Jeroen Euwe

'It is therefore both in the German and in the Dutch interest...'

Dutch-German relations after the Great War. Interwoven economies and political détente, 1918-1933

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‘Het is dus zoowel een Duitsch als een Nederlandsch belang…’

Hendrik Colijn aan de Raad van Bijstand van Economische Zaken, Departement Buitenlandsche Zaken, Den Haag, 28-2-1920.

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Nederlands-Duitse betrekkingen na de Eerste Wereldoorlog. Verweven economieën en politieke detente, 1918-1931

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Chapter 1 - Introduction

1.1 Introduction

'Just why do the Netherlands still exist?' was the provocative question fielded by Hein A. M. Klemann in his inaugural address at Erasmus University Rotterdam in March 2006.[1] In his lecture, Klemann expanded on his long-standing interest in Dutch-German economic relations to argue that the Netherlands managed to take part in the economic integration that accompanied Germany's political unification process during the nineteenth century, and asked the pertinent question how the Netherlands managed to do so without taking part in the German political unification. As the major European powers became entangled in alliances during the last two decades of the nineteenth century and the first years of the twentieth century, the German Reich was faced with – should war break out – a two-front war, with the French in the west and the Russians in the east. This problem was addressed in the Schlieffen Plan of 1905, which called for a swift sweep by German forces through the Netherlands, Belgium and France. After defeating the French, the German army would be redeployed in the east to face the by then mobilised Russian troops. However, by the beginning of the 20th century, the importance and nature of the Dutch-German economic ties was such that German Chief of Staff Helmuth von Moltke – who amended the Plan in 1906 – decided to respect Dutch neutrality, because – in his words – '...it will be of the utmost importance to have a country, by means of the Netherlands, whose neutrality will allow us to continue to import and export. It should be our windpipe, allowing us to breathe.'[2]

Dutch territorial sovereignty may not have been compromised – save for the occupation during the Second World War – but the economic bonds with its neighbour were – and continued to be – so intense, that F.W. Boterman in his 1998 inaugural lecture at Groningen University argued that they had an important influence on Dutch foreign policy.[3] Given the words of Von Moltke, it may well have

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[1] Hein A.M. Klemann, *Waarom bestaat Nederland eigenlijk nog? Nederland-Duitsland: Economische integratie en politieke consequenties 1860-2000* (Rotterdam 2006).
[2] Cited in: Klemann, *Waarom bestaat Nederland eigenlijk nog?* 46.
[3] F.W. Boterman, *Duitsland als Nederlands probleem: de Nederlands-Duitse betrekkingen tussen openheid en eigenheid. Rede uitgesproken bij de aanvaarding van het ambt van bijzonder hoogleraar in de Nieuwste Duitse*

been that German foreign policy both before and after the First World War was also influenced by these mutually beneficial economic bonds. It is this link between strong economic bonds and their effects on political relations that is the subject of this thesis. It focuses on an analysis of the evolution of the economic relations between the Netherlands and Germany, and the consequences of these ties for their political relations during the period 1918-1931. Interdependence theories – originating in the social sciences – will be used as a guiding theory in this analysis. Not only do these theories provide theoretical insights in the political consequences of interwoven (or: interdependent) economies, they also provide us with statistical models, which may help quantify the level of interdependence or at least indicate which kind of economic bonds are most likely to influence political relations. During the years between 1918 and 1931, Germany underwent important territorial changes, political turmoil, an invasion and partial occupation, was in the grip of two major national and two major worldwide economic crises, experienced a hyperinflation of legendary proportions, was initially severely limited in its ability to form its own international trade policy, and saw important changes in its economy. The same period, however, also saw a fast economic recovery and formidable capital flows to and from Germany, a large part of the latter coming from – or being moved through – the Netherlands. Needless to say, the influence of these very diverse factors on the Dutch-German economic bonds was great, and it will be argued that both countries were, in fact, in economic terms interdependent. This interdependence meant that while at times the political goals of both nations in the international arena aligned, their trade policies could lead to tense conflicts.

Being a small, internationally oriented economy, the Netherlands benefited from unimpeded international trade. However, due to a variety of reasons Germany – and much of the rest of the world – instituted progressively more protectionist trade policies. Trade policy was not the only source of conflict between the two neighbours, however, as Germany also tried to direct traffic away from the Dutch ports towards the German ports of Hamburg and Bremen, while in the more strictly political arena the long-standing issue of the border in the Ems-Dollard region was

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Geschiedenis, in het bijzonder de Nederlands-Duitse betrekkingen, aan de Rijksuniversiteit Groningen op dinsdag 27 oktober 1998 (Groningen 1998) 11.

still unresolved, and the Netherlands sought reparation for damages incurred due to German acts of war. Some of these conflicts were settled amicably, while others led to diplomatic crises. It is exactly this connection between the strong Dutch-German economic bonds and how – or whether – they influenced the political ties between the two countries during the Weimar Republic that forms the central question of this thesis. Before delving more deeply into the major and minor research questions, however, it is wise – given the choice to use interdependence theories as a theoretical framework for this analysis – to evaluate why and how these theories are relevant tools in this study. To fully understand the relevance of these theories, it is necessary to start with a short overview of some basic aspects of the Dutch-German economic bonds.

1.2 The Dutch-German economic bonds

For both the Netherlands and Germany, the mutual economic ties were stronger than those with any other country. While trade and transport were important in Dutch ties with both of its two most important economic partners – Great Britain and Germany –, there were other factors that made the bond with its eastern neighbour intrinsically stronger. Some of those were on an incidental level, and can be seen as indicators for the importance of these economic bonds: in the period 1918-1933 these included the role of the Dutch as major financier for German trade and industry. On a structural level, these consisted of transport services for the Rhine region – not only inland shipping and railroad freight, but also sea freight – and a significant trans-border workforce. These were a direct result of the needs of the coal-based Rheinisch-Westphalian industrial revolution that started in the 1860s. One can therefore advance the argument that path dependence played a role in the development of Dutch-German economic interdependence, or to put it in other terms: the intertwining of the Dutch and German economies. That this path dependence was accompanied by significant lock-in effects is likely when one considers the incidental factor of the Dutch role as the most important financier of German trade and industry between 1918 and 1931: when after the First World War the German economy was in dire straits, Dutch financial and political circles – in close contact with Dutch trade and industry – were the first to offer financial assistance to the stricken German economy, as a quick German economic recovery was considered to be essential for the Dutch economy. The structure and development of trade and associated services such as finance – credit, insurance, and foreign exchange market etcetera – also points to this conclusion. For their part, German industry and trade were highly dependent on the Dutch in matters of transport, trade, and after the First World War also finance. Before the war, the two main industrial centres in Germany were located in the Ruhr – just across the border with the Netherlands – and in Silesia – near Germany's eastern border. After the war, Germany not only lost its eastern industrial centre, but also a significant amount of its agricultural lands and ore deposits. This resulted in a greater reliance on imports of food and raw materials, and an increased importance of the Ruhr industry to its economy. All the aspects that had contributed to Dutch-German interdependence – transport, Dutch exports of foodstuffs, as well as other trade and related services – now became even more important. By that the outbreak of the First World War, Dutch-German economic ties – that had become progressively stronger since the German industrialization started in the 1860s – exhibited such a structural character that they can be considered to have been not only interdependent, but also proved highly resilient to external shocks.

The importance of trade – and thereby the importance of the economic ties with the outside world, particularly with Germany – to the Dutch economy becomes clear when one examines the ratio of exports and imports to total gross domestic product (GDP). This is a much-used indicator,[4] which has most recently been used by the economist Paul Krugman to investigate transnational economic ties. In 1995, Krugman introduced the term 'Supertrading Economy' to describe countries whose exports totalled over fifty percent of their GDP.[5] Krugman states that this has become possible only recently, as modern world trade has several aspects that have hitherto been unknown, the most important of which are intra-trade – the trade in similar goods between similar countries – and the slicing up of the value chain. Krugman points out that finished products used to be fairly standardized, but that nowadays products have become much more differentiated: Japanese are driving German BMW's and Germans are driving Japanese Honda's. These are not the only changes in manufacturing. Production used to be a fairly integrated process, with raw materials entering the plant at one end, and finished products coming out at the other end. Much of today's goods, however, are assembled from components, which in turn have been produced by processing subcomponents, all of which have been sourced from different subcontractors across the globe. At all these intermediate stages, value has been added and exported. Krugman argues that it is this 'slicing up of the value chain' that enabled world trade to grow to its present

[4] The calculation of this foreign trade-quote varies, mostly to deal with the absence of data: Krugman uses exports as a percentage of the GDP, whereas the trade-quote is usually given as imports plus exports, divided by the GDP. There are variations on the latter, for instance Jurgen Wulf – author of a study on German foreign trade since 1850 – uses the above formula but replaces GDP – as there are no data on the German GDP before 1918 – with net national income plus imports. Whereas Krugman includes services, Wulf excludes these. Paul Krugman, 'Growing World Trade: Causes and Consequences.' *Brookings Papers on Economic Activity*, 1995 (1), 327-377, here 334; Jurgen Wulf, *Der Deutsche Außenhandel seit 1850. Entwicklung, Strukturwandlungen und Beziehungen zum Wirtschaftswachstum* (Stuttgart 1968) passim.
[5] Krugman, 'Growing World Trade', 334.

height: instead of a product being exported once, as used to be the case, now its components have been exported several times before the finished product even exists. At all these stages, the added value has been counted as net exports. Therefore, by the time the finished product is exported it has already contributed several times its value in total exports. According to Krugman, it is this process that makes the existence of 'supertrading economies' possible, as he regards it as 'virtually certain that at least 60 percent of the employment and value added even in small countries is generated in non-tradable sectors; thus a trade share of much more than 30-40 percent can only arise when exports involve adding a small amount of value to intermediate goods'.[6] At the time, Krugman identified six economies as being supertrading economies: Singapore, Hong Kong, Malaysia, Ireland, Belgium and the Netherlands. However, of these six supertraders, the Belgian and Dutch economies are the only economies that cannot be characterized as 'low-wage manufacturing platforms'. As will have become clear from the way a supertrading economy comes into being, it is a virtual prerequisite for it to be such a low-wage manufacturing platform. Krugman explains the emergence of the Netherlands and Belgium as supertrading economies by letting go of the traditional view of a national economy, and instead viewing them as part of an integrated transnational economy comprising – apart from the Netherlands and Belgium – Northern France, and centred on the Ruhr and nearby parts of Germany. In effect, by identifying this transnational economic region and stating the Ruhr (and nearby German regions) to be at its centre, Krugman makes the argument for the existence of economic interdependence between (this part of) Germany and the Netherlands, Belgium and northern France areas in recent times.

Although Krugman identifies the Netherlands as a supertrading economy during the latter part of the twentieth century, he couples this to the notion that the emergence of supertrading economies is one of the 'four *new* [italics by Krugman, J.E.] aspects of modern world trade – new in the sense that they did not have counterparts in the previous age of the global economy'.[7] All four new aspects are all closely linked to each other, the other three being the emergence of intra-trade,

[6] Ibidem 335.
[7] Ibidem 332.

the slicing up of the value chain, and low-wage manufacturing exporters. However, as he himself noted, the Netherlands and Belgium are distinctly different from other supertrading economies, being part of a transnational economic region instead of being low-wage manufacturing platforms. In fact, as Hein Klemann noted in his 2006 inaugural address at Erasmus University, already by 1864 the Netherlands satisfied Krugman's criteria for a supertrading economy.[8] As noted earlier, Klemann considers the extensive Dutch-German economic ties to be at the root of this Dutch economic transformation into a supertrading economy, which themselves were the result of the industrialization that picked up in the 1850s in both Germany and the Netherlands. German industrialization concentrated in Silesia near the eastern border, and the Ruhr region near the western border. In effect, this meant that much of the transport of raw materials and goods was done via neighbouring countries, leading Klemann to the question just how much of Dutch economic growth hinged on the developing German economy. In doing so, Klemann comes close – he deems more research is necessary to prove this – to Krugman's idea of a transnational economic region being at the root of the Dutch supertrading economy, and places the origins of this region in the late nineteenth century.

Klemann further extends the argument, asking whether the Dutch might have taken part in the economic integration that accompanied the formation of the German *Kaiserreich*. If so, it begs the question whether a national Dutch economy even came into being. Neo-functionalists pointed out that spill-over effect of economic integration usually results in political integration. According to Klemann one should consider the question how the Netherlands managed to avoid becoming part of the German *Kaiserreich*. As it is widely accepted that economic bonds influence political relations, it is surprising to find that although Dutch-German political relations have been extensively studied, the study of their economic ties has been largely neglected, while the link between the two usually gets no more than token attention.

[8] Klemann, *Waarom bestaat Nederland eigenlijk nog?* 14.

1.3 The historiography of Dutch-German (economic) relations

The closeness of Dutch-German economic relations has long been recognized, not just by Germans (see for instance the quote by Von Moltke) or the Dutch – for instance in their promoting of a German economic recovery after the First World War –, but also by other parties, such as the British. That such outsiders were not blind to the political consequences of such close economic ties is apparent from a message from the British envoy in The Hague, just after the end of the First World War. In 1919 the envoy warned that there was a real danger that the Netherlands might fall into the German sphere of influence because German businessmen were settling there *en masse*, because the Netherlands were so conveniently close and 'the fact that there are now so few places in the world to which Germans can go'.[9] By the end of the century, views on Dutch-German relations had not really changed: in his 1998 inaugural lecture 'Germany as a Dutch problem', Frits Boterman stated that the Netherlands are – and were – intertwined with Germany on an economic and financial level to such an extent, that this had an important influence on Dutch foreign policy.[10] Eight years later, Hein Klemann stated in that insight in the nature and scope of the Dutch-German economic ties is indispensable if one is to understand their political relations. He then went on to ask whether the Dutch were economically dependent, or were of such importance to Germany that because of this bond the Netherlands was in a stronger political position than its small geographical size and limited population warranted.[11] Given these periodic affirmations on the mutual economic links and their political significance, one might reasonably expect an extensive historiography on the subject. However, there is not: in the existing literature hardly any of these questions comes up for systematic discussion or analysis. The literature either focuses on political relations, or on economic bonds. Whenever the links between the two are discussed, it is usually within the context of a case study.[12]

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[9] J. Houwink ten Cate, *'De mannen van de daad' en Duitsland, 1919-1939* (Den Haag 1995) 75.
[10] Boterman, *Duitsland als Nederlands probleem*, 11.
[11] Klemann, *Waarom bestaat Nederland eigenlijk nog?*, 9.
[12] See: J. Verseput, 'Nederland en de Seehafenausnahmetarife tijdens de Weimarrepubliek 1919-1933.' In: Joh. de **Vries,** *Ondernemende geschiedenis. 22 Opstellen geschreven bij het afscheid van Mr. H. van Riel als voorzitter van de vereniging Het Nederlandsch Economisch-Historisch Archief* (The Hague 1977) 321–343; J.P.B. Jonker, 'Koopman op een dwaalspoor. De Seehafenausnahmetarife in de betrekkingen tussen Nederland en Duitsland

Taking a closer look at the literature on Dutch-German economic and/or political relations, the Second World War seems to mark a watershed in two areas: an increase in sheer number of studies, and a shift in focus. Most likely inspired by the problematic and traumatic recent past, the Dutch-German relations became a far more popular subject in (academic) studies than ever before. However, apart from some dissertations and the study by P.A. Blaisse on Dutch trade policy in the interwar years, the literature of the immediate post-war period focused almost exclusively on cultural and especially political relations.[13] Given that the resumption of trade between the two countries was critical to the recovery of the Dutch economy, the attention given to this subject at that particular time is quite understandable. It is equally understandable that – once economic recovery was well under way – political and cultural factors would come to dominate the discourse. Authors such as F. Wielenga, H.W. von der Dunk, H. Lademacher, and H.J.G Beunders have published extensively on post-war political and cultural relations, while – save for the works of H.A.M. Klemann, K. van Paridon and a few studies by the Dutch Bureau for Statistics (CBS) or similar government bureaus – the economic relations have not been studied in the same in-depth fashion.[14] This is all the more surprising, since in 1993 the Bureau for Economic Analysis – the Central Plan Bureau (CPB) a government agency – started a study on the bilateral relations because of what it described as 'the strong mutual relatedness between both economies – for instance in the monetary field and with respect to trade – and the

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aan het begin van de jaren twintig.' *Jaarboek van het ministerie van Buitenlandse Zaken 1988/1989* (The Hague 1989) 181–201.

[13] C.H.J. van Beukering, *Der deutsch-niederländische Handel und die deutsche Agrareinfuhr in den Jahren 1920-1940* (Mainz 1953); P.A. Blaisse, *De Nederlandse Handelspolitiek,* (Utrecht 1948); J. Wemelsfelder, *Het herstel van de Duits-Nederlandse economische betrekkingen na de Tweede Wereldoorlog* (Leiden 1954).

[14] See: M. Brands (ed.), *In de schaduw van Duitsland. Een discussie* (Baarn 1979); H.J.G. Beunders and H.H. Selier, *Argwaan en profijt. Nederland en Duitsland 1945-1981* (Amsterdam 1983); H.W. von der Dunk, *Twee buren, twee culturen: opstellen over Nederland en Duitsland* (Amsterdam 1994); F. Wielenga, *West-Duitsland: partner uit noodzaak. Nederland en de Bondsrepubliek 1949-1955* (Utrecht 1989); F. Wielenga, *Van vijand tot bondgenoot. Nederland en Duitsland na 1945* (Amsterdam 1999); A. Beening, *Tussen bewondering en verguizing. Duitsland in de Nederlandse schoolboeken, 1750-2000* (Amsterdam 2001); C.W.A.M. van Paridon, E.K. Greup and A. Ketting, *De handelsbetrekkingen tussen Nederland en de Bondsrepubliek Duitsland* (The Hague 1982); C.W.A.M. van Paridon, *Profijtelijke relatie of knellende band? Over economische ontwikkelingen in Duitsland en de invloed op Nederland* (Amsterdam 1993); A. Gras, '*Onze Handel met Duitsland.' Maandstatistiek van de internationale handel*, jrg.4 (1999) nr. 8, 9; Centraal Plan Bureau, *Agricultural relationships between Germany and the Netherlands* (The Hague 1995); Centraal Plan Bureau (CPB), *Challenging neighbours; rethinking German and Dutch economic institutions* (The Hague 1997); Wetenschappelijke Raad voor het Regeringsbeleid, *Aan het buitenland gehecht. Over verankering en strategie van Nederlands buitenlandbeleid* (Amsterdam 2010).

vital importance of Germany for Dutch economic performance'.[15] It would take until 1998 – when Boterman held his inaugural lecture at Groningen University – for the academic world to be reminded of the political ramifications of the close Dutch-German economic relations. Even so, eight years later, Klemann – long-time researcher of the Dutch economy and Dutch-German economic relations – still had to conclude that 'the political relations between the Netherlands and Germany have been researched many times. Much less is known about the economic links. Additionally, what has been written is fragmentary and lacks an overview'.[16] Since then, Martijn Lak has filled the void for the important decade following the Second World War with his dissertation on German-Dutch relations during the period 1945-1957.[17]

Reviewing the literature that deals with this subject in the pre-World War Two period, the relations with the Weimar Republic remain a lacuna. A number of studies have appeared on Dutch relations with the *Kaiserreich* by both German as well as Dutch authors, spanning cultural, political and economic subjects, and even – such as in the works by Beening and Frey – reviewing the links between the latter two.[18] The 1930s have also received their fair share of attention, both in economic bonds between the two neighbouring countries, as well as political and cultural relations.[19] Considering the many upheavals during the period 1918-1933 – two worldwide

[15] Centraal Plan Bureau (CPB), *Agricultural relationships between Germany and the Netherlands* (The Hague 1995) 3. On the changes in the structure of the Ruhr area from the 1980s: R. Slotboom, *Noordrijn-Westfalen: informatie over politiek, economie en maatschappij* (Amsterdam 2001).
[16] Boterman, *Duitsland als Nederlands probleem*; Klemann, *Waarom bestaat Nederland eigenlijk nog?* 8. Boterman also publishes on cultural aspects. See for instance: F.W. Boterman. 'Van Duitse leermeesters, generaties en lessen uit de geschiedenis'. *Tijdschrift voor Geschiedenis,* 119 (4)2006, 468-481.
[17] M. Lak, *Because We Need Them... German-Dutch relations after the occupation: economic inevitability and political acceptance, 1945-1957* (Rotterdam 2011).
[18] A. Beening, *Onder de vleugels van de adelaar. De Duitse buitenlandse politiek ten aanzien van Nederland in de periode 1890-1914* (PhD-thesis Amsterdam 1994); M. Frey, *Der Erste Weltkrieg und die Niederlande. Ein neutraler Staat im politischen und wirtschaftlichen Kalkül der Großmächte* (Berlin 1998); R. Loos, *Deutschland zwischen 'Schwärmertum' und 'Realpolitik'. Die Sicht der niederländischen Kulturzeitschrift De Gids auf die politische Kultur des Nachbarn Preußen-Deutschland 1837-1914* (Münster 2007); J.C. Boogman*, Nederland en de Duitse bond 1815-1851. Twee delen* (Groningen 1955), J.F.E. Bläsing, *Das goldene Delta und sein eisernes Hinterland. Von niederländisch-preußischen zu deutsch-niederlandischen Wirtschaftsbeziehungen* (Leiden 1973).
[19] Hein A.M. Klemann, *Tussen Reich en Empire. De economische betrekkingen van Nederland met zijn belangrijkste handelspartners, Duitsland, Groot-Brittannië en België en de Nederlandse handelspolitiek, 1929-1936* (Amsterdam 1990); Hein A.M. Klemann, 'The International Economic Relations of Small Countries in the 1930s. Belgium and the Netherlands.' In: Timo Myllyntaus (ed.), *Economic crises and reconstructuring in history. Experiences of small countries* (St. Katharinen 1998) 145-168; Hein A.M. Klemann, 'The 'Tommies' or the 'Jerries'. Dutch trade problems in the Inter-war period.' In: N. Ashton and D. Hellema (eds.), *Unspoken Allies. Anglo-Dutch Relations since 1780* (Amsterdam 2001).

economic crises, the establishment of the Weimar republic and its political and economic troubles to name just a few – it is therefore all the more puzzling that it represents such a lacuna in historiography. Not only did the Dutch-German economic bonds prove to be resilient, the political relations were at times strenuous, while parts of Dutch popular opinion were at times strongly anti-German.

A large part of the contemporary Dutch literature on the bonds with Weimar-Germany focuses on cultural relations, while very little attention is paid to the political relations. The German literature on the period deals mostly with political relations with the Entente, and the reparations payments.[20] If any attention is given to the Dutch-German political relations, like in Horst Lademacher's *Zwei ungleiche Nachbarn*, it focuses on problems surrounding the asylum the Dutch granted the former German emperor. After he mentioned that, he immediately jumps to the Dutch policy of neutrality during the Nazi-period, however.[21]

In contrast, the Dutch economic ties with the Weimar Republic have always been a popular subject. Already during the 1920s, studies concerning the rise of Amsterdam as a financial centre appeared, as well as studies on the importance of the Netherlands as lender, supplier of raw materials and (semi-)manufactured goods, and as a buyer of German goods.[22] A good example is the dissertation by C.H.J. van Beukering on Dutch-German trade, and the trade in agricultural products in particular. Using statistical data – mostly derived from the *Statistisches Jahrbuch für das deutsche Reich* – Van Beukering even went as far as making a start at an analysis of the mutual dependence of the two economies, which unfortunately is focused on trade and lacks a clear view on interdependence.[23] The role of Amsterdam as a financial centre, the use of the *Seehafenausnahmetarife* and the Coal & Credit Treaty of 1920 as instruments for trade policy continued to receive

[20] See amongst many others: K.H. Pohl, *Weimars Wirtschaft und die Außenpolitik der Republik 1924-1926. Vom Dawes-Plan zum Internationalen Eisenpakt* (Düsseldorf 1979); P. Krüger, *Die Außenpolitik der Republik von Weimar* (Darmstadt 1985); H. Mommsen, D. Petzina, and B. Weisbrod (eds.), *Industrielles System und politische Entwicklung in der Weimarer Republik* (Düsseldorf 1977).

[21] H. Lademacher, *Zwei ungleiche Nachbarn, Wege und Wandlungen der deutsch-niederländischen Beziehungen im 19. und 20. Jahrhundert* (Darmstadt 1990) 108 ff.

[22] See: Richard Kiliani, *Die Großbanken-Entwicklung in Holland* (Leipzig 1923); Th. Metz, *Die Niederlände als Käufer, Hersteller, Vermittler und Kreditgeber* (Frankfurt-am-Main 1930); W.J. Hartmann jr., *Amsterdam als financieel centrum* (Gent 1938).

[23] Van Beukering, *Der deutsch-niederländische Handel*; Kaiserliches Statistisches Amt/Statistisches Reichsamt, *Statistisches Jahrbuch für das deutsche Reich* (Berlin 1880-1942).

attention in several case studies.[24] Immediately after the Second World War, when the importance of resuming trade with its former enemy was widely recognized, these subjects remained popular.

Nevertheless there have only been a few larger publications where both the economic ties and the political relations are addressed. Amongst those, the work of P.A. Blaisse on Dutch trade policy during the inter-war years is probably the most well known.[25] However, this book was published in 1948, making it somewhat dated. A lot of archives, which were unavailable to Blaisse, are now open. Moreover, some of the material he used from the Dutch *Centraal Bureau voor de Statistiek (CBS)* – the official Dutch statistical Office – is questionable, and the attention given to political relations remained meagre. Klemann's dissertation (1990) on Dutch international economic relations solves most of these problems for the 1930s, but his research was on the Great Depression, leaving most of the Weimar period out of sight.[26] In his dissertation on Dutch commerce and inter-war Dutch foreign policy (1995), Johannes Houwink ten Cate focuses on major figures in Dutch commerce.[27] His rather patchy rendition of events during this period severely limits its usefulness with regard to the research questions of this project. Besides, his analysis of the Dutch financial market as well as the importance and consequences of a number of political and financial developments leave a lot to be desired. Not only does Houwink ten Cate leave several important questions unanswered, his conclusions are open to criticism. Finally, there is *Im Schatten der Grossen Politik. Deutsch-niederländische Beziehungen zur Zeit der Weimarer Republik* – In the Shadow of Great Politics . German-Dutch relations in the period of the Weimar Republik – a study by Ries Roowaan. This book, which according to its introduction has partly the same research goals as this thesis, remains unclear on how – and to what extent – both economies were intertwined, and how these economic ties influenced the political relations between the Netherlands and Germany. On the other hand,

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[24] M. Vogt, 'Das deutsch-niederländische Kreditabkommen und das 'Tubantia'-Abkommen. Eine Episode in den deutsch-niederländischen Beziehungen der frühen Zwischenkriegszeit'. In: K.H. Oldenhage and W. Schreyer (eds.), *Archiv und Geschichte. Festschrift für Friedrich P. Kahlenberg* (Düsseldorf 2000) 641-656; Verseput, 'Nederland en de *Seehafenausnahmetarife*'; Jonker, 'Koopman op een dwaalspoor'; C. Kreutzmüller, *Händler und Handlungsgehilfen. Der Finanzplatz Amsterdam und die deutschen Großbanken, 1918-1945* (Stuttgart 2005).

[25] Blaisse, *De Nederlandse handelspolitiek*.

[26] Klemann, *Tussen Reich en Empire*.

[27] Houwink Ten Cate, *'De Mannen van de daad'*.

Roowaan does pay attention to aspects of Dutch-German political relations that are left aside elsewhere, like the border dispute concerning the Ems-Dollard area. Unfortunately the study also is somewhat fragmentary, and lacks both focus and depth of analysis. It is this lacuna that this thesis aims to fill.

1.4 Theoretical framework: interdependence theory

The interaction between economic interdependence and political relations for the inter-war period in particular was pointed out as early as march 1937 by Marcus Nadler – a leading American bank economist in his time – who wrote: 'Ten years ago any study examining the actual economic interdependence of nations would have concerned itself primarily with the questions of how the volume of international trade could be broadened, how the international flow of capital could be diverted into the most productive channels, and to what extent the various countries could absorb the surplus labor of the European continent. [...] Today, on the other hand, an analysis of actual economic interdependence will endeavor to find out how far the process of economic self-sufficiency has gone, how far it may be expected to go before it causes too great a pressure on the standard of living of various countries, and how much regimentation it would entail. We are living in an age in which many governments control the economic forces to an unprecedented degree and utilize them to make their countries as far as possible economically self-sufficient. Today we witness great nations using all their energies and resources to create substitutes in order to reduce imports [...] We are living in an age in which the invention of a process of making inferior chocolate out of coal tar is heralded as a great achievement because it saves foreign exchange for the purchase of war materials abroad. [...] It also raises the question of how far this mania for economic self-sufficiency can go and when it will reach a breaking point which may involve the world in another holocaust.'[28] The link between economic interdependence and political relations that Nadler (as it turned out, rightly) described with such drama, is a subject that has long interested philosophers and others. The various interpretations of the workings of these linkages comprise the field of interdependence theory. It is this theory that will be used as the theoretical framework of this thesis, providing not just an explanatory model for the effects of the economic bonds between the Netherlands and Germany on their political relations, but also in determining how to assess – and if possible, measure – such

[28] Marcus Nadler, 'Economic Interdependence, Present and Future'. *American Economic Review*, Vol. 27, No. 1, Supplement, Papers and Proceedings of the Forty-ninth Annual Meeting of the American Economic Association (March 1937), 1-11, here 1.

interdependence, as well as demonstrating what elements in those economic bonds are of significant importance.

The tension between dependence and independence was already a theme in Machiavelli's *Il Principe* (1513). Among economists as well, the concept has a long history: in his seminal work *An Inquiry into the Nature and Causes of the Wealth of Nations* (1776) Adam Smith wrote that dependence was a likely consequence of trade, because such an exchange relationship involved benefits that satisfied mutual needs. Foregoing such a relationship naturally incurred high costs.[29] Two decades later, it was Immanuel Kant who combined the political and economic interpretations of the concept into a theory of interdependence in his work *Zum ewigen Frieden (1795) – Perpetual Peace –,* arguing that commerce would inevitably come to the forefront of state policy, and since war had an adverse effect on trade, states would try to prevent entering into armed conflict with other states.[30] On doing so, Kant laid the foundation for a number of liberal theories on interdependence such as political, economic, sociological and sophisticated liberalism. Each of these subtypes of liberalism employs its own theoretical argument on the causal mechanisms that link interdependence and political relations, but all share the hypothesis that intense, mutually profitable economic relations decrease the incentives for conflict, thereby reducing international (armed) conflict. Free trade plays an important part in establishing and maintaining these mutually profitable relations.[31] The costs of entering into a conflict with a trading partner would simply be too high, leading states to avoid conflicts and adopt a restrained political stance while trying to maximize the benefits of interdependence.[32] Liberal interdependence theories mostly focus on political, economic and military interdependence, and emphasize the importance of free trade.

[29] David A. Baldwin, 'Interdependence and Power: A Conceptual Analysis'. *International Organization*, Vol. 34, No. 4 (Autumn 1980) 471-506, here 478.
[30] Immanuel Kant, *Zum ewigen Frieden. Ein philosophischer Entwurf* (1795); Immanuel Kant, *Zum ewigen Frieden. Ein philosophischer Entwurf*. *Herausgegeben von Rudolf Malter* (Stuttgart 1984).
[31] Patrick J. McDonald, 'Peace through Trade or Free Trade?' *Journal of Conflict Resolution*, Vol. 48, No.4 (Aug., 2004) 547-572.
[32] Susan M. McMillan, 'Interdependence and Conflict.' *Mershon International Studies Review*, Vol. 41, No.1 (May 1997) 33-58, here 35-40, 42.

A competing view on the effects of interdependence is proposed by the (neo) realists.[33] In realism, the central point of interest is the balance of power between nations. Nations are in a constant struggle for security in an anarchistic world, where power determines the outcome of a conflict. Therefore, the distribution of power is the key to peace. However, whether this distribution should be unipolar, bipolar, or multi-polar is a source of contention between realists. Not surprisingly, economic interdependence is not so much seen as mutual dependence, but rather as a mix of independence and dependence, or in other words: a mix of power and vulnerability. Thus the realists tend to focus on asymmetrical interdependence – where one nation is, to a greater or lesser extent, economically dependent on the other – and the effects the associated distribution of power has on the likelihood of (armed) conflict. Realism offers two hypotheses on the link between conflict and interdependence. The first is that interdependence has an adverse effect on the incidence of war, because it increases insecurity: not only as a result of the aforementioned economic dependence, but also because of the strategic dependency resulting from the import of strategic goods. A rational economic policy would thus tend towards autarky, making use of import quotas and tariffs to not only protect the internal market, but also to put adjacent economies in a subservient position. The second hypothesis claims there is no significant link between the two, as political and military-strategic considerations outweighs all other factors.[34]

With the onset of the Cold War, national security came to be considered the prime goal. During the 1950s and 1960s, the concept of realism saw its heyday. As détente set in during the late 1960s, the dominant view was that interdependence was growing, as was the role of the liberal model as an analytical tool. By the 1980s,

[33] Kenneth N. Waltz, *Man, the State, and War* (New York 1959); K.N. Waltz, 'The myth of interdependence.' In: Charles P. Kindleberger, *The international corporation: A symposium* (Cambridge (Mass.) 1970) 205-207; K. Barbieri, 'Economic Interdependence: A Path to Peace or a Source of Interstate Conflict?' *Journal of Peace Research.* Vol. 33, No. 1 (Feb., 1996) 29-49.

[34] McMillan, 'Interdependence and Conflict', 40-42; Robert O.Keohane, Joseph S. Nye. *Power and Interdependence* (New York 1989); John R. Oneal, James Lee Ray, 'New Tests of the Democratic Peace: Controlling for Economic Interdependence, 1950–85.' *Political Research Quarterly,* 50(4) 1997, 751–775; Bruce Russett, John R. Oneal, *Triangulating Peace: Democracy, Interdependence, and International Organizations*. (New York 2001); Richard Rosecrance, *The Rise of the Trading State: Commerce and Conquest in the Modern World* (New York 1985); Edward D. Mansfield, Brian Pollins, 'The Study of Interdependence and Conflict: Recent Advances, Open Questions and Directions for Future Research.' *Journal of Conflict Resolution,* 45(6) 2001, 834–859.

however, tensions were high and (neo) realist views dominant again.[35] With the end of the Cold War and thus the disappearance of the bipolar power relations, liberal views on interdependence once again came to the fore. Now, however, attempts were also made to establish a synthesis of the liberal and (neo) realist approaches.

Proving themselves right: liberal and neo-realist models

In the best sociological tradition, both liberals and realists seek to prove their argument by empirical methods, through statistical analysis. In order to be able to execute their analyses, they have to quantify the degree of (mutual) dependence between states and then use this as a variable in their models. Since this research project claims the Dutch and German economies were intertwined, and as a result both nations were to some degree dependent upon each other, this claim needs to be supported by some form of economic – preferably statistical – evidence. In theory, the models used by interdependence theorists might be used to analyse the economic bonds between the Netherlands and Germany, their political relations, as well as their interaction – the balance of power, if you will – regarding their trade policy, other economic policies, as well as foreign policy. In practice, however, even the most complex models still have serious flaws that limit their usefulness, as will be shown by a short comparison of a few well-known models from the Neo-Realist and Liberal schools of thought.

In 1995, Katherine Barbieri published an updated realist model in her dissertation 'Economic Interdependence and Militarized Conflict' that is still highly regarded.[36] Central to the model is the concept of 'trade share': the share of the total trade between two states (a dyad) in the total trade of one of these states.[37] This defines the relative importance of trade with a particular nation. The degree of interdependence is calculated by combining the importance of this trade to these nations – dyadic salience, which she derives from the 'trade shares' of each state in each others foreign trade – with the symmetry of this trade. This symmetry is also

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[35] R.O. Keohane, J.S. Nye Jr., 'Power and Interdependence Revisited.' *International Organization*, Vol. 41, No. 4, (Autumn, 1987) 725-753, here 725-6.
[36] Katherine Barbieri, *Economic Interdependence and Militarized Conflict, 1870-1990* (Binghamton 1995).
[37] Barbieri, 'Economic Interdependence?' 29-49.

derived from the share each state has in the others' total trade. In other words: each part of her model is derived from the denominator 'trade share'. On the one hand, this is its strength, while on the other hand it is the models' Achilles' heel, as the relation to GDP – the importance of this trade to the economy as a whole – is never expressed. The variables salience, symmetry and interdependence are then used in a model that uses contiguity – the sharing of borders increases the incidence of war,[38] – joint democracy –, the notion that democracies are considered to be less likely to resort to war is widely debated, but both neo-realists and liberals accept that the evidence supports that they rarely fight each other,[39] – alliance –, allies usually do not fight each other –, and relative capabilities – military superiority increases the risk of armed conflict –, as other variables.

Unfortunately, apart from the absence of any relation between trade and GDP, the model presents us with several other problems. Expressing the importance of trade solely by the share each nation has in another's foreign trade means that the costs associated with foregoing or otherwise impeding this trade is not taken into account. It is, however, not unlikely that there is a significant differentiation between countries for such costs, which would skew the results in any model that ignores them. Additionally, Barbieri – like most of the other authors reviewed here – focuses on commodity trade: the role of the services sector, a core issue in this research project as the transport sector as well as financial services played an important role in Dutch-German interdependence, is not considered. The final major issue is related to the first problem: the degree of openness of an economy is not included in a satisfactory manner. Barbieri defines openness as a function of the number of trading partners. While this is undoubtedly an important aspect, no one can deny that the ratio of international trade to GDP is also a major – and possibly better – indicator for openness, and certainly an important indicator to a country's sensitivity to exogenous economic shocks. It can therefore be concluded that the neo-realist model uses variables that in large datasets covering many dyads may

[38] For a critical overview: John A. Vasquez, 'Why Do Neighbors Fight? Proximity, Interaction, or Territoriality'. *Journal of Peace Research*, Vol. 32, No. 3 (Aug., 1995) 277-293.

[39] A good overview on the concept, the history and on research of what is known as the democratic peace: Eric Gartzke, 'Kant We All Just get Along? Opportunity, Willingness, and the Origins of the Democratic Peace.' *American Journal of Political Science*, Vol. 42, No. 1. (Jan., 1998) 1-27.

offer a limited degree of insight into the relation between the occurrence of military interstate disputes and a high level of trade, it does not do so with regards to economic interdependence, nor in an in-depth study of the effects of economic bonds between two nations on their political relations.

A good illustration of how the liberal school of thought approaches an empirical analysis of interdependence is the work of John Oneal and Bruce Russett. For Oneal and Russett, the ratio of the trade between two nations and their GDP is the major point.[40] Obviously this model clearly defines the importance of bilateral trade to the economy of the countries concerned – and thereby their dependence on this trade – as well as the degree of openness of both economies. Like Barbieri however, Oneal and Russett completely ignore the service industry. Although this fits the author's needs for establishing a certain level of economic traffic, it cannot be regarded as an acceptable method to determine economic interdependence at any level deeper than that the cost of disrupting trade may or may not cause states to seek non-military avenues of conflict resolution. Altogether, both approaches to assessing economic interdependence do not offer a solution to the assessment of economic interdependence in all its aspects, which greatly diminishes their usefulness to this research project.

There have been attempts at reconciling the realist and liberal models. A good example is the work of Erik Gartzke and Quan Li.[41] Their model – which attempts to reconcile the realist and liberal models – views both nations in a dyadic relationship separately. For each the dependence is calculated – the ratio of reciprocal trade with respect to the GDP –, as well as the openness – the share of total foreign trade in the GDP – and the share of each nation in its partners' foreign trade. In other words: they use selected parts from the models of Barbieri and Oneal & Russett, which are combined in such a way that many of the inherent problems of these earlier models are solved. Unfortunately, their definition of openness is the share of total trade in

[40] John R. Oneal, Bruce M. Russett, 'The Classical Liberals Were Right: Democracy, Interdependence, and Conflict, 1950-1985,' *International Studies Quarterly*, Vol. 41, No.2 (June 1997) 267-293.

[41] Erik Gartzke, Quan Li, 'Investing in the Peace: Economic Interdependence and International Conflict'. *International Organization,* 55, 2, Spring 2001, 391-438; Erik Gartzke and Quan Li, 'Measure for Measure: Concept Operationalization and the Trade Interdependence: Conflict Debate'. *Journal of Peace Research*, Vol. 40, No. 5, (Sept. 2003) 553-571.

the GDP, which only partly answers the objections voiced earlier regarding both the model of Barbieri and the model used by Oneal & Russett. But whereas the models reviewed earlier focus on the flow of commodities between states in order to show interdependence, Gartzke and Li include financial and monetary integration as important aspects of interdependence. The importance of capital flows in interdependence has already been stated by Marcus Nadler in 1937, though in a very different way. Whereas Nadler considered its main importance to be the development of 'backward countries', thereby increasing international trade and thus economic growth, Gartzke and Li concentrate on the costs associated with a disruption of the flow of capital.[42]

In the final analysis, the models used by interdependence theorists are limited by the need for reliable and comparable batches of data for a large number of countries. This limits their accuracy in the present day, and severely limits their use in historic research. Although within the scope of these models, some conclusions can be drawn about the workings of economic interdependence, these are limited by the architecture of the models themselves. Nevertheless, a study of these models is useful in deciding how to go about establishing whether there was interdependence in Dutch-German economic relations, and how to study its structure. Combining this with the theories, the best approach to analyse the bilateral economic relations seems to be to study trade relations, paying special attention to how free trade influences both the volume of trade and the political relations, monetary relations – foreign direct investments and capital flows – and of course transport services and transport policy, which have hitherto been neglected.

[42] Nadler, 'Economic Interdependence, Present and Future.' 1.

1.5 Interdependence theories: relevance to this study

Interdependence theories not only help in providing a theoretical framework for the analysis of Dutch-German political relations in the context of their economic ties, their conceptual models of what constitutes economic interdependence help in determining how economic interdependence works. Although all of these models have been shown to be flawed in one way or another, they have provided insights into the relevant aspects of the workings economic interdependence.

In the use of these theories, this research project has also proven its relevance to the field of interdependence theories, as it allows an assessment of which of these theories fits. When one considers Von Moltke's reasons for not wanting to involve the Netherlands as a combatant in the First World War, this would seem to vindicate the liberal theory that a high level of economic interdependence makes the cost of warfare too high, thus leading to a reticence to initiate (armed) conflict. Yet the German occupation of the Netherlands during the Second World War would seem to support the realist theory that security issues are of overriding importance in interstate relations. However, the situation in 1940 was radically different from that in 1914. As noted by Nadler in 1937, during the 1930s the movement to autarchy was exceptionally strong: 'Today we witness great nations using all their energies and resources to create substitutes in order to reduce imports; we find nations with a limited supply of milk priding themselves on their ability to manufacture wool out of the scarce supply of milk, thereby avoiding the importation of wool from abroad.'[43] This process had begun during the First World War, when nations had been confronted with their dependence on imports. After the war, the recovery of international trade was hampered by rising tariffs and import restrictions. The onset of the Great Depression gave a further impetus to the drive for national self-sufficiency, as international trade was hampered further by the crisis in the international money markets and ever more stringent protectionist measures. The inconvertibility of the German *Reichsmark* meant that from 1934 on trade between the Netherlands and Germany had to be settled through a complicated system of bilateral clearing. The associated paperwork and the need for

[43] Ibidem.

a bilateral balanced trade nevertheless severely impeded trading.[44] The need for bilateral balanced trade also meant that imports and exports had to decrease to the level of the lower of the two. The absence of free trade thus caused a much lower level of trade. The lower level of trade, in turn, lowered the economic cost of war, while at the same time reducing the political power of those groups in society who would try to prevent war.[45] As trade diminishes, security issues become dominant through lack of political opposition, and war ensues. The liberal approach to interdependence therefore still seems relevant.

Although liberal theorists stress that economic interdependence decreases the incidence of war due to the costs involved, this does not preclude the occurrence of serious diplomatic conflicts. As Philip Trezise points out in an overview of the relations between the United States and Canada: 'A relationship that demonstrably provides large gains to both parties is clearly subject to considerable, possibly dangerous, tensions.'[46] Trezise identifies personal dislikes, clashes of personalities, the press, monetary policy, and loss of sovereignty because of foreign direct investments – fear that through foreign-owned companies, economic decisions may be made that affect the local economy, or even foreign national policies may be introduced – as possible causes.[47] As such tensions did arise during the period 1918-1933, and at first glance for much the same reasons, there might be something to be said for (part of) the realist approach, even though Trezise does point out that when issues threatened to lead to serious conflict, some form of accommodation was always reached.[48] In the case of Dutch-German economic interdependence however, there are complications, a reason that this study not only makes use of interdependence theories, but may have relevance for the study of interdependence itself as well.

[44] Klemann, *Tussen Reich en Empire,* 18-20.
[45] McDonald, 'Peace through Trade or Free Trade?' 552.
[46] Philip H. Trezise, 'Interdependence and Its Problems'. *International Journal*, Vol. 29, No. 4, Economic Interdependence (Autumn, 1974), 523-534, here 526.
[47] Idem, 527-529.
[48] Idem, 530.

Complicating factors

In speaking of the Netherlands as a Supertrading economy, Krugman also pointed out that he considered it – together with Belgium – to be part of a transnational economic region, centred on the Ruhr area. When he did so, Krugman was referring to the situation in the late 20th century. As Klemann proved, the Netherlands fulfilled his criteria for a Supertrading economy as early as 1864. Tiessen showed that both in 1913 and 1922 transport flows in Germany depended on four major centres. The greater Duisburg area in the west and Mannheim in the south were both situated along the Rhine, which forms one of the transportation arteries. In the east, greater Berlin formed a third transport centre, while in the north the German ports on the North Sea – primarily Hamburg, to a lesser extent Bremen and Emden – handled an important part of German imports and exports from overseas. The North Sea ports of Bremen and Emden handled goods from mostly the Ruhr area and southern Germany, while Hamburg also handled goods from eastern Germany by way of Berlin. Transport flows were almost entirely north-south along the line Hamburg-Duisburg-Mannheim, and north – south-east from Hamburg to Berlin and beyond, suggesting that Germany was economically divided along these lines.[49] This idea has been expressed and further analysed by Nikolaus Wolf, who concluded that Germany was divided into a western and eastern part along natural trade routes. According to Wolf, it took until the end of the Weimar Republic for Germany to become reasonably economically integrated, in part due to increasing protectionism.[50] One might therefore pose the question, whether the Dutch-German economic bonds were not nation-to-nation, but rather between the Netherlands and the western part of Germany.[51] Although in first instance this might not seem relevant to the political relations between two nations, it does in fact offer a whole new set of opportunities for analysis of both political relations and economic interdependence.

[49] E. Tiessen, *Der Gesamt-Güterverkehr auf den deutschen Eisenbahnen, 1913 und 1922* (Berlin 1925); E. Tiessen, *Seehafenverkehr und Binnenschiffahrt im Deutschen Reich, 1913 und 1922* (Berlin 1925).

[50] Nikolaus Wolf, 'Was Germany ever united? Evidence from Intra- and International Trade, 1885-1933.' *Journal of Economic History* 69 (3), September 2009, 846-881, here 871-876.

[51] Hein A.M. Klemann, Friso Wielenga, ‚Die Niederland und Deutschland, oder verschwindet die nationale Ökonomie? Eine Enleitung.' In: Hein A.M. Klemann, Friso Wielenga (Hrsg.), *Deutschland und die Niederlande. Wirtschaftsbeziehungen im 19. und 20. Jahrhundert* (Münster 2009) 7-17.

If the Dutch-German interdependence was based on the economic ties of the Netherlands with the most western German *Länder* – or even just a part thereof, if Krugman's idea of a transnational economy centred on the Ruhr can be applied to the interwar period –, the high correlation in growth of the Dutch and the German GDP would be mainly an indication of the importance of these *Länder* for the German economy as a whole. Furthermore, in this case Germany's political stance towards the Netherlands would also be a reflection of this economic significance of these *Länder*, as well as the political influence wielded by the local populace and its trade and industry versus the rest of the nation. Although arguably not directly relevant in state-to-state diplomatic relations, the rich literature on the subject does offer some relevant insights on the matter.

Transnationalism as a concept has been around since the late 1950s, when authors such as Arnold Wolfers, John W. Burton, and Karl Kaiser broadened the dominant state-centric view of international relations to include non-state actors.[52] However, it was only with the publication of a special issue – edited by Joseph Nye and Robert Keohane – of the journal *International Organization* in 1971, and the subsequent publication of this special issue as a book, that the concept started to gain wider acceptance.[53] These publications and others also expanded the concept to include economic relations and the influence of transnational economic ties on political relations.[54] Nevertheless, these latter aspects have subsequently received little attention, as even the United Nations Centre on Transnational Corporations – UNCTC, established in 1974 – choose to focus its research on transnational corporations and foreign direct investment.[55] With both contemporary and historical research focussed on organizations and corporations, it was mainly the work of

[52] Joseph S. Nye, Jr., Robert O. Keohane, 'Transnational Relations and World Politics: An Introduction.' In: Joseph S. Nye, Jr., Robert O. Keohane, eds., *Transnational Relations and World Politics* (Cambridge Ma. 1972) ix-xxix, here x.

[53] Nye, Keohane, 'Transnational Relations and World Politics'. *International organization*, Vol. XXV, No. 3 (Summer 1971); Nye, Keohane, *Transnational Relations and World Politics*.

[54] See: Samuel P. Huntingdon, 'Transnational Organizations in World Politics.' *World Politics*, Vol. 25, No. 3 (Apr. 1973).

[55] Website The United Nations Centre on Transnational Corporations, http://unctc.unctad.org/aspx/index.aspx, accessed 24-9-2011.

economists like Paul Krugman and Michael E. Porter on different aspects of spatial economics that sparked a renewed interest in economic regions.[56]

The idea of economic activity being concentrated in regions has been expressed in both economics and geography since the late 1800s, but failed to gain wide acceptance.[57] As economists such as Porter and Krugman conceived a solid theoretical base for research into economic regions, historians started to take notice of the possibilities these ideas provided as a theoretical base for their research. As globalisation became a popular issue in the 1990s, historians showed that though during the 20th century world trade had increased, patterns of trade actually tended towards regional concentration.[58] Although by 2007 Dutch historians Johan Schot and Pieter Smits called for a transnational turn in history – suggesting that research should focus on cross-border flows of people, goods, technology, organizations etcetera, and how they influence history – in a recent overview of transnational history, Patricia Clavin still notes that 'there remains a pressing need for this new economic history to be integrated into the history-writing of European regions that cross, and sometimes challenge national boundaries'.[59] While this study focuses on Dutch-German relations, it cannot neglect the possibility that the roots of the economic relations may be found in the existence of a transnational economic region, whereas the political relations were at a national level. The nature of these political ties would therefore to some extent be an expression of the influence of (representatives of) the region at national levels.

[56] See for instance: Michael E. Porter, 'Regions and the new economics of competition' In: A.J. Scott (ed.) *Global City Regions* (Oxford 2001) 139-152; Michael E. Porter, 'The economic Performance of Regions.' *Regional Studies*, 37 (2003) 549-578; Paul Krugman, 'Increasing Returns and Economic Geography.' *Journal of Political Economy*, 99 (1991) 483-499; Paul Krugman*, Development, Geography, and Economic Theory* (Cambridge Ma 1996); Paul Krugman, *Geography and trade* (Leuven 1991) 98; Paul Krugman, 'History and Industry Location: The Case of the Manufacturing Belt.' *American Economic Review,* 81 (1991) 80-83.
[57] Paul Krugman, *Development, Geography, and Economic Theory* (Cambridge Ma. 1996) passim.
[58] Johan Schot, Jan-Pieter Smits, 'Introductie: Globalisering en Geschiedenis.' *Tijdschrift voor Sociale en Economische Geschiedenis,* 3 (2007) 3-14.
[59] Idem; Patricia Clavin, 'Time, Manner, Place. Writing European History in Transnational and International Contexts,' *European History Quarterly*, 3 (2010) 624-640, there 635.

1.6 Central research question, sub-questions, and composition of the study

This study has as its central research question: how did the economic relations between the Netherlands and Germany change between 1918 and 1931, and how did these changes influence the political relations between the two countries? Such a broad central research question easily leads to a highly detailed, multi-volume study, which none but a handful of hyper-specialists would care to read. Inspired by the shortcomings in the attempts of interdependence theorists to quantify economic interdependence, the choice was made to focus on the nature of the economic relations. Once the nature of these relations becomes clear, the structural aspects of the resultant interdependence come into focus as well.

This approach means that the sub-questions have defined the structure of the thesis. The next chapter deals with the development of Dutch-German economic ties until the end of the First World War, and the basic political and economic developments in both countries during the period 1918-1931. It forms a framework for the subsequent chapters, which deal with the sub-questions. The third chapter looks at the monetary relations. The monetary instability that plagued continental Europe after the First World War hit Germany hard, and while the Dutch were spared catastrophic depreciation and inflation, Dutch-German economic relations suffered. The question here is not how much they suffered, but rather, how did those with interests in trade and industry react to this threat to the mutual economic relations? In spite of the severity of the German crisis, the reaction of the Dutch government as well as both Dutch and German trade, industry, and financial companies caused the structure of Dutch-German economic relations to become stronger. The Dutch also became a major creditor to Germany, and the main creditor to German trade and industry. Yet the question should be asked what impact either of these changes in the economic relations between these two countries had for their political relations?

Trade is the most direct way in which economies interact, and can greatly influence political relations. The Germany that emerged from the First World War had different needs in imports and exports than the *Kaiserreich*. Although the basic economic structure of the country had not changed, the loss of territory and the accompanying loss in reserves of ores, in population, agriculture and industry, caused a shift in Germany's foreign trade. Furthermore, the reparations that Germany had to pay to the Entente meant that the country needed a substantial trade surplus, which was an important motivation for it's increasingly protectionist trade policy. Both of these aspects of Germany's foreign trade could have had devastating consequences for the Dutch-German economic relations and for their political relations as well. How trade developed and political relations changed is analysed in the fourth chapter.

The fifth chapter covers an essential aspect in international economic relations that is conspicuously absent in interdependence models: the role of transport and services. Yet although transport is subject to trade relations, it is a separate activity that involves other actors. The Dutch transport sector did more than just transport Dutch-German trade. Due to the geographic location of the Netherlands in the Rhine delta, and the location of much of the German industry near the Rhine, the Dutch seaports and transport sector were in a good position to handle a substantial part of the German imports and exports from overseas. Germany's own North Sea ports were less attractive, due to the higher cost of transport towards the hinterland. The German transport policy that was intended to alleviate this problem negatively had impact on Rhine shipping and traffic through Dutch ports, causing an escalating diplomatic crisis in 1925. A study of transport flows themselves is not just useful to determine the importance of transport in economic relations or the effects of German transport policy. These goods flows also show how the Dutch-German economic ties were mostly based on the relations with the extended Ruhr region. The sixth and final chapter deals with those political relations that were not directly related to economic ties, and have therefore not been discussed in the previous chapters. As it is in fact the main target of this research project to analyze the economic relation, to get a deeper insight in the political relations, the conclusion, the outcome of the research on these sub-questions, will be integrated into this chapter, that will provide an overview of how, and to what extent, the Dutch and German economies were intertwined and how this influenced their political relations. Thus the central research question will be answered.

Chapter 2 – The Netherlands and Germany, 1860-1931

2.1 Introduction

This chapter aims not merely on providing a short overview of Dutch-German economic ties and political relations during the period 1918-1931, but also – in a cursory way – to shed light on the emergence of interdependence during the second half of the nineteenth century. Therefore in the next few pages these ties – whether they are political or economic in nature – will be placed in an international and historical perspective. Developments in the German and Dutch economies between 1860 and the outbreak of the First World War will be covered, so as to provide insight into both the when and how of the emergence of interdependence between the two countries. The years 1918 through 1931 – the actual period under research – will then be covered in such detail as is necessary to obtain an overview of relevant economic and political developments.

2.2 The Dutch and German economies since the 1860s

During the capricious 1920s, the Dutch and the German economies were each facing their own – albeit somewhat interrelated – set of problems. Germany tried to regain the position it had lost as one of the foremost trading and industrial nations in the world, not only because of the need for an economic recovery, but also in order to be able to pay the reparations to its former enemies. Meanwhile, the Netherlands – trading nation *pur sang* – was dependent on the recovery of world trade, and most importantly, the recovery of Germany's foreign trade.

World trade had grown tremendously in the last few decades of the nineteenth century. Europe played a key role in this expanding world trade as it accounted for two thirds of the total, although its share diminished slightly as the United States expanded its international trade. In 1913 prices, during the early 1880s world trade had a volume of over US$ 15 billion. By the turn of the century this had increased to more than 22 billion, implying an average growth of about 2 per cent a year. By 1913 world trade had a volume of over 40 billion, indicating that trade grew with almost 5 per cent annually between 1900 and the Great War. Together, the United States and Europe were responsible for three quarters of all international trade.[1] The growth was possible in part because of stable international monetary relations: 'finance is the nervous system of capitalism' as Ramsay McDonald – thrice prime minister of Great Britain during the interwar period – expressed it,[2] but before 1914 international transactions were for the most part settled in stable pounds sterling, with the London financial centre functioning as the hub for international financing. Exchange rates were stable within the confines of the gold standard, a system which itself depended upon the complete confidence in the stability of the British pound sterling. This in its turn was the result of the close cooperation amongst governments and central banks. Whenever the system was threatened – as for instance during the crises of 1890 and 1907 – the assistance of other central banks, such as those of France or Germany, bolstered confidence in

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[1] Simon S. Kuznets, *Modern Economic Growth. Rate, Structure, Spread* (New Haven 1966) 307; Wolfram Fischer, 'Dimensionen und Struktur der Weltwirtschaft.' In: H.-J. Gerhard (ed.) *Struktur und Dimension. Volume 2* (Stuttgart 1997) 23; Rainer Fremdling, *Historical precedents of Global Markets*. Research Memorandum GD-43, Groningen Growth and Development Centre (October 1999) 1-2.

[2] Quoted in: Barry J. Eichengreen, *Golden Fetters: the gold standard and the great depression, 1919-1939* (New York 1992) 3.

the system and averted a crisis.[3] As in 1914 war broke out, however, world trade all but came to a halt and the system of the gold standard collapsed in the wake of a credit crunch of hitherto unknown proportions.[4] The diminution of world trade during the war led to structural changes in the economies of many countries that would be detrimental to its resurgence at war's end. Only by the end of the 1920s world trade briefly exceed its pre-war level.[5] With the onset of the great depression, however, world trade collapsed again. Prices fell rapidly, protectionism was rampant, trade blocs were formed, and once again, many countries abandoned the gold standard. The Netherlands were confronted by a new situation, where both its main trading partners were turning inward: Great Britain turned towards its dominions, and tried to establish an economic bloc, while Germany saw a near total economic collapse and finally resorted to a stop on payments on short-term credits, ultimately ending with the inconvertibility of its currency and a policy oriented towards autarky.

As Dutch-German economic bonds declined to their lowest level in decades, the era of Dutch-German economic interdependence seemed to have ended. Yet, the underlying structure of the economic ties remained fundamentally intact.[6] It is because of this, that they would survive not just the depression, but also another world war. The German occupation of the Netherlands during this war would cause severe and long-lasting anti-German sentiments. Nevertheless, after the end of the war the Dutch where quick to acknowledge the importance of a German economic recovery and the resumption of economic relations, a process analyzed by Martijn Lak in his recent dissertation 'Because We Need Them…'[7] The roots for this

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[3] Fischer, 'Dimensionen und Struktur der Weltwirtschaft', 29-30; Eichengreen, *Golden Fetters*, 4-5, 7-9. For a discussion on different views on the gold standard, and on why it failed to work during the interwar period: Eichengreen, *Golden Fetters*. The explanation of the gold standard here is (mostly) an amalgam of the views of Eichengreen and Kindleberger. Charles P. Kindleberger, *The World in Depression: 1929-1939* (Berkeley 1973).

[4] For an analysis of the 1914 financial crisis: Richard Roberts, 'The London Financial Crisis of 1914.' In: Patrice Baubeau and Anders Ögren (eds.), *Convergence and Divergence of National Financial Systems: Evidence from the Gold Standards, 1871-1971* (London 2010) 161-178.

[5] Angus Maddison, *The World Economy in the 20th Century* (Paris 1989) 28; P.C. van Traa, 'De ontwikkeling van de internationale handel gedurende de afgelopen honderd jaar.' In: H. Baudet (ed.), *Handelswereld en wereldhandel. Honderd jaar internatio* (Rotterdam 1963) 201-232, here 201.

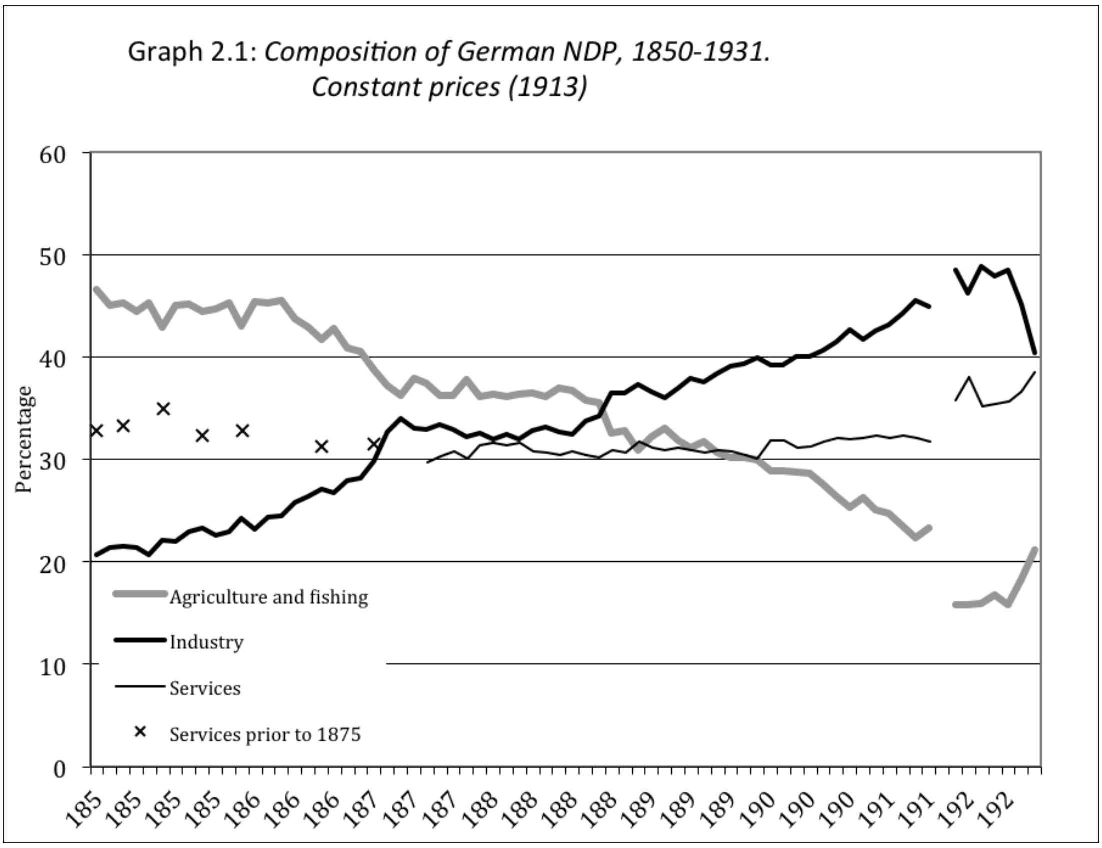
[6] Hein A.M. Klemann, ‚Wirtschaftliche Verflechtung im Schatten zweier Kriege 1914-1940.' In: Hein A.M. Klemann, Friso Wielenga (Hrsg.), *Deutschland und die Niederlande. Wirtschaftsbeziehungen im 19. und 20. Jahrhundert* (Münster 2009) 19-44, here 42-43.

