic Transition in Southern Cameroon from 1961 to 1962

If one considers the debate on economic dependency, one could argue that the decolonisation process does not necessarily involve uncertainty, since it does not fundamentally alter the economic dependency of former colonies. Samir Amin argues that the capitalist system inherently perpetuates inequality, assigning the periphery the role only of exporter or resource provider. In this respect, the outcome of decolonisation is clear for the colonised territories unless there is a complete break from the global capitalist system.²¹ Moreover, the colonial powers can, as Porter (2016) and Patriquim (2021) put it, easily adapt to possible changes or challenges, and maintain economic control through indirect means.²² This adaptability creates a scenario in which economic actors in newly independent states must contend with the lingering influence of former colonial powers, making it difficult for them to predict the long-term outcomes of decolonisation.

21 Amin, *Revolution*; Amin, *Accumulation*.

22 Porter, *Empire*; Patriquim, *Meiksins*.

Yet even if the capitalist system offers a clear margin of action for the protection of the economic interests of the colonisers, as Amin suggests, the uncertainty factor remains high for both the colonisers and the colonised when the former is weakened by the actions of another colonial power. Highlighting the role of monetary system in maintaining colonial ties, Ndongo Sylla and Fanny Pigeau argue with Joseph Pouémi that, without monetary sovereignty, economic actors in the process of transition face significant constraints, as their economies remain tied to the interests of the former coloniser.²³ This creates uncertainty for local businesses and policy-makers, who must navigate a system designed to benefit external actors. The same constraints also apply to the economic agents acting on behalf of the colonial power who are not able to impose the terms of transition in the context of transimperialism. Achille Mbembe notes the influence of other transnational actors in the context of globalisation: in his view, the transnationalisation of economies often leads to competition for the infrastructure left by the colonial state, which can result in internal conflict and economic instability. For economic actors, this creates an unpredictable environment where the rules of engagement are constantly shifting.²⁴

Cameroon under British trusteeship was governed by a decentralised system of indirect rule, but British citizens were appointed in the administrative bodies to manage the colony and its economy. As soon as the results of the 1961 plebiscite were announced—in which the Northern Cameroons voted to join Nigeria and the Southern Cameroons opted to join the Cameroon Republic—a meeting was convened in the United Kingdom to assess the implication of this transition. Held at the Colonial Office in London on 2 March 1961, the meeting brought together representatives from key departments, including the Colonial Office, the Treasury, the Board of Trade, the Foreign Office, the Commonwealth Relations Office and Customs and Excise. The discussion focussed on the political, economic and trade ramifications of Southern Cameroon's integration into the Republic of Cameroon, particularly the future of UK imperial trade preferences and the economic position of the United Kingdom in Cameroon, assessing the best way to avoid economic distress after reunification. It addressed critical issues such as the continuation of preferences for Southern Cameroons exports (notably bananas), the challenges of certifying the origin of goods, and the broader economic impact of the transition. Additionally, the actors

23 *Sylla/Pigeau*, Currency; *Pouémi*, Monnaie.

24 *Mbembe*, Decolonisation.

questioned the role of France in potentially extending trade preferences to the Southern Cameroons and benefiting from discriminatory trade policies against other external powers, including the UK.

The Colonial Office was concerned about a possible economic crisis that could arise in Cameroon in case of an abrupt cessation of their relationship to the territory after reunification, warning that “if the economy of the southern Cameroon was undermined it would have to be supported by other means or collapse. (...) The UK could not wash her hands of the southern Cameroons after 40 years of trusteeship leaving it to face an economic crisis”.²⁵ As a colonised territory, Southern Cameroon was managed by foreign administrative staff, foreign firms and budgetary assistance. It is therefore obvious that the transition also implied assistance, at least for a determined period of time, to mitigate socio-political and economic distress. Yet, more was at stake for the UK than its humanitarian and moral duty, as maintaining preferential terms in relation to certain Cameroonian products would protect the companies that managed exports and benefited from imports.

This is made clear by the type of players who were present at this meeting. The Colonial Office played a central role in managing the transition, including drafting policies and coordinating with other departments. The Treasury focused on the financial implication of the transition and the potential economic burden on the UK. The Board of Trade was concerned with trade preferences and the impact on UK exports and imports; the Foreign Office addressed international relations and the role of the United Nation in overseeing the transition. The expatriate staff and commercial entities, represented by companies like Elders and Fyffes, were involved in managing exports, particularly bananas, and ensuring trade continuity.

These British representatives were tasked with ensuring that parallel to the necessity of a progressive shift in southern Cameroon from colonial administration to nation state, economic losses for British firms and expatriate staff in the territory would be mitigated. They were also responsible for monitoring French influence and taking action to manage economic constraints caused by French financial laws in Cameroon. On tariff and

25 National Archives Kew. FO371/154791. Colonial Office. Reference. EGD 397/430/01. 9 March 1961. Cameroon Preference. Confidential. Draft. Minutes of a meeting held in the Colonial Office at 11 a. m. on the 2nd March to discuss “the Future of Tariff Preferences in Cameroon Products”. 1. General Consideration. Mr. Emanuel (Colonial Office).

currency arrangements, the Colonial Office (CO) proposed a separate customs administration between both Cameroons as long as the common custom area of the federation was still a project. Before the unification, one official from the CO, Mr Vernon, recalled that both territories were subject to the same trusteeship regulations. This meant that their tariffs were non-discriminatory. Hence “there was no question of UK having enjoyed preferences in the Southern Cameroons which it would now lose”,²⁶ he said. Moreover, the Board of Trade raised concerns that French monetary laws in the Cameroon Republic could undermine British trade. Because of currency restrictions in French overseas countries and territories, trading in Cameroon with British sterling could be restricted, as the French franc was the only international currency in circulation in Cameroon that was convertible with the CFA franc. The Board of Trade feared that the UK would be discriminated against by the issue of the French colonial francs. Yet it would be possible to circumvent these restrictions by calling in Article VIII of the International Monetary Fund agreement on free trade, or later under the provisions of the General Agreement for Tariff and Trade (GATT) once the GATT was ratified.

Concerning prices, import and export control, the Candev was still under British management through the British Colonial Development Corporation. The Colonial Office reminded the meeting that the institution with the B. W. I. (British West Indies) continued to ensure that a British company, Elders and Fyffes, responsible for managing the trade in Southern Cameroonian main crops “would be making no more than a reasonable profit—especially concerning products like bananas from which the Commonwealth enjoyed virtually the full value of the preference i.e. £7.10s per ton”.²⁷ Southern Cameroon’s main export crop was traded in the UK market more than in France due to the advantages provided by the preferential tariff. Concern was raised about the lack of alternatives in case British lost its control of Cameroonian bananas. “France imported 345 thousand tons of bananas in 1958 and all except 0.3 thousand tons came from her

26 National Archives Kew. FO371/154791. Colonial Office. EGD 397/430/01. 9 March 1961. Cameroon Preference. Confidential. Draft. Minutes of a meeting held in the Colonial Office at 11 a. m. on the 2nd March to discuss “the Future of Tariff Preferences in Cameroon Products”. 5. Tariff and Currency Arrangements. Mr. Vernon.

27 National Archives Kew. FO371/154791. Colonial Office, 9 March 1961. Cameroon Preference. Confidential. Draft. Minutes of a meeting held in the Colonial Office at 11 a. m. on the 2nd March to discuss “the Future of Tariff Preferences in Cameroon Products”. 6. Period Necessary for Integration. Mr. Vernon (Colonial Office).

own preferential sources. During the same period, the UK imported 310 thousand tons and took most of the Cameroons' production of 85 thousand tons,"²⁸ explained the CO. An end to the preferential tariff would lead to an increase in prices controlled not by the UK but by the Cameroonian government under French economic management. Moreover, "if Cameroon knew that in a limited time, they would lose the preference they would look for other markets".²⁹

The focus on bananas was not without good reasons, as Southern Cameroon's economy relied on the production and the export of this specific crop,³⁰ and the UK was the main beneficiary. Other products like cocoa, timber, rubber and palm oil were also important for Cameroonian international trade but the withdrawal of preferential tariffs on these goods does not seem to have been a concern during the meeting. However, the bigger issue for the British Government was not which country would trade in Cameroonian bananas after unification but how to ensure that Elders and Fyffes secured their assets, given that bananas were the main concern for the British trade interest in Cameroon. In fact, "more than £2,000,000 worth of bananas were exported from that 66,000-square-mile area every year"³¹—as published by the British newspaper, the *Daily Express*, in January 1954—and the UK was the main beneficiary. The Colonial Office pointed out that the whole of the Cameroons exports was handled by Elders and Fyffes, which still then was the only company authorised to deliver certificates of origin for the goods under preference.³² The Department of Customs and Excise suggested revising the certification to allow for more supervision, ensuring that only goods from Southern Cameroon, a member of the Commonwealth, would benefit from tariff preferences.³³ Thus, it was

28 Ibid.

29 National Archives Kew. FO371/154791. Colonial Office, 9 March 1961. Cameroon Preference. Confidential. Draft. Minutes of a meeting held in the Colonial Office at 11 a. m. on the 2nd March to discuss "the Future of Tariff Preferences in Cameroon Products". 6. Period Necessary for Integration. Mr. Emanuel (Colonial Office).

30 National Archives Kew, CO 554/912. Financial Implications of Establishing Southern Cameroon as a Separated Region.

31 *Daily Express*, 22 January 1954. The New State. Banana-Land Votes for Independence. By Kenneth Macaulay.

32 National Archives Kew. Ref. FO371/154791. Colonial Office, 9th March 1961. Cameroon Preference. Confidential. Draft. Minutes of a meeting held in the Colonial Office at 11 a. m. on the 2nd March to discuss "the Future of Tariff Preferences in Cameroon Products". 7. Trade position. Mr. Morris (Colonial Office).

33 National Archives Kew. FO371/154791. With the Compliment of Mr. Foulkes,

necessary for the company to keep control over the main crop and continue to decide at what price bananas would be sold and exported.

As important as bananas were, in retrospect it seems clear that the economy of Cameroon could have benefited from a diversification of production and the monitoring of prices and tariffs by the local government. But the aim was not to encourage a rapid industrialisation of the country. As the head of Customs and Excise suggested, preferences had to be limited on specific items to avoid, in his terms, pumping the land with money and causing rapid industrialisation.³⁴ He argued that newly independent territories received money from various sources and there was the possibility of rapid industrialisation. Industrialisation might seem too remote to be considered in the short term envisaged for the continuance of the preferential tariff but bearing in mind the rapid development in Hong Kong, he thought the preferences should be limited to items at present enjoying the preference such as bananas, cocoa etc.³⁵

The discussion closed with a consensual position in favour of legislation facilitating further trade relations with southern Cameroon. What remained was to organise the context and the conditions in which the legal framework had to shift from proposal to implementation. British officials had to ensure that the maintenance of the trade preference with southern Cameroon and the introduction of parallel legislation would not conflict with unification. It was important to communicate the scheme to France and to the leaders of the Republic of Cameroon to ensure their agreement before proceeding with any official decision. Moreover, it was agreed that the scheme “should make it clear that the continuance of the preference was recommended for a definite period and on the understanding that there would be no discrimination by the Southern Cameroons against United Kingdom goods in favour of French goods”.³⁶ It was also important for the British Customs and Excise to ensure that the legislation provided for

Customs and Excise. 20 March 1961. To Miss D. M. Amber from the Colonial Office.

34 National Archives Kew, FO371/154791. Colonial Office, 9 March 1961. Cameroon Preference. Confidential. Draft. Minutes of a meeting held in the Colonial Office at 11 a. m. on the 2nd March to discuss “the Future of Tariff Preferences in Cameroon Products”. 11. Limitation of Preferential Items.

35 Ibid.

36 National Archives Kew. Ref. FO371/154791. Colonial Office, 9th March 1961. Cameroon Preference. Confidential. Draft. Minutes of a meeting held in the Colonial Office at 11 a. m. on the 2nd March to discuss “the Future of Tariff Preferences in Cameroon Products”. 12. Overlapping of Preferences.

certificates of origin for goods from Southern Cameroon, since “under a federal set up, if [an] expatriate staff remains, that would be of small help but it would be extremely difficult to police a border between two steadily integrating economies”.³⁷ The Customs and Excise department had assessed ways and means of addressing these risks but could not guarantee to the Board of Trade that they would be able to provide confirmation that goods exported from Southern Cameroon were grown, produced or manufactured there. However, according to the Colonial Office, any potential fraud would not have a huge impact on the agreement since the preference margin on many of the commodities produced in Cameroon was hardly big enough to encourage the production of fraudulent certificates on a large scale; in the case of bananas, the shipments were mainly in the hands of Elders and Fyffes and came through their head office in Tiko. Mismanagement by the company would be against its own interests.³⁸

The integration into the new Republic of Cameroon was about to change the trade dynamic and the British administration wanted to be part of this new relationship. The UK addressed the issue of the trade preference with relative openness in relation to the risks for both Southern Cameroon and the United Kingdom. The memorandum by the Secretary of State for Foreign Affairs and the Colonies expressed it well:

*Something like half of the Southern Cameroons exports are in the form of bananas and the sole market, for which their production has been expanded in recent years, is the United Kingdom. They enjoy a preference of £7 per ton and if this were removed without replacement the price to the grower would drop by about 25 % and the return would be below the cost of production for most producers. The rest of the Southern Cameroons exports for the most part enjoy preference in the UK i.e. on cocoa, timber, palm oil and sheet rubber. There are substantial commercial U.K. interests involved in this trade. A considerable investment in the Cameroon Development Corporation (the main exporter of bananas) is held by the Colonial Development Corporation.*³⁹

37 National Archives Kew. Ref. FO371/154791. With the Compliments of Mr. Foulkes, Customs and Excise. 20 March 1961. To Miss D. M. Amber from the Colonial Office.

38 National Archives Kew. Ref. FO371/154791. Confidential. Commonwealth Preference for British Cameroons. Mr. Goldsmith to Mr. Foulkes. 5 June 1960.

39 National Archives Kew, FO371/154791. Confidential. C(61). Cabinet, the Cameroons under UK Trusteeship and Imperial Preference, 1961. Imperial Preference. Memorandum by the Secretaries of State for Foreign Affairs and the Colonies.

Representatives of British ministries suggested that a trade agreement in the form of an exchange of letters should be concluded with the Federal Republic of Cameroon. They proposed a limited period of one year after official reunification on 1 October 1961. Further negotiations with the federal administrative bodies both in Southern Cameroon and in the French-speaking part, and with the Candev and Elders and Fyffes, extended the continuation of the preference up to 1963. The name “Imperial Preference” was changed to “Commonwealth Preference.”

As soon as the total separation of Southern Cameroon from Nigeria was enacted after the plebiscite, arrangements on currency were needed to separate Southern Cameroon from the sterling area.

The British Colonial Administration and the Currency Changeover in Cameroon

If the contractualisation of British trade with Cameroon was an important component of the decolonisation process to mitigate uncertainty, currency changeover was also a major obstacle. The decision to continue the preference in specific products, including bananas, cocoa, rubber, timber and palm oil was already implemented in June 1961 but the discussion did not really consider the major challenge of currency changeover in Southern Cameroon.

Despite the legal framework to continue trading with Southern Cameroon, uncertainty and risk remained, due to the upcoming demonetisation of Nigerian sterling in the territory in favour of the French CFA. On 22 June 1961, the Commonwealth Relations Office (CRO) warned its administration and the Foreign Office that after 1 October Nigerian sterling would no longer circulate in Southern Cameroon. The CRO argued, with the representatives of the Commissioner of Southern Cameroon, that if this issue was not taken seriously, there was a high risk that the territory would encounter serious security difficulties. Sir Hilton Poynton expressed concern over the population’s potential response to the abrupt monetary transition, noting that the demonetisation of Nigerian sterling could deprive citizens of the remaining value of their holdings in that currency.⁴⁰

40 National Archives Kew, FO 371/155357. UK Government’s concern about currency situation which will arise in S. Cameroons after Oct. 1 1961 Cameroon. With the Compliments of Sir Hilton Poynton 16 August 1961.

It was thus important to take preventative measures to avoid unrest. The British administration took this warning seriously and sent representatives to the city of Buea to discuss the matter with the head of both federal states. In Buea, President Ahidjo and the head of the Federal State of Southern Cameroon John Ngu Foncha agreed on 26 June 1961 that “on their behalf and on behalf of the Republican and Southern Cameroonian Governments the United Kingdom would take the matter up with the Nigerian authorities (...) to minimise the risk of trouble immediately across the frontier”.⁴¹ With this, they handed over the process of currency transition in Southern Cameroon to the British government. From the UK’s perspective, it was important to set a reasonable timeline between reunification and the demonetisation of the British colonial currency in Southern Cameroon. An abrupt demonetisation of Nigerian sterling could not only cause security issues but also huge economic losses for British workers and companies in Southern Cameroon. It was thus decided that Nigerian sterling in Southern Cameroon would remain in circulation for six months.⁴² The aim was to allow a period of adjustment before the currency changeover and to minimise losses following exchange restrictions with the CFA system.

The Federal Republic of Cameroon (hereafter FRC) under French currency control was already continuing the tariffs barrier and exchange control regulations.⁴³ These prompted the need for a reorganisation of British duties in Southern Cameroon in order to protect the savings of expatriate employees of the Colonial Development Corporation. This involved transferring assets from the fund allocated to the Candev into three new trust funds: the Cameroon fund, for staff domiciled in the Federal Republic of Cameroon, governed by West Cameroon law; the African fund for staff domiciled in Africa (outside Cameroon), governed by Nigerian federal law; and the overseas fund for staff outside Africa, governed by English law.⁴⁴ The trustees of the new Cameroon fund sought permission to make sterling

41 National Archives Kew, FO371/154791. Confidential. Commonwealth Relations Office. Downing Street, London, S.W.1. 26.6.1961. E.B. Boothby, Esq., CMG, Foreign Office.

42 National Archives Kew, FO 371/155357. UK Government’s concern about currency situation which will arise in S. Cameroons after Oct. 1 1961 Cameroon. With the Compliments of J. Chadwick.

43 National Archives Kew. FO 371/125653. British Consulate B.P. 4031, Buea. No. 29 (E) 312/6. 3 July 1957. “Journal Officiel de l’Etat sous Tutelle du Cameroon”.

44 National Archives Kew. FO 371/155357. UK Government’s concern about currency situation which will arise in S. Cameroons after Oct 1. 1961. Cameroon. Colonial Development Corporation. 33 Hill Street, London W 1, 900 EC 700. The Chief

remittances from sale proceeds of sterling securities held in the fund after the imposition of exchange control. Their request was supported by the fact that the Cameroon authorities had shown a cooperative attitude and had indicated their willingness to allow the trustees to continue holding sterling securities after exchange control was imposed. If the UK authorities did not grant permission for sterling remittances, the trustees of the Cameroon fund would sell sterling securities before the imposition of exchange control, resulting in significant financial losses and early departure of their funds to the sterling area.

The question of how to handle local claims in Southern Cameroon amid France's ongoing influence was also a topic of discussion in the UK. On 30 November 1961, the Foreign Office hosted a meeting on this issue, attended by officials from the Colonial Office and the Treasury.⁴⁵ For the Colonial Office and the Treasury, it was important to respond constructively to local demands, as this could enhance British credibility and reputation. However, another Treasury representative saw no advantage in providing positive responses to local claims. After the reunification with French Cameroon, southern Cameroon had become West Cameroon. Very soon, West Cameroon asked for the conversion of the British pre-independence exchequer loan into a grant and claimed the unspent balances of approved Colonial Development and Welfare (CD&W) schemes. The Colonial Office and the Treasury advocated for these claims at the meeting, arguing that the UK should give West Cameroon all the funds it believed were due. Failure to do so, they warned, could have political repercussions, as the population might feel betrayed—particularly at a time when France was earning goodwill through its financial support.⁴⁶ The objection was made that under the Colonial Development and Welfare Act, money was not available for independent countries. Further financial aid to West Cameroon was not accepted, although the UK's direct competitor, France, was assisting the Federal Republic of Cameroon at a rate of £19 million a year.⁴⁷ Here also the accepted solution was that further moves in favour of an assistance or an economic relation to Cameroon would be contractualised. Hence, to ensure a better legal management of the transition, the Federal Republic

Cashier, Bank of England, Threadneedle Street, London, E.C.2. For the Attention of Dr. A.H. Chadwick.

45 National Archives Kew. FO 371/155357. Cf. Confidential. West Cameroon. Meeting held at Foreign Office. 30 November 1961.

46 *Ibid.*

47 *Ibid.*

of Cameroon was included among the member countries of the Commonwealth Preference.

For the UK, the Commonwealth Preference was the first step in maintaining an advantage in Southern Cameroon. But it was set to last only few years, since Southern Cameroon was no longer an independent entity. The British thus hoped to sign an economic cooperation agreement with the Federal Republic of Cameroon to mitigate uncertainty amidst French domination. It was thus not surprising that after two years of preference with only Southern Cameroon, the UK ended the preference in order to negotiate better terms with the Federal Republic of Cameroon. The Commonwealth Preference was set to end on 23 September 1963 and forecasts showed that this would particularly affect the banana exports that could fall under the imposition of £7.10s per ton, making them unsellable in the UK.⁴⁸ This set off alarm bells in the Cameroonian federal government, which sought to negotiate a one-year transition period during which Southern Cameroon would continue to benefit from this preferential agreement. However, for London, only one option was acceptable: the signing of a new preferential agreement with the Federal Republic of Cameroon. In terms of securitisation, this approach may be interpreted as aligning with the need to mitigate risks linked to uncertainty.

A meeting with the goal of a new preferential agreement was held at Admiralty House in London on 8 May 1963 between the Cameroonian delegation represented by President Ahidjo, Mr Martin Epie (Ambassador of Cameroon in London), Mr Emmanuel Egbe Tabi (Deputy Minister of Justice) and Mr Zachée Mongo Soo (Chargé de Mission at the Presidency), and the British delegation represented by the Prime Minister Harold Macmillan Sir Roger Stevens, Mr E. R. Warner (HM Ambassador to Yaoundé) and Mr G. E. Millard.⁴⁹ They agreed to sign a trade agreement

48 National Archives Kew. OD 20/125. FAMA. Technical Assistance to Federal Cameroon General Policy. 1961, FO, Cameroon Relations with the UK. CF. 22/01, 1964–66. Finance, Technical Assistance to W. Cameroon. General Policy. Restricted. With the compliment of the Under-Secretary of State for Foreign Affairs. Department of Technical Co-operation. 17.07.1963. No. 20 (1011/63) British Embassy, Yaoundé. July 4, 1963.

49 National Archives Kew. OD 20/125. FAMA. Technical Assistance to Federal Cameroon General Policy. 1961, FO, Cameroon Relations with the UK. CF. 22/01, 1964–66. Finance, Technical assistance to W. Cameroon. General Policy. Confidential. With the compliment of the Under-Secretary of State for Foreign Affairs. Mr Allen Foreign Office, 1963. Confidential. Record of Talks between the Prime Minister

with the Federal Republic of Cameroon instead of continuing the preferential treatment of only West Cameroon under Commonwealth agreements, since Cameroon was much more under French influence.⁵⁰ Thus, an *Agreement on Commercial and Economic Co-operation between the Government of the United Kingdom of Great Britain and Northern Ireland in one side and the Government of Cameroon on the other side with additional Protocol and Exchange of Letters* was signed in London on 29 July 1963.⁵¹

These provisions set the legal for fostering economic cooperation and trade between the United Kingdom and the Federal Republic of Cameroon in the near future.

Conclusion

In Cameroon, Great Britain was compelled to address the immediate needs of its market in order to safeguard commercial relations during the transitional period. This was a predictable phase, as the calls for independence had already set the country on an irreversible course. Yet the outcome of the transition remained unpredictable in terms of France's continued influence in Cameroon. Between 1961 and 1963, Britain had no choice but to engage in managing a transition that would preserve its economic ties—first with Southern Cameroon, then with West Cameroon, and ultimately with the Federal Republic of Cameroon.

Despite France's pervasive presence in the country's economic and financial administration through the CFA system and the imposition of tariff barriers, Britain successfully established mechanisms to maintain and protect its economic interests in Cameroon. This transition represented a dual

and the President of the Federal Republic of Cameroon at Admiralty House at 10.30 am on Wednesday, May 8, 1963.

50 National Archives Kew. OD 20/125. FAMA. Technical Assistance to Federal Cameroon General Policy. 1961, FO, Cameroon Relations with the UK. CF. 22/01, 1964–66. Finance, Technical assistance to W. Cameroon. General Policy. Cf. With the compliment of the West and Central African Department. Mr Allen D. T. C. Brief G, Anglo-Cameroon Trade. Background.

51 The key obligations for each party as outlined in the document included: the expansion of trade (Art I); the quantitative restrictions on imports (Art II); the transparency in commercial information with statistics (Art III); free shipping in convertible currency (Art V). Securing measures were also provided, such as the arbitration in case of dispute (Art VI); insurance in industrial and commercial undertakings (Article VII); economic and commercial exhibitions (Art VIII); mixed monitoring commission (Art IX) as well as duty-free entry to specific products (Protocol).

strategic challenge. On the one hand, it was crucial for the United Kingdom that the transition should succeed, given its central role in the Southern Cameroon market and in overseeing administrative arrangements during the transition. On the other hand, a successful transition was equally vital for the administration of the Federal Republic of Cameroon, which had to ensure the resilience of its economy in the face of transitional challenges, international demands, and growing competition in global markets.

The contractualisation of economic relations between Cameroon and Great Britain thus unfolded within a framework of mutual resilience. Far from being a mere economic adjustment, this process illustrates the complexity of decolonisation in a context of transimperialism, as former colonial powers seek to preserve strategic interests while newly independent states worked to assert sovereignty and stability. The Cameroonian administration, in navigating these dynamics, played its part in preserving trade interests with the UK by calling for both a transitional phase to avoid immediate losses in trade following the end of preferential treatment and negotiating a new trade agreement with the United Kingdom, which for the UK had to include the whole national market. This experience offers valuable insights for the study of economic dependency in post-colonial state relations.

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Securitising Development: The “AG Entwicklungsländer” of the BDI 1960–1975 and how German Business Lobbying Transformed Investment Risks into Economic Security Policy

Marie Huber

In March 1963, Hans E.B. Kruse, a prominent Hamburg business leader with multiple institutional affiliations, wrote to State Secretary Walter Grund at the Federal Ministry of Finance warning of dire threats to German investments in developing countries. He cited “the anti-foreign-capital Brazilian legislation, the expropriation of electricity companies in the state of São Paulo, the seizure of private oil companies’ property in Ceylon,”¹ painting a scenario of what he claimed was pervasive risk that demanded immediate government action. Nine months later, Kruse and his colleagues

1 The work on this article was funded by the Deutsche Forschungsgemeinschaft (DFG, German Research Foundation) – Project No. 227068724.

Hans E.B. Kruse an Staatssekretär Walter Grund, BMF, 19. März 63, Historisches Archiv des Bundesverbands der Deutschen Industrie (BDI Archiv), A 1265. “The risk factor [in terms of direct investments in developing countries] has been highlighted again recently through various events, such as the anti-foreign-capital Brazilian legislation, the expropriation of electricity companies in the state of São Paolo, the seizure of property belonging to private oil companies in Ceylon, or the nationalisation of foreign banks in Burma. This speaks strongly against [investment], and even the law that protects capital investments has not been able to remove these barriers. And it is no less concerning that numerous German investments abroad have been far less profitable than was hoped, so that current assets have vanished thanks to inflation and new investments have been continually necessary in order simply to maintain the protection of vested rights.” (Der Risikofaktor [von Direktinvestitionen in Entwicklungsländern], dessen Bedeutung wiederum in jüngster Zeit durch verschiedene Vorkommnisse – wie die dem Auslandskapital feindliche brasilianische Gesetzgebung, die Enteignung von Elektrizitätsgesellschaften im Staate Sao Paulo, die Beschlagnahme des Eigentums privater Ölgesellschaften auf Ceylon oder die Nationalisierung ausländischer Banken in Burma – belegt wurde, stellt ein schwerwiegendes Gegengewicht dar. Auch das Kapitalschutzgesetz hat nicht vermocht, diese Hemmungen zu beseitigen. Nicht weniger abschreckend wirkt auch die Tatsache, daß zahlreiche deutsche Auslandsinvestitionen bei weitem nicht so rentabel gewesen sind, wie an sich dies wohl erhoffte, daß das Umlaufvermögen durch Inflation dahinschwand und ständig neue Investitionen erforderlich waren, um den Besitzstand zu wahren.) (All translations into English by author.)

had their victory: the Bundestag passed the Development Aid Tax Law (*Entwicklungshilfesteuergesetz*, EHStG), which provided unprecedented tax benefits for private investment in developing countries.