[7] Martijn Lak, *'Because We Need Them…' German-Dutch relations after the occupation: economic inevitability and political acceptance, 1945-1957* (PhD-Thesis Erasmus University Rotterdam, 2011).

structurally strong and intense economic relations are to be found in the second half of the nineteenth century, as both the German and Dutch economies transformed.

2.3 The German economy up to World War One

For most of the nineteenth century, Germany was a minor presence in world trade. Until the middle of the century, the diverse German states that would form the Kaiserreich in 1871 were predominantly agricultural economies (Figure 2.1).[8] It was only from around 1860 that it would experience what Kuznets calls the transition to modern economic growth: a sustained increase in real product per capita, and sweeping structural changes such as growth of the population, an increase of the share of industry in total output and employment, and an overall growth of productivity.[9]



Source: W.G. Hoffmann, *Das Wachstum der deutschen Wirtschaft seit der Mitte des 19. Jahrhunderts* (Berlin 1965) 454-455; own calculations.[10]

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[8] Samad Sarferaz, Martin Uebele, 'Tracking down the business cycle: A dynamic factor model for Germany 1820–1913.' *Explorations in Economic History,* 46 (2009) 368-387; K. Borchardt, 'Wirtschaftliches Wachstum und Wechsellagen 1800–1914.' In: H. Aubin, W. Zorn (eds.), *Handbuch der deutschen Wirtschafts- und Sozialgeschichte,* Volume 2 (Stuttgart 1976) 685–740.

[9] Kuznets, *Modern Economic Growth*, passim.

[10] Hoffmann's data have been convincingly called into question by Rainer Fremdling, Carsten Burhop and Guntram Wolff, Albrecht Ritschl and Mark Spoerer and others. All suggest Hoffmann's figures – especially those on the productivity of the industry – are too low. The growth of German industry and its contribution to NDP are therefore greater than here is indicated. The graph is used merely to illustrate a general trend. See: R. Fremdling, 'German National Accounts for the 19th and early 20th century. A critical assessment.' *Vierteljahrschrift für Sozial- und Wirtschaftsgeschichte*, Vol.75 (1988) 339-357; A. Ritschl, M. Spoerer, 'Das Bruttosozialprodukt in

By 1880 the German business cycle – which until then had been influenced in more or less equal measure by all economic sectors – was mostly driven by the industrial sector.[11] The new industry consisted predominantly of heavy industry – coal mining, chemicals, electrical, steel, machinery – instead of consumer-goods industries such as textiles or food-processing, a tendency that would be enhanced during World War I. By 1913, German industrial production – in 1890 at roughly two-thirds of the British level – surpassed that of Great Britain.[12] This change in structure of the German economy was accompanied by an increased share in world trade. Whereas during the period 1881-1885 this share had been 10.4 per cent, by 1913 it had grown to 12.4 per cent, which was comparable to Great Britain. In real terms, the actual growth was even more, as by then the global market was two-and-a half times as large.[13]

The outbreak of World War I put an end to relative free trade and monetary stability, causing world trade to diminish to a minimum. In response to these effects of the war, neutral countries industrialized at a faster rate to provide their citizens with the goods that would otherwise have been imported, or increased their production of food and raw materials in short supply. After the war, the downsides to this development became clear. Not only had the importance of Europe – especially Germany and Great Britain – in international trade decreased to the benefit of the United States and Japan, many countries produced much more themselves.[14] Protectionism would stiffen this tendency. By the end of 1920, the industrial overcapacity that ensued from wartime developments, coupled to a shrinking market due to the collapse in demand from Central and Eastern Europe as a result of extreme inflation and currency depreciations, caused a worldwide

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Deutschland nach den amtlichen Volkseinkommens- und Sozialproduktsstatistiken 1901-1995.' *Jahrbuch für Wirtschaftsgeschichte* (1997, Vol. 2) 27-54; C. Burhop, G.B. Wolff, 'A Compromise Estimate of German Net National Product, 1851-1913, and its Implications for Growth and Business Cycles.' *Journal of Economic History*, Vol. 65, No. 3 (Sep., 2005) 613-657; R. Fremdling, *German Industrial Employment 1925, 1933, 1936 and 1939: A New Benchmark for 1936 and a Note on Hoffmann's Tales*, Research Memorandum GD-94b, Groningen Growth and Development Centre, University of Groningen, 2007.

[11] Sarferaz, Uebele, 'Tracking down the business cycle', 385.

[12] Hans-Joachim Braun, *The German economy in the twentieth century: the German Reich and the Federal Republic* (London 1990) 22.

[13] Kuznets, *Modern Economic Growth*, 307.

[14] Wolfram Fischer, 'Die Weimarer Republik unter den weltwirtschaftlichen Bedingungen der Zwischenkriegszeit.' In: H. Mommsen, D. Petzina, B. Weisbrod (eds.), *Industrielles System und politische Entwicklung in der Weimarer Republik* (Düsseldorf 1977) 26-50, here 28; P. Niehusen, *Die Hamburger Kaufmannschaft und Ihre Haltung zur Exportförderung in der Wiederaufbauphase des Deutschen Außenhandels von 1918-1929* (Hamburg 1980) 10.

economic crisis. It is therefore hardly surprising, that by 1921 the volume of world trade was still at only 65 per cent of its pre-war level.[15] Without a Central European – i.e. a German – economic resurgence, stable currencies, and a revival of free trade, the pre-war level of international trade and economic growth seemed therefore unattainable. This conviction was especially strong in the Netherlands, where during the last few decades before the war the economy had become increasingly dependent upon its eastern neighbour.

[15] Statistisches Reichsamt, *Statistik des deutschen Reichs*, Band 310, 1924, I, 3. Van der Bie gives an average decline of 4.7 per cent, which computes as a total decline to 68 per cent of the pre-war level. Ronald van der Bie, *'Een doorlopende groote roes': de economische ontwikkeling van Nederland, 1913-1921* (Amsterdam 1995) 103.

2.4 The Dutch economy up to World War One

In the Netherlands modern economic growth started during the second half of the nineteenth century.[16] Although this seems similar to the German development, the comparison ends there, for early on the Dutch economy – the Netherlands was one of the richest countries of its time – showed a number of modern characteristics. Already at the beginning of the nineteenth century, agriculture was relatively small, urbanization levels high, and the service sector large.[17] Modern industrialization would only start in the 1860s, primarily in food processing.[18] The importance of industry grew, but not to the same extent as in Germany. In line with the growth of the industrial sector, the relative importance of agriculture diminished (Figure 2.2), though again not to the same extent as in Germany, as a comparison of figures 2.1 and 2.2 shows. In part, this may have been because of the differing reactions to the agrarian crisis of the 1870s, when the European market was flooded with cheap American and Russian grain. Ocean shipping rates halved due to technological innovations in steamships, and railroads connected the American grain-producing areas to its ports**.** In Russia, the rail network grew from 990 km in 1860 to 14,020 km in 1880, as the German network grew from 6980 to 20,690km.[19] Although the German agricultural sector modernized and managed to increase productivity, the main reaction was to call for protection measures to help their position.

In the Netherlands, the response was more far-reaching. Not only did the sector modernize in a technical sense, farmers also modernized in an organizational sense by founding cooperatives and – with government help – investing in

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[16] Jan-Pieter Smits, Herman de Jong, Bart van Ark, *Three Phases of Dutch Economic Growth and Technological Change, 1815-1997.* Research Memorandum GD-42, Groningen Growth and Development Centre (1999) 4. The slow shift becomes especially clear in employment data: Jan-Pieter Smits, Edwin Horlings, Jan Luiten van Zanden, *Dutch GNP and its Components, 1800-1913* (Groningen 2000) 112-114.

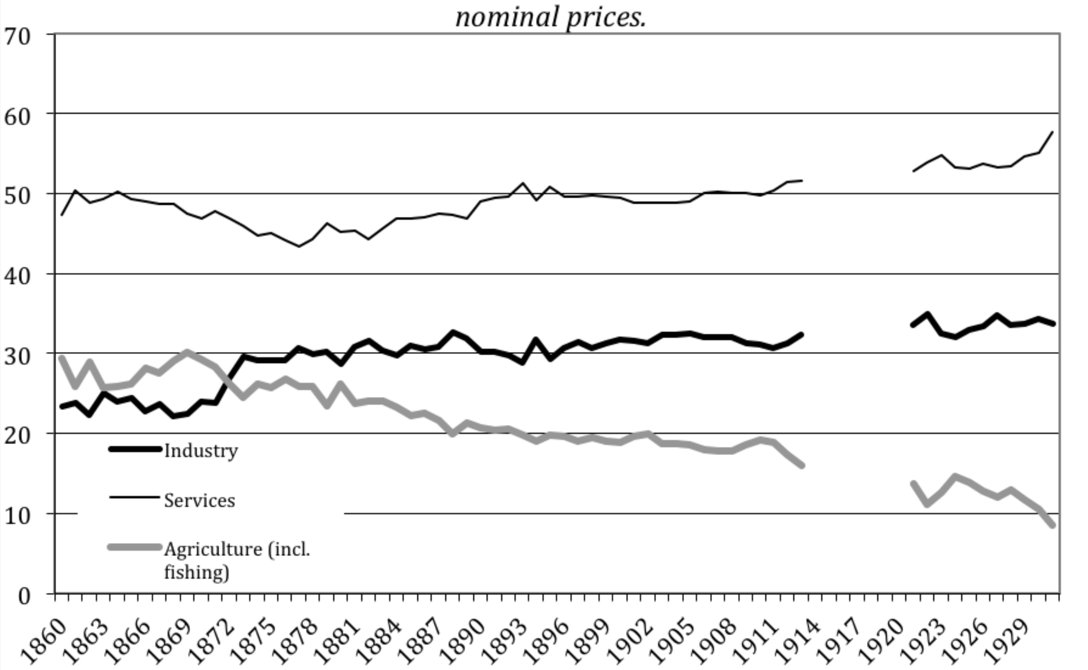
[17] Ary Burger, 'Dutch patterns of development. Economic growth and structural change in the Netherlands, 1800-1910.' *Economic and Social History in the Netherlands,* Vol. 7 (1996) 161-180, here 176; Jan-Pieter Smits, 'The size and structure of the Dutch service sector in international perspective, 1850-1914.' *Economic and Social History in the Netherlands,* Volume 2 (1990) 81-98, here 94.

[18] Smits et al, *Dutch GNP and its Components, 1800-1913*, 130-141. More on the issue of why Dutch industrial development was relatively late: I.J. Brugmans, *Paardenkracht en mensenmacht* (Den Haag 3rd ed. 1976); R. Griffiths, 'Backward, late or different?' In: J.L. van Zanden (ed.), *The economic development of the Netherlands since 1870* (Cheltenham 1996) 1-22; Richard T. Griffiths, *Industrial retardation in the Netherlands, 1830-1850* (The Hague 1979); Keetie E. Sluyterman, *Kerende Kansen. Het Nederlandse bedrijfsleven in de twintigse eeuw* (Amsterdam 2003) 15-20.

[19] W.W. Rostow, *The World Economy. History & Prospect* (London 1978) 152 and 164-165; H.P.H. Nusteling, *De Rijnvaart in het tijdperk van stoom en steenkool, 1831-1914* (Amsterdam 1974) 307-309; Dirk Pilat, *Dutch Agricultural Export Performance, 1846-1926* (Groningen 1988) 2, 12; Brugmans, *Paardenkracht en mensenmacht*, 288-289; Fremdling, *Historical Precedents*, passim.

education. Another reaction was to forego competition in cheap bulk-produce and shift to other crops**,** or to transform into animal husbandry, while importing fertilizers for the new labour-intensive forms of agriculture, and fodder for the animals, and producing meat, dairy products and eggs (Table 2.1) for the new industrial markets in Germany and Britain. There the lower grain prices led to higher real wages, which in its turn led to a higher demand for meat and dairy products.[20] After the transformation, the Dutch agrarian sector was thus not only more profitable, but was also growing again.

Graph 2.2: *Composition of Dutch GNP, 1860-1931. In percentages, nominal prices.*



Sources: Jan-Pieter Smits, Edwin Horlings, Jan Luiten van Zanden, *Dutch GNP and its Components ,1800-1913* (Groningen 2000); CBS, *Tweehonderd jaar statistiek in tijdreeksen* (Voorburg 2001); Own calculations.

By education, technical innovation, and specializing in relatively labour intensive luxury products, Dutch agriculture managed to offset higher labour costs and remain competitive. Although its share in total employment declined, the actual

[20] J.Th. Lindblad, J.L. van Zanden, `De buitenlandse handel van Nederland, 1872-1913.' *Economisch- en sociaal-historisch jaarboek,* 52 (1989) 231-269, here 259; Merijn Knibbe, *Agriculture in the Netherlands, 1851-1950. Production and institutional* change (Amsterdam 1993) 130 ff.; C.H.J. van Beukering, *Der deutsch-niederländische Handel und die deutsche Agrareinfuhr in den Jahren 1920-1940* (Mainz 1953) 54; Brugmans, *Paardenkracht en mensenmacht*, 290-306.

employment in the agricultural sector rose.[21] In contrast to the German, the Dutch agriculture was to a considerable extent an integral part of the industry, which produced foodstuffs and raw materials for industries based on agricultural products, such as strawboard, beer, liquor, textiles, tobacco, margarine industries et cetera.[22] This specialisation within agriculture, horticulture, and related industrial products led to a greater reliance on exports, as the home market was too small to absorb this specialized production. Nearby industrial centres in Germany and the United Kingdom with well-paid labour provided markets for these products.

Table 2.1: *Output of the Dutch agricultural sector, in percentages of total agricultural output, 1850-1910.*

Year	Arable farming	Livestock breeding	Horticulture
1850	51.2	46.5	2.3
1870	46.3	51.1	2.6
1890	37.9	57.7	4.4
1910	31.0	62.1	6.9

Source: Jan-Pieter Smits, Edwin Horlings, Jan Luiten van Zanden, *Dutch GNP and its Components, 1800-1913* (Groningen 2000) 121-123; Own calculations.

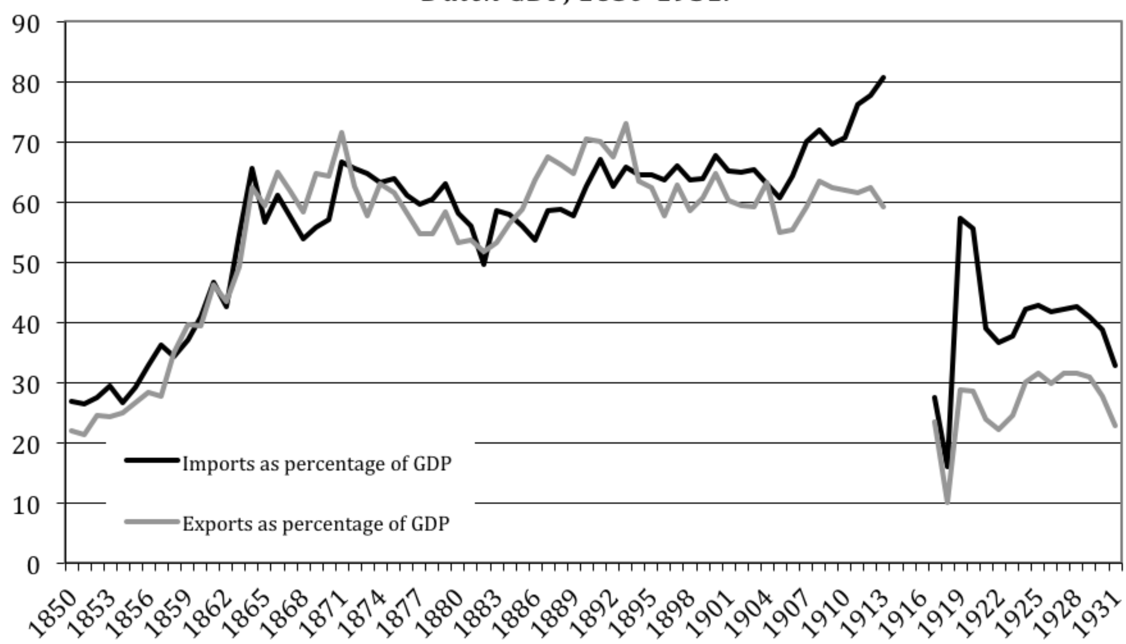
Imports were also intrinsically high. Partly, this was because after its transformation at the end of the nineteenth century, Dutch agriculture was no longer able to feed the Dutch people and its livestock and had to import food and fodder, as well as the necessary machinery and fertilizers. The Netherlands also lacked raw materials that were essential for its industry, such as coal and ores, which meant that most industrial activities not related to foodstuffs relied on imports. In other instances, the combination of free trade, stable currencies and low transport costs made it economically unfeasible to extract raw materials such as coal or produce semi-finished products such as steel. Coal was readily and cheaply available from the German Ruhr area or from the British Newcastle, while – due to dumping by German cartels – iron and steel was sold on the Dutch market at prices below those in

[21] See: Knibbe, *Agriculture in the Netherlands*, 130 ff.; C. Folmer, *Agricultural Relationships between Germany and the Netherlands*, CPB Research Memorandum No. 122 (Den Haag 1995) 26-29; Smits et al, *Dutch GNP and its components*, 112-114.

[22] J.L. van Zanden, *Een klein land in de 20e eeuw: economische geschiedenis van Nederland 1914-1995* (Utrecht 1997) 22.

Germany itself.[23] This was an important factor in the growth of the Dutch shipbuilding industry.[24] There were also other ways, in which imports from Germany were of importance to the development of the Dutch industry. German know-how in the form of manufacturing processes and at times even technical personnel was used in a wide variety of Dutch industrial enterprises from breweries to cement and the manufacturing of electric light bulbs.[25] The links to the German industry also extended to the very beginning of Dutch industrialization: the investments in the Dutch infrastructure were in themselves in response to the demand created by West-German industrialization.[26]

Graph 2.3: *Percentage of exports and imports of merchandise in Dutch GDP, 1850-1931.*



Sources: Jan-Pieter Smits, Edwin Horlings, Jan Luiten van Zanden, *Dutch GNP and its Components, 1800-1913* (Groningen 2000); CBS, *Tweehonderd jaar statistiek in tijdreeksen* (Voorburg 2001); Own calculations.

[23] André Beening, *Onder de vleugels van de adelaar: de Duitse buitenlandse politiek ten aanzien van Nederland in de periode 1890-1914* (Amsterdam 1994) 126-127.
[24] Hein A.M. Klemann, *German-Dutch monetary relations* (unpublished manuscript) 13.
[25] Marc Frey, *Der Erste Weltkrieg und die Niederlande: ein neutrales Land im politischen und wirtschaftlichen Kalkül der Kriegsgegner* (Berlin 1998) 45-46.
[26] Peter Groote, *Kapitaalvorming in infrastructuur in Nederland* (Groningen 1995); P. Groote, J. Jacobs and J.E. Sturm, *Output Responses to Infrastructure Investment in the Netherlands, 1850-1913*, Research Memorandum GD-24 (Groningen 2005).

The Netherlands: an open economy

The changes in the structure of the Dutch economy had a marked influence on Dutch international trade. The greater reliance on imports is illustrated by its growth from 26 per cent in 1840, to 43 per cent of the GDP twenty years later (Figure 2.3). Exports showed an even greater development, as they progressed from 16 per cent of the GDP in 1840 to 43 per cent in 1860. Just three years later, exports had reached a level of over 50 per cent.[27] Both imports and exports would remain at these extraordinary high levels until the outbreak of the First World War (Graph 2.3). When exports are at such a high level, it indicates that the economic interaction with the rest of the world is so intense that the notion of a national economy can be called into question.[28] The only way the added value in exports can rise to this level, is when the manufacturing process is sliced up into distinct sub-processes, each of which raises the value.[29] The chain of production is cut apart and only one or two links are actually produced in the country. In other words, the Netherlands imported raw materials or semi-finished products, added some value, and exported the products again. Thus, Dutch industry – as far as it was not linked with agriculture – was just a link in internationally organized production chains.[30] Low transport costs, characteristic for this period and strengthened by the canalization and liberalization of the Rhine, made this possible.[31]

However, the Dutch economy did not quite conform to this concept. Rather than being a link in the manufacturing process, the Dutch economy was geared more towards supplying Germany – more specifically, it will be argued, the extended Ruhr-area – with foodstuffs and manufactures and by way of trade and transit traffic also raw materials. Dutch industry, agriculture and services were becoming an

[27] Ibidem. For the exports of merchandise, these numbers are 14 and 39 per cent respectively.
[28] Paul Krugman, Richard N. Cooper, T. N. Srinivasan, 'Growing World Trade: Causes and Consequences.' *Brookings Papers on Economic Activity*, 1995, No. 1, (1995), 327-377; H.A.M. Klemann, *Waarom bestaat Nederland eigenlijk nog? Nederland-Duitsland: Economische integratie en politieke consequenties 1860-2000* (Rotterdam 2006) 12-13.
[29] This becomes clear when looking at the relative increase of the added value in foreign trade, which after 1840 declined. See: Smits et al, *Dutch GNP and its components*, 142, 219, 204-206; own calculations.
[30] See: Klemann, *Waarom bestaat Nederland eigenlijk nog?* passim; Sluyterman, *Kerende Kansen,* 18-20.
[31] Hein A.M. Klemann and Joep Schenk, 'Competition in the Rhine Delta. Waterways, railways and ports, 1870-1913', *Economic History Review* (forthcoming).

integral part of an economic region that centred on the Ruhr.[32] It is because of this, that Klemann used the emergence of the Netherlands as a supertrading economy as an explanatory factor in Dutch-German economic interdependence. As a consequence, for the agricultural sector, export was the only way it could sell its products, and for the industrial sector export was needed as much of its output consisted of semi-manufactured products that were part of a longer manufacturing chain. Imports were important to feed the population and its livestock, as well as to supply industry. Consequently, the transport sector developed as trade expanded: the added value (in 1913 prices) of maritime shipping rose from 7.4 million in 1860 to 44.9 million guilders in 1913, while that of international river shipping rose from 0.6 million to 11.7 million guilders. Developments in the transport sector also influenced Dutch industry, such as shipbuilding. Between 1860 and 1913, the added value in constant (1913) prices in this sector increased sevenfold, from 4.7 to 33.9 million guilders.[33]

The growth of the transport sector was not only due to the increase in Dutch trade, but also a consequence of the rapid, coal-based industrialization of the hinterland of the Dutch ports along the German Rhine. After its canalization, the Rhine provided a cheap and high-capacity mode of transport, and the position of the Netherlands in the Rhine river delta made it a natural partner in transport for the German industry. In order to fulfil this role, and because of the Dutch' own dependence on trade, there was a need for an excellent infrastructure. Part of this was provided for with the Rhine, but it was only after the river's navigability had been improved by a large-scale canalization program, and shipping itself had become cheaper because of technological advancements, that in the last decades of the nineteenth century, Rhine shipping would become the dominant mode of transport in tonnage.[34] Initially, railway transport was of prime importance. Development of Dutch international railway transport was slow, especially compared to Belgium, which since 1843 was connected to Germany through the Iron

[32] Hein A.M. Klemann, 'Ontwikkeling door isolement, De Nederlandse economie 1914-1918.' In: Martin Kraaijestein, Paul Schulten (eds.), *Wankel evenwicht: neutraal Nederland en de Eerste Wereldoorlog* (Soesterberg 2007) 232-271; Klemann, *Waarom bestaat Nederland eigenlijk nog?*

[33] Smits et al, *Dutch GNP and its Components*, 143-144; own calculations.

[34] Klemann and Schenk, *Competition in the Rhine Delta*; Smits et al, *Dutch GNP and its Components.*

Rhine. During the 1860s and 1870s, Dutch rail connections to Germany greatly improved, but that between Antwerp and the German hinterland stayed much better than the railways of any of the major Dutch ports. Railways came to specialise in the transport of people, perishable foodstuffs, and high-grade mixed cargo, while inland shipping was used mainly to transport bulk goods. Other aspects of the infrastructure that were of importance to transit traffic were improved as well: the *Noordzeekanaal* – a canal linking the port of Amsterdam directly to the North Sea – was opened in 1876, while the *Nieuwe Waterweg* – which connected the port of Rotterdam to the North Sea – underwent continuous improvements between 1866 and 1872, and again in 1885. These investments in infrastructure improved the competitiveness of the Dutch ports and led to an increased market share of the Dutch ports at the expense of Hamburg and Antwerp.[35] When by the end of the nineteenth century Rhine shipping began its explosive growth to become – in matters of tonnage – the premier mode of transportation for Ruhr imports and exports, it was the port of Rotterdam that profited. Its throughput surpassed that of Antwerp at the turn of the century, and that of Hamburg shortly before the war.

The First World War: the vulnerability of an open economy

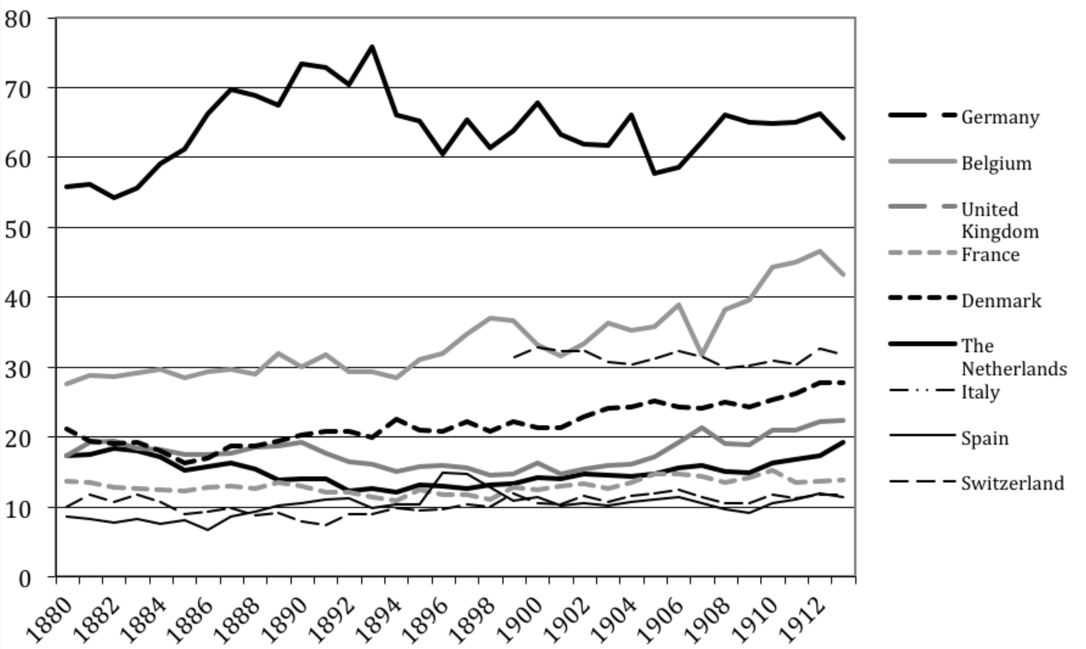
By 1913, the ratio of exports of merchandise to GDP had been well over 60 per cent per cent for thirty years, while imports were even higher (Figure 2.3, Figure 2.4).[36] The Dutch economy was unique in this dependence on foreign trade. Only Belgium would, by the end of the pre-war period, start to approach a similar level of openness (Figure 2.4). The First World War would change this, in first instance because of the decrease of world trade during the war itself, in second instance due to structural changes in the economies all over the world, that made themselves felt when – after the war – world trade did not resume at its pre-war level. During the previous four years, economies had turned inwards, as countries sought to decrease their dependence on the outside world to cope with wartime isolation. Countries

[35] Rainer R. Fremdling, ‘Die niederländische Eisenbahnen und ihr deutsches Hinterland 1853-1938.’ In: H.-J. Gerhard (ed.) *Struktur und Dimension* (Stuttgart 1997) 50-72, here 50-64.
[36] Smits et al, *Dutch GNP and its components*; own calculations.

that had mainly exported raw materials and imported manufactured goods, now turned towards developing their own industries.

In industrialized countries such as the Netherlands, changes were more complex. On the one hand, as foreign trade decreased, so did competition. In a number of industries – such as shipbuilding, rubber, textiles – the disappearance of foreign competition led to increased production and investments in increased production capacity and modernization. Due to the difficulties in trade however, companies were confronted with supply problems. Raw materials and semi-finished products, until recently imported, now were needed in the belligerent countries, and not sent to Dutch industry anymore. To cope with this, companies started their own production of semi-finished products or tried to guarantee the supply of raw materials by vertical integration. If a company was too small to cope with these problems, a number of companies together tried to solve these wartime problems. Thus, the isolation from the outside world caused vertical, as well as horizontal integration.

Graph 2.4: *Share of exports in the GDP of the most important Western European economies, 1880-1913. In percentages.*



Sources: Marc Flandreau, Frédéric Zumer, *The Making of Global Finance, 1880-1913* (Paris 2004) 121; Jan-Pieter Smits, Edwin Horlings, Jan Luiten van Zanden, *Dutch GNP and its Components, 1800-1913* (Groningen 2000); CBS, *Tweehonderd jaar statistiek in tijdreeksen* (Voorburg 2001); Own calculations.

The tendency towards vertical integration was in many cases different from that in Germany. Whereas German companies used foreign subsidiaries, in the Netherlands, companies started to combine stages in the production chain in-house, such as the textile mills in Twente did. As trade decreased to a minimum in 1917 and 1918, shortages of coal and steel led the government to reduce Dutch dependency upon imports by promoting basic industries such as coal mining, and the production of iron and steel.[37] After the war, both the decrease in world trade – due to economic changes and economic problems – as well as the changes in the Dutch economy led to a structurally lower level of foreign trade. The question is, however, whether this led to a lower level of economic interdependence between the Netherlands and Germany? In other words: did the economy of these countries become less intertwined? Given that the intensity of Dutch-German economic ties was a consequence of trade with, and transport services for, the German market, this relied upon the economic recovery of the German economy.

[37] This paragraph is based on: Hein Klemann, 'Ontwikkeling door isolement', Keetie E. Sluyterman, *Kerende Kansen*, 99-119 and Keetie E. Sluyterman, 'Dutch Business during the First World War and its aftermath.' In: Carl-Johan Gadd, Staffan Granér and Sverker Jonsson, (eds.), *Markets and Embeddedness. Essays in honour of Ulf Olsson* (Göteborg 2004) 241-264.

2.5 Germany during the first post-war years: political and economic troubles

Immediately after the end of hostilities, economies all over the world blossomed. During the war, the production of consumer goods had taken a back seat to the demands of warfare. Now, the populace acquired goods that had been unavailable during the previous years, while industry replenished the inventory that had dwindled away and governments invested to undo war damages. However, by the end of 1920 these immediate needs had been met. Now, the loss of purchasing power in Central Europe – including Germany –, the Balkans and Russia, and a worldwide industrial overcapacity came to light. As sales failed to keep up with production, in the United States and Great Britain goods were being stockpiled. Prices decreased, and the banks – which had financed the stockpiling – decided to decline requests for new credits, instead calling in existing loans.[38] The resultant crisis was aggravated by protective measures intended to bolster newly founded industries – so-called war-childs. Furthermore, apart from the well-known example of Germany, countries such as Austria, France, Belgium, Denmark, Sweden, Norway, Spain, Finland and Czechoslovakia were also affected to a greater or lesser degree by severe inflation and depreciation of their national currencies, which adversely affected what remained of international trade.[39] The crisis passed however, and when in 1925 Great Britain returned to the gold standard – together with other countries among which the Netherlands –, it seemed that the foundations for prosperity had been restored. Yet problems with the gold standard had already started to emerge before the First World War, and would again arise in a few years. In addition, the choices some countries made regarding the exchange rate of their currency when returning to the gold standard were already at that time considered unwise.[40]

[38] BArch R 3101/2737 fol. 186, 187 German Legation The Hague, 27 January 1921 to the Auswärtige Amt (Foreign Office), Berlin. Report concerning an interview of Vissering in the Dutch newspaper ‘Het Volk’ about the causes of the economic crisis; Statistisches Reichsamt, *Statistik des deutschen Reichs*, Band 310, 1924, I (Berlin) 3. See also: Archive DNB, 2.1/332/1 Market Report by Boissevain & Co., New York, 1 January 1921.

[39] De Nederlandsche Bank, *Verslag door den president en verslag van de commissarissen, uitgebracht in de algemeene vergadering van aandeelhouders* (Amsterdam 1918-1925).

[40] Eichengreen, *Golden Fetters*, 9. The fact that Great Britain chose to return to pre-war parity would severely hamper its economy. Although Germany had de facto returned to the gold standard in 1924, the *Reichsbank* did not export gold.

For Germany, the first post-war years were marked by political instability and social disturbances, problems with reparations payments, and steadily increasing inflation. In addition, the new republic lost large tracts of land with the Versailles settlement. Apart from all German colonies, these included the industrial and mining district of Upper Silesia, most of corn producing Posen and East Prussia and the port of Danzig in the east, part of Schleswig in the north, and the iron-ore producing Alsace-Lorraine, the coal mining Saar district and Eupen and Malmedy in the west. These regions contained important industry, raw materials, and agriculture. In all, Germany lost some 15 per cent of its arable land (against a loss of 10 per cent of its population) and 75 per cent of its iron ore deposits. Production capacity was considerably reduced, with output of important materials such as pig iron, steel and coal decreasing by respectively 44, 38, and 26 per cent.[41] Yet in spite of this, the structure of German industry as a whole did not change: it still concentrated on the production of coal, iron and steel, machinery, chemicals and electronics.[42] These losses not only curtailed German production, but also increased its dependence upon imports of raw materials and foodstuffs. Yet until mid-1919, such imports were impossible due to the Allied blockade of German foreign trade. Only when the German society returned to some measure of stability, and when foreign trade was finally resumed, did the German economy start to revive. In fact, in stark contrast to the economic crisis in the rest of the world, the German economy showed strong growth from 1920 until the autumn of 1922.[43] This economic recovery was initially aided by, and would later come to an end because of the inflation in Germany.

The cause of the German inflation was primarily the inflationary financing of the war. Due to price and exchange rate controls, however, inflation only really showed after the armistice.[44] From the outbreak of war in 1914, banknotes were no

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[41] Braun, *The German economy in the twentieth century,*33; Karl-Heinrich Pohl, *Weimars Wirtschaft und die Außenpolitik der Republik 1924-1926. Vom Dawes-Plan zum Internationalen Eisenpakt* (Düsseldorf 1979) 15; Statistisches Reichsamt, *Statistik des deutschen Reichs* (Berlin 1924) Band 310, I, 2.
[42] Statistisches Reichsamt, *Statistik des deutschen Reichs* (Berlin 1924) Band 310, I .9 and 1928 Band 366, I, 8.
[43] Niehusen, *Die Hamburger Kaufmannschaft*, 17; Braun, *The German economy in the twentieth century*, 37, 47; CBS, *Macro-economische ontwikkelingen, 1921-1939 en 1969-1985: een vergelijking op basis van herziene gegevens voor het interbellum* (The Hague 1987) 81-87.
[44] Braun, *The German economy in the twentieth century* 37; For an overview on the origins and development of the German inflation and its impact on contemporary politics, as well as on its link to the rise of National-Socialism: Gerald D. Feldman, *The Great Disorder. Politics, Economics, and Society in the German Inflation, 1914-1924* (New York 1993).

longer redeemable in gold at the *Reichsbank*. What was effectively a suspension of the gold standard was followed by a number of measures that were aimed at aiding financing the war. The most important was a relaxation of the note coverage.[45] This enabled the *Reichsbank* to grant a continuously growing amount of credit to the government, which in turn led to an ever-growing amount of money in circulation. Confident that after the war its defeated enemies would pay for the costs incurred during the war, the German government chose to rely on war loans and short-term treasury bills instead of taxes to finance the war.[46] This was not entirely voluntarily though. As the Kaiserreich was a confederation of a great number of Principalities, which each had their own tax system and never handed over the sovereignty on taxation to the *Reich*, the national government could only levy indirect taxes. Direct taxes were the domain of the *Länder* – states. Therefore it was difficult to raise sufficient funds through taxation.[47] As a consequence, by the end of the war, the German national debt had grown to over three times the net national income. In the same period, the money supply became five times as high, while the gross domestic product had diminished.

The German government was by no means unaware of the need to better organize its finances. By the end of 1919, finance minister Matthias Erzberger of the Catholic *Deutsche Zentrumspartei* – German Centre Party – instigated a tax reform, transferring fiscal sovereignty to the central government, while simultaneously raising tax rates and adopting new taxes. Nevertheless, inflation became progressively worse. The *Reichsbank* concentrated on stabilizing the exchange rate of the Mark – which within the government was also seen as a prerequisite towards stabilization – while it continued to finance government budget deficits at the same time. Many of these deficits were the result of attempts to reclaim some measure of political stability by awarding government contracts to German industry, thereby creating employment for demobilized troops and generating economic activity.[48]

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[45] Fischer, 'Dimensionen und Struktur der Weltwirtschaft.' 12.
[46] Braun, *The German economy in the twentieth century*, 30; Fischer, 'Dimensionen und Struktur der Weltwirtschaft.' 13.
[47] Patricia Clavin, *The Great Depression in Europe, 1929-1939* (New York 2000) 16.
[48] See: Werner Abelshauser, 'Wirtschaft, Staat und Arbeitsmarkt 1914-1945.' In: W. Köllmann, H. Korte, D. Petzina, W. Weber (eds.), *Das Ruhrgebiet im Industriezeitalter: Geschichte und Entwicklung*, Band 1 (Düsseldorf 1990) 436-489, here 454.

National debt and money supply thus continued to expand. Yet, not all aspects of the inflation were detrimental to the economy. Prices within Germany were low compared to the exchange rate of the Mark, which resulted into higher exports and opened new export markets. Inflation and especially depreciation thus actually helped German foreign trade. As a consequence, between 1920 and 1922, Germany enjoyed a boom instead of a crisis, as other countries did.[49] Between 1919 and 1923, almost five thousand new businesses were established.[50] However, by the summer of 1922, inflation was hampering the economy and recession threatened to set in. Shortly after – due to a conflict regarding reparations payments – events would take a turn for the worse and inflation would turn into hyperinflation until finally the entire German economy collapsed.[51]

Within Germany, the height of the reparations payments were seen as unreasonable, while the members of the Entente, who expected compensation, suspected Germany of sabotaging the payments. Most important among the Entente was France, which strongly held to the principle it proclaimed during the war: *'le boche paiera'* – the Kraut will pay. When Germany – which already in 1921 had stated that it would not be able to meet the instalments – defaulted at the end of 1922, in January 1923 the French and Belgian troops occupied its industrial heartland, the Ruhr area. The Germans responded with strikes in the entire area and industrial production fell drastically, worsening the recession that had by then already started. The government supported the strikers financially, and borrowed heavily from the *Reichsbank* to do so. Consequently, the rate of inflation increased with the governmental debts and the money supply. By the summer inflation had turned into hyperinflation. In November the government introduced an interim currency, the *Rentenmark*, to be issued by the newly founded *Rentenbank*, which also – together with the *Reichsbank* – imposed a limit on government borrowing. In spite of several crises, this *Kreditstopp* – credit stop – remained in effect and the

[49] Niehusen, *Die Hamburger Kaufmannschaft*, 17; Braun, *The German economy in the twentieth century*, 47.
[50] Arthur Spiethoff, *Die wirtschaftlichen Wechsellagen: Aufschwung, Krise, Stockung*, *Band II: Lange statistische Reihen über die Merkmale der wirtschaftlichen Wechsellagen* (Tübingen 1955) passim.
[51] For a more in-depth overview of the German economic developments during the interwar-war period until 1923: C.-L. Holtfrerich, *Die deutsche Inflation 1914-1923. Ursachen und Folgen in internationaler Perspektive* (Berlin 1980); G.D. Feldman, *Die deutsche Inflation: eine Zwischenbilanz* (Berlin 1982); G.D. Feldman, C.-L Holtfrerich, G.A. Ritter, P.-C. Witt, eds., *Konsequenzen der Inflation* (Berlin 1989); Feldman, *The Great Disorder*; D. Petzina, *Die deutsche Wirtschaft in der Zwischenkriegszeit* (Wiesbaden 1977).

Rentenmark remained stable until it was replace in September 1924, by a permanent currency, the *Reichsmark*.

Minister Erzberger, who had worked hard to reorganize German finances, would not see the stabilization of the Mark. He was assassinated on 26 August 1921, one of the many victims of the political instability of the era that would also claim the lives of Reich Foreign Minister Walter Rathenau, and of the communist activists Rosa Luxembourg and Karl Liebknecht, not to mention those who lost their lives in the Kapp-putsch of March 1920, the Beer Hall Putsch of November 1923 – Hitler's first attempt to rise to power – or the street fights that were the order of the day. With monetary stability, however, Germany regained some level of political stability. Although this political stability was marginal – the first five years of the Republic had seen nine governments, the remaining ten years of the Republic would see another six – until the advent of the Great Depression political violence would no longer define the political discourse.

Political stability and economic recovery

Due to the hyperinflation, the real money value of the German national debt – 154 billion Mark at the end of the war – had become progressively smaller. When the German currency was finally stabilized in autumn 1923, the national debt had all but evaporated: the exchange rate between the old Mark and the new *Reichsmark* was a 1000 billion (10^{12}) to one.[52] The same goes for the debts incurred by companies and private individuals, as until 1923 the German banks did not factor in inflation. To them, a Mark was a Mark. As a result, their losses amounted to billions.[53] This hampered the economic recovery once the Mark had been stabilized. Trade and industry had lost their working capital, and thus were more than ever before dependent upon credits. However, the German money market was very tight, as bank deposits etcetera had vanished due to the inflation and the would remain

[52] A billion can mean 1,000,000,000, one thousand million, 10^9, or 1,000,000,000,000, one million times a million, 10^{12}. Here it is 10^9.

[53] Martin Gehr, *Das Verhältnis zwischen Banken und Industrie in Deutschland seit der Mitte des 19. Jahrhunderts bis zur Bankenkrise von 1931 unter besonderer Berücksichtigung des industriellen Großkredits* (Tübingen 1959) 86.

tight, as – given their all too recent experiences – people were hardly motivated to set aside money.[54] This resulted in high interest rates, and caused German companies to seek foreign credits to accommodate both their short and long term financial needs. These foreign credits would only start to flow into Germany once the new *Reichsmark* had proved to be stable. The long-term stability of the new Mark hinged upon a new arrangement for the payment of reparations.

The Reparations Committee – the allied commission that oversaw German payments – installed a special commission that would concern itself with the government finances and the stabilization of the *Reichsmark*. This commission – named after its chairman, the American banker and politician Charles G. Dawes – was to structure payments in such a way as to ensure a regular payment of reparations until a definitive solution could be agreed to. This not only entailed the determination of a yearly payment that was regarded as economically viable, it also meant ensuring a continued stability of the *Reichsmark* and a regular transfer of reparations. The *Reichsbank* was placed under supervision of a Control Council – which consisted of foreign and German members in equal measure – to ensure continued stability of the *Reichsmark*. A commissioner for banknote issuance – the Dutchman Gijsbert W.J. Bruins, first professor as well as first rector of the Nederlandse Handels Hoogeschool, the eldest precursor to the Erasmus University – was appointed to ensure that the gold coverage for the new currency would be respected, while an Agent-general for Reparations Payments – the American banker Parker Gilbert – was to supervise the financial policy of the German government and arrange for the transfer of the reparations payments.[55] Although these reparations had to be paid in foreign currency, the Office for Reparations Payments received payments in *Reichsmark*. These were converted – dependent upon the foreign exchange reserves of the *Reichsbank* – into foreign currency at the *Reichsbank*. Payments to the Entente – transfers – were thus only done when these would not destabilize the German economy, while extensive control measures ensured that

[54] Idem, 92-95.
[55] J.Th.M. Houwink ten Cate (ed.), Bruins' Berlijnse besprekingen Een selectie uit het archief van prof. mr. dr. G.W.J. Bruins, in het bijzonder de jaren 1924-1930 (The Hague 1989) 18; Albrecht Ritschl, *Deutschlands Krise und Konjunktur 1924-1934. Binnenkonjunktur, Auslandsverschuldung und Reparationsproblem zwischen Dawes-Plan und Transfersperre* (Berlin 2002) 122.

payments would be maximized. As the primary source of foreign currency was foreign trade – which was only recovering slowly – this meant that an influx of foreign capital was needed to enable these transfers to be made.

The inflow of foreign credits was provided for through the Dawes-loan, an international loan of over US$ 250 million guaranteed by the governments of the lender countries. The members of the Entente took the brunt of the loan out of political necessity, although the bonds proved to be extremely popular and the American share was fully subscribed in just twelve minutes. Neutral countries like the Netherlands, Switzerland, and Sweden, showed considerable interest as well and took a relatively large share.[56] With a stable currency and with the problems with the reparations payments ostensibly resolved, German firms and national as well as local governments had no trouble securing more short and long term loans abroad, and an increasing flow of foreign loans to Germany started. Between 1925 and 1931, the German balance of payments showed capital imports of RM 24.5 billion, equivalent to 4.4 per cent of the sum of the GDP during this period.[57] The stabilized political and monetary situation, reformed public finances, and the Dawes-plan had created the preconditions for a period of economic growth, which seemed to last for the remainder of the decade.

The golden twenties?

The period 1924 to 1929 is popularly known as the golden years, golden era or golden twenties.[58] Based on the development of exports, which increased almost continuously until its peak in the autumn of 1929, the term seems justified. Especially the first two years showed impressive growth rates – 17 per cent, 11 per cent in real prices – and between 1925 and 1929 the GDP grew at an average rate of 4.2 per cent. This was impressive, but it was less than the rate achieved in the

[56] W.J. Hartmann, *Amsterdam als financieel centrum: een beschrijvende critische en vergelijkende studie* (PhD dissertation, Universiteit Gent, 1937) 26.
[57] Ritschl, *Deutschlands Krise und Konjunktur*, 297 ff; Ritschl, Spoerer, 'Das Bruttosozialprodukt in Deutschland', 53-54; Own calculations.
[58] See: Theo Balderston, *The Origins and Course of the German Economic Crisis 1923-1932* (Berlin 1993); Ritschl, *Deutschlands Krise und Konjunktur 1924-1934*; W.C. McNeil, *American Money and the Weimar Republic. Economics and Politics on the Eve of the Great Depression* (New York 1986).

Netherlands.[59] More importantly, although by 1925 output of the industry and service sectors surpassed pre-war levels, economic growth was uneven, and, due to the sad state of agriculture, the gross domestic product was still well below its 1913 level (Table 2.2).[60]

Table 2.2: *German GDP and foreign trade in billion RM, 1913, 1925-1931. 1913 prices.*

Year	GDP	Imports of merchandise	Exports of merchandise	Trade balance	Mutations, in percentages of the previous period		
					GDP	Imports	Exports
1913	48.5	10.8	10.1	-0.7			
1925	45.5	8.8	6.7	-2.1	-6.2	-18.5	-33.7
1926	43.7	7.8	7.7	-0.1	-4.0	-11.4	14.9
1927	51.8	11.3	7.8	-3.5	18.5	44.9	1.3
1928	53.0	10.9	8.6	-2.3	2.3	-3.5	10.3
1929	53.6	10.4	9.9	-0.5	1.1	-4.6	15.1
1930	50.3	9.3	9.3	0.0	-6.2	-10.6	-6.1
1931	45.2	7.7	8.3	0.6	-10.1	-17.2	-10.8

Sources: W.G. Hoffmann, *Das Wachstum des deutschen Wirtschaft seit der Mitte des 19. Jahrhunderts* (Berlin 1965); Groningen Growth and Development Centre, National historical accounts database, http://www.rug.nl/feb/onderzoek/onderzoekscentra/ggdc/data/hna; Own calculations.

The end of 1925 saw the beginning of a short crisis, which was to last until the autumn of the next year.[61] Industry was hit hardest as a number of important companies – most notably the Stinnes concern, comprising some 3000 manufacturing plants and 4500 plants – collapsed. The GDP shrank 4 per cent as the added value in industry fell with over 9 per cent, while that of the agricultural sector declined with almost 4 per cent.[62] The crisis did almost result in a trade surplus: as the domestic market diminished, so did imports, while industrial exports showed a

[59] Klemann, *Waarom bestaat Nederland eigenlijk nog?* 49; Groningen Growth and Development Centre, National historical accounts database, http://www.rug.nl/feb/onderzoek/onderzoekscentra/ggdc/data/hna; CBS, *Macro-economische ontwikkelingen*, 28. More recent estimates suggest a faster initial recovery of the GDP, albeit with a lower overall growth rate of 3.2 per cent for the period 1925-1929. Albrecht Ritschl and Mark Spoerer, 'Das Bruttosozialprodukt in Deutschland nach den amtlichen Volkseinkommens- und Sozialproduktsstatistiken 1901-1995.' *Jahrbuch für Wirtschaftsgeschichte,* 1997/2, 53-54; Ritschl, *Deutschlands Krise und Konjunktur.*

[60] W.G. Hoffmann, *Das Wachstum der deutschen Wirtschaft seit der Mitte des 19. Jahrhunderts* (Berlin 1965) 454-455. More recent estimates agree on the unevenness of growth. Ritschl and Spoerer, 'Das Bruttosozialprodukt in Deutschland', 53-54.

[61] For more on the second stabilization crisis of 1925-26: F. Blaich, *Die Wirtschaftskrise 1925/26: von der Erwerbslosenfürsorge zur Konjunkturpolitik* (Kallmünz 1977); D. Hertz-Eichenrode, *Wirtschaftskrise und Arbeitsbeschaffung: Konjunkturpolitik 1925/26 und die Grundlagen der Krisenpolitik Brünings* (Frankfurt 1982).

[62] Hoffman, *Das Wachstum der deutschen Wirtschaft*, 454-455; Own calculations.

significant increase (Table 2.2).[63] By the autumn of 1926, it seemed that Germany's economy was finally recovering, as interest rates were low, and new investments were mostly done with German funds. Whereas in 1925 investments of only RM 75 million had been financed domestically, in 1926 this had grown to RM 1485 million.[64] Now, stock prices – which had dropped sharply at the beginning of the latest crisis – were recovering at a steady pace. Together with domestic and international monetary stability, it seemed to indicate that in 1926 the golden years had well and truly begun.

By the spring of 1927, more and more foreign money flowed into Germany, however, and by April the Berlin stock exchange experienced a *hausse.* Germans started to speculate using money borrowed from German banks, who themselves were lending it abroad. The influx of foreign capital – which had to be converted into Marks – was such that it became ever more difficult for the *Reichsbank* to remain in control of the money supply, while its gold and foreign reserves where dwindling as a consequence of the reparation payments and the passive current account. Therefore, the *Reichsbank* put a stop to this practice by forcing banks to limit credits to speculators, leading to Black Friday 13 May 1927, when the stock exchange crashed.[65] After the crash, prices on the stock exchange stabilized at a significantly lower level. From then on they displayed an overall downward trend.[66] Although speculation with borrowed foreign money was effectively curtailed, Germany still relied on foreign loans.

The high level of foreign debt incurred by banks and industry, national and local governments, was much to the chagrin of *Reichsbankpräsident* Hjalmar

[63] Rolf Wagenführ, 'Die Bedeutung des Außenmarktes für die deutsche Industriewirtschaft. Die Exportquote der deutschen Industrie von 1870 bis 1936.' In: Ernst Wagemann, *Sonderhefte des Instituts für Konjunkturforschung*, No. 41 (Berlin 1936) 32. Although according to Hoffmann the GDP decreased with 4.3 per cent, more recent figures of Albrecht Ritschl suggest that the GDP still rose, albeit only slightly. A. Ritschl, *Krise und Kunjunktur.*
[64] McNeil, *American Money and the Weimar Republic*; The German money market was also discussed in Dutch papers: 'Effecten- en Geldmarkt. Wekelijksch overzicht.' *Algemeen Handelsblad,* 20-11-1926 Avond, '
[65] For an in-depth analysis of the monetary policy at the time: Balderston, *The Origins and Course of the German Economic Crisis*, 135-155.
[66] McNeil, *American Money and the Weimar Republic*, 136-137; Ritschl, *Krise und Konjunktur*, 114-115; Ritschl's source for data on the Berlin stock exchange is E.H. Wagemann, *Konjunkturstatistisches Handbuch 1936* (Berlin 1935). *Reichsbank* policy during this period and the following years is a widely debated issue. Although developments in money supply, interest rates, stock exchange etcetera are known, other aspects such as the development of the GDP are still debated. Furthermore there is disagreement both on the policy as well as on the intent of the *Reichsbank* and of *Reichsbankpräsident* Schacht. Finally there is a debate on the actual courses of action open to the *Reichsbank*.

Schacht. Schacht's view on foreign debt was a direct result of his background: as currency commissioner he had been responsible for the introduction of the *Rentenmark*, which marked the end of the 1923 hyperinflation. Not surprisingly, to Schacht, any action that might threaten monetary stability was abhorrent. Both he and Parker Gilbert – the Agent-General for Reparations Payments – were convinced that German prosperity was not based on economic recovery, but on the inflow of foreign loans. They both expressed this in public that same year. The structural trade deficit supports their view. Although imports had decreased 11 per cent during the short-lived crisis of 1926, afterwards they showed an impressive resurgence (Table 2.2). Reparations payments were thus not done out of a trade surplus or a surplus of the current account, but, instead, both the payments and Germany's trade deficit were financed by capital imports from abroad, most importantly from the United States, but also from the Netherlands, Great Britain, France and other countries.

The warnings by Schacht and Gilbert were widely publicized and had a significant impact: German issues abroad became far less popular.[67] In 1928 – as a result of new policies of the American Federal Reserve System – credits from the US decreased, while the French started to call in their loans. The effect would be only transitory however. As the Dawes-plan had only been a stop-gap measure, intended to assist German recovery and thus its ability to pay reparations – payments of which were still problematic –, the Young commission started deliberations in 1929 to address the issues that had remained unsolved by the Dawes-plan. Thus it should provide a definitive solution to the question of reparations. The Young-plan that was adopted in January of the following year settled the total amount to pay, reduced the yearly payments – and divided them into two parts: one unconditional, the other postponable – and again involved substantial foreign credits for Germany. However, the new round of international credit proved less popular than the Dawes-loans. In the wake of the Wall Street crash of 1929, credit from the United States further decreased. In Europe, there was still a widespread belief in a quick recovery from last year's crash. The banks were thus eager to secure the right to handle the

[67] Ritschl, *Krise und konjunktur*, 128; McNeil, *American Money and the Weimar Republic*, 157.

issuance of the Young loan. In the end, however, this drove up the issue price and in turn caused the loan to be less popular than had been expected.[68]

In 1928, the American economist James W. Angell – on a visit to Germany to do research for a book on the recovery of the German economy – wrote: 'Only six years after her utter collapse, Germany is once again one of the great industrial nations...and she is rapidly increasing her power. [...] It is one of the most spectacular recoveries in the world's entire economic history.'[69] He seemed to be right, as the German gross domestic product, production – with the exception of agriculture – and foreign trade all exceeded the level attained in 1913, which given the situation six years earlier was a significant accomplishment. As the influx of foreign capital and the trade deficit – of which only some 10 per cent was offset by way of a surplus in the services sector – have demonstrated, this was only possible because of the inflow of foreign capital. By the time Angell wrote his ode to German recovery, the economy already showed signs that not all was well. The production of producer goods and net investment declined, imports decreased and economic growth was slowing down (Table 2.2).[70] The prices on the stock exchange had regained some of the ground lost during May 1927s Black Friday, but they had stabilized at a significantly lower level than during the boom and displayed a slight downward trend.[71] The gross domestic product, industrial production and exports all reached their highest level in 1929 – a year that seemed to be a highpoint in German recovery. Yet, the cyclical downturn was already in its second year. Foreign credits were decreasing, the production of capital goods continued to decline, and investments and imports decreased at a growing rate.[72] Starting in June 1929, some four months before the Wall Street crash, share prices in Germany were again going

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[68] Hartmann, *Amsterdam als financieel centrum*, passim.

[69] James Angell, *The Recovery of Germany* (New Haven 1929) 2. Quoted in: Hans-Joachim Voth, *With a Bang, Not a Whimper: Pricking Germany's 'Stock Market Bubble' in 1927 and the Slide into Depression*, Discussion Paper No. 3257, Centre for Economic Policy Research, March 2002: http://www.cepr.org/pubs/dps/DP3257.asp (accessed 18-08-2012).

[70] For investments and production: Hoffmann, *Das Wachstum der deutschen Wirtschaft,* 827-828. The data on investment are disputed. See: Theodore Balderston, 'Statistical Sources on German Investment 1924-1929.' In: Hans Mommsen, Dietmar Petzina, Bernd Weisbrod, *Industrielles System und politische Entwicklung in der Weimarer Republik*, (Düsseldorf 1977) Band 1, 95-104.

[71] Ritschl, *Deutschlands Krise und Konjunktur*, 115.

[72] Ibidem 297 ff., Balderston, *The origins and course of the German Economic Crisis*, 333; C.H. Feinstein, P. Temin, G. Toniolo, *The World Economy between the World Wars* (Oxford 2008) 86-90.

down. The German economy was in dire straits due to its weak financial position, and was so well in advance of the crisis that started in this year.

Bookends to an era: political instability and economic crisis

Since Friedrich Ebert became chancellor in November 1918, the second cabinet of Reich Chancellor Hermann Müller (1928-1930) was the twelfth of the Weimar Republic. This coalition of social-democrats, liberals, and the catholic centre-party was also increasingly under duress as Müller was forced to reform government finances in order to balance the budget.[73] Due to their political weakness, previous cabinets as well had been unable to do so, but these could borrow on the international capital markets, and therefore had been no immediate necessity to balance the budget. Now however, the German state faced a financial crisis. The *Reichsbank* kept the money supply tight, and borrowing on the international capital markets had become almost impossible. Unless action was taken, Berlin would soon not have enough cash on hand to fulfil its immediate obligations. Without foreign loans and unable to expand the German money supply, the government was forced into a deflationary policy of increasing the tax burden and cutting expenses in order to be able to pay reparations. Considering the unpopularity of its deflationary policy, the fall of Müller's coalition was inevitable. In March 1930 a minority government under the *Zentrum* politician Heinrich Brüning was installed.

In order to balance the budget, Brüning tried to increase taxes and lower expenditures such as wages, just like his predecessor. When he as well proved unable to obtain parliamentary consent for these proposals, Reich President Paul von Hindenburg called new elections. By now, the political extremes – which had always been present during the Republic, but had lost ground after the monetary stabilization – had gained strong support. National-Socialists and Communists won, which meant that the base of support for any stable government became narrow. Unable to form a new coalition after the September elections, Brüning invoked a *Notverordnung* – emergency decree. Under article 48 of the constitution, the Reich

[73] Hein A.M. Klemann, *Tussen Reich en Empire. De economische betrekkingen van Nederland met zijn belangrijkste handelspartners: Duitsland, Groot-Brittannië en België en de Nederlandse handelspolitiek, 1929-1926* (Amsterdam 1990) 109-110.

Chancellor was allowed to take emergency measures without prior consent of the *Reichstag*. Basically, Bruning now governed by presidential decree. By circumventing parliament he was thus able to implement his deflationary policy.[74] It made Brünig, extremely unpopular. He was called the *Hungerkanzler* – Hunger Chancellor. By calling on the *Notverordnung*, Brüning effectively paved the way towards a future dictatorship. The period of the Weimar Republic is thus bookended by similar circumstances. The severe political instability revived as a consequence of the economic-financial crises. While foreign financial aid helped to stabilize the economic and political situation in 1924, in 1930 the lack of support helped to pave the way for the Nazi's seizure of power three years later. In fact, the artificial welfare created by the inflow of foreign capital only covered the problems for a few years.

The financial problems combined with the political instability that in the end led to Brüning's government by presidential decree, first led to increased reluctance of foreign creditors to provide further credits to the German banks and industry. This was then followed by creditors calling in their short-term loans. In turn, this led to a growing loss of confidence in the banks and a renewed flight of capital. The banks had also speculated on the stock exchange. Consequently, they had substantial amounts of their money tied up in shares that they were unable to sell on short notice. Shares had also lost an appreciable amount of their value during the ongoing *baisse* after the crash of 1927. Therefore, they were in acute danger of becoming illiquid. The first Central European bank to fail was not a German, but an Austrian bank, the *Kreditanstalt*, which announced its insolvency on 8 May 1931. The *Kreditanstalt* was Austria's largest bank, and its failure marked the start of a banking crisis in all of Central Europe. Yet another wave of capital sought refuge outside of Germany, and more foreign creditors called in their loans, causing a downward spiral that led to the insolvency of German financial institutions. At that time, banks in the United States were also in serious problems and tried to cash in their assets. As these banks had often invested in Germany during the 1920s, the loss of capital was not just caused by Germany, but was also a result of the American problems. When Brüning – in an effort to gain political support for a round of

[74] For an analysis of Brüning's fiscal policy: Balderston, *The origins and course of the German Economic Crisis*, 266-329.

austerity-measures – declared on June 9th that before long, Germany would no longer be able to pay reparations, it caused a further swelling of the outward flow of currency. In just over two weeks, the *Reichsbank* lost over half of its reserves in gold and hard currency.

On 20th June 1931, US president Herbert Hoover announced a one-year moratorium on all war-debts – both German reparations and the inter-allied debts – in the hope that this gesture would quell concerns and help stem the economic tide in Europe and the United States. The moratorium, which in part due to French objections only came into effect on 6 July, proved not enough to prevent the slide into depression. A week later Germany's second-largest bank – the *Danat*-bank (*Darmstädter- und Nationalbank*) – failed, causing a run on the banks that could only be stopped by declaring an extended bank holiday and a period of restricted payments until the panic had subsided. The government used this period to implement measures to stop the uncontrolled outflow of money, and to restructure the financial sector by partially nationalizing a number of banks. Meanwhile, President Hoover had instigated an international meeting of all creditors in London between 20 and 23 July, to discuss the question of the German debts. This resulted in another meeting in Basel a month later, were an agreement was reached on a moratorium – *Stillhalte* – on German short-term debts by private debtors. Though initially for a six-month period, the Standstill Agreement would be extended throughout the Depression. In April 1932, a similar moratorium was agreed upon for public debts. At the Lausanne Conference in the summer of that year, German reparations obligations were suspended.[75] Simultaneously with the first *Stillhalte*, German currency was no longer freely convertible, as the government set foreign exchange restrictions. The volume and nature of foreign trade was now governed by the allocation of foreign currency.[76]

The reparations payments by themselves were not the reason that the German economy went into such a steep depression, but the way these payments influenced German politics did do considerable harm. Together with the inflation of

[75] For an overview of the international economic diplomacy during the Great Depression, with a strong focus on Germany's role: Patricia Clavin, *The Failure of Economic Diplomacy. Britain, Germany, France and the United States, 1931-36* (London 1996).
[76] Klemann, *Tussen Reich en Empire*, 30, 72 ff.

the 1920s that undermined the savings ratio, it caused Germany to become a debtor nation. When the financial markets became unstable, this proved to be an unsolvable problem. The capital flight that started in 1929 and would continue in several waves, and the steep decline in long-term credit that led to an increase in short-term credit, combined with the governments' austerity measures, made not just the economic depression in Germany especially steep and deep, but also caused the return of political instability that had plagued the first post-war period.

2.6 The Netherlands after the war

In the Netherlands, the end of hostilities was greeted with great enthusiasm, in the first place because it meant the end of the pointless bloodshed just across the border in the fields of Flanders. This enthusiasm was, however, also motivated by economic reasons. After four years of decreasing trade, the resumption of foreign trade meant that domestic demand would be fulfilled again. World markets would once again be available for Dutch exports. Dutch neutrality had left the production capacity of agriculture, industry and shipping for the most part intact, and wartime adaptation had created new competitive branches. All sectors of the Dutch economy were therefore in an excellent position to profit optimally from both foreign and domestic demand that arose immediately after the German capitulation. The Dutch citizenry was eager to buy, not just familiar products such as tea and coffee – the resumption of maritime traffic rejuvenated trade with the Dutch East-Indies – but also a variety of industrial products that the previous years had been in increasingly short supply. Already by November/December 1918, the economy was booming, with both the industrial and the service sectors showing growth rates of over 10 per cent.[77] A problem with this boom was that it was financed by monetary expansion, what threatened the stability of the guilder as became clear from a 35.6 per cent depreciation of the Dutch currency against the US Dollar during the years 1920-1921.[78] There were others serious problems as well. As much as trade with Germany, Great Britain, Belgium and France increased, with most of these countries the trade balance showed a substantial deficit.[79] The imports were predominantly raw materials – such as coal – and industrial products. Dutch industry was as yet unable to counterbalance the sheer volume of imports, as the high exchange rate of the Dutch guilder made it hard to export to these former European belligerents, where inflation was not fast enough to compensate for the depreciation of their currencies. As a consequence, in the surrounding countries, prices were low, too low for Dutch industry to compete with. The first two years after the war the trade

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[77] Van Zanden, *Een klein land in de 20e eeuw*, 133-134.
[78] De Nederlandsche Bank N.V., *Verslag door den president en Verslag van de commissarissen uitgebracht in de algemeene vergadering van stemgerechtigde aandeelhouders op 21 juni 1921* (Amsterdam 1921) 16; De Bie, *Een doorlopende groote* roes, 115-139; J.L. van Zanden, *The Economic History of the Netherlands 1914-1995. A small open economy in the 'long' twentieth century* (London 1998) 95-101.
[79] CBS, *Zeventig jaren statistiek in tijdreeksen, 1899-1969* (The Hague 1970) 95-96.

deficits were 50 and 49 per cent respectively.[80] Especially the German depreciation was damaging. Decreased exports and the inability to compete with German products on the home market, caused part of Dutch industry to experience what nowadays is regarded a slump.[81]

Table 2.3: *Dutch GDP and foreign trade in million guilders, 1921-1931. In 1921 prices.*

Year	GDP	Imports of goods	Exports of goods	Trade balance	Mutations in percentages of the previous year		
					GDP	Imports	Exports
1921	5679	2500	1566	-934	--	--	--
1922	6048	2738	1754	-984	6.5	9.5	12.2
1923	6173	2701	1906	-796	2.1	-1.3	8.6
1924	6618	3037	2341	-695	7.2	12.4	22.8
1925	6857	3163	2495	-668	3.7	4.2	6.6
1926	7320	3353	2593	-760	6.7	6.0	3.9
1927	7660	3496	2806	-690	4.6	4.3	8.2
1928	8032	3659	2929	-730	4.8	4.7	4.4
1929	8222	3833	2922	-911	2.4	4.8	-0.3
1930	8129	3655	2687	-968	-1.1	-4.6	-8.0
1931	7756	3486	2463	-1023	-4.6	-4.6	-8.2

Sources: CBS, *Macro-economische ontwikkelingen, 1921-1939 en 1969-1985. Een vergelijking op basis van herziene gegevens voor het interbellum* (The Hague 1987); Own calculations.

Within Dutch politics, voices were raised in opposition to free trade. Already in November 1920, the Catholic party, whose electorate was to a substantial degree dependent upon small-scale, home market-oriented industries that were hit hard, were arguing for measures to protect these industries.[82] A few small concessions were made indeed. From 1921 a special tariff was levied on cigars, and from May 1923 until June 1924 import quota protected the shoe industry.[83] However, both measures were solely aimed at protecting these industries from what was considered an unfair German advantage due to currency depreciation. Furthermore, the agricultural sector together with the trade and shipping sectors – all of which relied on exports and therefore strongly objected to any trade policy that might

[80] Ibidem 92; Own calculations.
[81] Sluyterman, *Kerende Kansen*, 119. See also: Van Zanden, *Een klein land in de 20e eeuw*, 128-131; B. van Ark, J. de Haan, H.J. de Jong, 'Characteristics of economic growth in the Netherlands during the postwar period.' In: N. Crafts, G. Toniolo, eds., *Economic Growth in Europe since 1945* (Cambridge 1996) 290-327.
[82] P.A. Blaisse, *De Nederlandse handelspolitiek* (Utrecht 1948) 59-60.
[83] Joh. de Vries, 'Het economische leven 1918-1940.' In: *Algemene Geschiedenis der Nederlanden* (Haarlem 1988) deel 14, 102-146, here 135; Blaisse, *De Nederlandse handelspolitiek*, 92.

incur retaliation – had blocked protection of the shoe industry for so long that by the time the law passed, the worst of German competition was over. The reliance of the Dutch economy on foreign trade ensured that free trade remained the corner stone of the Dutch trade policy.

Doubtless, this was helped by the recovery that by 1924 had set in (Table 2.3). Due especially to the revival of exports to Germany, exports rose almost 23 per cent in a single year. Naturally, imports grew as well, but far less so than exports, causing the trade deficit to decrease by 12.7 per cent (table 2.3). However, there were other factors which caused a – albeit low – level of protection of Dutch trade interests. In 1924 the Dutch import duties – which had been basically unchanged from their introduction in 1862 – were reviewed. Finance minister Hendrik Colijn – Calvinist, former soldier of the Royal Netherlands East-Indian Army (KNIL) and former Royal Dutch Shell Director – was enacting a stringent austerity policy, cutting expenditures and enforcing a deflationary policy. The subsequent rise of import duties on manufactured goods from 5 per cent to 8 per cent should therefore be viewed more as a budgetary measure than as an act of protectionism. That it could be of use in trade negotiations was recognized as a bonus.[84]

In the spring of 1925, Great Britain and a number of other countries – including the Netherlands – returned to the gold standard. By then, most of the monetary problems in Central and Eastern Europe had been dealt with, most importantly those of Germany. Stable monetary relations helped the revival of international trade, but protectionism remained a problem, especially for smaller countries. They turned to the League of Nations, which in 1927 resulted in a conference – chaired by Colijn, who by then was out of office – that called for an end to protectionism. In spite of the initial optimism, this conference, and those that followed, did nothing to stem the tide of increasing protectionism.[85] Still, from 1924 until 1928, Dutch exports showed an average annual increase of 9 per cent (i.e. 9 per

[84] Van Zanden, *The Economic History of the Netherlands*, 105; Blaisse, *De Nederlandse handelspolitiek*, 94-98; De Vries, 'Het economische leven 1918-1940', 134-135.

[85] Hein A.M. Klemann, 'The 'Tommies' or the 'Jerries': Dutch Trade Problems in the Inter-War Period.' In: Nigel J. Ashton and Duco Hellema, eds., *Unspoken Allies: Anglo-Dutch relations since 1780* (Amsterdam 2001) 101-120, here 104-107.

cent cumulative annual growth between 1923 and 1928). Economic growth during this period was no less impressive, as the GDP on average increased by 5 per cent.[86]

Although the economy as a whole did well, not all businesses thrived. Shipbuilding, a sector that had grown rapidly during the war, was faced with an over-abundance of available tonnage in shipping and a subsequent lack of orders. More important, however, was the increasing difficulties the agricultural sector experienced. In 1920, the price level for its products had been very high. In two years however, prices about halved. The price of labour in the sector was relatively high, and the sector saw its profitability vastly diminish.[87] During the second half of the 1920s, the Dutch agricultural sector would slide into depression. Both 1928 and the next year saw worldwide record yields for crops, and everywhere prices almost halved. Prices for animal products followed soon after.[88] Because of the availability of cheap grain, however, animal husbandry was still relatively profitable. Therefore, an increasing number of farmers now kept livestock that was fed with the proceeds of their farmland. The low price level was not the only problem, however. Exports to Germany were in decline because of the successful German agricultural lobby for protection. By the summer of 1931, the German market shrank to a minimum as exchange control in Germany further reduced imports of that country. Great Britain, the other main market for Dutch exports, thus gained in importance. When just a few months later, in September, Britain was forced to abandoned the gold standard and the pound sterling devalued, the Dutch economy was hit hard. The main competition to Dutch agricultural exports came from Scandinavia. Since these countries devalued their currencies as well, Dutch agriculture was no longer able to compete, and slid further into depression.

The economy as a whole had felt the onset of the crisis in 1929, but this had only manifested itself in a decrease in growth of the GDP from 4.8 to 2.4 per cent. By 1931, both exports and imports had decreased substantially for two consecutive years, and the GDP was declining at a growing rate (Table 2.3). Trade with Germany

86 CBS, *Macro-economische ontwikkelingen*.

87 J.H. de Ru, *Landbouw en Maatschappij: analyse van een boerenbeweging in de crisisjaren* (Deventer 1979) 74-75.

88 Knibbe, *Agriculture in the Netherlands 1851-1950,* 254.

was limited by exchange control, soon to be governed by a clearing system, while due to the Dutch refusal to devalue the guilder, Dutch products were unable to compete on the world market.[89] The policy of free trade was increasingly under duress. Faced with increasing troubles, it was not Dutch industry, but agriculture – until then because of its reliance on exports firmly opposed to protectionist trade policies – that successfully called for protectionist measures in 1930. In 1931, wheat-growing farmers received protection, and in the years that followed more and more products were included.[90] The traditional Dutch policy of free trade had given way to agricultural protection at the expense of the interests of industry. Only when in 1936 the Dutch finally abandoned the gold standard and devalued the guilder, the economy started to recover.

[89] For an analysis of Dutch trade and trade policy after 1929: Klemann, *Tussen Reich en Empire*.
[90] Van Zanden, *The Economic History of the Netherlands*, 59.

2.7 Economic interdependence and interwoven economies: consequences

The fact that during the second half of the nineteenth century, the economies of the Netherlands and Germany became intertwined had ensured that Germany respected Dutch neutrality during the First World War. During the 1920s, the economic bonds would continue to shape the political relations between the two countries. Apart from minor political conflicts surrounding the compensation of war damages and the long-running discussion on the border in the Ems-Dollard region, these relations were dominated by severe conflicts regarding a number of German political initiatives that threatened to have a negative influence on the economic ties.

Germany's policies were influenced to a large extent by the necessity to pay the yearly reparations to the former Entente. Not only did the German economy have to generate the yearly sum required, this money also had to be converted into foreign currency.[91] To do so, it needed either an active trade balance, or to borrow large amounts of foreign currency. Furthermore, since the 1890s, Germany's trade balance had been passive. Until the war, this had been compensated by capital gains from abroad. Much of this capital had been confiscated during the war, and with Germany's greater dependence on imports of food and raw materials due to the loss of extensive territory, this meant that imports were now structurally higher.[92] Thus, in both trade and economic policy great efforts were made to generate the conditions under which such an active trade balance would materialize.

The destination of Dutch exports was mostly Germany and Great Britain. Both countries were by far the most important customers for Dutch products, their relative importance shifting with the economic situation in either country. During the German crises of 1921-1923, 1926, and during the first two years of the Great Depression, when Germany was hit especially hard, Great Britain replaced Germany as most important export destination. All other post-war years, Germany fulfilled this role. Because the Dutch trade balance with Britain was usually substantially

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[91] More on the transfer problem: A.O. Ritschl, 'The German Transfer Problem, 1920-1933: A Sovereign Debt Perspective.' *European Review of History* (forthcoming); W.L. Korthals Altes, 'De ontwikkeling van het transferprobleem en de Duitse herstelbetalingen na de Eerste Wereldoorlog.' *NEHA Economisch en Sociaal-Historisch Jaarboek*, Deel 52 (Amsterdam 1989) 288-303.
[92] Niehusen, *Die Hamburger Kaufmannschaft*, 16.

active whereas with Germany it was highly passive, in terms of total volume of trade, Germany was by far the most important trading partner. The importance of Germany as an economic partner, both in trade and in transport and related services, made that any German policy that threatened the status quo, caused an immediate crisis. These would begin with an uproar in Dutch business circles, and subsequently in public opinion, ending with a diplomatic crisis that at times was aggravated by private initiatives such as boycotts of German products. For a considerable time, such conflicts were entered into from what was believed to be a position of strength.

Until January 1925, the treaty of Versailles restricted Berlin's freedom of movement in formulating its own trade policy. In trying to minimise imports, Berlin could only use internal political instruments, such as the *Seehafenausnahmetarife* – cheap railway transport to the German ports.[93] By lowering the costs of rail transport, this policy promoted the use of the railways to German ports, which minimized the importation of transport-related services. However, the treaty of Versailles stipulated that Allied ports had to be granted the same lowered tariffs, leaving only the Dutch ports negatively affected. In the Netherlands, there was no real understanding for the German position, and the policy elicited strong protests. Possibly because of a belief that they were in a position of strength, Dutch negotiators of the government, the transport and the banking sector, all showed little understanding for the German position and basically demanded concessions. This perception of Dutch ascendency was not altogether unwarranted, as the Dutch were of essential importance to the functioning of the German industry. Out of self-interest, in 1920 the Dutch government – at the instigation of Dutch business circles – furnished a credit of 200 million guilders to Germany, in the hope that this would be the start of a flow of international credits to help the recovery of the German industry. Forty million of this credit was earmarked for the purchase of Dutch foodstuffs; the remainder was a renewable credit to purchase overseas raw

[93] For an analysis of the resulting diplomatic conflict: J.P.B. Jonker, 'Koopman op een dwaalspoor.' *Jaarboek van het Ministerie van Buitenlandse Zaken: overgelegd aan de Staten-Generaal* (The Hague 1989) 181-201; J. Verseput, 'Nederland en de Seehafenausnahmetarife tijdens de Weimarrepublik 1919-1933.' In: Joh. De Vries, *Ondernemende geschiedenis: 22 opstellen geschreven bij het afscheid van Mr. H. van Riel als voorzitter van de Vereniging het Nederlandsch Economisch-Historisch Archief* (The Hague 1977) 321-343.

materials for the German industry. The Dutch economic ties with Germany thus influenced the economic and foreign policy of the Netherlands. All over the country a quick German economic recovery was considered important to both the political stability of Europe – a communist take-over was feared as a stepping-stone to the rest of the continent – and the future prosperity of Europe. Influential Dutch businessmen and bankers believed that without a strong German economy, Europe would never financially recover from the war. Furthermore, every German bank of any importance had established a presence in Amsterdam, a financial centre that after 1918 played a crucial role in financing German foreign trade. The scope of operations of these German banks was dependent upon the goodwill of the Dutch central bank. It was generally believed among German bankers that the extensive credit facilities granted by Dutch banks could easily be cut off on orders of the central bank.

In January 1925, Berlin reviewed its trade policy. The new tariffs caused uproar in the Netherlands. However, from the German point of view, in the ensuing trade negotiations, the Dutch were treated almost benevolently. The Dutch free trade policy meant that The Hague did not have any substantial negotiating room, as it did not have anything to offer. Free trade meant that all countries received preferential treatment. Yet, by extending the credit treaty of 1920, the Dutch received considerably reduced tariffs on their most important export products. The Dutch compensation was to an important degree *pro forma*, as Germany by now could turn to other financial markets. In the Netherlands, the episode led to a renewed call for some form of protection, now in the guise of what was called an active trade policy.[94]

As the decade wound to its close, conflict would deepen. From 1927 on, the German agricultural crisis led to increased agricultural protectionism. In the Netherlands, both the agricultural sector and industry tried to influence Dutch policy. When this did not work, they turned to the public to organize boycotts. In Germany, these in turn led interest groups from industry – the *Reichsverband der deutschen Industrie* (German Association of Industry) – and Rhine shipping – the

[94] 'Actieve handelspolitiek.' *Nieuwe Rotterdamsche Courant*, Tuesday 15 December 1925, Avondblad.

Verein zur Wahrung der Rhein-Schiffahrtsinteressen (Association to Protect the Interests of Rhine Shipping) – to pressure Berlin to accommodate Dutch concerns.

2.8 Conclusion

The First World War proved a shock to a system of economic interdependence that had come into being in the wake of the Rheinisch-Westphalian coal-based industrialization. Although initially Antwerp and Hamburg seemed to become Germany's main ports, with the explosive growth of Rhine shipping due to the rapidly decreasing cost of barge shipping versus railroad freight, at the end of the nineteenth century the port of Rotterdam took over this role. At the same time, Dutch industry and agriculture had become highly dependent on imports and exports, especially with its eastern neighbour. During the years to come, the Dutch government, as well as interest groups, attempted to minimize the resultant economic interdependence or, to the contrary, to restore it to its pre-war level. On the one hand, this proved impossible as in the interim the world had undergone an economic transformation. On the other hand, as transport and trade are not easily replaced and important parts of these ties were structural in nature, a certain level of interdependence was unavoidable. Matters were further complicated by the economic and political problems experienced by Germany throughout the Weimar Republic. As a consequence of the Versailles Treaty, until 1925, it was unable to formulate its own trade policy. As it was nonetheless forced to optimize its trade balance in order to obtain an active current account, and faced with several economic crises that influenced domestic politics, its trade policy was far more complicated than merely optimizing straightforward trade flows. To the Dutch, the need for a German economic recovery was evident, and they tried to stimulate such a recovery by both financial assistance and diplomacy. That some measures to boost the German economy – for instance the *Seehafenausnahmetarife* or protective measures in favour of the agricultural sector – were detrimental to Dutch interests, was met with feelings that ranged from misunderstanding to sheer outrage, however.

The next four chapters provide an analysis of the various aspects of the economic ties between the Netherlands and Germany and their effects upon political relations. Conclusions on the development and extent of the economic relations, as well as the implications for the political relations between the two countries, will be drawn in the final chapter.

Chapter 3 – Monetary and financial relations

3.1 Introduction

World War I and its aftermath led to a reshuffling of Dutch-German economic relations. The war had disrupted the transport flows that were important to both the industry in the Ruhr area and the Dutch transport sector. After the end of the war, the blockade of Germany by the Entente, and then the German economic troubles as well as the worldwide economic crisis, caused a slow recovery of trade and transport relations between the Netherlands and Germany. The economic prospects of Germany were dire. High inflation, political turmoil, famine, the loss of significant areas of high industrial and agricultural importance, and the prospect of punitive damages to be paid to the Entente – the height of which were being discussed at Versailles – weakened the German economy. Dutch government, business, and the general public were all very much aware that a German economic recovery was of the utmost importance to the Netherlands. Already in the closing stages of the war, in October 1918, the Dutch newspaper *Algemeen Handelsblad* voiced Dutch concerns in an article called 'The after-thirst': 'Will this war really be followed by an 'after-war'? Will the Allies thus only be satisfied when Germany has been destroyed, whatever the cost to them and to others?'[1]

Germany was not the only country in tatters. Many continental European countries were experiencing monetary collapse, and purchasing power was low. In the former belligerent countries, troops were returning home and needed jobs, while industry and transport were disorganized as the wartime economy had to adapt to peacetime needs. The war had severed long-standing trade relations, in response to which new industries had been established that had thrived in the absence of external competition. Now, these same industries needed protection from outside competition in order to survive. Rampant economic disorder and protectionism threatened the re-emergence of the pre-war globalized economy, and thus the interests of the Dutch commerce. Influential Dutch bankers such as C.E. ter Meulen

[1] 'De Na-Dorst.' *Algemeen Handelsblad*, 19-10-1918, Ochtend.

of *Hope & Co.* and G. Vissering, president of the *Nederlandsche Bank*, the central bank, were therefore internationally active, trying to revive trade by promoting plans for international loans, or even barter or bilateral clearing.[2] A central part of these plans was, of course, the reintegration of Germany in international trade. Not surprisingly, giving his function as president of the Dutch central bank, Vissering's plan focussed on ensuring monetary stability in Germany, after which a group of countries – amongst which the Netherlands – would each furnish extensive credits. Dutch business interests and the government felt that either of those two aspects would not be feasible for the foreseeable future. They needed a quick German economic recovery, so transport flows would resume and trade with Germany would revive. Not only had Dutch exports to its neighbour shrunk drastically, the import of German coal – which was crucial for the Dutch industry – had fallen back so much, that Dutch industry might have to shut down.[3] As the German economic difficulties were threatening to have disastrous consequences for the economy, the government negotiated a coal and credit treaty with Berlin.[4] With this treaty of 1920, Germany was granted a loan to buy Dutch foodstuffs, and a revolving credit to finance raw materials for the German industry. While these loans – although substantial – by themselves were not enough to satisfy Germany's need for funds, it was hoped that other countries would follow the Dutch example. Widespread monetary instability in Europe and a worldwide economic crisis starting later that year meant that – even if they would be willing – others could not follow.

The credit marked a crucial shift in Dutch-German economic relations. During the war, Dutch financial relations with the outside world had started to change, when exports had mostly been financed through the Amsterdam financial centre instead of London. After the war, Amsterdam – flushed with money from both Dutch as well as foreign sources – was able to expand and consolidate its new role, and during the 1920s it became the most important international financial centre of

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[2] Archive DNB, 2.1/332/1, Kredietverlening aan het buitenland. Duitschland, Verenigd Koninkrijk, Verenigde Staten van Amerika, Plan ter Meulen. Various statutes, reports, meetings; Archive DNB, 7/300/1, Vergaderingen en besprekingen betreffende de oprichting in Nederland van de Vereeniging voor den goederenruil. February - June 1920.

[3] Nationaal Archief, Den Haag, Commissie Nederlands-Duits Kredietverdrag 1920, 1919-1946, nummer toegang 2.08.26, inventarisnummer 1, Report of a meeting of the German committee for the negotiation of a Dutch loan with the Dutch committee, 23 December 1919.

[4] 'Het Crediet van 200 millioen aan Duitschland.' *Handelingen Tweede Kamer*, 1008 (1920); Idem, 1094 (1920).

continental Europe. In most years of that decade, Paris was a financial centre with a larger volume, but as much of its transactions were just internally French, its international dealings were far less than those of Amsterdam.[5] Once the German currency was stabilized and German trade expanded, Amsterdam – together with New York and London – became one of Germany's most important creditors. The economies of both countries would once again be intertwined, or as Theodor Metz – the secretary of the *Nederlandsche Kamer van Koophandel voor Duitschland* – the Dutch Chamber of Commerce for Germany in Frankfurt – wrote by the end of the decade: 'the Netherlands are today the most important buyer of German products, one of Germany's largest suppliers and with their colonies Germany's largest commercial partner. Germany is its main supplier and buyer.'[6]

Broad circles in Dutch society thought that the newfound role of the Dutch financial sector as financier to Germany would result in political leverage. One by one, the Dutch central bank, trade and industry, the government, and the general public would find that this was not quite this straightforward. Nevertheless, in trade and in transport policy, financial incentives and threats would play an important role. Of similar importance to the changing economic ties were the monetary relations. Depreciation and inflation of the German currency caused a stream of flight capital towards those countries with stable currencies, foremost the Netherlands. In their wake came German banks, which facilitated the export of capital and its reinvestment. The founding of such banks was not the only result of German foreign direct investments (FDI's) in the Netherlands. German trading, transport, and industrial companies also established subsidiaries. Moreover, to Dutch companies that were active on the German market, depreciation made investments in that country highly attractive. These mutual FDI's were not a new feature of Dutch-German economic relations. However, due to the impact of the

[5] Although not all Dutch banks had their headquarters in Amsterdam, Amsterdam was the financial centre of the country. Those banks that did not have their headquarters in the capital, for instance the Rotterdamsche Bankvereeniging, Marx & Co., and the Diskonto Maatschappij, most often had their headquarters in Rotterdam or in The Hague. Nevertheless, the *Rotterdamsche Bankvereeniging* – the second-largest Dutch bank – had an office in Amsterdam that was responsible for the bulk of their business. See: R3101/660 fol.108-109, Von Humboldt, Kaiserlich Deutsches General-Konsulat für die Niederlande, Amsterdam, to Reichskanzler Bethmann Holweg, Berlin. 13 January 1917.

[6] Th. Metz, *Die Niederlande als Käufer, Hersteller, Vermittler und Kreditgeber: grundsätzliches zum deutsch-niederländischen Warenaustausch* (Leipzig 1930) 16, 20-21.

war and its economic consequences for post-war Germany both these investments and the financial relations between the two countries changed radically. The basic structure of their economic ties remained intact, but the financial flows had been altered.

3.2 The development of Amsterdam as an international financial centre

In the 1860s and early 1870s, in the Netherlands, a number of banks were founded which would develop into major Dutch banks. Thus, the country saw the emergence of a modern banking system.[7] The connection to Germany, which at that time was turning into an important economic hinterland to the Netherlands,[8] was already firmly established by the founding of the *Rotterdamsche Bank* in 1863 and the *Amsterdamsche Bank* in December 1871. Originally, eighty percent of the shares in the *Amsterdamsche Bank* were in German hands, and German capital also participated – although to a far lesser degree – in the new *Rotterdamsche Bank.* Its main founding partners were the German *Darmstädter Bank*, the *A. Schaafhausen'scher Bankverein*, and the *Österreichische Creditanstalt für Handel und Gewerbe*, with smaller contributions by a number of Dutch banks.[9] Several decades later, both banks were in the top-five of the Dutch banks. Originally, the *Amsterdamsche Bank* was intended to stimulate trade with Germany, as well as connect the German and Dutch money markets, the market for short-term loans. On top of that, it should stimulate foreign investments in the Netherlands. This foreign capital was mostly of German origin, as the German money market was exceptionally liquid as a result of French payments after the Franco-Prussian War of 1870-1871.[10] The Amsterdam capital market – the market for loans for a period of more than a year – was at that time an international capital market of some importance.[11] Partly as a result of a relative lack of domestic securities – Dutch companies preferred other means to finance their needs – Dutch investors were interested in foreign securities.[12] Apart from investments in the Dutch colonies,

[7] W. J. Hartmann, *Amsterdam als financieel centrum: een beschrijvende critische en vergelijkende studie* (PhD-thesis Gand University 1937) 19.
[8] Hein A.M. Klemann, *Waarom bestaat Nederland eigenlijk nog? Nederland-Duitsland: Economische integratie en politieke consequenties 1860-2000* (Rotterdam 2006) 15-28.
[9] H. Riemens, *De financiële ontwikkeling van Nederland* (Amsterdam 1949) 66; G.M. Verrijn Stuart, *Bankpolitiek* (Wassenaar 3rd ed. 1935) 125; K. Strasser, *Die deutschen Banken im Ausland. Entwicklungsgeschichte und Wirtschaftliche bedeutung* (Münich 1924) 87.
[10] P.C. Harthoorn, *Hoofdlijnen uit de ontwikkeling van het moderne bankwezen in Nederland vóór de concentratie* (Rotterdam 1928) 64.
[11] W.J. Hartmann, *Amsterdam als financieel centrum*, 20; F.H. Repelius, 'Niederlande, Geld- und Kapitalmarkt.' In: M. Palyi, P. Quittner (eds), *Handwörterbuch des Bankwesens* (Berlin 1933) 383-387; H.M. Hirschfeld, 'Amsterdam comme centre financier international.' *Revue Économique Internationale* (July 1924) 7-24, here 9; 'Amsterdam als internationaal financieel centrum. I.' *Nieuwe Rotterdamsche Courant*, 19 Sept. 1925; 'Amsterdam als internationaal financieel centrum. II.' *Nieuwe Rotterdamsche Courant*, 20 Sept. 1925.
[12] A.J. Veenendaal, *Slow Train to Paradise. How Dutch Investment Helped Build American Railroads* (Stanford 1996) 5, 33; J. Barendregt, 'Op weg naar nationale bekendheid, het handelsbankwezen tussen 1870 en 1914.'

considerable sums were invested in other European countries, North and South America, Asia and Africa.[13] Especially Russian bonds and American mortgage banks and railways were in high demand. Amsterdam was even a key financier of the railways in the United States.[14] Dutch investments in foreign securities grew from a total of ƒ 643 million in 1854-57 to ƒ 2,204 million in 1879-82; ƒ 2,414 million when adjusted for deflation. This was a growth of almost 5.5 per cent annually.[15] During the period 1854-57 total Dutch foreign investments in securities were an equivalent to 88 per cent of the average gross domestic product, while this was and 195 per cent in the period 1879-1882.[16] Possession of domestic securities remained fairly constant during the period, increasing from ƒ 1,122 million to 1,190 million (1,282 when adjusted), a growth of only 0.5 per cent annually. It illustrates how few domestic issues were available at that time. A generally favourable economic climate, starting around 1895 and lasting until the outbreak of the Great War, caused an increased activity on the capital market, as not only established industries, but also new capital-intensive companies such as the chemical industry were attracting capital. [17] Domestic issues thus gained in volume at the expense of foreign issues. Nevertheless, on the eve of the Great War foreign securities – Dutch colonial securities excluded – still amounted to 47 per cent of the Amsterdam capital market.[18]

An important part in the economic upswing was caused by the burgeoning transit traffic and associated activity through the port of Rotterdam as a result of the blooming of the German hinterland. Transit traffic at Rotterdam – 5 million tonnes in 1896 – had doubled by 1907.[19] The growing need of funds led to a concentration in

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Joh. de Vries, W. Vroom and T. de Graaf (eds), *Wereldwijd bankieren. ABN Amro 1824-1999* (Amsterdam 1999) 127-184, here 173.

[13] Hartmann, *Amsterdam als financieel centrum*, 19; K.D. Bosch, *De Nederlandse beleggingen in de Verenigde Staten* (Amsterdam 1948) 74.

[14] F. de Roos, W.J. Wieringa, *Een halve eeuw rente in Nederland* (Schiedam 1953) 8, 38; Hartmann, *Amsterdam als financieel centrum*, 19; Veenendaal, *Slow Train to Paradise*, 174.

[15] C.A. Verrijn Stuart, *Inleiding tot de beoefening der statistiek* (Haarlem 1917) 355; Own calculations.

[16] CBS, *Tweehonderd jaar statistiek in tijdreeksen, 1800-1999* (Amsterdam 2001); Own calculations.

[17] Verrijn Stuart, *Inleiding tot de beoefening der statistiek*, 355.

[18] E. Hellauer, *Internationale Finanzplätze. Ihr Wesen und ihre Entstehung unter besonderer Berücksichtigung Amsterdams* (Berlin 1936) 135.

[19] H.M. Hirschfeld, *Nieuwe stroomingen in het Nederlandsche bankwezen* (Roermond 1925) 9. It should be noted that the figures regarding the port of Rotterdam are unreliable, as has been stated by F.M.M. Goey, (2003), *Database on cargo flows in the port of Rotterdam, 1880-2000; Goederenoverslag Rotterdamse haven, 1880-2000.* https://easy.dans.knaw.nl/ui/datasets/id/easy-dataset:39487 (accessed on 17/10/2012); The assertion made by Hirschfeld is used here solely to indicate that transit traffic grew considerably.

banking circles. The process is widely regarded as having started in 1911 with the merger of the *Rotterdamsche Bank* and the *Deposito- & Adminstratiebank* into the *Rotterdamsche Bankvereeniging* (Rotterdam Bank Union).[20] By way of mergers, participations, or downright acquisitions of mainly local or regional banks, large banking corporations with greatly increased resources came into being. Two decades later, when the concentration process had run its course, the majority of Dutch banks were part of one of the groups headed by either the *Twentsche Bank*, the *Rotterdamsche Bankvereeniging*, the *Nederlandsche Handel-Maatschappij*, the *Amsterdamsche Bank* or the *Incasso-Bank*.[21] Before the onset of the World War I, the impact of this process was negligible however.

In contrast to the capital market, the money market was almost entirely local.[22] The vast majority of funds were furnished as so-called *prolongatiekrediet*: renewable credits on a monthly basis, using stocks as collateral. Call loans (day-to-day loans), *beleeningen* (three month loans using stocks as collateral) and acceptances (in the form of reimbursement credits a short-term, usually three months, credit to finance imports and exports, in the form of financial bills a short-term credit) were all of negligible importance. Much of the Dutch imports and exports were either financed by *prolongatie* credits, or through the London acceptance market, with prices and acceptances in pounds sterling.[23] As of July 1914, according to an inquiry by the *Nederlandsche Bank*, the volume of the outstanding loans on the money market amounted to only ƒ 325 million, or 13.5 per cent of the 1913 GDP.[24]

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[20] More on the issue of the concentration in the banking business can be found in: J.P.B. Jonker, 'Spoilt for Choice? Banking Concentration and the Structure of the Dutch Capital Market, 1900-1940.' In: Y. Cassis, G.D. Feldman, U. Olsson, ed., *The Evolution of Financial Institutions and Markets in Twentieth-century Europe* (Aldershot 1995) 187-208; Joh. de Vries, *Geschiedenis van de Nederlandsche Bank. Vijfde deel: De Nederlandsche Bank van 1914 tot 1948. Visserings tijdvak 1914-1931* (Amsterdam 1989) 85-92, 203-213; Verrijn Stuart, *Bankpolitiek*; W.M. Westerman, *De concentratie in ons bankwezen* (Den Haag 1920).

[21] Verrijn Stuart, *Bankpolitiek* 130-131, 208-213, 215.

[22] P.J.C. Tetrode, 'Het Buitenlandsch Kapitaal in Nederland.' *Economisch Statistische Berichten*, 31 Jan.1923, 86-88, here 88. P.J.C. Tetrode was a member of the board of directors of the *Nederlandsche Bank*.

[23] W.J. Schmitz, *Der Amsterdamer Geldmarkt mit besonderer Berücksichtigung der Zinsschwankungen* (Cologne 1931) 31, 37; A. Houwink, *Acceptcrediet. Economische en bankpolitieke beschouwingen over den in het bankaccept belichaamden credietvorm* (Amsterdam 1929) 35.

[24] C.D. Jongman, *De Nederlandse geldmarkt* (Leiden 1960) 156; Jan-Pieter Smits, Edwin Horlings, Jan Luiten van Zanden, *Dutch GNP and its Components, 1800-1913* (Groningen 2000) 220; Own calculations. For a concise analysis of Dutch monetary policy during the period: Ronald van der Bie, *'Een doorlopende groote roes': de economische ontwikkeling van Nederland, 1913-1921* (Amsterdam 1995) 115-119. The *Nederlandsche Bank* was a private institution, which by law has received a so-called patent or charter to issue banknotes. The bank was restricted by a number of regulations, but the government had no direct influence on its policy.

3.3 The First World War

The First World War would drastically change the outlook of the Dutch money market. Initially, the assassination on 28 June in Sarajevo of the Austrian heir-apparent, Archduke Franz-Ferdinand, was just one more crisis in tumultuous times. However, when Austria issued an ultimatum to Serbia on 24 July, it became clear that war was imminent. The financial markets reacted with plummeting stock prices and an unprecedented credit crunch as banks, in order to remain liquid, called in their short-term loans. For the same reason they were no longer able to provide new loans. Foreign exchange markets were fluctuating wildly, as demand for the British Pound – the standard currency for international trade – was such that it rose past its upper gold point, a feat technically impossible in a fully functioning system based on the gold standard. Within a few days the crisis became so severe, that all financial centres of any importance were temporarily shut down. As a prominent London banker said: 'the world seems to be returning to a basis of cash and barter'.[25] In Amsterdam, the crash was linked to the preference for *prolongatiekrediet*. To most Dutch companies, who invested extensively in stocks, these renewable credits – backed by stocks as collateral – were very attractive. However, due to the threats of war, people wanted to be liquid. Lenders gave notice on their outstanding loans, and stocks were sold on a large scale. As stock prices plummeted in value, the value of the collateral on existing renewable credits did so as well.[26] Soon, companies were unable to supplement the collateral on their outstanding credits. The Dutch system of credit ground to a halt. On July, 29th, the board of the *Vereeniging voor den Effectenhandel* – the private association regulating the Amsterdam Stock Exchange – decided to close the exchange for a single day, so that measures might be taken to ensure the further functioning of the exchange. However, this failed and the exchange remained closed, thereby extending all existing short-term renewable credit for an unknown period.

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[25] Quoted in: Richard Roberts, 'The London Financial Crisis of 1914.' In: Patrice Baubeau, Anders Ögren, eds., *Convergence and Divergence of National Financial Systems: Evidence from the Gold Standards, 1871-1971* (London 2010) 161-178, here 163. Roberts provides a concise, yet comprehensive overview of the role of London in international finance on the eve of the war, the ensuing crisis, as well as an analysis of the effectiveness of governmental intervention during this crisis.
[26] Jongman, *Geldmarkt*, 158**.**

The closing of the stock exchange threatened to have disastrous consequences for Dutch businesses, as these had used these short-term loans to manage funds that were temporarily surplus to requirements. With their money tied up in loans that were frozen for an indeterminate period, these companies were facing liquidity problems because the closing of the exchange also meant that new credits could not be obtained. A syndicate of bankers, backed by the *Nederlandsche Bank*, used the *Vereeniging voor den Geldhandel* – Banking association – to grant credits to those businesses that were facing financial difficulties as a result of the credit crisis. The plan could necessitate a growth of the money supply of ƒ 200 million, while the situation was further complicated by a short-lived run on savings accounts that started on 28 July.[27] The amount of money in circulation therefore needed to be significantly enlarged. As the *Nederlandsche Bank* was bound by its legal obligation to keep gold coverage of paper money in circulation at 40 per cent, it could only increase circulation by ƒ 100 million. Consequently, it was necessary to suspend the gold standard. The minimum coverage of the banknotes in gold was decreased to 20 per cent, allowing the *Nederlandsche Bank* to increase the amount in circulation, effectively restoring stability of the Dutch financial institutions. Nonetheless, the exchange would not reopen until 9 February 1915, over a month after the London exchange did.[28]

Upon its reopening almost all of the formerly blocked renewable credits were repaid before the year was out, as many people made a profit on the sale of their American stocks on the New York stock exchange and the amount of money available on the market increased rapidly.[29] This significant expansion of the money market was partly a result of the fact that the war severely impeded international trade. This resulted in the gradual selling out of stores by Dutch companies both at home and abroad, and a growing stream of the proceeds to the Dutch banks. Other sectors of the economy, such as the transport sector, also contributed to the liquidity of the financial markets. The fact that trade became ever more difficult was

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[27] Nationaal Archief, The Hague, Nederlandsche Spaarbankbond, 1906-2000, nummer toegang 2.18.29, inventarisnummer 15, Minutes of the general meeting July 2nd, 1920. Point 3, Annual report by the secretary; Hartmann, *Amsterdam als financieel centrum*, 21; Jongman, *Geldmarkt*, 159-160.
[28] Hartmann, *Amsterdam als financieel centrum*, 22; Jongman, *Geldmarkt*, 158-160.
[29] De Roos and Wieringa, *Rente*, 86.

related to the increased risks involved with shipping. This translated into higher shipping freights with record profits for Dutch shipping companies as a consequence. For instance, at the end of 1916, the *Koninklijke Nederlandsche Stoomboot Maatschappij* – Royal Dutch Streamer CXompany (KNSM) – had ƒ 40 million in liquid assets, to a capital of ƒ 15 million. The shipping company of *Nievelt & Goudriaan*, which in tonnage was comparable, reported monthly profits to the tune of ƒ 1 million.[30]

Another important factor was the influx of a growing amount of foreign capital – mostly from the central powers – in the form of stocks and floating assets. These floating assets consisted of the proceeds of German exports, often destined for the Dutch colonies, as well as Mark balances and banknotes.[31] The majority of German companies were doing well due to large orders for the war effort. Existing debts were paid off, and many companies came to hold significant bank deposits.[32] The inflow of flight capital started early in the war as the exchange rate of the Mark to the guilder had started to drop at the beginning of the hostilities, and by January 1916 was described by the British *Times* as 'almost hopelessly low'.[33] Surprisingly, it would take until August 1916 before the German authorities took measures to stem this outward flow of capital.[34] Still, in 1923 professor G.W.J. Bruins, not just a prominent economist, but also a close friend of the President of the *Nederlandsche Bank*, G. Vissering, and therefore in an excellent position to adequately judge the development, estimated the total amount of flight capital that had flowed from Germany to the Netherlands during the war and the subsequent period of inflation at between ƒ 500 and ƒ 800 million – 10 to 15 per cent of the 1923 Dutch GDP.[35]

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[30] BArch R3101/660 fol.104-105 Gneist, Kaiserlich Deutsche Gesandschaft Den Haag to Reichskanzler von Bethmann Hollweg, 1 December 1916.

[31] Archive DNB, 8/1501/1, Duitschland, conferenties met Duitsers, valorisatie, tarievenkwestie markenportefeuille DNB van voor 1914: H. Fabri, *Holland als doorvoerland en de huidige stand van het vraagstuk der Duitsche spoorwegtarieven van en naar Holland*. Attachment to a letter by Fabri to Vissering, 26 Jan. 1926; Hartmann, *Amsterdam als financieel centrum*, 23, 32; G. Vissering, *Crediet-verleenen in Nederland* (Den Haag 1917) 13; Tetrode, 'Het Buitenlandsch Kapitaal in Nederland', 86-88.

[32] Gehr, *Das Verhältnis zwischen Banken und Industrie in Deutschland*, 83-84.

[33] BArch R3101/660 fol.68 Kühlmann, Kaiserlich Deutsche Gesandtschaft, Den Haag, to Reichskanzler von Bethmann Hollweg, Berlin, 14 January 1916. In his report, Kühlmann relayed information from an article in the London *Times*. The *Times* based its story on information received from British bankers and the president of the Amsterdam chamber of commerce.

[34] F. Benfey, *Die neuere Entwicklung des deutschen Auslandsbankwesens 1914-1925 (unter Mitberücksichtigung der ausländischen Bankstützpunkte in Deutschland)* (Berlin 1925) 35.

[35] J. Houwink ten Cate, *De Mannen van de Daad' en Duitsland, 1919-1939. Het Hollandse zakenleven en de vooroorlogse politiek* (The Hague 1995) 87; J. Houwink ten Cate, 'Amsterdam als Finanzplatz Deutschlands.' In: G.

According to the German ministry of foreign affairs this was just over half of the total capital that had fled Germany during this dramaticperiod.[36]

The effects of the war on Dutch-German economic relations

The large, and ever increasing, amounts of money in search of investment found an increasingly active financial market. Because of wartime circumstances, the Dutch government was faced with substantial budget deficits that had to be financed.[37] Also increasingly active were Dutch banks and industry, which attracted money to expand their business. One important capital increase was the placement of ƒ 10 million in new shares by the *Vereenigde Jurgens' Margarine Fabrieken* – Jurgens'' United Margarine Factories – one of the Dutch companies that in 1929 would merge with the British Lever Brothers Ltd. into Unilever. Now, with a share capital of ƒ 64 million, according to a German report, *Jurgens* had become a force to be reckoned with, even to German standards. The German consulate predicted that *Jurgens*, which already had extensive business dealings with Germany before the war, would become an extremely serious competitor.[38] In the banking sector, share capitals were raised to finance overseas expansion, for instance by the *Hollandsche Bank voor Zuid-Amerika* – Holland Bank for South America –, as well as at home, and already in 1916 the German Consulate General in Amsterdam feared that Dutch companies were trying to win the German market share in both enemy and neutral countries.[39]

In the Netherlands, the banking concentration led to the mergers of smaller local or regional banks into new nationally oriented banks, or takeovers of smaller banks by large banks such as the *Rotterdamsche Bankvereeniging*. With this

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D. Feldman (ed.), *Konsequenzen der Inflation* (Berlin 1989) 149-179, here 156; CBS, *Macro-economische ontwikkelingen, 1921-1939 en 1969-1985. Een vergelijking op basis van herziene gegevens voor het interbellum* (The Hague 1987) 55; Own calculations.

[36] Houwink ten Cate, *Mannen van de Daad*, 87.

[37] Van der Bie, *'Een groote doorlopende roes'*, 123-133.

[38] BArch R 3101/660 fol.104-105, Gneist, Kaiserlich Deutsche Gesandtschaft, The Hague, to the Reichskanzler. 1 December 1916.

[39] BArch R 3101/660 fol.103 Von Humboldt, Kaiserlich Deutsches Konsulat-General, Amsterdam, to the Reichskanzler, Berlin, 29 November 1916. The *Hollandsche Bank voor Zuid-Amerika* was a daughter company of the *Rotterdamsche Bankvereeniging*, one of the largest banks in the Netherlands. BArch R 3101/660 fol.104-105, Gneist, Kaiserlich Deutsche Gesandtschaft, The Hague, to the Reichskanzler. 1 December 1916.

concentration movement, Dutch banks also expanded their business model. Whereas earlier banks played a somewhat passive role, merely furnishing credit and financing trade, from the 1890s on they occasionally moved into stock market flotation's and company finance. It was only with the beginning of the concentration movement in banking around 1910, however, that they took the lead from their German counterparts and actively engaged in company finance. During the war and the short-lived post-war boom, banking concentration – and with it the attraction of working capital and the expansion of company finance – would reach its peak.[40] The German consulate, which kept a close watch on every aspect of the Dutch economy, remarked in a 1916 report to Berlin: 'the newest concentration in Dutch banking will therefore not be without influence on the industrial development of the Netherlands.'[41] The consulate's reports often dealt with the post-war prospects of Dutch-German economic relations. This was not limited to the analyses of increased Dutch competitiveness. Because of the expansion of the Dutch financial markets, any development threatening the present and future German use of these markets received special attention. The importance of the Dutch financial markets was such, that when in the summer of 1917 the Germans found out that major Dutch banks had the intention to invest on a large scale in Russian stocks, industry, and start-up companies as soon as the war was over, *Reichskanzler* Theobald von Bethmann Hollweg ordered his State-Secretary of the Interior to take action. This State-Secretary, Arthur Zimmermann, was to influence Dutch public opinion against such plans and in favour of Dutch capital participation in German companies. This, he was to do by publishing an overview of the foreign capital that had in recent years been lost by the failure of Russian companies.[42]

Of more immediate concern, but equally important in future, was the attitude of the Dutch banks towards Germany. Both the Entente as well as the

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[40] Joost Jonker, ' Sinecures or sinews of power? Interlocking directorships and bank-industry relations in the Netherlands, 1910-1940.' *Economic and Social History in the Netherlands*, Volume III (Amsterdam 1991) 119-131, here 122.

[41] BArch R 3101/660 fol.82, Von Kühlmann, Kaiserlich Deutsche Gesandtschaft to Reichskanzler von Bethmann Hollweg, The Hague, 22 June 1916.

[42] BArch R 3101/660 fol.175, *Reichskanzler* Bethmann Hollweg to the State Secretary of the Interior, Berlin, 21 July 1917.

Central Powers placed government bonds in Amsterdam.[43] In this regard it was especially vexing to the German authorities, that the *Amsterdamsche Bank* – once established to foster German-Dutch economic relations – seemed to have succumbed to British pressure and behaved – in the words of the German Consulate-General – 'not overly friendly'. When the bank's president, F.S. van Nierop, was about to embark on a business trip to Frankfurt, Richard von Kühlmann, the German envoy in The Hague, sent an urgent message to Reich Chancellor Bethmann Hollweg: 'It seems that the Amsterdam banking world has the perception that the British are dangerous and vicious, and that the good-natured Germans will accept anything. I believe that a somewhat strong conversation with Mr. van Nierop about the views of these Amsterdam banking circles would have a most beneficial effect.'[44] This German perception, however, seems to have been unfounded. Not only did the British consider most Dutch banks to be pro-German – only Hope & Co. and the *Nederlandsche Handelsmaatschappij* were considered to be Entente-friendly – in practise, Dutch banks were essential in financing German wartime trade.[45]

Financing trade

Flight capital contributed to a marked increase of the Dutch gold reserves, as did the growing trade surplus. Although the Netherlands, being a neutral country, according to international law was allowed to trade with any country, imports were at a fraction of the pre-war level, and the usual trade deficit became a surplus. The gold reserves of the Netherlands Bank, which stood at ƒ 161 million in July 1914, grew to ƒ 217 million in January 1915, stood at ƒ 429 million by the end of that year and

[43] 'Die Stellung der ‚Amsterdamsche Bank' zur deutschen Reichsanleihe.' *Deutsche Wochenzeitung für die Niederlande*, 21 November 1915; BA R3101/660 fol.63-64, Von Humboldt, Kaiserlich Deutsches Gesandtschaft, Amsterdam, to Reichskanzler von Bethmann Hollweg, Berlin, 3 December 1915. Report on the placement of French government bonds; DNB 2.2/1802/1 Confidential letter of the Vereeniging voor den Geldhandel to her members, October 1926. Report on the placement of German short-term treasury bills.
[44] BArch R 3101/660 fol.84, Urgent letter by Envoy Kühlmann, Kaiserlich Deutsche Gesandtschaft, The Hague, to Reichskanzler von Bethmann Hollweg. 6 July 1916.
[45] BArch R 3101/660 fol.273-273, Report 'Feindliche Bestrebungen auf Wirtschaftlichem Gebiet in Holland.' Sent by Deutsche Handelsstelle im Haag to Reichwirtschaftsamt, Berlin, 22 May 1918.

amounted to ƒ517 million – the equivalent to 15 per cent of GDP – in April 1916.[46] According to the German legation, all of this gold came from Germany and Austria.[47] The influx of gold led to a discussion on whether such large gold reserves were expedient, since the growing gold reserves might bring on inflation. Maybe the Dutch should follow the Scandinavian example, and require payment in goods. The *Nederlandsche Bank* insisted that such a requirement would limit trade, and instead took on a central role in the granting of credit for foreign trade.[48] It guaranteed the loans, on condition that it was consulted beforehand, and the loans were in the common, that is, in Dutch interest.[49] As collateral, treasury issues and industrial issues in guilders were to be deposited at the Dutch banks. The *Nederlandsche Bank* closely monitored both the nature and adequacy of these issues.[50]

After the abandonment of the Gold Standard at the beginning of the war, the London acceptance market – which had financed most international trade – broke down. Now, the president of the *Nederlandsche Bank*, G. Vissering, recognized the opportunity to expand the Dutch acceptance market.[51] Here short-term credit – usually for a period of three months – is supplied in the form of acceptances, which can be divided in two main groups: financial bills and reimbursement credits. Both kinds are less expensive than other forms of short-term credit. Reimbursement credits are used to finance the import and export of goods, and are self-liquidating as they use the goods they finance as a security. It was the use of such reimbursement credits – in guilders – that Vissering promoted. Financial bills were regarded as undesirable, since these did not serve Dutch trade and were considered

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[46] BArch R 3101/660 fol.68 Kühlmann, Kaiserlich Deutsche Gesandtschaft, Den Haag, to Reichskanzler von Bethmann Hollweg, Berlin, 14 January 1916; BArch R 3101/660 fol.73 Kaiserlich Deutsche Gesandtschaft, Den Haag, to Auswärtiges Amt, 18 April 1916. Report on Dutch gold reserves; Van der Bie, *'Een doorlopend grote roes,'* 86; Own calculations.

[47] BArch R 3101/660 fol.68 Kühlmann, Kaiserlich Deutsche Gesandtschaft, Den Haag, to Reichskanzler von Bethmann Hollweg, Berlin, 14 January 1916.

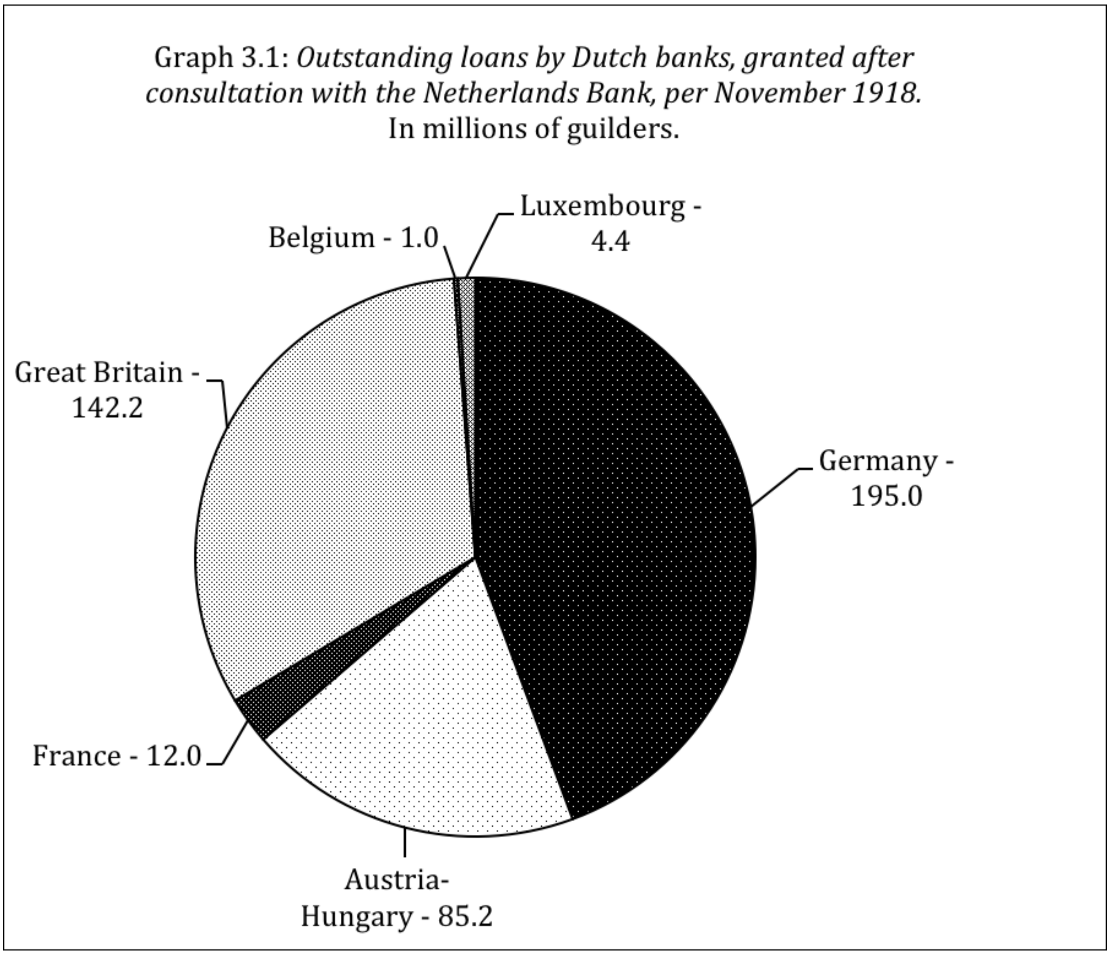
[48] De Vries, *Geschiedenis van de Nederlandsche Bank. V,* 78-80; BArch R 3101/660 fol.73, Report on the Dutch gold reserves by the German consulate, the Hague, 18 April 1916.

[49] Vissering, *Crediet-verleenen*, 15-16.

[50] Archive DNB, 2.121/153/1, Duits krediet, onderpand Duitsche industrie en schatkistwissels. Dossier No.44, Valuta-regeling; Archive DNB, 2.121/154/1, Duits krediet door Lippmann Rosenthal & Co, Rotterdamsche Bankvereeniging en Amsterdamsche Bank (onderpand Duitse effecten). Various letters between Dutch banks and the *Nederlandsche Bank* regarding German loans, extensions on German loans, quality of collateral for these loans.

[51] Vissering, *Crediet-verleenen*, 12. For an overview of the crisis in British finance at the beginning of the war: Richard Roberts, 'The London Financial Crisis of 1914.' In: Patrice Baubeau and Anders Ögren, eds., *Convergence and Divergence of National Financial Systems: evidence from the gold standards, 1871-1971* (London 2010) 161-177.

less secure. To be able to consolidate its new international stature, for the Amsterdam money market, the use of acceptances in guilders was important. The stability shown by the guilder was a great help in this regard.



Source: Archive DNB, 2.1/332/1, Kredietverlening aan het buitenland; Own calculations.

The British *Economist* stated as early as December 1915 that 'the position of the London exchange market is encroached upon by Amsterdam, so that the Dutch currency has for the time being become a standard of value for other currencies'.[52] In spite of progressively decreasing foreign trade, the acceptance market gradually expanded. In 1913, the seven most important Dutch banks had a turnover of ƒ 62 million. In 1918 these banks reached their highest wartime turnover in acceptances

[52] *The Economist*, December 18, 1915, 'Supplement', 9.

at just over ƒ 77 million.[53] Given the decrease of foreign trade during the war, this meant that the share of foreign trade that was financed in this way had increased considerably. Nevertheless, given that the total amount of bank loans due at the end of the war was ƒ 440 million (18 per cent of 1913 GDP), other forms of credit were far more important. Most of these loans, ƒ 195 million and ƒ 142 million respectively, were granted to Germany or Great Britain, which indicates the importance of Dutch trade with these countries (Graph 3.1). Austria-Hungary was the third most important debtor with ƒ 85 million, followed by France – ƒ 12 million.[54] In other words, two thirds of all loans went to the Central Powers. The Allies obtained most of their credit in the United States.

After the war, it turned out that the loans granted to German customers amounted to even more than the ƒ 195 million recorded by the *Nederlandsche Bank*. A number of Dutch banks had not bothered to consult the central bank, and had granted an additional ƒ 113 million to German customers, bringing the total of the outstanding credit granted to Germany at ƒ 308 million.[55] Whether the loans extended to others were higher as well, is unknown. As of 3 February 1919, the total outstanding bank loans to the former belligerents amounted to ƒ 499.3 million – 13 per cent of the Dutch 1918 GDP.[56] Some of these loans had been granted after the war. For instance as a part of the General Agreement with the Allied powers, a credit of ƒ 123 million had been agreed upon, while ƒ 7.2 million had been loaned to others.[57]

Because of the uncertainty regarding the conditions of the Treaty of Versailles, which was under negotiation at the time, the German banks sought extensions on their loans. In Switzerland this resulted in a general *sauve qui peut* in banking circles, which is understandable given that payments to the Swedes had

[53] Rotterdamsche Bankvereeniging, 'Development of Dutch Banking Business.' In: *Monthly Review* (October 1920) 25-29, there 29.
[54] Archive DNB, 2.1/332/1, kredietverlening aan het buitenland; Smits et al, *Dutch GNP and its Components*; Own calculations.
[55] Archive DNB, 2.132/151/1, Regeringskredieten 1914-1918, verlenging kredieten na de oorlog, verlenging Duitse kredieten. Visit by Urbig to the secretary of the *Nederlandsche Bank*, January 8th, 1919.
[56] Van der Bie, *'Een doorlopend grote roes'*, 86; Archive DNB, 2.1/332/1, Note by Vissering to Ant. van Gijn dated February 3rd, 1919; Own calculations.
[57] Archive DNB, 2.1/332/1, Note by Vissering to Ant. van Gijn dated February 3rd, 1919.

stopped altogether.[58] Dutch bankers, however, retained their composure. Although they would have preferred to give notice on the existing credits, they decided not do so because the banks did not want to endanger their good and long-standing relations with the Germans.[59] Besides, they could afford to remain calm, since many loans had already been repaid as they came due during the war, and this had continued after the armistice.[60] This may have been because the *Nederlandsche Bank* had consistently demanded a high quality of collateral – in guilders – for these loans, whereas the Swedes had not demanded collateral on their loans. This policy of the central bank on the other hand also explains the high amount of unreported credit that some banks had granted to their German relations.