What followed was a striking paradox that would define German development policy for years to come. Despite extensive lobbying efforts and significant policy attention, German foreign direct investment (FDI) in developing countries actually shrank throughout the 1960s and 1970s, and was concentrated in very few firms. By 1971, a BHF Bank report noted that “about 60 companies undertake 3/4 of all investments in developing countries.”² These sixty firms, representing less than one percent of German businesses, had convinced the state that their private ventures deserved massive public support in the name of development.

The *Arbeitsgemeinschaft Entwicklungsländer* (Working Group on Developing Countries, AG EL) was set up in May 1961 at a critical juncture in West German economic history. By the early 1960s, export-led growth had transformed the Federal Republic into a global trading power, but this success generated new vulnerabilities. German capital goods manufacturers, especially producers of machinery, electrical equipment and industrial installations, were looking to expand their exports to developing countries, but were facing long-term financing requirements, payment uncertainties and political instabilities that created risks that German firms felt ill-equipped to bear alone. The AG EL was established to coordinate business lobbying on this emerging problem: how to sustain German export competitiveness in developing country markets where commercial considerations had become inseparable from Cold War geopolitics and development policy imperatives. The AG EL functioned as a collaborative platform bringing together the Federation of German Industries (BDI), the German Chamber of Industry and Commerce (DIHT), the Federal Association of German Banks and the Federal Association of German Wholesale and Foreign Trade along with its subsidiary export associations. This structure ensured that the group could speak with unanimous authority across manufacturing, banking and trading sectors. Its leadership drew from the upper echelons of German capitalism: board members from *De-gussa*, *Krupp*, *Daimler-Benz*, *AEG* and major banks who volunteered as rapporteurs for specific geographic regions and policy domains. Administrative coordination came from BDI staff, particularly the Integration and

2 Wirtschaftsdienst der BHF-Bank Nr. 813, Frankfurt, October 30, 1971, BDI Archiv A 1270.

Development Policy Division, which maintained systematic contact with relevant ministries—Economics, Finance, Economic Cooperation and the Foreign Office.

This chapter examines how German business associations, led by the Federation of German Industries' Working Group on Developing Countries (BDI *Arbeitsgemeinschaft Entwicklungsländer*, AG EL), orchestrated a transformation of development investment discourse in the 1960s and 1970s, recasting minimal economic activities in developing countries as critical security issues. Through this process, they were able to extract disproportionate policy concessions while maintaining minimal actual investment levels. Their success demonstrates how economic elites strategically appropriated development discourse to legitimise demands for state risk insurance and subsidies, exploiting the tension between humanitarian objectives and commercial interests that is inherent in development policy, and that characterised German development policy from its economically motivated origins in the 1950s through the following decades. This analysis contributes to a critical perspective on the history of German development aid efforts and politics, which have received much critical attention in recent years. Notable contributions to this literature include Hubertus Büschel's ethnographic analysis of German development workers and the profound contradictions between official policy narratives and ground-level realities; Corinna Unger's investigation of the high-stakes Rourkela steel plant debacle in India; and Jana Otto's entangled history of German-Ghanaian vocational training cooperation.³ This chapter extends this critical historiography by examining how domestic business interests shaped—and often hijacked—international development objectives through lobbying mechanisms that have remained largely unexplored.

By tracing how business lobbying transformed investment risks into security imperatives, this analysis proposes to extend securitisation studies—typically focused on military and diplomatic domains—into economic policy formation. The AG EL employed what I term “economic securitisation”: a mechanism of policy capture whereby private commercial risks are reframed as existential threats requiring state intervention. The concept builds on the Copenhagen School's securitisation framework, which analyses how issues may be constructed as security threats through speech acts

3 Büschel, Afrika; Unger, Stahlwerk; Otto, Fachkräfte.

that legitimise extraordinary measures.⁴ However, unlike traditional security domains where the construction of threats involves foreign adversaries or domestic terrorism, economic securitisation operates through a more subtle logic: portraying market failures and commercial disadvantages as systemic vulnerabilities that endanger national prosperity and geopolitical standing. The EHStG campaign exemplifies this process, showing how corporate lobbying employed Cold War anxieties, balance-of-payments concerns and development rhetoric to justify subsidising private investment that served narrow commercial interests.

The article unfolds in four parts. First, I establish a theoretical framework for understanding economic securitisation as a distinct form of policy influence, situating it within both securitisation theory and scholarship on business-state relations in postwar Germany. Second, I examine how German development policy emerged from post-war reconstruction dynamics, Cold War competition and the export boom of the 1950s and 1960s, establishing the institutional and ideological preconditions for the AG EL's lobbying success. The third section chronicles the 1963 EHStG negotiations as the key securitisation moment, using archival correspondence from the BDI archives to reveal the mechanisms and conditions that made economic securitisation possible. Finally, I trace the paradox of high levels of political attention combined with low levels of economic activity through quantitative analysis and case studies from the late 1960s and early 1970s, showing how security narratives persisted even as their contradictions became impossible to ignore. The conclusion notes the implications for both securitisation theory and contemporary development policy analysis, suggesting that the mechanisms identified here remain relevant for understanding how private interests shape ostensibly public-serving international economic policies.

The Architecture of Economic Securitisation

To understand how German business lobbying captured development policy, we need to grasp how security logic operates in economic domains. The Copenhagen School of security studies offers a crucial insight: issues become security threats not through objective conditions but through suc-

4 *Buzan/Wæver/de Wilde*, *Security*.

cessful acts of persuasion. According to the theory developed primarily by Barry Buzan, Ole Wæver and Jaap de Wilde, securitisation requires three key elements: someone must identify an existential threat to a referent object (1), create urgency requiring immediate action (2) and justify extraordinary measures that bypass normal political processes (3).⁵

This framework has proven particularly revealing for understanding how businesses navigate foreign markets. Economic securitisation typically operates at a lower threshold than in traditional security domains—threats do not need to be genuinely existential but must be framed as systematic vulnerabilities requiring state intervention beyond normal market mechanisms. This ‘securitisation-lite’ captures how business lobbying borrows security language and logic without necessarily convincing audiences that national survival is at stake. As historians have discovered, this approach offers new perspectives on why companies pursued specific strategies in foreign markets and demanded particular forms of state support. Johannes Voelz’s distinction between risk and security proves fundamental: “Whereas risk describes an active stance of seeking out uncertainty for the possible gains contained in it, security designates a constellation in which the perception of a malevolent threat creates the necessity to act.”⁶ This explains why German investors in the 1960s framed their concerns not merely as commercial risks to be managed, but as threats requiring immediate state intervention.

German enterprises, of course, had long practiced sophisticated risk management strategies, both individually and collectively. As Mark Casson and Teresa da Silva Lopes note, “Risk management can be implemented individually—by a single firm acting alone—or collectively—in conjunction with others” through partnerships, trade and business associations, or cartels.⁷ But the postwar period witnessed a transnational and national proliferation of business associations as “brokers of globalisation”⁸ managing the tensions between territorial nation-states and global capitalism. When German firms perceived threats that exceeded their individual capacity to manage, they turned to these collective arrangements to pressure states—“the first and primary, but not the only, addressee of security requests.”⁹ The

5 Buzan/Wæver/de Wilde, *Security*.

6 Voelz, *Chance*, 385–402, cited in: Jakob/Kleinöder, *Security*, 11.

7 Casson/da Silva Lopes, *Investment*, 379.

8 Eichenberger/Rollings/Schaufelbuehl, *Brokers*, 217.

9 Jakob/Kleinöder, *Security*, 9.

dynamic proved particularly pronounced in foreign investment contexts, where “most markets are perceived as high-risk not because any one source of risk is particularly high, but because there are many separate sources of risk.”¹⁰

The AG EL’s formation reflected a broader anxiety within German industry about export risk and international competitiveness. In January 1962, the BDI Foreign Trade Committee (*Außenhandelsausschuss*) articulated this concern with unusual clarity. Committee representative Schulz emphasised that German exporters faced fundamentally disadvantageous conditions compared to American and British competitors, whose governments provided comprehensive coverage of both commercial credit default (*del credere* risk) and political risks (expropriation, currency inconvertibility, war) through state-backed insurance mechanisms. German instruments remained far more limited. *Hermes Kreditversicherungs-AG*, the state-backed export credit guarantee agency, offered coverage that industry representatives deemed inadequate for the extended financing terms and political uncertainties characteristic of markets in developing countries. As Dr Boden of *AEG* told the Foreign Trade Committee in early 1963, the export industry confronted “increasing difficulties” from both rising domestic production costs and deteriorating conditions in foreign markets, particularly “the continuing financial weakness in developing countries” that demanded ever-longer financing terms “which industry alone cannot satisfy.”

This diagnosis shaped the AG EL’s core strategic insight: that German development policy could be leveraged to address export competitiveness problems. If the federal government wanted private enterprise to shoulder the burden of development assistance—as officials repeatedly stated in the early 1960s—then the state would need to assume a larger share of the risks that made engaging with developing countries commercially unattractive. The AG EL thus developed a two-pronged approach. First, it pressed for expanded *Hermes* guarantees to cover political risks. Second, it advocated for tax incentives—which were ultimately granted in the 1963 *Entwicklungshilfesteuergesetz*—to compensate for what it characterised as uninsurable economic risks inherent in developing country FDIs: infrastructure deficiencies, workforce training costs, equipment deterioration under tropical conditions, and market uncertainties.

10 Casson/*da Silva Lopes*, Investment, 397.

Critically, the AG EL framed these demands not as corporate subsidies but as necessary corrections to market failures and competitive distortions created by more aggressive state support in competitor nations. This framing strategy proved remarkably effective, even as internal correspondence revealed that many developing country FDIs were generating losses rather than profits. The risk discourse thus served a dual function: it described genuine commercial anxieties while simultaneously providing rhetorical cover for extracting state support. Understanding how this discourse evolved from technical trade policy discussions into a powerful securitisation narrative requires examining the 1963 EHStG negotiations in detail.

Yet a crucial irony pervades this story: the perspectives and experiences of developing countries themselves remained largely absent from German calculations, despite economic relations with the Global South being central to the security threats and risk assessments that drove German development investment policy. This absence reflected a broader pattern in international business practices of the era, where so called “Goodwill” missions to potential trading partners in Africa mainly served as a stage to perform the global reach of German companies while resulting in only negligible agreements and outcomes.¹¹

The pattern finds a parallel in the absence of these perspectives in past and contemporary business historical studies, where, as Austin, Dávila and Jones note, literature on “Asia, Africa, and Latin America has been incorporated into mainstream business historiographies” to only a limited extent, often remaining “marooned in its regional context.”¹² This resonates with Marten Boon, who observes that business history has struggled to engage meaningfully with “big issues such as the history of globalisation,” despite the discipline’s potential to illuminate the interconnected dynamics that shaped international economic relations.¹³

Indeed, recent scholarship has highlighted how profoundly Eurocentric, colonial and racialised assumptions pervade risk and security discourses. Jon Schubert’s ethnographic analysis of political risk forecasting demonstrates how “the language of risk” “codifies racialised white settler anxieties” and reproduces colonial hierarchies, even when presented as objective, technical analysis.¹⁴ Risk categories and forecasting practices, he argues,

11 Dörre, *Wirtschaftswunder*.

12 Austin/Dávila/Jones, *History*, 538–539.

13 Boon, *Enterprise*, 512.

14 Schubert, *Risk*, 582.

function as “technologies of imagination” that construct certain geographies as inherently dangerous while rendering others safe and investable.¹⁵ The German case exemplifies this pattern. Narratives that centred on Hamburg headquarters and Bonn policymaking failed to acknowledge the experience of those countries that were listed as “developing” in the *Entwicklungshilfesteuergesetz’s* annex. In fact, the correspondence within the AG EL barely mentions individual countries, let alone concrete counterparts and stakeholders. As David Schneidermann has argued, seemingly neutral legal and economic frameworks reproduced “a matrix of past practices” that echoed colonial forms of domination, creating “effects upon [their] principal target—vulnerable states and citizens of the Global South.”¹⁶

Quinn Slobodian argues that the emergence of formal country risk rankings in the 1970s marked a fundamental shift from a post-war “panoramic vision of a global procession of nation-states, each quantified in terms of relative prosperity, marching toward eventual convergence” to a new system where developing countries faced systematic surveillance and ranking according to their perceived creditworthiness.¹⁷ Yet, the debates on risk assessment, credit evaluation and government-backed risk insurance schemes in which the AG EL participated reveal that German business actors had practiced these hierarchical assessments—albeit with little to no empirical scrutiny and breadth—for decades. Slobodian’s characterisation, in the light of these records, somewhat misrepresents the nature of development investment discourse by presenting as novel what was actually the formalisation of long-existing business practices rooted in hierarchical assumptions about political reliability in developing countries.¹⁸

The German firms operating in developing countries in the 1960s consistently deployed risk hierarchies, over a decade before the formalisation of the latter identified by Slobodian. German companies had already developed elaborate organisational strategies—from BASF and Bayer’s complex “cloaking” structures to chemical firms’ systematic balancing of export and FDI strategies in Latin America based on political risk assessments— all revealing how corporate risk management practices systematically shaped bilateral economic relationships long before formal rankings

15 Schubert, Risk, 583.

16 Schneiderman, Investment, 5.

17 Slobodian, Maps, 2.

18 See also Dörre, Wirtschaftswunder.

emerged.¹⁹ The AG EL had a central role in transforming these existing practices into narratives about national economic security, thereby institutionalising pre-existing risk hierarchies within German development policy. This process ensured that the security concerns of industrialised countries systematically constrained the policy autonomy of developing countries while remaining largely untouched by conventional IPE analysis, demonstrating the need to unpack the “black box” of business influence on international economic governance.

The Stage: How German Development Policy Emerged from Export Dreams

The roots of German development policy reached back to post-war reconstruction and the Federal Republic’s reintegration into the international community. The strenuous post-war years had birthed a comprehensive export promotion apparatus that would persist for decades even after Germany achieved permanent trade surpluses from 1952 onwards. This institutional framework laid the foundation upon which development policy would rise, linking commercial interests to foreign policy objectives in ways that would prove impossible to untangle. As Germany returned to being a major exporting nation, this created new pressures and opportunities for international engagement that would fundamentally shape development policy formation. The success of German export promotion instruments became a template for the state’s support of private sector engagement in developing countries. Business associations soon began presenting foreign investment and development assistance as complementary strategies for maintaining export competitiveness and securing raw material supplies.²⁰

At the centre of the Federal Republic’s early export promotion system was a set of instruments designed to overcome the severe capital shortage of the immediate post-war years and to mobilise foreign-exchange earnings through export finance.²¹ A key pillar was the revival of the *Hermes* guarantees—originally created in the Weimar Republic—which allowed the federal government to assume part of the payment-default risk in return for

19 Jones/Lubinski, Risk, 85–119; Marx, Firms, 3. See also Marx’ chapter in this volume.

20 Dörre, Wirtschaftswunder, 182–183; Schmidt, Policy, 496–497.

21 Hesse, Exportweltmeister, 151.

insurance-like premium payments by exporters.²² The guarantees differentiated between political risks—such as government interventions or transfer restrictions—and commercial risks like the insolvency or unwillingness of foreign buyers, and required exporters to pay a fee and retain a share of any loss. Compensation was only paid after a waiting period so that delayed payments or political stabilisation could still avert a claim.²³ Because private insurance markets were costly and limited, *Hermes* coverage quickly became a precondition for export finance: loans from the state-owned *Kreditanstalt für Wiederaufbau* (KfW) or private banks were in the majority of cases granted only when a *Hermes* policy was in place. Without the latter, business was considered too risky to pre-finance and was often abandoned.²⁴

To channel scarce capital specifically to export activity, the *Wirtschaftsrat des Vereinigten Wirtschaftsgebietes*²⁵ in 1949 introduced a dedicated credit ceiling of 400 million DM at the KfW, which was refinanced through rediscount facilities of the *Bank deutscher Länder*.²⁶ In February 1950 the *Zentralbankrat*, the central decision-making body of the *Bank Deutscher Länder* (and later the *Deutsche Bundesbank*), despite monetary policy reservations, authorised the *Bank* to provide KfW with a rediscount commitment of up to 300 million DM for medium- and long-term federally guaranteed export credits.²⁷ These measures targeted transactions with the greatest foreign exchange benefit and helped overcome the weakened balance sheets of firms and commercial banks after the currency reform.

Rapidly growing demand soon outstripped the KfW facility. In response, 28 leading German banks created the *Ausfuhrkredit-Aktiengesellschaft* (AKA) in Frankfurt in 1952 as a specialised export-credit consortium. Its operations rested on two credit lines: a 270 million DM “Plafond A” funded by the member banks and a 600 million DM “Plafond B” transferred from the *Bank deutscher Länder*, which had previously been administered

22 Jakob, Insurance; *Breimhorst*, Exportsicherheit.

23 *Delhaes-Guenther*, Erfolgsfaktoren, 124–127.

24 *Bellers/Posche-Ludwig*, Außenwirtschaftspolitik, 118–120.

25 The *Wirtschaftsrat des Vereinigten Wirtschaftsgebietes* was the economic governing council of the Western Allied Bizon (1947–1949), acting as a proto-parliament responsible for economic legislation before the founding of the Federal Republic of Germany.

26 *Hesse*, Exportweltmeister, 151.

27 *Delhaes-Guenther*, Erfolgsfaktoren, 115–116.

by the *KfW*.²⁸ The *AKA*'s task was not profit-making but to identify and facilitate the most rational way to channel rediscount credits, offering loans at slightly lower interest rates and with more favourable rediscounting than ordinary commercial credits. Exporters could obtain financing even before production commenced, provided a *Hermes* guarantee was in place and a modest self-participation was accepted. The quantitative impact was striking. In its first year *AKA* credits financed exports worth 1.3 billion DM—around ten per cent of total German exports—and the facility consistently concluded several hundred contracts annually. *Hermes* itself initially processed over 30,000 applications per year, rising to 42,000 by 1966. By 1965 guarantees covered 6.7 billion DM of exports (nearly 13 per cent of total exports), and the overall federal guarantee volume expanded from 120 million DM in 1949 to 17 billion DM by 1966.²⁹

Yet even as these instruments delivered impressive results, the vulnerabilities of Germany's growing overseas engagement became starkly visible in the Brazilian market crisis of 1952. The so-called Brazil shock ("*Brasilien-Schock*")—a sudden imposition of payment restrictions by the Brazilian government—left German exporters with blocked receivables and triggered a wave of business complaints. For policymakers in Bonn, the episode underscored that systematic threats to German trade and investment abroad could no longer be treated as isolated commercial risks. Instead, the crisis encouraged a securitisation of foreign market exposure: extraordinary state support was justified not only to stabilise firms but also to protect national export interests. In this way, the "Brazil shock" established a precedent for the fusion of export promotion with broader foreign and development policy concerns that would deepen over the course of the 1950s.³⁰

The West German system, while effective in facilitating exports, in particular to establish trade relationships and business contacts with Socialist and/or developing countries, did not necessarily outperform foreign competitors. Comparative studies show that German medium- and long-term export credits remained relatively expensive, required higher exporter self-financing and offered shorter maturities than those in the UK or Belgium. Likewise, the *Hermes* risk catalogue was narrower than that of the British Export Credits Guarantee Department (ECGD), which covered additional contingencies such as market-development and warehousing

28 *Delhaes-Guenther*, *Erfolgsfaktoren*, 114–118.

29 *Hesse*, *Exportweltmeister*, 152.

30 *Breimhorst*, *Exportsicherheit*, 69–76.

risks.³¹ Despite these relative disadvantages, the combination of targeted credit ceilings, cooperative banking arrangements and federally backed risk insurance provided the institutional scaffolding for the Federal Republic's extraordinary export growth during the 1950s and early 1960s.

This apparatus served multiple functions beyond mere commercial support. Currency stability concerns shaped German approaches to international economic relations, as large trade surpluses created upward pressure on the Deutschmark, threatening export competitiveness and industrial employment. Policymakers desperately sought mechanisms to channel surplus capital abroad while maintaining export advantages, creating opportunities for business associations to pitch foreign investment as solutions to macroeconomic challenges. The systematic undervaluation of the D-Mark, which Federal Chancellor Konrad Adenauer defended with "teeth and claws",³² gave the German export industry an unequal competitive advantage that explained the remarkable export growth of the 1950s and 1960s.³³

Into this economic success story crashed the realities of Cold War competition, which shaped German development policy formation in ways that extended beyond simple East-West competition. The Federal Republic faced the particular challenge of preventing recognition of the German Democratic Republic (GDR) by states in developing countries, producing the Hallstein Doctrine.³⁴ The doctrine created strategic imperatives for German development assistance that were both defensive and proactive.

The US government expected burden-sharing from its NATO allies, while competition with the Soviet Union for influence in newly independent African and Asian countries intensified throughout the 1950s.³⁵ German officials recognised that inadequate development contributions could damage relationships with both the United States and recipient countries, limiting Germany's diplomatic influence and commercial opportunities. A striking example was India (discussed in greater depth in Christian Marx' chapter in this volume), where German companies had long sought a foothold and, after independence, actively aligned with nationalist priori-

31 *Delhaes-Guenther*, *Erfolgsfaktoren*, 123–124.

32 *Hesse*, *Exportweltmeister*, 153.

33 *Hesse*, *Exportweltmeister*, 153.

34 The Hallstein Doctrine (1955–1969) was West Germany's foreign policy principle stating that the Federal Republic of Germany would cut diplomatic ties with any country (except the USSR) that recognised East Germany (the GDR). Its goal was to assert West Germany as the sole legitimate German state during the Cold War.

35 *Fettich-Biernath*, *Präsenz*, 529.

ties. As Julian Faust has shown, firms such as Siemens and Bayer adopted “Indianisation” strategies—integrating Indian management and staff—while simultaneously benefiting from West German development assistance.³⁶ This linking of aid and business allowed German enterprises to reduce the disadvantage of their foreignness and position themselves as legitimate partners, contrasting themselves with former colonial powers in a way that echoes Christina Lubinski’s findings on how German firms leveraged nationalist sentiment to compete with British dominance in the Indian market.³⁷ Unlike Britain with its 40 former colonies or France with its 23, the Federal Republic could not concentrate exclusively on specific regions, but, in the words of the FRG’s first development minister Walter Scheel, found itself “forced to support practically all developing countries,”³⁸ working with 71 countries in development cooperation and 90 in technical assistance.³⁹ The German experience in India illustrates the broader pattern: development aid was not merely a diplomatic gesture but a practical tool that enhanced the credibility and reach of German firms abroad, making commercial presence and political influence mutually reinforcing. Scheel articulated the strategic logic with characteristic bluntness: “We can only expect support from developing countries on the question of reunification if we respond to their own most pressing interest—promoting their economic advancement—to the appropriate degree. Through understanding the concerns of developing countries, we must seek understanding for our own problems.”⁴⁰

Meanwhile, expert bodies, especially the *Außenhandelsbeirat* (an advisory body to the German federal government that provided guidance on matters of foreign trade) and the systematic expansion of trade promotion created an institutional ecosystem that increasingly overlapped with development policy objectives. German businesses began to see development assistance not merely as a form of state charity, but as a mechanism for market entry and long-term commercial relationship-building in regions previously dominated by former colonial powers.⁴¹

36 Faust, Spannungsfelder.

37 Lubinski, Nationalism.

38 Cited in Bohmet, Geschichte, 40.

39 Bohmet, Geschichte, 40.

40 Bohmet, Geschichte, 40 (translation by this author).

41 Hesse, Exportweltmeister, 178; Kleinschmidt/Ziegler, Dekolonisierungsgewinner, 5–6.

The establishment of the Federal Ministry for Economic Cooperation (*Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung*, BMZ) on November 14, 1961, should have marked a significant institutional commitment. Instead, it became a source of ongoing bureaucratic tension. Walter Scheel's appointment as the first development minister came despite "massive concerns from Ludwig Erhard," the minister for economics at the time, and reflected complex coalition politics and rivalry rather than a clear strategic vision.⁴²

Adenauer himself dubbed the new ministry "thorns without roses" – referring to the competency overlaps that complicated the ministry's work from the onset. According to the federal chancellor's decree of January 29, 1962, the BMZ only had a mandate to coordinate the federal government's development aid policy. Technical responsibility for capital aid and technical assistance, as well as chairing and managing the interministerial committees for these areas, remained with the Federal Ministry for Economic Affairs (*Bundesministerium für Wirtschaft*, BMWi) and Federal Foreign Office (*Auswärtiges Amt*, AA). The BMWi entrusted implementation of capital aid to the *KfW*, while the Foreign Office assigned technical assistance to the *Deutsche Revisions- und Treuhand GmbH*. In sum, this resulted in a situation where "the BMZ received the right to be informed about all activities in the field of development policy"⁴³ but had no real executive power.

This institutional arrangement exposed deeper tensions about the relationship between development policy and other policy domains. The Federal Foreign Office viewed development assistance through a diplomatic lens, while the BMWi saw only commercial opportunities and the potential to promote exports. The BMZ struggled to establish an independent identity and coherent strategy amid competing institutional interests and limited operational authority.⁴⁴

As the German economy grew ever more dependent on foreign markets and raw materials, the link between export promotion and development aid tightened. By the 1960s, continued economic growth required both expanded markets for German manufactured goods and secure access to raw materials and energy sources that were increasingly found in the developing world. Development assistance thus performed a dual function: creating

42 *Bohnet*, Geschichte, 37.

43 *Bohnet*, Geschichte, 38.

44 *Hein*, Entwicklungspolitik, 46–47.

markets and securing supply chains while also fulfilling diplomatic and alliance obligations.⁴⁵ Currency considerations added another layer. As trade surpluses grew throughout the 1960s, pressure mounted for mechanisms to recycle Deutschmarks while maintaining competitive advantages. Development assistance, particularly when tied to German goods and services, allowed Germany to channel surplus capital abroad while supporting domestic industry and employment.⁴⁶ It was this institutional framework and strategic logic that enabled business associations to advocate for measures that would promote investments as well as exports. The existing apparatus of export promotion, combined with the foreign policy imperatives that were driving development aid, established precedents both for the state support of private overseas activities and for the bureaucratic channels with which such support could be realised.

The introduction of Section 34d EStG through the 1961 general tax amendment law marked the beginning of legislation that attempted to promote private investment in developing countries through fiscal incentives. The provision allowed accelerated depreciation for certain foreign investments, and as such was a modest acknowledgment of the risks and challenges facing German companies in developing markets.⁴⁷ Business associations however immediately attacked Section 34d as inadequate for addressing the scope and intensity of investment risks in developing countries. The AG EL began to coordinate industry positions and lobby for more comprehensive policy support. Early correspondence reveals a sophisticated understanding of policy processes and strategic thinking about how to construct a suitable narrative. Industry representatives argued that existing provisions failed to account for the unique challenges of FDI in developing countries such as political instability, currency risks, infrastructure deficiencies and regulatory uncertainty. They demanded not only expanded tax benefits but also government insurance against risk, pre-investment subsidies and diplomatic support for commercial activities.⁴⁸

Germany's tax incentives for developing country investments truly began with the comprehensive Development Aid Tax Law (the *Gesetz über steuerliche Maßnahmen zur Förderung von privaten Kapitalanlagen in Entwick-*

45 Schmidt, Policy, 487.

46 Schröter, Außenwirtschaft, 103–4; Dörre, Wirtschaftswunder, 187.

47 Deutsche Investitions- und Entwicklungsgesellschaft mbH (DEG), Jahresbericht 1963. Köln; Hesse, Wirtschaftswunder, 193–195.

48 Schulze-Brachmann, A.: Einzelfragen zum Entwicklungshilfe-Steuerrecht, in: Außenwirtschaftsdienst des Betriebs-Beraters, No. 1, January 1964, pp. 3–8.

lungsländern, generally referred to as the *Entwicklungshilfe-Steuer-gesetz*) of 23 December 1963, which established a framework for an evolving system of fiscal support measures. The geographic scope of the *Entwicklungsländer* definition was first fixed by the “Ordinance on Development Countries for the Purposes of the Development Aid Tax Law” (*Verordnung über die Entwicklungsländer im Sinn des Entwicklungshilfe-Steuer-gesetzes*) of 13 May 1964 (BGBl. I 1964, Nr. 24), an ordinance drawn up by the Federal Ministry of Finance (*Bundesministerium der Finanzen*, BMF). The ordinance did not cite external benchmarks such the OECD Development Assistance Committee (DAC) country lists, but instead created its own internal classification. It defined qualifying developing countries as “all non-European countries and territories” (“alle außereuropäischen Länder und Gebiete”) while explicitly excluding industrialised states such as Australia, Japan, Canada and the USA. At the same time, it extended “developing country” status to certain peripheral European economies—notably Greece, Spain, Iceland, Turkey, Portugal and Cyprus. The definitions thus reflected a domestic administrative judgment rather than the adoption of international standards, underscoring how flexible and politically constructed early Federal Republic classifications of “developing countries” were. Subsequent amendments adapted the list to political change and decolonisation. In 1967, a revised ordinance adjusted country coverage, reflecting new states emerging in Africa and Asia. By the 1970s, official practice and later legislative texts moved toward alignment with the OECD DAC lists, though the EHStG mechanism continued to rely formally on regulations issued by the BMF. What began as a purely domestic categorisation thus gradually converged with international donor standards.

The economic rationale behind the EHStG centred on addressing the heightened risks and reduced profitability of private investments in developing markets. The 1963 law’s provisions for accelerated depreciation recognised that “taxpayers whose profits are calculated on the basis of regular accounting as defined under Section 4.1 or Section 5 of the Income Tax Act” (“Steuerpflichtige, die den Gewinn auf Grund ordnungsmäßiger Buchführung nach § 4 Abs. 1 oder § 5 des Einkommensteuergesetzes ermitteln”) could benefit from enhanced write-off schedules for qualifying investments, thereby improving the financial attractiveness of ventures in developing countries.⁴⁹ This approach marked a broader policy shift toward using tax

49 Bundesgesetzblatt, Jahrgang 1963, Teil I, p. 1013.

policy as a tool of development cooperation, complementing traditional aid mechanisms with market-based incentives. The legislative framework would evolve significantly over the next 15 years through multiple amendments, including major revisions in 1968 and subsequent modifications in 1971, 1972, 1974 and 1975. The 1968 amendment expanded the scope of eligible activities and refined the depreciation schedules, while the new version of 1975 consolidated these various changes into a comprehensive restatement of the law.⁵⁰ By 1979, further refinements arrived in a new law.⁵¹ This legislative path showed Germany's growing recognition of private capital's crucial role in development cooperation and the need for fiscal instruments to channel such investment effectively.

The Securitisation Process 1963–1967

Between 1963 and 1967, something remarkable happened to German development investment policy which eventually triggered this series of legislative changes. What began as routine business lobbying transformed into something more powerful. During these four critical years, the AG EL orchestrated a campaign to reframe routine commercial difficulties as existential threats to German economic security, requiring extraordinary state intervention. Their audience—ministerial officials in the BMZ, BMWi and BMF, alongside parliamentarians across party lines—proved receptive to security narratives which framed German economic competitiveness, the country's emerging global role, and the opportunities opened by Cold War rivalry and decolonisation as jeopardised by the volatility of investment risk. Business correspondence, parliamentary debates and quantitative investment data reveal that this securitisation process succeeded in institutionalising comprehensive support mechanisms for private business interests, despite minimal actual investment flows and growing evidence of policy failure.

The AG EL's lobbying campaign unfolded in a political environment initially marked by significant resistance, particularly from the liberal FDP party and scepticism within economics circles. A letter from Helmut Win-

50 *Bekanntmachung der Neufassung des Entwicklungsländer-Steuergesetzes vom 13. Februar 1975.* Bundesgesetzblatt, Jahrgang 1975, Teil I, p. 494.

51 *Gesetz zur Änderung des Entwicklungsländer-Steuergesetzes und des Einkommensteuergesetzes vom 21. Mai 1979.* Bundesgesetzblatt, Jahrgang 1979, Teil I, p. 558.

kler, a partner in Lauffenmühle Gustav Winkler GmbH and member of the regional advisory council of Baden for the Deutsche Bank⁵² to the AG EL in February 1962 noted that “political considerations even within the FDP exist against improving or even creating tax incentives”⁵³ for developing country investments. The BMWi under Ludwig Erhard harbored deep reservations about market-distorting subsidies, with State Secretary Westrick expressing concerns about “fairness considerations” (*Gerechtigkeitsüberlegungen*) that would favour foreign investments over domestic ones, arguing that firms investing in the Eifel or Rhön regions of Germany deserved equal treatment.⁵⁴ The BMF similarly worried about revenue losses and precedent-setting.

With coordinated networks in place, the AG EL deployed its core strategy: transforming specific business difficulties into comprehensive threats requiring extraordinary policy intervention. The campaign’s visible leadership came from a core group of corporate executives who served as AG EL rapporteurs: Hermann Janssen (*Frankfurter Bank*) coordinated overall strategy, Rolf Rodenstock (*Rodenstock GmbH* optical manufacturing) managed CSU relationships, while Joachim Zahn (*Daimler-Benz*), Arno Seeger (*Krupp*) and Felix Prentzel (*Degussa* chemicals) represented heavy industry and manufacturing interests. Supporting this core were export association representatives like Hans Kruse (Hamburg) and chamber of commerce officials who provided technical expertise. Kruse’s pivotal March 1963 letter to Walter Grund, cited at the beginning of this chapter, perfectly exemplifies this risk amplification process. Rather than addressing specific German business concerns, Kruse wove a narrative of systematic global threat by cataloguing incidents involving a variety of actions by states across multiple continents.⁵⁵ This strategic inventory implied evidence of a diffuse but widespread hostility toward German investment, transcending geographic and sectoral boundaries to suggest existential threats to Germany’s emerging global economic role.

Other industrial leaders echoed these warnings. Joachim Zahn of Daimler-Benz cited “the latest measures in Argentina, which amount to expropri-

52 Report for the Year 1968, Deutsche Bank. URL: https://www.bankgeschichte.de/files/documents/facts-figures/deutsche-bank/1968.pdf?language_id=1 (Accessed December 08, 2025), p. 93.

53 Dr. Winkler an Herr Hipp, 29.1.1962, BDI Archiv A 1265.

54 Rolf Rodenstock an AGE BDI, 3.9.1963, BDI Archiv A 1265.

55 Hans E.B. Kruse an Staatssekretär Walter Grund, BMF, 19. März 1963, BDI Archiv A 1265.

ation of oil companies without any guarantee of adequate compensation,” emphasising that “once an investment has been made in a developing country, it is practically impossible to liquidate it.”⁵⁶ Internal business correspondence reveals how this kind of risk construction operated systematically throughout the business community. The AG EL coordinated messaging among major industrial associations, with correspondence from September 1964 emphasising how important it is for “the business community” to present a united front on the EHStG, and for this to be represented externally by the AG EL.⁵⁷ This coordination extended deep into parliamentary lobbying, with Rodenstock reporting to the AG that he had engaged in mail correspondence with Werner Dollinger, the federal minister for the Treasury, “[in order] to make the process understandable to him” and speaking to Karl Theodor Freiherr von und zu Guttenberg, a member of the Bavarian Christian Social Union party and Bundestag representative who “showed understanding and promised [...] that he would vote favourably during the committee deliberations.”⁵⁸

The AG EL operated through three overlapping mechanisms that transformed individual corporate interests into collective political power. First, it functioned as a *coordination platform*, ensuring that business associations spoke with one voice. This coordination extended across sectoral divisions: manufacturing, banking and trade, which might otherwise have competed for different policy solutions. The AG’s organisational structure facilitated this unity: regular meetings brought together representatives from the BDI, the *Deutsche Industrie- und Handelstag* (DIHT), banking associations and export groups, while specialised working groups tackled technical issues like tax law provisions, guarantee mechanisms, and EEC overseas territory associations.

Second, the AG EL served as an *access broker*, leveraging members’ personal connections to political elites. The lobbying campaign relied heavily on direct contact between corporate leaders and government officials, by-

56 Original quote: “[...] die jüngsten Massnahmen in Argentinien, die auf eine Enteignung der Ölgesellschaften – ohne Garantie für eine angemessene Entschädigung – hinauslaufen [...] eine einmal vorgenommenen Investition in einem Entwicklungsland ist praktisch nicht mehr zu liquidieren.” Dr. Jur. Joachim Zahn (Daimler-Benz AG) to Janssen, 27.11.1963, BDI Archiv A 1265.

57 Correspondence between Metzger and Gelder, 5.09. & 18.9.1964, BDI Archiv A 1265.

58 Original quote: “[um] ihm den Vorgang begreiflich zu machen [...] zeigte sich verständnisvoll und versprach mir, bei den Beratungen im Ausschuss ein wohlwollendes Votum abgeben zu wollen.” Rodenstock to Metzger and Janssen, 2.10.1963, BDI Archiv A 1265.

passing formal consultation procedures. Rolf Rodenstock's September 1963 conversation with State Secretary at the Ministry for Economics Ludger Westrick at a *Bayernwerke* supervisory board meeting exemplified this pattern: corporate governance forums doubled as political networking opportunities. Similarly, Hermann Janssen maintained regular correspondence with ministers across multiple portfolios—economics (Ludwig Erhard), finance (Rolf Dählgrün), economic cooperation (Walter Scheel) and foreign affairs (Gerhard Schröder)—while AG EL members targeted specific parliamentarians through party networks. Rodenstock focused on CSU contacts, particularly von Guttenberg and Dollinger; others cultivated Christian Democratic Union (CDU) relationships through the Bundestag's finance committee. These personal relationships, often rooted in shared business circles and regional networks, provided channels for informal persuasion that formal lobbying could not match.

Third, the AG EL functioned as a *technical expertise provider*, supplying draft legislation, policy memoranda and statistical analyses that shaped government positions. The March 1964 memorandum on the inclusion of working capital (*Umlaufvermögen*) in the tax law, prepared jointly by the Hamburg and Bremen chambers of commerce, was circulated directly to committee chairs before government ministries completed their own analysis.⁵⁹ This expertise advantage allowed business associations to define problem parameters and potential solutions before bureaucrats formulated official positions. The AG EL's tax specialists, particularly Dr Kurt Lindner from the BDI's tax division, provided a level of technical sophistication that enabled the group to engage ministry officials as peers rather than supplicants.

The AG EL's strategy also involved the construction of a narrative that reframed private profit motives as public economic security imperatives. Business associations presented their commercial interests as aligned with broader national goals including export competitiveness, currency stability and Cold War strategic positioning, thereby legitimising extraordinary public support for essentially private activities.

Arno Seeger's July 1963 correspondence as a *Krupp* board member perfectly captured this narrative approach while exposing business frustrations with government responses. Seeger grudgingly acknowledged that the 1963

59 Memorandum der HK Bremen und HH zur Einbeziehung Umlaufvermögen, 5.3.1964, BDI A 1265.

legislation “goes a certain way toward improving the previously inadequate tax incentives for capital investment in developing countries”, but added a pointed criticism that the proposed tax incentives would not sufficiently offset the heightened investment and value-loss risks associated with investing and financing long-term projects in developing countries, and that “the treasury always recognises the validity of the demands put forward by the business sector too late.”⁶⁰ Crucially, Seeger strategically emphasised development impact over commercial benefits, arguing that including long-term financing in tax benefits would constitute “a real help for developing countries, as it would make it much easier to finance long-term projects.”⁶¹ Here was the template for how business leaders would frame their commercial demands within development discourse to legitimise public support for private ventures. This coordinated business messaging included systematic media influencing as part of the broader securitisation strategy. Articles in daily newspapers frequently paralleled AG EL correspondence in their language and framing, indicating successful coordination between business associations and media outlets in establishing security narratives within public discourse.⁶² When Social Democrat (SPD) parliamentarian Hellmut Kalbitzer acknowledged, during a hearing on public finances, that “the risks of direct investments in developing countries are largely unpredictable” it showed the establishment of threat narratives had crossed party lines.⁶³

Policy capture occurred as another securitisation mechanism, as extraordinary measures, initially justified as temporary responses to security threats, became institutionalised within normal policy frameworks. The AG EL successfully transformed exceptional support into a gradually perfect-

60 Original quote: “[...] die bisher unzureichenden steuerlichen Anreize für die Kapitalanlage in den Entwicklungsländern ein gewisses Stück weiterbringt [...] der Fiskus immer erst zu spät die Berechtigung der von der Wirtschaft vorgetragenen Wünsche erkennt.” Arno Seeger, 31.7.1963 to Dr Jannsen, BDI Archiv A 1265.

61 Original quote: “[...] eine wirkliche Hilfe für die Entwicklungsländer, da auf diese Weise die Finanzierung langfristiger Projekte wesentlich erleichtert werden könnte.” Arno Seeger, 31.7.1963 to Dr Jannsen, BDI Archiv A 1265.

62 An observation that was made across the file BDI A 12 65, which contained several press clippings, for example the *Handelsblatt* article “Einkünfte aus Entwicklungsländern entlasten”, 16./17.8.1963.

63 Original quote: “[...] die Risiken von Direktinvestitionen in Entwicklungsländern weitgehend unüberschaubar seien.” BDI Abteilung Integration und Entwicklungspolitik, Vermerk zu “Ergebnis des Hearings des SPD-Arbeitskreises ‘Öffentliche Finanzwirtschaft’ am 5. November 1963 in Bonn, BDI Archiv A 1265.

ed repertoire that provided permanent advantages for organised business interests.⁶⁴ The 1967 legislative amendment process illustrates this institutional capture. SPD position papers acknowledged the original law was “under-utilised compared to initial expectations” while recognising Germany’s “lagging private investment compared to other industrial nations”; Britain and France maintained three times German investment levels, while the USA level was ten times as high as that of the Federal Republic.⁶⁵ By 1971, after the first round of substantial amendments in 1968 that had expanded the scope of eligible activities and refined the depreciation schedules, internal business exchanges seemed confident that securitisation had created permanent institutional advantages. The AG EL’s December 1971 letter to the minister for economics, Karl Schiller, asserted that “[t]he EHStG is undoubtedly one of the most important measures taken by the federal government to provide effective support for the economic development process in developing countries through direct investment.”⁶⁶ The accompanying detailed position paper reframed the policy as “genuine economic cooperation, not subsidies/funding/aid,” demonstrating how business associations had successfully transformed what began as ad-hoc measures to address investment risks in developing countries into normalised components of development policy.⁶⁷

The correspondence exposes the institutionalisation of security logic. The AG EL argued that private investments “relieve the balance of payments by providing long-term capital without fixed repayment and interest payments, create new, permanent jobs, contribute to the diversification of national economies and impart a wide range of technical and business expertise as well as modern management methods.”⁶⁸ By claiming credit for

64 n.n., Reform des Entwicklungshilfegesetzes, in: *Süddeutsche Zeitung* No. 190 (10.08.1971), p. 7.

65 *Deutscher Bundestag*, Stenographischer Bericht, 10. Sitzung (10. Nov. 1967).

66 Original quote: “[...] das EHStG ohne Zweifel zu den wichtigsten Maßnahmen der Bundesregierung gehört, um durch Direktinvestitionen wirksame Unterstützung für den wirtschaftlichen Aufbauprozess der Entwicklungsländer zu leisten.” AG Entwicklungsländer correspondence with Minister Schiller, December 1971, BDI A 1270.

67 Original quote: “Echte wirtschaftliche Zusammenarbeit, nicht Subvention/Förderung/Hilfe”. AG Entwicklungsländer correspondence with Minister Schiller, December 1971, BDI A 1270.

68 Original quote: “[...] entlasten die Zahlungsbilanzen durch Zuführung langfristigen Kapitals unter Fortfall eines termingebundenen Tilgungs- und Zinsdienstes, schaffen neue, dauerhafte Arbeitsplätze, tragen zur Diversifizierung der Volkswirtschaften bei und vermitteln vielfältiges technisches und betriebswirtschaftliches Know How

serving broader national development objectives while securing continued benefits for narrow constituencies, business associations had achieved lasting policy capture despite mounting evidence of programme abuse.

Institutional embedding occurred through specialised agencies like the *KfW*, as shown by the *Bong Mining Company* project that was set up in the early 1960s in Liberia. When initial financing through the European Coal and Steel Community (ECSC) failed to materialise, the *KfW* stepped in after lengthy negotiations to provide German financing. The federal government ultimately provided initially a financial loan of DM 70 million from low-interest funds provided by the European Recovery Program (ERP) and a further long-term loan of DM 80 million while securing the credits against political risk.⁶⁹ The *Bong Mining* case demonstrated how emergency interventions to rescue failing private projects created precedents for public risk assumption in developing country investments, with the *KfW* becoming a standard mechanism for channelling state support to private overseas ventures.

The lobbying efforts were not uncontested. From the onset of the legislation process around the EHStG, there were sceptical voices in the German government. State Secretary (Ministry for Economics) Ludger Westrick's proposal for regional differentiation "fully for Africa, half for Asia and not at all for South America" and his criticism of firms like *Thyssen* and *Daimler-Benz* "who, for example, make big bucks in Brazil", indicated official awareness that security narratives often masked profitable operations.⁷⁰ A detailed internal report from Rolf Rodenstock, on his meeting with Ludger Westrick laid bare the extent of government reservations: Westrick argued that the measure constituted "an injustice towards companies that want to set up operations in the Eifel or Rhön regions, for example," because domestic investors would be disadvantaged compared to those investing in developing countries.⁷¹

sowie moderne Managementmethoden. "AG Entwicklungsländer correspondence with Minister Schiller, December 1971, BDI A 1270.

69 *Zilt*, Entwicklungshilfe, 195.

70 Original quote: "[...] die, beispielsweise in Brasilien ganz dicke verdienen." Rolf Rodenstock an AGE BDI, 3.9.1963, Bericht eines Gesprächs mit Staatssekretär Westrick und Ludwig Erhard (?) am Rande der AR Sitzung der Bayernwerke, BDI A 1265.

71 Original Quote: "[...] eine Ungerechtigkeit gegenüber Firmen, die beispielsweise in der Eifel oder in der Rhön einen Betrieb errichten wollen." Rolf Rodenstock an AGE BDI, 3.9.1963, Bericht eines Gesprächs mit Staatssekretär Westrick und Ludwig Erhard (?) am Rande der AR Sitzung der Bayernwerke, BDI A 1265.

Westrick's criticism proved particularly revealing given that the "Brazil shock" of 1952 had originally enabled business arguments citing systematic threats facing German investment abroad. By 1963, the same country that had served to represent investment dangers now served government officials as proof that business narratives of risk were often exaggerated. Westrick's additional concern that firms "would insure themselves against the political risk associated with HERMES, so that there would be no discernible higher risk compared to investments in the Federal Republic of Germany or developed countries" further challenged fundamental business security claims.⁷²

The securitisation of development enabled private interests to access public authority and resources by systematically deploying security language to cloak commercial objectives. The November 1963 SPD hearing on the EHStG exemplified this legitimacy transfer in practice. During the hearing, major business leaders, including Herrmann Janssen (Frankfurter Bank), Rolf Rodenstock (*Rodenstock*), Hugo Rupf (*Voith*), and Alfred E. Schulz (DEMAG), presented unified positions to SPD parliamentarians Alex Möller, Hellmut Kalbitzer, and Walter Seuffert alongside representatives from trade associations, banks, and labour organisations.⁷³

The hearing demonstrated business lobbying success in establishing security frames even among potential critics. SPD parliamentarian Seuffert expressed concerns about preventing undesirable investments (specifically the establishment of arms factories in Israel or Egypt), while accepting the fundamental premise that private investment constituted a security issue requiring state management.⁷⁴ Significantly, internal BDI documentation noted "clear differences of opinion between the SPD and the DGB [the German Trade Union Association] in their assessment of the draft EHStG," with the DGB opposing what it saw as giving "the private sector the precedence in development aid" while the SPD proved more receptive

72 Original quote: "[...] würden sich ja praktisch alle gegen das politische Risiko bei HERMES versichern, so daß ein nennbares höheres Risiko gegenüber Investitionen in der Bundesrepublik oder entwickelten Ländern nicht zu erkennen sei." Rodenstock an Metzger, September 12, 1963, BDI A 126.

73 BDI Abteilung Integration und Entwicklungspolitik, Vermerk zu "Ergebnis des Hearings des SPD-Arbeitskreises 'Öffentliche Finanzwirtschaft' am 5. November 1963 in Bonn, BDI A 1265.

74 BDI Abteilung Integration und Entwicklungspolitik, Vermerk zu "Ergebnis des Hearings des SPD-Arbeitskreises 'Öffentliche Finanzwirtschaft' am 5. November 1963 in Bonn, BDI A 1265.

to business security arguments.⁷⁵ The relative ease with which business associations gained this legitimacy suggests that economic securitisation operates differently from securitisation in the military or diplomatic domain. As in this case, the threats may not need to be genuinely existential to trigger extraordinary policy responses; rather, the strategic deployment of security language can create just enough uncertainty to justify bypassing normal market mechanisms while avoiding the intense scrutiny that truly existential crises would provoke.

The involvement of the banking sector, which happened in the preparations for the first round of amendments in 1964, demonstrated this legitimacy transfer in practice. Private banks successfully argued that their overseas partnerships constituted essential political infrastructure rather than mere commercial expansion. As the members of the Federal Association of Private Banks (*Bundesverband des privaten Bankgewerbes*) noted in their correspondence with the AG EL, “in this way, positive results are achieved using purely private-sector funds, which to a certain extent also fall within the scope of technical assistance.”⁷⁶ This reconceptualisation transformed private banking relationships into development assistance, accessing public benefits through a security-oriented development discourse. In another example, the emergence of specialised consulting services around “tax-advantaged foreign investment projects” shows how successful securitisation created entirely new market opportunities independent of original development objectives.⁷⁷

The Paradox: When Reality Refused to Cooperate

There is evidence of successful economic securitisation in the disparity between extensive policy frameworks and minimal actual investment flows.

75 Original quote: “[...] unübersehbare Meinungsverschiedenheiten zwischen der SPD und dem DGB bei der Beurteilung des EHStG-Entwurfs, [...] der Privatwirtschaft der Vorrang in der Entwicklungshilfe.” BDI Abteilung Integration und Entwicklungspolitik, Vermerk zu “Ergebnis des Hearings des SPD-Arbeitskreises ‘Öffentliche Finanzwirtschaft’ am 5. November 1963 in Bonn, BDI A 1265.

76 Original quote: “Es werden auf diese Weise mit rein privatwirtschaftlichen Mitteln positive Ergebnisse erzielt, die zu einem gewissen Grade auch in den Bereich der technischen Hilfe fallen.” Bundesverband des privaten Bankengewerbes, R.A. Kunze und Dr. Holzheimer, an AGE BDI, 13.3.1964, BDI A 1265.

77 Einladung der dt. Gesellschaft für Betriebswirtschaft zu einem Seminar “Steuerbegünstigte Kapitalanlagen im Ausland (Abschreibungsprojekte)”, 1.12.71, BDI A 1270.

As Jan-Otmar Hesse has pointed out in his analysis of the EHStG, the law “was not very successful in terms of its objective.”⁷⁸ Most of the investments were concentrated on a handful of firms (as mentioned in the introduction), and despite substantial policy attention, German FDI in developing countries declined from 38.3 percent of total German FDI in 1961 to 20.8 percent by 1972—a reduction of 17.5 percentage points during the peak period of policy expansion.⁷⁹ This paradox indicates how a securitisation discourse could maintain political influence independently of real economic outcomes.

Regional investment patterns across all developing regions showed a volatility that bore little to no relationship to the security assessments constructed by the business lobbyists. The contrast between European and developing country investment flows proved particularly striking: European investments rose from 38.5 percent to 53.8 percent from 1962 to 1965, revealing where German businesses actually saw security and opportunity.⁸⁰ Within developing regions, dramatic fluctuations occurred independently of policy frameworks. Africa experienced exceptional volatility in terms of German FDI despite consistent policy attention: Ethiopia’s 92 percent decline (54.2 to 4.2 million DM, 1967–1968), Nigeria’s 143 percent surge (29.2 to 70.9 million DM, 1971–1972) and Zaïre’s 154 percent increase (13.9 to 35.3 million DM, 1971–1972) all exceeded any policy influence.⁸¹

These African cases proved particularly revealing for understanding securitisation’s limits because they represented core policy priorities where security narratives should have stabilised investment flows. Nigeria was assessed by German Africa experts, such as the representative of *Lufthansa* for Africa, Friedrich von Mellenthin, as having “incredible growth” and a “liberal, pro-western tendency”; it received extensive diplomatic attention, yet investment surges tracked oil markets rather than security narratives.⁸² Ethiopia and Zaïre were central to Cold War competition narratives, yet investment decisions reflected reluctant short-term commercial calculations rather than strategic security considerations constructed in policy discussions.

78 Hesse, *Wirtschaftswunder*, 195.

79 Schröter, *Außenwirtschaft*, 99.

80 Schröter, *Außenwirtschaft*, 99.

81 Calculated after Krägenau, *Direktinvestitionen*, 156, 159.

82 Reisebericht von F.W. von Mellenthin (Nigeria, Ghana), 9.10.1961, Politisches Archiv des Auswärtigen Amtes (PAAA) B 34-REF.307/IB3/317.

The broader pattern confirms this disconnect between security discourse and investment behavior. Africa maintained a consistent 5–6 percent share of total German FDI through the 1960s and into the mid-1970s despite decades of security discourse emphasising the strategic importance of African markets and raw materials. By the late 1980s, this share had fallen below 4 percent.⁸³ Meanwhile, the overall share for developing countries declined from 38.3 percent to 20.8 percent between 1961 and 1972 even as policy frameworks expanded.⁸⁴

The press eventually caught on, and empirical evidence gradually undermined security narratives yet failed to eliminate the institutional frameworks created through successful securitisation. Early coverage (1964–1967) accepted business risk assessments, with the *Süddeutsche Zeitung* reporting the 1967 extension in supportive terms that emphasised the law’s role in encouraging German investment in developing countries.⁸⁵ Then came the Spanish hotel scandal, which played a major role in debunking security claims. Press investigations revealed that Spain and the Canary Islands received 42.9 percent (399.3 million DM) of all subsidised German investments abroad in 1971, rising to 62.0 percent (677 million DM) in 1972, while the 25 poorest UN-identified countries received only 20.2 million DM between 1966 and 1972.⁸⁶ The *Süddeutsche Zeitung*’s criticism of “abuse of the Development Aid Tax Law” which was made visible “in concrete and glass” through luxury hotel construction exposed the fundamental disconnect between security rhetoric and commercial reality.⁸⁷

SPD Bundestag representative and state secretary for development Hans Matthöfer’s 1972 critique assembled the accumulated evidence into a devastating indictment. Matthöfer stated that 48 percent of subsidised investments went to Spain and Brazil, with another 22 percent to Greece, Portugal, Libya, Argentina and Panama—“locations already attractive for investment” that “didn’t require special tax incentives.”⁸⁸ His analysis dismantled

83 Calculated after Krägenau, *Direktinvestitionen*, 156, 159.

84 Schröter, *Außenwirtschaft*, 99.

85 *hoe*, *Entwicklungshilfe-SteuerGesetz wird verlängert*, in: *Süddeutsche Zeitung* No. 221 (26.09.1967), p. 6.

86 Bergdoll, *Udo*: Sinnlose Subventionen im Namen der Entwicklungshilfe, in: *Süddeutsche Zeitung* No. 153 (06.07.1973), p. 4.

87 *Spr.*, Nichts mehr “verschenken”, in: *Süddeutsche Zeitung* No. 129 (06.06.1973), p. 23.

88 *Matthöfer, Hans*: Schriftliche Erklärung des Abgeordneten Matthöfer (SPD) zu dem von den Abgeordneten Dr. Kreile u. a. eingebrachten Entwurf eines Gesetzes zur

the foundational securitisation claim that German businesses faced threats requiring extraordinary support.

Specialised economic commentary in an article in the FAZ from two researchers of the *Hamburgisches Welt-Wirtschafts-Archiv* provided a technical critique of security logic. Peter Gloystein and Henry Krägenau's 1973 analysis argued that the law's problems stemmed not from security threats but from structural design flaws, in that it supported only fixed assets while excluding working capital, thereby discriminating against labour-intensive investments.⁸⁹ Their technical analysis exposed how security narratives obscured mundane policy design issues.

Government concerns about programme abuse had intensified by the early 1970s. A December 1971 BMZ press release warned that “due to oversupply and the reckless subscription of investments in depreciation projects in developing countries, development aid, in particular tax incentives for private investment in developing countries, is generally falling into disrepute.”⁹⁰ Internal BDI documentation noted that in their eyes the BMZ's main concerns were about the “[r]emoval of dependent territories” —Angola, Mozambique and Rhodesia (now Zimbabwe)—, questioning whether investment flows focused on inappropriate targets.⁹¹

The BDI responded to these challenges by simply adapting their security narratives while defending institutional frameworks. Contemporary internal documentation from this period reveals business coordination around defending the law as serving broader macroeconomic and multilateral diplomatic purposes, with one 1971 BDI position paper arguing that “the order of the day is to expand, not reduce, the range of instruments available to promote direct investment in developing countries” because “[i]ncreasing private contributions must compensate for declining official

Änderung des Entwicklungshilfe-Steuergesetzes (Drucksache VI/3815). Deutscher Bundestag, 6. Wahlperiode, 198. Sitzung, 21. September 1972, S. 11718 und Anlage 5.

89 Gloystein, Peter/Krägenau, Henry: Förderung arbeitsintensiver Projekte, in: Frankfurter Allgemeine Zeitung, 18.05.1973, p. 23.

90 Original quote: “[...] durch das Überangebot und die leichtsinnige Zeichnung von Beteiligungen an Abschreibungsprojekten in Entwicklungsländern die Entwicklungshilfe, insbesondere die steuerliche Förderung von Privatinvestitionen in Entwicklungsländern, allgemein in Misskredit gerät.” BMZ Pressemitteilung, December 15, 1971, BDI A 1270.