The *Nederlandsche Bank* continued to play the role of intermediary between the Dutch creditors and their German debtors, and showed a highly cooperative attitude towards the German debtors. Just days after the armistice, Vissering sent a telegram to Franz Urbig, director of the *Disconto-Gesellschaft* and one of the most influential German bankers, suggesting him to send a representative to the Netherlands to discuss possible extensions on the German loans, some of which were due two days later.[61] Urbig came in person, and would remain in constant communication with the Dutch creditors throughout 1919.[62] Nevertheless, because of the uncertain political and financial situation in Germany, and despite additional collateral, Dutch banks were not eager to extend existing loans. A number of them instead were asking the *Nederlandsche Bank* for permission to call in their loans, something they did not formally have to do. It shows how the *Nederlandsche Bank* wielded power in an informal way.[63] In response the *Nederlandsche Bank* called a meeting with the banks, were Vissering argued why they should agree to the German requests for extensions. He was backed by the larger Dutch banks, one of

[58] Archive DNB, 2.132/151/1, Visit by Wertheim and Hartogh to the secretary of the *Nederlandsche Bank*, 3 December 1918; Archive DNB, 2.132/151/2, Visit by Paul May to Vissering and Tetrode, 10 April 1919, 11.30 am.
[59] Archief DNB, 2.132/151/1, Regeringskredieten 1914-1918, verlenging kredieten na de oorlog, verlenging Duitse kredieten. Report of a meeting between J. Wertheim, Mr. Hartogh and the secretary of the *Nederlandsche Bank*, 3 December 1918, 11.30.
[60] Archive DNB, 2.132/151/1, Report of a meeting between J. Wertheim en Mr. Hartogh, both of the firm Wertheim & Gompertz, and the president of the *Nederlandsche Bank*, 6 December 1918, 12.15.
[61] Archive DNB, 2.132/151/1, Telegram by Vissering to the board of the Disconto Gesellschaft in Berlin, 13 November 1918, 24.00.
[62] Archive DNB, 2.132/151/1, Minutes of various meetings of Urbig with officials of DNB and representatives of Dutch banks.
[63] Archive DNB, 2.132/151/1, Various reports of meetings with representatives of Dutch banks.

which posed that 'it would be unwise if the Netherlands should be unwilling to respond to the need for credit in its hinterland'.[64] Refusing the extensions would not be in the best interest of the banks, as the result would be that 'the money would be repaid, but the Netherlands would be out of it commercially'.[65] The banks complied and the existing loans were extended, and were paid in due time.[66]

While the Germans were seeking extensions on their loans, they were also approaching the Dutch banks for new credits. As these were in most cases not linked to the Dutch-German trade, the *Nederlandsche Bank* was not in favour of these.[67] The policy of the *Nederlandsche Bank* during the war and immediately afterwards can thus be characterized as being geared towards using the Dutch financial market to ensure the continuation of Dutch trade. Due to circumstances, in practice this meant predominantly the financing of trade with Germany. In the years to come, the Dutch-German financial ties would grow stronger than they had ever been before, as German companies, municipalities and state governments increasingly turned toward the Amsterdam's financial market, where a large number of German banks established themselves.

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[64] Archive DNB, 2.132/151/2, Statement by Van Tienhoven of the Rotterdamsche Bankvereeniging during a meeting of Dutch bankers and the board of the *Nederlandsche Bank* concerning the extension of German loans, 20 March 1919, 11.30 am.

[65] Archive DNB, 2.132/151/2, Statement by Van Tienhoven of the Rotterdamsche Bankvereeniging during a meeting of Dutch bankers and the board of the *Nederlandsche Bank* concerning the extension of German loans, 20 March 1919, 11.30 am.

[66] Archive DNB, 2.132/151/1, Various reports of meetings with representatives of Dutch banks.

[67] Archive DNB, 2.132/151/2, Report of a telephone conversation between director P. J. C. Tetrode and G. H. Hintzen of the bank *R. Mees & Zoonen*, 15 May 1919, 9.45 am.

3.4 *Foreign banks in the Netherlands*

Germany needed to revive its international trade, and to do so it had to be able to finance its imports and exports. Before the war, this had mainly been done through London, were all the important German banks had established branches. These however, had been seized and liquidated by the British government as enemy property. As these German banks, the first few years after the war they, no longer had access to the London money market either,[68] these banks needed a neutral country to conduct their international financial business.[69] Apart from this, there was another reason for German banks to open branches abroad. After Germany's defeat, the inflation that had started during the war continued at an ever increasing pace. For German companies, especially those that relied upon imports and exports, it became essential to either immediately convert payments for their products into goods, for instance raw materials, or to exchange the *Marks* they got in foreign currency.

For German banks, the Netherlands were a logical place to settle, not only because of its geographical location, but also because of the stability of the guilder, the low and stable interest rates, the low commission that was charged, and Dutch banking secrecy. As Norway and Sweden did not allow foreign banks to be set up, Switzerland was the only real competitor, but Berne discouraged the establishment of foreign banks. Anyway, at that time Switzerland had not yet introduced banking secrecy, and was also regarded as being too isolated and therefore, not really an alternative.[70] Already during the war, several German banks planned to establish banks in the Netherlands.[71] In July 1918, this resulted in the founding of the *Bank voor Handel en Scheepvaart* – Bank for Trade and Transport – by Vulcaan Rotterdam,

[68] J. T. Madden and M. Nadler, *The International Money Markets* (London 1935) 466.

[69] Archive DNB, 2.1/18/1, Bevorderen betalingsverkeer met het buitenland vestigingen van buitenlandse banken in Amsterdam; discontofaciliteiten. Visit by Redelmeier to the board of the *Nederlandsche Bank*, 19 February 1926.

[70] W.J. Schmitz, *Der Amsterdamer Geldmarkt*, 13; Hellauer, *Internationale Finanzplätze*, 103-104; J.L. de Jager, 'De harde leerschool, 1914-1950.' In: Joh. de Vries, W. Vroom and T. de Graaf (eds), *Wereldwijd bankieren. ABN Amro 1824-1999* (Amsterdam 1999) 241-298, here 275; Archive DNB, 7/0831/1, vestiging van buitenlandse banken in Nederland. Statements by Mr. Dr. Van Tienhoven, director of the Rotterdamsche Bank, regarding foreign plans to establish banks in the Netherlands, 1 and 2 March 1918.

[71] Archive DNB, 2.1/18/1, Report of a telephone conversation between the secretary of the *Nederlandsche Bank* with Mr. Dr. J.P. van Tienhoven, director of the *Rotterdamsche Bankvereeniging*, 8 October 1918; Archive DNB, 7/831/1, Vestiging van buitenlandse banken in Nederland. Statements by Mr. Dr. Van Tienhoven, director of the Rotterdamsche Bank, regarding foreign plans to establish banks in the Netherlands, 1 March 1918 and 2 March 1918.

a subsidiary of the Thyssen concern that already before the war had invested to a large extent in the Netherlands, and especially in the ports around Rotterdam.[72] Thyssen had plans to expand its existing business interests in the Netherlands further after the war. This included substantial investments in modern loading and unloading facilities in his own port in Vlaardingen, as well as in its Rhine fleet and sea shipping companies, and its trading company that was active in the markets for iron, steel, ores, and coal. Naturally, the Thyssen concern wished to route these investments through its own bank. At a later date, the bank might transform into a general bank for trade and transport.[73] In December of the same year it was followed by the *Internationale Wisselbank*, whose German directors had been bankers in Belgium and France prior to the war.

Table 3.1: *Foreign financial institutions in the Netherlands, 1918 - March 1926.*

	Unknown	Pre-1918	1918	1919	1920	1921	1922	1923	1924	1925	1926
Newly established	2	3	2	4	11	10	5	18	11	2	1
Total		3	5	9	20	30	35	53	64	66	69

Source: Archive DNB; 7/831/1: Vestiging van buitenlandse banken in Nederland. Overview ‘Niet zuiver Nederlandsche bankinstellingen, 26 Maart 1926.

By March 1926, the *Nederlandsche Bank* listed no less than 69 financial institutions it regarded as foreign. The number of newly founded institutions was even larger however, as some only had a short lifespan. The Rotterdam branch of the British *Standard Bank of South-Africa* for instance – which had been the first to establish itself in the Netherlands after the war –, was not mentioned in the list.[74] Three of these institutions already existed before the war, while the remainder had been

[72] Archive DNB, 7/831/1, Vestiging van buitenlandse banken in Nederland. ‘Niet zuiver Nederlandsche bankinstellingen, 26 March 1926, item no.12.
[73] BArch R 901-1789 fol.15; BA R 3101/660 fol.324 Report on the activities in the Netherlands of the Thyssen concern, by envoy Gneist, Kaiserlich Deutsche Gesandtschaft, to Reichskanzler Bethmann Hollweg. The Hague, 14 August 1918; BArch R 3101/660 fol. 326; Report on the activities of Thyssen by Dr. Heinburg, Kaiserlich Deutsches Konsulat, Amsterdam, to Reichskanzler Graf von Hertling. 6 September 1918.
[74] Archive DNB, 2.1/18/1, bevorderen betalingsverkeer met het buitenland, vestigingen van buitenlandse banken in Amsterdam; discontofaciliteiten. Report on a visit by the directors of the Amsterdam branch of the *Deutsche Bank*, 25 August 1921; Archive DNB, 7/831/1, Vestiging van buitenlandse banken in Nederland. Overview ‘Niet zuiver Nederlandsche bankinstellingen, 26 March 1926.

formed between July 1918 and March 1926 (Table 3.1). The overwhelming majority was of German or Austrian origin. Only six had their origins elsewhere: France, Liechtenstein (i.e. Switzerland), Sweden, the United States and Poland.[75] Because most of these new banks were of German origin, they were in common parlance referred to as the German banks.

Most of the new banks were subsidiary companies, and as such were legally Dutch banks although their board of directors consisted mostly of Germans. Only the *Deutsche Bank* chose to open a branch.[76] The new banks were backed either by a major German bank, such as the *Dresdner Bank*, *Disconto-Gesellschaft*, *Delbrück, Schickler & Co.*, or an industrialist such as Thyssen. They had German business connections, German customers, and German capital.[77] Many German industrial conglomerates, for instance, decided to ferry the capital used for foreign transactions to Amsterdam. This was not only done to safeguard this capital from inflation, the favourable Dutch tax laws were also duly noted.[78] At first, the new banks limited their activities in the Netherlands to foreign exchange dealings and the managing of German funds, by supplying short-term loans to German industrial companies and acquiring Dutch stocks and treasury bills.[79] Already in 1921 however, their activities were widening – much to the dismay of Dutch bankers –, as they started to attract Dutch deposits at a to Dutch banks astonishingly high interest of 6 to 7 per cent. By lending highly rated currency such as dollars, pounds sterling, and guilders to Central European countries – mostly Germany – they were able to realize up to 12 per cent interest on these deposits.[80] Just prior to the adoption of the Dawes-plan in August 1924, credits in current account even commanded 32 per cent

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[75] Archive DNB, 7/831/1, Vestiging van buitenlandse banken in Nederland. Overview 'Niet zuiver Nederlandsche bankinstellingen, 26 March 1926.
[76] Archive DNB, 1.121/245/1, correspondentie met G. Vissering, allerhande onderwerpen: BIB, Reichsbank, kredieten Oost-Europa. Letter by Bruins adressed to Vissering, December 24th, 1925.
[77] Hartmann, *Amsterdam als financieel centrum*, 24.
[78] Schmitz, *Der Amsterdamer Geldmarkt*, 37.
[79] Hartmann, *Amsterdam als financieel centrum*, 24; 'Effecten- en Geldmarkt. Wekelijks overzicht.' *Bijvoegsel Algemeen Handelsblad* (27 February 1926) 6.
[80] Archive DNB, 8.2/2060/1, Duitsland, Duitse rijksbank. Report of a meeting of Ornstein with the president, the secretary, and director De Beaufort of the *Nederlandsche Bank*, July 5th, 1921; Archive DNB, 2.111.3/121/1, Schaarste aan zilverbons, grote aantallen bevinden zich in Duitsland. Letter by DNB to the minister of Finance, 27 August 1923; Archive DNB, 2.1/18/1, Meeting of Vissering, Van Vollenhoven, Defoer and the secretary of the *Nederlandsche Bank* with Paul May (*Lippmann, Rosenthal & Co.*), J.P. van Tienhoven and D. Ornstein (*Rotterdamsche Bankvereeniging*), P. Hofstede de Groot (*Amsterdamsche Bank*), and J.M. Telders (*Twentsche Bank*), 21 March 1923.

interest. Although the Dawes-plan led to a great surge in foreign credit, on the German financial markets money remained tight. Interest on short-term credit remained as high as 12 per cent.[81]

The foreign banks contributed to a broadening of the infrastructure of the Amsterdam financial market, while the capital that fled depreciation and taxation in Germany, Austria, and the Balkans added to a growing supply of funds in search of short and long-term investment.[82] The reasons why so many of these funds sought refuge in the Netherlands both during and after the war, are more or less the same as those of the German banks, although in this case the fact that the Dutch banks guaranteed banking secrecy will have been especially important.[83] As a consequence, the Mark was stabilized in the autumn of 1923, the German flight capital was only partially repatriated. There was still the high German taxation to be avoided and residual fears of depreciation still existed. Moreover, any decrease was more than offset by capital which by then had started to pour in from Belgium, France, and Italy, as a result of monetary difficulties in those countries.[84]

Nevertheless, although the influx of money from abroad was important, the funds generated by the Dutch economy should not be underestimated. Thanks to the after the crisis of 1920 fast expanding economy – between 1922 and 1924 the Dutch GDP showed an average growth of 5.2 per cent, between 1925 and 1929 of 4.4 per cent. Both the population as well as Dutch companies saved increasing amounts of money. Consequently, each year considerable sums were in search of investment.[85] Savings were already substantial during the war. Companies had little opportunity to invest their earnings in replenishing stocks, and they – as well as the general public – had turned increasingly towards savings banks and the stock

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[81] Algemeen Handelsblad 28-09-1924, Ochtend, 'Geld- en Effectenmarkt, Veertiendaagsch overzicht'.
[82] Archive DNB, 2.3/2079/1, Invloed wegtrekken buitenlandsche saldi op positie Nederlandsche gulden. Report with the same title, 5 December 1922.
[83] Hartmann, *Amsterdam als financieel centrum*, 24-25; Madden and Nadler, *International Money Markets*, 426. In February 1923, the president of the *Nederlandsche Bank* had to appear in court to furnish information on a client. He declined to give specific information, which was accepted by the court. Nationaal Archief, Den Haag, Archief van De Nederlandsche Bank NV (1643) 1814 - 1980 (1995), nummer toegang 2.25.08, inventarisnummer 3319 DNB Commissie van Advies, 9 Feb. 1923.
[84] Hartmann, *Amsterdam als financieel centrum*, 24-25; Madden and Nadler, *International Money Markets*, 465-466; Verrijn Stuart, *Bankpolitiek*, 83; Joh. de Vries, 'Het economische leven 1918-1940.' In: *Algemene Geschiedenis der Nederlanden* (Haarlem 1988) deel 14, 102-146.
[85] CBS, *Macro-economische ontwikkelingen*, 28.

exchange.[86] This would continue after the war, as the savings rate – for which data are available from 1923 – rose from 4.4 per cent to 14.2 per cent of GDP in 1928. After 1929 it would increasingly decline.[87] Additionally, every year some ƒ 200 million – over 3 per cent of GDP – was paid out as dividend from the Netherlands-Indies, while many fortunes that had been amassed in the Indies were put to work on the Dutch capital and money markets.[88] Part of the reason for this high savings rate was the taxation policy, which had no corporate tax: taxes were only payable on dividends.[89] Because many Dutch firms were family businesses, they refrained from paying dividends as that would result in a high tax bill. Instead they chose to keep the money within the company. Saving thus brought considerable fiscal benefits. Based on statistics for income taxes and deposits, Hellauer calculated the average annual growth of Dutch capital for 1926 and 1927 on ƒ 600 to 700 million a year, what was circa 10 to 12 per cent of the GDP.[90] It can therefore be concluded that, although the role of flight capital was important, overall domestic sources outweighed foreign sources of funds. These domestic sources were for the most part structural in nature, as only the liquidity of the banks had grown considerably as a consequence of the war. Given that, apart from the first three years after the war, interest rates were stable and domestic emissions were not hampered by the extensive foreign emissions.

The conclusion is that the international rise of the Dutch financial market was a direct consequence of the fact that the position of London had been temporarily weakened, and that it was further helped by the incidental inflow of capital due to flight capital and the high degree of liquidity of the Dutch banks as a result of

[86] D. C. Renooij, *De Nederlandse emissiemarkt van 1904 tot 1939* (Amsterdam 1951), 61; Hartmann, *Amsterdam als financieel centrum*, 23; NL-HaNA, Nederlandsche Spaarbankbond, 2.18.29, inv.nr. 15. Minutes of the general meeting July 2nd, 1920, point 7: speech by J.H. Lugt on the influence of the war on savings.

[87] J.G. Post, *Besparingen in Nederland, 1923-1970: omvang en verdeling* (Amsterdam 1972) 38. The savings rate is given by Post as the relation between net national savings and net national income at market prices; J.C. Wijnmaalen, 'De besparingen van de Nederlandse Volkshuishouding voor en na de oorlog.' In: *Prae-adviezen van de vereniging voor de staathuishoudkunde* (The Hague 1953) 109-113; CBS, *Het nationale inkomen van Nederland 1921-1939* (Utrecht 1948) 46. Recalculated by the author using data for GDP from: CBS, *Macro-economische ontwikkelingen,* 55.

[88] Post, *Besparingen in Nederland,* 37; Own calculations; Metz, *Die Niederlande als Käufer*, 18-19. Metz states an average inflow of dividends of ƒ 250 million, calculations based on revised data by the Dutch central bureau for statistics (CBS) suggest ƒ 200 million. Percentage of GDP based on figures from CBS, *Macro-economische ontwikkelingen*.

[89] Post, *Besparingen in Nederland,* 43.

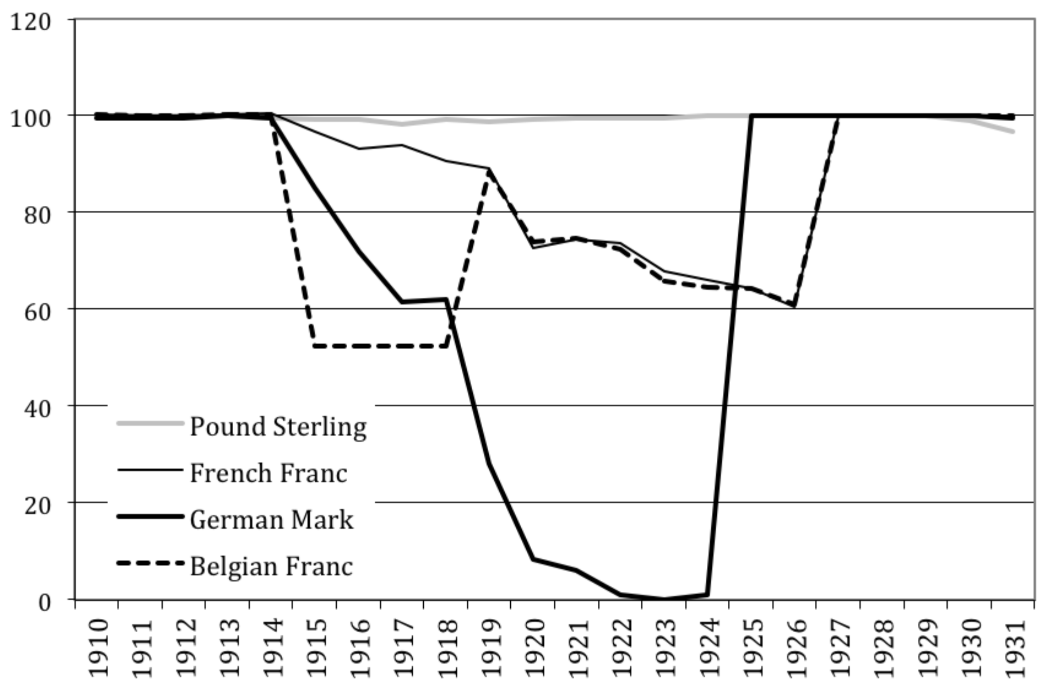
[90] Hellauer, *Internationale Finanzplätze*, 86-88; CBS, *Macro-economische ontwikkelingen*, 55; Own calculations.

developments during the war. The inflow of flight capital was by itself not the driving force behind the development of Amsterdam. That Amsterdam was able to consolidate its newfound position was primarily due to the considerable structural inflow of capital from domestic sources.

3.5 The impact of German inflation and depreciation, 1918-1924

Since the beginning of the war, the nominal exchange rate of the Mark had dropped inexorably (Graph 3.2). Because inflation was rising at a similar rate, however, the real exchange rate – the purchasing power of the Mark in Germany relative to the purchasing power of other currencies elsewhere – continued to hover around its pre-war level. After the German defeat, the nominal exchange rate went into a free fall, however.

Graph 3.2: *Exchange rates relative to the Dutch Guilder, 1910-1931.* (Dutch guilder = 100)

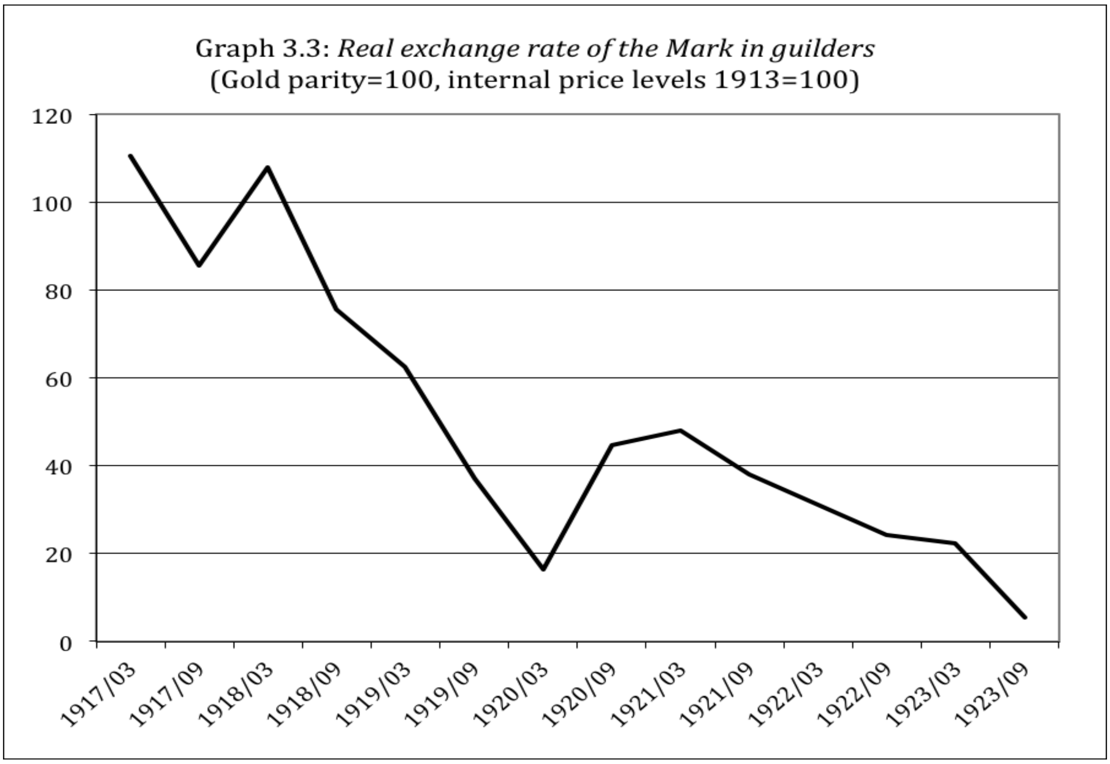


Source: CBS, *Tweehonderd jaar statistiek in tijdreeksen, 1800-1999* (Voorburg 2001).

As the inflation did not proceed at the same rate as the fall of the exchange rate, the real exchange rate also dropped. By March 1920, the real exchange rate had declined to 16.5 per cent of its pre-war value (Graph 3.3).[91] As inflation and depreciation went on, the flight out of the Mark, which had started already during the war, took on overwhelming proportions. Apart from German banks, this motivated German trading companies and industry to found daughter companies in the Netherlands. Until the signing of the Treaty of Versailles, they were doubly

[91] Hein A.M. Klemann, *German-Dutch monetary relations* (unpublished manuscript).

motivated, as the blockade of Germany by the Entente reduced their export potential. Even the exports to the neutral countries were affected, as the value of their exports was not allowed to consist for more than 5 per cent of German labour or German materials. Establishing a daughter, disguised as a fully Dutch-owned company in the Netherlands seemed like a good way to circumvent the blockade. The Entente, however, had their informers everywhere. Therefore, the German consulate in the Netherlands viewed their chances of success as slim.



Sources: CBS, *Jaarcijfers voor Nederlamd 1924/1925* (The Hague 1926); CBS, *Tweehonderd jaar statistiek in tijdreeksen, 1800-1999* (Voorburg 2001); A. Maddison *Dynamic forces in Capitalist Development. A long-run comparative view* (1991 Oxford); Own calculations. [92]

Nonetheless, by the end of 1920, Thyssen owned a large and growing number of new companies in the Netherlands, among these a bank. Krupp had its own transport company, a trading agency to purchase its ores, and a sales organization. The Mannesmann-concern was about to establish a sales organization, and considered erecting a factory. Stinnes had established the Firma Plettenburg, which

[92] Data received from Hein Klemann.

handled sales as well as transport and which functioned as the hub for Stinnes' Dutch interests.[93]

German foreign direct investments

German investments in the Netherlands, either by acquiring interests in existing Dutch companies or by establishing new Dutch companies that were in fact wholly-owned subsidiaries of German companies, were not a new feature in German-Dutch economic relations. Furthermore, the new foreign investments were by no means limited to German investments: British, French, Belgian, and even American companies also settled here.[94] Already during the nineteenth century, there were many so-called bypass investments in the Netherlands, which entails that investments were transferred back to the country of origin, i.e. Germany, through the newly founded Dutch company. Tapping the substantial Dutch capital market seems to have been an additional aim. Neither was the use of a Dutch subsidiary as a way to do business abroad altogether new: Ben Gales relates in a paper on free-standing companies in the Netherlands – companies that were fully legal constructs yet consisted of little more than some ledgers – how the German *Kohlensäure Werke C.G. Rommenhöller* – registered in 1899 in both Germany and the Netherlands, with 18 works in the former and one production unit in the latter country – probably used yet another company under the same management, the *Carbonique Moderne*, to attract Belgian and French investors.[95] In other cases, such investments were the result of vertical concentration – a process where a firm extends its activities from its core business, for instance steel production, to include in-house acquisition, shipping and transhipment of raw materials and finished products. Such was the case with Thyssen, the German concern active in iron, steel,

[93] BArch R 3101/2737 fol.30-33 Generalkonsulat, Amsterdam to Auswärtige Amt, Abteilung X, Berlin. 29-10-1920. Deutsch-niederländische Kapitalsbeteiligungen in den Großindustrie; BArch R 3101/2738 fol.286 Deutsches Konsulat, Rotterdam, to the Auswärtige Amt, Berlin, 5-1-1921; BArch R 3101/20210 Deutsches Generalkonsulat, Amsterdam, to the Auswärtige Amt, Berlin, 22-12-1921.

[94] Keetie Sluyterman, Ben Wubs, *Over Grenzen. Multinationals en de Nederlandse markteconomie* (Amsterdam 2009) 64; BA R901/1789 fol.16 Kaiserlich Deutsches Konsulat, Rotterdam, to Reichskanzler Dr. Graf von Hertling. 6-9-1918.

[95] B. Gales, *In Foreign Parts: Free-Standing Companies in the Netherlands around the First World War*, Research Memorandum 577 (GD-16) (Groningen 1994) 8.

ores and coal, who not only set up a trading company in the Netherlands, but also established its own port facilities in Vlaardingen – part of the Rotterdam cluster of ports – as well as its own sea shipping and Rhine shipping companies.[96]

What set the successive post-war waves of German investments in the Netherlands apart from their pre-war counterparts, was on the one hand the underlying rationale, and on the other hand the sheer magnitude of these new investments. The need for a neutral financial centre from which to conduct business was exacerbated by the increased German dependence on the imports of raw materials. That they should choose the Netherlands was not only due to the fact that from the 1860s, Dutch-German ties had become increasingly strong. The location of the Netherlands – i.e. the fact that with its ports and extensive infrastructure for traffic it functioned as the most important port to Western Germany – which had been at the root of these ties, was certainly a factor, but so, on the other hand, was the fact that the guilder remained a beacon of stability in a time of extreme monetary instability all over Europe (graph 3.2), as well as the favourable Dutch tax regime.

Another factor of importance in German FDIs in the Netherlands was that during the last year of the war, the Dutch government as well as Dutch private companies had initiated plans for extensive public works and well as other investment and building programmes. These plans included a dam and land reclamation in the *Zuiderzee*, an important new lock in the North Sea Canal, harbour works and the construction of new ports in Amsterdam, Rotterdam, and Vlissingen, as well as a canal in Twente, a canal between Antwerp and Dordrecht, canalization of the *Maas*, to name but a few, as well as the construction of steelworks at IJmuiden. As these works – which in the end were not all undertaken – would take decades to finish, and were of such magnitude that they far surpassed the capacity of Dutch industry, the German consulate saw an opportunity for German companies to partake in the works. Given the low prices of German machinery, construction steel, cement, hewn stones and other building materials, exports were sure to increase. What the consulate emphasized, was that 'in the long run, only companies

[96] J. Lülsdorfs, *Die Bedeutung Rotterdams für die rheinische Wirtschaft, insbesondere für die deutsche Rheinschiffahrt* (Köln 1940) 52.

resident in the Netherlands will be successful in this kind of business, and in view of the great prospects for our sales in this direction it is therefore desirable that some powerful German entrepreneurs establish subsidiaries in the Netherlands'.[97] Having an actual presence in the Netherlands was considered necessary because the time between the opening and closing for bids was too short for companies without a local presence to be able to put in a bid, all the more so, because the contracts were usually too imprecise to allow a fully-informed – and therefore competitive – bid. Drawings, working conditions, et cetera all had to be viewed on-site. Another important factor was that, although German companies were allowed to bid if two solvent Dutchmen would stand as guarantor, the consulate did not believe that any contracts would be awarded to them. Therefore, establishing a branch would not do. Rather, they consequently strongly urged that powerful companies should establish Dutch companies for this purpose.[98]

Bold Dutch entrepreneurs were only too willing to help the Germans to do business abroad. One such entrepreneur was Joh. Linthout, director of the *Hollandsche Crediet- en Effectenbank*. Linthout had founded his bank in December 1917 with the express purpose of serving German interests in the Netherlands.[99] Since then, it had mostly traded German securities.[100] Linthout recognized that German companies would be forced to conduct their international business through a neutral country, and – relentlessly – offered his services. In a large number of letters, he alerted the German *Reichswirtschaftsamt* – Reich State Secretary of Economics – to opportunities, for as well as threats to German businesses, offering his services especially in the cloaking of German investments in the Netherlands and

[97] BArch R 901/77062 von Humboldt, Generalkonsulat Amsterdam, 10-10-1919, to the Außenhandelsstelle in Berlin.

[98] Idem; BArch R 901/77062 Deutsches General-Konsulat Amsterdam to the Außenhandelsstelle Berlin, 2-9-1919. Prior to the war, German building companies had also been active in the Netherlands and its colonies. In 1911, the *Hollandsche Aanneming Maatschappij* was the contractor for harbour works in Surabaya in the Dutch East Indies. The work was carried out by the Dusseldorf firm of Goedhart, and was financed through the Deutsche Bank. Whether the *Hollandsche Aanneming Maatschappij* was a Dutch or cloaked German company, is unknown. See: BArch R 901/1791 fol.10, Letter by Ferd. Engers, Amsterdam, to the Handelspolitische Abteilung of the Auswärtigen Amt, Berlin. 2-11-1911.

[99] BArcg R 3101/180 fol.107; R901/1789 fol.157 Deutsches Generalkonsulat, Amsterdam, to A.A. Berlin, 15 August 1919.

[100] BArch R 3101/180 fol.221.

the Netherlands East Indies by establishing Dutch companies.[101] The pressing German need for such services is clear from the fact that, despite the fact that an official of the German consulate in Amsterdam had warned that the *Hollandsche Crediet- en Effectenbank* was a very small-scale operation, with hardly any ties to leading Dutch circles, the *Reichwirtschaftsamt* took his offers seriously. Because he was extremely active, in their view, he would be able to provide good services to German trade.[102] The *Reichsministerium der auswärtigen Angelegenheiten* – the German foreign ministry – even briefly considered to accept Linthout's offer to be part of the German delegation at the peace talks.[103] But the depreciation of the mark also made another kind of entrepreneur appear. Obscure, underfunded, new banks led by businessmen in poor standing, and often existing for only a short period of time, sought to make their fortune. They lent money at interest rates that even in Germany or Austria were considered to be nothing short of usury, while offering their services in capital flight and the placement of bonds on the Dutch capital market. These banks did not comply with Dutch laws either, as they assisted Dutch buyers who were eager to circumvent the Dutch taxes on bonds – a ƒ 6 flat fee per bond – by routing these through Germany. Although the consulate kept a list of such unreliable firms, and in Germany itself the chambers of commerce and newspapers regularly warned against such companies, they still managed to attract considerable business.[104]

[101] BArch R 3101/180 fol.198 Mrt 1919; R 3101/180 fol.102 26 Mrt 1919 HCE aan Reichswirtschaftsamt; R 3101/180 fol.110 3 April 1919 Reichswirtschaftsministerium to the Aktiengesellschaft für Inland- und Auslandunternehmungen, Hamburg.

[102] BArch R 3101/180 fol.221 Deutsche Gesandtschaft, Handels Abteilung, The Hague, to the Auswärtige Amt, Berlin. 7-1-1919; R 3101/180 fol.86 Reichswirtschaftsministerium to the Reichsministerium der auswärtigen Angelegenheiten, Berlin, 19-3-1919.

[103] BArch R 3101/180 fol.86 Reichswirtschaftsministerium to the Reichsministerium der auswärtigen Angelegenheiten, Berlin, 19-3-1919. The Reichswirtschaftsministerium declined the offer on the grounds that it was impossible for a foreigner to be part of the German delegation, yet urged the Reichministerium der auswärtigen Angelegenheiten to tell Linthout that his input was most welcome.

[104] BArch R 3101/20210 fol.14-15 Confidential report by Hatzfeldt of the Generalkonsulat, Amsterdam, to the Auswärtige Amt, Berlin. 22 December 1921; BArch R 3101/20210 fol.75-78, Confidential report by Hahn of the Deutsche Generalkonsulat on the background of a number of German emissions in Amsterdam, to the Auswärtige Amt, Berlin. 6 July 1922; BArch R 3101/2745 fol.357, Report by Hatzfeldt of the Generalkonsulat, Amsterdam, on the activities of the firm 'Bank- en Handelsvereeniging v/h A.J. Fortuin & Co.', and A.J. Rotman, for the Auswärtige Amt, Berlin. 9 November 1925; BArch R 3101/2745 fol.359 Highly confidential order to put Schwab's bank on the list of untrustworthy firms.

The Coal and Credit Treaty of 1920

That such companies could be successful was because German businesses were in desperate need of both short and long term loans in foreign currency, in order to buy raw materials. Without raw materials, there was no production, hence no exports or employment. Germany was not only in danger of a complete economic collapse, its economic troubles also made it a fertile environment for communist agitators. Through Germany, such agitators were coming to the Netherlands to preach the coming of the communist utopia. As only a few years before, Russia had fallen victim to a communist Revolution that had cost Dutch investors over a billion guilders in outstanding debts and investments, this threat was taken seriously. Dutch investments in Germany were considerably higher, although as depreciation and inflation did their work, whether these would ever be recovered was another matter. Anyway, business, financial circles, and politicians needed a politically stable and economically strong Germany.

As the president of the *Nederlandsche Bank*, G. Vissering approached the problem as an economist, and to him, the first order of business was the stabilization of the European currencies, foremost those of Germany and Austria. Once this had been accomplished, the financially strong countries should provide credits to aid the German recovery. Ideally, this should be accompanied by a cancellation of part of the interallied debts. All of this was to be done in close international cooperation. Vissering's ideas were shared by many important bankers such as Paul Warburg and economists, like John Maynard Keynes. Keynes had just published his treatise 'The Economic Consequences of the Peace', in which he argued against the too high reparations to be paid by Germany, since these would impede the economic recovery of Europe as a whole.[105] Vissering wrote a warm introduction to the Dutch translation of this book.[106] On two occasions, in October and in November of 1920, bankers and economists from England, France, Switzerland, Sweden, Denmark and Norway met the directors of the *Nederlandsche Bank* as well as CE. ter Meulen of *Hope & Co.* – who was himself championing

[105] John M. Keynes, *The Economic Consequences of the Peace* (New York 1920).
[106] G. Vissering, 'Ter Inleiding van de Nederlandse uitgave.' In: J.M. Keynes, *De economische gevolgen van den vrede* (Amsterdam 2nd ed. 1922) VII-VIII.

another plan for the resuscitation of international trade – in Vissering's home in Amsterdam. These meetings resulted into the 'Amsterdam Memorandum', written by Keynes and the German banker and member of the Central Committee of the *Reichsbank* M.M. Warburg. This memo was subsequently watered down as Keynes' ideas were considered infeasible, but after that this document was signed by all participants in the meetings, as well as by influential Dutch businessmen, like Ernst Heldring. The new League of Nations, which had been established nine months earlier as part of the Treaty of Versailles, called a conference to discuss solutions to the monetary problems. However, all of these efforts came to nought as especially France and the United States were unwilling to discuss either the reparations or inter-allied debts.[107]

As Vissering and his friends sought solutions through international cooperation, Dutch businessmen looked for a unilateral solution to the immediate problems at hand. The Dutch economy was not only hampered by the loss of the German export market, it also faced an acute and desperate need for coal. All European countries were struggling with shortages of coal, and it seemed at the time, that this would remain a problem in the foreseeable future.[108] Prior to the war, the Netherlands had used some seven million tonnes of coal each year, mostly from Germany. In 1919, only one million ton had been delivered. Should any less have been delivered, Dutch industry and shipping would have been forced to stop their activities.[109] At that moment, the Dutch government was approached by the German government with the request for a substantial credit. With the existing treaty, that guaranteed the imports of German coal set to expire in December 1919, the Dutch were highly motivated to come to an agreement. Furthermore, the agricultural exports to Germany – its main export market – had declined to a bare minimum.

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[107] Ernst Heldring, *Herinneringen en dagboek van Ernst Heldring (1871-1954) Uitgegeven door Dr. Joh. De Vries. Eerste deel* (Groningen 1970) 344-345; J.Th.M. Houwink ten Cate (ed.), *Bruins' Berlijnse besprekingen Een selectie uit het archief van prof. mr. dr. G.W.J. Bruins, in het bijzonder de jaren 1924-1930* (The Hague 1989) 8-14; Houwink ten Cate, *De mannen van de daad*; See also: F.A.G. Keesing, *De conjuncturele ontwikkeling van Nederland en de evolutie van de economische overheidspolitiek 1918-1938* (Utrecht 1947).

[108] 'Handelskroniek', *De Economist*, Vol.68, No.1 (December 1919) 631-634.

[109] NL-HaNA, Cie. Nederlands-Duits Kredietverdrag, 2.08.26, inv.nr.1, Verslag Vergadering 23 Dec 1919 tussen de Duitsche regeringscommissie voor de leeningsonderhandelingen in Den Haag en de Nederlandsche regeeringscommissie. Statement by mr. Fentener van Vlissingen of the *SHV*. His company was the Dutch distributor for the Rhenish-Westphalian Coal Syndicate.

This was even more of a problem, as the Dutch wartime stocks of foodstuffs were no longer needed and threatened to spoil in Dutch warehouses.

As desperate as the Germans were for foreign credits, they were by no means dependent upon the pure good will of the Dutch. In the negotiations for the treaty, they were able to get the Dutch to agree to pay a high price for German coal by pointing to the fact that even in Germany, there was a shortage of coal, and that to German industry, coal was even more important than credits.[110] The Dutch negotiators seemed rather ill-prepared for the negotiations. Not only were they unable to counter the German arguments effectively, just days prior to the signing of the treaty, it turned out that they had forgotten to include the condition that the raw materials that were to be purchased should be shipped over Dutch ports.[111] The Germans immediately countered by reminding the Dutch of the ethical grounds they had always said were the foundation of the treaty: the rebuilding of the German economy. In the end, the German negotiators complied with a rather vague clause, stating that Dutch ports would be used, unless this was directly to the detriment of German ports. On 11 May 1920, the Dutch and Germans signed a treaty in which the Dutch government granted the German government a credit of ƒ 200 million at 6 per cent interest.[112] This credit consisted of two parts. The first part was a ƒ 60 million credit for the import of Dutch foodstuffs, to be paid off by deliveries of coal. The second credit, available until 1929, was a revolving credit of ƒ 140 million, for the purchase of raw materials on the world market. A German *Treuhandverwaltung für das deutsch-niederländische Finanzabkommen* (*Tredefina*) – Trust Organisation for the German-Dutch Finance Agreement – supervised by a Dutch official commissioner, would use these ƒ 140 million to grant credits to German export-oriented industries to finance their raw materials. Once the products produced with these raw materials had been sold abroad, these firms would repay these loans in foreign currency. All credits had to be repaid within a year. As this was a revolving

[110] NL-HaNA, Cie. Nederlands-Duits Kredietverdrag, 2.08.26, inv.nr.1, Various reports on the negotiations for the Coal and Credit Treaty.
[111] NL-HaNA, Cie. Nederlands-Duits Kredietverdrag, 2.08.26, inv.nr.1, Vergadering 6 Mei 1920 tussen Duitsche Regeeringscommissie en Nederlandsche regeeringscommissie.
[112] For an extensive overview of the realization of the Coal and Credit Treaty: Ries Roowaan, *Im Schatten der Großen Politik. Deutsch-Niederländische Beziehungen zur Zeit der Weimarer Republik, 1918-1933* (Münster 2006) 82-94.

credit, once the loans were repaid, the money became available for new credits again.

Not everyone in Dutch business, banking, or politics, was in favour of the new credit. This was not because they were opposed to lending to Germany – quite to the contrary – the need for a German economic recovery and thus the granting of credit was universally recognized. The objections of Vissering were obvious: the treaty threatened to interfere with his plan for coordinated international credits on a much larger scale.[113] Furthermore, as president of the *Nederlandsche Bank*, he was concerned that the credit would stress government finances and thus the stability of the guilder.[114] That the credit was supported by a German collateral in the form of ƒ 200 million worth of German treasury bonds, was thus beside the point. Other objections were heard in Dutch industrial circles, where many feared that the credit would basically aid the German industry in its competition with Dutch companies, which already had a hard time in competition due to the German depreciations. Yet even an opponent, such as Ernst Heldring, was swayed by the importance of promoting the granting of international loans to Germany, as well as the necessity of securing coal deliveries.[115]

The government, most public servants involved in the realization of the treaty, and representatives of trade and industry involved, were of the opinion that securing the Dutch coal supply for the next four years was worth the high price.[116] Furthermore, time and again the importance of the German hinterland was stretched. Within a few years, criticism grew as already by December that year – far sooner than expected – the coal shortage was solved and the price of German coal deliveries under the treaty became relatively more expensive.[117] As at the same time, the competition with the German industry on the Dutch home market intensified because of the continued depreciation of the Mark, more and more

[113] Heldring, *Herinneringen en dagboek, deel 1*, 345.
[114] NL-HaNA, Cie. Nederlands-Duits Kredietverdrag, 2.08.26, inv.nr.1, Vergadering 3 Februari 1920, 10.30 op het departement van Buitenlandsche Zaken, over ontwerp verdrag met Duitschland inzake kolen en crediet.
[115] NL-HaNA, Cie. Nederlands-Duits Kredietverdrag, 2.08.26, inv.nr.1, Vergadering Dinsdag 15 Juni 1920 op het departement van Buitenlandsche Zaken, betreffende Crediet- en kolenovereenkomst met Duitschland.
[116] Idem.
[117] Archief DNB 7/265/1 Duitsland, Tredefina I, Algemeen. Vergadering Commissie van Advies, 20-12-1920.

people started to doubt the wisdom of financing one's competitor.[118] Given the continued worsening of the German economic situation, and despite the Dutch sacrifice, it is hardly surprising that the Dutch perception changed.

For their part, the Germans extensively voiced their appreciation of the Dutch credit, in both newspaper interviews and private correspondence. In November 1922, *Reichskanzler* Joseph Wirth wrote Central Bank President Vissering to express his gratitude, once more stressing the importance of the credit to the German economy and emphasizing that it fully met its intended goal.[119] The *Reichsverband der deutschen Industrie* – the German Association of Industry – wrote a letter stating the same, and added that the close ties of the Netherlands to all branches of the German economy meant that the credits to German industry would ultimately help the Dutch as well.[120] Regardless whether the treaty had been a success, during the years to come, it would play a vital role in Dutch-German trade negotiations.

The second wave of German investments

After its low point in March 1920, the real exchange rate of the Mark showed a strong resurgence, rising to 48 per cent of its pre-war value within a year.[121] The recovery of the German currency lasted until the summer of 1921, after which inflation would steadily worsen again. By the summer of the next year, inflation had turned into hyperinflation, a situation that would continue until the stabilization in November 1923. Under these conditions, it was impossible for companies to buy raw materials, manufacture and sell a product, and win back their costs, let alone make a profit. Considering these developments – illustrated in graphs 3.2 and 3.3 – it is not surprising that by the spring of 1922, the steady growth of German companies in the Netherlands gave way to a second wave of start-up companies. The German

[118] Idem. See also the lobby by the Dutch oil-industry, in NL-HaNA, Cie. Nederlands-Duits Kredietverdrag, 2.08.26, inv.nr.22, various documents.
[119] Archief DNB 1.121/245/1, DNB, correspondentie met G. Vissering, allerhande onderwerpen: BIB, Reichsbank, kredieten Oost-Europa. Letter by the Reichskanzler to Vissering, dated 1 November 1922.
[120] Archief DNB 1.121/245/1, DNB, correspondentie met G. Vissering, allerhande onderwerpen: letter by the chairman of the *Reichsverband der deutschen Industrie* to Vissering, dated 1 November 1922.
[121] Klemann, 'German-Dutch monetary relations.'

banks that had been established during the first wave, now facilitated the creation of many of these new companies, although Dutch middlemen, such as Amsterdam the lawyers and financiers G. Hymans and A.E. von Saher, also were active in this field.[122] Whoever facilitated the process, the procedure was usually the same: between the client and the newly formed company, a standalone company was placed, so that any link between the actual founder and the new company was obscured.[123]

Dutch reactions to the German crisis

By 1920, Dutch industry was hard hit by the inflation in Germany. The German industry was able to produce at far lower cost than the Dutch, due to the slow catch-up between the nominal exchange rates and the internal German price level, which was partly a result of the large-scale speculation in Marks by especially the Dutch and the Americans.[124] Naturally, the Dutch industry reacted with a call for protection against what they called the dumping of German goods on the Dutch market, but initially they failed to mobilize public opinion on the matter. In fact, newspapers pointed out that there was little the Germans could do, as whatever they did, someone would complain. Germany had to choose between two evils, they explained to the public. When exporting at inland prices, they were dumping according to Dutch criticisers, when exporting their goods at world market prices they were accused of profiting off of the inflation.[125] In Germany, there had been growing resistance against what was called the *Verschleuderung deutscher Ware* – the selling-off at bargain prices of German goods to greedy foreigners. Many Dutchmen, for instance, took advantage of the unprecedented purchasing power of the guilder to buy cheap books, pianos, works of art, cars et cetera in Germany.[126]

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[122] BArch R 3101/20210 fol.45-47 Deutsches General-Konsulat für die Niederlande, Amsterdam, to the Auswärtige Amt, Berlin. 23-3-1922.

[123] BArch R 3101/20210 fol.45-47 Deutsches General-Konsulat für die Niederlande, Amsterdam, to the Auswärtige Amt, Berlin. 23-3-1922. Fol. 47 provides an interesting diagram, detailing the links between banks, administration offices, and newly founded companies.

[124] Scott Mixon, *The Foreign Exchange Option Market, 1917-1921* (Unpublished manuscript, April 2011) http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1333442 (11 October 2012).

[125] ''t Is ook nooit goed.' *Het Centrum* 03-01-1920 Dag; 'Schetsen van de Geld- en Fondsenmarkt.' 26 November – 3 December.' *Nieuwe Rotterdamsche Courant*, 05-12-1920, Ochtend.

[126] 'De internationale economische toestand.' *Het Centrum*, 03-01-1920 Dag; 'Het koopen door Nederlanders in Duitsche grensplaatsen.' *Algemeen Handelsblad*, 21-02-1920.

The more enterprising amongst them made regular business trips to acquire anything that might be profitable on the Dutch market. Newspapers mention people from all walks of life – from paperboys to flower bulb traders and book and art dealers – trading wholesale in anything from bathtubs and dining room interiors to traction engines.[127]

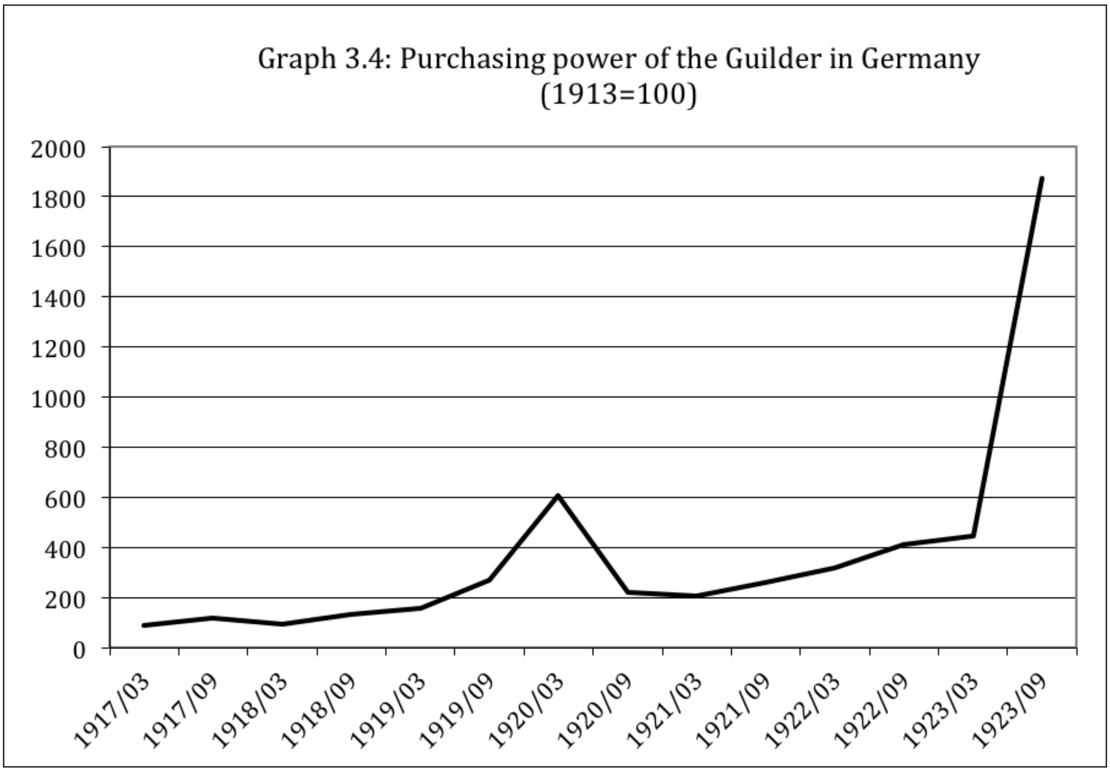
Already in 1919, the German government had reacted by reinstating the wartime trade controls, regulating imports and exports. From then on, export was only possible with special permission and at certain prices – which were still highly competitive on foreign markets. This then resulted in complaints from abroad that the prices that had to be paid for German goods were higher than they were in Germany itself. Of course this also led, in turn, to smuggling. The reinstatement of import controls meant that now the only goods eligible for importation were the basic necessities for the livelihood of the population, and those products that were needed by German industry or agriculture and could not be substituted by German-made products. Naturally, Dutch agricultural exports were for the most part exempt, while the products of Dutch export-oriented industry mostly were not. However, this was somewhat of a moot point: exports were lessening as the declining exchange rate of the Mark made Dutch products relatively expensive. Dutch industry had to find other ways to retain the important German market. This is where Dutch industry was in a better position than agriculture. Flushed with funds and profiting from the high purchasing power of the Dutch guilder in Germany (Graph 3.4), Dutch industry either bought existing factories or erected new ones in the neighbouring country, deftly combining the evasion of import restrictions and the benefits of cheaper production.

This route was most successfully taken by Dutch margarine producers, primarily the firms of Van den Bergh and of Jurgens, who in 1929 would merge with the British firm of Lever brothers into Unilever. By the end of 1921 these Dutch firms were reputed to produce over 80 per cent of the total German margarine. They even exported German margarine to the Netherlands. The same happened with chocolate and cocoa factories, and in the cigar industry. According to a report by a Dutch

[127] 'Onze handel met Duitschland.' *Algemeen Handelsblad*, 11-01-1920 Ochtend. Traction engines – in Dutch: locomobielen – are steam-powered mobile generators that were mostly used in agriculture.

expert in the German archives the Dutch investments in Germany, as well as the move into the processing trade, were direct reactions of the Dutch economy to the German trade controls.[128] Another method to circumvent trade controls, which both German and Dutch companies practised, was by moving into the processing trade: manufacturing finished goods from semi-manufactured goods, semi-manufactured goods from raw materials, or even merely upgrading semi-manufactured goods. The factory of Thyssen in Hamborn, near Duisburg, for instance, received permission to import coking coal from the United States to produce cokes. After the coking process, these cokes would be exported again, as their price was too high for the German market. All this would be done free of charge to the owner of the coking coal, but because of the value of the by-products of the coking process (gas, tar, benzene, ammonia salts), the plant could produce without losses. Furthermore, it would allow Thyssen to restart production of some of its coking ovens, of which 345 out of 883 were now out of commission due to lack of coal. What is particularly interesting is that Thyssen declared it would buy these coking coals from ‘a Dutch company, the Vulcaan Coal Company’.[129] In fact, this firm was just one of many the Dutch firms that were part of the Thyssen concern.

[128] BArch R 3101/2738 fol.254-263 Report by a Dutch expert on the reaction of the Dutch economy to the German trade controls, relayed by the Auswärtiges Amt to the Reichswirtschaftsministerium, Berlin, 15-12-1921.
[129] BArch R 3101/20576 August Thyssen-Hütte, Gewerkschaft Hamborn to the Reichskommissar für die Kohlenverteilung, Abteilung Einfuhr, 23-8-1920 Betr. Verkokung amerikanischer Kokskohlen; BArch R 3101/20576 Reichskommissar für die Kohlenverteilung to Reichsfinanzministerium, 27-8-1920; BArch R 3101/20576. Reichsminister der Finanzen to Reichskommissar für die Kohlenverteilung, 10-9-1920.



Sources: CBS, *Jaarcijfers voor Nederland 1924/1925* (The Hague 1926); CBS, *Tweehonderd jaar statistiek in tijdreeksen, 1800-1999* (Voorburg 2001); A. Maddison *Dynamic forces in Capitalist Development. A long-run comparative view* (1991 Oxford); Own calculations.[130]

According to a Dutch contemporary source, the Philips light bulb factory used similar tactics to supply the German market through German factories.[131] Thus, inflation not only drove German companies to invest in the Netherlands, it also led to a stream of investments in the opposite direction. Initially, German banks and trading companies used the Netherlands as a neutral business outlet for German imports and exports, while the Dutch had mainly invested in all aspects of production in Germany, from coal mining to margarine. The post-war economic troubles in Germany disrupted normal economic relations, yet due to these extensive mutual investments in transport, trade and industry, Dutch-German economic relations even became closer than before. When in 1925 the Germans implemented their new trade policy, this would herald yet another wave of Dutch investments in Germany, as Dutch business sought to circumvent the radically raised tariffs. As the prime motivation had changed to evading trade barriers, this process is described in the next chapter.

[130] Data received from Hein Klemann.
[131] BArch R 3101/2738 fol.254-263 Report by a Dutch expert on the reaction of the Dutch economy to the German trade controls, relayed by the Auswärtiges Amt to the Reichswirtschaftsministerium, Berlin, 15-12-1921.

According to Richard Kiliani, the German Consul General in Amsterdam, the Germans were, due to the combination of Dutch financial services and the large scale founding of German daughter companies in the Netherlands, by the summer of 1920, 'extraordinarily dependent on Holland'.[132] In fact, Kiliani, who would in 1922 published a book on the banks in Amsterdam and the economy of Central Europe, continued, 'the Guilder is already, if you wants to express it like that, Germany's gold-backed currency, and after all we are basically returning to the world market under the Dutch flag.'[133] Four years later, in February 1924, Hermann Prince von Hatzfeldt, who had succeeded Kiliani as German Consul-General in Amsterdam, submitted a confidential report on the international position of the Amsterdam financial markets, and its importance to Germany. He concluded 'that today it can be regarded as one of the major foreign exchange markets in the world, as the most important foreign base of the German banking world, as one of the prime wool trading markets of the continent, as centre for the financing of raw materials for the German industry, as the seat of the most important international banks for Central Europe.' [134] According to Hatzfeldt, Amsterdam's role was changing: 'In 1919, it was necessary to rebuild the bridge connecting Germany with the world, which had been disconnected by the war. Today the task of Holland is more significant: it provides the large hinterland with loans from all major countries, in order to overcome the worst crisis the German economy has faced since the existence of the *Reich*.'[135] Now that stabilization of the German currency had proved durable and the Dawes-plan was a success, an immense stream of credit flowed into Germany. But although Germany was no longer solely dependent on the services of the Amsterdam financial centre, the links between the two would – as Hatzfeldt predicted – remain strong.

[132] BArch R 3101/2736 fol.166-167 Kiliani, Deutsches Generalkonsulat, Amsterdam, to the Auswärtige Amt, Berlin. Absolutely secret! 18 Juni 1920.
[133] Idem; See: Richard Kiliani, *Die Großbanken-Entwicklung in Holland und die Mittel-Europäische Wirtschaft* (Amsterdam 1921).
[134] BArch R 3101/20210 Fol. 196-200, Confidential report on the Amsterdam financial market by Prinz Hatzfeldt, Deutsches General-Konsulat, Amsterdam, to the Auswärtige Amt, Berlin. 27 February 1924.
[135] Idem.

3.6 The development of the Amsterdam capital market

During the latter parts of the 1920s, German companies would be active on the Dutch capital market. The first post-war years though, foreign issues were rare (Table 3.3). Domestic issues however, showed a flurry of activity. Many Dutch bonds were issued as the Dutch economy expanded and the government sought to finance its debts which had grown considerably during the war.[136] The new German banks were very active in this market, being especially interested in Dutch government bonds. These banks were considered to be responsible for the success of the many Dutch issues done in the years immediately after the war.[137] As the global economic crisis of 1920 set in, however, the activity on the capital market was cut short. Although between 1920 and 1924 there were some foreign emissions, it was only with the end of the crisis and the re-adoption of the gold standard in 1925 by a number of countries, among which the Netherlands and Great Britain, that the international capital market expanded significantly (Table 3.3). While the Amsterdam capital market would remain significantly smaller than those of London and New York, throughout the period 1922-1930 the volume of international emissions in Amsterdam was substantially larger than in the Paris or any other continental capital market.[138] Until 1928 France had a law forbidding the export of capital. After this was repealed, some foreign issues were floated in Paris, but nonetheless its importance as an international capital market was still considerably less than Amsterdam's. With regards to German bonds – almost no German shares were issued here – Amsterdam even was an important competitor to London, and in 1926 and 1927 significantly more German bonds were issued in Amsterdam than in the British financial centre.[139] Apart from German, a growing number of bonds and stocks from other countries were placed in the Netherlands as well. Between 1926 and 1928 – the heyday of Amsterdam as an international financial centre – 40 per cent of the foreign issues offered were of German origin. France (14 per cent), Belgium (10 per cent), and the United States (7 per cent) were of far lesser

[136] Archive DNB, 2.3/544/1, Kapitaalmarkt/emissies te Amsterdam. Report 'The Dutch Capital Market 1925-1928', dated 9 January 1929; Renooij, *De Nederlandse emissiemarkt*, 108-109.
[137] Tetrode, 'Het Buitenlandsch Kapitaal in Nederland', 86.
[138] Hartmann, *Amsterdam als financieel centrum*, 174.
[139] Idem, 26.

importance.[140] These foreign issues usually offered a better return than the Dutch ones. This not only drew foreign capital, but attracted Dutch investors as well. As a result, they were often greatly over-subscribed.[141] Unfortunately no statistical data on the amount and origin of issues in Dutch possession have ever been collected for this period, apart from an investigation done by *De Nederlandsche Bank* in 1933.

Table 3.2: *German issues placed in the Netherlands, by currency. Jan. 1925 - March 1928*

Year	Each currency converted to millions of guilders							Total
	Dutch guilders	US dollars	Pounds	Gold-mark	Renten-mark	Reichs-mark	Swiss Francs	
1925	14.9	54.0	12.1	0.7			3.9	85.6
1926	24.4	82.7	12.7	3.6	14.8		3.4	141.6
1927	34.3	43.3		13.0	1.2	19.3	2.9	114.0
Jan-Mar 1928	11.4	9.3		10.1	0.6	14.2		45.6
Total	85.0	189.3	24.8	27.4	16.6	33.5	10.2	386.8

Source: Archive DNB; 2.3/3053/1; Duitse emissies in Nederland. Notes by Vissering to Morgan, detailing the German issues placed each month; *Economisch Statistische Berichten*, various reports on currency rates (1925-1928); Own calculations.

The central bank inquiry form received over 47.500 replies, stating the nominal value of the German bonds in Dutch possession at ƒ 431 million, plus shares with a total nominal value of ƒ 263 million.[142] According to some, Amsterdam functioned to a large degree as a clearing house for foreign issues, which attracted mostly foreign money. In this scenario, the Dutch would have had to acquire a large part of their foreign assets abroad.[143] From the inquiry by the central bank it is clear that the estimate by Theodor Metz that about 75 per cent of these German issues remained in Dutch hands is probably correct.[144] As the German hyper-inflation had made all older bonds worthless, all German bonds placed in the Netherlands were dated after this financial crisis. Consequently, the German bonds in Dutch possession were probably issued in Amsterdam after 1924. Of the German issues from 1926 up to and including 1928, over 51 per cent were done by industry, with banks – including mortgage banks – a distant second at 28.4 per cent. The bonds issued by the

[140] Rotterdamsche Bankvereeniging, *Monatsbericht No.2* (February 1928), 40-41; Idem, (February 1929), 37-38; Own calculations.
[141] Schmitz, *Der Amsterdamer Geldmarkt*, 44.
[142] De Nederlandsche Bank N.V., *Verslag van de Nederlandsche Bank N.V. over het boekjaar 1933-1934, uitgebracht in de algemeene vergadering van aandeelhouders op 12 juni 1934* (Amsterdam 1934) 21.
[143] *Rapport der commissie van advies inzake de toelating van buitenlandsche emissies* (The Hague 1927) 18.
[144] Metz, *Die Niederlande als Käufer*, 18.