91 Original quote: “Streichung der abhängigen Gebiete.” Vermerk zum Entwicklungshilfesteuergesetz der Abteilung Integration und Entwicklungspolitik, December 22, 1971, BDI A 1270.

development assistance in order to continue to meet 1% commitments.”⁹² This reframing positioned business benefits as essential to meeting international development obligations, demonstrating the adaptive capacity of securitisation discourse.

As opposed to earlier amendment debates, the 1974 amendment debates took place in the light of these investigations and increasing political concerns. Yet, they also showed that successful securitisation had created an institutional momentum that survived the collapse of its founding security narratives. Despite extensive evidence of abuse and minimal development impact, parliamentary discourse focused on technical refinements rather than fundamental reconsideration. CDU parliamentarian Albert Schedl’s critique concentrated on procedural delays and government timing, noting that “CDU/CSU had repeatedly urged timely renewal” and that the “final impetus came from Minister Friderichs’ Brazil trip.”⁹³ In parliamentary debates, even when critical voices rose to the fore, overall an adaptation of the securitisation discourse was still ongoing. In 1974, SPD Bundestag member Gunter Huonker’s defence of the amendments emphasised five technical improvements designed to address specific abuses: eliminating valuation discounts, introducing graduated reserve systems (80 percent for least developed countries, 40 percent for others), prioritising employment-intensive investments, excluding tourism projects and requiring genuine economic connections between investors’ business and the investment in the developing country.⁹⁴ These modifications preserved business access to public resources while restoring policy legitimacy through apparent reform, demonstrating how securitisation frameworks could adapt to maintain institutional advantages even when the basic premise of such frameworks had been discredited.

The persistence of investment-policy attention disparities throughout this period points to the institutional legacy of successful securitisation. Business associations maintained privileged access to policymaking processes, continued extraction of public resources and sustained legitimacy

92 Original quote: “Gebot der Stunde ist Ausbau und nicht Abbau des Förderungsinstrumentariums für Direktinvestitionen in Entwicklungsländern [...] Zunehmende private Leistungen müssen rückläufige öffentliche Entwicklungshilfe kompensieren, um 1% Verpflichtungen weiterhin zu erfüllen.” “Grundgedanken für Stellungnahme zur Verlängerung des EHStG,” no date, BDI A 1270.

93 *Deutscher Bundestag*, Stenographischer Bericht, 103. Sitzung (22. 5. 1974), 6889–6890.

94 *Deutscher Bundestag*, Stenographischer Bericht, 103. Sitzung (22. 5. 1974), 6890–6891.

for private interests within the security discourse, even as empirical evidence systematically contradicted the original assessments of threat.

Conclusion: The Enduring Paradox of Economic Securitisation

The relationship between state development policy and private business interests operates within a field of structural tensions that shaped the AG EL's lobbying strategy. From a business perspective, the logic was straightforward, as firms seek profitable opportunities under manageable risk. Developing countries offered potential advantages—low labour costs, raw material access, unexploited markets—but entailed risks exceeding those in established capitalist economies: political instability, unclear legal frameworks, underdeveloped infrastructure, currency volatility and expropriation threats. As one *Handelskammer* representative bluntly observed in 1963, “Were developing countries really attractive for capital relocation, one probably would not need to strive for a Development Aid Tax Law.”⁹⁵ Most firms found these investments economically irrational without state support, which explains why such investments remained concentrated among a tiny minority of large corporations with specific strategic imperatives.

From the state's perspective, development policy served multiple, often contradictory objectives. Humanitarian rationales—alleviating poverty, supporting economic development—coexisted uneasily with geopolitical imperatives (containing Soviet influence) and domestic economic interests (managing balance-of-payments surpluses, maintaining export markets). These objectives did not align neatly. Genuinely development-oriented policy might prioritise maximum employment effects regardless of German commercial advantage. Policy that was oriented toward business interests would prioritise sectors where German firms held competitive advantages. The 1960s legislative framework attempted to reconcile these logics by asserting that private investment inherently served development better than public aid—a claim that conveniently seemed to align state and business interests while obscuring which investments actually promoted development.

The AG EL exploited precisely this ambiguity. Rather than openly arguing for subsidising private profit, it appropriated the development

95 “Wären die Entwicklungsländer wirklich für Kapitalverlagerungen attraktiv, so brauchte man wahrscheinlich sich nicht um ein Entwicklungshilfe-Steuergesetz zu bemühen.” Jantzen, *Handelskammer Hamburg*, an Janssen, 22.11.63, BDI A 1265.

discourse, framing private investment as the most effective development mechanism while arguing that such investment required state risk assumption to become viable. This created a circular logic: development required private investment, private investment required state support, and therefore state support served development. The question of whether investments requiring such extensive state support could plausibly constitute a rational development strategy remained unexamined.

These dynamics were not unique to the context of development. Throughout capitalist economies, private capital routinely seeks state guarantees and subsidies for ventures deemed too risky under pure market conditions. What distinguished the development context was the availability of a powerful legitimising discourse: investments could be presented not merely as commercially rational (provided that they had state support) but as serving humanitarian and geopolitical imperatives. The AG EL's achievement was to recognise and exploit this discursive opportunity, transforming apparent rent-seeking into a matter of national interest and international responsibility.

The four mechanisms of economic securitisation suggested in this analysis—risk amplification, narrative construction, policy capture and legitimacy transfer—reveal how business associations maintained political influence independent of economic performance, and how successfully institutionalised security narratives can survive even after the collapse of their foundational premise. The success of these mechanisms despite the absence of clearly existential threats points to a distinctive feature of economic securitisation: it mobilises security logic without requiring proof of a genuine threat to survival. The AG EL's narrative of “systematic vulnerabilities” functioned effectively precisely because it remained ambiguous enough to resist empirical challenge while invoking sufficient urgency to bypass normal political processes—a strategy unavailable in conventional security domains, such as the military context, where existential claims face more rigorous scrutiny. The German experience exemplifies a broader pattern in which development investment policies serve domestic political functions rather than genuine development objectives. This history also illuminates how business actors shape international development discourse to serve private interests.

This historical record demands that when we write the histories of companies' investments and activities abroad—whether in business history, global/national/transnational history or economic history—we must 1) recognise securitisation processes and 2) approach them with critical

awareness of how European and North American business actors' security claims have perpetuated extractive relationships and hierarchical global arrangements. Moving forward, the stories we tell about corporate risk management and state support must strive to include the perspectives and experiences of all parties involved, including those of the parties that constitute the "risk", recognising that what appeared as legitimate security-seeking from a metropolitan perspective often constitutes continued domination from the perspective of the periphery.

The lessons remain particularly relevant, not just for contemporary debates about private sector involvement in development cooperation, but for all areas in which companies capture policy benefits and public resources for their commercial interest. Future research should examine whether similar processes of economic securitisation have shaped investment and taxation policies in other contexts and explore how these historical patterns inform current initiatives (for example in climate finance, digital infrastructure and supply chain security) where business associations continue to frame private interests as public imperatives that require state support. The German case from 1960–1975 demonstrates that once security narratives become institutionalised in policy frameworks, they can persist for decades regardless of their empirical validity or the achievement of their stated objectives. Understanding these dynamics remains essential for anyone seeking to comprehend how policy actually functions versus how it is presented in official discourse.

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The Risk of Foreign Direct Investment: Multinationals of the West German Chemical Industry in the 1970s and 1980s

Christian Marx

Companies permanently take risks, in that they always produce goods or provide services for future markets and make decisions based on past experiences and the expectations of an unrealised future. This ability to anticipate future market developments is one of the central tasks of a company.¹ Companies are able to develop new processes and assess future market prospects, but ultimately there remains a residual risk in terms of how a product or service will sell—especially from a global perspective. Raw materials costs and wages can rise unexpectedly and make profitable production impossible. Financial risks due to the collapse of credit, rising inflation or international exchange rate shifts are also conceivable. New, unforeseeable legal regulations following industrial accidents (such as in Seveso in 1976 or in Bhopal in 1984) or increasing environmental awareness, such as the bans on CFCs to protect the ozone layer and of solvents in paints and varnishes, can also expose production to new risks. Particular risks arise, however, from the expansion of business abroad, where different cultural rules may affect sales and production.²

The following article uses the example of two German chemical companies (Hoechst and Bayer) to examine the risks faced by multinational companies in the 1970s and 1980s, when post-war prosperity ended, economic turbulence increased, the new environmental movement emerged and recent globalisation was gaining momentum. External crises and shocks escalated dramatically in this period. Demand for many products decreased, the limits to growth appeared to have been reached and currencies fluctuated unpredictably after the collapse of Bretton Woods.³ Consequently, inflation surged to alarming levels, which made long-term business planning even more difficult. In response to these crises, companies increasingly

1 *Jakob/Nützenadel/Streb*, Erfahrung; *Jakob/Kleinöder*, Security.

2 *Forbes/Kurosawa/Wubs*, Enterprises; *Stanwick Bårnås*, Management.

3 *Ferguson et al.*, Shock; *James*, Rambouillet; *Doering-Manteuffel/Raphael*, Boom; *Schenk*, Relations, 58–98.

internationalised their operations and created new risks for themselves.⁴ Foreign investments proved to be risky due to the economic and political characteristics of individual countries—with new left or right-wing governments, military coups or financial instabilities. Companies had to adapt to these conditions, to learn to manage these risks and to develop security strategies. Risk management became an essential field of corporate activity.

There are various reasons why companies invest abroad—because they are dependent on raw materials from abroad, because labour or energy costs are cheaper, or simply because they want to use their ownership advantages abroad to increase their profits. The literature on multinational companies has collected a whole potpourri of reasons why multinationals emerge or expand abroad, such as competitive advantages for the investing firms (ownership advantages), site-specific attractions (location advantages) or the exploitation of core competencies within the firm (internalisation advantages).⁵ Expansion and profit are key drivers. However, no matter which reasons are decisive for foreign investments, they are always associated with risk.⁶ In some countries these risks (and expected profits) are lower, in others they are higher and can lead to the loss of the whole investment when states begin to confiscate or nationalise property. The expropriation of German companies in the United States during the Second World War is an example of this,⁷ as well as the post-war nationalisations carried out by the UK Labour government under Prime Minister Clement Attlee, starting with the Bank of England and extending to civil aviation, the coal industry, the railways and the electricity and gas supply.⁸ These risks can also vary over time. Nevertheless, companies are prepared to take them on in order to recover development costs, make more profit or gain global market shares.

This chapter illustrates different forms of political and cultural risk, going beyond the routine risks incurred in everyday business, and using one industry—the chemical industry—and two companies—Hoechst and Bayer—as an example. Mark Casson and Teresa da Silva Lopes have proposed a typology of the risks facing a firm entering a foreign country and discuss the risk management strategies of foreign investors. They argue

4 Cf. on the internationalisation of the two companies: *Marx*, Globalisierung.

5 *Dunning/Lundan*, Enterprises.

6 *Jones/Lubinski*, Risk; *Kobrak/Wüstenhagen*, Globalization.

7 *Ludwig*, Herausforderungen.

8 *Tomlinson*, Socialism.

that firms always invest in risky foreign environments; however, risk also designates opportunities, for example the chance of gaining a share in foreign markets. The authors categorise risks into *institutional risks*, such as government actions, social movements and financial instability, and *natural hazards*, such as climate and geological disasters. They highlight how political risks, including expropriation, taxation changes and nationalisation, have frequently impacted foreign investors, especially in the context of decolonisation. For example, many European firms had to adjust their strategies after former colonies in African and Asian countries gained independence. Some firms withdrew, while others adapted by forming local partnerships, rebranding or diversifying their operations.⁹

Casson and da Silva Lopes distinguish four main strategies for managing risk and for creating security.¹⁰ One common approach is *avoidance*, where firms decide not to enter a market if the perceived risks outweigh the potential benefits. For those willing to accept risk, *prevention* serves as a proactive measure to minimise potential dangers before they arise. This can involve lobbying governments for favourable policies, establishing strong relationships with influential local figures or securing regulatory protections. Another important strategy is *mitigation*, which focuses on reducing the impact of risks once they materialise. Firms can achieve this by diversifying their investments, forming partnerships with local or international stakeholders or using insurance mechanisms to shield themselves from financial losses. However, when risks become unmanageable, *withdrawal or divestment* may be the only viable option. Companies facing extreme political instability, economic downturns or regulatory barriers may choose to sell their assets, move their operations to a different region or completely exit the market. By employing these strategies—avoidance, prevention, mitigation and withdrawal—businesses can navigate high-risk environments more effectively and make informed decisions about their investments.¹¹

The following article builds on these considerations and examines the institutional risks for multinational companies in the 1970s and 1980s. What concrete forms did institutional risks take during this period and what risk or securitisation strategies did companies use in response? This will be highlighted using a number of examples from two companies: Hoechst's

9 Casson/da Silva Lopes, Investment, 375–379.

10 Jakob/Kleinöder, Security, 13.

11 Casson/da Silva Lopes, Investment, 379–397.

establishment of plastics production in Bayport (Texas/USA), from 1980 to 1986; the nationalisation of Hoechst's subsidiary in France from 1981 to 1993; and for both companies, the loss of subsidiaries in Iran in the context of the Islamic revolution from 1979 to 1982 and the impending loss of control in India during the 1970s.¹² At that time, Hoechst and Bayer were among the largest chemical groups in the world. Their foreign share had increased in the 1950s and 1960s, primarily through rising exports.

After the dismantling of IG Farben following the Second World War, its three major successor companies (BASF, Bayer, Hoechst) quickly found their way back to the forefront of the global chemical industry, each defining its own areas of activity. In contrast to BASF, Bayer and Hoechst were less active in the production of basic chemicals, fertilisers and industrial goods.¹³ Hoechst was one of the world's largest pharmaceutical companies, and produced man-made fibres (Trevira), polyethylene plastics and dispersions (Mowilith), while Bayer was a leader in polyurethane (foam/plastics) and also produced pharmaceuticals (Aspirin) and man-made fibres (Dralon).¹⁴ In these business areas, the two multinationals had a competitive advantage and built plants globally from the end of the 1960s—with a corresponding increase in risk.

This chapter shows that multinationals were confronted with different risks simultaneously. Hence, the internationalisation of companies required a new global risk management which differed significantly from the classic problems of everyday business (like supply, sales or workforce) and also differed from the experience of conflicts within the national arena where all parties had known each other for a long time and often had access to the political elites. Companies could try to secure their foreign investment alone—as this chapter will demonstrate—or in cooperation with other companies, for example by forming associations.¹⁵ Finally, they had to decide if they would accept the risk, try to mitigate it or try to prevent it—or, if there was no other option, withdraw (divest).¹⁶

12 The import substitution industrialisation (ISI) and state-led industrialisation of many Latin American countries (with authoritarian regimes) also produced many risks for chemical companies at that time. Cf. *Marx*, America.

13 For the history of BASF after 1945 see: *Abelshauser*, BASF.

14 *Marx*, Globalisierung.

15 *Pitteloud*, Protection.

16 *Casson/Da Silva Lopes*, Investment.

Global Business in the 1970s and 1980s: Foreign Direct Investment and its Risks in the United States, France, Iran and India

Cultural Differences: Hoechst's Failure in the United States in the 1980s

After the loss of foreign property in the USA during the Second World War, Hoechst subsequently sought to re-enter the world's largest chemical market as quickly as possible. For this purpose, it initially founded the Intercontinental Chemical Corporation (ICC) in 1953 as a distribution company with a capital of 20,000 US dollars (USD) and expanded through investments in several sales companies. In 1961, ICC was renamed American Hoechst Corporation (AHC), bringing the name "Hoechst" back to the US market. Until AHC was reorganised in 1964, it acted as the holding company for Hoechst's distribution and manufacturing interests in the USA. In that year, the Hoechst subsidiaries Carbic-Hoechst Corporation, Hostachem Corporation (formerly Progressive) and Hoechst Chemical Corporation were merged with AHC and formed the new AHC divisions. Hence, AHC became an operating company and also held 100 percent of Esmond Enterprises Inc. (West Warwick, Rhode Island) and 85 percent of Azoplate Corporation (Murray Hill, New Jersey). After ICC's share capital had been increased to USD 500,000 in 1953 and successively raised to USD 5 million by 1959, a further augmentation to USD 15 million was approved in 1960 and to USD 20 million in 1965 as a result of Hoechst's expanding business activities in the USA. Thus, by the mid-1960s Hoechst once again had a sizeable US subsidiary with six divisions and around 1,050 employees and other US shareholdings.¹⁷

However, compared to the US chemical companies present on their home market, Hoechst's involvement in the country remained modest until the 1960s. According to AHC president Dieter zur Loye, it was important to maintain any presence on the US market, however small compared to its US competitors, until the mid-1970s. In a subsequent phase until the mid-1980s, the company simply tried to ensure that it survived on the market. It was only after this that it began to target the achievement of similarly high profits as the US competition.¹⁸ The former US holding company ICC with loosely affiliated companies gradually developed into an operational

17 Hoechst-Archiv (Friedrichsdorf), Hoe. Ausl. / Amerika / Ordner 1, American Hoechst Corporation (30.08.1967); *Vlaanderen*, Hoechst, 32–35.

18 *Wengenroth*, *Industry*, 152–155.

coordination centre, with eight divisions and five production companies by 1978.¹⁹

Hoechst was more and more interested in producing in the USA and therefore increased its foreign direct investment (FDI). Since 1960, its US subsidiary had majority control of the printing plate manufacturer Azoplate Corporation. It took over the shares of the Hoechst Uhde Corporation in 1962, and founded the 50:50 joint venture Stauffer Hoechst Polymer Corporation with the Stauffer Chemical Company in 1964 to produce polyester tubing and PVC films.²⁰ In addition, Hoechst and the US company Hercules Inc., Wilmington (North Carolina), founded the 50:50 joint venture Hystron Fibers Inc. which produced polyester fibres in Spartanburg (South Carolina). The fibres were sold under the German brand name Trevira. Following a capacity expansion in 1968, the plant in Spartanburg was able to produce 24,000 tons of Trevira fibres per year. This required a total investment of USD 50 million by the end of 1968.²¹ As with many other joint ventures, Hoechst took over the remaining 50 percent of the capital of Hystron Fibers Inc. from Hercules Inc. in the spring of 1970 to strengthen its position on the US chemical fibres market, but also because Hystron was still in the red in its third year and Hercules wanted to withdraw from fibre production.

From the mid-1970s, Hoechst intensified its efforts to build up its own production capacities in the USA, particularly for plastics. In 1977, AHC started to invest in the construction of a large-scale plant for the production of styrene and low-pressure polyethylene (Hostalen) in Bayport (Texas) with a total investment of USD 180 million. The plant went into operation in 1980. The construction of a new chemical plant near the company's petrochemical raw material suppliers on the US Gulf Coast had been planned since 1973 and was part of an over USD 300 million expansion programme from the mid-1970s. The huge investment in Bayport aimed at expanding Hoechst's position in the trend-setting US plastics market and was also a response to the shift in currency parities.²²

19 *Vlaanderen*, Hoechst, 13.

20 Hoechst-Archiv, Hoe. Ausl. / Amerika / Ordner 1, Azoplate Corporation (30.08.1967), Stauffer Hoechst Polymer Corporation (30.08.1967), Hoechst Uhde Corporation (30.08.1967); Hoe. Ausl. 139 / Geschichte verschiedener Hoechst Gesellschaften Ausland / Länderblätter M-Z: USA (1975); *Vlaanderen*, Hoechst, 47–53, 68–75.

21 Geschäftsbericht Hoechst 1966, p. 41; *Vlaanderen*, Hoechst, 76–83.

22 Geschäftsbericht Hoechst 1977, 23–24, 43; Geschäftsbericht Hoechst 1978, 23; Hoechst-Archiv, Ordner USA / AHC, Geschäftsbericht AHC 1977 und 1978; Hoechst-

After AHC had made a loss of around USD 10 million in 1980 due to weak demand, high interest on borrowed capital and the enormous start-up costs for plastics production in Bayport, the US business brightened up in 1983 with the country's economic recovery and the appreciation of the US dollar. Nevertheless, the management decided to divest the styrene production in Bayport. While the Hoechst manager Jürgen Dormann, who took over the leading position on the AHC board of directors in October 1984, argued for the sale of the styrene business for reasons of profitability, Dieter Cron, head of plastics sales at Hoechst in Germany from 1981 to 1995, considered the withdrawal from the world's largest single market to be a mistake. However, even Cron admitted that Hoechst would have been better off not entering the US market with a semi-finished process. The implementation by German managers of a technology that was not fully mature caused numerous problems that prevented a trouble-free production, and thus resulted in enormous economic losses.²³

Although the losses in the plastics division decreased in 1983 and 1984, the Hoechst management saw little chance of success in plastics production in the USA in the long term and therefore maintained its plans to sell its plant in Bayport. It was not until 1986 that the polystyrene production plants in the USA and the Netherlands were sold. The two plastics plants in Chesapeake (Virginia) and Peru (Illinois) were taken over directly by the US company Huntsman Chemical Corporation in Salt Lake City (Utah), while the plant for the production of monostyrene in Bayport continued to be operated by Hoechst on behalf of Huntsman. Although sales subsequently climbed again by 12 percent and AHC generated a net profit of USD 38 million in 1986, Hoechst's US strategy had reached a deadlock.²⁴

For Dormann, who later became CEO of the whole Hoechst Group, the plastics production in Bayport was a "rotten branch" ("fauler Ast")²⁵ that

Archiv, Hoe. Ausl. / Amerika / Ordner 1, Hoechst will neues Chemiewerk im US-Markt bauen, in: VWD Chemie, 12.10.1973, AHC-Struktur wird auf Wachstum und Sicherheit getrimmt, in: Chemische Industrie XXXII, November 1980, 744–746; *Vlaanderen*, Hoechst, 21, 156–159, 169–171.

23 *Gilpin*, Kenneth N., Business People. American Hoechst Names Chairman, in: New York Times, 25.10.1984, Section D, 2; *Klein*, Operation, 129–146.

24 Geschäftsbericht Hoechst 1986, 15, 45; Hoechst-Archiv, Hoe. Ausl. 57 I / Hoechst G-Beteiligungen im Ausland / Länder A-Z / 2. Nordamerika, American Hoechst gibt Teil des Kunststoff-Geschäfts ab, in: Hoechst informiert, 26.07.1985; Für Hoechst war das Amerika-Geschäft enttäuschend, in: FAZ, 29.03.1986.

25 Cited in *Klein*, Operation, 172.

had to be removed before the way was open for a major investment in the USA. The Hoechst executive board agreed that a stronger commitment to the US market was desirable. Here, Hoechst was in line with the trend of international investment at that time. According to an article in the business magazine *Capital*, legions of emissaries from German companies were travelling through the USA in 1986 to look for investment opportunities.²⁶ Not least the falling external value of the US dollar made local production attractive. Despite or perhaps because of this setback, Hoechst sought another major acquisition. The US group Celanese, with which Hoechst had been operating joint ventures since the early 1960s, soon came onto the scene.

During the negotiations Dormann made a point of taking over not only the company but also the Celanese management—with the exception of Celanese board chairman John D. Macomber—in order to keep the work organisation intact and to be able to enter the market with a domestic management that understood the cultural idiosyncrasies of doing business in the US. Although Wolfgang Hilger, Hoechst CEO since 1985, and Dormann sometimes took opposing positions, Hilger took a similar view of Hoechst's situation in the USA and saw the necessity of entering the US market with a genuinely American management.²⁷

The differences in mentality between German and US management at this time became particularly evident when severance payments were discussed. The US managers had guaranteed themselves lavish severance payments in the takeover agreement and by this caused great displeasure at German headquarters. Only the Americanised manager Dormann fully supported the payments. However, as Hoechst needed these US managers to successfully build up a large-scale business in the USA, it accepted the conditions.²⁸ As a result, the West German group acquired Celanese and its management in February 1987 for around USD 2.85 billion (almost DM 6 billion). After Unilever's purchase of Chesebrough Pond's for around

26 Hoechst-Archiv, Hoe. Ausl. 57 I / Hoechst G-Beteiligungen im Ausland / Länder A-Z / 2. Nordamerika, Wie deutsche Unternehmen ihre US-Strategie ändern. Rückversicherung, in: *Capital*, March 1986, Chemieriesen stärker in den USA aktiv, in: Wiesbadener Tagblatt, 21.04.1986.

27 *Wehnelt*, Hoechst, 22–23.

28 *Klein*, Operation, 190–193; *Seifert*, Hoechst, 83–84.

USD 3.1 billion in 1986, this represented the second largest takeover in the history of the US chemical industry up to that time.²⁹

Hoechst's failed attempt to set up a plastics production facility in Bayport and the success with Celanese show the difficulties that multinationals had in (re-)acting abroad. Although Hoechst was a globally operating company and had been doing business in the USA for a long time, cultural barriers prevented the establishment of a profitable production in Bayport. This was on the one hand due to the teething troubles of a new technological process, and on the other (and most importantly) because of the cultural differences between the managers and technicians, who were unable to overcome these problems. It was precisely for this reason that Dormann only wanted to take over Celanese if the American management remained. The loss-making investment in styrene production at Bayport highlighted the risks of deploying immature technologies and cultural misalignments in management—an example of business risk that had to be mitigated through divestment and strategic realignment. Hoechst's later acquisition of Celanese can be seen as a form of risk securitisation, as purchasing an established company with local management helped offset market and cultural risks in the US expansion strategy.

Nationalisation in France (1981–1993)

After Hoechst had started to penetrate the French market via a trading company at the beginning of the 1950s, successive acquisitions and company foundations followed from the middle of the decade. In 1966, Hoechst and several partners founded Oxochimie S.A., which produced oxo-alcohols in Lavéra near Marseille.³⁰ At the end of the 1960s, the Hoechst Group also increased its capacities for dispersions at Polysynthèse S.A. and for polypropylene at Société Normande de Matières Plastiques S.A. (SNMP).³¹

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- 29 Geschäftsbericht Hoechst 1986, 20; Hicks, Jonathan P., Hoechst to acquire Celanese, in: New York Times 04.11.1986, Section D, 1; Hoechst-Archiv, Ordner USA/AHC, Geschäftsbericht AHC 1986, 2; Klein, Operation, 199–207; Teltschik, Großchemie, 295.
- 30 Geschäftsbericht Hoechst 1966, 40; Geschäftsbericht Hoechst 1968, 29; Hoechst-Archiv, Hoe. Ausl. 98a, Oxochimie S.A. (1975); Hoechst-Archiv, H0073209, Hoechst France, KDA: Das Engagement von Hoechst in Frankreich (10.04.1970).
- 31 Geschäftsbericht Hoechst 1967, 29; Hoechst-Archiv, H0073209, Hoechst France, KDA: Das Engagement von Hoechst in Frankreich (10.04.1970). In addition to

But Hoechst's investment in France remained modest. The German company only took a significant step on the French market with the takeover of the French pharmaceutical company Roussel Uclaf between 1968 and 1974. In 1968, Hoechst acquired a 43 percent stake in Compagnie Financière Chimio, which held a majority stake in Roussel Uclaf with an authorised share capital of 123.6 million French francs (FF). The takeover of the shares was financed in particular by a capital increase at Hoechst of DM 45 million in new shares, which were taken over by a consortium led by Dresdner Bank and contributed more than DM 200 million to the chemical group's treasury.³²

The reasons for the cooperation with the French pharmaceutical company Roussel Uclaf were primarily its knowledge of pharmaceutical research and its position on the French market, but also the aim of being present on the emerging European market with a strong Franco-German group. The origins of the Roussel Uclaf company went back to the founding of the family business Laboratoire du Docteur Roussel by Gaston Roussel (1877–1947) in 1911. Together with Albert Caldairou and Alfred Lindeboom, Roussel had then founded the Institut de Sérothérapie Hémopoïétique (ISH) in 1920, followed in 1928 by the construction of the Usines Chimiques des Laboratoires Françaises (Uclaf) in Romainville as the first French production site for pharmaceuticals made from chemical raw materials. Under the management of Jean-Claude Roussel, Gaston's son, the existing factories and laboratories were merged to become the Roussel Uclaf Group in 1961. Subsidiaries had been formed in Spain, Italy and Belgium as early as the 1920s, followed by further establishments in Mexico, Brazil and Argentina in the 1930s and in Asia (India and Japan) and Africa in the 1950s. The co-operation between Hoechst and Roussel Uclaf thus brought together two companies with numerous foreign holdings, even though the core of the business was focused on Europe.³³

In the context of rising costs in pharmaceutical research, which in the long term exceeded the financial possibilities of a family business, a co-op-

Hoechst, the French industrial gases company Air Liquide and the French chemical company *Société chimique des charbonnages de France* (CdF) each held a one-third stake in SNMP. Cf. Hoechst-Archiv, H0073210, Hoechst France, Hoechst in Frankreich (1970).

32 Geschäftsbericht Hoechst 1968, 19, 29.

33 Bartmann, Pharmabereiche, 273–275; Bäumlér, Farben, 297; Chauveau, Invention, 574–575; Seine-Saint-Denis Conseil Général, Roussel; Hoechst-Archiv, Hoe. Ausl. 98 Historique du Groupe Roussel Uclaf (1990).

eration with a partner company seemed appropriate from Roussel Uclaf's point of view. In particular, the death of Gaston Roussel's wife Germaine (1897–1967) led to the consideration of selling part of the family estate to pay inheritance tax. French president Charles de Gaulle had rejected a takeover of a company stake by a US investor, as he feared that this would be a step towards selling off the French economy as a whole. The US companies General Electric and Chrysler had already bought into the Paris-based computer company Machines Bull and the Simca car factory.³⁴ The increase in foreign—particularly US—companies on the French market since the mid-1960s alarmed political decision-makers. While 36 foreign subsidiaries were active in the French pharmaceutical industry in 1964, of which 15 were US-American, five British and four German, by 1972 there were already 82 foreign companies (of which 32 were US-American, 10 British and 19 German). As a result, in 1974 a total of 44 percent of all drugs sold in France were produced by foreign companies; in West Germany, with its strong pharmaceutical manufacturers, the comparable proportion was only 35 percent.³⁵

Although de Gaulle had no formal right to prevent the sale of French company shareholdings abroad, it was common practice for the company selling the shares to inform the government and ask for authorisation in advance. However, de Gaulle wanted to approve a sale to a West German company, not least because this decision was in line with his foreign policy, which was directed against the dominance of the USA in the western hemisphere. The collaboration between Hoechst and Roussel Uclaf was therefore primarily a consequence of the specific situation of a family business in conjunction with the industrial policy objectives of the French government at that time.³⁶

When co-owner Henri Roussel finally decided to sell his shares in the company, his brother and CEO Jean-Claude Roussel arranged the sale of 43 percent of the holding company *Compagnie Financière Chimio*, which controlled Roussel Uclaf, to Hoechst in 1968. Personal discussions between Jean-Claude Roussel and Hoechst board member Kurt Lanz had created a relationship of trust that prevented a previously considered sale

34 *Gemeinsamer Markt*. Roussel Uclaf. Deutsche dürfen, in: *Der Spiegel* 41/1968, 07.10.1968, 76.

35 *Chauveau*, *Invention*, 584–592, 656; *Chauveau*, *Défi*, 959.

36 *Gemeinsamer Markt*. Roussel Uclaf. Deutsche dürfen, in: *Der Spiegel* 41/1968, 07.10.1968, 76.

of the French package to the West German competitor Bayer.³⁷ Despite the takeover, the French attached great importance to being recognised as equal negotiating partners. All issues falling under the responsibility of the management of Chimio and Roussel Uclaf were to be settled by mutual agreement.³⁸

According to a secret agreement, Hoechst had been granted the right to acquire the majority of the French pharmaceutical company in the event of the death of Roussel Uclaf's president. When Jean-Claude Roussel died unexpectedly in a helicopter accident in April 1972, Hoechst exercised its right of first refusal and by 1974 had acquired the majority of shares in Compagnie Financière Chimio and thus indirectly a majority stake in Roussel Uclaf. With this acquisition—Hoechst's largest single investment in the pharmaceutical sector to that date—the West German group became the world's largest pharmaceutical manufacturer.³⁹

Hoechst's respect for Roussel Uclaf's independence in the following years became particularly evident in the fact that in the 1970s and 1980s there was no German Hoechst representative on the French company's board and the next tier of management was also almost exclusively made up of French nationals. In addition to specific research collaborations between the Hoechst pharmaceutical division and Roussel Uclaf, Hoechst's influence was essentially limited to the latter's supervisory board. Kurt Lanz served as chairman of the supervisory board for several years in the 1970s, which also included some other Hoechst managers.⁴⁰

The conditions of co-operation changed fundamentally at the beginning of the 1980s. Following the election victory of the French Socialists under François Mitterrand in 1981, the German group initially had to fear for its ability to influence its French company. In line with trade union demands,

37 *Bäumler*, *Farben*, 297–298; *Chauveau*, *Invention*, 575; *Eck*, *Entreprises*, 477–478; *Guinot*, *Stratégies*, 179–180; *Lanz*, *Weltreisender*, 55–59.

38 Archives Historiques du Groupe Sanofi, Paris (AHGS), N° boîte 0000000082166, Vereinbarung zwischen Jean-Claude Roussel und Farbwerke Hoechst AG (30.09.1968), Accord de Coopération entre Farbwerke Hoechst AG et Roussel Uclaf (30.09.1968), Farbwerke Hoechst an Jean-Claude Roussel (21.04.1970).

39 *Bäumler*, *Farben*, 297–300; *Chauveau*, *Invention*, 576; Geschäftsbericht Hoechst 1973, 22, 30; Geschäftsbericht Hoechst 1974, 28; *Schreier/Wex*, *Hoechst*, 372.

40 Hoechst-Archiv, Geschäftsberichte Roussel Uclaf 1977–1986; Hoechst-Archiv, *Hoe. Ausl. 98*, *Der Deutsche an der Spitze von RU in Paris will eigene Akzente setzen*, in: *Welt am Sonntag*, 27.03.1994; Hoechst-Archiv, *Hoe. Ausl. 98b*, *Hoechst in Frankreich* (1988); Nina Grunenberg: *Die Chemie stimmt. Ein ungewöhnlicher Fall deutsch-französischer Zusammenarbeit*, in: *Die Zeit* Nr. 20, 08.05.1988, 31–32.

the new French government presented a list of companies to be nationalised, including Saint-Gobain, Pechiney Ugine Kuhlmann, Rhône-Poulenc and Roussel Uclaf. Here, political risk was manifested in full force—an eventuality for which the companies were inadequately prepared. In this context, the French government also accepted the risk that foreign investors might be discouraged from investing in France.⁴¹ Although the strong economic position of the state and the French policy of nationalisation after 1945 were based on a broad social consensus, this was primarily a policy intended to signal the government's Socialist credentials, and represented a counterpoint to contemporary British and American economic policy. It would prove, however, to be of only limited duration and scope.⁴²

Hoechst exercised its ownership rights through its French subsidiary Société Française Hoechst (SFH) which had to slightly reduce its majority stake in Roussel Uclaf. However, SFH remained the majority shareholder with 54.5 percent, while the French state acquired a minority stake of 40 percent. This was followed by a capital increase of FF 89 million in non-voting preference shares, in which the state and holders of the previously acquired bonds had a pre-emptive right. As a result, SFH held a minority stake in those securities and the French state, which also secured the right to nominate the chairman of the supervisory board, held around two thirds of those shares. Third-party shareholders, on the other hand, lost almost all influence. In accordance with an agreement between the French government and Hoechst, the supervisory board was henceforth made up of six government representatives and six Hoechst representatives. More decisive than the ownership titles with voting rights were therefore the concretely agreed possibilities of appointment and influence, and for the next years

41 On American attitudes concerning foreign property during and after the Second World War, cf. *Kobrak/Wüstenhagen*, Globalization.

42 *Tuppen*, Recession.

there was no way to circumvent the French state. Changes of government could therefore also lead to new ownership rules in Western Europe.⁴³

Table 1: Distribution of share capital at Roussel Uclaf in percentage (1984–1989)⁴⁴

	ordinary shares with voting rights			preference shares without voting rights		
	1984	1986	1989	1984	1986	1989
Société Française Hoechst	54.5	54.50	54.50	35.2	36.82	43.32
French state	40.0	36.25	36.25	63.7	48.45	1.40
ERAP**			4.22			0.78
Other shareholders	5.5	9.25*	5.03	1.1	14.73	54.50

*Source: AHGS, Fonds Roussel Uclaf / RU-29, Roussel Uclaf Exercice 1984, p. 30; RU-30, Roussel Uclaf Exercice 1986, p. 33; RU-30, Roussel Uclaf Exercice 1989, 43. Hoechst held its stake at Roussel Uclaf via its French subsidiary Société Française Hoechst (SFH). On 31 December 1981, Hoechst still held 57.9 % of Roussel Uclaf's share capital of FF 445 million via SFH. * Of this, 3.75 % was held by Compagnie Financière de Suez on behalf of the state. ** ERAP (Entreprise de Recherches et d'Activités Pétrolières) was a state-owned investment and holding company.*

However, the nationalisation policy implemented in 1982 soon crumbled. Between 1986 and 1988, which saw the first “cohabitation” of the Fifth

43 AHGS, Fonds Roussel Uclaf, Cont.N° 786, PV. Directoire 6, Procès-verbal de la Réunion du Directoire (24.02.1982, 28.04.1982, 05.05.1982); AHGS, Fonds Roussel Uclaf, Cont.N° 786, PV. Directoire 7, Procès-verbal de la Réunion du Directoire (26.05.1982, 30.06.1982, 26.08.1982); AHGS, Fonds Roussel Uclaf / RU-29, Roussel Uclaf Exercice 1981, 33, Roussel Uclaf Exercice 1982. Allocution du Président (24.06.1983), Roussel Uclaf Exercice 1984, 30, Roussel Uclaf. Assemblée Générale Extraordinaire (25.08.1982); AHGS, N° boîte 82166, Protocole d'accord sur Roussel Uclaf entre Hoechst AG et le Ministre français de l'Industrie (09.02.1982), Charte de coopération Roussel Uclaf-Hoechst (28.02.1983); *Barral*, Molécules, 171–172, Hoechst-Archiv, Hoe. Ausl. 138 / Geschichte verschiedener Hoechst Gesellschaften Ausland / Länderblätter Frankreich, Roussel Uclaf Konzern. 20 Jahre Zusammenarbeit mit Hoechst (1988); “La nationalisation de Roussel-Uclaf Hoechst refuse de céder sa participation mais laisserait la porte ouverte à un compromis”, in: *Le Monde*, 06.11.1981; L'avenir de Roussel-Uclaf. L'État va dans un premier temps acquérir 34 % du capital actuellement contrôlé par le groupe Hoechst, in: *Le Monde*, 24.02.1982; Hoechst se félicite de ‘L'accord de principe’ conclu avec le gouvernement français, in: *Le Monde*, 26.02.1982.

44 On the developing structure of the shareholders see also: AHGS, N° boîte BU627-C13155–71932, Comité de Groupe Roussel Uclaf (16.10.1986, 14.01.1994).

Republic under President François Mitterrand (Parti Socialiste (PS)) and Prime Minister Jacques Chirac (Rassemblement pour la République (RPR)), numerous nationalisations were reversed.⁴⁵ This also changed the rules of the game at Roussel Uclaf. In June 1987, Hoechst was authorised to exercise its majority rights again, based on its 54.5 percent shareholding of SFH, and to select seven of the twelve members of the supervisory board who appointed the board of directors.⁴⁶

Three years later in 1990, the chemical group Rhône-Poulenc, which was still nationalised at the time, took over 35 percent of the voting state shares in Roussel Uclaf, thereby further reducing the French state's direct influence on Roussel Uclaf. The Hoechst management had thus almost completely secured its rights of disposal again. This was also reflected in the fact that Christian d'Aumale left the supervisory board in 1990 and Jacques Machizaud returned to Roussel Uclaf to take over the position as chairman of the supervisory board.⁴⁷

In 1993, important ownership decisions were made regarding the future of Roussel Uclaf. After the Rhône-Poulenc management had decided to sell its 35 percent package in Roussel Uclaf, the question arose as to who should take over those shares. Hoechst as the majority shareholder would have been a candidate, but ultimately the shares were sold publicly in 1993. Ernst Günter Afting, who succeeded Édouard Sakiz in 1994 and thus became the first German at the head of the Roussel Uclaf board, stated in an interview that a takeover by Hoechst would have threatened the identity of the French pharmaceutical company, as this would have meant complete integration into the Hoechst organisation. In return for Afting's appointment, the Roussel Uclaf director and pharmaceutical specialist Jean-Pierre

45 *Tuppen*, Chirac, 176–200.

46 AHGS, N° boîte 82166, Participation de Hoechst dans Roussel Uclaf (05.03.1986), Point sur l'accord entre l'État et Hoechst AG (16.06.1987), Actionnariat de Roussel Uclaf (13.06.1988), «Roussel Uclaf: Signature de l'accord entre l'État français et Hoechst» (26.06.1987), Roussel Uclaf: Le souci du maintien des équilibres l'a emporté (18.05.1987), Remarques au regard du droit des Sociétés sur le projet du 29 Avril 1987 (07.05.1987), Le sort de Roussel Uclaf, in: *Le Figaro* (25.05.1987); Hoechst-Archiv, Hoe. Ausl. 138 / Geschichte verschiedener Hoechst Gesellschaften Ausland / Länderblätter Frankreich, Roussel Uclaf Konzern. 20 Jahre Zusammenarbeit mit Hoechst (1988).

47 AHGS, Fonds Roussel Uclaf / RU-30, Roussel Uclaf Exercice 1989, 43; *Barral*, Molécules, 172–173; *Bäumler*, Farben, 299; Geschäftsbericht Hoechst 1989, 28; Hoechst-Archiv, Hoe. Ausl. 98b, Hoechst in Frankreich (1988); Rhône-Poulenc an Roussel Uclaf beteiligt, in: *Frankfurter Allgemeine Zeitung*, 20.02.1990.

Godard became head of the pharmaceutical division (*Santé division*) at Hoechst and was therefore responsible for the pharmaceutical divisions of Hoechst and Roussel Uclaf. With this appointment, the Hoechst managers strengthened relations between the French subsidiary and the German parent company.⁴⁸

In addition to the sales opportunities and the availability of qualified staff, the low political risk also argued in favour of setting up production facilities in Western Europe. However, the example of Hoechst in France shows that political risks also existed here. This risk was also noted by Bayer in its assessment of country-specific risks. A detailed study by Alfons Kottmann for the Bayer management board's planning conference in November 1981 analysed Bayer's current situation in France, Italy, the UK and Spain and explicitly included political risks in its assessment of those markets alongside the business climate index and the transfer opportunities for profits and capital. From the perspective of the Bayer management, these risks had increased significantly in France following Mitterrand's election victory in 1981. The business climate, transfer opportunities and political stability were nowhere rated higher than in Germany (and Japan). This was one of the reasons to continue the export strategy (with domestic production) and to simultaneously expand foreign production. The importance of Western European countries compared to Japan was reflected above all in the sales figures, which at that time were around twice as high in France and Italy as in Japan. The establishment of foreign production sites cannot therefore be attributed to a single factor, but only explained on a multi-causal basis.

Bayer's risk assessment was based on the Business Environment Risk Index (BERI) reports for assessing the business climate for foreign investors.⁴⁹ The BERI Institute, headquartered in Friday Harbor (Washington State), had been in existence since 1966, and offered expertise to support corporate decisions on foreign investments.⁵⁰ The BERI reports provided a kind of

48 AHGS, Fonds Roussel Uclaf / RU-31, Roussel Uclaf Exercice 1993, 4–7, 11–13; Hoechst-Archiv, Hoe. Ausl. 98, Der Deutsche an der Spitze von RU in Paris will eigene Akzente setzen, in: *Welt am Sonntag* 27.03.1994; *Seifert*, Hoechst, 152–153, 285.

49 Bayer AG: Corporate History & Archives, Leverkusen (BAL) 009/L Alfons Kottmann: Strategie der Bayer-Beteiligungsgesellschaften, Erläuterung zur Tabelle "Beurteilung von Länderrisiken" (1981).

50 BERI is still a private company for business ratings, analyses and forecasts. Today the abbreviation is used for Business Environment Risk Intelligence. See: <https://beri.com/> (Accessed September 26, 2025).

hit list of the investment-friendliness of various countries, and included the Political Risk Index (PRI), an analysis of political risk which is made up of the opinions of various experts, taking into account internal and external causes of political risk. Social conflicts and terrorism, for example, were seen as symptoms of political risk, but the election of a Socialist (Mitterrand) as president of one of the largest European economies could also constitute a risk in a democracy.⁵¹ The example of Hoechst shows that a new government in France could go hand in hand with restrictions of property rights. According to the investigation at Bayer, in 1981, 74 percent of Bayer's operating assets were located in countries with no political risk and 18 percent in countries with moderate political risk, but at least three percent in countries with unacceptable risk.⁵²

Table 2: Assessment of country risks at Bayer (1981)

	Business climate		Political risk		Transfer options	
Points system						
ideal case	100		0		100	
stable, hardly any risk	70-99		1-20		70-99	
moderate risk	55-69		21-35		55-69	
high risk	40-54		36-45		40-54	
extremely bad	0		100		0	
Countries	Mar 81	Jul 81	Mar 81	Jul 81	Mar 81	Jul 81
Germany	78.0	75.5	16	17	73.0	75.7
Italy	46.0	46.0	45	45	63.0	63.3
France	62.5	58.0	27	37	72.0	61.9
Great Britain	61.5	60.5	31	32	68.5	68.1
Spain	57.5	55.0	37	38	50.0	50.0
Japan	76.0	76.0	19	18	73.0	72.0
Indonesia	46.0	46.0	50	50	49.0	52.1

Source: BAL 009/L Alfons Kottmann: *Strategie der Bayer-Beteiligungsgesellschaften (1981)*

51 According to Nathan Jensen, democratic institutions generally lead to lower levels of risk for FDI. Cf. Jensen, Risk.

52 BAL 009/L, Alfons Kottmann: *Strategie der Bayer-Beteiligungsgesellschaften, Erläuterung zur Tabelle "Beurteilung von Länderrisiken"* (1981).

The risk assessment at Bayer illustrates that companies became aware of the increasing risks as a result of growing FDI and that they tried to operationalise and securitise the risks with the help of international consultancies—especially with regard to political risks that went beyond the routine risk assessment of everyday business. However, companies had to gradually build up this competence and gain experience in this area of corporate policy. They were able to make decisions on the basis of international assessment schemes, even if such schemes did not guarantee complete security. At the same time, the use of the BERI reports demonstrates the international dimension of the problem. In the 1960s and 1970s, international information and analysis companies emerged which provided knowledge for internationally operating companies like Hoechst or Bayer in a globalising world. Upon Mitterrand's election victory, Hoechst was not well prepared for such a far-reaching state intervention, but it was willing to bear the risks and accepted the consequences. However, the following example shows that withdrawal could also be a strategic response to risk.

Foreign Subsidiaries in the Islamic Revolution (1979–1982)

In 1970, Bayer acquired a 50 percent stake in the Iranian chemical fibre factory Sherkat Sahami Aliaf from Allied Chemical Corporation and subsequently expanded its capacities as the Iranian government pressed for rapid expansion.⁵³ As part of the expansion in the mid-1970s, the capital was to be increased, some of the shares were to be issued to the employees and Bayer's shareholding was to be reduced to 34 percent according to the wishes of the government; in the end, however, Bayer's shareholding remained at 50 percent.⁵⁴ Although the majority of global FDI continued to circulate within the triad, multinational companies gradually began to invest in culturally more distant and politically less stable regions from the 1960s onwards, signalling increasing international competition and a willingness to take higher risks. The acquisition of Aliaf is an example of

53 BAL 387/1–9, Minutes of the Bayer executive board meeting (21.10.1969); BAL 387/1–12, Minutes of the Bayer executive board meeting (19.12.1972, 05.06.1973); Geschäftsbericht Bayer 1970, 27. The Dutch company AKU had also negotiated the sale of *Aliaf* with Allied prior to the Bayer takeover. Cf. Stiftung Rheinisch-Westfälisches Wirtschaftsarchiv zu Köln (RWVA) 195-A2–38 Minutes of the joint executive board meeting AKU/Glanzstoff (10.06.1969).

54 BAL 387/1–15, Minutes of the Bayer executive board meeting (21.01.1975).

such a spatial expansion of business activities, as Iran was not one of the company's investment priorities.

Even though contacts between Bayer and the Iranian authorities intensified from 1973 onwards due to the prospect of building a caprolactam plant in Iran, Bayer's CEO Kurt Hansen noted in March 1974, with a view to the upcoming Iranian-German investment conference, that there were only few concrete plans for investment in Iran on the part of West German industry—even though the business-friendly press was full of praise for the business opportunities in Iran.⁵⁵ In the end, the Bayer management board decided to drop out of the caprolactam project for economic reasons, even though only 30 percent of Bayer's caprolactam demand in Iran could be covered by imports due to Iranian import restrictions. In addition, there was a risk that Bayer's rejection would provoke negative consequences for Bayer's other activities in Iran by the Iranian government; however, the Bayer managers came to the conclusion that a caprolactam production would not generate enough profit.⁵⁶

In the mid-1970s, another subsidiary, the 1961-founded sales company Bayer Pharma Iran AG, which had been expanded into a crop protection formulation and filling plant in 1967,⁵⁷ came under the Iranian "People's Share Law" issued by the Shah in April 1975. According to this, public companies had to offer 99 percent and private companies 49 percent of their share capital to the public. The idea underlying this programme was to change the ownership structure of productive units in Iran.⁵⁸ Bayer immediately contacted the German Federal Ministry of Economic Affairs and the German Federal Foreign Office and decided not to make any new investments in Iran, and to gradually end its involvement with Aliaf. Hoechst also restricted its investments as a result of the "People's Share Law".⁵⁹ Hence, even before Ayatollah Khomeini's return, the business prospects in

55 Caprolactam is an intermediate product in the manufacture of man-made fibres.

56 BAL 302/188, Kurt Hansen, Iranreise (1974); BAL 387/1–13, Minutes of the Bayer executive board meeting (02.10.1973, 22.01.1974, 19.03.1974); BAL 387/1–15, Minutes of the Bayer executive board meeting (18.02.1975, 03.06.1975); BAL 387/1–1, Minutes of the Bayer executive board meeting (01.03.1977); Iran. Ziemlich crazy, in: *Der Spiegel* 18/1976, 26.04.1976, 142–146.

57 BAL 009/L, Bayer baut in Teheran, in: *Chemische Industrie* XI, November 1961; BAL 380/7–60, Minutes of the Bayer executive board meeting (03./04.03.1981); BAL 387/1–18, Minutes of the Bayer executive board meeting (18./19.03.1980).

58 *Levasseur*, System, 40.

59 BAL 387/1–16, Minutes of the Bayer executive board meeting (07.10.1975, 18.05.1976); *Lanz*, *Weltreisender*, 338.

Iran worsened. Between 1976 and 1978, Aliaf lost around half of its capital due to negative results and was therefore under special observation by Bayer's management. With the return of Khomeini from exile and the Islamic Revolution in 1979, the constitutional monarchy in Iran was replaced by a new government, and new rules for foreign investments were implemented. At this time, there was a major disagreement between the shareholders of Aliaf about a possible restructuring of the company by a reduction and subsequent increase in capital. Opinions of the shareholders also diverged considerably on the valuation of Bayer's old debts. For these reasons and because of the politically unstable situation with numerous strikes, the German company withdrew more and more from Aliaf.⁶⁰

It was not until the beginning of the new Persian year in March 1979 that the revolutionary committee in Aliaf was dissolved. Bayer hoped to regain some control of its Iranian subsidiary; however, the general manager appointed during the revolutionary phase remained in position and it proved extremely difficult for Bayer to enforce its entrepreneurial interests.⁶¹ Bayer was by no means an isolated case. Other West German companies, such as the consortium led by the Siemens subsidiary Kraftwerk Union (KWU), which had started building the Buschih nuclear power plant on the Persian Gulf in the mid-1970s, or the US competitor DuPont, did business in Iran as well—and were confronted with similar problems.⁶² West German companies had invested particularly heavily in Iran following the German-Iranian treaty of 1965, which guaranteed mutual protection of capital investments and thus reduced institutional and political risks. Until the mid-1970s, Iran was one of Germany's largest non-European trading partners. In addition to Bayer many other German companies, like Hoechst, Merck, Schering, Boehringer Mannheim and Grünenthal, had opened pharmaceutical production facilities there.⁶³

In July 1980, the situation escalated when the Iranian Ministry of Health initiated the nationalisation of all foreign pharmaceutical companies. This

60 BAL 387/1–13, Minutes of the Bayer executive board meeting (21.06.1977); BAL 387/1–18, Minutes of the Bayer executive board meeting (09.01.1979, 03.07.1979, 07.08.1979, 02.10.1979); *Bösch*, Schah; Geschäftsbericht Bayer 1978, 60.

61 BAL 387/1–18, Minutes of the Bayer executive board meeting (03.04.1979).

62 *Romberg*, Nonproliferation.

63 *Błaszczuk*, Synthetics for the Shah; Das ist wie ausgestorben, in: *Der Spiegel* 7/1979, 12.02.1979, 63–65; *Weißgerber*, Iranpolitik, 87–116, 234–235.

also affected Bayer Pharma Iran AG.⁶⁴ Hoechst CEO Rolf Sammet complained that his company had issued bank guarantees in the 1960s in reliance on the preservation of the investments, which were now (1980) threatening to become payable. Hoechst had been active on the Iranian market since the 1950s and had founded the Iranian subsidiary Hoechst Industrie AG in 1965, which had started producing pharmaceuticals and dispersions at the end of the 1960s. In 1980, the West German pharmaceutical industry had invested a total of around DM 100 million in Iranian drug production. Accordingly, the German newspaper *BILD* ran the headline in July 1980: “40 million gone! Khomeini expropriates Hoechst and Merck.”⁶⁵

Despite the intervention at the ownership level and the appointment of Iranian government officials to the management in July 1980, the relations of Hoechst Industrie AG with the West German parent company remained intact. But the situation continued to worsen. After the Western pharmaceutical factories were placed under forced administration in mid-1980, the Iranian government prepared for nationalisation at the beginning of 1981. In April of that year, reporting from Iranian pharmaceutical production to Hoechst at Frankfurt/Main ceased, so Hoechst terminated the contracts and prohibited the use of the name “Hoechst”.⁶⁶ By 1981 at the latest, there was little hope among West German pharmaceutical companies that their foreign assets would return to their control. For this reason, the com-

64 BAL 380/7–60, Minutes of the Bayer executive board meeting (03./04.03.1981); BAL 387/1–18, Minutes of the Bayer executive board meeting (18./19.03.1980).

65 Hoechst-Archiv, Hoe. Ausl. 58 I / Hoechst G-Beteiligungen im Ausland / Länder A-Z / 4. Asien, Iran-Risiken. Den Deutschen droht Enteignung, in: Rheinischer Merkur 09.05.1980; 40 Millionen weg! Khomeini enteignet Hoechst und Merck, in: Bild 10.07.1980; Deutsche Firmen im Iran enteignet, in: Stuttgarter Nachrichten 10.07.1980; Iran enteignet deutsche Firmen, in: Frankfurter Rundschau, 10.07.1980; Pharma-Verband: Bonn hat ‚harte Reaktion‘ zugesichert, in: Frankfurter Rundschau, 12.07.1980; Iran: Weiter Ungewißheit über die deutschen Pharma-Werke, in: Offenbach Post, 15.07.1980; Geschäftsbericht Hoechst 1965, 41; Geschäftsbericht Hoechst 1966, 42; Lanz, Weltreisender, 337–338.

66 Hoechst-Archiv, H0159232, GL 2.3 Pharma, Protokoll der 82. Sitzung des AK Produktion Pharma am 04.11.1980 (17.11.1980), Protokoll der 88. Sitzung des AK Produktion Pharma am 12.08.1981 (08.09.1981); Hoechst-Archiv, Hoechst H0159240, GL 2.2 Pharma, Protokoll der 238. Geschäftsführersitzung (07.07.1980); Hoechst-Archiv, Hoe. Ausl. 58 I / Hoechst G-Beteiligungen im Ausland / Länder A-Z / 4. Asien, Iran will 14 westliche Pharma-Firmen verstaatlichen, in: Wiesbadener Kurier, 24.01.1981. In the 1984 financial year, Hoechst AG finally sold its stake in Hoechst Industrie AG in Tehran, which had already been beyond its control for several years. Cf. Geschäftsbericht Hoechst 1984, 20.

panies, together with the German Federal Association of the Pharmaceutical Industry, pressed for compensation from the Iranian state, but several attempts made by the German federal government in this direction were unsuccessful.⁶⁷

Although Bayer's subsidiary Aliaf was generating a profit at the end of 1980, it was hardly possible for the Iranian company to repay debts to Bayer due to the lack of foreign currency. The West German management was quite prepared to sell Bayer's stake in Aliaf— as demanded by the Foreign Investment Organisation, an authority under the Iranian Ministry of Finance—but the German company insisted on (1) the settlement of the old debts, (2) a valuation of the share capital in the amount of the purchase price and (3) a transfer of the amounts in a hard currency.⁶⁸ Bayer thus opposed the position of the Iranian bank representatives on the board of Aliaf, who in the meantime were planning a capital reduction and subsequent re-increase to exclude Bayer. This would have amounted to a de facto expropriation of the German company.⁶⁹ Furthermore, Bayer lost control of Aliaf because the German managers were no longer granted work and residence permits from the beginning of 1982.⁷⁰ The pressure on Bayer to transfer Aliaf into Iranian hands free of charge increased enormously. The German embassy counsellor Gert Strenziok reported on 22 July 1982: "At the Aliaf shareholders' meeting on July 11, 1982, the Iranian Bayer representatives were threatened that they would be killed if they did not agree to certain [...] company decisions."⁷¹ The negotiations continued throughout the second half of the year, but it was not until the beginning of 1983 that some of Bayer's requirements were fulfilled. Simultaneously, a compensation settlement was reached for the expropriation of Bayer Pharma Iran AG; the West German federal government provided compensation funds of around DM 1.4 million.⁷²

67 Hoechst-Archiv, Hoe. Ausl. 58 I / Hoechst G-Beteiligungen im Ausland / Länder A-Z / 4. Asien, Deutsche Pharma-Firmen bitten um Hilfe, in: Stuttgarter Zeitung, 21.07.1981.