German state, its constituent states and local government comprised 13.7 per cent of the German issues in Amsterdam during the period.[145]

Table 3.3: *Bonds and stocks issued in the Netherlands 1918-1933*

Year	In millions of guilders			In percents of total emissions	
	Netherlands and colonies	Foreign bonds and stocks	Total	Netherlands and colonies	Foreign bonds and stocks
1918	663	0	663	100	0
1919	1210	0	1210	100	0
1920	1214	2	1215	100	0
1921	500	18	518	97	3
1922	448	22	470	95	5
1923	299	11	310	96	4
1924	394	49	443	89	11
1925	233	156	389	60	40
1926	264	301	565	47	53
1927	210	380	590	36	64
1928	429	377	806	53	47
1929	402	162	56	71	29
1930	439	251	690	64	36
1931	265	42	307	86	14

Source: D. C. Renooij, *De Nederlandse emissiemarkt van 1904 tot 1939* (Amsterdam 1951) 100; Own calculations.

The capital export that resulted from the extraordinarily high number of foreign emissions – in 1926 and 1927 foreign emissions surpassed domestic emissions, and many of these were in foreign currencies (tables 3.2 and 3.3) – was a matter of some concern for both *De Nederlandsche Bank* and the Dutch government. Already in November 1925, an 'advisory committee on the admissibility of foreign emissions' was therefore called into being, which delivered its report nineteen months later. As was to be expected, the report argued that the free movement of capital was essential for international payments, which – considering the importance of international trade for the Dutch economy – should not be hampered in any way. Furthermore, the effectiveness of a ban on foreign emissions was questioned, since

[145] Rotterdamsche Bankvereeniging, *Monthly Review No. 2* (February 1928) 40-41; Rotterdamsche Bank-vereeniging, *Monthly Review No. 2*, (February 1929), 37-38; Own calculations. It should be noted, that these years do not include the issue of the Dawes, nor the Young loans. These loans were issued before and after this period, respectively.

bonds could always be acquired abroad.[146] Other ways of establishing a measure of control were ineffective. Neither the *Nederlandsche Bank* nor the *Vereeniging voor den Effectenhandel* – the Association that regulated the Amsterdam Stock Exchange – had any real influence on the issues that were floated on the Amsterdam market, as the *Vereeninging* could only deny an official quotation on the stock exchange, while the Central Bank could refuse issues as collateral for loans. Since issues that were not accepted for notation on the exchange found a substantial unofficial market in Amsterdam, the effect of such a refusal was limited.[147] While its refusal to ban foreign emissions indicates the importance of foreign trade, only the promotion by the Dutch government of the issues placed in Amsterdam as part of the 1924 Dawes-plan clearly demonstrates that the government tried to steer the capital market towards financing German economic recovery.[148] The promotion of these loans was successful: after the United States, Great Britain, and France – who for political reasons took a large share – the Dutch were the largest participants in both the 1924 Dawes and the 1929 Young loans.[149]

[146] *Rapport der commissie van advies inzake de toelating van buitenlandsche emissies*, 8, 18.
[147] Hartmann, *Amsterdam als financieel centrum*, 86.
[148] 'Pleidooi voor opname Duitsche emissies in notering prijscourant Vereeniging voor de Effectenhandel.' *Supplement Algemeen Handelsblad*, 26 September 1925.
[149] Hartmann, *Amsterdam als financieel centrum*, 26-27.

3.7 The development of the Amsterdam money market

Much more than the capital market, the money market shows the extent of the economic bonds between the Netherlands and Germany. It is here, that trade relations and related activities express themselves in short-term credits. The overall volume of the short-term credits and the answer to the question who provided them to whom, offer a detailed insight in the nature of the economic relations between Germany and its creditors. Therefore, it is a pity that the full extent of Germany's financial obligations was only recorded, when the country was in the midst of a deep depression, and its trade had plummeted. Only the July 1931 *Stillhalte-Abkommen,* a moratorium agreement between Germany and its foreign creditors to reduce interest payments and stop repayments completely for a limited, but in fact every time extended period, was the reason that such an overview was needed.

According to the ensuing report, after the United States, the Netherlands was Germany's largest short-term creditor. Most – 67 per cent – of the Dutch short-term credits to Germany were from Dutch banks and non-banking companies to German non-banking companies, implying that these credits were used to finance real economic transactions. For the other major creditors, the United States and Great Britain, this was 28 per cent and 40 per cent respectively.[150] Whereas American banks had predominantly furnished loans to German banks – which had used much of these to provide long-term loans within Germany – Dutch banks directly financed the German industry, agriculture, and trade. In these aspects, the Dutch were by far Germany's most important creditor (Table 3.4). The same applies to the loans from foreign companies to German companies: again in this type of loans the Dutch were by far the most important creditors to Germany. In other words, much more than any other country, money from the Dutch money market was used to actively promote German economic activity that was of benefit to the Dutch economy, which to a great extent relied on exports and transit shipping to and from Germany. By furnishing these loans, Germany could import products from the Netherlands and the Netherlands East Indies (Indonesia), while German industry

[150] Archive DNB, 2.3/501/1 Duitschlands schulden. German Report 'Aufteilung der kurzfristigen ausländischen Kredite an Deutschland nach Gläubigern, Schuldnern und Ländern (Stand v. 28.Juli 1931)', dated 10 December 1931; Own calculations.

was enabled to import the raw materials it needed, which were mostly shipped through Rotterdam and from there were transported to the Ruhr by Rhine barge or train.

Table 3.4: *Germany's short-term debt by most important creditors. 28 July 1931, in million RM.*

	Netherlands	USA	UK	France	Switzerland
Foreign banks to:					
German industry, agriculture, trade	793	389	506	50	507
German banks	458	1724	1083	279	621
German government bodies	18	116	65	24	63
Reichsbank and *Golddiskontbank*	0	210	21	5	0
Total	1269	2439	1675	358	1191
Foreign trade and industry to:					
German trade and industry	587	491	318	163	333
German banks	189	201	38	128	325
Total	776	692	356	291	658
Other foreign creditors to German debtors	24	12	23	7	29
Total sum	2069	3143	2054	656	1878

Sources: Archive DNB, 2.3/501/1 Duitschlands schulden, German Report 'Aufteilung der kurzfristigen ausländischen Kredite an Deutschland nach Gläubigern, Schuldnern und Ländern (Stand v. 28. Juli 1931).' Dated 10 December 1931.

Given the importance of acceptances in financing international trade and the volume of the Dutch acceptance market, it is therefore of interest to examine in some detail the developments the growth of the acceptance market, the role of German banks in this development, and the policy of the *Nederlandsche Bank*.

The foreign exchange market

A prerequisite for a flourishing acceptance market is the existence of an active currency market, because unless both buyer and seller are using the same currency, there will have to be a moment when currencies are converted. Before the war, there had been no Amsterdam currency market of any importance. However, due to the combination of post-war monetary instability and the volume of the Dutch money market, such a market, where the German Mark was actively traded, came into being.

Because of the diminishing activity of Dutch trade and industry during the war, account balances had grown considerably.[151] As these deposits could be requested at any moment, the banks were in dire need of short-term investments. During the first post-war years, some of these were found in speculation *à la hausse* – bull speculation – in the German Mark, which was steadily decreasing in value, but for some time would not yet be destroyed as a currency. In the Netherlands, speculators thought over and over again that this time, the German currency had hit rock bottom and would start to rise again. That such an important nation would accept without any resistance a complete and utter collapse of its currency, was simply unthinkable.[152] Some economists were hopeful as well. Up to April 1923, they were still seeing an increased business activity in Germany, although it was conceded that this did not lead to greater national prosperity, and the opinion was expressed that 'the strength of resistance to the occupation of the Ruhr does not support the view that Germany has been on the verge of a complete economic collapse.'[153] This conviction made speculation in Marks popular, not just in the Netherlands, but also in countries like Denmark or the United States.[154] Dutch civilians from all walks of life as well as banks bought large amounts of Marks, which the German banks were only too willing to sell, as both they, and the German population expected the Mark to decrease still further in value.[155] Therefore, Germans were speculating *à la baisse* – bear speculation – on a similar large scale as some foreigners were speculating on a recovering of the Mark. With an estimated

[151] 'Onze groote banken in 1918 en de voorafgaande 5 jaren.' *In- en Uitvoer. Handels-economisch maandblad voor Nederland en zijne koloniën* (23 July 1919); Rotterdamsche Bankvereeniging, 'Development of Dutch Banking Business, part II.' *Monthly Review* (October 1920) 25-29; Hartmann, *Amsterdam als financieel centrum*, 23.

[152] A. Frankfurther, *In klinkende munt. Herinneringen van een bankier* (Amsterdam 1961) 50.

[153] Joseph S. Davis, 'Economic and Financial Progress in Europe.' In: *The Review of Economics and Statistics*, Vol. 5, No. 2 (Apr., 1923), 79-113, here 80.

[154] 'De koers van de mark.' *Het Vaderland*, 27-06-1920, Ochtend; Mixon, *The Foreign Exchange Option Market, 1917-1921*.

[155] Frankfurther, *In klinkende munt*, 50; 'De Markenkoers.' *H.D. de Vos' Wekelijksch Uitlotingsblad* (1 Sept. 1921); 'De dalende mark. Hoog-conjunctuur en beurswinst.' *De Telegraaf* (4 October 1921); 'De groote uitverkoop.' *Algemeen Handelsblad* (Avondblad 19 Nov. 1921); *Economisch Statistische Berichten*, 25 April 1923.

daily trading volume in Marks of 5 million pounds – over ƒ 60 million –, the Amsterdam currency market suffered tremendous losses.[156] This trading volume was not entirely due to the German banks: several central banks from Central Europe maintained large balances in Amsterdam to support their exchanges.[157] As the currency market – and the use of currency options to safeguard against the then oftentimes wildly fluctuating currencies – was exceedingly important for the development of the burgeoning acceptance market, the *Nederlandsche Bank* was also actively involved, using a substantial portfolio of foreign acceptances and currency in order to restrict sudden fluctuations in the exchange rates.[158]

The acceptance market

The popularity of acceptances had started to grow during the war, causing the president of the *Nederlandsche Bank* to conclude in June 1917: 'The Dutch florin has assumed a far greater significance on the international money and bill market, and this fact will come into even greater prominence when at the conclusion of the peace the international bill market has recovered its freedom of movement on all sides.'[159] He would turn out to be right, even though the 'freedom of movement on all sides' did not to apply to Germany. On the contrary, the Dutch acceptance (or bill) market would even gain extra impetus because of the restricted German access to other international money and capital markets. As a consequence, during the latter half of the 1920s, acceptances comprised about 30 per cent of the volume of the money market.[160] According to the director of the Amsterdam German bank *H. Albert de Bary & Co.*, 75 per cent of all acceptance credits were to German debtors.[161] When comparing the statistics of the Netherlands bank with the statistics given in reports on German debts at the time of the *Stillhalte*, this percentage seems

[156] Christoph Kreutzmüller, *Händler und Handlungsgehilfen. Der Finanzplatz Amsterdam und die deutschen Großbanken (1918-1945)* (Stuttgart 2005) 38; Houwink ten Cate, *Bruins' Berlijnse besprekingen,* 6.
[157] Madden, Nadler, *International Money Markets*, 466; Hartmann, *Amsterdam als financieel centrum*, 24.
[158] Archive DNB, 2.3/63/1, De Amsterdamse wisselmarkt. Report with the same title by G. van Buttigha Wichers of the Nederlandsche Bank on the Amsterdam foreign exchange market, June 1928; Hartmann, *Amsterdam als financieel centrum*, 60-62, 112-113.
[159] G. Vissering, 'The Netherlands Bank and the War.' *Economic Journal*, Vol. 27, No. 106 (June, 1917) 159-186, there 186.
[160] Schmitz, *Der Amsterdamer Geldmarkt*, 7; Hartmann, *Amsterdam als financieel centrum*, 47-49.
[161] Houwink ten Cate, 'Amsterdam als Finanzplatz Deutschlands', 178.

credible. Furthermore, among the Dutch business community, credit on *prolongatie* – a renewable loan using stocks as collateral – remained the financial instrument of choice, comprising 40-50 per cent of the money market.[162]

The development of the acceptance market was for a large part the result of the policy of the *Nederlandsche Bank*. This institution not only strived to maintain a low and stable discount rate compared to competing financial centres, it also regulated the growth of the acceptance market.[163] To do so, it had two official instruments: firstly, it could decide which banks were allowed to rediscount, i.e. sell their acceptances to the bank. Normally, the banks were limited by their liquidity, the ratio of obligations to pay and the capability to do so, in the amount of acceptance credit they could grant. The option of rediscounting acceptances at the *Nederlandsche Bank* removed this limitation to a much higher level. The added security offered by the central bank transformed them into beloved instruments for short-term investments by the general public. Banks whose acceptances were eligible for rediscounting were thus able to resell these to the public, freeing money to grant new acceptances. As long as sufficient interest existed in acceptances as investment, this market was able to expand. Those banks whose acceptances were declared eligible for rediscounting – i.e. whose acceptances were bankable – were limited to a maximum amount payable based on the ratio between acceptances and the banks' own capital. This ratio – the second policy instrument of the *Nederlandsche Bank* – was not a given, but depended on the risks involved with a particular portfolio. When the market was perceived to be instable, or when either individual portfolios or the market as a whole focussed too much on a particular commodity, the bank would adjust the ratio.[164]

From the start, the policy of the *Nederlandsche Bank* was geared towards maximizing the use of the acceptance market to further Dutch economic interests. This is evident both from its promotion of reimbursement credits and from its policy regarding the eligibility for the rediscounting of acceptances. When in 1917 the acceptances created by Dutch banks were declared bankable, this was subject to

[162] Schmitz, *Der Amsterdamer Geldmarkt*, 7, 22.
[163] G.W.J. Bruins, 'The Netherlands Bank, 1926-7.' *Economic Journal*, Vol.37, No. 148 (Dec., 1927) 672-676, there 675-676.
[164] Hartmann, *Amsterdam als financieel centrum*, 102.

prior consent by the central bank and their benefit to Dutch interests. In April 1922 the first rule in most cases was dropped. The paperwork caused delays that harmed trade as well as the growth of the sector. Only larger acceptances and those of a special nature still needed consent of the central bank.[165] At that time, the German banks in Amsterdam were as well increasingly active on the acceptance market. Their acceptances were not bankable, and thus could not be sold in Amsterdam where there was no market for such non-bankable acceptances. Therefore, these either had to be held in portfolio – limiting the volume of business of these banks – or they had to be sold in London or New York, where there was such a market.[166]

Of course, the German banks, which were formally Dutch as their Amsterdam offices were Dutch *Naamloze Vennootschappen* – limited companies –, approached the *Nederlandsche Bank* with the request to declare their acceptances bankable as well. At first, the bank discussed the matter within its Commission of Advice, where there was consensus that there should be no discrimination against the new banks, as long as they were legally Dutch. Nevertheless, it was concluded that it would be prudent to see how these banks developed and whether they were here to stay.[167] When over a year and a half later again the *Nederlandsche bank* was confronted with requests regarding rediscounting, it decided to ask advice from the Dutch banking community. In a meeting of its Commission of Advice on 15 December 1922, and again on 22 December, the response of the Dutch bank – which was decidedly negative – was discussed.[168] In the judgement of both the Dutch banks and the *Nederlandsche Bank*, to grant the request would at that time not result in an expansion of the acceptance market. As the *Nederlandsche Bank* had no insight into the financial standing and activities of the German banks, the risks also were considered to be too great. In principle though, the majority of the members had no fundamental objections to granting the request at a later date. The following years, the question would arise regularly again, every time resulting in a refusal. The reasons for this varied over time, from an assessment that the Dutch banks had

[165] Archive DNB, 2.3/681/1, Discontering. Declaration by the *Nederlandsche Bank*, 7 Februari; Archive DNB, 2.3/681/1, Standard confirmation to the replies by the individual banks, 7 April 1922.
[166] Schmitz, *Der Amsterdamer Geldmarkt*, 106; Houwink, *Acceptcrediet,* 90.
[167] Archive DNB, inv.nr. 3317. Commissie van Advies, 11 March 1921.
[168] Archive DNB, inv.nr. 3319. Commissie van Advies, 15 Dec. 1922 and 22 Dec.1922.

more than enough capacity to ensure further growth – i.e. the German banks would only provide unwanted competition – to the conviction that the German banks would exclusively use German companies in all aspects related to their acceptances: German shipping companies, insurance, etcetera. An important and probably decisive argument, that the stability of the guilder would suffer because the German banks would work on too large a scale for the Amsterdam market, was shared by the *Nederlandsche Bank*.[169] J.P. van Tienhoven of the *Rotterdamsche Bankvereeniging* was ‘delighted when the German banks established themselves here and he would at this time [March 1923 J.E.] not like to see them leave.’[170] He was however of the opinion that ‘they only help the Amsterdam market, as long as they are prevented from endangering the guilder, in other words: as long as their acceptances are ineligible for rediscounting.’[171] The possibility that these banks would relocate to another country because of the continued refusal was considered to be negligible, as their acceptances would not be bankable there either.[172]

To solve the dilemma, early in 1924, a work-around was constructed: the German banks joined forces with Dutch banks, as well as banks from Switzerland, England and Sweden, and founded specialized acceptance institutions. In January and February 1924, the *Internationale Bank*, the *Nederlandsche Accept Maatschappij*, and the *Internationale Crediet Compagnie* were founded. In October that year, the *Wolbank* followed. The last one was specialized in the financing of the continental wool trade, which had shifted from Antwerp to Amsterdam after the war.[173] The reimbursement credits of these institutions were immediately declared to be eligible for rediscounting. In March 1925, the *Nederlandsche Bank* dropped the requirement that the acceptances eligible to be re-discountable had to further Dutch interests, thus paving the way for further growth. Probably this was done in anticipation of the return to the gold standard in April that year, and of the renewed

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169 Archive DNB, 2.1/18/1, Meeting of the board of the *Nederlandsche Bank* with representatives of the major Dutch banks, 21 March 1923; Archive DNB, inv. nr. 3319 Commissie van Advies, 2 March 1923; Archive DNB, inv. nr. 3319 Commissie van Advies, 23 March 1923.
170 Archive DNB, 2.1/18/1, Meeting of the board of the *Nederlandsche Bank* with representatives of the major Dutch banks, 21 March 1923.
171 Idem.
172 Archive DNB, 2.1/18/1, Meeting of the board of the *Nederlandsche Bank* with representatives of the major Dutch banks, 21 March 1923.
173 Madden, Nadler, *International Money Markets*, 467; Jongman, *Geldmarkt*, 225; Archive DNB, inv. nr. 3319. Commissie van Advies, 30 October 1922.

international competition this would bring. Now, it was merely required that the acceptances would not harm the Dutch interests. In November of the same year, the Bank also recognized the need for a more active role of the bill brokers in order to assure a more even match between supply and demand on the bill market which had been decidedly uneven. It enhanced the possibilities of the bill brokers to borrow money on acceptance credits, thereby enabling them to do more business.[174]

It was in these circumstances, that W. Redelmeier, director of the Amsterdam German bank *H. Albert de Bary & Co.*, decided to use the press as a instrument to get the *Nederlandsche Bank* to declare the acceptances of the Amsterdam German banks eligible for rediscounting. In January of 1926, an article appeared, written by Redelmeier, on the importance of the German banks in Amsterdam for the Dutch financial market.[175] Redelmeier made a thinly veiled argument that the German banks should be allowed to rediscount their acceptances at the *Nederlandsche Bank*. This time, the plea did not fall on deaf ears. Firstly, the article started a broad discussion in the Dutch press. The *Telegraaf* – a liberal-conservative daily newspaper – remarked, for instance, that while the German banks had become an important factor in the Amsterdam financial market, they had done so without unduly competition with the Dutch banks. Yet they were still discriminated, as they could not become a member of the stock exchange and their acceptances were ineligible for rediscounting.[176]

Once again, the *Nederlandsche Bank* decided to do a investigation on the opinions within the banking community.[177] This was followed by a meeting of the board of directors with Redelmeier, who was asked how he envisioned the German banks would be able to promote further growth of the acceptance market.[178] Although the Dutch banks turned out to be still deeply divided on the issue, several influential bankers – most notably C.E. ter Meulen of *Hope & Co.* and A.J. van Hengel

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[174] Archive DNB, 2.12/282/1, Geldmarktbeleid, discontopolitiek faciliteiten aan wisselmakelaars, speciale belenings- en discontofaciliteit. 24 Nov. 1925 and 2 December 1925. Meetings of representatives of Dutch bill brokers with members of the board of the *Nederlandsche Bank*.
[175] W. Redelmeier, 'Die Deutschen Banken in Amsterdam.' In: *Jubileumnummer In- en Uitvoer* (Januari 1926).
[176] *De Telegraaf*, 27 Feb. 1926.
[177] Archive DNB, 2.1/18/1, Reports of meetings of representatives of leading Dutch banks, 5-25 February 1926.
[178] Archive DNB, 2.1/18/1, Meeting of W. Redelmeier with the board of directors of the *Nederlandsche Bank*, 19 Februari 1926.

of the *Rotterdamsche Bankvereeniging* – had changed their position and now were in favour, albeit solely regarding self-liquidating reimbursement credits: acceptances used to pay for goods. The latter was a standard condition for the rediscounting of acceptances with the central bank, but it was suspected that the German banks tried to disguise finance bills as reimbursement credits.[179]

All things considered, the board of the *Nederlandsche Bank* was convinced the measure would indeed promote further growth and on 25 March declared the acceptances of the German banks to be – albeit within certain restrictions – bankable.[180] This may seem to have been unprecedented, as the German banks in London had never been granted this privilege by the Bank of England.[181] It should however be noted, that the German banks in Amsterdam were, with the exception of the Dutch branch of the *Deutsche Bank*, formally Dutch banks, whereas in London the German banks had mostly only had branches. Moreover, because of the volume of the London money market the German banks had never needed this privilege.

Interestingly, due to circumstances beyond the control of the central bank, the rate their acceptance credits commanded on the market was still – and would continue to be – slightly above prime rate.[182] Another year would pass, before in May 1927 the constrictions regarding the rediscounting by German banks were lifted. As of that date, those banks wishing to have the ability to rediscount their acceptances with the central bank, only had to report these. Except for the provisions of the arrangement of April 1922, the acceptance market was now free of limiting regulations. However, all participating banks were allocated a maximum sum of acceptances based on their balance – which they had to provide for inspection – and the precise nature of the acceptances was checked as well.[183] The

[179] Archive DNB, 2.1/18/1, Meeting of C.E. ter Meulen with the board of the *Nederlandsche Bank*, 5 Feb. 1926; Archive DNB, 2.1/18/1, Meeting of A.J. van Hengel with the board of the *Nederlandsche Bank*, 4 Feb. 1926.
[180] Archive DNB, 2.1/18/1, Declaration by the *Nederlandsche Bank*, 25 March 1926.
[181] Archive DNB, 8.2/2060/1 Commissie 11 March 1921, point 2 'Verleenen van faciliteiten aan buitenlandsche Bankinstellingen'.
[182] 'Continental Discount Markets. I. – Amsterdam', *The Economist* (4 October 1930).
[183] Archive DNB, 2.121.3/10/1, Arrangement betreffende discontabiliteit van wissels waaraan goederentransacties met het buitenland ten grondslag liggen. Reports on total acceptances allowed versus actual acceptances in portfolio and on the nature and quality of the material; Archive DNB, 2.3/681/1, Declaration by the *Nederlandsche Bank*, 7 Februari; Archive DNB, 2.121.3/10/1, Standard confirmation to the replies by the individual banks, 7 April 1922.

control by the *Nederlandsche Bank* of both the quality and the maximum volume of the bills in circulation was thus still very much intact.

Table 3.5: *Turnover of acceptances as reported to the Netherlands Bank in million guilders. Index (1922-23 = 100).*

Financial year	Total	Index	Divided by financier, in percentages			
			Dutch banks	Amsterdam German banks	Acceptance banks	Other foreign banks
1922-23	36	100	100	0	-	0
1923-24	35	96	100	0	-	0
1924-25	59	163	95	0	5	0
1925-26	130	360	87	0	10	2
1926-27	369	1019	81	0	15	4
1927-28	710	1960	75	17	5	4
1928-29	708	1954	79	16	3	2
1929-30	799	2207	75	16	2	7
1930-31	724	2000	77	15	6	2
1931-32	376	1040	82	13	4	1
1932-33	215	594	82	12	5	1

Sources: Archive DNB, 2.121.3/10/1, arrangement, betreffende discontabiliteit van wissels waaraan goederentransacties met het buitenland ten grondslag liggen. Arrangement, verstrekte opgaven gedurende een boekjaar. Miscellaneous reports for the period 1922-1933; Own calculations.

Despite the strict policy of the *Nederlandsche Bank*, it is difficult to say just how much of the success of the Amsterdam acceptance market, was due to its policy. The *Bank* wanted to ensure a steady rather than explosive growth, as it regarded stability on the Amsterdam financial market a prerequisite for the long-term establishment of an international financial centre. In 1930, despite the sudden rise of Paris as a financial centre after the stabilization of the Franc in 1926, Amsterdam was the largest international financial centre on the European continent.[184] The conservative policy of the Dutch central bank assured stable foundations for the acceptance market, what was demonstrated in July 1931 as Amsterdam banks remained unshaken when, as a result of the *Stillhalte,* all acceptances and other short-term financial claims on Germany, were frozen.[185] Just how much its policy had actually influenced the growth of the market is another matter.

[184] 'Continental Discount Markets. I. – Amsterdam.' *The Economist* (4 October 1930).
[185] Hartmann, *Amsterdam als financieel centrum*, 102.

When the acceptances that were automatically eligible for rediscounting following the stipulations of April 1922 known as ‘Arrangement 4-22B’ are regarded, the market started to expand during 1924, and reached a new plateau at an annual turnover of on average 735 million guilders a year during the period April 1927-March 1931 (Table 3.5). This was not the turnover of the market as a whole, however. All acceptances used with regards to the financing of seasonal or storage credit, finance bills for companies, or acceptances for large sums had to be approved on a case-by-case basis by the *Commissie van Advies* – Advisory Committee – of the *Nederlandsche Bank*.[186] During the period of the expansion of the acceptance market, these specially approved acceptances remained fairly constant, albeit at a high level (Table 3.6).

Table 3.6: *Acceptances reported to the Nederlandsche Bank. February 1926-April 1929 in million guilders.*

Year	Month	Arrangement 4-22B	Special arrangement	Total
1926	February	45	129	174
	July	62	125	187
	October	72	84	156
1927	January	103	144	247
	April	125	169	294
	July	186	146	332
	October	182	144	326
1928	January	177	145	322
	April	162	137	299
	July	152	124	276
	October	161	124	285
1929	January	161	142	303
	April	224	141	365

Sources: Archive DNB, 2.121.3/0008/1, kredieten waarbij het buitenland betrokken is, N&E kredieten. Various reports, February 1926-April 1929; Own calculations.

Given the fluid nature of the money employed on the money market, and the acceptance market in particular, the interest rate was of great importance. The discount rate was lowered several times during 1924 and 1925, and from April 1925 until October 1927 Amsterdam was considerably cheaper than its competitors. When eventually the interest rate had to be raised, it was at the same level as

[186] Archive DNB, inv. nr. 3316 - 3328. Minutes of meetings of the *Commissie van Advies*, 1919-1933.

London. When the Bank of England raised its discount rate in early February 1929, the *Nederlandsche Bank* was able to refrain from doing so until over six weeks later.[187] A clear cause-and-effect relation cannot be established however, as the period coincided with growing German economic activity due to the end of the hyperinflation in November 1923 and the adoption of the Dawes-plan in August 1924, and because the expansion on the Dutch market cannot be compared to developments in other financial centres.

When the specialized acceptance banks were formed in 1924, their acceptances were immediately declared bankable. However, the market share of these new banks was small in proportion to the growth of the market during the same year (Table 3.5). When in March 1926 the German banks were allowed to rediscount their acceptances at the *Nederlandsche Bank*, followed by the decision, a year later, that they would have the same rights as Dutch banks, these banks started to use the Amsterdam centre for part of the business they formerly conducted in London. The fears of both the Dutch banks and the central bank that the acceptance market would expand too fast because the German banks would conduct business on too large a scale, thereby endangering the stability of the guilder, were proven to have been unfounded. Because their acceptances were still above prime rate, the difference in cost between London, New York and Amsterdam was marginal to them, and they continued to do much of their business elsewhere. Again, the growth of the Dutch acceptance market was significantly larger than the market share of these banks. Considering that the available credit on the market always far exceeded the actual volume of acceptances, and their small market share compared to the expansion of the market, the policy regarding the German banks had a relatively small impact on the development of the market.

Of far greater importance were the general restrictions regarding the rediscounting of acceptances. When in March 1925 the condition that each acceptance credit should further Dutch economic interests was replaced by the condition that they should not harm these interests, the potential for growth was multiplied. That this decision was not made earlier is not surprising, as the Dawes-

[187] Hartmann, *Amsterdam als financieel centrum*, 34-36.

plan had only been accepted six months earlier. Nevertheless, the *Nederlandsche Bank* could have shown its faith in the German economy by revising its restrictions in August 1924. In view of the growth of the German economy that year, it is quite likely that the turnover of the acceptance market would have expanded a few months earlier. The *Nederlandsche Bank* however, was conservative in its policies. Given its experiences during the banking crisis, this is not entirely surprising.

3.8 The Depression

Already in 1929, the balance of Dutch foreign investments and foreign credit dropped by 60 per cent.[188] This was for the main part due to a decrease in bonds being issued, as acceptances would reach their highest level that year. In spite of a recovery of the capital market in 1930 – due mostly to the Young-loan being issued – thereafter, the trend would continue downwards. The *Stillhalte* of July 1931, the inconvertibility of the mark, and finally, on 22 September, when Britain abandoned the gold standard, resulting in an unprecedented depreciation of pound sterling, these events marked the end of Amsterdam's role as in international financial centre. The renewed monetary instability abroad caused a sharp decrease of international capital transactions. In 1931, foreign issues on the capital market were down 84 per cent relative to the previous year, and by 1933 the international capital market had diminished to just ƒ 9.3 million, just 2.4 per cent of its highpoint in 1927. From 1931, German foreign trade was limited by its government's control of foreign currency, resulting in a strong decrease. By 1933, the German exports in nominal prices were just 36 per cent of what they had been in 1929, while German imports had decreased even more, and were 31 per cent of what they had been four years earlier.[189]

In 1929, the total turnover of the Dutch acceptance market had been some ƒ 1.3 billion, of which an estimated ƒ 0.9-1.0 billion was for German customers. The importance of acceptances in financing German trade is illustrated by a decrease in acceptances of 49 per cent in 1931-1932, dramatic years for German trade, followed by an additional drop of 43 per cent the next year. In its heyday, the Dutch acceptance market supplied some *RM* 1.5 - 1.7 billion to Germany to finance its trade. This was close to ten per cent per cent of all German imports.[190] During the first years of the great depression, this dropped off steeply, but then, so did the volume of Germany's foreign trade. With a turnover far in excess of the value of Dutch exports to Germany, the importance of the Dutch acceptance market

[188] Hein A.M. Klemann, *Tussen Reich en Empire. De economische betrekkingen van Nederland met zijn belangrijkste handelspartners: Duitsland, Groot-Brittannië en België en de Nederlandse handelspolitiek, 1929-1936* (Amsterdam 1990) 24; CBS, *Macro-economische ontwikkelingen*, 63.
[189] W.G. Hoffmann, *Das Wachstum des deutschen Wirtschaft seit der Mitte des 19. Jahrhunderts* (Berlin 1965) 818-819; Own calculations.
[190] Idem; 100 RM = ƒ 59,--; Own calculations.

extended far beyond Dutch-German trade. As the report of the German Registration Office for Foreign Debt shows, three quarters of acceptances were in guilders, and the remainder in pounds sterling and US dollars (Table 3.8). This does not mean that three-quarters of all acceptances were used to finance Dutch exports, as for some internationally traded goods, the guilder-denominated acceptance had indeed become the standard. Rather, given that much of Dutch-German trade was financed through other types of short-term loans (Table 3.7), it can be concluded that the acceptance market was also of great importance in financing German imports from elsewhere.

Table 3.7: *German financial obligations to the Netherlands in million guilders, 1931.*

	Up to 6 months	6 To 12 months	Long-term	Total
Promissory Notes	24.9	0.2	1.9	27.0
Acceptances (Reimbursement credits)	154.5	0.5	2.7	157.7
Book debts and loans	997.9	41.6	273.9	1313.4
Bonds (minus the amount repaid)	4.5	0.2	345.4	350.1
Consortial obligations	22.8	0.0	3.6	26.4
Contingent liabilities (guarantees, current liabilities etc.)	109.7	4.5	64.6	178.9
Total	1314.3	47.2	692.0	2053.5

Source: DNB 2.3/501/1 Confidential report by Reichsbank Official Lütjens to the President of the *Nederlandsche Bank*, L.J.A. Trip, 28 November 1931; Own calculations.

By the early 1930s, all forms of international credit had diminished to an insignificant quantity. The financial needs of German trade and industry had been the driving force behind the emergence of Amsterdam as a major financial centre. With Germany in the midst of a deep crisis, the main *raison d'être* for the Amsterdam financial market vanished. The activities of the Dutch international financial market were reduced to a bare minimum, although because the Dutch maintained the Gold Standard whilst other currencies depreciated – only France, Belgium, Switzerland, and Germany also maintained parity, although the *Reichsmark* was no longer convertible – flight capital was flowing to Amsterdam once again.[191] Though, as Dutch foreign trade and the services sector came under increasing

[191] Riemens, *De financiële ontwikkeling van Nederland*, 105-106.

pressure due to the relative overvaluation of the Dutch guilder, the direction of Dutch international capital transactions changed. The balance of foreign investments and credit for 1931 showed a deficit that would reach a low point of ƒ 164 million in 1933. At the height of Amsterdam's activities, this had been a surplus of ƒ 267 million.[192]

Table 3.8: *German financial obligations, in percentages of total debt per category, 1931.*

	RM	DFL	USD	GBP
Promissory notes	17.5	53.4	15.9	12.4
Acceptances (Reimbursement credits)	0.2	75.9	9.2	13.0
Book debts and loans	27.8	51.9	11.1	8.3
Bonds (minus the amount repaid)	19.1	80.9		
Consortial obligations	13.5	18.9	63.8	2.9
Contingent liabilities (guarantees, current liabilities etc.)	13.8	61.7	13.2	10.6
Total	22.6	59.2	10.0	7.5

Source: DNB 2.3/501/1 Confidential report by Reichsbank Official Lütjens to the President of the *Nederlandsche Bank*, L.J.A. Trip, 28 November 1931; Own calculations.

[192] CBS, *Macro-economische ontwikkelingen*, 63-64.

3.9 Financial services and political relations

Because of their lending to Germany the Dutch seemed in a strong position in their political dealings with their neighbour to the east during the first half of the 1920s. The Dutch government did not make use of this, as there were no actual conflicts. In discussions about the border in the Ems estuary, the Germans themselves yielded to the Dutch point of view in the hopes of receiving economic help. In negotiations regarding the compensation for war damages they yielded in one particular case after being threatened by C.J.K. van Aalst – the most influential Dutch banker, during the war chairman of the NOT and driving force behind the important credit granted to the Germans in 1920 – that without a swift solution this credit would be endangered. Its importance was such that, the Germans decided to pay compensation since they did not want the issue to interfere with Dutch lending to German industry. Both of these issues are dealt with in chapter 6.

By the second half of the 1920s, Germany's situation had changed. Now that its currency had been stabilized and capital was flowing into the country in the wake of the Dawes-plan, the economy was recovering, and the country was finally able to adapt its trade policy and its transport policy to aid in creating a trade surplus. Both these changes in policy led to conflicts with the Dutch, and in these conflicts, The Hague either made use of its position as creditor to Germany, or contemplated doing so. That the Dutch would do so is understandable, since Germany was in a dominant position in all other economic relations. The trade between the two countries was more important to the Dutch economy than it was to the German, while the free movement of goods on the Rhine was protected by the Act of Mannheim, and therefore not an issue. The financial relations were the only area within the asymmetrical Dutch-German balance of power where the Dutch were the stronger party.

The first efforts to use this position were made in the wake of the conversion of the German debts from old Marks into new *Reichsmarks*. After the stabilization of the mark, a great many people both in Germany and abroad were in possession of securities that were now worthless: the exchange rate with the new mark was a thousand billion to one (10^{12}). Consequently, many banks were owed money on mortgages that were now also a tiny fraction of what they had been before the inflation. While trying to exclude those who had tried by speculation to profit from the inflation, the German government was well aware that some form of restitution had to be made to those who had suffered losses on these investments. On the other hand, in the *Reichstag* it was argued that a conversion at 100 per cent would restore debts of 78 billion in loans, and 70 billion RM in mortgages and bonds.[193] This led to a law that specified conversion at a rate that was dependent on how long the holder had been in possession. The rates for mortgages, securities and savings bank balances varied, but according to observers in the Netherlands, the loss to investors would still be between 75 and 97.5 per cent of their original investment.[194] In spite of vehement opposition from *Reichsbank* president Schacht, who declared that any conversion would cause economic stagnation, the law was passed on 16 July 1925.[195]

The Dutch government saw no reason to protest against the financial losses by Dutch investors caused by the German financial disaster, since Dutch holders of German securities were treated on an equal footing with Germans. The Dutch *Vereeniging Effectenbescherming* – Association for the Protection of Securities – and the *Vereeniging voor den Effectenhandel* – Association for Securities Trading – disagreed. The *Vereeniging Effectenbescherming* wrote to the Second CXhamber of Parliament – where at that moment the debate on the ratification of the Dutch-German trade agreement were held – that, given the fact that the Dutch government still provided the Germans with a ƒ 150 million (actually ƒ 160 million J.E.) renewable loan, a forthcoming German proposal would be reasonable.[196] Their letter made no real impact, and the Dutch parliament ratified the agreement. The *Vereeniging voor Effectenhandel* expressed its displeasure by not allowing German securities an official quotation on the exchange.[197] Since these issues found eager buyers on the unofficial Amsterdam market, their efforts were fruitless. As the

193 'De valorisatie in Duitschland', *Het Vaderland*, 11-07-1925, Avond.
194 'Vereeniging Effectenbescherming', *Het Vaderland*, 28-02-1926 Ochtend.
195 'Een verklaring van dr. Schacht', *Algemeen Handelsblad*, 20-06-1925 Ochtend; 'Valorisatie in Duitschland. De tegenwoordige stand', *Algemeen Handelsblad*, 14-08-1926 Avond.
196 Nationaal Archief, Den Haag, Ministerie van Buitenlandse Zaken: DEZ-dossiers (Directie Economische Zaken), 1919-1940, nummer toegang 2.05.37, inventarisnummer 3260 Brief van de Vereeniging voor Effectenhandel aan de Kamerfractie van de Binnenhof, Den Haag, 29 Juni 1926.
197 'Actie tegen de Duitsche valorisatie.' *Algemeen Handelsblad*, 24-09-1925.

Telegraaf wrote, 'the decision [...] merely creates an inconvenience.'[198] By the spring of 1927, they were therefore gradually allowing German issues on the exchange.[199]

There was one institution, however, that had a substantial portfolio of Mark-denominated bills, which it insisted to be converted at 100 per cent. This was the *Nederlandsche Bank*, who had used these bills as one of a number of financial instruments to stabilize the exchange rates. This was standard practice, and was not done as investment. Therefore, so the Dutch Central Bank thought, it deserved to be repaid in full. These portfolios had been held at the German banks Warburg and of Mendelssohn. The *Nederlandsche Bank* first approached these banks with their demand. Over the course of more than a year, a long correspondence between the Central Bank and Warburg and Mendelssohn ensued, in which the German banks denied all responsibility. The *Nederlandsche Bank*, well aware that it had no legal rights in the matter, declared it was not interested in formal rights, but in justice.[200] Both German banks sought help from the *Reichsbank*, which rejected the Dutch claim as it had, at the beginning of the war, offered to take over the portfolio. Then, the *Nederlandsche Bank* had refused this suggestion.[201] By April 1925, the conflict had shifted to the relations between the *Nederlandsche Bank* and the *Reichsbank*, as the Dutch and Germans held different views on what had transpired.[202]

This was where matters still stood, when on Monday 8 June Ernst Heldring, the chairman of the Amsterdam Chamber of Commerce and president of the *Koninklijke Nederlandsche Stoomboot Maatschappij* – KNSM, an important Dutch shipping company – visited the management of the *Nederlandsche Bank*. Heldring, who was a member of the Supervisory Board of the central bank, had asked for a meeting because he had heard that the bank was contemplating measures against Germany. Heldring argued that the German *Seehafenausnahmetarife* – special railway transport tariffs designed to route traffic to the German North Sea ports – were harmful to the Dutch economy, and even that the Dutch Finance Minister, who

198 'Pleidooi voor opname Duitsche emissies in de notering prijscourant Ver.v.Effectenhandel.' *De Telegraaf*, 1-10-1925 Ochtend.
199 BArch R 2/2253 fol. 110-111 Report by the German consulate in Amsterdam to the German foreign office, 8-2-1927; 'Duitsche fondsen op de Amsterdamsche beurs.' *Algemeen Handelsblad* 05-02-1927 Avond.
200 Archive DNB 8.2/2065/1, Letter by the *Nederlandsche Bank* to the Mendelssohn Bank, 20-11-1924.
201 Archive DNB 8.2/2065/1, Letter by the *Reichsbank* to the *Nederlandsche Bank*, 20-12-1924.
202 Archive DNB 8.2/2065/1, Letter by the Mendelssohn Bank to the *Nederlandsche* Bank, 15-04-1925.

was aware of this, had done nothing.[203] The next day, representatives of the three new Acceptance Banks met with the management of the Bank to discuss what might be done to change the German attitude against the Netherlands. As Bank president Vissering put it in his opening remarks, 'although this matter is primarily the domain of the government and diplomacy, in practice one often gets more done by taking matters into one's own hands.'[204] Therefore he would like to hear the ideas of the gentlemen's on the German railway rates and on the high tariffs on Dutch exports. The representatives of the acceptance banks proposed to start by contacting influential Germans. *Reichsbank* president Hjalmar Schacht or *Reichskanzler* Hans Luther were after al easily available. Vissering, however, obviously wanted to forge ahead, and the decision was made to send a memo to all banks in the Netherlands, informing them of possible limiting acceptance credits to Germany.

The next day, both *Reichskanzler* Luther and Reich Foreign Minister Gustav Stresemann had agreed to meet with a representative of one of the acceptance banks by the end of the week, in order to discuss the matter. Even though Vissering had emphasized that the action was not so much aimed at getting specific results, but rather at changing the German mentality which had become too self-involved to take notice of the damage being done to friendly countries, the focus of the action rapidly became the *Seehafenausnahmetarife*. On Friday, Vissering met with the president of the Dutch railways, J.A. Kalff, to discuss these German sea port tariffs. Consequently, most of the data that were sent to Berlin to illustrate just how much the Dutch were mistreated was regarding these railway tariffs.[205] Vissering's threat seemed to be working, as things were happening fast: on the 15th, the vice-chairman of the *Internationale Bank* – one of the three new acceptance banks – telegraphed from Berlin that next Monday the issue would be discussed at cabinet level.[206]

Meanwhile, at a public assembly of the Amsterdam Chamber of Commerce and Industry, Heldring expanded the Dutch threat by calling for banks to be less

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[203] Archive DNB 8.2/2228/1, Report on a meeting of E. Heldring with the management of the *Nederlandsche Bank*, 08-06-1925.
[204] Archive DNB 8.2/2228/1, Meeting of the Acceptance Banks with the management of the *Nederlandsche Bank*, 9-6-1925.
[205] Archive DNB 8.2/2228/1 ,Visit by J.A. Kalff to the management of the *Nederlandsche Bank*, 12-6-1925; Idem, various reports sent the the acceptance banks to be used in their talks with German government officials.
[206] Archive DNB 8.2/2228/1, Letter by the *Internationale Bank* to the management of the *Nederlandsche Bank*, 15-6-1925.

forthcoming in their credits to Germany.[207] In the press, the matter also received detailed attention, and not all of it positive. While in the national press much was made of the injustice done to the Dutch, in the economic press at least one publication, the *Kroniek van Dr. A. Sternheim*, was decidedly negative about the steps of Vissering and Heldring. 'What will await us', the *Kroniek* wrote, 'if private persons are allowed to take charge of our foreign affairs without deliberation and without responsibility, and misappropriate their position to promote certain interests. Even if the *Nederlandsche Bank* means well, her attitude cannot be tolerated.'[208] According to the German Consul-General in Amsterdam prince Hatzfeldt, the interests behind these actions were those of Dutch transport, more specifically, of the sea ports and Dutch shipping companies. Hatzfeldt reported to the German Foreign Office that according to his confidential source, the whole affair was part of a campaign by Rotterdam and Amsterdam shipping companies. Hatzfeldt – incorrectly – further reported that Foreign Minister Van Karnebeek had authorized Vissering's action. As to why also the German import tariffs were being targeted, the Consul declared that this was done so that the campaign would seem to be in the general Dutch economic interest.[209] Still, in his opinion the Dutch feelings towards Germany had worsened to a point that there was a real chance they would follow through on their threat.[210]

Meanwhile, *Reichsbank* president Schacht choose to deal with the situation by making a threat of his own. In a discussion with G.W.J. Bruins – who as commissioner for banknote issuance kept an eye on the policy of the Reichsbank – Schacht stated that the Dutch measures were simply 'not done', whatever the conflict. The German railways had been privatized because of the Dawes-plan, and, Schacht added, while the Entente had a lot of influence in the new company, the German government actually had very little. Schacht boasted that Germany was in fact not the weaker party: the total amount of acceptances in use by the acceptance

[207] BArch R 3101/2741, Report by Hatzfeldt of the German *Generalkonsulat* Amsterdam to the German foreign office, 19-6-1925.
[208] *De Kroniek van Dr. A. Sternheim. Halfmaandelijksch tijdschrift voor economie – financiën – statistiek - bedrijfshuishoudkunde*, 1 Juli 1925.
[209] BArch R 3101/2741 fol. 313-317, Confidential report by Prinz Hatzfeldt of the Deutsches Generalkonsulat in Amsterdam to the German Foreign Office, 19-6-1925.
[210] BArch R 3101/2741 fol.344-345, Confidential report by Prinz Hatzfeldt of the Deutsches Generalkonsulat in Amsterdam to the German Foreign Office, 3-7-1925.

banks was less than the worth of the *Reichsbank*'s portfolio of guilder bills. If the Dutch were to follow through on their threat, Schacht would use this portfolio to pay off the outstanding loans, and would then transfer all financial dealings to London. He would also urge industrialists such as Otto Wolff and Thyssen to close their accounts in the Netherlands. Bruins countered by saying that these acceptances were only a small part of the total credit the Dutch had granted the Germans, and that overall, the Dutch were a creditor, which Schacht did not deny.[211] Schacht also made it very clear, that the Dutch were not only doing very well out of financing German trade and industry, but that they were also financing their own exports, and any anti-German action would therefore also hit their exports. The same point was made by the interest groups speaking on behalf of the German North Sea ports.[212]

Vissering was invited to visit Berlin, and between 10 and 16 August he met both formally and informally with *Reichskanzler* Luther, *Reich* minster of Economics Albert Neuhaus, Foreign Minster Stresemann, *Reichsbankpräsident* Schacht and other influential Germans. The report he wrote after his visit makes clear that – at least by now – there was no chance that Berlin would give in to his demands. But then again, the whole affair had only started out of a general feeling that the Dutch deserved better treatment. The bill portfolio that had initially sparked off the conflict was relegated to the background because Schacht – despite the attempts of Vissering to discuss the matters separately – continued to imply that the issues were interrelated.[213] Upon his return to Amsterdam, Vissering decided to let that matter rest until after an agreement had been reached on the other issues.[214] In future, Vissering tried to influence matters through the German press. Most of the press in the parts of Germany along the Rhine was pro-Dutch. Either through his own articles or by articles written by German friends, Vissering made sure to be heard in Germany.

[211] Archive DNB 8/1501/2, Visit by Schacht to Bruins, 18-6-1925.
[212] BArch R 3101/2741 fol.319, 320, Norddeutscher Lloyd, Bremen, Generaldirektor Stimming to Reichswirtschaftsminister Neuhaus, Berlin, 25-6-1925.
[213] Archive DNB 1.121/245/1, Informal letter Vissering to Bruins, 21-08-1925.
[214] Archive DNB 8/1501/2, Letter by Vissering to Max Warburg, 21-8-1925.

Vissering's failure made him cautious when in later years he was urged to act similarly. By now, it had become obvious that Amsterdam's financial market was of great importance, and whenever it was thought that Dutch interests were being harmed, there was a call to use this position to force the Germans to make concessions. Throughout 1927, such a debate raged in the business press.[215] Whereas Vissering had learned from his mistake, Heldring had not. In a letter explicating the damage done by the German *Seehafenausnahmetarife*, Heldring concluded that Germany was consistently putting the Netherlands at a disadvantage. He therefore urged the *Nederlandsche Bank* to bring this to the attention of the Dutch bankers.[216] Vissering answered the same day that it would not be appropriate for the Central Bank to get involved, and told Heldring to approach the government instead.[217] Even in 1930, in the Bank's Commission of Advice – which consisted of prominent businessmen – there were once again questions why the Dutch banks still financed German business, while Germany continued to make exports to that country ever more difficult. Why not take retaliatory measures?[218]

Because of the many problems with the Germans, in 1930, the Foreign Minster instituted a sub-committee for Germany as part of the already existing *Commissie voor de herziening van handelsverdragen* – Committee for the revision of trade agreements. Its members were prominent bankers, the chairman of the Amsterdam Chamber of Commerce and Industry, the director of the Dutch railways, politicians and representatives of the various relevant state departments. At its first meeting on 29 September 1930, the liberal politician Rudolf Patijn argued that 'we are the fourth creditor country in the world. However, because of a lack of collaboration between the banks we are unable to make use of this. Our money market could be the only weapon we have with which something may be gained. The necessary collaboration is, however, not quickly established and in this instance this weapon is of no use.' In March of the next year, Patijn's remarks were recalled.

[215] Archive DNB 8/1501/2, Report by Mr.D.Crena de Iongh about foreign emissions in Amsterdam, November 1930.
[216] Archive DNB 8/1501/2, Letter by E. Heldring, in his capacity of chairman of the Chamber of Commerce and Industry of Amsterdam, to Vissering, 27 March 1928.
[217] Archive DNB 8/1501/2, Answer by Vissering to Heldring's letter of 27 March 1928, dated 27 March 1928.
[218] Commissie van Advies, Meeting 25 Juli 1930, Remark by C. Sleeswijk.

Treasurer General A. van Doorninck argued that the Dutch banks should cooperate to make Patijn's plan a reality, whereupon J.A. Nederbragt, chief of the Directorate Economic Affairs of the Foreign Ministry, replied that the Dutch mentality might make the cooperation between banks and the government unattainable. V. G. G. M. Dubois, director of the *Centrale Coöperatieve Boerenleenbank* – a precursor of the Rabo bank –, proposed nevertheless to point out to Germany that the Dutch role as creditor might come to an end because of its trade policy, but was quickly called to order. Nederbragt, who had long experience in negotiating with the Germans, replied 'Germany is too well informed of the situation in this country, it is therefore of no use to threaten with something that is not yet feasible.'[219] Even Nederbragt, who as chief negotiator for the trade agreement of 1925 had first-hand experience of the failure of Vissering's attempt to use the Dutch position as creditor to Germany as leverage, thus remained convinced that, if only it were done right, the Dutch ascendency in the financial relations between the Netherlands and Germany might be used as a bargaining tool. In fact, this was only the case with the credit that was supplied to German industry as part of the Coal and Credit Treaty of 1920, as will be related in the next chapter.

[219] Archief DNB, 2.3/3055/1; Commissie voor de herziening van handelsverdragen, subcommissie voor Duitsland. Meeting of the sub-committee for Germany, 9 March 1931.

3.10 Conclusion

Due to temporary circumstances, after the World War I, Amsterdam was able to expand and consolidate its newly attained position as an international financial centre, and would be the most important international financial centre of continental Europe during the period 1919-1931. As a result of increasing monetary instability in Europe both during and immediately after the war, large amounts of flight capital from central European countries had found a safe haven in Amsterdam. In its wake, no less than 67 foreign, mostly German banks were founded in the Netherlands in almost all cases as legally Dutch firms. That these banks chose to settle in the Netherlands is not surprising. German banks no longer had access to London – which prior to the war had financed most of its international trade – and were therefore in need of a neutral financial centre. The Netherlands was a favoured choice, not only due to its stable monetary system, its favourable tax laws as well as its banking secrecy and good location, but also because of the significant economic ties that existed between the Netherlands and Germany. The Netherlands was, together with its colonies, an important trading partner to Germany, and Germany was, together with Great Britain, the most important trading partner to the Dutch. It is therefore not surprising that these strong economic ties would be apparent in all aspects of the financial market.

On the capital market, between 1926 and 1928 39.5 per cent of all foreign emissions were of German origin, most of which were emissions of German industrial companies. In their efforts to help German economic recovery, the Dutch government not only granted a ƒ 200 million credit with the Coal and Credit Treaty of 1920, but also actively promoted the Dawes loan and decided against banning foreign emissions from the Amsterdam capital market. A far more telling illustration of the economic bonds between both countries however, can be found in the money market. Here, 67 per cent of all short-term loans to German debtors were from Dutch banks and companies to German industry, trade and agriculture. Whereas the structure of its financial services clearly demonstrates the Dutch-German economic interdependence, the extent of this interdependence is shown by the sheer scale of the Dutch credits to Germany: the Dutch were by far the most important creditor to German trade, industry and agriculture, far outstripping even the Americans. In overall volume of short-term loans, the Dutch were second only to the United States.

The acceptance market – a part of the money market that by its very nature was geared to financing trade – is a good example of how Dutch finance helped German foreign trade to the betterment of the Dutch economy. Of all credit granted on the acceptance market, 75 per cent was to German debtors, predominantly by Dutch banks. The development of this market is a good indicator for both the extent of the financial ties between the two countries, and of the policy of the *Nederlandsche Bank*. Although the German banks were welcomed by the Dutch banking sector, the new banks were not granted the same privileges their Dutch counterparts enjoyed, mainly because the Dutch worried that the Germans would overpower and thereby weaken the Dutch financial market. As the competition from other centres grew, the German banks were gradually granted the same privileges. This increasing competition from other centres also led to a relaxation of the regulations with regards to the acceptance market as a whole, without the ill effects feared by the Dutch central bank. For, although the German banks had a significant share of the burgeoning acceptance market, Dutch banks would retain their lead in this market and in the granting of short-term credit to Germany.

Overall, the policy of the *Nederlandsche Bank* can be characterized as focussed on a stable growth of the acceptance market – and the financial market as a whole – while promoting Dutch economic interests as much as possible. Within the goals the *Nederlandsche Bank* had set itself, its policy can therefore be judged to have been successful. Its policy regarding the German loans during the war and the extension of these loans after the German defeat shows that – although its main concern always was the stable development of the financial market – the Netherlands Bank was aware both of the importance of a German economic recovery and how the Dutch money market could both profit from, as well as help such a recovery.

Given the structure and volume of Dutch credit to Germany and the policies of the Dutch government as well as the *Nederlandsche Bank,* it can be concluded that the Dutch used the Amsterdam financial market to actively promote German economic activity that was of benefit to the Dutch economy. It is therefore not entirely unexpected, that they should assume they might also use it to protect the Dutch economy from unwelcome German activity. Yet, in spite of the great importance of Dutch financial services to the German economy, the Dutch were unable to translate this position into political leverage. For the most part, this was because, until 1925, the Dutch had not felt the need to do so. By the time they did, when first Germany's transport policy and then its trade policy became damaging to Dutch interests, they were too late. By 1925, the great flow of foreign capital towards Germany had started. Although Amsterdam would remain the main financial centre to German trade and the German export industry, it was no longer the only one. If it had to, Germany could turn to London and New York, both of which were eager to fulfil the same role.

Chapter 4 – Dutch-German trade relations

4.1 Introduction

National economies interact by way of trade. Given the many factors influencing trade, such as technical progress in transport or production processes, trade policies, economic crises, exchange rate fluctuations, war, and a great many other factors, any analysis of trade relations needs to take a broader view than just the period under review, or just trade relations by themselves. Not only the trade relations themselves, their extent and nature, require study, but also the way trade patterns shift in response to crises. Crises were plentiful during the second half of the nineteenth century, and would continue to be so during the beginning of the twentieth century. Germany's political unification had been accompanied by wars, culminating in the Prussian-French War of 1870-1871 and the subsequent proclamation of the German Empire. In the summer of 1914 both countries would once again be at each other's throats, this time with so many other belligerents and at such an enormous scale that in retrospect it came to be dubbed the First World War, but to this date also continues to be known by one of its first given names: the Great War. The time in between these two wars – from 1871 to 1914 – was interspersed with political, military, and economic crises, each threatening the development of stable trade relationships. During the period from the end of the First World War until the moment Germany sank into an economic abyss in 1931, even though Germany was no longer a military power, the situation was not much different.

During these years, trade relations between the Netherlands and Germany took over half a decade to normalize, only to be threatened by German protectionism a year later. As a result, political relations between the two countries ran the gamut from friendly to antagonistic. To gain some understanding of the way the war impacted on trade relations between the Netherlands and Germany, it is necessary to first review how these modern trade relations had developed.

4.2 Dutch-German trade relations up to the First World War

From the late 1850s the Dutch economy underwent a rather slow but definite change towards industrialization. As the output of the Dutch economy changed, one would naturally expect this to be reflected in both the extent, as well as the nature of Dutch trade. However, due to the notoriously unreliable Dutch trade statistics of the time, the trade flows are difficult to analyze. The problems with the Dutch *Statistiek van den In-, Uit- en Doorvoer* – Statistics of Imports, Exports and Transit Traffic – are many, and affect all possible aspects of trade.[1] Especially for a country whose economy was dependent on trade to an unprecedented degree, this failure to account for the nature and geographical spread of its trade is inexplicable. All the more so since by the end of the nineteenth century the Dutch Central Bureau for Statistics (CBS) was well aware of its failings and how this had consequences for their analysis of Dutch trade. Already in the 1880s it tried to remedy the situation, but due to political problems, it would take until 1917 before Dutch trade statistics were modernized.[2] Although the development of Dutch trade during the nineteenth century until 1913 has been recalculated as part of the project 'Reconstruction of the National Accounts of the Netherlands', just as deflators, no reliable data on trade flows of specific product or from and to individual countries exist.[3]

The development of Dutch international trade

Between 1850 and 1913, Dutch exports – in 1913 prices – rose from 106 million guilders to 1428 guilders, as imports grew from 151 million to 1950 million guilders (Table 4.1). However, this was no linear development. The initial fast growth during the 1860s was primarily due to the adoption of free trade. By the mid-1870s this growth smoothed off as Dutch internal demand rose, and Dutch industry –

[1] See: Statistisches Reichsamt, *Statistik des deutschen Reichs*, Band 135. Auswärtiger Handel de deutschen Zollgebiets im Jahre 1900. 1. Theil, Der Verkehr mit den einzelnen Ländern im Jahre 1900 (Berlin 1901), Statistisches Reichsamt, *Statistik des deutschen Reichs*, Band 271 (1913) XII.1-2; J.Th. Lindblad and J.L. van Zanden, `De buitenlandse handel van Nederland, 1872-1913.' *Economisch- en sociaal-historisch jaarboek,* 52 (1989) 231-269; ; Dirk Pilat, *Dutch Agricultural Export Performance, 1846-1926* (Groningen 1988).
[2] CBS, *Statistiek van den In-, Uit- en Doorvoer. Inleiding behoorende bij de Jaarstatistiek over 1917* (The Hague 1918).
[3] J.P. Smits, E. Horlings and J.L. van Zanden, *Dutch GNP and its components, 1800-1913* (Groningen 2000); CBS, *Tweehonderd jaar statistiek in tijdreeksen* (Voorburg 2001).

characterized by a focus on consumer products and low productivity – was unable to increase production. In the 1890s, Dutch industry was undergoing a second wave of modernization, expanding into metalworking industry, engineering and chemical industry.[4] The Dutch were still slow to adapt to technological innovation, however, and productivity remained low. Because this was offset by low internal price levels compared to those of its main trading partners, Dutch trade saw a new period of rapid expansion. This ended abruptly with the outbreak of the First World War.

Table 4.1: *Development of Dutch foreign trade and GDP, 1850-1913. In millions 1913 guilders. Index 1913=100.*

Year	In millions 1913 guilders			Index 1913=100		
	Imports	Exports	GDP	Imports	Exports	GDP
1850	151	106	447	100	100	100
1870	628	689	904	416	650	202
1890	787	830	1104	521	783	247
1913	1950	1428	2414	1291	1347	540

Source: J.P. Smits, E. Horlings and J.L. van Zanden, *Dutch GNP and its components, 1800-1913* (Groningen 2000); CBS, *Tweehonderd jaar statistiek in tijdreeksen* (Voorburg 2001); Own calculations.

Determining the geographical spread of Dutch international trade is hindered by the way export and imports were registered. In imports by sea, the port where the ship had been loaded determined the country of origin. Only in case of imports over land or by inland shipping, the actual country of origin was registered. The destination for exports by sea was given as the country were the goods were unloaded, while the destination for goods sent inland was the neighbouring country, i.e. Germany or Belgium. Therefore – given that only the figures for import from Belgium and Germany can be considered to be somewhat reliable – the conclusion can be drawn that on the eve of the First World War, Germany was by far the most important supplier to the Netherlands (Table 4.2).

[4] Hein A.M. Klemann, *German-Dutch monetary relations* (unpublished manuscript); Jan Pieter Smits, 'Economische ontwikkeling, 1800-1995.' In: Ronald van der Bie en Pit Dehing (red.) *Nationaal goed. Feiten en cijfers over onze samenleving, (ca.)1800-1999* (Voorburg 1999) 15-36, here 20.

Table 4.2: *The geographical spread of Dutch foreign trade, 1899-1913.*

	Imports		Exports		Imports		Exports	
	1900	1913	1900	1913	1900	1913	1900	1913
German *Reich**	20	29	54	47	100	145	100	87
Great Britain	15	9	23	21	100	60	100	91
U.S.A.	14	11	4	4	100	79	100	100
Dutch East-Indies	14	14	4	5	100	100	100	125
Belgium	11	9	10	11	100	71	100	110

Sources: Departement van Financiën, *Statistiek van den In-, Uit- en Doorvoer over het jaar 1900* (The Hague 1901-1913); own calculations.
* Hamburg, Bremen, Lübeck, Mecklenburg and Oldenburg were recorded separately from Prussia.

With regards to Dutch exports, the data are even more unreliable. Considering Europe's geography at the time – Germany's eastern neighbours consisted of Russia and Austria-Hungary –, as well as the relatively high cost of rail freight versus sea freight, and the fact that transit traffic through Germany by inland shipping would ultimately have to be trans-shipped from barge to railroads, it is likely that an important part of exports to both Russia and Austria-Hungary would have been sent by sea. This notion is reinforced by Nikolaus Wolf's conclusion that 'the arrival of railway connections between east and west did probably not fundamentally change [the] east-west pattern of the German economy for grain or other bulky commodities' – in other words, traffic between the eastern and western parts of the *Reich* remained underdeveloped.[5] Given the high share of exports that were attributed to Germany, it is not unreasonable to claim that Germany was the main Dutch export market.[6] With regards to the volume and relative decline of exports to Germany, both in all probability caused by slight improvements in Dutch statistics, it is impossible to draw any conclusions from these data.

German international trade

German foreign trade underwent an important shift during the late nineteenth and early twentieth century. While the total volume of trade was – especially in the last

[5] Nikolaus Wolf, 'Was Germany ever united? Evidence from Intra- and International Trade, 1885-1933.' *Journal of Economic History* 69 (3), September 2009, 846-881, here 853-854
[6] Departement van Financiën, *Statistiek van den In-, Uit- en Doorvoer over het jaar 1900* (The Hague 1901); Departement van Financiën, *Statistiek van den In-, Uit- en Doorvoer over het jaar 1913* (The Hague 1914).

decade before the war – increasing at a high rate, imports from Europe were steadily decreasing in favour of especially the Americas (Table 4.3).[7] Within European trade, Great Britain and Austria-Hungary almost halved in relative importance, although Germany and Great Britain remained each other's best market.[8] German exports remained focussed on Europe, which accounted for three-quarters of all German exports, although again trade with Great Britain declined in importance, in this case mostly in favour of France and Russia.

Table 4.3: *German foreign trade to certain countries, 1890-1913. In percentages of the total German trade.*

	Imports*			Exports		
	1890	1900	1913	1890	1900	1913
Great Britain	15	14	8	21	19	14
Belgium	7	4	3	4	5	5
Netherlands	7	4	3	8	8	7
France	6	5	5	7	6	8
Russia	13	13	13	6	7	9
Austria-Hungary	14	12	8	10	11	11
Europe	76	63	55	78	78	76

Source: Statistisches Bundesamt (ed.), *Bevölkerung und Wirtschaft, 1872-1972* (Stuttgart 1972) 199, 201.
* In 1892, the German statistical office amended the definition for country of origin. Until then, the country of origin for staple goods such as raw cotton, petroleum and ores had been the country where these goods were bought, not the country where these had last been processed or originated. This change impacted especially the Netherlands and Belgium, where transit traffic had thus far often been registered as trade. See: Statistisches Reichsamt, *Statisitk des deutschen Reichs*, Band 135 XII, 4.

Dutch-German trade

To a large degree, the enormous growth of the Dutch-German trade relations in the second half of the nineteenth century were a consequence of the development of the Rhenish-Westphalian coal-based industry. German industry found a buyer of its (semi)manufactured products in the developing Dutch industry, and Dutch agriculture – which due to its specialization had become export-oriented – and related industries exported their products to the growing population of Rhenish-Westphalia – the greater Ruhr area. A German study from 1901 entitled 'The Netherlands and its German hinterland in their mutual trade' recognizes the German

[7] Statistisches Bundesamt (ed.), *Bevölkerung und Wirtschaft, 1872-1972* (Stuttgart 1972) 199.
[8] Henry Cord Meyer, 'German Economic Relations with Southeastern Europe, 1870-1914.' *The American Historical Review*, Vol.57, No.1 (Oct., 1951) 77-90, here 83.

hinterland as West-Germany, more specifically the Prussian Rhine province and Westphalia.[9]

This process is most aptly illustrated by the German export of coal. In 1873, the total tonnage of German exports to the Netherlands was 2375 tonnes, 60 per cent of which consisted of coal. Twenty years later, this volume had risen to 6420 tonnes, while the share of coal had grown to 70 per cent. As the Dutch infrastructure improved, the cheaper German coal displaced the British coal: in 1860 about half of Dutch coal imports came from Germany, by 1890 this was over 80 per cent, and in 1913 almost 90 per cent. For the most part, this coal came from the Ruhr area. The importance of the Dutch market was significant: in 1865, of the total coal production in the Ruhr, 10 per cent was destined for the Netherlands, twenty years later this was 12.5 per cent.[10] By 1913 Dutch households and industry absorbed over 16 per cent of all German coal exports.[11] By then, British coal was only in use as bunker coal for ships in Dutch ports.[12] In other areas as well, Germany became more and more important as a supplier of the Dutch, at the expense of Great Britain and the United States.[13]

Dutch exports to Germany increased as well. During the second half of the nineteenth century these exports shifted from mainly colonial products to a more diverse group of products, consisting of dairy products, vegetables and other perishable goods. These were mostly sold in Western Germany, specifically the Prussian Rhine Province and the province of Westphalia.[14] Here, in the extended Ruhr area that included parts of both provinces, the fast growing employment in industry caused the population to expand to a point were German production no longer sufficed to feed them. In fact, the need for workers was even such, that the traditional flow of German workers to the Netherlands reversed, and a rising number

[9] Peter Stubmann, *Holland und sein deutsches Hinterland in ihrem gegenseitigen Warenverkehr, mit besonderer Berücksichtigung der holländischen Haupthäfen, seit der Mitte des 19.Jahrhunderts. Eine handelsstatistische Studie* (Jena 1901).
[10] André Beening, *Onder de vleugels van de adelaar. De Duitse buitenlandse politiek ten aanzien van Nederland in de periode 1890-1914* (PhD-thesis Amsterdam 1994) 116; .P.H. Nusteling, *De Rijnvaart in het tijdperk van stoom en steenkool, 1831-1914* (Amsterdam 1974) 274-276.
[11] Statistisches Reichsamt, *Statistik des deutschen Reichs*, Band 317, 5; Own calculations.
[12] Beening, *Onder de vleugels van de adelaar,* 116.
[13] Departement van Financiën, *Statistiek van den In-, Uit- en Doorvoer over het jaar 1900-1913* (The Hague 1901-1914); Own calculations; André Beening, *Onder de vleugels van de adelaar,* 117.
[14] Stubmann, *Holland und sein deutsches Hinterland*, 20-22.

of Dutchmen from the border region now found employment in German factories.[15] As Ross Hoffman concluded in his 1933 study 'Great Britain and the German Trade Rivalry': 'Holland became, indeed, virtually an integral part of the German economic community.'[16] However, did this German-Dutch virtual economic community survive the Great War and its after-effects?

[15] Beening, *Onder de vleugels van de adelaar,* 116-117.
[16] Ross J.S. Hoffman, *Great Britain and the German Trade Rivalry, 1875-1914* (Philadelphia 1933) 118, quoted in: Marc Frey, *Der Erste Weltkrieg und die Niederlande: ein Neutrales Land im politischen und wirtschaftlichen Kalkül der Kriegsgegner* (Berlin 1998) 55. At the turn of the century, arguments were still being made for and against the desirability and possibility of the incorporation of the Netherlands in the German customs union. See: Stubmann, *Holland un sein deutsches Hinterland*, 122-130.

4.3 The First World War and its immediate aftermath: 1914-1920

'The geographical position of the Netherlands automatically requires highly important ties to be shared with Germany – now and in the future. To artificially sever all ties with the hinterland is an impossibility, which no one can force us to do', wrote the Dutch newspaper *Algemeen Handelsblad* in its morning edition on 19 October 1918, at the tail-end of the war.[17] Yet this was exactly what the Allies had been trying to accomplish for years. Right from the beginning of the war, the belligerents demanded guarantees from their neutral trading partners that none of the goods traded with these states would ultimately end up in the inimical camp. Given that so much of Dutch trade consisted of processing traffic, this by itself led to a greatly diminished trade. International trade was not only hindered by the fact that former trading partners had become enemies. The decline of trade also was a consequence of the collapse of the gold standard – the monetary system that had stabilized exchangfe rates since the 1870s –, a credit crunch of hitherto unknown dimensions and the ever increasing difficulty in shipping as a consequence of warfare and blockades. As the war went on shipping freights became ever higher.

The decreased supplies of raw materials and food caused by the waning imports and exports, forced the Dutch authorities to interventions in the form of market regulation, while on the other hand causing the government to work in close cooperation with the business community to ensure the continuation of international trade.[18] This cooperation was the result of Allied attempts to deny Germany as much as possible its international trade, causing pressure on neutral countries such as the Netherlands not to export to the Central Powers. For although according to international law, neutral countries could not be forbidden to exchange goods with either one of the warring sides, both the Entente and the Central Powers had plenty of leverage. The Dutch government thus found itself in a difficult position, because trade with both sides in the conflict was essential to its economy.

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[17] 'Een edelmoedig aanbod.' *Algemeen Handelsblad*, 19-10-1918.

[18] As has been noted in the chapter 2, the historiography on the Netherlands during World War I is extensive. With regards to the development of trade during this period, the situation is less positive. The most comprehensive overview of trade and policy is given in a recent PhD-thesis by Samuel Kruizinga, *Economische Politiek. De Nederlandsche Overzee Trustmaatschappij (1914-1919) en de Eerste Wereldoorlog* (Thesis Amsterdam 2011).

In order to limit political liability, a private company, the *Nederlandsche Overzee Trustmaatschappij* – Netherlands Overseas Trust Company (NOT) – was established by a group of leading merchants and bankers.[19] This company would import goods from overseas to the Netherlands, to guarantee the British that these goods would not be sold to the Central Powers. This was something the Dutch government could not do for political reasons. As this would be contrary to the responsibilities of a neutral power. The NOT negotiated with the British as well a as with the Germans, granted export licences and allocated shipping. As a result, a substantial and essential part of Dutch foreign policy was turned over to the business community. Imports were, however, of crucial importance to the Dutch, and it is here that especially Germany would bring its power to bear.

German coal was essential for both industry and households; German iron and steel was of great importance to Dutch industry, especially the fast-growing shipbuilding industry. The matrerials that came from Germany, only were delivered against payment in foodstuffs or raw materials. Yet, the British demanded that any deliveries to the Central Powers be matched by deliveries to the Allies. Furthermore, they did their utmost best to hinder trade with the Germans, resorting even to bureaucratic tactics such as denying access to Allied countries to businessmen whose passports that indicated they had been to one of the Central Powers. Dutch businessmen therefore had two passports, one for each side in the conflict.[20] Notweithstanding such tricks, it was impossible to optimse Dutch trade with any of the belligerents, and trade with neutral countries steadily declined as well, as sea shipping became increasingly difficult, dangerous and expensive.

How trade relations changed, and how trade diminished, is on the basis of available statistics impossible to determine. Reliable data are only available from 1917, when Dutch trade statistics were completely revised. They indicate, that in spite of the stipulations by the Allies, Germany remained the most important trading partner of the Country (Table 4.4).

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[19] Kruizinga, *Economische Politiek*, 1.

[20] Gemeentearchief Rotterdam, toegangsnummer 72.10: Kamer van Koophandel en Fabrieken te Rotterdam, 1803-1921, inv.nr, 152, reg.nr. 7: Ruilpassen Letter KvK, 6 Sept. 1915; Gemeentearchief Rotterdam, toegangsnummer 72.10: Chamber of Commerce and Industry Rotterdam, 1803-1921, inv.nr, 152, reg.nr. 7: Ruilpassen Letter to the Governor of the Queen South-Holland, 18 Oct. 1919.

Table 4.4: *Dutch trade by country, in percentages of total Dutch imports and exports. Period 1917-1920.*

Year	Germany		Great Britain		France		Belgium		United States	
	I	E	I	E	I	E	I	E	I	E
1917	25	39	20	25	0	3	2	8	21	5
1918	52	40	8	19	1	3	2	5	4	4
1919	15	41	21	15	2	3	8	12	19	4
1920	27	24	17	19	2	4	10	11	16	5

Source: CBS, *Zeventig jaren statistiek in tijdreeksen: 1899-1969* (The Hague 1970); Own calculations.

During the war, the Netherlands came under severe pressure. Especially Germany – since the end of the nineteenth century the most important supplier of essential goods such as coal, steel, and fertilizers –, used the Dutch dependence on imports for what amounted to political blackmail.[21] When in August 1918 it became clear that a German defeat was inevitable, this attitude changed. The Dutch shift towards autarky was recognized as a danger to post-war exports, as was the effect of changing market positions. A good example of this was the Dutch market for butter barrels, which had been dominated by German manufacturers for thirty years.[22] During the war, this position had been lost to the Danish, who could manufacture more cheaply. As early as August 1918, the German manufacturers tried to reclaim the important Dutch market: the *Verband der Deutschen Fassfabriken* – Organisation of German Barrel Factories – declared it would be willing to reimburse the price difference with the Danish barrels, 'so it could already reconquer the market during the war'.[23] When during the first week of October 1918 the former Dutch minister of War, Hendrik Colijn, travelled to England to negotiate the delivery of steel to Dutch shipyards, a call for immediate action came from the highest levels in Germany.[24] This was despite earlier doubts whether Britain would be able to deliver enough steel, and whether it might not be a Dutch negotiating ploy, designed to make the

[21] Klemann, *German-Dutch monetary relations,* 14.

[22] To be more precise, this was the market for the wood for barrels. The highly specialized nature of this wood and the logistics of shipping the product make it likely that the barrels were delivered as half-finished products, that needed to be assembled. It explains why correspondence is alternately with the *Verband der Deutschen Faßfabriken* and *Faßholzfabriken*.

[23] Barch R 3101/43 fol.10-11 Verband der Deutschen Faßfabriken GmbH to the Zentral-Einkaufsgesellschaft, Berlin. 28 Aug 1918.

[24] Barch R 3101/2736 fol.2-4. Chef des Admiralstabes der Marine to the Staatssekretär des Auswärtigen Amtes, e.a.. Berlin, 10-10-1918

Germans lower their prices. Germany expected payment in foodstuffs, and in the Netherlands, food riots were expected for next winter.[25] In his diary, the influential Dutch businessman Ernst Heldring wrote at the time: 'the situation amongst the workers is pitiful, there is serious weakening because of malnutrition, no clothes, no money. We are living on a volcano.'[26]

During the war, the Dutch food imports had steadily decreased: the imports of wheat, rye, oats, corn and barley had declined from 5244 tonnes in 1913 to 52 tonnes in 1918.[27] On the other hand, it had become clear to Berlin that the Dutch could easily obtain goods for which they were hitherto dependent on Germany from the United States, Great Britain or Sweden. On 23 October, the German Foreign Office therefore informed the Reich Office of Economic Affairs, the State Secretary of War, and the Reich Commissioner for Export and Import Permits, that the time had come to make sure that the German industry kept its strong position on the Dutch market.[28] That same day, at a meeting where not just German state officials, but also representatives from Thyssen and Krupp – the two most important German iron and steel companies – were present, a decision was taken to grant the Dutch favourable conditions for the new trade agreement.[29] Yet, in spite of such efforts to secure its traditional markets, Germany continued to play its suppliers against each other. A good example can be found in the case of vegetable seeds, for which both the Netherlands and Denmark were important suppliers. By the end of October, Denmark had already released 310 tonnes of the 1918 harvest for export and offered another 425 tonnes. If Germany were to accept the offer, the Dutch would have no market. It motivated the Dutch minister for agriculture to respond by

[25] Barch R 3101/2736 fol.89-90. Marineattaché Müller to the Chief des Admiralstabes der Marine, Den Haag, 6-10-1918

[26] Ernst Heldring, *Herinneringen en dagboek van Ernst Heldring (1871-1954) Uitgegeven door Dr. Joh. De Vries. Eerste deel* (Groningen 1970) 249-250, entry for Saturday, 19 October 1918.

[27] E.C. van Dorp, 'Handel en nijverheid.' In: H. Brugmans, ed., *Nederland in den Oorlogstijd. De geschiedenis van Nederland en van Nederlandsch-Indië tijdens den oorlog van 1914 tot 1919, voor zoover zij met dien oorlog verband houdt* (Amsterdam 1920) 191-250, here 216.

[28] Barch R 3101/43 fol.116, Auswärtiges Amt to the Reichswirtschaftsamt, Kriegsamt, Reichskommissar für Aus- und Einfuhrbewilligung, Admiralstab and Reichsmarineamt, Berlin, 23-10-1918.

[29] BArch R 3101/43 fol.124-126, Notes on a meeting in the Abteilung für Aus- und Einfuhr des Kriegsamtes Berlin on the supply of ship building material to the Netherlands, 23 October 1918.

releasing its vegetable seeds for export far earlier than would otherwise have been the case.[30]

The Dutch economy also – out of necessity – followed the wartime trend of increased autarky. Its production was now also geared towards basic industries such as coal and steel – although it would take some years before the steel production would actually take off –, and was aimed more at the home market. Nevertheless, in December 1920, G.W.J. Bruins commented: 'During the war, the production for the home market in this country has increased. On the whole, however, due to the specific structure of its industry, its trade policy, and its limited home market, the Netherlands remains among those countries whose industrial production is insufficient to cover domestic demand.'[31]

Graph 4.1: *Percentage of exports and imports of merchandise in Dutch GDP, 1913, 1917-1931*

Sources: Smits J.P. Smits, E. Horlings and J.L. van Zanden, *Dutch GNP and its components, 1800-1913* (Groningen 2000); van der Bie, *'Een doorlopende groote roes': de economische ontwikkeling van Nederland, 1913-1921* (Amsterdam 1995) 103; CBS, *Tweehonderd jaar statistiek in tijdreeksen* (Voorburg 2001).

[30] Barch R 3101/62 fol.197, Gneist of the Kaiserlich Deutsche Gesandtschaft, The Hague 25-10-1918 to the Auswärtigen Amtes Berlin.
[31] *Algemeen Handelsblad*, Woensdag 29-12-1920.

In fact, although world trade had declined to some 65 per cent of the pre-war level, Dutch competitiveness on the world market had increased considerably, causing the Netherlands' share in world trade to grow to circa 20 per cent over its 1913 level.[32] Partly, this was due to the fact that Dutch industry had invested heavily during the war, and would continue to do so after the war's end.[33] Labour productivity in industry – which, in contrast to the labour productivity of the entire economy had been low in the Netherlands before 1914 – had increased, and would continue to increase in comparison with that in the surrounding countries.[34] Since the 1890s, Dutch competitiveness on the world market had been strengthened by a low internal price level, a situation that the country managed to uphold until the collapse of the international gold standard in 1931. Then, the decision to keep the guilder pegged to the gold standard caused rekative Dutch price levels in comparison with countries that abandoned the Gold Standard to increase greatly.[35] Nevertheless, the larger Dutch share in world trade was an increase in a much reduced volume of trade, and even during the brief post-war period of 1919-1920, when world trade made a brief spurt to a feverishly high level, international trade would not regain the level of importance to the Dutch economy it once had (Graph 4.1). On the other hand, in contrast to the decades before the war, economic growth during the period 1921-1929 was exports-led.[36] This helps to explain why the Dutch were loath to give up their policy of free trade as during the 1920s the world around them instituted increasingly protectionist measures.

The changing structure of German foreign trade

[32] Statistisches Reichsamt, *Statistik des deutschen Reichs*, Band 310 I, 3; Klemann, *German-Dutch monetary relations*; Smits, 'Economische ontwikkeling.' 15-36, here 17; Ronald van der Bie, *'Een doorlopende groote roes': de economische ontwikkeling van Nederland, 1913-1921* (Amsterdam 1995) 103; J.L. van Zanden, *Een klein land in de 20e eeuw: economische geschiedenis van Nederland 1914-1995* (Utrecht 1997) 154.

[33] H.J. de Jong, *De Nederlandse industrie 1913-1965. Een vergelijkende analyse op basis van de productiestatistieken* (Amsterdam 1999) 192-193, 206-207; Klemann, 'Dutch-German monetary relations', 14.

[34] Klemann, 'Dutch-German monetary relations' 14; Hein A.M. Klemann, ´Ontwikkeling door isolement. De Nederlandse economie 1914-1918.' In: Martin Kraaijestein en Paul Schulten (red.), *Wankel evenwicht. Neutraal Nederland en de Eerste Wereldoorlog* (Soesterberg 2007) 271-309; Herman J. de Jong, *Prices, Real Value Added and Productivity in Dutch Manufacturing, 1921-1960*, Research Memorandum 549 (GD-4) (Groningen 1993) 23-24, 31 Appendix 3.

[35] Klemann, 'Dutch-German monetary relations'.

[36] CBS, *Tweehonderd jaar statistiek*; Own calculations based on the periods 1890-1913, 1900-1913, and 1921-1929.

Not just the Dutch, the German international trade also collapsed during the war, but while elsewhere trade saw a brief but immediate resurgence, the continuing Allied blockade of Germany meant that it remained isolated from everywhere but some neutral countries. Even this trade, however, was impeded. Naturally, the transit traffic through the neutral countries to the former Central Powers was stopped by the Allies, so that the blockade would not be circumvented. With German trade now entirely dependent upon the neutral countries, it seems remarkable that Dutch exports to Germany remained limited to 40 per cent of total Dutch exports – although undoubtedly smuggling was rampant. German exports were also blocked. Until the beginning of December 1918 – just a month after the armistice – Dutch products containing 5 per cent of German added value – either in raw materials or labour – could be exported to allied countries again. From then on, German exports to neutral states were halted completely, as even this was no longer allowed.[37] The situation was short-lived, however, as in early 1919 companies not on the British blacklist were once again allowed to export products containing no more than 5 per cent German raw materials or German labour, and limited supplies of food were allowed to be imported into Germany.[38]

With the signing of the Treaty of Versailles on 12 July 1919, the blockades were lifted. After signing the treaty, Germany not only was committed to pay extensive reparations both in money and in kind, but also to hand over almost 90 per cent of its merchant fleet, all its colonies and considerable territories in the east, west, and north. This had direct consequences for the German economy. Its industrial base diminished due to the loss of important industries in the east to the new state of Poland, but its natural resources in coal and ores were affected even more. In coal, this could be compensated by an increased production elsewhere in Germany, especially in the Ruhr area, were the population boomed as production was increased. Because part of the reparations payments were done in coal deliveries, by 1922 Germany nonetheless had to import 7.5 million tonnes of coal

[37] BArch R 3101/2736 fol.8, Telegram Handelsabteilung bei der Gesandschaft, The Hague , to the Auswärtiges Amt Berlin, 4-12-1918.
[38] BArch R 3101/2736 fol.24-26, Letter Handelsattaché Gneist to the Firm E.T. Gleitsmann, Dresden, 14 March 1919.

whereas in 1913 it had exported 24 million tonnes.[39] However, the situation was only temporary, as the quick ramping up of production after the end of the Ruhr crisis of 1923 would soon see an export surplus of coal.

The loss of considerable tracts of agricultural lands meant that production of potatoes, wheat and rye diminished with 15 per cent or more. Given that the reduction in population as a result of the shrinking German territory was 10 per cent, this meant that post-war Germany was much more dependent upon the imports of foodstuffs than it had been before the war. The changes in German territory thus brought significant changes in foreign trade. Whereas in 1913, foodstuffs had accounted for just over 28 per cent of imports, by 1925 this had increased to over 42 per cent (Table 4.5). Exports of foodstuffs declined from 10 per cent in 1913 to 7 per cent in 1925. This shift would persist throughout the 1920s and early 1930s.

Table 4.5: *The structure of German imports and exports. 1913, 1925, 1928 and 1931. In percentages of total exports and imports.*

	1913		1925		1928		1931	
	I	E	I	E	I	E	I	E
Foodstuffs	28	10	42	7	41	6	41	5
Materials/semi-finished	58	26	48	23	46	24	44	21
Finished goods	14	63	10	70	13	69	14	74

Source: Deutsche Bundesbank, *Deutsches Geld- und Bankwesen in Zahlen 1876-1975* (Frankfurt am Main 1976) 324; Own calculations.

During the early 1920s the impoverishment of Germany also led to changes in its foreign trade. Its imports of both foodstuffs and raw materials shifted towards cheaper goods. While the value of imports was relatively lower, the actual volume decreased much less. In foodstuffs, the shift was from luxury products towards fulfilling primary needs. Within these primary needs, imports were now of lower quality: the import of butter – an important Dutch export product – all but disappeared. Instead the import of margarine increased substantially.[40] Due to the demand of the home market, exports of foodstuffs declined. In the imports of raw

[39] Statistisches Reichsamt, *Statistik des deutschen Reichs*, Band 310 I, 3.
[40] Statistisches Reichsamt, *Statistik des deutschen Reichs*, Band 310 I, 9.

materials, the same shift towards cheaper materials occurred: American cotton, for instance, was replaced by the cheaper and inferior Egyptian product.[41]

Changing German trade relations

Germany's trade relations also changed as a result of the outcome of the war. Before the war, German trade had been firmly oriented on Europe. This would not change much. Almost 55 per cent of the German imports and over three quarters of the German exports went there in 1913, and in 1928 this was respectively 51 and 75 per cent (Table 4.6). Within this European trade however, there were dramatic changes. To the east, new states – Poland, Czechoslovakia, Hungary, Yugoslavia, Estonia, Latvia, and Lithuania – had been formed, partly out of former German or Austrian, partly out of Russian territories. Given the longstanding supply lines, this disintegration hardly had a negative impact on trade. Exports to the region even increased significantly. Before the war, trade with the countries in Central and Eastern Europe had accounted for some 14 per cent of Germany's imports and circa 10 per cent of its exports. By 1925, this was about 13 per cent and 17 per cent respectively.[42] As far as trade was concerned, most of these new countries were in a dependent position vis-à-vis Germany, since the trade with Germany was much more important to their economies than it was to the German economy. Their dependence would increas when the 1920s drew to a close. With a share in German exports of 5.2 and 3.8 per cent in 1925, only Czechoslovakia and Poland were of some importance as an export market.

In its trade relations with most of the rest of Europe and with the United States, Germany had declined in importance. In the case of Scandinavia, where it had been the prime supplier and second-largest market, or Central Europe, where it had been both the most important buyer and market, this position was reclaimed within two or three years after Germany's monetary stabilization. In southern Europe, it would take a few years longer to return to the pre-war situation.

[41] Idem, Band 310 I, 3.
[42] Statistisches Reichsamt, *Statistisches Jahrbuch für das Deutsche Reich*; Own calculations. In these calculations Central and Eastern Europe consists of Russia, Romania and Bulgaria prior to the war, and these same countries plus Poland, Czechoslovakia, Hungary, Yugoslavia, Estonia, Latvia, and Lithuania after the war.

Germany's most important trade relations, however, had always been with Western Europe. It had supplied its western neighbours – including Great Britain – with 15 per cent of their imports and been the destination for almost 20 per cent of West-European exports. This made Germany the second-largest supplier to Great Britain, France, and Belgium, and put it in respectively second, third and first position as a market to these countries. By 1925, these numbers had dwindled to 6 and 10 per cent respectively. Germany was now a supplier of relatively minor importance, while as a destination for British, French, and Belgian exports it was in a third position. Yet, to Germany the trade with Western Europe remained much more important, and showed much more continuity. In 1913, 20 per cent of the German imports and over 34 per cent of its exports were the result of trade with Western Europe. In 1925, 21 per cent of imports were from there, while exports had declined to 27 per cent. A year later however, exports – especially those to Western Europe – showed a strong resurgence and – at 32 per cent – almost reached their pre-war level of importance – but not the pre-war volume. The one country, with which trade saw a remarkable continuity, and where, with the monetary stabilization of Germany at the end of 1923, these relations immediately became more important than they had ever been before the war, was the Netherlands.[43]

Changing Dutch-German trade relations

Dutch-German trade relations emerged from the war even stronger than they had been before, such becomes clear from the shift in trade relations compared to the years prior to the war. In 1925 – the first relatively stable post-war year for the German economy – German imports and exports in 1913 prices, were respectivally at 65 and 84 per cent of the final pre-war year. In 1913, the Netherlands had accounted for just 3 per cent of German imports whereas by 1925 this share had grown to 6 per cent (Table 4.8). German exports to its neighbour had grown from 7 to 11 per cent, and showed a number of interesting shifts in composition. The share

[43] For an overview of Germany's position in the foreign trade of its trading partners, as well as the raw data for the quoted percentages, see: Statistisches Reichsamt, *Statistik des Deutschen Reichs*, Band 310 I, 16; Idem, Band 329, 18-20; Idem, Band 366, 14-17. Own calculations.

of foodstuffs in Dutch imports from Germany remained the same at 9.3 per cent of the total German exports – both the total of German exports of foodstuffs as well as Dutch imports of these products had halved – while imports of the foodstuffs from the Netherlands had doubled. Partly because of the loss of parts of its agricultural regions, Germany was thus exporting less and importing more foodstuffs and beverages.

In German exports of manufactured goods, raw materials and semi-manufactured goods, the importance of the Netherlands as a market had increased considerably. The export of finished goods had increased by 75 per cent, that of raw materials and semi-finished goods by 88 per cent. The comparison becomes interesting, when the average value of these imports is considered. In Dutch exports, the unit value of foodstuffs, raw materials and semi-manufactured goods had more than doubled, while that of manufactured goods had gone up by 40 per cent. The unit value of German manufactured goods came close, but the same cannot be said of foodstuffs (average increase just 17.5 per cent), nor of raw materials and semi-manufactured products, whose unit value had increased by only a third. Dutch exports were thus of a considerably higher value and/or quality than had previously been the case.[44] Clearly, during the war, the changes in Dutch industry extended beyond increased productivity; they had also led to a qualitatively better product.

This also indicates that Germany did not produce enough foodstuffs and semi-manufactured goods of sufficient quality to satisfy domestic demand. The dependence of the Dutch on their exports to Germany was thus accompanied by a German dependence on these imports from its neighbour that was much greater than it had been before the war.

[44] Statistisches Reichsamt, *Statistik des deutschen Reichs*, Band 330, I.1; Own calculations.

Table 4.6: *German international trade by continent and country, 1913, 1923-1931*.

	1913		1923		1924		1925		1926		1927		1928		1929		1930		1931	
	I	E	I	E	I	E	I	E	I	E	I	E	I	E	I	E	I	E	I	E
Great Britain	8.1	14.2	16.5	9.1	9.1	9.3	7.6	10.6	5.8	11.2	6.8	10.9	6.4	9.8	6.4	9.7	6.1	10.1	6.7	11.8
France	5.4	7.8	3.0	1.1	7.6	1.7	4.5	2.2	3.8	6.0	4.3	4.4	5.3	5.8	4.8	6.9	5.0	9.5	5.1	8.7
Belgium*	3.2	5.5	0.9	1.7	1.8	1.4	3.0	2.4	3.4	4.2	6.8	4.1	3.4	4.1	3.3	4.5	3.1	5.0	3.3	4.8
Netherlands	3.1	6.9	3.3	11.2	4.7	9.9	6.0	11.3	5.4	10.8	4.9	10.4	5.1	9.8	5.2	10.1	5.4	10.0	5.7	9.9
Denmark	1.8	2.8	1.3	5.3	2.9	4.4	2.6	4.0	2.9	3.6	2.4	3.5	2.6	3.6	2.8	3.6	2.9	4.0	2.7	3.9
Italy	3.0	3.9	2.4	4.0	4.1	3.6	4.0	3.6	3.9	4.6	3.7	4.3	3.3	4.5	3.3	4.5	3.5	4.0	4.0	3.6
Switzerland	2.0	5.3	2.0	5.7	2.9	5.7	2.7	4.9	2.2	4.1	2.4	3.8	2.3	4.8	2.4	4.7	2.5	5.2	2.4	5.6
Europe	54.7	76.0	55.0	74.3	55.3	72.6	52.8	72.7	51.0	72.2	53.2	73.9	51.1	74.8	52.6	73.6	56.0	77.1	55.9	81.0
U.S.A.	15.9	7.1	19.1	7.8	18.8	7.5	17.8	6.9	16.0	7.1	14.6	7.2	14.4	6.6	13.3	7.4	12.6	5.7	11.8	5.1
Americas	27.8	15.3	28.1	14.3	28.2	16.8	28.3	16.2	30.1	15.5	29.9	15.2	29.4	14.6	27.6	15.5	24.5	12.6	23.8	9.9
Netherlands East Indies	2.1	1.0	3.0	1.1	2.7	1.0	3.0	1.2	3.1	1.3	2.9	1.3	2.8	1.3	2.7	1.4	2.5	1.1	2.4	0.8
Asia	9.7	5.4	9.2	7.6	9.3	7.8	12.1	8.3	11.5	8.9	9.9	7.6	11.8	7.7	11.9	7.7	11.7	6.7	12.4	6.7
Africa	4.6	2.1	4.3	1.9	4.2	2.2	4.2	2.3	4.4	2.4	4.3	2.4	5.1	2.3	5.1	2.3	5.1	2.2	5.1	1.9
Australia and Polynesia	3.0	1.0	3.4	0.2	3.0	0.4	2.6	0.5	3.2	0.7	2.6	0.8	2.6	0.6	2.6	0.7	2.3	0.5	2.1	0.4

Sources: Kaiserliches Statistisches Amt/Statistisches Reichsamt, *Statistik des deutschen Reichs*, Band 317, 329 351 I and 366 I; Own calculations.

* From 1926 on, Luxembourg was included with Belgium in German trade statistics.

Table 4.7: *Dutch imports and export by country, in percentages of total imports and exports, 1918-1931.*

	Germany			Great Britain			Belgium & Luxembourg			France			United States		
Year	Imports	Exports	Total	Imports	Exports	Total	Imports	Exports	Total	Imports	Exports	Total	Imports	Exports	Total
1921	28.6	18.3	24.7	14.0	25.8	18.5	10.1	12.4	11.0	2.9	6.1	4.1	17.3	3.4	12.0
1922	30.0	13.7	23.8	16.1	25.0	19.4	9.4	14.3	11.3	2.8	9.3	5.3	13.3	5.0	10.2
1923	24.8	14.3	20.7	15.4	28.0	20.4	10.9	10.8	10.9	3.4	9.6	5.9	12.7	5.3	9.8
1924	24.4	29.3	26.4	12.9	24.5	17.8	10.8	9.1	10.1	4.2	6.7	5.3	11.5	3.4	8.1
1925	24.2	26.0	25.0	16.0	25.9	20.2	11.2	9.2	10.4	4.4	4.7	4.5	11.2	3.9	8.1
1926	27.3	21.8	25.0	9.5	27.6	17.1	11.2	8.3	10.0	4.6	4.7	4.7	10.6	4.6	8.1
1927	25.6	24.5	25.2	9.9	24.2	16.0	10.6	8.3	9.6	4.9	6.8	5.7	10.5	3.4	7.5
1928	27.2	23.5	25.6	9.6	22.0	14.9	11.2	8.7	10.2	4.5	6.2	5.2	9.9	3.5	7.2
1929	30.4	22.5	27.1	9.5	20.2	14.0	10.3	10.3	10.3	4.1	5.8	4.8	9.8	3.5	7.2
1930	31.6	20.8	27.1	10.7	22.0	15.4	10.7	11.3	10.9	4.4	7.9	5.9	8.7	2.8	6.3
1931	32.7	19.2	27.2	8.4	24.1	14.9	10.4	13.2	11.6	4.0	8.8	6.0	7.8	2.6	5.7

Source: CBS, *Zeventig jaren statistiek in tijdreeksen: 1899-1969* (The Hague 1970); Own calculations.

Table 4.8: *Composition of the Dutch share in German trade, 1913- 1931 in percent of the total German foreign trade.*

	Exports				Imports			
	1913	1925	1929	1931	1913	1925	1929	1931
Foodstuffs	9	9	12	7	7	14	12	12
Materials/semi-finished	10	18	11	13	2	2	2	2
Manufactured goods	6	10	10	10	2	2	4	5
Total	7	11	10	10	3	6	5	6

Source: Kaiserliches Statistisches Amt/Statistisches Reichsamt, *Statistik des deutschen Reichs*, Band 330 I, 1; Statistisches Reichsamt, *Statistisches Jahrbuch für das Deutsche Reich* (Berlin 1932) 214-217; Own calculations.

The greatly increased importance of the Netherlands as a market for German products meant that – in 1913 prices – the German exports to its neighbour recovered remarkably fast. By 1923, they were already at over 85 per cent of the level of 1913, while German exports as a whole were at just 53 per cent.[45] As a result of the occupation of the Ruhr by French and Belgian forces, and the German strike that followed, that year exports were even some 8 per cent lower than they had been in 1922. Unfortunately, prior to 1923, there are no reliable data on the destination of German exports. However, Dutch statistics do show that in that year imports from Germany reached a post-war low (Table 4.9). It can therefore be concluded, that German exports to the Netherlands recovered faster than those to any other country. Partly, this can be attributed to the strong Dutch guilder. Due to the ongoing depreciation of the Mark, Germany could export at prices that the home industry in other countries could not compete with. Whereas most other countries in Europe also experienced monetary difficulties, lessening the extent of Germany’s advantage, the Dutch bore the brunt of its depreciation-induced competition. At least equally important were the greater demand for raw materials from the expanded Dutch industry, and the demand for goods from the relatively affluent Dutch citizenry. Imports from Germany increased steadily until the onset of the depression, especially because of the demand. Until 1925, the Netherlands was

[45] Statistisches Reichsamt, *Statistik des deutschen Reichs*, Band 351, 5; Idem, Band 317, 6, 10; Own calculations.

Germany's most important export market, a distinction that after that year was to be alternately shared with Great Britain (table 4.6).[46]

The position of the Netherlands as supplier to Germany changed as well. Whereas in 1913, the Netherlands had been the sixth most important European supplier to Germany – ninth overall –, by 1923 it was in a fourth position and in 1929, the Netherlands was only surpassed by Great Britain and the United States as Germany's most important supplier.[47] The Dutch fourth place in 1923 in German imports was mostly the result of the disintegration of Central and Eastern Europe into smaller states. Its share in German imports was only 0.2 per cent higher than it had been before the war. As soon as the German depreciation and inflation were halted, this would change. In 1924, German imports increased 40 per cent over the previous year, but its imports from the Netherlands more than doubled (Table 4.6). The year marks a turning point in Dutch exports to Germany.

As trade with Germany increased, Dutch trade with its other main trading partner, Great Britain, declined. Britain had returned to the gold standard in 1925, but had done so at pre-war parity. Its exports were therefore relatively expensive, which expressed itself in a declining export to the Netherlands. The void that was left by the decline of imports from Britain was filled mostly with more imports from Germany, increasing the already substantial Dutch trade deficit with that country. To protect their home market, the British adopted a restrictive trade policy. As a result, after 1926, Dutch exports to the country declined, albeit that the decline was less severe than that of imports. This turned the usual almost even trade balance with Britain into a substantial surplus that would continue to exist until after 1931. For most of the 1920s, Dutch trade relations with its two main economic partners were thus characterized by a considerable structural trade deficit in trade with Germany, and a substantial surplus in trade with Great Britain. Overall, the Dutch trade balance had a structural deficit throughout the period.

[46] Statistisches Reichsamt, *Statistisches Jahrbuch für das Deutsche Reich* (Berlin 1926), VII. Auswärtiger Handel, 19. Anteil der Herstellungs- und Bestimmungsländer.
[47] Statistisches Reichsamt, *Statistik des deutschen Reichs*, Band 351, I.15.

Table 4.9: *Dutch foreign trade by country, 1921-1931. In million of guilders and 1921 prices.*

	Germany		Great Britain		France		Belgium		USA		Total	
Year	I	E	I	E	I	E	I	E	I	E	I	E
1921	649	254	318	357	65	85	229	172	392	47	2500	1385
1922	745	209	441	438	77	164	257	251	365	88	2738	1754
1923	610	236	415	535	92	183	295	206	343	100	2701	1906
1924	677	607	393	574	128	157	327	212	348	80	3037	2341
1925	695	571	508	646	138	117	356	229	356	98	3163	2495
1926	836	496	318	716	155	123	375	216	354	119	3353	2593
1927	829	619	345	679	170	192	370	233	367	96	3496	2806
1928	921	621	353	643	165	181	411	256	362	102	3659	2929
1929	1107	796	364	592	157	169	396	302	377	103	3833	2922
1930	1100	695	392	591	161	213	390	303	318	76	3655	2687
1931	1093	457	294	594	140	217	364	326	272	64	3486	2463

Bron: CBS, *Zeventig jaren statistiek in tijdreeksen: 1899-1969* (The Hague 1970); CBS, *Macro-economische ontwikkelingen, 1921-1939 en 1969-1985. Een vergelijking op basis van herziene gegevens voor het interbellum* (The Hague 1987) 63-64, 67-68; Own calculations.

The nature of Dutch-German trade

For the most part, Dutch exports to its eastern neighbour consisted of foodstuffs. This had been so before the war as well, but as after the war the balance in German imports shifted towards foodstuffs, Dutch exports profited (Tables 4.5, 4.8). However, they did so only once the German economic recovery in 1924 began (Table 4.9). Prior to that, Dutch products had been too expensive because of the strong guilder, which explains the interest of the Dutch government in helping the German state to finance imports of foodstuffs from the Netherlands at that time. Furthermore, on balance the Dutch export of foodstuffs consisted to a large degree of luxury products such as butter, cheese, fish et cetera, for which there was no market in Germany during the first post-war years (Table 4.10). Thus, during the German crisis, only those products for which substitution was difficult, such as cheese, or which were part of the basic diet, such as vegetables, still found a – albeit much reduced – market in Germany.

Table 4.10: *The share of different foodstuffs in Dutch exports to Germany, 1913 and 1923-1930.*

Year	Butter	Cheese	Eggs	Vegetables	Fish & Fish products	Meat & products	All foodstuffs
1913	12.7	6.5	2.9	9.7	8.9	6.8	56.0
1923	1.0	5.1	0.0	5.7	1.6	1.8	58.1
1924	12.3	9.2	3.4	6.3	3.9	3.3	63.7
1925	15.0	9.0	7.5	12.0	3.2	8.0	75.5
1926	18.9	10.3	10.0	12.4	3.9	7.0	75.4
1927	15.5	6.4	10.4	11.3	3.0	6.6	67.1
1928	17.0	8.2	10.6	12.5	3.1	4.7	65.2
1929	16.2	8.8	11.7	11.4	3.5	4.9	65.6
1930	14.9	9.6	12.3	11.8	4.0	3.4	64.4

Source: Alfred Sauer, *Deutsch-Holländische Handelsbeziehungen* (PhD-thesis Köln 1933) 27-38; Own calculations.

As German imports started to rise, the share of foodstuffs increased even more. Dutch exports profited, and in Dutch exports to Germany – which rose from 236 million guilders – 1921 price level – in 1923 to 607 million the following year – the share of foodstuffs increased from 58 to 64 per cent (Tables 4.9, 4.10). By 1926, over three quarters of Dutch exports consisted of foodstuffs. Even though in real terms, in 1925 and especially during the German crisis of 1926, Dutch exports were lower than they had been in 1924. The volume of Dutch exports of foodstuffs thus remained much more stable.

Within the group of foodstuffs, products like butter, cheese, eggs and vegetables were much more important than they had been before the war (Table 4.10). Imports of Dutch meat and related products initially seemed to gain in importance as well, but after 1925, their share steadily declined in both relative and absolute terms. Fish was the one group of foodstuffs that would never recover from the impact of the war. In 1913, 9 per cent of Dutch exports to Germany consisted of fish: Dutch fisheries had provided for 23 per cent of German fish imports. After 1924, exports had decreased to less than 4 per cent, which was equivalent to just over 16 per cent of German fish imports.[48] Compared to 1913, however, the total Dutch fishery remained fairly constant.[49] During the war, Norway had crowded out Dutch

[48] Alfred Sauer, *Deutsch-Holländische Handelsbeziehungen* (PhD-thesis Köln 1933) 37.
[49] Statistisches Reichsamt, *Die Wirtschaft des Auslandes 1900-1927* (Berlin 1928) 137

fish in Germany. Germany nevertheless remained a significant market to Dutch fisheries. During the second half of the 1920s, over 60 per cent of Dutch herring was sold in Germany.[50]

Apart from Norway, other Scandinavian countries became formidable competitors in other areas as well. The Danish agricultural sector had developed quite similar to the Dutch, and thus offered much the same products. Denmark conquered a significant share of the German market for butter, cheese, and eggs. Butter was the single most important Dutch export product. In 1913, the Dutch market share on the German market for butter had been 36 per cent, but by 1925 this had decreased to 30 per cent while the Danish market share was 37 per cent.[51] As total German butter imports had increased considerably, and would continue to do so until the end of 1929, this was not an immediate threat. However, the Danes managed to stabilize their market share at over 34 per cent in 1930, while the Dutch share shrank to just over 22 per cent. That same year butter imports started to decline, and two years later they had halved.[52] Partly, this was because of German protectionism, which raised prices and limited imports. However, given the easy substitution of butter by the much cheaper margarine or lard, and the severity of the German crisis, it is likely that German butter imports would have fallen anyway. The Danes also competed for a share of the German market for cheese and eggs. Here, however, the Dutch held a much stronger position, which they managed to retain. From 1925 to 1931, the share of Dutch hard cheeses in German imports grew from 60 to 70 per cent, while during that period the share of Dutch eggs rose from 20 to 34 per cent.[53] The Danish market share for both products declined from 8 to around 7 per cent.

Food crops such as vegetables and fruits comprise a wide variety of products, and a wide variety of prices. German production did not suffice to fulfil the local demand, and between 1926 and 1931 imports of vegetables was 30 to 34 per cent of the inland production.[54] Many of these imported products did not directly compete

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[50] Sauer, *Deutsch-Holländische Handelsbeziehungen,* 37.
[51] Sauer, *Deutsch-Holländische Handelsbeziehungen,* 27. H.J. van Beukering, *Der deutsch-niederländische Handel und die deutsche Agrareinfuhr in den Jahren 1920-1940* (Mainz 1953) 129, Own calculations.
[52] Van Beukering, *Der deutsch-niederländische Handel,* 129; Own calculations.
[53] Van Beukering, *Der deutsch-niederländische Handel,* 135; Own calculations.
[54] Van Beukering, *Der deutsch-niederländische Handel,* 71, Own calculations.

with similar products. Germany's own vegetable production was mainly Red, White, and Savoy cabbage, asparagus, beans, peas, cucumbers, carrots, and onions, whereas the most important imports were cauliflower – circa 20 per cent of all vegetable imports –, tomatoes – 15 to 30 per cent –, onions – 12-20 per cent –, cucumbers – 14-17 per cent –, head cabbage – 13 per cent –, lettuce, and spinach. Throughout the period, the Netherlands supplied about half of Germany's vegetable imports, while Italy's share was between 19 and 29 per cent. Together, they furnished 65 to 75 per cent of Germany's vegetable imports. Imports from France – 4.5 to 13.5 per cent – and Belgium – 1.5 to 3.5 per cent – were more or less negligible.[55]

Unlike dairy products, many vegetables are seasonal products. This means, that the competition for market shares is not just defined by price and quality. For many products it is also defined by harvest times. Thus, although the exports of the Netherlands and France to a large degree overlapped in kind – cauliflower, tomatoes, lettuce, spinach –, both countries delivered at different times. Most French deliveries were in February through May, the Dutch delivered mostly in June, July and August. Competition with Italy was limited not by seasonal circumstances, but by geography. The Italians supplied most of southern Germany – Munich alone absorbed 40 to 50 per cent of Italian vegetable exports –, Saxony, and Berlin. The Dutch and French, on the other hand, both delivered about half of their vegetable exports to the Ruhr area and the Rhine province. The rest of the Dutch exports were destined for north-western Germany and Berlin – each circa 16 per cent –, while the rest of French exports found a market in south-western Germany – 20-30 per cent –, Bavaria – 4-6 per cent –, and Berlin. In the south of Germany, French and Italian vegetables were in direct competition. The export of Dutch vegetables was governed by German demand, which explains the almost constant Dutch market share of 48 to 51 per cent in German vegetable imports.[56]

The 35 to 25 per cent of German imports from the Netherlands that did not consist of foodstuffs, consisted of a wide variety of (semi-finished) products and materials,

[55] Van Beukering, *Der deutsch-niederländische Handel,* 71-72.
[56] Ibidem 71-73.

such as cotton yarn, skins and hides, ironmongery (hardware), and machinery, each of which represented less than one per cent of Dutch exports. Even many of these products were in fact the result of a form of agriculture, and although their importance in Dutch exports as a whole might not have been substantial, to their respective fields many of these relatively small-scale exports were still important. For instance, the Dutch as good as monopolized the German market for flower bulbs, where prices were considerably higher than in the Netherlands.[57]

Table 4.11: *The share of important products in German exports to the Netherlands, 1913, 1923-1930.*

Year	Raw materials		Finished goods				Total
	Coal	Fertilizers*	Iron-mongery	Textiles	Machinery	Paper & products	
1913	14.8	1.8	15.5	12.2	6.0	2.6	52.8
1923	4.2	3.6	11.9	22.5	6.8	5.8	54.7
1924	4.9	1.1	13.7	20.6	7.2	5.5	52.9
1925	12.3	3.0	16.2	14.2	6.9	4.4	57.1
1926	18.6	2.5	15.6	13.4	6.6	4.1	60.8
1927	12.0	4.1	16.6	13.8	7.5	4.5	58.5
1928	9.5	3.9	17.9	14.8	8.6	4.1	58.7
1929	8.1	2.6	19.1	14.4	9.6	3.8	57.7
1930	9.3	1.4	17.9	15.5	10.8	4.0	58.8

Source: Alfred Sauer*, Deutsch-Holländische Handelsbeziehungen* (diss. Köln, Emsdetten 1933) 39-51; Own calculations.
* Potash and ammonium sulphate.

In contrast to the nature of Dutch exports to Germany, Dutch imports from its eastern neighbour consisted mostly of finished goods and raw materials (Table 4.11). German hardware, machines and textiles found a good market in the Netherlands, while coal was essential to keep Dutch industries working and Dutch households warm. In fact, the post-war shortage of coal had been one of the driving forces behind the Dutch willingness to furnish the German state with a credit of 200 million guilders in 1920. Before the war, the Dutch share in German coal exports had been declining. In 1885 the Dutch bought almost 33 per cent of all German coal exports,

[57] Ibidem 109

by 1913 this had diminished to just over 19 per cent. In 1923 and 1924, the Dutch share in German coal exports had tripled – 65 and 58 per cent respectively. This was, however, because its coal exports had dwindled. Obviously, the 1920 treaty worked as far as ensuring coal supplies was concerned. As soon as German coal exports increased, the Dutch share diminished to some 25-27 per cent. During the second half of the 1920s, German coal accounted for circa 65 per cent of Dutch import needs. The remainder came for the most part from Great Britain.

Many of the other changes in the German exports to the Netherlands expressed changes in the Dutch economic structure, such as the continued growth of intensive agriculture and horticulture. The increased use of fertilizers in Dutch agriculture translated into greater imports of potash and ammonium sulphate. Before the war, Germany had a monopoly on potash. Now that France had taken possession of Alsace-Lorraine, France had also started to export potash to the Netherlands. However, Germany remained the main Dutch supplier of fertilizers.[58] The increased mechanization in Dutch industry caused a greater demand for German machinery (Table 4.11). The six product categories mentioned in table 4.11 comprised some 60 per cent of German exports to the Netherlands. The remaining products, such as cotton, copper, porcelain, bicycles, cars, musical instruments, oats, et cetera, all were of relatively minor importance.

[58] Sauer, *Deutsch-Holländische Handelsbeziehungen*, 42.

4.4 Dutch-German political relations

As of January 1925, the clause in the Versailles treaty concerning the automatic granting of most-favoured-nation status to the Allied countries expired. From then on, Germany was able to formulate its own trade policy agian. Initially, this trade policy would be greatly influenced by the need for an active trade balance in order to be able to pay for reparations. This led to the institution of considerable higher tariffs than those in the old trade agreement of 1851 – which had last been amended in 1902 –, and long and rather strained negotiations between the Dutch and the German governments.[59] On top of that with the onset of the agrarian crisis in Germany in 1927, a successful lobby by the agricultural sector led first to higher tariffs on agricultural products, and then to the introduction of import quota. This caused increasing Dutch opposition, and as the German industry saw its Dutch market threatened, also brought about an active counter-lobby by German trade and industrial organisations. Where at the beginning of the decade, the Dutch public opinion was predominantly pro-German in the sense that the public was convinced of the need for a quick German economic recovery, by the end of the decade the Dutch were actively boycotting German products.

Before 1925, relations had been good, although not entirely without conflict. These were mostly due to the German transport policy, and the regulation of imports and exports in response to the inflation and the depreciation of its currency. Although, in The Hague government circles the necessity of these German measures was well understood, Dutch public opinion became increasingly critical of Germany's policy of regulation. Until the middle of the 1920s, the Netherlands were of great importance to Germany as a conduit for much of its imports and exports, the financing thereof, and even as a political ally in matters concerning Germany's access to international loans for economic reconstruction, its position in the Rhine Commission, and in the readmission of Germany in international politics. In Dutch-German political relations, the Dutch had the ascendancy. As the German Imperial [sic] legation in the Hague noted in March 1919 in a report to the German Foreign Office: 'The German export industry and German foreign trade will therefore be for a

[59] NL-HaNA, BuZa / Economische Zaken, 2.05.37, inv.nr.3259 Memorandum on the German tariffs by the trade department of the Dutch legation in Berlin. Undated (autumn 1924).

great part dependent on the intermediary from neutral foreign countries. As a consequence of its geographical position and a number of other reasons Holland will probably obtain a first position among these countries.'[60] The author, Legation Councillor Ago (Adolf Georg Otto) *Freiherr* von Maltzan, saw this role as more than that of a mere facilitator of trade. On Dutch neutral ground, German traders would soon be able to rebuild their old relations with their English and American colleagues and friends and, as Maltzan put it, ' the relations from human being to human being will, although only slowly, contribute to clear the atmosphere of hate and outlawry created by the war and inimical propaganda. The future consequences of such a development on our political position in the world, does not need any further explanation.'[61]

Dutch ascendancy

Indeed, during the early 1920s, the Dutch took a leading role in diverse attempts to fortify the German economic recovery. The efforts of the Dutch bankers G.M. Vissering and C.E. ter Meulen to stop the monetary problems that plagued most of Europe, so that international trade would be able to recover, and the Dutch efforts to secure reconstruction loans to Germany and France, all came to naught. One important achievement, however, was the Coal and Credit Treaty of 1920. Of course, the treaty had come about primarily out of economic self-interest: most of the output of the Dutch agricultural sector was highly perishable and there were hardly any substitutes for the West-German market, while the Dutch also were in dire need of coal. There was, however, also an aspect of idealistic motives. During the blockade, the idea of starving Germans just across the border – and the frightening aspect of the spread of communism to the Netherlands – had moved the Dutch public.[62] Nevertheless, the treaty was not established easily. For different reasons, Dutch stakeholders were either for or against the treaty. For the agricultural sector, the importance of renewed exports to western Germany was obvious. The Dutch

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[60] BArch R 3101/180 fol.269-271 Report by the Kaiserlich Deutsche Gesandtschaft, The Hague to the Auswärtiges Amt Berlin. 27-3-1919.
[61] Idem.
[62] Roowaan, *Im Schatten*, 91.

government wanted to promote the German economic recovery to secure its future exports as well as to ensure political stability across its eastern border. Further it needed coal so that its industry could keep working and its citizens could keep warm. The 60 million guilder credit for food would be paid for through coal deliveries, and as compensation for the renewable credit for raw materials to be used by German export industries, the German government pledged to grant export permits for the monthly deliveries of at least 90,000 tonnes of coal. Here, the interests of the Dutch *Steenkolen Handels Vereniging (SHV)* – the Dutch outlet of the *Rheinisch Westfälischen Kohlensyndikat* – and the Dutch government overlapped. The future coal supply was of the utmost importance to the Dutch government, which therefore supported the SHV in demanding special compensation in the case of exports from the coalfields at Erkelenz, just across the Dutch-German border by the city of Roermond. After long negotiations, the Germans agreed to grant export permits, free of taxes, for half of the coal mined there, up to a maximum of 1.25 million tonnes a year.

As much as Dutch industry relied on German coal, they still voiced their objections to the treaty, arguing that the Dutch were now financing the German competitors on the Dutch market.[63] Furthermore, it was pointed out that the German compensation did not amount to much: compared to the pre-war imports of 7.2 million tonnes, 90,000 tonnes a month was irrelevant.[64] Nevertheless, the Treaty was ratified. When the European coal shortage ended far sooner than expected, there was renewed criticism of the high price that was to be paid for the German coal – basically the same price as that of American coal c.i.f. Rotterdam –, and the obligation to accept deliveries in payment for the food credit.

In its intended role as assistance in the recovery of German industry, the treaty was considered a success. The credit for raw materials, known after the *Treuhandverwaltung für das Deutsch-Niederländische Kredit-Abkommen* (*Tredefina*), the supervising Trust Organisation of the German-Dutch Credit Agreement, would remain important to the German industry well after its intended end. The credit for

[63] Nationaal Archief, Den Haag, Ministerie van Buitenlandse Zaken: Kabinet en Protocol, nummer toegang 2.05.18, inventarisnummer 61 Letter by the Verbond van Nederlandsche Fabrikantenvereenigingen to the Second Chamber of Parliament, 22 June 1920; Idem, explanatory memorandum to the aforementioned letter.
[64] See: Roowaan, *Im Schatten*, 61; Sauer, *Deutsch-Holländische Handelsbeziehungen,* 39.

foodstuffs was less of a success, although this was no direct fault of anyone concerned. The credit had been granted to the German state at a time when it controlled the import of foodstuffs. Not too long after it had been put into effect, Berlin abolished all import controls for food. Much of the German food imports were now done by traders, and as a result the credit was used much less than had been anticipated. In 1924, when everyone concerned had thought the credit would have been used completely, it turned out that 22 million guilders of it was still unused. It was then, that the ill-preparedness of the Dutch negotiators came to light. The collateral for the credit had been the deliveries of coal. These however, ended by December 1923. The credit, on the other hand, had a duration of ten years.[65] When the German government announced its desire to make use of the credit again, the Dutch, much to their dismay, found they were now obligated to grant a credit without there being any collateral. Although not obligated to do so, the Germans agreed to provide this, and also catered to a limited extent to the Dutch wishes regarding German transport policy (see chapter 5).[66]

The German competition on the Dutch home market that Dutch industry had feared in 1920, only became stronger in 1921. The continuing depreciation of the Mark, and the fact that this was only partly compensated by the German inflation, meant that many Dutch products simply could no compete any longer on their home market. As competition grew stronger, protests rose, calling for an end to German dumping practices. Yet, as newspapers pointed out, the increased competition from German products was everything but dumping. The term denotes the selling of goods abroad below cost price, made possible by profits made on the home market. The Germans were simply able to produce more cheaply, which, if anything, was an expression of their economic problems.[67]

[65] Nationaal Archief, Den Haag, Ministerie van Economische Zaken: Directie van Handel en Nijverheid, nummer toegang 2.06.001, inventarisnummer 5849 Minutes of a meeting between representatives of the Dutch and German governments, 5 September 1924.
[66] NL-HaNA, EZ / Handel en Nijverheid, 2.06.001, inv.nr.5849, Letter by the Minister for Trade and Industry to the Minister for Agriculture, 4 November 1924; NL-HaNA, EZ / Handel en Nijverheid, 2.06.001, inv.nr.5849, Aufzeichnung über das Ergebnis der in der Zeit von 5. Bis 11. September 1924 im Haag geführten Verhandlungen über Ergänzung des am 11. Mai 1920 geschlossenen Vertrages über Kredit und Steinkohlen.
[67] 'Schetsen van Geld- en Fondsenmarkt.' *Nieuwe Rotterdamsche Courant*, 5 December 1920, Ochtend; Heldring, *Herinneringen en dagboek*, 333.

Even though exports to Germany fell sharply, Dutch export-oriented industry was relatively unaffected, as it focussed on other countries (Tables 4.6, 4.7). It was the small-scale local industry, which focussed on the home market, that was threatened in her existence by the cheap imports from especially Germany. This was not helped by the worldwide economic crisis that had also set in. To try and find solutions to these problems, in December 1921 a subcommittee of the *Staatscommissie voor de economische politiek* – State Commission for Economic Policy – was established. Its members, which included former Finance Minister M.W.F. (Willem) Treub and President of the Netherlands Bank G.M. Vissering, were instructed to determine which means were best suited to counteract the crisis. They were to focus on the possible use of import bans with or without import duties, the granting of export credits, or the granting of special privileges for Dutch companies when competing for government contracts.[68] After due deliberation, early in 1922 the subcommittee opposed higher import duties, but – conditionally – supported import bans or restrictions and spoke out in favour of export credits.[69] Such import bans were only to be used if a branch of Dutch industry was threatened with ruin. Even though the call for protection of at least some industries was becoming stronger, and some political parties were starting to become divided on the issue, the proponents of free trade prevailed. In part, this was because it was considered wise to await the outcome of the Genoa Conference of April and May that year, where it was hoped some headway would be made against the rising import duties and import bans. The subcommittee's recommendation to set up a scheme for export credits did not interfere with such plans, and was instituted in June.[70]

The Genoa Conference yielded no real results, and thus, the issue of import bans reappeared on the political agenda. By the end of 1922, the import duties on cigars were not just raised, but also changed to a minimum. The new system specifically targeted German cigars, and did so successfully. The imports of cigars had grown from 0.3 in 1921 to 2.1 million kilogrammes in 1922, of which 99 per cent came from Germany. In 1923, imports had contracted to 0.4 million kilogrammes.

[68] BArch R 3101/2738 fol.277 Lucius of the German Legation in The Hague to the Auswärtiges Amt Berlin, 24-12-1921.
[69] BArch R 3101/2738 fol.397 Wochenbericht für die Niederlande. Period 18-24 February 1922.
[70] P.A. Blaisse, *De Nederlandse handelspolitiek* (Utrecht 1948) 61.