68 BAL 380/7–59, Minutes of the Bayer executive board meeting (02.12.1980).

69 BAL 380/7–60, Minutes of the Bayer executive board meeting (03./04.03.1981).

70 BAL 380/7–63, Minutes of the Bayer executive board meeting (05.01.1982).

71 Geiger/Peter/Lindemann, Akten, 817. "In der Hauptversammlung der Aliaf am 11.7.1982 wurde den iranischen Bayer-Vertretern angedroht, sie würden umgebracht, wenn sie bestimmten [...] Unternehmensentscheidungen nicht zustimmen würden."

72 BAL 380/7–65, Minutes of the Bayer executive board meeting (24.08.1982, 19.10.1982); BAL 380/7–66, Minutes of the Bayer executive board meeting (01.03.1983). Cf. also: BAL 387/1–8, Minutes of the Bayer executive board meeting (18.07.1967). On 12 May

In addition to the loss of control over foreign investments, West German foreign trade with Iran was also hampered. On the one hand, low oil exports and high war costs increased the country's foreign exchange problems; on the other hand, both pharmaceutical and pesticide imports had meanwhile been transferred to national import authorities. Bayer continued to show interest in the Iranian market and generated sales of around DM 400 million in Iran in 1980. However, in 1982, Bayer even had to reduce the staff of its Iranian sales company Bayer Iranchemie AG (BICH), which had been founded in 1955 as a joint venture with local shareholders; national authorities took over the tasks of BICH. Thus, even the strategy of minimising risk through alliances with local partners was unsuccessful. Trade with Iran therefore continued to lose in importance.⁷³ From the perspective of supply security in the raw materials sector, however, the direct links of Bayer to the Middle East played only a subordinate role. With regard to the supply side, especially in relation to oil and other primary products, Bayer continued to cooperate with the major global oil companies.⁷⁴

Hence, the regime change in Iran ultimately led to the end of a local production by West German chemical companies, the loss of numerous sales companies, and a significant disruption of German-Iranian trade relations, although the latter did not come to a complete halt. Here, the economic risks of a political regime change became evident, and they could not be circumvented by prevention (such as lobbying or forming alliances with local elites) or mitigation (through partnerships or insurance strategies).

Loss of Control in India?

Although India did not experience a revolution comparable to that in Iran in the 1970s, it was also characterised by internal tensions at that time. With

1987, Aliaf was finally sold to the Iranian state-owned company Bonyade. Cf. BAL 380/8–16, Minutes of the Bayer executive board meeting (19.05.1987).

73 BAL 380/7–63, Minutes of the Bayer executive board meeting (05.01.1982); BAL 380/7–65, Minutes of the Bayer executive board meeting (24.08.1982, 19.10.1982); BAL 380/7–66, Minutes of the Bayer executive board meeting (01.03.1983). In March 1984, Bayer's stake in BICH was 84 percent; the remaining 16 percent was held by Pari Alamir. Cf. BAL 380/7–70, Minutes of the Bayer executive board meetings. Changes to company management and supervisory bodies in domestic and foreign holding companies (1984).

74 BAL 387/1–14, Minutes of the Bayer executive board meeting (04.06.1974).

Indira Gandhi at the head of the Congress Party from the end of the 1960s, politics moved towards the left. In 1969, important banks were nationalised and pension payments to the former Indian princes were stopped. After the landslide victory of the Congress Party under Gandhi in 1971, there was a strong personalisation of politics. However, this centring on Gandhi as a person and her socialist policies also provoked resistance. Strikes, unrest and finally the declaration of a state of emergency in June 1975 by Prime Minister Indira Gandhi created a volatile environment for foreign direct investment in India.⁷⁵

During this period, both Hoechst and Bayer were doing business in India. In the case of Hoechst, the acquisition of a company in Great Britain was particularly important for its Indian business. In 1970, Hoechst acquired Berger, Jensen & Nicholson (BJN), the second-largest British paint and coatings producer, for a total of DM 243 million.⁷⁶ As in the case of Roussel Uclaf, Hoechst hardly intervened in the appointment of the local management, as the Hoechst headquarters took the view that foreign managers familiar with the corporate structures and the specific requirements of the market should continue to manage the company: “We are of the opinion that not only some, but as many positions as possible in the management of our foreign subsidiaries should be filled by men from the respective country. Contrary to some somewhat arrogant opinions in Western Europe, our British friends work no less hard than we do, even if they perhaps don’t moan about it as much.”⁷⁷

75 Guha, India, 491–518.

76 Geschäftsbericht Hoechst 1967, 19; Geschäftsbericht Hoechst 1970, 16, 58; Hackney Archives (London), D/B/BER/2/2/2, Minutes of the Meeting BJN Group Board (18.12.1969, 07.01.1970, 08.01.1970, 13.01.1970); Hoechst-Archiv, H0073138, Großbritannien / BJN, Offer to acquire the issued ordinary share capital and warrants of BJN (without date); Hoechst-Archiv, H0073139, Großbritannien / BJN, Agreement between Farbwerke Hoechst AG and Reed Group Ltd. (31.12.1969); Hoechst-Archiv, H0073140, Großbritannien / BJN, BJN Board Meeting (18.12.1969), Excerpt from the minutes of the 355th executive board meeting of Hoechst AG (06.01.1970); Hoechst-Archiv, H0073141, Großbritannien / BJN, Mitteilung der Rechtsabteilung (14.01.1970), Seligman to Asboth (26.01.1970); Hoechst-Archiv, H0073142, Großbritannien / BJN, BJN and the Hoechst-Reed Agreement (20.10.1970), Offer by S.G. Warburg & Co. Ltd. on behalf of Hoechst U.K. Ltd. for Issued Ordinary Share Capital and Warrants of Berger, Jensen & Nicholson Ltd. (12.01.1970); Schreier/Wex, Hoechst, 291; Watts, Distribution, 86–88.

77 Quoted in German in Lanz, Weltreisender, 90 (translation by the author).

This position was very much welcomed by the BJV management and foregrounded again in the guidelines for cooperation between Hoechst and BJV in 1971, as Kurt Lanz later emphasised in his autobiography: “The management of Farbwerke Hoechst have emphasised from the commencement that Berger, as a Group of Companies, must continue to be separately managed and develop its own trading image in those parts of the paint world where it trades.”⁷⁸ As a result, BJV’s management remained in position and largely retained its autonomy. Hoechst followed a strategy here that it was to apply again in the USA—after the failure in Bayport.

With the takeover, Hoechst also acquired the Indian subsidiary British Paints (India) Ltd., in which BJV held a 55 percent stake. The BJV management generally attached importance to a majority shareholding to control its subsidiaries. However, Indian business partners advised the BJV managers to reduce its share at British Paints (India) to less than 50 percent in anticipation of the domestic political situation, which was increasingly hostile to foreign direct investment. They argued, that with regard to the 7,000 free shareholders, BJV could also control the Indian subsidiary with a share of less than 49 percent, as the numerous individual shareholders would never appear at an Annual General Meeting and could not speak with one voice. The advantage was that British Paints (India) Ltd. would no longer be considered a foreign company and would therefore no longer be subject to the restrictions of foreign investment control. The reduction in the shareholding was therefore used strategically to circumvent the government restrictions on foreign companies and to expand the investment.⁷⁹

In fact, BJV reduced its stake in British Paints (India) Ltd. to 40 percent by 1975. In other countries such as Trinidad and Tobago or Nigeria, shareholdings in BJV subsidiaries were also reduced in the 1970s to less than 50, sometimes even less than 30 percent to meet the demands of local authorities. The governments of Asian, Latin American or African countries increasingly demanded the participation of local shareholders in the 1970s to build up a domestic, national industry.⁸⁰

78 Hoechst-Archiv, H0073138, Großbritannien / BJV, Guidelines for Cooperation of Hoechst and Berger Senior Executives in Trading Areas (03.02.1971).

79 Hoechst-Archiv, H0073138, Großbritannien / BJV, BJV Board Meeting (15.10.1970). Cf. Roy, History, 153–202.

80 Hackney Archives, D/B/BER/2/2/7, BJV Report & Accounts 1974, 18, BJV Report & Accounts 1975, 20, BJV Report & Accounts 1977, 4.

Bayer was confronted with similar problems in India. Asia was of little importance to Bayer as a production location and sales region in the first post-war decades. From the 1950s onwards, Bayer sold plastics and rubber to a limited extent in India and made a few investments (Bayer Agrochem Private Ltd. (1958)), but it was not until 1970 that a larger plant was built in Thane near Mumbai (then Bombay).⁸¹ The Indian subsidiary Bayer India Ltd. based in Bombay, which emerged from Bayer Agrochem in 1963, was 51 percent owned by the German company Bayer and remained so in the 1980s; the other shares were distributed among 8,800 shareholders. Accordingly, the board of directors was made up of German and Indian nationals, while the management was in German hands with Harald Lange (at least until 1984). The low capital share of 51 percent was a concession by Bayer to the Indian authorities, who were reserved about foreign investment and wanted to promote the industrialisation of the country through domestic companies. In the pharmaceutical sector, moreover, numerous regulations regarding the import, testing and approval of medicines made access to the market difficult; in particular, mass exports of German pharmaceuticals to India were therefore not considered a strategy. Despite the market access restrictions and the hostile attitude towards foreign capital, Bayer wanted to stay in the huge Indian market. Conversely, the Indian government was interested in new and effective medicines for its population. These included, in particular, Resochin, manufactured by Bayer to combat malaria.⁸²

According to an Indian law passed in 1973, the Foreign Exchange Regulation Act (FERA), companies were only considered “Indian” if less than 40 percent of their capital was owned by foreigners. Bayer violated this rule with its 51 percent stake in Bayer India Ltd. While many subsidiaries of foreign groups subsequently changed their legal form and capital composition (like British Paints (India) Ltd.), Bayer India Ltd. remained a majority foreign-controlled company along with a few other chemical companies. Bayer could afford this attitude because of its position as a major chemical and

81 *Lubinski*, Nationalism, 225–228; *Reinert*, Bayer, 178–182; *Verg/Plumpe/Schultheis*, Meilensteine, 456–459, 584–589, 592. See for the struggle for the release of German enemy property in India: *Das Gupta*, Struggling.

82 BAL 380/7–70, Minutes of the Bayer executive board meetings. Changes in the management and supervisory bodies of domestic and foreign holding companies (1984); BAL 380/8–4, Minutes of the Bayer executive board meeting (05.02.1985), Konzernverwaltung Regionale Koordinierung to Bayer-Vorstand (31.01.1985); *Lubinski*, Nationalism, 228–230; *Reinert*, Bayer, 181; *Verg/Plumpe/Schultheis*, Meilensteine, 458–459.

pharmaceutical company, which was considered important for supplying the population with drugs and for supporting the further industrialisation of India – not least to produce high-quality rubber materials for tyres and thus indirectly contribute to the motorisation of the country. The Indian subsidiary of Bayer's US subsidiary Miles, on the other hand, was—due to its lower level of investment—officially considered “Indian”.⁸³

Despite the restrictions resulting from its status as a foreign company, the sales and earnings of Bayer India Ltd. rose steadily in the 1980s. Bayer India benefited from India's economic growth. The liberalisation policy introduced in 1984 gave large companies more leeway through the relaxation of the Monopolies and Restrictive Trade Practices Act (1969) and the gradual abandonment of import restrictions, but Bayer India was still subject to the FERA regulations and had problems obtaining work permits for its German directors. In combination with the lack of infrastructure and inadequate patent protection legislation, the potential of the Indian market was certainly hindered.⁸⁴ Even after a major change of shareholders on the Indian side following the sale of a 7.3 percent stake by the Ghia family, which held an interest in Bayer India Ltd. via Bhupati Investment Pvt. Ltd., Bayer's stake remained constant at 51 percent in 1984/85.⁸⁵ Hence, despite India's industrial policy, Bayer held on to majority shareholdings in India. The request of a state secretary in the Indian Ministry of Chemicals to grant a production licence for MDI (methylene-diphenyl-isocyanate) to an Indian state-owned company with the establishment of a 50:50 joint venture was therefore rejected by Bayer in 1987—as in similar other cases.⁸⁶

At the end of the 1980s, in addition to the plant in Thane, Bayer maintained ten regional crop protection agencies with twenty regional distribution warehouses, a network of around 400 sales representatives for the distribution of crop protection products and was also involved in Colour Chemical Ltd. This company was responsible for the sale of dyes and auxiliaries for the textile industry. With crop protection products, pharmaceuticals, rubber chemicals and dyes, Bayer offered a broad range of products tailored to the needs of the Indian market. Around 1990, the

83 *Lubinski*, Nationalism, 234–241; *Verg/Plumpe/Schultheis*, Meilensteine, 458. Cf. *Jones*, Learning; *Roy*, History, 153–202.

84 BAL 380/8–13, Minutes of the Bayer executive board meeting (07.10.1986); *Lubinski*, Nationalism, 241–242.

85 BAL 380/8–4, Minutes of the Bayer executive board meeting (08.01.1985, 29.01.1985), Bayer Konzernverwaltung Regionale Koordinierung to Bayer-Vorstand (03.01.1985).

86 BAL 380/8–17, Minutes of the Bayer executive board meeting (01.09.1987).

workforce of Bayer India Ltd. totalled around 2,000 people, of whom around 1,400 worked in production.⁸⁷ With the end of the Cold War, India's orientation towards the Soviet Union and Eastern Europe waned—at least temporarily. As India reduced import licences, lowered tariffs and relaxed foreign exchange regulations, the country became even more attractive to Western investors and Bayer once again expanded its presence in India.⁸⁸

The political and regulatory instability in India during the 1970s posed significant risks to foreign investors, prompting companies like Hoechst and Bayer to adopt strategies to secure their long-term interests. While Hoechst mitigated political risk through indirect securitisation, strategically reducing its equity stake in British Paints (India) to 40 percent to maintain operational control while complying with foreign ownership restrictions, Bayer pursued a different approach, securitising its market presence by leveraging its essential role in public health and industrialization to justify retaining a 51 percent ownership in Bayer India Ltd. Both firms exemplify how foreign multinationals could securitise their investments by balancing compliance with host-country regulations, adjusting corporate structures and emphasising their strategic value to domestic development.⁸⁹

Conclusion

Foreign direct investment has always involved significant risks, as companies must anticipate market developments while navigating economic, political and social uncertainties. The 1970s and 1980s were particularly challenging for multinationals both for internal reasons as a result of their enormous expansion, and for external reasons including economic turmoil, inflation, fluctuating currencies and political instability. Using the examples of the German chemical companies Hoechst and Bayer, this chapter has shown the specific risks these firms faced in expanding their global presence and how they applied different risk management strategies.

87 Geschäftsbericht Bayer 1983, 46; Geschäftsbericht Bayer 1984, 44; Geschäftsbericht Bayer 1985, 47; Geschäftsbericht Bayer 1986, 53; Geschäftsbericht Bayer 1987, 54; Geschäftsbericht Bayer 1988, 83; *Verg/Plumpe/Schultheis*, Meilensteine, 457–459; Wirtschaftsarchiv der Universität zu Köln (WAUK), Bayer Aktionärsbrief `91. Bericht über die 39. Hauptversammlung der Bayer AG, 19.06.1991, 23.

88 *Reinert*, Bayer, 181–182.

89 In some cases 'Indianisation' strategies of German companies added security to long-term business interests. See *Faust*, Void.

As Mark Casson and Teresa da Silva Lopes have proposed, companies face diverse risks and can choose different strategies for managing risks: avoidance, prevention, mitigation, and withdrawal.⁹⁰ Hoechst's initial expansion into the US market exemplifies how cultural and operational misalignment can hinder international investments. The company attempted to establish a plastics production facility in Bayport (Texas) but faced technological and managerial difficulties. The inability to integrate German business practices into the American market led to financial losses, prompting the company to divest from plastics production in the United States and instead to acquire Celanese in 1987. This shift from divestment to acquisition demonstrates both the withdrawal and prevention strategies: Hoechst exited an unprofitable venture while learning from its mistakes in Bayport and securing a stronger position through an American-led management team at Celanese. Similarly, the nationalisation of Hoechst's stake in the French pharmaceutical company Roussel Uclaf following Mitterrand's election in 1981 illustrates how government intervention can threaten foreign ownership—even in the Western hemisphere. In this case, instead of withdrawing, Hoechst opted for mitigation by negotiating reduced control while maintaining its presence on the French market. This form of risk management was reflected not least in direct negotiations and a contract between the company and the government. Over time, as political conditions changed, the company regained its influence, highlighting how patient strategic adjustments can help firms to navigate hostile political environments over the long term.

In contrast, Bayer and Hoechst's experiences in Iran following the Islamic Revolution in 1979 illustrate how radical political shifts can render foreign investments untenable. The Iranian government nationalised foreign pharmaceutical operations and negotiations for compensation were prolonged. Despite initial attempts at mitigation through negotiations, both companies ultimately had to withdraw from the Iranian market—at least with their own foreign subsidiaries—, demonstrating how, in extreme cases, withdrawal becomes the only viable risk management strategy. Meanwhile, in India, both firms faced restrictive foreign ownership regulations under the Foreign Exchange Regulation Act (FERA), which mandated that foreign companies reduce their stakes below 40 percent. Unlike Iran, however, India remained a stable regulated market, prompting Hoechst and Bayer to engage in prevention and mitigation strategies. Hoechst strategically

90 Casson/da Silva Lopes, *Investment*.

reduced its stake in its Indian subsidiary below 50 percent as required by the Indian government but maintained operational control, while Bayer leveraged its role in key industries such as pharmaceuticals and rubber production to justify its continued majority stake. Despite regulatory challenges, both firms successfully adapted to India's evolving economic policies, illustrating how compliance and strategic restructuring can allow firms to maintain market presence in restrictive environments.

These case studies demonstrate that multinational firms must continuously assess and adapt to changing political, economic and social conditions using a mix of avoidance, prevention, mitigation and withdrawal strategies. In the 1970s and 1980s, multinationals had to develop comprehensive risk management approaches, and they increasingly relied on international consultancies and risk assessment tools such as the Business Environment Risk Index (BERI) to operationalise their risks and to securitise their business. They established new instruments for the securitisation of risk – even if these tools could not avert all risks. Ultimately, the ability to manage risk effectively determined whether firms could expand abroad successfully or were forced to retreat.

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Cheap Oil in Old Pipelines: Tracing German-Russian Oil Connections from the Cold War Division to Energy Sanctions

Cornelia Sahling

The transition from a coal-based economy to an industrial model based on oil, a cheaper primary energy source, began at the end of the 1950s. It enabled higher economic growth and consumption in industrialised countries,¹ but the political and economic decision to use oil also led to greater dependence on oil imports. Many European countries experienced this fact first-hand during the 1973 oil crisis and the second oil shock in 1979, which coincided with the Iranian Revolution. Following the Arab oil embargo, it was not only the price shock on world oil markets that was recognised as a threat, but also the general fact that dependence on oil supplies from a single region makes the national economy vulnerable to political and economic pressures from that region. The transition of the oil trade away from the usual trade relations to high-level politics, and the perception of oil shortages as a threat to economic security, led to the securitisation of oil-related risks² and of the oil market, as oil-related issues were considered vital for economic survival.

Energy security certainly involves the affordability of fossil fuels (oil prices), but it also requires energy to be available (which means ensuring oil imports or domestic production to cover consumption), accessible (through uninterrupted supplies) and sustainable (through minimising environmental impact). Although concepts of energy security may differ, strategies for achieving it tend to be similar in mostly addressing issues of efficiency, storage and supply diversification.³ The methodological approach used in the model of short term energy security known as MOSES uses different indicators to identify potential threats. The model distinguishes between crude oil and oil products, as well as other energy sources. It identifies dependence on imports, political instability in the supplier countries, transportation infrastructure (e.g. pipelines) and supply diver-

1 *Türk*, *Krisenmanagement*, 17–18.

2 *Misiągiewicz*, *Geopolitics*, 30–32.

3 *Novikau*, *Security*, 2–3.

sification as external risks to oil security.⁴ This makes oil-related issues political. The two oil crises of the 1970s accelerated political aspirations for greater energy efficiency and attempts to diversify energy sources (plans to expand nuclear power generation continued until the Chernobyl disaster in April 1986).⁵

Since the late 1950s, West Germany's search for new oil suppliers had developed towards increasing Soviet oil imports. However, the shift towards cheaper Soviet oil raised US security concerns.⁶ In the US, the Soviet oil trade was portrayed as a foreign policy tool used by the Soviet Union to extend its political influence over Western countries, thereby damaging the economic interests of US oil companies.⁷ In 1980, the US president, Jimmy Carter, introduced sanctions aimed at reducing the Soviet oil trade, including restrictions on US exports of technology that could be used for oil and gas production. The general rationale behind economic sanctions is beyond the scope of this investigation, but it is relevant here that resource sanctions differ from other sanctions in that they affect energy security. The global oil trade encompasses crude oil production, transportation, refining and the delivery of the final product.⁸ This involvement of many different actors (states and business from different countries) makes potential oil sanctions less effective due to coordination difficulties.⁹

The International Energy Agency (IEA) was established in 1974, shortly after the first oil crisis, with the primary objective of ensuring oil security. To date, the organisation has taken five collective decisions in response to significant oil supply disruptions; two of these (in March and April 2022) have been related to the war in Ukraine.¹⁰ Despite the transition to green energy that was anticipated from the 1970s, and the environmental impact of oil spills, carbon dioxide emissions and water pollution caused by microplastics, oil remains the world's main energy source, accounting for 30.2 percent of the global energy supply in 2022 (compared to 27.6 percent

4 *Misiągiewicz*, *Geopolitics*, 34, table 1.2.

5 *Türk*, *Krisenmanagement*, 19–20.

6 *Skorokhodova*, *Turmoil*, 213.

7 *Perović*, *Fuel*, 96–98.

8 *Balmaceda*, *Energy*.

9 *Fischhendler*, *Sanctions*, 64.

10 The three first collective actions occurred in 1991 (Gulf War), in 2005 (hurricanes damaged oil infrastructure in the Gulf of Mexico), and in 2011 (Libyan civil war). URL: <https://www.iea.org/reports/oil-security-policy>. (Accessed November 28, 2025).

for coal and 23.1 percent for natural gas).¹¹ In the context of post-Soviet geopolitical developments and the shift from Arab to Russian oil, as well as the adverse effects of economic dependence and environmental issues, it is puzzling why Germany (along with some other EU countries) has tolerated and even increased its dependence on Soviet, and later Russian, oil in this period. Following the outbreak of the Russian-Ukrainian war in 2022, it seems that the US's earlier concerns about growing Soviet fossil fuel exports were not entirely misplaced. A greater diversification of suppliers and reduced dependence on Russian energy resources would have been beneficial to Germany and to the European Union in geopolitical terms, even if it meant paying higher oil prices.

Evidence from literature on the German-Russian and EU-Russian oil trade suggests that, when selecting an appropriate energy strategy, the EU has tended to focus narrowly on economic rationality rather than economic security. This appears to hold true not only for the oil industry, but for natural gas as well. Professor Wolf Fichtner (Institute for Industrial Production, Germany) considers that supply security should not be understood as total autonomy, but argues that Germany relied too heavily on Russian gas pipelines when economic benefits were prioritised over supply security.¹² Balmaceda observes that the EU failed to reduce its dependence on imports of Russian energy by stimulating investment in infrastructure for import diversification, which private actors usually do not consider to be an economically attractive investment.¹³ The German energy policy was too naive regarding Russian policy goals, underestimating the risks to energy security. Tynkkynen describes what he sees as a failed *Ostpolitik*.¹⁴ This West German foreign policy approach aimed to develop economic relations with the Socialist bloc from 1969 onwards, in order to ensure dialogue and rapprochement between the GDR and West Germany. Tynkkynen points out that both German and Finnish foreign policies relied too heavily on an *Ostpolitik*-style approach even after the collapse of the Soviet Union. The “small Eastern enlargement” (Ackermann) of NATO following the reunification of Germany, and the withdrawal of Soviet troops from Germany,

11 Total energy supply = energy produced in a country + energy imported to a country – energy exported to other countries. Data taken from IEA. URL: <https://www.iea.org/world/energy-mix>. (Accessed November 28, 2025).

12 Comment in: Karcher, *Energiesicherheit*, 24.

13 Balmaceda, *Chains*, 249–250.

14 German for “Eastern policy”. Tynkkynen, *Europe*, 3–4.

resulted in an uncritical picture of Russia in Germany, while mainly excluding the East German perspective and research from the former GDR on the developments in the Soviet Union and Russia.¹⁵ This led to economic concerns becoming more important than geopolitical ones, with the hope that the Russian government would take the same approach.¹⁶ In Tynkkynen's words:

The Ostpolitik energopolitical discourse was “schizophrenic” from its onset in the 1960s, but after 2014 the void between utopian intentions and grim reality became glaringly evident. The narrative leaned on a geopolitical Wandel durch Handel¹⁷ ideology with an aim to change Russia, but this narrative has always had a strong consensus among those who propagated it: energy trade and cooperation are beyond (geo)politics. It was “schizophrenic” because the explicit objective of changing and pacifying Russia via the invisible hand of the economy was accompanied by the appeasement approach prevailing in most EU countries— an inability to require concrete steps from Russia to remain in the interdependency frame.¹⁸

Much of the literature on rentier states and petrostates has focused on the influence of oil rents (or resource rents) on foreign policy.¹⁹ Generally, the literature on resource rents is mainly concerned with the political economy perspective to which they are linked. This perspective is usually assumed to be concerned with the economic profit from resource sales.²⁰ Prior to the first oil shock in 1973, no strong link between oil and war had been observed, but, after this turning point, phenomena such as the “resources arms race” (where high oil revenues enable increased military spending) and the “oil weapon” (where supply cutoffs are used to achieve policy changes in importing countries) became associated with the largest oil-exporting countries.²¹

15 Ackermann, DDR, 202–203.

16 Tynkkynen, Europe, 41.

17 German for “change through trade”.

18 Tynkkynen, Europe, 39.

19 More precisely, in the public choice literature on rents, the latter are typically defined as receiving returns from the use of resources that exceed opportunity costs. *Kamer-schen*, Costs, 273.

20 Gaddy/Ickes, Rents, 560.

21 Ashford, Oil, 51, 59, 161.

Literature on Soviet and Russian energy relations with the West focuses more on the political agency of these relations than on the interests of businesses or other economic actors.²² Russia's possession of rich oil deposits has helped it to gain influence over trading partners, as is the case with Belarusian-Russian energy relations. Lower prices for Russian fossil fuels have enabled Belarus to generate external rents through oil-based rents (importing subsidised crude oil from Russia and exporting refined oil products at higher prices), gas-based rents (importing Russian gas at discounted prices and selling it for domestic use at a mark-up) and transition fees for Russian oil and gas exports to other destinations.²³ While these rents may benefit Belarus, Russia also gains political leverage.²⁴ The Belarusian case is an example of Russia using its own resource rents to influence a state with very limited domestic fossil fuel deposits, but Russia also interferes in the politics of resource-rich countries, as the example of Kazakhstan shows. The oil pipeline infrastructure built during the Soviet Union connected Kazakh oil fields mainly with Russia for refining and further transport (or internal transport within Kazakhstan), with no new oil pipelines built in Kazakhstan in the early 1990s.²⁵ This made extra-Russian oil trade difficult due to the dependence on Russian infrastructure. Additionally, the Russian oil company *Transneft* owned the main Kazakh oil pipeline in the 1990s.²⁶ Under these conditions, Russian companies set low prices for oil exports from Kazakhstan, as Russia effectively acted as the sole buyer (monopsony status) between 1991 and 2001.²⁷ Later on the country joined new oil pipeline initiatives with neighbouring countries, among which are the Caspian Pipeline Consortium (first oil was shipped from 2001), the Baku-Tbilisi-Ceyhan oil pipeline consortium (from 2005) and the China-Kazakhstan pipeline (used from 2006).

This chapter aims to address the question of why German energy policy moved towards closer ties with Russia following the Soviet collapse, given that this is now generally regarded as a failure to have missed the

22 Lutz, *Dependency*, 13.

23 Alieva/Pikulik, *Rent*.

24 For example, in 1996 Russia wrote off \$1.27 billion of Belarus's gas debt to *Gazprom* in exchange for political and military concessions in a deal known as the "zero option" agreement. *Balmaceda*, *Life*, 47.

25 *Osmanov*, *State*, 110–111.

26 *Ashford*, *Oil*, 208–209. Only in 1997, the national company *KazTransOil* was founded that operates the national oil pipeline system.

27 *Ashford*, *Oil*, 208–209.

opportunity to diversify the oil trade. In the literature, dependence is used as a popular but poorly theorised and conceptualised category,²⁸ but the category of “dependence” in relation to oil trade relations is too broad and imprecise to explain why the West became more interested in Russian oil. At the same time, it is difficult to speak of a German “Finlandisation”.²⁹ Decisions on energy security post-1989 were based on very limited information regarding Russian strategic objectives and were intended to support German business interests and the new *Bundesländer*.³⁰ This analysis takes into account the oil trade between the Soviet Union and both parts of Germany, as well as general trading conditions during the 1990s, based on Western and Soviet/ Russian secondary literature, archival sources, official documents and empirical data.

The chapter also contributes to the discussion of developments in former Socialist states following the collapse of the Soviet Union and the reunification of East and West Germany. It is intended to help bring the economic realities of East Germany—resulting from the need to bridge the productivity and the standard of living gap between East and West Germany—into the discussion about oil relations with Russia. Finally, the chapter sheds more light on the reasons why continuing an *Ostpolitik*-style relationship building with Russia after the fall of the Berlin Wall was not an efficient way for Germany to influence Russian politics. While cheap oil from Russia, transported via old existing pipelines, certainly helped to maintain an energy-intensive East German economy, it also gave Russia greater political leverage through the pipeline infrastructure. This contributes to the literature on rentier states and petrostates by showing how a petrostate can increase its influence over another state’s infrastructure (pipelines) and interfere in its internal politics.

The section below outlines the significant changes that occurred within the Soviet and post-Soviet Russian oil industries, as well as the associated energy policy debates. Subsequently, I illustrate the economic requirements arising from German reunification to reinforce my argument on the importance of the East German economic interests and the existing pipelines. The fourth section discusses how the first signs of a growing eastern oil

28 Lutz, Dependency, 30.

29 The theoretical concept of *Finlandisation* implies a foreign policy strategy adopted by a small country in an asymmetric power relationship.

30 *New Bundesländer* is the term used in German to describe the “new” federal states of Germany that prior to reunification were part of the German Democratic Republic (GDR).

dependence in Germany could be interpreted in the light of the theoretical concept of Finlandisation. The final section summarises the main findings and offers reflections on further research into the concept of energy security.

In Economic Interdependence We Trust: Debates on the Oil Trade

Following German reunification in October 1990 and the dissolution of the USSR in December 1991, German trade with Eastern European countries increased. Between 1950 and 1989, West Germany's export share of domestic production had grown from almost 10 percent to 30 percent.³¹ However, during this period, exports were mainly oriented towards Western continental Europe (France, Italy, the Benelux countries, Switzerland and Scandinavia). In contrast, from 1992 to 1994, there was a significant shift in export orientation towards trade integration with Eastern European countries (with only Austria having a higher relative export integration with these countries).³² Regarding the oil trade, initial trade relations between Europe and the Russian Empire had been established in the 1880s,³³ but were dissolved by the early Soviet regime. Yet historical experience continued to be a factor in the trade of resources with Russia, albeit with different priorities. Before the transition to coal in Europe, during periods of high fuel wood usage the Russian Empire exported some of its abundant timber resources to Europe.³⁴ In 1896, the Russian emperor Nicholas II effected an export ban on crude oil, allowing only oil products to be exported.³⁵ After the Second World War, the Soviet Union regained access to Western markets by offering significantly lower prices (sometimes even dumping prices) or bartering.³⁶ The Soviet Union's approach to the oil trade enabled it to acquire a larger share of the Western oil market more

31 Lindlar/Holtfrerich, *Geography*, 218.

32 Lindlar/Holtfrerich, *Geography*, 223–25, tables 1–3.

33 The first mention of kerosene export to Finland was even slightly earlier, in the 1970s, but at that time Finland was a part of the Russian Empire with an autonomous status. Since 1881 oil products were exported to Europe with a rising amount, while crude oil figures in larger amounts for export appeared only in 1881; see *Valetov*, *Structure*.

34 *Madureira*, *Energy*, 16.

35 *Kodzova*, *Istoriya*, 11–12.

36 I.e., exchanging oil for goods without a direct monetary transaction. *Rogers*, *Petrobarter*, 132.

quickly, whereas the strategy of the last reigning Russian emperor aimed to develop the national industry.

The share of crude oil and oil products in overall Soviet exports increased significantly, rising from 2.4 percent in 1950 to 24.6 percent in 1975 (and reaching 36.4 percent in 1980).³⁷ This substantial increase in oil exports was made possible by the discovery of major oil fields (such as those in the Tyumen region of Western Siberia) in the 1960s, as well as technological progress. The Soviet Union had already benefited from a transfer of US equipment and technology for the oil industry during the Second World War. Soviet specialists were able to gain insight into US technology (for example, during their stay in the USA in 1943) and, subsequently, the Soviet Union ordered equipment from the USA.³⁸ However, the USA later raised security concerns about increasing Soviet exports to Western Europe.

For the Soviet Union, rising oil exports were crucial in financing the sharp increase in imports of consumer goods, grain imports and production equipment. From the second half of the 1950s onwards, the largest share of hard currency revenues from the exports of Soviet energy resources was generated by oil exports (for example, in 1980, 79.8 percent of these revenues came from oil exports).³⁹ Higher world market prices for oil after the 1973 oil crisis and the second oil shock in 1979 made oil exports even more attractive to the Soviet Union. Despite the need for modernisation and for improvements to the general standard of living, providing aid to non-Socialist developing countries was an important policy instrument. This aid was provided in various forms, including direct loans and donations of goods. Between 1955 and 1965, the Soviet Union lent a total of 7.3 billion roubles to 31 non-socialist countries.⁴⁰

Although the total amount of military and economic assistance provided to foreign countries was not disclosed to the public,⁴¹ debates on the oil trade were diverse. For Soviet politicians, the perspective was that of a raw materials exporter, concerned to maximise the output of available resources, but there were also criticisms that the structure of Soviet foreign trade was too dependent on the export of raw materials such as oil, gas

37 *Ministry of Foreign Trade of the USSR, Trade 1922–1981*, 36–37.

38 *Perović, Fuel*, 74.

39 *Soviet Energy Data Resource Handbook*, 7, table 4.

40 *Pivovarov/Dzhalilov, Strategy*, 60

41 *Medvedev, Democracy*, 329.

and wood.⁴² The Soviet export structure had changed over time from a focus on agricultural products and grains, textile fabrics as linen and timber exports as a legacy of the late Russian Empire to a growing role of fuels and machinery. In 1922/1923, fuels and energy accounted for only 3.8 percent of total exports, with higher shares of agricultural products (33.3 percent), textile fabrics (20.2 percent) and timber (16.5 percent), while in 1940, fuels and energy accounted already for 13.2 percent. By 1981, fuels and energy accounted for 50.2 percent and machinery and equipment for 13.7 percent of all exports.⁴³

Despite the growing share of fuels exports, the idea of being a simple raw material exporter was not fully accepted in the USSR. In the 1950s and 1960s the Soviet leader Nikita Khrushchev⁴⁴ had favoured an alternative approach, despite the Soviet demand for oil-related technologies and the superior quality of Western production. He wanted to shift the focus of technological cooperation and restrict exports of raw materials, and recognised the need to improve the domestic production of oil and gas pipes, despite many advisers considering Soviet production to be less advanced. In Khrushchev's words:

...We have purchased a large number of pipes over the years. ... I don't think there is much sense in this approach, because we can produce the pipes and pipelines ourselves. ... The Japanese want to sell us \$300 million worth of large-diameter oil and gas pipes. I am in favour of selling \$300 million worth of oil. ... However, I would ... use this \$300 million to buy, for example, equipment for oil refineries, or to buy [other] factories in Japan, rather than pipes.... Purchasing and organising these factories ... will make it possible to ... promote scientific development and raise our country's technological level.⁴⁵

42 Medvedev, *Democracy*, 8.

43 *Ministry of Foreign Trade of the USSR, Trade 1922–1981*, 32–33.

44 Nikita Khrushchev served as the first secretary of the Soviet Communist Party during the period 1953–64. From 1958–1964 he was in addition to this post the premier of the Council of Ministers, the de facto leader of the whole country.

45 Note from N.S. Khrushchev to the Presidium of the CPSU Central Committee on exports and imports of goods, 15.10.1963. Russian State Archive of Contemporary History (RGANI, fond 52, opis' 1, delo 361, listov 39–43). Translated by author from Russian. The political context was the occasion of the negotiations on an oil-for-large-diameter-pipes deal with Japan in October 1963.

During the Cold War period and until the Russia-Ukraine war began in 2022, there were no major interruptions to Soviet and Russian oil supplies to Western Europe (not counting technical difficulties or accidents).⁴⁶ Against this background, oil supplies appeared reliable in the early 1990s, and in Germany, the idea of reducing energy consumption further, or “petro-rationing”, remained an unpopular recommendation at this period.⁴⁷ Between 1970 and 1987, industrial energy consumption in West Germany had already fallen by 40 percent.⁴⁸ Industrial production managers probably saw only little potential for further growth in energy efficiency without compromising international competitiveness. In October 1994, the Federal Constitutional Court (*Bundesverfassungsgericht*) ruled the *Kohlepfennig* —a colloquial name for the surcharge paid on electricity to subsidise the production of electricity from hard coal—unconstitutional.⁴⁹ Stopping the subsidy for the German coal industry made cheap oil even more attractive, which in turn discouraged industries from reducing their oil consumption.

Russia offered price discounts for its resource supplies to many West European countries, making the trade in energy resources economically interesting. However, the treatment of other trading partners was different, with oil supplies or prices vulnerable to changes in the political relationship with the Soviet, and later the Russian government. One example of this is the short-term oil export embargo imposed on Finland in 1958 in response to a change in government that was not sympathetic to Moscow.⁵⁰ From today’s perspective, such historical precedents should have prompted a rethink on supply diversity. For complex reasons, however, many countries chose to continue their dependence on Russian energy, and the discourse used within Russia itself rejected critiques of Soviet policy in this area.⁵¹ Although Soviet oil supplies to the West and trade with the Russian Empire had a long history of dependability, there were at least three factors that called this reliability into question during and after the dissolution of

46 Perović, Fuel, 204.

47 Vorholz, Development, 6.

48 *Bundesverband der Deutschen Industrie*, Bericht 1994, cited in Vorholz, Development, 20.

49 *Bundesverfassungsgericht*, 2 BvR 633/86, judgment of 11 October 1994.

50 Perović, Fuel, 204.

51 For example, Slavkina claims that the Soviet Union never used its oil supplies to put pressure on socialist, allied countries or to change their political or social systems. Slavkina, Chety’ re lika, 64.

the Soviet Union. First, the decrease in oil prices in the mid-1980s had had a negative impact on the Soviet economic system, causing political instability. Second, high inflation and forced direct monetary financing of budget deficits created problems for the newly independent (from July 1990) Russian Central Bank, resulting in a conflict with the old Soviet *Gosbank*, which continued to function as a central bank until December 1991.⁵² This made the monetary policy unpredictable to foreign observers. Third, the future development of the Russian oil sector was affected by controversies in the banking sector at that time. The creation of a two-tier banking system began with the reform of the banking structure in 1987 and the passing of the law on cooperative banks in 1988, based on the concept of self-financing and profit-seeking banks. In practice, however, the reform did not have the intended effect. Many of the new commercial banks were created by large companies, resulting in cross-ownership relations between the bank and the enterprise, which often led to loans being granted to the “parent” enterprise at very low and favourable interest rates.⁵³ Taken as a whole, these three factors created new conditions in the oil sector, leaving former and potential trading partners facing much uncertainty.

As well as its dysfunctional and indebted economic system and legal controversies in the monetary realm, the 1990s saw other changes in Russia. In the oil sector, it was the change of ownership that affected foreign trade from November 1992, when a presidential decree regulated the privatisation and transformation of oil industry companies (production, transport and refineries) into joint-stock companies.⁵⁴ Soviet oil companies were privatised for sums far below market prices. Meanwhile, the internal pipeline infrastructure remained state-owned and operated by *Transneft* (although Russia exported much oil by ship), whereas the gas industry, though privatised, remained state-controlled and monopolistic, with *Gazprom* now operating as a joint-stock company.⁵⁵ This affected the distribution of oil rents between the state and private sectors, potentially benefiting the newly

52 *Rupprecht/Sahling*, Independent.

53 *Ryttilä*, Policy, 8–10.

54 Decree No. 1403, 17.11.1992. Ukaz Prezidenta RF “Ob osobennostyakh privatizatsii i preobrazovaniya v aktsionernye obshchestva gosudarstvennykh predpriyatii, proizvodstvennykh i nauchno-proizvodstvennykh ob"edinenii neftyanoi, neftepererabatyvayushchei promyshlennosti i nefteproduktuobespecheniya”.

55 *Perović*, Fuel, 182–84; *Sagers et al.*, Rent, 397–399; Decree No. 1333, 5.11.1992. Ukaz Prezidenta RF “O preobrazovanii Gosudarstvennogo gazovogo kontserna “Gazprom” v Rossiiskoe aktsionerное obshchestvo “Gazprom””.

emerging class of oligarchs and shifting oil rents towards business. However, in the 1990s, the Russian government introduced new taxes on oil in an attempt to regain some of the resource rent: excise duty, geological fees, royalties, profit tax, value-added tax, export duties and others. As most of these taxes were revenue-based, many oil companies were unprofitable and needed subsidised loans in the context of low oil prices and high taxes.⁵⁶ Typically, most of these taxes went to the federal treasury rather than to regional or municipal budgets.

Changes in ownership also affected oil exports for Russia's trading partners. The oligarchs held considerable political influence, particularly before Vladimir Putin's first presidential term. The "loans-for-shares" initiative in 1995–1996 that enabled the privatisation of 12 big Russian companies⁵⁷ at a very low price in exchange for loans to the government, and the oligarchs' appropriation of oil and gas fields by the late 1990s, significantly increased their political influence.⁵⁸ Putin subsequently reduced their influence over internal affairs and reacquired many private oil assets, thereby increasing the state's share in the oil sector.⁵⁹ With increasing oil prices and rising state influence on the oil sector from the 2000s, the non-monetary part of oil rents, or resource diplomacy, regained its value. Table 1 summarises the main changes in the 1990s compared with previous and subsequent time periods. Newnham has termed this growing influence under Putin "petroleum-power". This meant that the threat of an oil cut-off or a significant price increase became credible, especially as the state had accumulated hard currency reserves. Many post-Soviet states—the near neighbourhood from a Russian perspective—paid prices lower than those prevalent on the world market. This enabled the government to use its oil wealth as a foreign policy tool more often.⁶⁰

56 Sagers *et al.*, Rent, 414–418.

57 Including shares in the oil companies *Lukoil*, *Yukos*, *Surgutneftegas*, *Sidanko* and *Sibneft*.

58 Newnham, Oil, 136.

59 Newnham, Oil, 137.

60 Newnham, Oil, 137.

Table 1. Control over oil rents and the largest oil companies

	Late Soviet period (1980–1991)	Russian Federation (1992–1999)	Russian Federation (2000–2008)
Control over the oil rents	<ul style="list-style-type: none"> - centralised - the state absorbed the oil rent and redistributed it to the centralised government - hidden forms of oil rents include large price differences between crude oil and oil products sold to the Soviet consumer, and subsidies for Soviet industries in the form of cheap oil 	<ul style="list-style-type: none"> - mixed - loss of state control over rents - oligarchs absorbed a large proportion of the rents - even at low prices, oil exports were needed to cover budget deficits - new taxes were introduced to regain some of the oil rent 	<ul style="list-style-type: none"> - the state gained significantly more control over oil rents and pipeline infrastructure abroad - higher oil revenues helped to pay off Russia's foreign debt - the state also gained more leverage over foreign trading partners and was able to differentiate prices for them
Ownership of the biggest oil companies	<ul style="list-style-type: none"> - state-owned monopoly for exporting Soviet oil and oil products - the Soviet export company <i>Sojuznefteexport</i> was responsible for foreign oil trade - this monopoly association's balance sheets included assets abroad, such as shares in foreign oil companies and investments in ports 	<ul style="list-style-type: none"> - reorganisation of oil enterprises into joint-stock companies from late 1992 onwards - privatisation of former state-owned companies, with some remaining state-owned - restrictions on foreign investment in the oil sector, but some tax benefits for joint ventures 	<ul style="list-style-type: none"> - re-nationalisation of the oil sector - <i>Rosneft</i> acquired <i>Yukos's</i> assets at a low price (its founder, Khordokovsky, was sent to prison and the company was declared bankrupt) - some restrictions on foreign involvement remain
Biggest oil companies	<i>Sojuznefteexport</i> (All-Union Association for the export of oil and oil products)	<i>Rosneft</i> (control of state-owned shares in companies) 1993: <i>Lukoil</i> , <i>Yukos</i> , <i>Surgutneftegas</i> 1994: <i>Sidanko</i> (Siberia Far East Oil Company), <i>VOC</i> (East Oil Company), <i>ON-AKO</i> (Orenburg Oil Company) 1995: <i>Tyumen Oil Company</i> , <i>Siberian Oil Company</i> (<i>Sibneft</i>)	<i>Rosneft</i> <i>Lukoil</i> <i>Gazprom Neft</i> <i>Surgutneftegas</i>
Average annual world crude oil prices in USD (Brent)	sharp drop in oil prices 1980: 36.8/ barrel 1986: 14.4/ barrel 1990: 23.8/ barrel	continued low oil prices 1992: 19.4/ barrel 1995: 17.2/ barrel 1999: 17.9/ barrel	rising oil prices (until 2008) 2000: 28.4/ barrel 2005: 54.4/ barrel 2008: 97.0/ barrel

Source: Author's own research and a variety of other sources.⁶¹

61 *Sagers et al.*, Rent; Decree No. 72, 26.02.1931. Postanovlenie Soveta truda i obrony. Ob organizatsii v vedenii Narodnogo komissariata vneshnei torgovli Vsesoyuznogo ob'edineniya po eksportu nefi i nefteproduktov («Soyuznefteeksport»). In: Sobranie zakonov i rasporyazhenii Raboche-Krest'yanskogo Pravitel'stva SSSR za 1931 god, p.

Indications that the Russian government might use its oil rents to influence governmental decisions in other countries began to emerge in the 2000s. However, at the time, Western countries viewed this as more as a threat to former Socialist states and did not consider it to be a significant risk to themselves, particularly given the assumption of Russian dependence on hard currency revenues.⁶² There had been numerous examples of Russia using oil or gas as a “threat” in the past. This option was not only used to change a “Russian-unfriendly” government (as with Ukraine after the Orange Revolution), but also used against its allied countries and close economic partners. One such case is Belarus, as we have seen above, where the same president, Aleksandr Lukashenko, has been in power since 1994. Belarus has close economic ties with Russia, has declared friendship and integration into a Union State,⁶³ and shows general political loyalty towards Russia on many issues, as well as engaging in military cooperation. Additionally, the overwhelming issue of EU sanctions⁶⁴ has made building relationships with alternative European partners difficult. Nevertheless, in Belarus there has also been a consistent desire for independence from Russian and other foreign powers, leading to conflicts of interest.⁶⁵ An example of conflicting energy interests occurred in December 2006, when the Russian government decided to abolish most export duty preferences in the oil trade with Belarus from January 2007.⁶⁶

In general, international relations with Russia after the dissolution of the Soviet Union depended on the political changes in Russia under the country’s first president, Boris Yeltsin. However, although at this point Russia seemed weak due to low oil rents and internal political conflicts, the precedent of using oil supplies for political leverage set during the Soviet era should have been taken into consideration. Following the crash in world oil prices in 1986, the Soviet Union favoured its Western European

231; the data for oil prices is taken from Statista. URL: <https://www.statista.com/statistics/262860/uk-brent-crude-oil-price-changes-since-1976/> (Accessed November 11, 2025).

62 *Balmaceda et al.*, Materialities, 4.

63 In December 1999, the Agreement on the Union State of Russia and Belarus was signed.

64 The first EU sanctions came into force in 1997 following the 1996 referendum. New sanctions were later imposed due to human rights violations.

65 Some of these declared aspirations for sovereignty may be more of a tactical instrument to gain support among the population and to remain in power, but this is outside the scope of this chapter and is not discussed here.

66 *Balmaceda*, Life, 133.

partners, reducing oil exports to the Socialist bloc at “diplomatic” (low) prices.⁶⁷ However, the shift towards Western oil interests could be seen as an economic survival strategy rather than as the Soviet Union prioritising West European partners for political reasons; oil is certainly a powerful instrument, but its exploration, extraction and transport require technological expertise, which in turn requires political and business contacts.

Economic Realities: Oil Consumption, Pricing and Pipelines

Despite overall awareness of climate change and the importance of alternatives to oil consumption, oil continued (and continues) to be a major energy source. During the Cold War, both parts of Germany needed oil, but its importance in primary energy consumption differed, as shown in Table 2. While the share of oil in total primary energy consumption in the GDR increased from a moderate 13.45 percent in 1970 to nearly a quarter (24.52 percent) in 1991, it was much higher in West Germany at 53.11 percent in 1970 (1991: 41.20 percent).

67 *Newnham*, *Oil*, 136. According to the Soviet statistical yearbook, in 1988, no crude oil was exported to the USA, only a small quantity of oil products (1,175 thousand tons), *Ministry of Foreign Trade of the USSR*, *Relations in 1989*, 284. For this reason, I am speaking here about Western European trade interests.

Table 2. Oil energy balance sheets in West and East Germany for selected years from 1970 to 1991⁶⁸

	Share of oil in total primary energy consumption, percent		Oil used in primary energy consumption, millions tce*		Total primary energy consumption, millions tce	
	West Germany	East Germany	West Germany	East Germany	West Germany	East Germany
1970	53.11	13.45	178.86	14.00	336.76	104.07
1975	52.05	18.91	180.99	21.25	347.74	112.36
1980	47.60	17.27	185.71	21.01	390.18	121.68
1985	41.39	11.84	159.36	15.16	385.00	128.02
1990	40.96	16.08	160.63	18.11	392.21	112.64
1991	41.20	24.52	168.54	20.72	409.11	84.50

Source: Energy data, Freie Universität Berlin.⁶⁹

*tce = tons of coal equivalent.

During the late Soviet era, oil was occasionally traded at prices higher than the global market prices, and sold to “enemies”⁷⁰ at lower prices than to “allied” Socialist countries.⁷¹ Generally, larger quantities of Soviet crude oil were delivered to Socialist countries in exchange for transferable roubles, while a greater proportion of oil products were exported to capitalist countries.⁷² The share of crude oil in the energy mix differed between the two parts of Germany, as did the prices for oil imports from the Soviet Union. Interestingly, as shown in Table 3 for the second half of the 1980s, East Germany had to pay more for oil than West Germany.⁷³ The data in Table 3 also shows that following German reunification in 1990, the oil price paid

68 Measurement of primary energy consumption in coal equivalent (*Steinkohleeinheit* in German) is more common in Central European countries. One kilogram of coal equivalent is the amount of energy that is generated by burning one kilogram of coal, or 0.7 oil equivalent (7000 kcal).

69 URL: <https://userpage.fu-berlin.de/~rpodzuw/Energie/Rahmen/PEVOWSRF.HTM>. (Accessed November 28, 2025); URL: <https://userpage.fu-berlin.de/~rpodzuw/Energie/Rahmen/PEVOWSAF.HTM>. (Accessed November 28, 2025).

70 The quoted author used the terms “enemies” and “allies” when talking about capitalist and socialist countries, respectively.

71 Volkov, Myth, 31.

72 Volkov, Myth, 26.

73 Although the Soviet data remains opaque and questionable in terms of the shipping costs, it may serve as an indication of the development of price differences.

by a united Germany fell below that which had previously been paid by West Germany (108.5 Soviet roubles per ton of oil in 1990 compared to 119.1 roubles in 1988). The other West European countries referenced in Table 3 did not benefit from lower oil prices in 1990. For example, the price of Soviet oil for Italy increased from 60.2 roubles to 85.8 roubles/ton.

I interpret these developments as follows: The differences in oil pricing can be related to the varying degrees of supply dependence. Most Socialist countries were heavily dependent on Soviet oil. Western economies had more scope to turn to alternative energy sources, should the price of Soviet oil increase too much. Also, the Soviet government used oil rents as a foreign policy tool, meaning price discounts for particular countries were necessary to secure political support or concessions. As the amount of oil exported to Western Europe was much lower than that exported to the Socialist bloc, oil prices for Western Europe that were lower than the prices for Socialist countries were still seen as acceptable in the USSR, even though the Soviet Union needed hard currency revenues.

Table 3. Average Soviet oil export prices for 1986 -1990 (Soviet roubles per ton of oil)

	West Ger- many	East Ger- many	Finland	Italy	France	Poland	Austria	World oil price (Brent)
1986	132.3	160.3	73.2	56.1	59.0	166.0	64.0	72.0
1987	124.7	143.1	83.3	82.2	81.1	148.5	77.2	79.6
1988	119.1	122.6	62.6	60.2	61.3	128.6	61.1	66.5
1989	151.0 / 115.7 (before/ after re- unifica- tion)	107.4 / 115.7 (before/ after re- unifica- tion)	80.4	79.5	80.6	113.0	74.3	81.6
1990	108.5		89.5	85.8	87.3	101.5	93.0	98.5

Source: Calculated from Soviet statistical collections.⁷⁴ The export prices quoted are those that were current in the year referred to, as the reference is the non-adjusted annual world oil price. They can be understood as list prices. World market oil prices are recalculated in Soviet roubles (using the official USD exchange rate at the end of the

⁷⁴ *Ministry of Foreign Trade of the USSR*, Trade in 1987, 100, 129, 145, 158, 171, 177, 181; *Ministry of Foreign Trade of the USSR*, Relations in 1989, 112, 141, 156, 169, 182, 188; *Ministry of Foreign Trade of the USSR*, Relations in 1990, 111, 140, 152, 165, 178, 182.

year) and in tons (assuming 1 bbl = 0.136 t).⁷⁵ Note: For 1989, the 1990 Soviet statistical collection provides an average for both parts of Germany (the respective recalculated average price is 115.7 roubles per ton), while the 1989 collection provides separate data (151.0 for West Germany and 107.4 for East Germany).

What made the oil question crucial to the GDR was the high volume of oil imported from the Soviet Union through the pipeline. The GDR government was heavily dependent on oil from the Druzhba⁷⁶ pipeline, which was built and extended between 1958 and 1981, reaching a total length of nine thousand kilometres.⁷⁷ As shown in Figure 1, the northern part of this pipeline network once carried oil through Belarus and Poland to Schwedt (with connections to Rostock and to Leuna) in the former GDR. There is also a southern stream that at time of writing still passes through Belarus and Ukraine to Slovakia, the Czech Republic, Hungary and Western Europe.⁷⁸ In 2021, approximately two-thirds of Germany's oil imports from Russia came through this pipeline.⁷⁹ Oil imports to Germany are also delivered by ship. However, the existence of pipeline infrastructure makes oil imports through these facilities more attractive and less expensive.

75 *En2x*, Mineralöl, 75; Central Bank of Russia, Exchange rates until 01.07.1992. URL: https://www.cbr.ru/currency_base/OldVal/. (Accessed November 8, 2025).

76 Druzhba is translated as “friendship”.

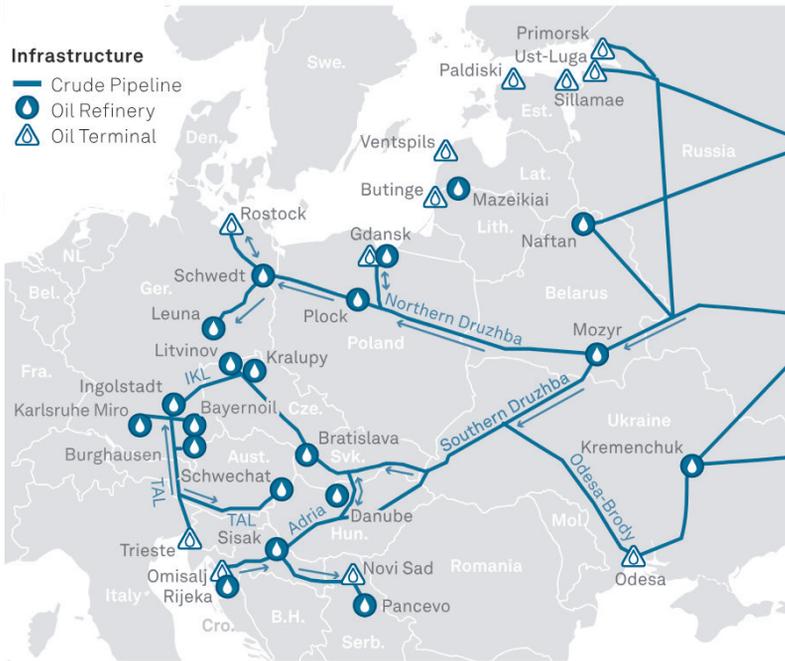
77 *Puls*, “Freundschaft”, 1.