That year, when due to the occupation of the Ruhr and the now dazzling rate of inflation in Germany the German exports shrank, the Dutch government instituted import restrictions on shoes. Imports of shoes had shown a similar development as those of cigars, but now the point had reached where protection of the Dutch shoe industry had become necessary. The Minister for Labour, Trade and Industry, P.J.M. (Piet) Aalberse of the *Roomsch-Katholieke Staatspartij*, a Catholic party with strong electoral support in the south, where much employment was found in small-scale industries producing for the Dutch market, thought it necessary to protect the shoe industry, when so many others – e.g. the clothing industry – also had to endure similar competition, because this industry was highly concentrated in one particular region. Therefore, the social consequences within the industry were felt much more deeply. Furthermore, the crisis in the shoe industry also hit suppliers, such as tanneries. On 29 June 1923, the import restrictions took effect. For each pair of imported footwear, distributors had to spend six times their price on buying domestically produced pairs. Less than a year later, on 16 June 1924, after the German currency had been stabilized, these measures were abolished.[71]

These instances of increased import duties and temporary import restrictions did not signify a change in Dutch trade policy as a whole. Although the Catholic Party had successfully defended the interests of its electorate – the shoe and cigar industries were prevalent in the Catholic south –, the export-oriented industry and agriculture, as well as others with interests in the free international movement of goods, such as Dutch trade and shipping, were of such importance to the economy, that they always found the government willing to defend their interests. Although The Hague raised import duties, even the revision of Dutch trade policy in 1924 did not, in fact, change Dutch policies. To generate income, and thus from a purely fiscal point of view, since 1862 duties of 3 per cent on semi-finished goods and 5 per cent on finished goods had been levied. This level was very low: the Cobden-Chevalier Treaty that introduced free trade between France and Great Britain two years earlier, had set French duties on British finished goods at 30 per cent. Furthermore, no limits

[71] Ibidem 88-93; CBS, *Jaarstatistiek van den In-, Uit- en doorvoer 1922-1925* (The Hague 1923-1926).

were set on the volume of imports for different kinds of goods. Dutch trade thus truly was free trade.

That the Dutch raised duties on finished goods to 8 per cent, and for a few goods higher, thus did not entail an end to free trade, but only limited it a little. From the Dutch point of view, it was merely a fiscal measure, and a simplification of the existing tariff, that at times had given cause for confusion and conflict. Under the old system, the difference between wholly- or semi-manufactured goods, and thus goods taxed at a higher or lower tariff, could at times be difficult to determine. If this was the case, than now these were taxes at the higher level. In principle, the measure was not directed at any particular country. Nonetheless, as Alfred Sauer pointed out in his 1933 dissertation on German-Dutch trade relations, it 'had to hit especially Germany'.[72] As related by Sauer – given the date of his dissertation, possibly his assessment was somewhat coloured by the difficulties resulting from German autarky and especially Dutch-German conflicts in clearing –, from the German point of view, the new Dutch import duties were the result of protectionist aspirations. In spite of this, Sauer noted, the German exports to the Netherlands were hardly affected, since by 1930 the Dutch share in German exports had risen to 10 per cent.[73]

A new German trade policy

In the autumn of 1924, Germany started negotiations for a new trade agreement with Belgium, France, and Great Britain. Being members of the Entente, these countries would enjoy most favoured nation status until 10 January 1925. After that, Germany could negotiate concessions from these countries in return for this status. Naturally, it was expected that the status of other countries would change as well. The Dutch legation in Berlin thought it prudent to find what repercussions a new trade agreement might have for the Netherlands, and recommended soundings to be taken with the German foreign ministry about the future of the Dutch status as most favoured nation. According to the legation, it would be 'very well possible,

[72] Sauer*, Deutsch-Holländische Handelsbeziehungen,* 72; See also Table 4.7.
[73] Ibidem 72-73.

that, in view of the favourable treatment Germany receives in our country, as well as in the interest of good relations, on this point a reassuring assurance could be had without, or at least without substantial, sacrifices on our part.'[74] If The Hague could secure the status of most favoured nation well in advance, the Netherlands could await the coming revision of German tariffs with confidence. According to the Dutch envoy in Berlin baron W.A.F. Gevers, it was as yet impossible to tell how much the new tariffs would differ from the existing tariffs, as this was dependent upon ongoing negotiations for trade agreements with Belgium, France and Great Britain, as well as the German elections. The outcome of these elections would be especially important for the height of tariffs on agricultural products. Given this uncertainty, it was no use to try and negotiate specific tariffs for the Netherlands at this time.[75] In its response to Gevers' letter, the Department for Trade and Industry agreed that at this time it would be fruitless to focus on specific tariffs, and that instead, stakeholders should mobilise their German customers and get them to organize a broad movement in support of low tariffs. Meanwhile, the Dutch department for trade and industry thought it best to adopt a wait and see approach. Only once Germany had signed trade agreements with Belgium, France, and Great Britain would it become clear if, and if so how the Netherlands would be affected.[76]

Naturally, this did not preclude Dutch preparations for the negotiations that were sure to come. The Dutch were well aware of their weak position in the coming negotiations. During a meeting of the Committee for Trade Agreements at the offices of the Directorate for Economic Affairs of the Foreign Ministry on 3 December 1924, the Chief Executive of this directorate, J.A. Nederbragt, held a long exposition about the best approach to the problem. Firstly, Nederbragt warned that it seemed that the Dutch policy of free trade was no longer valued by its trading partners, as tariffs on Dutch products were being raised. Furthermore, countries like France were considering raising tariffs by a 100 per cent, so that they would be in a better bargaining position for trade negotiations. Even though there were other

[74] NL-HaNA, BuZa / Economische Zaken, 2.05.37, inv.nr.3259 Letter by the Dutch legation Gevers in Berlin to the minister for foreign affairs, The Hague, 13 November 1924.
[75] Ibidem.
[76] NL-HaNA, BuZa / Economische Zaken, 2.05.37, inv.nr.3259 Letter by the Department of trade and Industry, The Hague, to the Directorate for Economic Affairs of the Ministry for Foreign Affairs, The Hague. 24 November 1924.

forces – such as the League of Nations – at work to combat this phenomenon, it was clear to Nederbragt that a change was coming. What needed to be considered first, was whether the existing policy of free trade should be continued. Although he still regarded free trade to be the only right policy, Nederbragt was of the opinion that it could very well be possible, that Dutch interests in the matter might become so great, that the government would be forced to change its policy. In the meantime, the Dutch should protest fiercely against any wrongdoings.

His plan for the trade negotiations with Germany was to avoid any reminders of the benefactions the Dutch had bestowed upon the Germans, as this would surely cause Berlin to respond that the Dutch had only done so out of self-interest. Rather, Germany should be reminded that whereas it was important as hinterland to the Netherlands, the Gerrmans needed the Dutch for the same reasons. Therefore, the Dutch policy of free trade was important to them as well. Seeing that in the Netherlands a very strong movement was actively trying to change this policy, it would be in their interest to accommodate the Dutch. The negotiations should be kept in general terms, at no time should they focus on special interests.[77]

The meeting resulted in an order to the Dutch envoy in Berlin Gevers to contact the German government to point out that the Dutch policy of free trade held great benefits to the Germans, but that this policy was now endangered by the protectionist policies of other countries.[78] If Germany was to follow their example, this might cause the Dutch government to rethink its current policy, which would be highly damaging to the German interests. If his arguments seemed to find a willing ear, the envoy was to explain the Dutch desiderata, which were that they be granted most favoured nation status in the broadest sense, that is including all import and export bans and quotas, as well as a list of other wishes, such as a larger contingent for the export of Dutch coal to Germany. In spite of everything, the Dutch went into negotiations and demanded significant German concessions.

[77] NL-HaNA, BuZa / Economische Zaken, 2.05.37, inv.nr.3259 Minutes of a meeting of the Committee for Trade Agreements at the offices of the Directorate for Economic Affairs on 3 December 1924. This plan of approach is reiterated in March 1925: NL-HaNA, BuZa / Economische Zaken, 2.05.37, inv.nr.3259 Highly urgent letter by the Directorate for Economic Affairs at the Foreign Office, to the negotiators in Berlin, 6 March 1925.
[78] NL-HaNA, BuZa / Economische Zaken, 2.05.37, inv.nr.3259 Letter by the minister for foreign affairs to the Dutch envoy in Berlin, 4 December 1924.

Initially, the Dutch prospects seemed good. German negotiator Gerhard Köpke, Leader of Department II – West- and Southeastern Europe – of the Berlin Foreign Office, was well-disposed towards the Dutch wishes, and noted that he did not want the Dutch interests to be subordinated to those of any other country. Köpke asked for a written statement of the Dutch desiderata.[79] Such a statement, written along the lines discussed earlier during the Dutch preparations for the negotiations, was provided and discussed in February 1925. The Dutch wishes for the Netherlands and its colonies were clear, they wanted (a) the status of Most Favoured Nation (MFN) for import and export, which (b) had to be applicable to any form of restriction or elimination of import and export restriction, and which (c) also had to apply to import quotas.[80]

Köpke immediately noted that on points a and b both parties could quickly come to an agreement, but that point c was difficult.[81] Later that month, this position was reiterated by the German negotiators Hans Marckwald and Eberhard von Pannwitz. The problem with import quotas, they said, was that Germany could be forced to do concessions with regards to such quotas towards for instance goods from Upper Silesia in the case of Poland, or from Alsace-Lorraine in the case of France. As they explained, Germany had no means of defence against pressure from these countries, and therefore often had to give in to the – as they put it – unreasonable demands of these states.[82]

Naturally, the Dutch objected, since this would mean that they would still be disadvantaged. Marckwald then promised to find a wording for this matter that would be acceptable, and noted that most of the import restrictions would be lifted shortly. The Dutch wishes with regards to import and export restrictions – points b and c – would thus lose most of their importance. As to the level of the new tariffs, he was not able to give any information, as this was as yet unclear. Contrary to the

[79] NL-HaNA, BuZa / Economische Zaken, 2.05.37, inv.nr.3259 Letter by envoy Gevers to the Minister of Foreign Affairs Van Karnebeek, 31 December 1924.
[80] Ibidem, appendix to this letter.
[81] NL-HaNA, BuZa / Economische Zaken, 2.05.37, inv.nr.3259 Letter by envoy Gevers to the minister for Foreign Affairs, 4 February 1925.
[82] NL-HaNA, BuZa / Economische Zaken, 2.05.37, inv.nr.3259 Report on the negotiations by the Consul-General, 24 February 1924.

usual course of events, the German *Reichstag* wanted to decide the individual levels of the different tariffs. This would happen sometime after mid-March.[83]

The German internal discussions took longer than expected. The agrarian sector wanted to be treated equal to the industry. Since 1922, Germany had radically raised its import tariffs on industrial products, while tariffs on agricultural products, which had been abolished when the war broke out, had never been reinstituted. There were good reasons for that. Although the sector was raising output, in 1925 Germany was still dependent on imports of foodstuffs. Nevertheless, agrarian interest groups such as the *Reichslandbund* and the *Deutsche Landwirtschaftsrat* – the old and the newly established agrarian pressure group of the Weimar period – promoted high tariffs for agricultural products by presenting reports to the government as well as by influencing the public opinion through their publications.[84] Agrarian interests were not the only lobbyists for protectionism. Even the Rhineland-Westphalian steel industry was in favour of high tariff levels, albeit only on industrial products, and not on agricultural products.[85]

The aims of these interets groups were opposed by the government, supported by consumer organizations, which were wary of the rising cost of living. Economists also strove to dismantle the existing high tariffs for industrial products, and advocated free trade through associations such as the *Verein für Sozialpolitik* – Association for Social Politics. This influential organization counted many well-known economists amongst its members, such as the agricultural economist and founder of the *Deutsche Forschungsinstitut für Agrar- und Siedlungswesen* – German Research Institut for Agriculture and Colonisation – Max Sering. This Association argued that due to the changes in the economic structure of Germany, the country would benefit from free trade. Sering, formerly a proponent of protectionism, now advocated free trade. He argued that maximizing German exports was now a necessity of national importance. The protectionism desired by the agricultural sector would endanger

[83] Ibidem.
[84] Dieter Gessner, *Agrarverbände in der Weimarer Republik. Wirtschaftliche und soziale Voraussetzungen agrarkonservativer Politik vor 1933* (Düsseldorf 1976) 68-69.
[85] NL-HaNA, BuZa / Economische Zaken, 2.05.37, inv.nr.3259 Report by the Dutch Legation in Berlin on German tariffs and the Trade Agreement, 6-11-1924; Gessner, *Agrarverbände in der Weimarer Republik*, 70.

this.[86] The views of Sering's Institut were not entirely shared by the government, which did not want protectionism, yet also did not want free trade. Instead, the Cabinet of Reich Chancellor Wilhelm Marx – a coalition of Catholic and liberal parties – and from mid-January of its successor, the Cabinet of Reich Chancellor Hans Luther – a coalition of the same parties, now completed by the German nationalists – strove for a system of tariffs that would give Germany a position of strength in trade negotiations with other nations. This meant higher tariffs for agricultural products.

Throughout the spring and much of the summer of 1925, this led to a conflict between the agricultural and industrial sectors. Ultimately, the latter gave in and supported tariffs that would be balanced between agriculture and industry. From now on, both sectors would regularly consult one another.[87] In the meantime, Dutch-German negotiations went on. In the Netherlands, agrarian organisations were lobbying for special considerations, while pressure was also put on the negotiations by those interested in Rhine barging and Dutch sea ports to include in the Dutch demands an adaptation of the *Seehafenausnahmetarife* – low railway freights to German seaports and Antwerp to promote rail transport to these ports and strengthen their competiveness.[88] In spite of what had been agreed upon, within weeks Foreign Minister H.A. van Karnebeek wrote 'that the question of most-favoured nation treatment in the Dutch-German trade relations – including the field of railway freight rates – has my very special attention and […] I would want to see no avenue neglected that could lead to the intended outcome in this matter.'[89] Furthermore, the negotiators were to ask their German counterparts, whether it would be possible to have some representatives of the Dutch farmers to explain their position on the German tariffs at the German Foreign Office in Berlin.

By the end of the summer, little headway had been made and by August, D.A.P.N. Koolen, the Dutch minister for Trade and Industry, called for a more active policy. Although he did not want a protectionist policy, he did want to reserve the

[86] 'Belemmering invoer van land- en tuinbouwproducten in Duitschland. Hevige strijd over het ingediende protectie-ontwerp.' *Algemeen Handelsblad*, 17-01-1925, Avond.
[87] Gessner, *Agrarverbände in der Weimarer Republik*, 70-73.
[88] NL-HaNA, BuZa / Economische Zaken, 2.05.37, inv.nr.3259 Letter by the Dutch legation in Berlin to Nederbragt, 25 February 1925.
[89] NL-HaNA, BuZa / Economische Zaken, 2.05.37, inv.nr.3259 Letter by Van Karnebeek to the Dutch legation in Berlin, 6 March 1925.

right to protect Dutch industries if the need should arise. In this, the interest of his voters became abundantly clear. Koolen was a member of the Roman Catholic Party that got a substantial part of its votes from the southern part of the country, where the textiles, the shoe industry and other branches were of interets which concentrated on the Dutch national market. In Koolen's view, if a country virtually closed its borders to Dutch products, it ought to be possible to retaliate by closing the Dutch borders to the offending country for that same product. The German Consul-General in Amsterdam, Prince von Hatzfeldt-Trachtenberg, warned Berlin that the mood in the country had changed, and that – given the composition of the Second Chamber of Parliament – a bill to that effect might very well pass.[90] Less than a month later, Koolen dug in his heels: 'Under these circumstances I find it impossible to collaborate towards an agreement with any government, whereby the Dutch government would commit itself not to prohibit or restrict the importation of goods.[91]

By now, however, time was running out. The new tariff had been passed by the *Reichstag*, and would be introduced on October 1, 1925. Van Karnebeek, a liberal, although not a member of the liberal party, and proponent of free trade, still had to deal with conflicting wished from the Department of Agriculture and the Department of Trade and Industry. Minster of Trade and Industry Koolen continued to argue in favour of reserving the right to instate protective measures for industry, arguing that industry was much more important to the Dutch economy than people thought, and had a greater share in exports than agriculture. The data he used in this discussion did not match with the data published at that time by the Dutch Central Bureau of Statistics. Furthermore, the minister conveniently forgot to mention that exports to Germany were even more skewed towards agricultural products than Dutch exports as a whole, and that in 1924 70 per cent of all exports to this neighbouring country were agrarian.[92] His colleague at the The Hague Department of Agriculture, Dirk Jan de Geer, a member of the protestant CHU whose electorate

[90] BArch R 3101/2741 fol.370-372 Generalkonsulat Amsterdam to the Auswärtiges Amtes Berlin, Confidential, 8-8-1925.
[91] NL-HaNA, BuZa / Economische Zaken, 2.05.37, inv.nr.3259 Letter by the Minister for Trade and Industry to the Minister for Foreign Affairs, 5 September 1925.
[92] NL-HaNA, BuZa / Economische Zaken, 2.05.37, inv.nr.3259 Letter by the Minister for Trade and Industry to the Ministers for Foreign Affairs and for Agriculture, 18 September 1925

was primarily found in agricultural areas, was a supporter of free trade. For De Geer, introducing such demands as Koolen suggested at this stage of the negotiations, could have 'dubious consequences' for the export of agricultural products. If that would endanger the status of most-favoured nation, the results would be catastrophic for the 1925 harvest. By now, he was concerned that the 1925 crops should be sold before it had spoiled, and pleaded that 'a very swift conclusion of the agreement with Germany is therefore of overriding importance to agriculture.' He therefore moved the Council of Ministers to intervene in the matter.[93]

The Department of Agriculture was not without faults itself, though. Its efforts to obtain special tariffs, at first only on shrubberies with roots, then also on cut flowers and cabbages, also made the negotiations with the Germans run long. On 21 September, Foreign Minister van Karnebeek tried to apply pressure and summoned the German envoy, Hellmuth *Freiherr* von Lucius von Stoedten, who he informed that it was of the utmost importance that Germany would accommodate the Dutch by not yet applying the new tariffs on cabbages, cut flowers, and shrubs with roots. As it was, sentiments in the Netherlands were unfavourable because of the negative impact of German transport policy to the Dutch transport sector. Applying these new tariffs at this time would cause a 'condition of antagonism, which probably is not coveted by Germany'.[94] Even at this late stage in the negotiations, Van Karnebeek still pointed to the Dutch policy of free trade: 'Also, I pointed out to him that we were not to be asked for concessions. Our entire trade policy is one big concession, and when accommodations are conditional upon extra concessions, one could just as well refuse.' He followed this with the veiled threat of a diplomatic conflict that 'If Germany wanted to eliminate certain unfavourable impressions, now would be the time, and then later, with the [trade J.E.] agreement, the relationship in general could be consolidated.'[95]

The Dutch dismay was understandable, as compared to the Dutch tariffs the new German tariffs that just had been accepted in the *Reichstag* were rather high,

[93] NL-HaNA, BuZa / Economische Zaken, 2.05.37, inv.nr.3259 Letter by the Minister for Agriculture to the chairman of the Council of Ministers, the Finance Minister. 16 September 1925.
[94] Nationaal Archief, Den Haag, Werkarchief Minister van Buitenlandse Zaken H.A. van Karnebeek, 1918-1927, nummer toegang 2.05.25, inventarisnummer 54, Diary of Van Karnebeek, entry for 21 September 1925.
[95] Ibidem.

especially for vegetables. Dutch import duties were either 5 or 8 per cent, depending upon the goods in question. The German tariffs on important Dutch exports were in some cases relatively low. Butter and cheese for instance, were taxed at 6 and 14 per cent respectively, but the new tariffs for vegetables ranged from 30 to 120 per cent, those for tomatoes and cauliflower, for instance, were raised to 42 and 85 per cent.[96] Their impact would have been especially harsh, since during the previous ten years no tariffs had been levied on agricultural products. When the war broke out, the tariffs on agricultural products had been lifted. Since then, they had not been reinstituted because the diminished domestic production necessitated food imports.[97]

Van Karnebeek's talk with Lucius seemed to have been fruitful. Four days later in Berlin, Marckwald took great pains to explain to W.J.R. Thorbecke, Secretary of the Dutch Legation in Berlin, that the German aims were merely to revise the old system of tariffs to make it – as Thorbecke relayed it to Van Karnebeek – 'subservient to the present economic structure of Germany'.[98] According to Marckwald, what made matters especially complicated, was that the Dutch wanted lower tariffs on agricultural products. He reminded Thorbecke that this was a sensitive issue in the *Reichstag*, which only recently had forced the German government to nullify a trade agreement with Spain after a small group of farmers had protested.[99] Marckwald reiterated that the German Foreign Office definitely wanted to accommodate the Dutch desires, and had defended the Dutch position in an interdepartmental meeting two days before. However, the overriding opinion had been that the only way the government could ensure parliamentary cooperation would be by securing some Dutch concessions. These would not have to be much, since they could be justified with an appeal to the general Dutch trade policy.[100] The German position

[96] Blaisse, *De Nederlandse handelspolitiek*, 105; Van Beukering, *Der deutsch-niederländische Handel*, passim; Own calculations.
[97] Gessner, *Agrarverbände in der Weimarer Republik*, 68.
[98] NL-HaNA, BuZa / Economische Zaken, 2.05.37, inv.nr.3259 Letter by Thorbecke to Van Karnebeek, 25 September 1925.
[99] Ibidem; Also: NL-HaNA, BuZa / Economische Zaken, 2.05.37, inv.nr.3259 Letter by Thorbecke to the Dutch legation in Berlin, 19 September 1925.
[100] NL-HaNA, BuZa / Economische Zaken, 2.05.37, inv.nr.3259 Letter by Thorbecke to Van Karnebeek, 25 September 1925.

had been clear from the start: they were eager to grant the Netherlands the status of most-favoured nation, and willing to grant specific tariffs for a few goods, but ultimately they could only grant what parliament would agree with.

A year earlier, when the Germans had again wanted to make use of the Dutch credit on foodstuffs that had been granted in 1920, they had indicated that they would also like to see the Tredefina-credit for raw materials extended. Given that the initial objections that this credit would finance the German competition on the Dutch home market had not come true, the Dutch negotiators now used it in the negotiations.[101] As compensation for the status of most-favoured nation and the lowering of a few specific tariffs – mostly for agricultural products, only on a few industrial products – the Dutch agreed to extend the existing credit for raw materials from ten years to seventeen years, and lowered the interest rate from 6 to 5.5 per cent.[102] The trade agreement known as the *Douane- en Kredietverdrag* – Customs and Credit Treaty – that was signed on 25 November 1925 significantly lowered German import duties: the tariff on butter was reduced from 6 per cent to nil, while the tariff on cheese went from 15 to 11 per cent, cauliflower from 85 to 11, tomatoes from 42 to 4.2, and lettuce from 28 to 14 per cent.[103]

Still, it would take until July 1926 before the bill was passed in the Second Chamber of Parlement, and another month before it was passed in the First Chamber, the Senate. Both in the Second and in the First Chamber, discussions were heated and in both Houses the question was raised why it had not been possible to obtain better results. After all, as one member of the Senate put it, 'where the Netherlands, as it were, is destined by nature to provide the large industrial centres of Germany with the products of its agriculture, its livestock breeding, its dairying, its horticulture, where Dutch industry in its processing of colonial and other raw materials has gained a great reputation – also in Germany, I may add – while for years Germany has distributed an ever growing amount of its intermediate and

[101] NL-HaNA, EZ / Handel en Nijverheid, 2.06.001, inv.nr.4269 Report on the Dutch-German Customs and Credit Treaty.
[102] Blaisse, *De Nederlandse handelspolitiek*, 118; J. Verseput, 'Nederland en de Seehafenausnahmetarife tijdens de Weimarrepublik 1919-1933.' In: Joh. De Vries, *Ondernemende geschiedenis: 22 opstellen geschreven bij het afscheid van Mr. H. van Riel als voorzitter van de Vereniging het Nederlandsch Economisch-Historisch Archief* (The Hague 1977) 321-343, here 333.
[103] Van Beukering, *Der deutsch-niederländische Handel*, passim; Own calculations.

wholly-manufactured products in this country, it seemed that a trade agreement, advantageous to both countries, would be the most natural thing in the world.'[104] Even though some representatives showed more insight into the nature of economic relations and policy than others, and denounced the naiveté of those who expressed their disappointment that Germany had not shown more gratitude for the help the Dutch had given during the difficult first post-war years, such insight would often be followed by no less naïve thought that the credit facilities offered by the Dutch banks should have been used to pressure the Germans to be more forthcoming. In fact, such an approach had been tried by the president of the Netherlands Bank. His efforts had been a fiasco, since he had not coordinated with the Dutch negotiators and had let the interests of the Netherlands Bank overlap with those of the trade negotiations and German transport policy. Anyway, the Germans had realized that – if needs be – they could by now also turn to the financial markets of New York and London.

While the agricultural sector was in favour of the new trade agreement, the opposition to the treaty was strong, and the Dutch negotiators were harshly criticized. Industry, trade, and transport circles claimed that the interests of agriculture and horticulture were better served than theirs.[105] In February, the influential chairman of the Amsterdam Chamber of Commerce and Industry, Ernst Heldring, attacked the agreement in his annual address. The high tariffs on agricultural products would not have hindered their export to Germany, since that country could not produce these items in sufficient quantities and was therefore dependent on the imports of these products from the Netherlands. The Germans had intentionally raised these tariffs in order to secure Dutch concessions in other issues, and 'the government has fallen into this trap'. Oddly enough, the lowered interest rates were criticized more than the decision to extend the duration of the credit with seven years, as opponents compared the 5.5 per cent interest rates to those in Germany, which were to the order of 10 per cent.[106] In doing so, however,

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[104] Handelingen Eerste Kamer der Staten-Generaal, 35ste Vergadering van 28 Juli 1926. Remarks by the Member of the First Chamber of Parliament Van den Bergh jr.
[105] Nieuwjaarsrede Heldring 'De Nederlandsch-Duitsche verdragen.' *De Nederlandsche Werkgever. Wekelijks orgaan van het verbond van Nederlandsche Werkgevers*, 8 July 1926.
[106] Heldring, *Herinneringen en dagboek,* 644; 'Rede van de Voorzitter van de Amsterdamsche Kamer van Koophandel, Ernst Heldring, over het jaar 1925.' *Algemeen Handelsblad*, 6 January 1926, Ochtend.

they ignored the essence of the Dutch compensation: by 1925, Germany had ample access to international credit. The Dutch compensation was not in the granting of the credit, but in its relatively low interest rate.

The effects of the new German trade policy

In 1926, Dutch exports to Germany fell by 14 per cent. In the Netherlands, the cause was seen in the new German tariffs, and not in the cyclical downturn that hit the German economy that year. A report by the Reich Statistical Office to the Reich Minister of Economics on the structure of German-Dutch economic ties argued that these ties would continue to be intensive, because it was in the nature of things that the Netherlands would be the main customer of German industry both for its own use and for transit, while Germany would always be a main customer for Dutch agricultural products. The report predicted trade would be restored in 1927, and indeed, during the first quarter of that year there was a revival of Dutch exports to Germany.[107]

In spite of Dutch misgivings, not all aspects of the new trade agreement were negative for Dutch trade, as most of the remaining import restrictions had now been lifted.[108] Furthermore, all foreign suppliers were facing the new tariffs, for which the Dutch now had most-favoured nation status. From a German point of view, it is quite understandable that this status of most-favoured nation could not be granted without compensation, as it would have weakened the German position in the negotiations with other countries. On the other hand, Berlin did not easely give in, not even when a possibility existed as a specific product was only important in German-Dutch trade. This was the case with flower bulbs, of which 99 per cent (in some years even more) was imported from the Netherlands. In this case, Germany was not limited in its ability to grant concessions, and could have chosen to tax flower bulbs either not at all or at a low rate. Instead, a tariff of 30 Rm per 100 kg was levied, or circa 15 per cent. In the trade agreement, this was reduced to 20

[107] BArch R 3101/2744 fol.256-261 Statistisches Reichsamt to the Reichswirtschaftsminister, 7 September 1927.
[108] NL-HaNA, BuZa / Economische Zaken, 2.05.37, inv.nr.3259 Memorandum on the German tariffs by the trade department of the Dutch legation in Berlin. Probable author Mr. Wolff. November 1924.

RM/100 kg, or 9 per cent.[109] The point is moot, however, since it is impossible to draw any conclusions based on this single example. Since other Dutch exports competed with those from other countries, this avenue of inquiry does not allow to draw any conclusions.

As far as the strength of the position of either party in the negotiations goes, Germany's position was strengthened by the fact that, to the Dutch, these exports were far more important to their economy than they were to the German economy. The theoretical advantage that Dutch imports from Germany far exceeded their exports to that country was voided by Dutch adherence to free trade. Apart from a mass Dutch buyers strike or a radical reorientation of Dutch trade policy, the Germans thus had nothing to fear during the negotiations on a new trade agreement, even though the Netherlands was its most important export market. As an analysis by the trade department of the Dutch legation in Berlin noted: 'It is not recommended to resort to the use of forcible means such as reprisals and retaliation, or import bans. Rather, we should be aware that the Netherlands is more economically dependent upon Germany, than Germany depends on us; in this respect, no other country finds itself in such an unfavourable position against Germany.'[110] As has been shown, this was not quite correct, as the new nations in Eastern and Southeastern Europe were in a comparable or even worse situation. However, this was of no consequence to the precarious Dutch bargaining position.

Yet, in spite of the weak Dutch position in these negotiations, the German negotiators were satisfied with a prolongation of the existing Tredefina-credit with an interest rate that was half a per cent lower, and did not ask for more. This, however, merely reflected the greater ease with which the Germans could now obtain credit elsewhere. Considering the relatively low cost to the Dutch of the prolongation of the Tredefina-credit – basically this was the difference between the cost that comes with making the money available, and the interest the Germans paid on this money – the Germans were relatively forthcoming. The new German tariffs of 1925 were both an answer to the need of the Weimar Republic to minimize

[109] Van Beukering, *Der deutsch-niederländische Handel*, 110 and 184; Own calculations.
[110] NL-HaNA, BuZa / Economische Zaken, 2.05.37, inv.nr.3259 Memorandum on the German tariffs by the trade department of the Dutch legation in Berlin. Undated (Autumn 1924, before 13 November).

imports versus exports, and part of a larger, worldwide trend towards increased protectionism that had started soon after the war had ended. As the Germans put it: 'Germany must avail itself of negotiating tariffs, a system of maximum or punitive tariffs that it can bring to bear on those countries, that will not grant Germany the status of most favoured nation, or that provide less favourable conditions on their imports from Germany than they provide other countries.'[111] Nevertheless, even though the significant tariff reductions that resulted from the subsequent trade agreements seem to confirm this German argument, in the background the aim of protectionism did play a role. In the explanatory notes that accompanied the draft legislation, it was noted that both the agricultural sector as industry needed protection, albeit only of a temporary nature.[112] Both the height of the new tariffs and the reduction of these tariffs in trade agreements were determined by what the German government could get the *Reichstag* to agree with. Two years later, however, agricultural prices all over the world would fall sharply and lead to a severe crisis in the agricultural sector. The resulting struggle between agrarian interest groups demanding protection on the one hand, and those of trade and industry emphasizing the importance of (industrial) exports on the other, would increasingly influence German trade policy.

In the Netherlands, a similar process took place. The German currency-induced competition had led to two distinct but short-lived cases of protection, but had not caused a broad and fundamental discussion on the need to re-evaluate of the Dutch trade policy. The changing German trade policy, however, did, although the term protectionism was carefully avoided. From now on, the pros and cons of what was called an active trade policy were regularly discussed in politics as well as in the public opinion. The proponents of an active trade policy – a policy of reciprocity and especially of the use of reprisal tariffs – were organized in April 1926, when they established the *Vereeniging voor Actieve Handelspolitiek* – the Association for Active Trade Policy. [113] Those in favour of free trade responded by renaming the long-established (1896) Association *Het Vrije Ruilverkeer* – The Free

[111] Ibidem.
[112] Ibidem.
[113] Van Beukering, *Der deutsch-niederländische Handel*, 21; Blaisse, *De Nederlandse handelspolitiek*, 111-112.

Exchange of Goods – to the clearer *Vereeniging voor Vrijhandel* – Association for Free Trade.[114]

Since they were dependent upon exports, the Dutch agrarian sector promoted free trade and opposed anything that could possibly reduce exports, including any experiments in trade policy. Most of their products were highly perishable, and thus needed a nearby market. These products were harvested and thus marketed for only a short period in the year, and had a relatively small market. Even a short-lived drop in exports could therefore result in untold damages.[115] Dutch trade and export-oriented industry were also strongly in favour of free trade, as were the Chambers of Commerce that represented them. Nevertheless, as the chairman of the Amsterdam Chamber for Commerce and Industry, Ernst Heldring, noted in his diary, by early 1927 the proponents of reprisal tariffs were gaining support. His hopes that the newest League of Nations Conference against protectionism, the International Economic Conference in Geneva that would take place next May, would be successful were dim.[116] Indeed, the Conference did little to stem the tide, and in the Netherlands, those in favour of an active trade policy seemed to be gaining further ground. In October 1927, a committee was appointed to design a new system of tariffs. However, when the fruits of their labour were presented a year later, the relevant departments and their ministers rejected this new system.[117] Even the incidental protection of industry that was so much desired by the Department for Trade and Industry was never implemented. Thus, in the spring of 1928, parliament rejected a proposal to protect the ailing ceramics industry.[118] This came as no surprise to the German *Zentralstelle für den Wirtschaftlichen Auslandsnachrichtendienst* – Central Organisation of Foreign Economic Intelligence – which in advance had stated that the Dutch were making far too much money by exporting to Germany to enforce protection for such industries. Germany's position was too strong for the Dutch to make a fist against Berlin,

[114] Heldring, *Herinneringen en dagboek*, 179 footnote 1.
[115] Van Beukering, *Der deutsch-niederländische Handel*; Blaisse, *De Nederlandse handelspolitiek*, 68-69, 21.
[116] Heldring, *Herinneringen en dagboek*, 686. Entry 1 March 1927.
[117] Blaisse, *De Nederlandse handelspolitiek*, 121.
[118] Barch R 3101/2745 fol.378 Copy of an article from the Industire- und Handelszeitung, 118, 23 May 1928, sent by the Zentralstelle für den Wirtschaftlichen Auslandsnachrichtendienst to the Reichswirtschaftsministerium, the Reichsverband der Deutschen Industrie and other government instances as well as organizations of trade and industry, 7 June 1928.

'because, should the German accommodations that have thus far been offered be rescinded, the Netherlands would probably be hit quite hard.'[119]

In spite of growing protectionism all over the world as a result of first the onset of the agricultural crisis in 1927 and then the general economic situation in the autumn of 1929, and increasing activities by the *Vereeniging voor Actieve Handelspolitiek* in the form of public meetings and lectures on subjects as 'Agriculture and bargaining tariffs' or 'Geneva and the active trade policy', in the Netherlands the idea of free trade prevailed.[120] The reason why the concept managed to retain the upper hand was obvious: in spite of higher tariffs, Dutch exports kept growing. In Germany, however, the modernization in animal husbandry meant that the own German production of butter was increasing and the pressure to protect the German butter producers also grew.[121] As a consequence, late 1929, the main Dutch export product to Germany was about to lose most of its market. The Dutch reacted in a novel way.

A conflict about butter

The crisis in German agriculture could not be adequately countered by modernization, and once again there was a call for protection. Because of the electoral importance of the sector, which directly employed over 29 per cent of the work force in 1929, Berlin had to heed this call.[122] In 1929, at the insistence of the sector, the government was working towards a drastic raise in tariffs on butter, the mainstay of German imports from the Netherlands.[123] Due to the intricacies of the

[119] BArch R 3101/2745 fol.251-255 Report by the Zentralstelle für den Wirtschaftlichen Auslandsnachrichten-Dienst to the Reichwirtschaftsministerium, Reichsfinanzministerium and other government instances as well as organizations of trade and industry. Original report dated 6 Feb 1928, sent 1 March 1928.

[120] For example: 'Actieve handelspolitiek.' *Algemeen Handelsblad*, 15-11-1928, Avond; The economic German press also noted this. 'Die Idee des Freihandels hat in den Niederlanden noch viele und einflußreiche Anhänger', noted the *Industrie- und Handelszeitung* on 23 May 1928. See: BArch R 3101/2745 fol.378 Report by the Zentralstelle für den Wirtschaftlichen Auslandsnachrichtendienst to the Reichwirtschaftsministerium, Reichsfinanzministerium, and other government instances as well as organisations of trade and industry, 7 June 1928.

[121] BArch R 3101/2745 fol.251-255 Report by the Zentralstelle für den Wirtschaftlichen Auslandsnachrichten-Dienst to the Reichwirtschaftsministerium, Reichsfinanzministerium, and other government. Original report dated 6 Feb 1928, sent 1 March 1928.

[122] W.G. Hoffmann, *Das Wachstum der deutschen Wirtschaft seit der Mitte des 19. Jahrhunderts* (Berlin 1965) 204-206; Own calculations.

[123] Sauer, *Deutsch-Holländische Handelsbeziehungen,* 26 and 28.

existing trade agreements, the height of import duties for Dutch butter was determined by a German trade agreement with the minor supplier of butter, Finland.

The German-Finnish trade agreement had established the tariffs on butter, which under the most-favoured nation clause were applicable to Dutch butter as well. In November 1929, a new trade agreement with Finland raised import duties from 27.50 RM to 50 RM per 100kg. Finland agreed to this, since Germany provided compensation: for seven years it would guarantee imports of 8000 tonnes butter, which was less than a quarter of its butter imports from the Netherlands, but trippled the usual volume of Finland's butter exports to Germany.[124] Without a change in the Dutch-German trade agreements, the Dutch exporters of butter were thus confronted with import duties that had almost doubled. Their organizations, foremost the *Algemene Nederlandse Zuivelbond* – Dutch Union of Dairy Producers – actively sought press coverage for what they regarded as a grave injustice and in the summer of 1930 called for a boycott of German products.[125] As they put it: 'When Germany no longer wants our butter, eggs, et cetera, as well as so many other things, then we no longer want German machines, either large or small, German knives, scissors, razors, soap, toothpaste, perfumes, packaged drugs, German wines, beer et cetera, and we will no longer bring in millions of guilders to Germany by vacationing there.'[126] Such a boycott was certainly not new. Earlier that year, the Dutch electronics firm Philips had threatened its German suppliers with a boycott, because for years its efforts to sell its products on the German market were being thwarted by the German government, the German judiciary, and its German rival companies.[127] The year before, it was the brick manufacturers, who had called for a boycott.[128]

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[124] Van Beukering, *Der deutsch-niederländische Handel*, 126.
[125] BArch R 43 I/88 fol.266 Overview of the background and development of the boycott. See also various documents in BArch R 3101/2749 and R 3101/2750.
[126] BArch R 3101/2749 fol. 173.
[127] BArch R 3101/21061 fol.21-28 'Philips und Deutschland.' Report by the Philips Company on its troubles in Germany. See also NL-HaNA, Cie. Nederlands-Duits Kredietverdrag, 2.08.26, inv.nr.25 Correspondence between Philips, Osram, and the Treuhandverwaltung regarding a conflict that ultimately rooted in the exclusion of Philips' radio valves from the German market.
[128] Blaisse, *De Nederlandse handelspolitiek*, 109.

The reaction of the Dutch butter producers is understandable, as the importance of Germany as a market could not be overstated: in 1928, 80 per cent of all Dutch butter exports were destined for its eastern neighbour.[129] Whether it was because the butter producers rallied the nation as a whole, rather than only their own industry, or whether it was because the issue resonated with the public, is difficult to judge, but the call for a general boycott of all German products was successful. The oimpression of the German exporters was that the Dutch people *en masse* declined to buy German products, as did Dutch industry. German trade and industry saw their exports diminish, and knew what caused it, as they were inundated with letters from their Dutch trade relations and Dutch industry, informing them of orders being cancelled and expressing the reason why. By the summer of 1930, many German chambers of commerce and industrial organizations were under pressure from their members.[130] In turn, these German companies addressed their government both directly and through organizations such as the *Reichsverband der Deutschen Industrie* – the German Association of Industry – explaining the seriousness of the situation in no uncertain terms.[131] The *Südwestfälische Industrie und Handelskammer* – South Westphalian Industry and Trade Chamber – in Hagen for instance, approached every relevant German government authority, form the *Reichskanzler* to the Reichs Ministers of Economics, Finance, Employment and even the Prussian Ministry of Trade and Commerce. Their message was serious, as the orders from the Netherlands had declined considerably, in fact, one important factory might have to stop much of its production. The German market share in the Netherlands was under serious threat of being taken over by English products, and, as the *Metallwarenfabrik Union* – Ironware factory 'Union' – warned, 'once the market has been lost, due to the well-known conservatism of the local customers, it will take years of work to recover the lost ground.'[132] German industrial organizations, the *Reichsverband der Deutschen*

[129] Sauer, *Deutsch-Holländische Handelsbeziehungen,* 27 and 29.
[130] BArch R 43 I / 88 and BArch R 3101/21061, various documents.
[131] BArch R 3101/2747, various documents.
[132] BArch R 43 I/88 fol. 262-263 Letter by the Südwestfälische Industrie und Handelskammer to the Reichskanzler, the Reichsminister des Auswärtigen, the Reichswirtschaftsminister, the Reichsminister der Finanzen, the Reichsarbeitsminister, and the Preussische Ministerium für Handel und Gewerbe, 9 August 1930; BArch R 3101/2749 fol.163 Letter by the Metallwarenfabrik Union, 29 July 1930.

Industrie, the Verein deutscher Maschinenbauanstalten – *Association of German Machine Factories* – and associations representing trade interests like the *Deutsche Industrie- und Handelstag* – German Trade and Industie Union – and the *Reichsverband des deutschen Gross- und Überseehandels* – Reich Association of Wholesalers and Overseas Trade –, seeing their interests threatened, rallied and put pressure to bear on the government. In an effort to come to a solution, there was even international cooperation as the Rotterdam Chamber of Commerce and Industry and its equivalent in Duisburg-Wesel joined forces in order to find a solution. By August 1930, the combined efforts of the Dutch boycott movement and pressure from the German industry brought the cancellation of the provisional trade agreement with Finland.[133]

Although the conflict had been decided in favour of the Dutch, it was no victory over German protectionism. The German trade policy merely changed, and now turned towards the use of tariff quotas. By October, a new agreement was reached with Finland, whereby that country received the right to export 5000 tonnes of butter to Germany, to be taxed at 50 RM per 100 kg. A month later, the agreement was ratified and put into effect. As most-favoured nation, the same rates applied to the Netherlands, but just as for Finland, only for 5000 tonnes.[134] The threat of a boycott also remained, even after the conflict had been resolved. When in January 1932 the German tariffs on a number of important products such as butter, cheese, and eggs were raised considerably, German industry immediately received letters from their Dutch customers again. Given that these products were highly susceptible to the economic downturn, and Germany was in the midst of a severe economic crisis, it is unlikely that the tariffs were to blame for the rapidly declining Dutch exports to its neighbour.

Since the trade agreement of 1925, the Dutch had taken an increasingly reproachful attitude towards the Germans. By the spring of 1930, when once again tariffs were being negotiated, a member of the Dutch delegation noted, that all these

[133] Sauer, *Deutsch-Holländische Handelsbeziehungen,* 80.
[134] Blaisse, *De Nederlandse handelspolitiek*, 125; Sauer, *Deutsch-Holländische Handelsbeziehungen,* 81.

negotiations were counter-productive.[135] However, in the face of increasing tariffs, the Dutch attitude was understandable, for as the Directorate for Economic Affairs of the Foreign Office remarked, still 'no means are at our disposal to force Germany to accommodate the Dutch desires in a more generous fashion.'[136] In the course of that year, this position would start to change.

A shift in Dutch trade policy

Within the League of Nations, throughout the 1920s efforts to promote better trade relations and drive back protectionism were made. In the face of the economic crisis and the now rapidly worsening situation in international trade, the League organized another economic conference in Geneva in February 1930. Here, the former and future Dutch Prime Minister Colijn, then a member of the First Chamber of the Dutch Parliament, introduced a plan. The member states would be divided into those who adhered to the principle of free trade – Great Britain, the Netherlands, Norway, and Denmark – and those who used tariffs to improve their negotiating position and protect their markets. The countries adhering to free trade would continue to do so and promosie not to change their policy if they were rewarded by the protectionist countries by not terminating existing trade agreements. This left the countries employing protectionist tariffs free to pursue this policy with regards to other countries. At a later date, the countries that still held to the principles of free trade hoped to gain concessions. For a short period of time, it seemed the conference would be something of a success as the Plan-Colijn had been accepted, as the mopre protectionismt countries hoped to bind Britain – were the opposition wanted a more protectionsist course – to its traditional free trade policy.[137] Just as in Britain, however, even in the Netherlands, those who had traditionally been among the

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[135] NL-HaNA, BuZa / Economische Zaken, 2.05.37, inv.nr.3261 Letter by the Dutch legation on Berlin to the Foreign Minister, 17 March 1930.
[136] NL-HaNA, BuZa / Economische Zaken, 2.05.37, inv.nr.3261 Letter by the Directorate for Economic Affairs to the Minister for Employment, 5 March 1930.
[137] Hein A.M. Klemann, *Tussen Reich en Empire. De economische betrekkingen van Nederland met zijn belangrijkste handelspartners: Duitsland, Groot-Brittannië en België en de Nederlandse handelspolitiek, 1929-1936* (Amsterdam: NEHA, 1990) 118-119. On the change in Dutch trade policy, see also: Blaisse, *De Nederlandse handelspolitiek*.

proponents of free trade were changing position. The Dutch agricultural organizations that year cooperated in the writing of an emergency program that in essence was a call for a more active trade policy.[138]

Few countries actually ratified the agreement reached at the February Conference. Therefore, in November that year, the conference was reconvened. Colijn tried to apply pressure by suggesting that those still adhering to free trade might turn towards protectionism as well, pointing out that even in the Netherlands the adoption of an active trade policy was increasingly likely. As few actually believed the Dutch would abandon free trade, his ploy was unsuccessful. Only Germany was – under severely limiting conditions – willing to negotiate.[139] The governmental *Zentralstelle für Aussenhandel* – Central Organisation for Foreign Trade – was under pressure from representatives of the various industrial organizations, who were expressing their anxiety over the advance of economic nationalism in the Netherlands.[140] This *Zentralstelle* tried to reassure them by stating that, although it might seem that the idea of economic nationalism had gained ground in a way that held terrifying prospects for German exports, in fact this would be an overestimation of the measures that had until then been taken.[141]

In March 1931, in Geneva, yet another Conference was held. As all efforts to bring the parties together had failed, it ended with the conclusion that further conferences on the matter would be futile. From now on, trade relations would again be settled in bilateral talks instead of in broad forums.[142] By then, the smaller Northern European countries – the Netherlands, Denmark, Norway, Sweden, and Belgium (that since 1922 formed a customs union with Luxembourg) – had met in Oslo, hoping to remove obstacles in their mutual trade relations and to improve their position vis-à-vis the larger states by working together. Like the Conferences in Geneva, the diverse interests of these countries severely limited what could be achieved. In spite of initial high hopes, the resulting Oslo Agreement merely

[138] Blaisse, *De Nederlandse handelspolitiek*, 106.
[139] Klemann, *Tussen Reich en Empire*, 119.
[140] BArch R 3101/2749 fol.3-13 Letter by the Zentralstelle für Außenhandel to the Deutsche Legation in The Hague and the German consulates in Amsterdam and Rotterdam, 5 May 1930.
[141] BArch R 3101/2749 fol.114-116 Confidential letter and report by the Zentralstelle für Außenhandel to the Auswärtiges Amt, Reichswirtschaftsministerium, Reichsverband der Deutschen Industrie, and other organizations of trade and industry. 25 June 1930.
[142] Klemann, *Tussen Reich en Empire*, 119

obligated each country to inform the others of any intended tariff increases.[143] The obstacles in mutual trade relations remained, and the use of safety measures and bureaucracy to hinder imports continued to grow.[144]

In the Netherlands, the proponents of free trade still had the upper hand. The plans of the Dutch cabinet that were outlined by H.M. the Queen in the Speech from the Throne of 15 September 1931, still only spoke of the possible protection of Dutch industries.[145] Four days later, the British abandoned the Gold Standard and the pound sterling devalued. Soon the British were followed by the Scandinavian countries, while the Dutch guilder remained linked to the gold and was in fact appriciated vis-à- vis the British pound and other major currencies. Dutch exports to Germany had suffered for some time now, as Germany sank ever deeper into the economic crisis. From the sterling crisis on, Dutch exports to the other main trading partner were obliterated overnight as well. In 1932, exports to Great Britain were half of what they had been the year before, but the British devaluation had more far-reaching consequences than the diminution of Dutch exports to the UK. Dutch export could no longer compete with products from countries with devalued currency such as the Scandinavian countries or the countries of the British Empire, and thus fell sharply. At the same time, high internal price levels meant that the Dutch industry was unable to compete with the now cheap imports from these countries that flooded the home market. In a reaction, in December, in the Second Chamber of Parliament, without any opposition a law was passed that raised tariffs on most imports from 8 to 10 per cent.[146] More importantly, this *Crisisinvoerwet* – Crisis Law on Imports – now also included import quota. From now on, the Dutch home market could be protected simply by denying import licenses.[147] Free trade had given way to protectionism.

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[143] Blaisse, *De Nederlandse handelspolitiek*, 126.

[144] NL-HaNA, EZ / Handel en Nijverheid, 2.06.001, inv.nr.4303 Various reports; NL-HaNA, EZ / Handel en Nijverheid, 2.06.001, inv.nr.4303 Letter by the Minister of Labour Trade and Industry to the Minister for Foreign Affairs, 7 May 1931.

[145] Handelingen Verenigde Vergadering der Staten-Generaal, 1931-1932 15 september 1931, Speech from the Throne, 15 September 1931.

[146] Blaisse, *De Nederlandse handelspolitiek*, 204.

[147] Van Beukering, *Der deutsch-niederländische Handel*, 22; H.M. Hirschfeld, *Actieve Economische Politiek* (Amsterdam 1946); NA 2.06.065, various documents.

4.5 Conclusion

The First World War and its aftermath caused structural changes in Germany's foreign trade. This was caused firstly by the loss of territories, which shifted the German needs towards a higher import of foodstuffs – from less than 30 to over 40 per cent of all German imports – and of certain raw materials. The second reason for the structural change was the German need to protect its markets in order to be able to pay reparations to the Entente by a trade surplus. Therefore, exports had to be maximized and imports minimized. Prior to the war, Germany had protected its agricultural sector. When the World War broke out, the need for imports of food had been such that these had been abolished. Since after the end of the war, this need continued and the price of these imports was high, these tariffs had not been reinstated. For many industrial products, however, tariffs were raised at this time. These affected every German trade partner the same, since in response to the Treaty of Versailles, which had forced the Germans to unilaterally grant the most-favoured-nation status to the members of the Entente, until January 1925, every country had been granted this status. Only from 1925 on, Germany's trade policy changed.

Another aspect of Germany's foreign trade that had changed, was the structure of its trade relations. Before the war, these had been firmly oriented on Europe, and this would not change much. Within Europe there were dramatic changes, however. Central and Eastern Europe, where as a consequence of the loss of important German territories, the disintegration of the Austro-Hungarian Empire and the 1917 Treaty of Brest-Litovsk that resulted in substantial teritorial losses for the new Soviet Union, many new states had been formed, greatly increased in importance as destination for German exports. Nevertheless, most of these countries were in a highly dependent position vis-à-vis Germany, since these trade relations were of far greater importance to their economies than these were to the German economy.

Exports to Central and especially most of Southern Europe took some time to recover after the German economic recovery started. When this trade did recover, however, the Great Depression was about to start already. Before 1914, Germany had been the primary supplier and second-largest market for Scandinavia, and it would reclaim this position within two or three years after the monetary stabilization of 1924, while the importance of the region for German foreign trade increased slightly. Germany's trade relations with most of Western Europe were different. Once the second-largest exporter to Great Britain, France and Belgium, Germany now was a supplier of minor importance. As a market to their products, the *Reich* was also less important than it had been before the Great War. To Germany, trade with France and Britain would never be as important as it had once been, while with Belgium only imports would fully recover.

The one country with which trade not only recovered instantaneously once the German currency had stabilized, but also became far more important than it had ever been before the war, was the Netherlands. During the war, Dutch-German relations were not quite friendly. Germany, in desperate need for food imports, had to resort to virtual blackmail to obtain these. When late in the autumn of 1918 the imminent German defeat became obvious, Berlin tried to safeguard its trade relations with the Dutch. In this, it was successful, as these relations became even more important than they had ever been before. Compared to the pre-war situation, the importance of the Netherlands both as a market as as a supplier of Germany had greatly increased. Whereas before the war, the Dutch share in German imports had been 3 per cent, by 1925 – the first full year of monetary stability, which marked the reversal of the Weimar Republic's fortunes – this had almost doubled to 6 per cent. The Dutch share in German exports had also increased substantially, from 7 to 11 per cent.

The German need for food imports was at the core of the increased imports from the Netherlands. That it was its western neighbour that profited, was due to the fact that with the loss of much of the German industry in the east, the industry of the extended Ruhr area gained in importance. As industry in the region expanded, the population did so as well. The increased German need for food was thus concentrated in this region. Throughout the 1920s, 65 to 75 per cent of Dutch exports consisted of foodstuffs, mainly vegetables, fish, meat, and especially dairy products such as butter and cheese. The destination for the majority of these foodstuffs was the extended Ruhr area. During the German crisis, only those products for which substitution was difficult, such as cheese, or which were part of the basic diet, such as vegetables, still found a – albeit much reduced – market in Germany. From 1924, as the German economy recovered, the demand for these products was the first to increase, which explains the instant and dramatic rise in imports from the Netherlands.

The larger Dutch share in German exports was mostly caused by the increased demand for (semi)-manufactured goods such as machinary and fertilizers for Dutch industry and agriculture, for consumer goods such as textiles and hardware, and for raw materials, mostly coal. Throughout the 1920s, Dutch imports from Germany would rise. It was only in 1930, that they would start to decline. Remarkably however, once corrected for the drop in prices, during the depression the decrease in imports from Germany was actually very little. Imports from other countries fell at a much faster rate. The volume of Dutch exports to its neighbour showed a very different development. Even when considering the volume – by correcting for changes in price –, once the crisis set in, exports to Germany decreased at a much faster rate than those to other countries. That this should be so, is not so much due to the much-maligned German protectionist policies, but rather an indication of the severity of the economic crisis in Germany.

Most of the Dutch-German political relations during the era had to do with economic affairs. Until 1925, the German trade policy was the same towards all countries. Since the Treaty of Versailles had obligated it to grant the status of most favoured nation to the members of the Entente, Germany had granted this privilege to all its trading partners. This did not mean that tariffs were not raised. Actually, import duties on industrial products rose considerably. This was, because the Treaty of Versailles had also forced Germany to pay reparations. These could only be paid if Germany managed to create a trade surplus or import foreign capital. The need to do so shaped German trade policy.

Until 1924, these tariffs were of little importance, as Germany’s monetary problems meant that such imports were minimal anyway. Tariffs on agricultural products had been lifted at the beginning of the war, and afterwards they had not been reinstituted because Germany had a structural need for food imports, and during the inflationary period it certainly did not want to raise price levels even further by taxing basic consumer products. When at the end of 1923, the Mark was stabilized, food imports therefore rose quickly and trade relations with the Netherlands were the first to recover.

When the rule of the Versailles treaty expired that German had to give most-favoured nation treatement to all its former enemies, it was decided to change the German trade policy. New German import tariffs were imposed in the late summer of 1925. The Dutch were most upset as Germany would now not just start to charge tariffs on agricultural products as they had not done since 1914, but these tariffs were actually signifcantly higher than they had been before the war. Yet, this was not a deliberate choice of the German government, nor were these tariffs directed specifically against the Netherlands. The German *Reichstag* had decided it wanted to set the tariff levels, and here agricultural interests had significant influence. In spite of the fact that Germany wanted to keep internal price levels low, the agricultural products which it needed to import were taxed at a high level.

In the negotiations for a new trade agreement, which had started at the end of 1924, the Dutch were treated quite favourably. The Dutch were fully aware that they had nothing to offer, and had to decide how best to convince the German to grant them the status of most favoured nation without asking for Dutch compensation. The best approach, they decided, was to convince the German negotiators of the importance of the Dutch free trade policy to the German economy. Berlin, however, was well aware of the importance of the mutual trade relations, and from the outset promised The Hague that it would be no problems for them to give the Dutch the most favourated nation status. When agricultural interest groups in the Netherlands started to ask for specific tariff concessions, and the Dutch foreign minister Van Karnebeek muddied the waters by including the German transport policy in the debat on the trade agreement, the negotiations faltered, however. Increasing friction between the Dutch Department for Trade and Industry and the Department for Agriculture caused further delays and presented the Dutch negotiators with the problem that Dutch wishes were no longer clear or consistent. The Dutch press and diverse interest groups were by now declaring that after all the Dutch had done to help the Germans, Berlin was ungrateful and hostile. By the time the Dutch-German negotiations picked up steam, in October 1925, the Germans asked for Dutch compensation by way of a modification of the existing credit treaty. The duration of the treaty was to be extended from 10 to 17 years, and the interest rate lowered by half a per cent. The Dutch agreed, and in November 1925 the agreement was signed. Although this agreement was the best The Hague could get, opposition to it was fierce, and only nine months later the treaty was ratified in the Second Chamber of Dutch Parliament.

The chaotic realization of the trade agreement makes it difficult to gauge, whether the Dutch were treated benevolently or not. The outcome – while not to the liking of many – seems advantageous to the main Dutch export interests. Tariffs may have been higher than before, but Dutch exports were taxed at the lowest rate. The price, the extension of the Dutch credit to German industry, seems reasonable because the Germans could have asked for more – such as lower Dutch import duties. The lower interest rate, while considerably lower than domestic German rates, not only reflected Dutch interest rates, but also the fact that the Germans by now had easy access to other foreign financial markets. Given that the German government was limited by what it could get the *Reichstag* to agree with, it seems that the Dutch – whose negotiating position was weakened by similar issues – were, in fact, to some degree indulged.

As the German agricultural sector increased its output, and from 1927 was struck by the world-wide agricultural crisis, the German government was pressured to protect its home market. The German market for industrial products and for raw materials was also increasingly shut off from imports. Accordingly, Dutch disenchantment with the Germans was growing. Nevertheless, as exports to Germany were still growing, this tension never had any real consequences. Only when in 1929 German import of the most important Dutch export product, butter, was threatened, popular opinion decidedly turned against Germany. In the summer of 1930, a massive Dutch boycot of German products caused a concerted effort of German industrial interest groups to work together against further agrarian protectionism. These combined efforts managed to supersede those of the agricultural sector. The German plans to raise the tariff on butter were shelved only temporarily, however, for a few months later, import quotas were instituted.

Real political problems only started when the German economy was in crisis and imports – especially of Dutch luxury foodstuffs such as butter – were decreasing regardless of tariffs or quota. Until then, whenever this was in their interest or the cost was not too high, the Germans indulged the Dutch. Berlin was aware of the fact that imports of foodstuffs were a necessity, although this was decreasing as the output of the German agricultural sector increased. High tariffs were therefore not so much a necessity as a way to accomodate agricultural interests, balanced with the export-oriented interests of the German industry. By the end of 1930, the crisis at home and the decrease in exports meant that this became a luxury they could no longer afford.

At the most basic level, it can be said that the Dutch fed the Ruhr population, and bought the products of Ruhr industry. Since much of Dutch trade consisted of foodstuffs that were either expensive or easily substituted, the level of mutual trade was determined more by the economic circumstances than by any trade policy. The next chapter further extends this argument, in that its analysis of transport flows shows how the Dutch economic ties with its neighbour were primarily ties with the extended Ruhr region.

Chapter 5 - Transport

5.1 Introduction

"Just a cursory look at the map already reveals the almost natural inevitability of the interweaving of traffic and economy of the Rhine areas with the Netherlands: the close proximity to the border of both economic areas, their integration into the Rhine river system and their economic community with the large ports of the Rhine and the seaports".[1] Such were the words Konrad Adenauer – at the time head-Burgomaster of Cologne, later the first Chancellor of West Germany – chose to open his essay on the economic relations between the Netherlands and the Rhineland for the annual report of the Dutch Chamber of Commerce for Germany for 1929-1930. Adenauer concluded, "The backbone of the economic ties between Germany and the Netherlands is the Rhine".[2] In describing his views on the nature of Dutch-German economic ties as being the result of the integration of two economic regions into a greater region formed by the Rhine river system, Adenauer thus recognized the Rhine as a transnational economic region. This chapter examines the correctness of Adenauer's claim, and in doing so explores not only the role of transport and transport policy in Dutch-German economic relations, but also whether these were between the Netherlands and Germany as a whole, or rather between regional parts of these two countries.

In examining whether the Rhine region can indeed be regarded as a transnational economic region – with German-Dutch transport as a driving force –, it will be necessary to identify its economic centre. To do so, first the changing relation between the port of Rotterdam and its hinterland and the development of the infrastructure necessary for transport will be explored, after that an analysis will follow of the internal and international transport flows in both Germany and the Netherlands, which – apart from the work done by Rainer Fremdling on Dutch-German railway traffic, and on German internal trade flows by Nikolaus Wolf – has been largely neglected.[3] In order to be able to

[1] K. Adenauer, ´Die wirtschaftlichen Beziehungen zwischen dem Rheinland und den Niederlande.´ In: *Jahresbericht der Nederlandsche Kamer van Koophandel voor Duitschland 1929-1930* (Frankfurt am Main 1930) 5-8, here 5.
[2] Ibidem. The original text reads: ‚Das Rückgrat der deutsch-holländischen Wirtschaftsverbindung ist der Rhein.'
[3] R. Fremdling, 'Per spoor de grens over: Niederländisch-deutsche Eisenbahnbeziehungen, 1853-1938.' In: J.C.G.M. Jansen (Ed.), *Economische betrekkingen in grensregio's in een industrieel tijdperk, 1750-1965* (Leeuwarden 1996) 37-67;

put Dutch-German transport into perspective, the competition between the Netherlands, Belgium and France for transport to and from Germany – both by barge shipping and by railways – will then be reviewed.

Transport in the region also had a significant political component. As was the case with trade, the Germans were actively pursuing a policy that would both protect its own economy – in this case by helping German ports attract traffic – and would help them to develop a trade surplus. They were not the only ones to do so. The Dutch, Belgians and French did the same. Due to Germany's unique post-war circumstances, however, the German transport policy led to escalating diplomatic conflicts with the Netherlands. Likewise, the importance of Rhine traffic to the Belgians caused Dutch-Belgian tension over the connection between the port of Antwerp and the Rhine. The Rhine was of such crucial importance to the North-Western European economies, that at Versailles the Allies tried to lessen the German influence in the Central Commission for Navigation on the Rhine, the international body that regulated Rhine navigation and supervised the maintenance of the channel of the river. These political aspects to a greater or lesser extent, all influenced the development of transport in North-Western Europe through their impact on competition between modes of transport and between ports.