78 As of writing this paper, the northern part of the pipeline is not in use, but the southern part still delivers oil to Hungary and Slovakia.

79 *Puls*, “Freundschaft”, 2.

Figure 1. Druzhba pipeline in Europe

Central Europe's oil supply pipelines



Source: S&P Global Energy

Source: S&P Global Commodity Insights, ©2025 by S&P Global Inc

Analysing the industrial energy demand in the 1990s requires a perspective from the new *Bundesländer*, formerly the GDR. At first glance, the need for solidarity from the western part of reunified Germany could not be ignored. However, discussions were different before reunification. Gerhard Schröder, who later became Germany's federal chancellor (1998–2005), was initially not in favour of spending large amounts of money on reintegrating East Germany and improving its standard of living. In particular, prior to reunification, he opposed high expenditure on East Germany that would disadvantage the social security system in West Germany, and he argued that migration from the GDR to West Germany should be stopped.⁸⁰ How-

80 Bingener/Wehner, *Moskau-Connection*, 18.

ever, the economic problems arising from reunification were not simply a matter of demanding more money from the West. The issue was the economic system and the potential for economic modernisation. Like other countries in the Socialist bloc, the GDR's economy received significant resources from the Soviet Union. The second five-year plan (1956–1960) is an example of an economic strategy in the GDR that emphasised developing raw materials and energy production, as well as heavy engineering and the chemical industry.⁸¹ For example, in 1988, the GDR imported 19.7 million tons of crude oil from the Soviet Union – a high figure compared to West Germany (5.9 million), Italy (9.1 million) and Finland (8.5 million).⁸² Under Erich Honecker, more investments (which were mainly centrally controlled) were directed towards improving the production of consumer goods and housing conditions, as well as the chemical, mechanical engineering and microelectronics industries (which are energy-intensive).⁸³

Both business representatives and politicians were interested in technological cooperation. West Germany shared its technological achievements in the oil sector with the Soviet Union. For example, the Soviet Union imported large-diameter oil pipes from West Germany. In 1958, the Soviet Central Committee approved 150 tons of gold for this deal; in 1960, it approved 56.5 tons; and in 1961, it approved 90 tons.⁸⁴ The West German government prioritised technological cooperation as part of its *Ostpolitik* of rapprochement with the Soviet Union. Meanwhile, the Soviet Union was developing its own oil research and occasionally sharing its expertise with allied countries.⁸⁵

81 Gesetzblatt der Deutschen Demokratischen Republik: Teil 1. Jahr 1958. Gesetz über den 2. Fünfjahrplan zur Entwicklung der Volkswirtschaft in der Deutschen Demokratischen Republik für die Jahre 1956–1960, 9. Januar 1958. URL: https://zs.thulb.uni-jena.de/rsc/viewer/jportal_derivate_00332662/DDR_GB_I_129542822_1958_0115.tif (Accessed November 28, 2025), 42.

82 *Ministry of Foreign Trade of the USSR*, Relations in 1989, 141, 156, 182, 188.

83 *Hipp et al.*, Innovation, 190.

84 *Pivovarov/Dzhalilov*, Strategy, 65.

85 For example, in 1957, the head of Egypt's national research centre officially requested, via the Soviet embassy in Cairo, that Soviet researchers be invited to exchange ideas with Egyptian scientists and deliver lectures on mineral oil, particularly gasoline production, with travel and appropriate local salaries covered by the Egyptian authorities. See Note from the Presidium of the USSR Academy of Sciences on sending Soviet scientists for lectures and consultations at the National Research Centre of Egypt, 15.03.1957. Russian State Archive of Contemporary History (RGANI, fond 4, opis' 16, delo 241, listov 78–79).

In the Soviet Union, researchers required an official approval for foreign scientific exchanges. Three researchers from the USSR Academy of Sciences' Institute of Oil were

Following German reunification, technological cooperation became less important in terms of political rapprochement. Business representatives, however, needed stable and reliable access to affordable oil, and Russian demand for these technologies ensured employment in the oil technology-related industries. In the 1990s, differences between low domestic (and state-regulated) and much higher international prices, the absence of a domestic trader market, the availability of oil refineries and existing export destinations attracted foreign traders and investors and outweighed the anticipated risks.⁸⁶ In addition, the lifting of restrictions on acquiring oil technology from the West led to new investments from the West in the oil sector and the creation of joint ventures.⁸⁷ Joint research projects, as well as exchanges in energy efficiency and green energy—especially hydrogen energy—were launched, although from 2022 these initiatives ceased.⁸⁸ This suggests that we should consider energy cooperation more broadly, as it encompasses not only oil imports, but also technological and scientific exchange. Despite the fact that Russian oil and gas companies were working to serve the Kremlin's interests, their involvement in politics and culture made German-Russian energy relations appear even more beneficial for both countries.⁸⁹ However, political realities turned out to be different.

Discussion: Oil Dependence or Finlandisation

The scientific advancement in oil production and refinery in Europe, driven by increasing consumption of oil and oil products, would not have happened without US involvement after the Second World War. The attractiveness of cheap, efficient oil lamps alone did not pave the way for increased oil production. The “Americanisation of European energy systems” was related to

considered for this task, but the Soviet Ministry of Higher Education refused, as detailed in the reference dated 02.04.1957. Some of the related notes on this Egyptian request were classified as secret documents. See Reference from S.G. Korneev, Head of the Foreign Department of the USSR Academy of Sciences, on sending Soviet specialists to Egypt, 02.04.1957. Russian State Archive of Contemporary History (RGANI, fond 4, opis' 16, delo 241, listov 80–81).

86 *Imsirovic/Bryce*, Rivers, 211–213.

87 *Perović*, Fuel, 184.

88 *Belov*, Paradigm, S513–S514.

89 *Applebaum*, Autocracy, 169–170. For instance, as part of the Nord Stream project for the gas pipeline, the former chancellor Gerhard Schröder received generous payments; *Gazprom* took on the sponsorship of the Schalke football club and an historical exhibition in Berlin. *Applebaum*, Autocracy, 169.

adopting an American lifestyle, including greater mobility with personal vehicles; and the idea of increased oil consumption in the Marshall Plan seemed to guarantee a market for US oil companies.⁹⁰ The plan to enhance oil consumption in Western Europe was successful. However, the Soviets later sought to exploit the American reconstruction of Europe and gain a share of the increased Western European oil market.

Soviet politicians observed the economic and political changes taking place in Europe. Following the Second World War, Sergey Kavtaradze, the Deputy People's Commissar of Foreign Affairs of the USSR, expressed security concerns about the expansion of US-American power in a note to the People's Commissar of Foreign Affairs, Vyacheslav Molotov.⁹¹ He spoke about the Americans' desire to gain more influence in Europe, suggesting that Germany could be used as a "base" for greater control. According to Kavtaradze, the only thing that could disrupt this plan was the Soviet influence and military presence in Germany. This attitude towards US foreign policy may explain the Soviet desire to involve West Germany more in the oil trade and expand the Soviet sphere of influence in Western Europe by increasing dependence on fossil fuels.

Increasing oil trade and exchange in related industries involves more than just economic dependence on the oil supply system. In the literature on Cold War diplomacy, the term Finlandisation refers to a foreign policy and diplomatic practice that prioritises energy dependence on one supplier country over other national policy interests.⁹² This analytical concept relies on the historical context of the Cold War era, when Finland relied almost entirely on the USSR for its oil supply, while also maintaining neutrality and avoiding policy decisions that would be unfavourable to the Soviet government. Focusing the oil supply on a single source with an energy-intensive economy means that any supply disruption could cause difficulties. Oil stocks could compensate for short-term disruptions (and Finland had such buffers), but these would not be sufficient in the event of substantial political disagreements with the Soviet Union and the threat of a supply cutoff. In the German case, whether we can speak of a development from increasing oil dependence towards a substantial change in political culture (in terms of the diplomatic subordination of security interests) depends initially on the relative impor-

90 *Madureira*, *Transitions*, 20.

91 Note from Deputy People's Commissar of Foreign Affairs of the USSR S.I Kavtaradze to V.M. Molotov, 09.09.1946. Archive of Foreign Policy of the Russian Federation. (AVP RF, fond 0431, opis' 2, papka 11, delo 48, listov 73–74).

92 *Matala*, *Security*, 552.

tance of crude oil supplies from different country groups. Table 4 shows the proportion of German oil imports from different regions.

Table 4. Crude oil imports for Germany for selected years from 1980–2018, share as percentage of total oil imports

	Middle East	Africa	European Union and Norway	Soviet Union/ Commonwealth of Independent States	Other
1980	35.9	28.6	14.7	19.4	1.4
1985	9.3	31.3	25.0	27.8	6.6
1986	12.9	26.0	27.3	27.0	6.7
1987	10.8	23.8	29.9	29.4	6.1
1988	13.1	26.2	27.0	28.1	5.5
1989	17.4	23.8	23.1	30.0	5.7
1990	19.1	26.1	24.6	24.2	6.0
1991	20.5	30.5	26.3	15.8	7.0
1992	17.7	28.6	29.5	16.9	7.2
1993	17.6	28.2	31.2	17.4	5.6
1994	14.6	25.7	34.6	21.5	3.7
1995	12.8	23.5	39.3	20.5	3.9
1996	11.1	21.8	39.0	25.4	2.7
1997	12.0	20.9	38.9	25.7	2.5
1998	12.4	21.2	38.2	26.0	2.2
1999	12.5	20.8	33.9	30.7	2.0
2000	13.1	20.6	31.5	33.0	1.8
2001	11.2	17.3	35.7	34.1	1.7
2002	10.7	17.2	34.4	36.8	0.9
2003	9.6	15.8	34.3	39.0	1.2
2004	7.8	15.4	33.9	41.8	1.1
2005	7.1	18.6	31.0	41.5	1.7
2010	5.7	16.5	26.3	49.2	2.2
2015	4.2	18.9	26.5	48.5	1.9
2018	6.0	18.9	21.3	47.9	5.9

Source: En2x.⁹³

⁹³ En2x, Mineralöl, 34.

Despite the regional distribution of oil suppliers and their share in total oil imports, Russian oil accounts for a significant proportion of domestic oil consumption. This alternative indicator of oil dependence is shown in Figure 2. The graph illustrates the variation in oil import trends from Russia for domestic consumption in Germany and Finland respectively. Before 2022, Finland increased its share of Russian oil significantly. Germany experienced a more moderate, yet still significant, increase, reaching almost one third in 2021. Oil made up 34.1 percent of total energy supplies in Germany and 21.7 percent in Finland in 2023.⁹⁴ Germany had the highest total oil supply in Europe in 2023 (3.5 million terajoules (TJ) compared to 0.3 million TJ in Finland).⁹⁵ Both countries have large oil refineries, but while Finland exports much of its oil products, Germany imports more oil products than it exports. Despite having the largest oil refinery output in Europe (4.2 million TJ; Finland: 0.5 million TJ in 2023), Germany is a net importer of oil products.⁹⁶ The need for large quantities of oil made Germany more price-sensitive and interested in Russian oil. Cross-border import prices for crude oil from Russia were lower for Germany than from other major suppliers. In January 2014, for example, the main crude oil suppliers (listed in descending order of export volumes) were Russia (565.09 Euros/ton), Norway (€614.17), Great Britain (€601.89), Nigeria (€622.31), Kazakhstan (€637.08) and Azerbaijan (€621.39).⁹⁷ Similarly, official data for January 2020, again in descending order of export volumes, shows Russia as Germany's main crude oil supplier at a significantly lower price: Russia (381.07 Euros/ton), Great Britain (€431.64), Nigeria (€461.55), Kazakhstan (€502.66), the USA (€449.46) and Libya (€502.27).⁹⁸ Interestingly, oil-rich Azerbaijan stopped being a major supplier to Germany, leaving the floor to Russia and Kazakhstan as the main post-Soviet suppliers. Prices for Russian oil and gas varied considerably among trading partners, and not all countries enjoyed the same preferential treatment as Germany.

94 IEA, Finland & Germany.

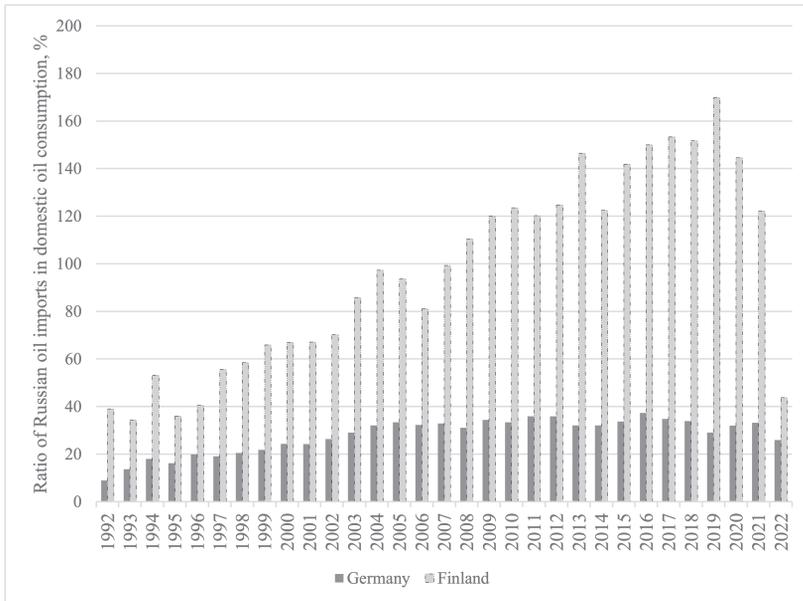
95 IEA, Finland & Germany.

96 IEA, Finland & Germany.

97 Bundesamt für Wirtschaft und Ausfuhrkontrolle: Amtliche Mineralöl-daten für die Bundesrepublik Deutschland. January 2014.

98 Bundesamt für Wirtschaft und Ausfuhrkontrolle: Amtliche Mineralöl-daten für die Bundesrepublik Deutschland. January 2020.

Figure 2. The ratio of Russian oil and oil product imports to domestic oil consumption 1992–2022⁹⁹



Source: IEA.¹⁰⁰

The Russian policy of lower oil prices for Germany seemed to be motivated by political reasons, in order to ensure a very important strategic and trading partner in the EU. For a small economy like Finland’s, Finlandisation as a diplomatic approach made sense during the Cold War because the threat of deteriorating relations was a realistic possibility for Helsinki, even though Finland was a capitalist country. Finland also shares a border with Russia. Between 1809 and 1917, the Grand Duchy of Finland was part of the Russian Empire, albeit with autonomous status. This experience has certainly influenced the Finnish sensibility to Russian foreign policy. Similarly, the experience of imposed Soviet rule in the GDR was meaningful

99 Values above 100 % are possible because some of the oil is imported to replenish stocks (rather than being consumed within the year), and because oil products (or just crude oil) are exported again without being consumed within the country after being refined.

100 IEA, Reliance.

in terms of foreign policy. The primacy of foreign policy seemed to be reinterpreted in favour of economic interests for the new *Bundesländer* and the German industrial lobby, which was aiming for cheaper energy through the old pipeline system.

Conclusion

During the oil crisis in the 1970s the West sought to reduce its dependence on oil supplies from the Middle East. In fact, dependence on Middle Eastern oil supplies was reduced. However, by the beginning of the new millennium, the proportion of oil imports from CIS countries was similar to that from Middle Eastern countries in 1970 (34.2 percent) and in 1980 (35.9 percent) after the oil crisis. By 2010, oil imports from CIS countries accounted for almost half of the total amount of imported crude oil, as shown in Table 4. However, the issue of dependence is not limited to the diversification of oil suppliers. The increasing competitiveness of the West German economy and its integration within Western Europe after the Second World War demanded higher energy consumption (see Table 2). Despite efforts to become “greener”, the demand for oil remained high. Oil is used not only for heating and transportation, but also in the chemical industry. A turning point in terms of energy security was German reunification, which saw the former West Germany incorporated into the energy network and pipeline system of the Socialist bloc, as well as the energy-intensive and chemical industries of the former GDR.

In general, the German economy is characterised by high labour costs, including high contributions to unemployment insurance, pensions and medical insurance. Following reunification, the new *Bundesländer* “imported” the high social contributions on salaries, although the average salary remained lower than in the old *Bundesländer*. The GDR was even described as a “paradise for energy-wasters”¹⁰¹ due to its energy-intensive industries and old, energy-inefficient equipment. During the period of cheap oil in the 1990s (see Table 1 for average world oil prices), the German industrial lobby was unwilling to support an eco-tax on energy consumption that could limit oil production. In order to remain internationally competitive, German industry opted for cheap energy to offset high labour costs. With-

101 Vorholz, Development, 20.

out an eco-tax, the oil price was not expected to increase in the short term, so cheap oil imported from Russia through the old pipeline network was welcomed. Despite many political considerations, relations with Germany were important for Russia due to the need for technological cooperation. This, in turn, ensured demand for oil-related industries and employment in Germany. Since the 1990s, energy cooperation has been expanded through the creation of joint ventures. As oil prices rose, Russian oil companies became more profitable. *Rosneft* acquired assets in German oil refineries, including a 54.2 percent stake in *Raffinerie PCK Schwedt*, which received oil via the Druzhba pipeline from Russia.¹⁰² *Rosneft* also acquired shares in *MiRo* and *Bayernoil*.

Both the German government and industry have accepted their growing dependence on Russian oil. However, when we consider the economic factors of this dependence, we cannot speak of a German “Finlandisation”. Unlike in Finland during the Cold War, the Soviet Union and later Russia were never the sole supplier. However, West Germany was also connected to the Druzhba pipeline from Eastern Europe following German reunification. Finland received its oil imports from Russia by ship; there is no direct pipeline connection from Russia to Finland. Although the Soviet oil shipments were occasionally unreliable, US advisers strongly discouraged the construction of an oil pipeline that would “cement” Finland’s dependence on Soviet oil.¹⁰³ Finnish oil imports from the Soviet Union were not cheaper than the world average price.¹⁰⁴ However, Finnish political subordination to Soviet security interests and diplomatic efforts to allay Soviet political concerns aimed to ensure an uninterrupted oil supply. In contrast, the growth of German oil imports from Russia was supported by Russian pricing policies that permitted imports at significantly lower prices. Another difference relates to the disclosure of information. Both during and after the Cold War, Finnish politicians avoided disclosing prices for Soviet oil to both the population and foreign agencies,¹⁰⁵ whereas German media extensively informed the population about foreign relations with Russia and energy politics, as well as on potential threats from Putin’s strategy.¹⁰⁶

102 *Belov*, *Paradigm*, S514.

103 *Matala*, *Security*, 556.

104 *Matala*, *Security*, 559–560.

105 *Matala*, *Security*, 559.

106 *Bingener/Wehner*, *Moskau-Connection*, 9.

As Finlandisation is considered as a set of diplomatic practices, we need to take a closer look at the political dependence resulting from oil trade. Looking back at the political relationship with Russia in the 1990s, the outlook for good relations between Russia and Germany was very promising. The Soviet government did not impede German reunification. Soviet politicians considered it an internal matter for the former GDR.¹⁰⁷ Following this, Russia was no longer seen as a major threat. As mentioned earlier, the dissolution of the Soviet Union brought many changes to the Russian economic system, including the establishment of new oil companies. The new ownership structure ended *Soyuznefteexport's* monopoly and made oil trade-related risks seem less political. Russia's weak economic recovery and high budget deficits (initially financed by central bank loans) during a period of low world oil prices led to the widespread assumption of interdependence between Russia and the West in terms of energy trade. However, this oil interdependence could now be reconsidered in light of the assumed Russian dependence on an extensive pipeline network to Europe, as well as the Cold War history that implied a desire for closer trading relations with the EU to avoid permanent isolation. Conversely, price discounts on oil for Germany and Russia's oil wealth made trade with Russia seem difficult to replace. The assumption of interdependence was often interpreted as meaning that Russia was more dependent on oil revenues than Western countries were on Russian oil. However, Russia has demonstrated its ability to diversify its export destinations in response to recent fossil fuel sanctions. This policy typically necessitates substantial price discounts.

Nevertheless, with world oil prices higher than in the 1990s, these alternative export routes, despite the more expensive and unreliable shipping, still generate significant revenues for the state budget. The reverse of privatisation and increasing political interference in the oil sector have ensured these revenues. This should not have come as a complete surprise. As oil prices grew, the proportion of oil and gas revenues in Russia's federal budget reached 47.3 percent in 2008 (10.6 percent of GDP).¹⁰⁸ During periods of high oil prices, the state absorbed some of the resource rent in

107 Akhtamzian, Ob'edinenie Germanii, 65.

108 Russian Ministry of Finance: Osnovnye napravleniya byudzhethnoi politiki na 2013 god i planovyi period 2014 i 2015 godov.

the form of export duty rates and mineral extraction taxes.¹⁰⁹ This absorbed resource rent was accumulated in the National Wealth Fund¹¹⁰ and partly deposited at the Central Bank of Russia. Given the high degree of political influence over the oil industry and foreign trade in both the Russian Empire and the Soviet Union, it was only a matter of time before a return to the geopolitical dominance of oil politics occurred.

In this investigation, I have contrasted the development of the oil trade in the political and economic context of the Cold War era with the subsequent changes following the dissolution of the Soviet Union. The network of oil pipelines that provided access to the former GDR formed the basis for the development of an oil-intensive industry that remained important after German reunification. The replacement of old East German equipment was slow, and the industry in the new *Bundesländer* continued to consume a lot of energy. During the 1990s, German society and politicians recognised the importance of shifting towards a more sustainable, green economy. However, industry had different priorities, particularly given low oil prices and the political failure to address this issue through appropriate taxation. Klaus P. Masuhr, a researcher from the Prognos Institute in Switzerland, estimated this reluctance to avoid emissions and negative climatic consequences as a “continuation of enormous economic mismanagement”.¹¹¹ Much later, after the outbreak of the Russian-Ukrainian war in 2022, the EU’s dependence on Russian energy sources was also heavily criticised.

For future research, closer examination of Soviet and Russian gas exports in relation to German energy security should be considered. European gas prices skyrocketed after the Russian invasion in 2022, and finding alternative supplies was difficult. Much of the gas supplied was transferred through the existing pipeline network connected to Russia. Agreed EU sanctions, including an import embargo, significantly reduced official imports from Russia (not considering circumvention of sanctions through third-party imports). Official coal imports from Russia ceased, and crude oil supplies dropped from 27 percent of total EU oil imports in 2021 to 3 percent in

109 This custom export duty decreased over the period from 2019 to 2024 and is zero from 2024 onwards. Simultaneously, the mineral extraction tax is increasing to make up for the loss of income. Additionally, the introduction of a new reverse excise tax aims to subsidise refining companies and maintain domestic prices at their current level.

110 In 2004, the Stabilisation Fund was created; since 2018 the National Wealth Fund accumulates the production taxes and export customs on gas, oil and oil products.

111 Cited in *Vorholz*, Development, 6.

2024, but the share of Russian gas still remained at 19 percent in 2024 (down from 45 percent in 2021).¹¹² It seems that there is an interdependence between the different energy sources. The composition of the energy mix is certainly important, as is the number of different energy sources imported from one supplier. Before the war, Russia supplied the EU with large quantities of oil, gas, coal and uranium (the latter of which is still being supplied). The interrelation of these supply chains warrants further investigation.

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112 Gas supplies from Russia include both liquefied natural gas and pipeline gas, which is transferred through Ukraine even during wartime. Additionally, energy relations with Russia are maintained through uranium imports and services for used uranium. *EU Commission: Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions. Roadmap Towards Ending Russian Energy Imports. COM (2025) 440 final/2*. Brussels, 12.5.2025.

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Author information

Dolly Katiutia Alima Afoumba

Dolly Katiutia Alima Afoumba is a doctoral researcher in Modern History at Philipps-Universität Marburg, Germany. Her academic background includes graduate studies in Peace and Conflict Studies and in the History of International Politics at the university of Marburg, as well as a Bachelor's degree and a Master 1 degree in Political Science from the University of Yaoundé II. She submitted her PhD thesis in August 2025 as a scholarship holder of the Friedrich-Ebert-Stiftung. Her dissertation, *Perpetuating Finance Imperialism: The Currency Board and the Franc Zone in West and Central Africa (1940s-1960s)*, examines colonial monetary regimes and African agency, linking modern African history with decolonial and international political economy approaches.

Anna Corsten

Anna Corsten is a postdoctoral researcher at Friedrich Schiller University Jena, specializing in the history of the nineteenth and twentieth centuries. Her dissertation (published in 2023) at the University of Leipzig examined émigré historians and the development of research on National Socialism and the Holocaust in West Germany and the United States after 1945. As a postdoctoral researcher, she worked at the Institute for Contemporary History in Munich on the history of confiscated Nazi and Reich property in Bavaria after 1945. Her current project investigates water as a contested resource, focusing on social inequality, economic interests, and transnational water conflicts.

Marie Huber

Marie Huber researches global economic history, with a focus on postcolonial business history and development in Africa. She is currently a research fellow at the Smithsonian National Air and Space Museum and an associated researcher at the University of Marburg and the Centre Marc Bloch in Berlin. Prior to that, she served as PI in a research project on aviation in postcolonial Africa at Humboldt University in Berlin.

Nina Kleinöder

Nina Kleinöder is assistant professor for economic and social history at the Otto-Friedrich-University of Bamberg, Germany. Her research is interested in business history, the history of working environments and colonial history. Her phd thesis (2015) and her work as a postdoc researcher at the university of Düsseldorf focused on the history of labour (occupational health and safety) and the change of working environments (“Humanisation of Work”). In 2022 she joined the lead of the CRC-subproject “Foreign Trade Securitization” (C06). Her current project on colonial railway construction links German colonial history in Africa with modern business history approaches.

Christian Kleinschmidt

Born in 1961, after studying history, social sciences, and philosophy, he obtained his doctorate (1992) and habilitation (2000) at Ruhr University Bochum. Since 2009, Christian Kleinschmidt has been Professor of Economic and Social History at Philipps-Universität Marburg. Within the SFB 138 (“Dynamics of Security”), he is head of the sub-project “External Economic Securitization”. His research focuses on business history, the history of international economic relations, and the history of consumption.

Andreas Langenohl

Andreas Langenohl is professor of Sociology at Faculty 03 Social Sciences and Cultural Studies and director of the International Graduate Centre for the Study of Culture (GCSC), Justus Liebig University Giessen. He also holds a position as professor extra-ordinary of Political Studies at North-West University, South Africa. Andreas Langenohl held research fellowships at Cornell, Konstanz, and Freiburg universities. His fields of research and teaching include the sociology of finance, security studies, social and cultural theory, research on political public communication, and the epistemology of the social sciences.

Christian Marx

Christian Marx is a researcher at the Leibniz Institute for Contemporary History in Munich, Germany. There, he is working on the history of deindustrialization in Western Europe since the 1970s and on the history of the German Ministry of Finance in the 1970s and 1980s. He obtained his PhD in 2011 from the University of Trier. In 2020, he finished his habilitation

on the multinationalisation of European companies from the chemical industry. He taught at the universities of Trier and Saarbrücken. His research interests, apart from business history, are environmental, social and financial history as well as the history of networks and elites.

Cornelia Sahling

Cornelia Sahling focuses on Eastern and Southern Europe's energy economy and central banking. Possessing an M.A. in International Relations (Dresden) and a Bachelor of Economics (Dubna), she worked as a lecturer until 2019 and conducted research on financial stability issues in the Eurozone for her PhD thesis (Moscow, 2017). She participated in a social project and courses at the School of Innovation (Trento). By analysing both the monetary and non-monetary values of oil rents, her current book project on the economic history of Soviet and Russian oil rents aims to explain why political leaders favoured a resource-based economy.

Tim Salzer

Tim Salzer is a research assistant at Justus Liebig University (JLU) in Gießen, Germany, and a PhD candidate in sociology and history, jointly affiliated with JLU, the École des Hautes Études en Sciences Sociales (EHESS) in Paris, and Academia Sinica in Taipei. As member of the CRC-138 “Dynamics of Security”, his research explores the social and political implications of financial system reform and the political utilization of both lay and expert economic knowledge, with a focus on Chinese-speaking East Asia in the 20th and 21st centuries.

Tonio Schwertner

Since July 2025, Tonio Schwertner has been a research assistant of the CRC 138 “Dynamics of Security” at the Chair of Economic and Social History at the University of Bamberg. His research focuses on the history of Europeanisation beyond classical top-down narratives, with particular attention to the interplay among civil society, private-sector, and state actors. His doctoral project, *Elastic Images of Europe: The European Rubber Industry as Agent and Site of Europeanisation, 1950–80*, at Humboldt-Universität zu Berlin, examined multinational rubber-processing companies as political actors, sites, and drivers of Europeanisation. The project was funded by the Stiftung Bildung und Wissenschaft.