Only after all flows of traffic, competition with other ports and between modes of transportation have been assessed, will the extent of Dutch-German dependence in international transport be sufficiently clear to conclude whether Adenauer's claim was valid. The statistical data on transport were compiled using the yearbooks published by the Central Commission for Navigation on the Rhine, the Dutch Central Bureau for Statistics, and the wide variety of publications by the German *Statistisches Reichsamt*.[4] Misprints in these publications were corrected through comparisons between these sources, and the work of Andreas Kunz.[5]

Nikolaus Wolf, 'Was Germany ever united? Evidence from Intra- and International Trade, 1885-1933.' *Journal of Economic History* 69 (3), September 2009, 846-881.

[4] CBS, *Jaarstatistiek van den in-, uit-, en doorvoer [1919-1933]* (The Hague [1919-1934]); Zentral-Kommission für die Rheinschiffahrt, *Jahres-Berichten der Zentral-Kommission für die Rheinschiffahrt [1920-1933]* (Strasbourg [1921-1934]); Statistisches Reichsamt, *Die Güterbewegung auf deutschen Eisenbahnen [1925-1929]* (Berlin [1926-1930]); Statistisches Reichsamt, *Verkehr der deutschen Binnenwasserstraßen im Jahr [1925-1929]* (Berlin [1926-1930]); Statistisches Reichsamt, *Die binnenschiffahrt im Jahre [1925-1929]* (Berlin [1926-1930])

[5] A. Kunz, *Statistik der Binnenschiffahrt in Deutschland* (St. Katharinen 1999).

5.2 Rotterdam and the German hinterland

Rhine shipping and railway traffic with Germany took off when in the 1860s the German, more specifically the Rhenian-Westphalia coal-based industrialization accelerated. Just across the Dutch-German border, partly in the Prussian *Rheinprovinz*, partly in Prussian Westphalia, industry concentrated near the Ruhr, a tributary of the Rhine, and along the Rhine itself. The area combined large deposits of high quality coal and by way of the Rhine provided a convenient and cheap mode of transportation. After the canalization process that took from the 1850s to the early 1890s, the Rhine proved to be uniquely suitable for inland shipping: the water level was almost always sufficient, and was relatively stable due to the regulating influence of the Lake Constance. As a consequence, the Rhine was navigable up to Mannheim for ships of 4,000 tonnes, while Strasbourg could be reached with ships measuring 2.500 tonnes without any hindrances by locks or other obstacles.[6] Transport in bulk of coal and ores grew at a fast rate as Germany changed from an agrarian to an industrialized economy. Due to the canalization and technical progress in shipping, Rhine transport was able to profit from this growth.[7] Whereas traffic across the Dutch-German border in 1840 amounted to some 375.000 ton exports – mostly raw materials – and 128.000 tonnes imports – mostly merchandise – by 1913 German exports along the Rhine consisted of millions of tonnes of coal and limited amounts of wholly and semi-manufactured products, while imports consisted of similar quantities of raw materials for the German industry – ores and wood – and of cereals to feed the industrial centres of the Rhineland. Dutch ports – especially Rotterdam, to a lesser extent Amsterdam and other ports – profited from this development, and as a result became more dependent on Germany: in 1913 almost 75 per cent of the overseas goods incoming in Rotterdam where destined for Germany. Just twenty-three years earlier this had been 50 per cent.[8]

While the ports of Amsterdam and Antwerp focussed on mixed cargo, Rotterdam concentrated on the transport in bulk. Before long, Rotterdam became 'the bridge that connects the German hinterland and west-German industry to the world market'.[9] The

[6] J. Lülsdorfs, *Die Bedeutung Rotterdams für die rheinische Wirtschaft, insbesondere für die deutsche Rheinschiffahrt* (Köln 1940) 38.
[7] Hein A.M. Klemann and Joep Schenk, 'Competition in the Rhine Delta. Waterways, railways and ports, 1870-1913', *Economic History Review* (forthcoming).
[8] Lülsdorfs, *Die Bedeutung Rotterdams*, 7-8 and 53.
[9] Ibidem 33.

connections to the coal mines and the iron industry of the lower Rhine were especially strong, though there was also significant traffic to and from other spheres of industry, such as the chemical and paper industry.[10] Rotterdam actively attracted as much of the Rhine traffic as it possibly could. Acknowledging the importance of accessibility both for inland shipping and large ocean-going freighters as well as the advantages conferred by modern harbour machinery and low harbour rates, the Rotterdam Chamber of Commerce and Industry put constantly pressure on the Dutch government and the city of Rotterdam to improve the accessibility of the port from the sea, to improve the transhipment installations and with that the efficiency of disembarking sea ships and loading barges or other vehicles for further inland transport of the cargo. The Chamber was successful: in 1918 it was decided to dredge the *Nieuwe Waterweg* – the canal that connected Rotterdam to the sea since 1875 – to a significantly greater depth.[11] Its concerns regarding the harbour costs were not heeded however, and these would remain significantly higher than those in Antwerp or Hamburg throughout the 1919-1931 period.[12]

The hinterland of the port of Rotterdam did not consist of just the Rhine basin. Rhine traffic extended further east through the Rhine-Herne Canal and the Lippe Branch Canal – both mainly used for the transport of coal – and the tributary rivers of the Rhine, the Main, Moselle, Neckar and Lahn.[13] During the rise of railway transport in the first half of the nineteenth century, railways and inland shipping along the Rhine enjoyed a mutually advantageous relationship. In Germany, railways were initially constructed at right angles to the Rhine, and rail transport carried goods from specially constructed ports further inland.[14] During the 1860s and 1870s however, the *Rheinische Eisenbahngesellschaft* – the Rhine Railway Company – was laying tracks alongside the Rhine towards the Netherlands.[15] In the Netherlands, the first plans for a railway connection to Germany were considered in the early 1830's. Primarily intended for the transport of goods, it was supposed to connect Amsterdam with Cologne.[16] The plans were aborted however, and the first railway connecting the Netherlands with Germany,

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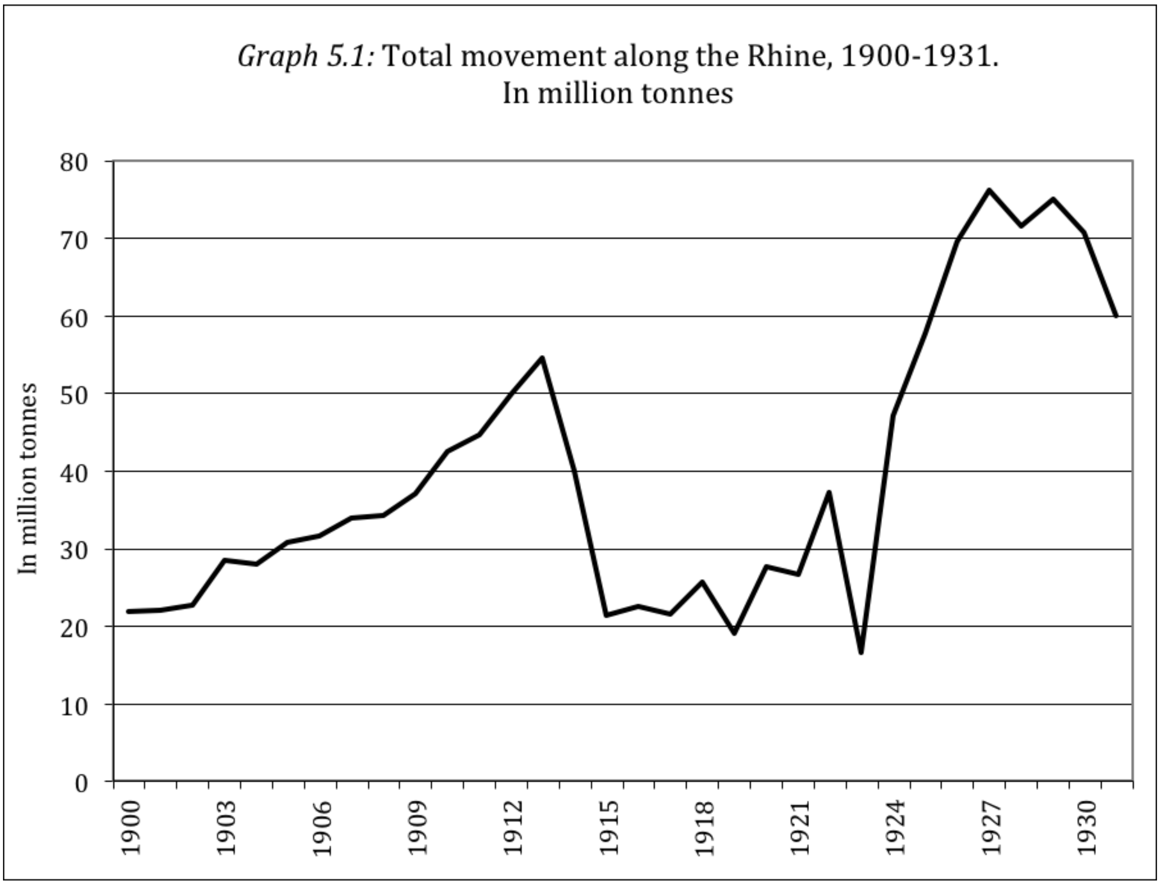
[10] Ibidem 34.
[11] H.J.D. van Lier, *Kamer van Koophandel en Fabrieken voor Rotterdam, 1803-1928* (Rotterdam 1928) 828, 849-853.
[12] J. Verseput, *Kamer van Koophandel en Fabrieken voor Rotterdam, 1928-1955* (Rotterdam 1955) 69-70, 73.
[13] Lülsdorfs, *Die Bedeutung Rotterdams*, 33-34, 38.
[14] A.F. Napp-Zinn, *Binnenschiffahrt und Eisenbahn* (Leipzig 1928) 5; J. Walter, *Enige economische beschouwingen over de Rijnscheepvaart* (Assen 1951) 99.
[15] Fremdling, *Per spoor de grens over*, 47.
[16] Ibidem 40.

the Maastricht-Aachen railway, only opened in 1853.[17] Far more noteworthy was the establishment three years later of a railway between Arnhem and Oberhausen.[18] However, while railway traffic within Germany soon exceeded inland shipping, traffic with the Netherlands remained focussed on Rhine shipping.



Source: Commission Centrale pour la navigation du Rhin, *Rapport Annuel de la Commission Centrale pour la navigation du Rhin, 1933* (Strasbourg 1934).

For the transport to and from the hinterland of Rotterdam's Belgian competitor, Antwerp, however, railways were a far more important mode of transport. Whereas during the 1920s international transport by train accounted for less than two percent of all international traffic with Rotterdam's hinterland, in Antwerp rail transport amounted to over twenty percent.[19] By 1913, Belgium boasted the world's highest railway density.

[17] Ibidem 54.
[18] Ibidem 41.
[19] Data for Rotterdam: F.M.M. Goey, (2003), *Database on cargo flows in the port of Rotterdam, 1880-2000; Goederenoverslag Rotterdamse haven, 1880-2000.* https://easy.dans.knaw.nl/ui/datasets/id/easy-dataset:39487 (accessed on 17/10/2012). Data for Antwerp originate from the data collection of the Economic History Workshop

These railways connected Antwerp to Germany by three major routes: Antwerp – Leuven – Liège – Aachen – Cologne (opened in 1853 and widely known as the Iron Rhine), Antwerp – Hasselt – Maastricht – Aachen, and Antwerp – Mönchen Gladbach.[20]

While the German railways – originally a multitude of privately owned lines – were soon either partially or entirely nationalized by the federal or Prussian government, thereby keeping internal competition to a minimum, all facets of Rhine shipping such as ports, ships, et cetera remained in the hands of either private individuals, firms, municipal authorities or individual German states. Furthermore, navigation on the Rhine was regulated by an international organization, the Central Commission for Navigation of the Rhine, which, with the adoption of the Act of Mannheim of 1868, guaranteed that no tolls were levied on the river and that no discrimination by flag or the ownership of the cargo was allowed. Thus, in contrast to the railways, the Rhine was open to fierce competition. In combination with technological improvements, by the 1890s this led to faster and more efficient inland shipping. This in turn led to Rhine shipping becoming a cheap and viable alternative to rail transport as between 1890 and 1913 the costs of Rhine transport dropped 78 percent, whereas the cost of rail transport remained stable and even showed a tendency to rise.[21] Combined with rapid industrial growth, the result was a fast expansion of Rhine traffic (Graph 5.1).

Rhine shipping initially contained two basic types of enterprise: large, multi-ship shipping companies and single-ship companies consisting of a captain and his immediate family. Later, a third type form sprang up as mining and steel companies invested in their own fleets. In Germany, large shipping companies owned the majority of the Rhine barges, as many private individuals were unable to finance the transition to the larger, iron barges which in trains of four were tugged by steamers.[22] The large shipping companies by themselves can also be divided into two groups, those who remained independent, and those who were allied to industrial or trading enterprises, the so-called *Werksreedereien* –

(Centre of Economic Studies, Leuven University), theme: 'Continental throughput', datasets 'Inland shipping by cargo flows', and 'Railway transport by cargo flows'. See: R. Loyen, 'Functional shifts in the port of Antwerp. A throughput model.' *International journal of maritime history*, XIII-2 (2001) 73-93; own calculations.

[20] W. Warsch, *Antwerpen, Rotterdam und ein Rhein-Maas-Scheldekanal* (Duisburg 1920) 35.

[21] J.-P. Smits, E. Horlings, J.L. van Zanden, *Dutch GNP and its Components, 1800-1913* (Groningen 2000) 146-147; Klemann and Schenk, 'Competition in the Rhine Delta'; Own calculations.

[22] Walter, *Enige economische beschouwingen*, 71-72.

company ship-owners. The ships of these barge fleets owned by mining or steel companies were the most numerous, which was due in part to the demand for transport at fixed prices as well as the possibilities these big companies had to finance the expansion and modernization needed in the late nineteenth century to materialize the increased scale that caused the decline of transport costs.[23] While fixed prices in a competitive market may seem to be a hindrance to delivering a product at the lowest possible price, one should keep in mind that fixed costs were low because the shipping company was assured of regular, predictable freights. As they needed their shipping fleet to be as productive as possible, the *Werksreedereien* kept the size of their fleet to a minimum. In busy times, extra ships were simply hired from the ranks of the small private shipping companies.[24] The most important group of *Werksreedereien* consisted of those of coal shipping companies. At the end of the nineteenth century coalmines started to seek control of shipping companies, either by establishing their own shipping company – Thyssen established the *N.V. Handels- en Transport-Mij. "Vulcaan" Rotterdam* – the Dutch limited company Trade and transport Company Vulcaan – for this purpose – or by acquiring a controlling interest in existing shipping companies.[25] In 1903 these shipping companies joined in the *Kohlenkontor*, a sales organisation of the *Rheinisch-Westfälischen Kohlensyndikat*.[26] Such joining of forces was common at the time.[27] In the Ruhr district a large number of ports were also owned by private firms: Companies like Wesseling, Walsum, Alsum, Schwelgern, Rheinhausen of Krupp, Gustavsburg of Mathias Stinnes, all owned their own ports. This was another example of the ongoing process of vertical integration – combining production, storage, transhipment, and shipment – as a result of the fierce competition.[28]

Similar processes occurred amongst the private shipping companies. Due to the increasing number of ships employed in Rhine shipping at the end of the nineteenth century, in 1890 German private shipping companies joined forces in the association *Jus et Justitia*, but that was no more than a union to defend the interests of the shippers.[29] In

[23] L. Jolmes, *Geschichte der Unternehmungen in der deutschen Rheinschiffahrt* (Köln 1960) 33.
[24] Walter, *Enige economische beschouwingen*, 73.
[25] Lülsdorfs, *Die Bedeutung Rotterdams*, 52.
[26] Walter, *Enige economische beschouwingen*, 77; Lülsdorfs, *Die Bedeutung Rotterdams*, 52.
[27] Jolmes, *Geschichte der Unternehmungen*, 54.
[28] G. Haelling, *Le Rhin. Politique, économique, commercial* (Paris 1921) 157-159; Jolmes, *Geschichte der Unternehmungen*, 53-55.
[29] Jolmes, *Geschichte der Unternehmungen*, 34; Lülsdorfs, *Die Bedeutung Rotterdams*, 52.

1903, they cooperated with forwarding companies in the founding of the *Vereinigte Spediteure- und Schiffer-GmbH* – United Agents and Skippers Ltd – in Mannheim.[30]

In contrast to Germany, France or Belgium, a very large part of the barge fleet in the Netherlands was in the hands of small, individual skippers. The larger Dutch Rhine shipping companies were all either subsidiaries of maritime transport companies, or were owned by seaport-related enterprises such as transhipment companies. However, a substantial part of the Dutch fleet was in fact wholly or partially owned by German companies, most of the time subsidiaries of German coal shippers, the *Kohlenkontor* or large German industrial companies. In Belgium, like in Germany, the large shipping companies were most important, while in France private shipping companies were virtually non-existent.[31] Until after the war, France had not been active in Rhine shipping. The river from Mannheim to the south was hard to navigate and anyway, since 1871 until 1919 Alsace-Lorrain was German. As part of the reparations payments however, it received a large number of different types of Rhine barges and tugboats. From its total available tonnage of 2.2 million tonnes, Germany had to surrender a total of about 360.000 tonnes to the French. From the available tugboats, almost 14 per cent had to be handed over. These ships were divided over six newly founded shipping companies that were strictly coordinated by the French Republic.[32] The Rhine barges from these four countries were the most active in Rhine shipping, and where almost exclusively used for transporting bulk goods. Only about 3 per cent of Rhine traffic consisted of merchandise.[33]

[30] Lülsdorfs, *Die Bedeutung Rotterdams*, 52.
[31] Walter, *Enige economische beschouwingen*, 74, 80.
[32] Jolmes, *Geschichte der Unternehmungen*, 79-80.
[33] Walter, *Enige economische beschouwingen*, 118.

5.3 Transport within Germany

Germany had a few major centres for the transport of goods. The western and southern centres were respectively the Ruhr area – parts of Westphalia and the Rhine province, from Rheinhausen to Walsum – and Mannheim, both situated along the Rhine, a third centre was greater Berlin and further it had the closely clustered ports on the North Sea – primarily Hamburg, and to a lesser extent Bremen and Emden. The North Sea ports of Bremen and Emden handled goods from mostly the Ruhr area and southern Germany, while Hamburg also handled goods from eastern Germany by way of Berlin.[34] Already before the war, railways were the predominant mode of transport for both mixed, as well as bulk goods. Both in rail transport and inland shipping, coal was most important, followed by building materials such as soil, bricks, stone, and cement. Nevertheless, there were some notable differences. Inland shipping was geared more toward transporting ores, while iron and steel showed a tendency towards transportation by rail.[35]

The importance of the Rhine relative to other inland waterways and vis-à-vis railway transport is shown in table 5.1. It shows the total transported tonnage and the percentage share of railway transport and inland shipping – including the share of Rhine shipping – in the total transport of goods in Germany. Disregarding the data for the period 1919-1923 because of a lack of reliable data and the economic turmoil of the era, during the period 1924-1933 inland shipping accounted for – on average – 20 per cent of all transported goods (Table 5.1, column 'Inland shipping in percentage of total traffic'). At this time, road transport was still negligible. Of all inland shipping, over two-thirds consisted of Rhine traffic.[36] Compared to the pre-war situation, at first glance the post-war economic recovery and the resultant growth of transport, especially inland shipping, seems to have been slow.[37] There are, however, a number of factors that should be taken into account. One should be aware that a substantial part of this regression was due to a change in the usage of raw materials. For instance, the iron ore that was used after the war was of significantly higher quality, than the ore from before 1914 and the average kali-content of kali-salts in 1925 was over 28 per cent, versus less than 22 per cent in

[34] E. Tiessen, *Seehafenverkehr und Binnenschiffahrt im Deutschen Reich, 1913 und 1922* (Berlin 1925).
[35] Napp-Zinn, *Binnenschiffahrt und Eisenbahn*, 33-34.
[36] Own calculations, based on the information in table 5.1.
[37] Data for the post-war German geography to minimize the impact of the loss of Upper-Silesia and the Saar region on Germany's economic structure.

1913. Additionally, more coal was processed into higher-grade coal products on-site. As far as transportation is concerned, the lower tonnage of goods being transported in the first half of the 1920s, until 1927, is therefore not an entirely reliable indicator for economic activity, since the value of many transported goods was significantly higher than it was prior to the war.[38]

Table 5.1: *Total transport of goods in Germany by rail and inland shipping, compared to Rhine traffic, 1913, 1919-1931.*

Year	In million tonnes				In percentages of total traffic			Share Rhine in inland shipping
	Inland shipping	Rail-ways*	Total traffic	Rhine shipping	Inland shipping	Rail-ways	Rhine shipping	
1913	97.0	445	542.0	54.6	17.9	82.1	10.1	56.2
1920	44.7	337	381.7	27.7	11.7	88.3	7.2	61.9
1921	42.1	*n.a.*	*n.a.*	26.7	*n.a*	*n.a.*	*n.a.*	63.5
1922	59.3	*405*	464.3	37.2	12.8	87.2	8.0	62.7
1923	34.5	*246*	280.5	16.5	12.3	87.7	5.9	47.9
1924	71.6	271	342.6	47.1	20.9	79.1	13.7	65.7
1925	86.5	395	481.5	57.7	18.0	82.0	12.0	66.7
1926	102.3	415	517.3	69.5	19.8	80.2	13.4	67.9
1927	111.5	467	578.5	76.2	19.3	80.7	13.2	68.3
1928	107.8	462	569.8	71.7	18.9	81.1	12.6	66.6
1929	110.7	466	576.7	74.9	19.2	80.8	13.0	67.7
1930	105.2	381	486.2	70.8	21.6	78.4	14.6	67.3
1931	86.9	310	396.9	60.0	21.9	78.1	15.1	69.0

Sources: Zentral-Kommission für die Rheinschiffahrt, *Jahres-Berichten der Zentral-Kommission für die Rheinschiffahrt im Jahre (1920-1933)* (Strasbourg 1921-1934); Statistisches Reichsamt, *Verkehr der deutschen Binnenwasserstraßen im Jahre 1926* (Berlin 1927); Statistisches Reichsamt, *Die binnenschiffahrt im Jahre 1932* (Berlin 1933); Statistisches Reichsamt, *Die Güterbewegung auf deutschen Eisenbahnen im Jahre 1924-1927* (Berlin 1925-1928); Own calculations.
* Data for 1922 are estimates. Data for 1923 are incomplete due to the occupation of the Ruhr. All data pertaining to the post-war geography of Germany.

Other contributory factors may have been the handing over of an appreciable number of German barges and tugboats to France and Belgium as part of the reparations stipulated in the Treaty of Versailles, and the reinstatement in December 1920 of *Staffeltarife*, special rates for rail transport over longer distances.[39] These special rates had already existed before the war, but had never been used on such a large scale.[40] By 1922, railway

[38] W. Teubert, 'Der Güterverkehr und seine Veränderungen in der Nachkriegszeit.' *Sonderheft 5, Vierteljahrshefte zur Konjunkturforschung* (Berlin 1928) 30-36.
[39] W. Teubert, 'Der Güterverkehr, Entwicklung und Aussichten.' *Sonderheft 33, Vierteljahrshefte zur Konjunkturforschung* (Berlin 1933) 7-8.
[40] Napp-Zinn, *Binnenschiffahrt und Eisenbahn*, 25, 110-111; Lülsdorfs, *Die Bedeutung Rotterdams*, 94.

transport was at 90 per cent of its pre-war level, while inland shipping was barely over 60 per cent (Table 5.1). A year later, the recovery was cut short by the occupation of the Ruhr by French and Belgian forces, and the resulting financial, economic and political crisis. After the Ruhr crisis, it was inland shipping that recovered soonest due to the great rise in Rhine shipping. By 1925, Rhine shipping surpassed the level it had in 1913, followed by inland shipping the next year. Railway transport, however, would only do so in 1927. Given that the majority of German exports were industrial products, including coal, and the centre of gravity in Rhine shipping was the Ruhr area, the Ruhr industry and Ruhr mining were obviously the driving forces in the German post-war economic recovery. Interestingly after 1927, transport started to decline again, which supports the idea that the German economic downturn started before the Wall Street Crash of October 1929 (see chapter 3).

Table 5.2: The share of the Ruhr in total German railway traffic and in exports and imports by railway. In percentages of tonnage, 1913, 1922-1931.[41]

	Inland traffic		Trade	
Year	Outgoing	Incoming	Exports	Imports
1913	*n.a.*	*n.a.*	31	10
1922	22	18	37	11
1923	6	7	3	2
1924	14	11	18	2
1925	25	20	46	7
1926	25	20	52	5
1927	26	20	49	10
1928	24	18	45	11
1929	26	19	48	11
1930	24	18	42	9
1931	24	17	37	6

Sources: Statistisches Reichsamt, *Die Güterbewegung auf deutschen Eisenbahnen [1924-1931*] (Berlin 1926-1932); Own calculations. Data for the period 1919-1921 are unavailable.

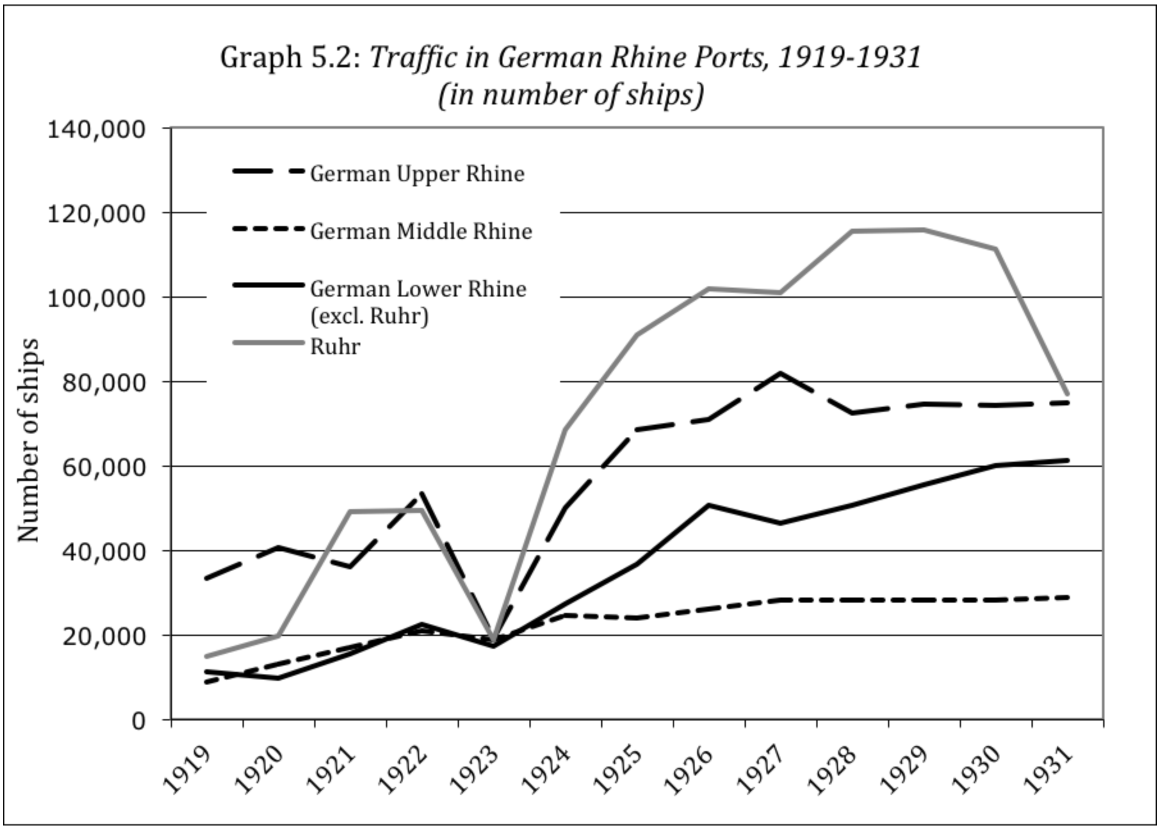
An analysis on the basis of the total tonnage of transported goods does not take into account the distance these goods covered. As a result, it affords only a partial view of the actual flow of goods. In transport analysis, this problem is solved by using the ton/kilometre – the product of weight and distance, abbreviated as t/km – as a unit of

[41] The Ruhr consists of the *Bezirke* 22 (Ruhrgebiet in Westfalen), 23 (Ruhrgebiet in der Rheinprovinz), and 28 (Duisburg, Ruhrort, Hochfeld).

measurement.[42] This approach is used here merely as a complementary mode of analysis of inland transportation, since – although it provides insight into the density of traffic flows – the ton/kilometre obscures the actual tonnage of goods that were sent from point A to point B. When represented in ton-kilometre, the 1913 share of inland shipping in total transport increases from 18 per cent based on tonnage alone to 27 per cent. When comparing transport in 1913 and 1925, it is found that in both years 18 per cent of all goods were transported by inland shipping. In 1925 the actual flow of traffic by inland waterways measured in ton/kilometres had, however, decreased to 24 per cent.[43] Railway freights were therefore transported a greater distance than before the war.

According to the same approach, in 1925 36 per cent of the traffic flows in Germany were the result of foreign trade, with 94 per cent of this traffic being in the Rhine and Ems-Weser area. Almost three-quarters of the entire flow of traffic by inland shipping was generated here, making it – as far as inland shipping was concerned – the transport hub of Germany, especially for foreign trade.[44] Unfortunately, as a result of a lack of data it is as yet impossible to apply this method of analysis to pinpoint the exact share of the Rhine itself, and particularly the different stretches of the Rhine, in this traffic. Therefore, the importance of the Ruhr area will need to be ascertained by its share in the total tonnage of transported goods and in ship movements. As this was Germany's main industrial centre, it is not surprising that the Ruhr area should be the centre of gravity for transport both by railways and inland shipping. Transport by rail amply demonstrates the importance of the Ruhr industries: between 1925 and 1929 from 22 to 24 per cent of all railway transport was either destined for, or originated in the Ruhr industrial area (Table 5.2).[45] Even more significant is that during the same period between 46 and 52 per cent of all German exports by rail originated in the Ruhr.

[42] Oskar Teubert, *Die Binnenschiffahrt. Ein Handbuch für alle Beteiligten* (Leipzig 1918) 634.
[43] Napp-Zinn, *Binnenschiffahrt und Eisenbahn,* 28.
[44] Napp-Zinn, *Binnenschiffahrt und Eisenbahn*, 31; Own calculations.
[45] Statistisches Reichsamt, *Die Güterbewegung auf deutschen Eisenbahnen [1925-1929]* (Berlin 1926-1930; Own calculations.



Sources: Zentral-Kommission für die Rheinschiffahrt, *Jahres-Bericht der Zentral-Kommission für die Rheinschiffahrt [1919-1933]*, (Strasbourg [1920-1934]); Statistischen Reichsamt, *Statistik des Deutschen Reichs, Verkehr der deutschen Binnenwasserstraßen [1919-1933]* (Berlin [1920-1934]); Own calculations.
The Lower Rhine ends at Leverkusen, the Middle Rhine stretches from Cologne to Oberlahnstein, and the Upper Rhine from Bingen to Basel. What are colloquially known as the Ruhr ports along the Rhine are the ports of Walsum up to Rheinhausen. By far the most import of these ports was and is Ruhrort.

Graph 5.2 shows the development of shipping movements in the regions along the upper, middle, and lower Rhine, with the Ruhr area – part of the lower Rhine area – depicted separately. Rhine traffic, itself such an important part of Germany's transportation of imports and exports, concentrated on the Ruhr. More specifically: exports from the Ruhr ports made up the major part of shipping downstream, while imports via the Rhine were more evenly spread along the Rhine up to Mannheim and Ludwigshafen on the Upper Rhine. Shipping from the Ruhr ports – the most important of which were Rheinhausen, Duisburg-Ruhrort, Homberg and Walsum-Schwelgern – was mostly downstream. Only one-third of the traffic of these ports went in upstream direction.[46] Ruhr imports consisted predominantly of iron ore, cereal and wood, while coal, pig iron and processed iron – such as steel – were dominant in exports (Table 5.3). In both inland shipping and

[46] Walter, *Enige economische beschouwingen*, 117; Zentral-Kommission für die Rheinschiffahrt, *Jahres-Bericht der Zentral-Kommission für die Rheinschiffahrt [1919-1933]*, (Strasbourg [1920-1934]); Own calculations.

railway transport, the Ruhr was thus the transport hub through which Germany conducted its internal and international transport. With regards to international transport, there was still a choice to be made between the mode of transport – barge or train – and between a number of seaports – predominantly between Rotterdam, Antwerp, Hamburg or Bremen.

Table 5.3: *Traffic of bulk goods in the Ruhr ports, 1922-1928. In thousand tonnes.*

	I. Iron ore[1]			II. Grain[2]			III. Wood		
Year	Incoming	Outgoing	Total	Incoming	Outgoing	Total	Incoming	Outgoing	Total
1922	6053	742	6794	233	33	266	121	20	141
1923	1922	44	1966	93	8	101	49	1	51
1924	6167	-	6167	375	-	375	247	-	247
1925	8347	-	8347	397	-	397	326	-	326
1926	8060	-	8060	467	-	467	270	-	270
1927	12392	-	12416	427	-	428	392	-	398
1928	8354	1545	9920	303	18	322	346	135	482

	IV. Coal[3]			V. Pig iron/processed iron		
Year	Incoming	Outgoing	Total	Incoming	Outgoing	Total
1922	587	7525	8112	220	719	939
1923	450	2195	2644	140	642	782
1924	-	18229	18229	-	1777	1777
1925	-	20331	20331	-	1947	1947
1926	-	26360	26360	-	2884	2884
1927	-	20198	20569	-	2437	2514
1928	4685	12183	17161	274	2233	2587

Sources: Zentral-Kommission für die Rheinschiffahrt, *Jahres-Bericht der Zentral-Kommission für die Rheinschiffahrt [1919-1933]*, (Strasbourg [1920-1934]).
1) Iron ore, manganese, pyrite and slag for use in smelting.
2) Grain, corn, wheat, cereal, rye, oats, barley, maize.
3) Including coal briquettes and cokes.

5.4 Transport within the Netherlands

'In spite of the fact that in the Netherlands transportation by waterway is one of the most important means of transport, until now little is known on the subject, the Dutch official statistical office, *Centraal Bureau voor de Statistiek* (CBS) admitted in 1933.[47] In contrast to the detail with which its German counterpart, the *Statistisches Reichsamt,* recorded and published the movement of goods throughout Germany as well as its imports, exports and transit traffic, the CBS published little detailed records. As a result, so far it has proven to be impossible to assess the total volume of transport by all modes of transport in the Netherlands. However, ton/kilometric data for the flow of inland shipping in the Netherlands and its provinces do exist, albeit only for the period 1912-1913 and 1917-1924.[48] The province of Gelderland – through which the Rhine flows from Germany – accounted for almost 47 per cent of all water-borne traffic in the Netherlands in the period 1923-1924.[49] Given the very limited port activity in this province – Nijmegen was river port in the region of any significance (Table 5.4) –, this means that almost half of Dutch inland shipping was with the German, French or Swiss Rhine. Data for shipping movements in the German, French and Swiss ports shows that Dutch shipping was predominantly to and from the Ruhr, or to be more precise: Duisburg-Ruhrort.[50]

Most of this traffic was mass freight – predominantly coal and ores, but also raw materials for the chemical industry and the paper industry for example.[51] For such freights the port of Rotterdam handled most of the transhipment, with Amsterdam as a distant second (Table 5.4). Amsterdam was more important in the transhipment of merchandise, but here Antwerp was by far the more important port.[52] Like inland shipping, railway transport to and from Germany was for the most part freight to and from the Ruhr. In 1924, of all outgoing Dutch international railway traffic, 18 per cent was transported to the Ruhr, while 56 per cent of incoming railway freight originated in the

[47] CBS, *Mededeeling Afdeeling handelsstatistiek, No.1*, 11 December 1933.
[48] J.C. Ramaer, 'Het goederenverkeer in Nederland in de laatste jaren.' *Tijdschrift van het Koninklijk Nederlandsch Aardrijkskundig Genootschap*. Tweede reeks dl. XLIII, No.3 (mei 1926) 331-392. The existence of data for t/km per province indicates that the underlying data to reconstruct the flow of traffic by inland shipping should be available.
[49] Ibidem 386 (appendix VIII).
[50] Zentral-Kommission für die Rheinschiffahrt, *Jahres-Bericht der Zentral-Kommission für die Rheinschiffahrt [1919-1933]*, (Strasbourg [1920-1934]); Own calculations.
[51] Lülsdorfs, *Die Bedeutung Rotterdams*, 34.
[52] Ibidem 8.

Table 5.4: *Transport of goods of the most important Dutch and Belgian ports with the German, French and Swiss Rhine, 1919-1931. In thousands of tonnes.*

Dutch Ports:

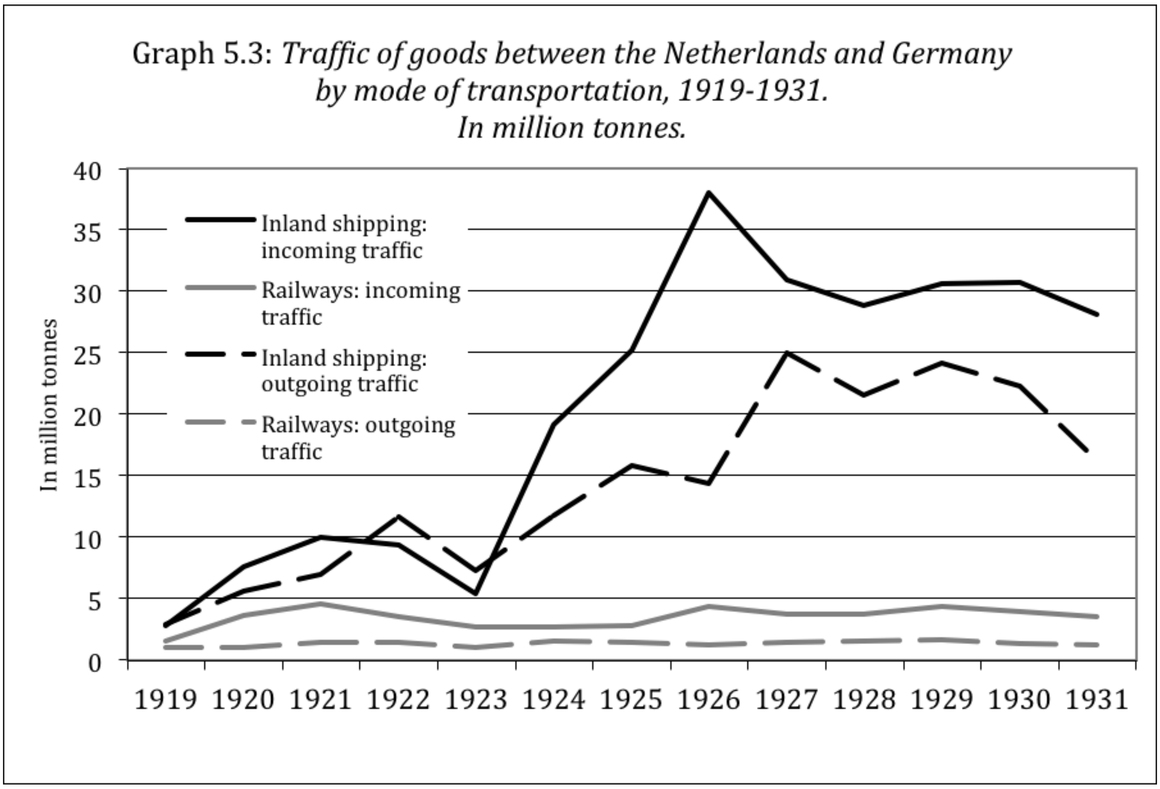
	1919	1920	1921	1922	1923	1924	1925	1926	1927	1928	1929	1931
Nijmegen	18	63	36	55	50	102	85	116	120	134	152	130
Dordrecht	160	186	159	163	131	194	243	260	202	245	228	409
Vlaardingen	*n.a.*	*n.a.*	*n.a.*	*n.a.*	378	1,506	1,776	1,805	2,456	2,415	2,291	1,386
Rotterdam	3,526	6501	8,777	11,595	7,445	18,704	22,845	32,402	33,268	29,706	32,886	21,630
Amsterdam	449	597	643	916	496	1,635	1,962	2,405	2,300	2,453	2,654	2,098
All Dutch ports	5,033	9,185	11,583	15,650	9,844	25,287	31,207	41,999	43,507	40,365	43,539	31,949

Belgian ports:

Antwerp	*n.a.*	*n.a.*	*n.a.*	*n.a.*	1,406	3,941	4,728	6,028	5,737	5,402	4,435	5,219
Ghent	*n.a.*	*n.a.*	*n.a.*	*n.a.*	211	688	1,278	1,563	1,594	923	1,866	2,052
Brussels	*n.a.*	*n.a.*	*n.a.*	*n.a.*	270	304	148	203	220	206	263	623
All Belg. ports	1,190	4,076	4,626	4,665	2,241	6,491	8,261	9,737	10,310	9,046	9,307	9,492

Sources: Zentral-Kommission für die Rheinschiffahrt, *Jahres-Bericht der Zentral-Kommission für die Rheinschiffahrt [1919-1931],* (Strasbourg [1920-1932]); Own calculations.

Ruhr.[53] As the German economy recovered, in just two years these percentages would rise to 28 and 71 per cent respectively. The bonds with the extended Ruhr-area – Westphalia and especially the *Rheinprovinz* – also became increasingly strong, as by 1926 it was responsible for 67 per cent of all incoming, and 89 per cent of all outgoing railway traffic from and to Germany. In spite of the enormous growth of the flow of goods transported by way of the Netherlands to and from Germany, railway traffic remained fairly stable although it shifted more and more towards the Ruhr and the part of the *Rheinprovinz* that lies left of the Rhine. Especially Rhine shipping profited from the growth in transport, as in merely three years Rhine traffic from Germany increased sevenfold, while overall traffic to Germany just doubled (Graph 5.3).[54] As much as the Ruhr was the transport hub for – and destination within – Germany, it was the destination for both Dutch Rhine shipping and railway freight.



Sources*:* CBS, *Jaarstatistiek van den in-, uit-, en doorvoer over [1919-1933]* (Then Hague 1920-1934); Own calculations.

[53] Statistisches Reichsamt, *Die Güterbewegung auf deutschen Eisenbahnen im Jahre 1924*; Own calculations.
[54] CBS, *Jaarstatistiek voor de In-, Uit-, en Doorvoer [1923-1926]*, 16; Own calculations.

5.5 Competition between modes of transport

The only relevant competition between modes of transport during this period was that between the railways and inland shipping. Although in relative terms large-scale road transport showed an explosive growth – between 1913 and 1925 the number of trucks in Germany grew with some 50.000 units, and by 1925 just over 2 per cent of total transport of goods in that country was transported by road – the sector was still in its infancy.[55] Anyway, most road transport was local. Therefore, its importance in international transport was even less. In the same year, 1925, less than one per cent of all transport between the Netherlands and Germany was sent by road.[56] Likewise, air transport was in its infancy. It was only by the end of the 1920s that small quantities of flower bulbs and vegetables would be transported by air. However, competition between railways and inland shipping was fierce, and greatly influenced by national transport policies.

Transport policy

Since its inception in 1815, the Central Commission for Navigation of the Rhine has been more of an administrative rather than a political entity, whose main function was to ensure regulation of the Rhine and the laws governing shipping. With the Act of Mannheim of 1868, when the member states of the Commission removed all tolls from Rhine transport, it opened the door to mass transport along the Rhine. Since then, only during World War I and a short period after that disaster, tolls had only been reintroduced, and not just on the Rhine, but on all German inland traffic. In the autumn of 1919, these taxes were rescinded for the Rhine and Elbe, again under severe pressure from the Inter-allied Commission.[57]

At the Peace Conference in Paris (Versailles), France – once again bordering the Rhine as it regained Alsace-Lorain, and thus again a member of the Rhine Commission – vied for control over the Rhine, trying to gain control of both banks of the river and planning modifications of the Act of Mannheim without so much as informing the Dutch. Its efforts were thwarted by a proposal to enlarge the membership of the Commission to

[55] Teubert, *Der Güterverkehr und seine Veränderungen in der Nachkriegszeit*, 43; Own calculations.
[56] CBS, *Jaarstatistiek voor de In-, Uit-, en Doorvoer 1925*, 16; Own calculations.
[57] Nationaal Archief 2.05.37 Inv.nr. 893 Gezantschap der Nederlanden, Handelsafdeling, to the Directie van Economische Zaken van het Ministerie van Buitenlandsche Zaken, 28-1-1921; Nationaal Archief 2.05.37 Inv.nr. 893 Gezantschap der Nederlanden, Handels- en Transportmaatschappij "Vulcaan" Rotterdam to Van Eysinga, 28-7-1921.

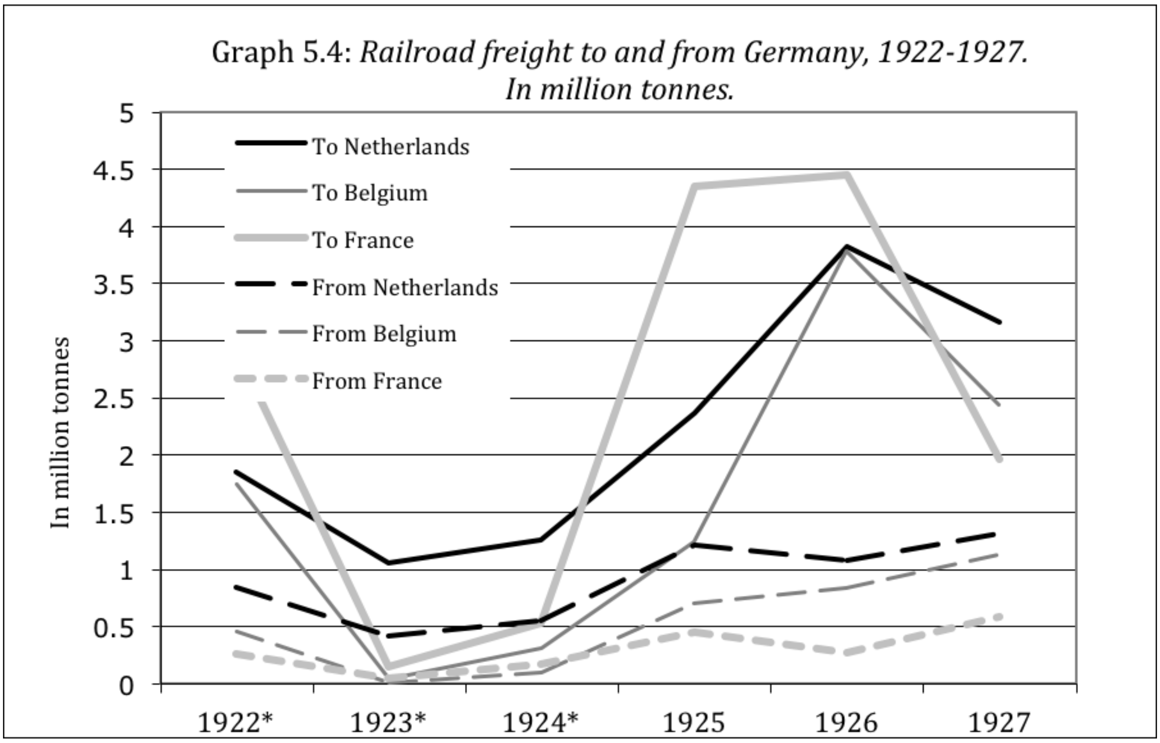
include non-Rhine countries, which France accepted. The projected new Commission would include Switzerland, France, Germany and the Netherlands, as well as Belgium, Great Britain, Italy and the United States. Soon after, the United States opted out of the Rhine commission, as the American policy reoriented away from Europe. Nonetheless, with the expansion of the commission, its former distribution of power changed in favour of the members of the Entente. However, given that the interests of the members were not very far apart and most regulation by the Central Commission on Navigation in the Rhine had a rather technical character, nothing much changed in matters that concerned transport along the River.[58]

Nevertheless, transport policy did play a major role in Western European traffic during the 1920s. All four major countries along the Rhine employed measures to attract to their seaports the largest possible amount of traffic. Because of the measures taken to promote these ports, this led in turn to a stronger competition between inland (Rhine) shipping and railway transport. In Belgium the *Tarifs des ports de mer* – seaport rates – were used to direct Belgian exports to rail transport and Belgian seaports, while the *Transit-Barême* – transit charging regime – was destined for transit traffic from Belgian seaports.[59] In 1923 France lowered railway tariffs for transit traffic from its own seaports, such as Nantes and Le Havre, to Germany.[60] The Netherlands employed a different system: when traffic exceeded 15,000 tonnes per year, a 10 per cent rebate was given at the end of the year, for traffic exceeding 80,000 tonnes, 20 per cent.[61]

Whether these ways of attracting traffic was effective, is open to debate. A comparison of the development of these countries' railway transport to and from Germany shows that, apart from exports to France, traffic with the Netherlands was significantly more important than traffic with either Belgium or France (Graph 5.4). Yet there are too many variables influencing this traffic – the payment of reparations in kind to France and Belgium in 1923-1924, political complications such as the Ruhr occupation – to draw definite conclusions. What these measures did not manage – at least not in the

[58] W.J.M. van Eysinga, *La Commission Centrale pour la Navigation du Rhin* (Leyden 1935) 107-135. For an organization as unique as the CCNR, the oldest supranational organization in the world, literature on its history, judiciary and policies is remarkably scarce.
[59] Warsch, *Antwerpen, Rotterdam*, 37-38.
[60] Zentral-Kommission für die Rheinschiffahrt, *Jahres-Bericht der Zentral-Kommission für die Rheinschiffahrt [1923, Strasbourg 1923* (Strasbourg 1924) 75.
[61] Warsch, *Antwerpen, Rotterdam*, 37-38.

case of the Netherlands – was to direct much traffic from Rhine shipping to railway transport. Railway transport showed only a very slight growth while Rhine shipping multiplied (Table 5.1, Graph 5.3). The share of the railways in freight traffic between the Netherlands and Germany dropped from 30 per cent in 1919 to just over 9 per cent in 1925, and would continue to be around 9 per cent throughout the remainder of the 1920s and the early 30s.[62]



Sources: Statistisches Reichsamt, *Die Güterbewegung auf deutschen Eisenbahnen [1924-1927]* (Berlin 1926-1930); Own calculations.

The German Seehafenausnahmetarife

Unlike the French *surtaxes* and the Belgian special railway rates, the special tariffs that were introduced in Germany did cause considerable political tension between the Netherlands and Germany. Prior to the war, three such tariffs were in force: *Staffeltarife* – graduated tariffs –, *Wasserumschlagtarife* – water transhipment tariffs –, and *Seehafenausnahmetarife* – special seaport tariffs. The *Staffeltarife* were used by the Prussian railways, and offered decreasing cost as the distance of transportation increased. For every 100 km after the first 100, cost diminished progressively. As a result, transport

[62] CBS, *Jaarstatistiek voor de In-, Uit-, en Doorvoer [1919 -1924]*, 16; Own calculations.

costs per kilometre from, for instance, Munich to Hamburg – an 810 km stretch – were 64.5 per cent lower than the costs per kilometre on a shorter track.[63] This could potentially reduce the amount of transhipments between inland shipping and the railways, because in cases were transport was done first by rail and then by barge or vice versa, the reduced rates were often cheaper than the combined rates of rail, barge, and the transhipment of the cargo. To alleviate this, this kind of transhipment was also granted a reduced cost: a special *Wasserumschlagstarif*. As before the war, these *Staffeltarife* were only used in special cases and for just a few arbitrarily selected commodities, they never had many consequences for actual transport.[64] When in 1920 the German railways were united in the *Reichsbahn*, the *Staffeltarife* were restored for a number of commodities.[65] The *Wasserumschlagstarife* however, were not. As a result, inland shipping had a setback that even became worse when two years later, *Staffeltarife* were applied to all types of commodities.[66]

Even though these special tarfiffs were not specifically intended to promote traffic to and from the German seaports, the *Staffeltarife* were used in advertising by the Hamburg port to attract freight from the Ruhr. Misleading statements were not shunned, reported the Dutch consul in Duisburg-Ruhrort in December 1921. In a folder sent to exporters and importers the cost of sending goods via Hamburg was compared to the costs of sending them via Rotterdam and Antwerp. Naturally, Hamburg was noticeably cheaper. The reason was, however, that for transport by way of Rotterdam the cost of railway transport was used, instead of the costs by Rhine shipping. A corrected specification showed that even with the *Staffeltarife*, routing traffic through Rotterdam was still the cheaper option.[67]

On the first of March 1924, *Seehafenausnahmetarife* were re-introduced. Unlike the *Staffeltarife*, these tariffs were aimed at diverting very specific traffic at extremely low freight costs along specific routes to the German seaports, thereby reducing Germany's dependence on foreign seaports and in passing aiding the economic development of

[63] J. Verseput, 'Nederland en de Seehafenausnahmetarife tijdens de Weimarrepubliek 1919-1933.' In: Joh. De Vries, *Ondernemende geschiedenis: 22 opstellen geschreven bij het afscheid van Mr. H. van Riel als voorzitter van de Vereniging het Nederlandsch Economisch-Historisch Archief* (The Hague 1977) 321-343, here 322.
[64] Napp-Zinn, *Binnenschiffahrt und Eisenbahn*, 25, 110-111; Walter, *Enige economische beschouwingen*, 104.
[65] 'De Duitse Spoorwegtarieven.' *Nieuwe Rotterdamsche Courant*, 14 July 1927.
[66] Napp-Zinn, *Binnenschiffahrt und Eisenbahn*, 110.
[67] NL-HaNa, BuZa , Economische Zaken, 2.05.37 inv.nr.875, 12 December 1921, Report by the Dutch consul in Duisburg-Ruhrort.

these ports. Whereas before the war the negative effects of the special railway tariffs on inland shipping had been tempered by the *Wasserumschlagstarife*, these were not re-introduced.[68] Moreover, the reduction in costs was now even greater.[69] Because of the stipulations in the Treaty of Versailles, Germany was obligated to unilaterally grant the same reductions to Belgian and French ports at their request. As a consequence, by December 1924, Belgium received a number of special tariffs.[70] These tariffs were for specific goods and for specific German railway stations that were located some 100 km from the Belgian border.[71] By that time, negotiations with the Dutch had been under way for some ten months. These negotiations bore more than a passing resemblance to those for the Dutch-German trade agreement, although they were done through a number of separate channels, and involved different negotiators, who oftentimes were unaware of what others were doing.

In March 1924, talks by the Dutch railways with the German Ministry for Transport – the *Reichsverkehrsministerium* – led to talks between the Dutch and German railways companies in Cologne. Even though *Geheimrat* Karl Ritter of the economic department of the German Foreign Office declared that Berlin was willing to accommodate the Dutch wishes, and the Dutch envoy in Berlin Baron Gevers was told to approach the government on the matter, nothing was decided. Two months later, on 26 May, S. de Vries, the Dutch representative in the Dutch-German supervisory Board of the *Tredefina*-credit visited Berlin. C.J.K. van Aalst, one of the most influential Dutch businessman and president of *Nederlandsche Handelmaatschappij*, an important commercial bank, told De Vries about the *Ausnahmetarife*, and he was also warned about this problem by the Mendelssohn Bank – one of the more influential German banks in Amsterdam. Thereupon, he raised the issue in his discussions with the *Treuhandgesellschaft* – Trust Company. By suggesting that these *Ausnahmetarife* could be detrimental to the Dutch credits, he thought to intimate his German counterparts. As he was told, that envoy Gevers had also brought up the matter with the German government, he discussed the matter with this Dutch diplomat,

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[68] Verseput, *Kamer van Koophandel en Fabrieken voor Rotterdam*, 66; Walter, *Enige economische beschouwingen*, 105, Lülsdorfs, *Die Bedeutung Rotterdams*, 94.
[69] Zentral-Kommission für die Rheinschiffahrt, *Jahres-Bericht der Zentral-Kommission für die Rheinschiffahrt [1923, Strasbourg 1928* (Strasbourg 1929), 59-60.
[70] BArch R 3101/2741 fol.3 Note for Geheimrat Waldeck, 28-11-1924; Van Lier, *Kamer van Koophandel en Fabrieken voor Rotterdam, 1803-1928*, 880.
[71] Verseput, 'Nederland en de Seehafenausnahmetarife,' 323.

who told De Vries that the German government had immediately after his interference had declared their willingness to prevent any damage to Dutch interests, and had proposed to instate a committee of experts to design a mutually agreeable arrangement.[72] It seemed, however, that nothing was done after this, and a mere three weeks later the Dutch government, under pressure of Dutch interests to strive for a complete abolishment of the German special tariffs, sent a letter to Berlin, stating that the matter 'was threatening to cast a shadow on the relations between the two countries.'[73] A month later, after another meeting, this time in Utrecht, between representatives of the Dutch railways and of the Reich Ministry of Transport, the Cologne Railway Directorate and the German Foreign Office, it was thought that all had been settled to the satisfaction of the Dutch. Nothing had been signed, however, and by September the Germans made it clear that the Dutch would not be granted all they wanted, as that would harm the interests of the *Reichsbahn*.[74]

In that same month, September 1924, there were negotiations about the part of the Coal and Credit Treaty of 1920 that was to be used by the German government for the purchase of Dutch foodstuffs. In the treaty, the Dutch had assumed that the German food shortage would be temporary, and that the credit would therefore end long before the German compensation – and collateral – for the credit, monthly coal deliveries, would stop. By now, the German obligation no longer existed, but the Germans still had a right to the credit. The Dutch somewhat haughtily glossed over their error and during the talks the Dutch government let it be known, that it was willing to let the Germans have the remainder of the credit if the Dutch ports would no longer be subordinated to the German ports. While pointing out that they were within their rights to make use of the credit, the Germans promised that when the Belgian tariffs were introduced, the Dutch would be granted the same tariffs and on the same conditions. The introduction of these tariffs for both countries would be as soon as it was technically possible.[75] To the Dutch, this was not enough. They wanted equality with the German ports, and besides, the

[72] NL-HaNa, Financiën/Dossierarchief, 2.08.41 inv.nr. 1411, De Vries to the Minister of Finance, 26 Mei 1924; NL-HaNa, Commissie Nederlands-Duits Kredietverdrag, 2.08.26, inv.nr.12 Letter by De Vries to Van Aalst, 14-4-1924; Ibidem, Response by Van Aalst to De Vries, 23-4-1924; NL-HaNa, Financiën/Dossierarchief, 2.08.41 inv.nr. 1411, Response by De Vries to Van Aalst, 25-4-1924.
[73] Verseput, 'Nederland en de Seehafenausnahmetarife,' 326.
[74] Ibidem 326-7.
[75] NL-HaNa, Financiën/Dossierarchief, 2.08.41 inv.nr.1411 Aufzeichnung.

Belgian tariffs would only be granted up to stations that were some 100 km from the border. If the same conditions were to apply to the Dutch, almost the entire Ruhr area – responsible for most of Dutch-German railway transport – would not be included in the lower transport tariffs.[76]

At a dinner at the Dutch legation in Berlin, A.M. Snouck-Hurgronje – the Secretary General of the Dutch Ministry of Foreign Affairs, took the opportunity to discuss the matter with *Geheimrat* Ritter and State Secretary Ago *Freiherr* von Maltzan, both of the *Auswärtiges Amt*. Ritter declared that Germany would be willing to grant the tariffs right up to the border, but only if the Belgians requested this. As of yet, they had not done so. Now, Snouck-Hurgronje used the tactic that a few months later the Dutch negotiators for the trade agreement decided should not be used, stating that he did not understand 'how Germany, after all we had done, did not feel the moral obligation to spare us this disadvantage.' Ritter replied he was legally in the right, upon which Snouck Hurgronje countered, that this was not what this was about. At this point Maltzan agreed with Snouck Hurgronje, and the Dutch diplomat had the impression that that the Netherlands might get it its way.[77] In the end, the German government would not concede to the Dutch demand to be treated equally to the German ports. Even though the Germans were legally entitled to make use of the food credit until 1929, the credit remained blocked.[78]

At the end of November 1924, the Board of Directors of the *Reichsbahn* decided to grant Belgium, but not the Dutch, the reduced tariffs Brussels had requested. The Dutch showed no longer any interest, but should the Dutch protest against this discrimination, the president of the *Reichsbahn* was authorized to grant the requested special tariffs. Baron Gevers did indeed come back to it, and the matter was reopened.[79] As of January 1925, the Netherlands received some, but not all of the tariffs that had been granted to the Belgians. According to the Hamburg *Regierungsdirektor* – Government Official – Kurt Giese, these were granted merely in the interest of good relations with a friendly state. Given that the Germans had been treated rather unfairly just a few months earlier, this was an act of some benevolence, albeit that these tariffs did not include the important

[76] Verseput, 'Nederland en de Seehafenausnahmetarife,' 328.
[77] Nationaal Archief 2.05.25 inv.nr.43, Undate [End of September 1924] Private note by Snouck Hurgronje (Secretary-General Foreign Affairs) to Van Karnebeek
[78] Jonker, 'Koopman op een dwaalspoor', 190.
[79] BArch R 3101/2741 fol.3 Note, 28-11-1924.

rates for glass, paper, iron and steel, and were limited to a fewer number of railway stations.[80]

By February, the Dutch had a more realistic view of what could be achieved. From now on, the goal would be to ratify the agreement reached between the Dutch and German railways at Utrecht the year before. If that would be impossible, then they would strive for equality with Belgium. What the Dutch viewed as an agreement, were actually minutes of a meeting at which the Germans had made no actual commitments. Dutch goals now shifted to gaining the same privileges as the Belgians enjoyed. As this was exactly what the German had offered earlier, matters should have been resolved quickly. However, the Foreign Office decided it wanted the reductions that had been agreed to at the meeting of the Dutch and German railways last summer, even though the agreement had never been signed. At that point, the chairman of the Amsterdam Chamber of Commerce and Industry Ernest Heldring became involved. Heldring was an influential man, and visited Foreign minister H.A. van Karnebeek on 26 May 1925, to inform why no progress had been made. He left as an advisor of the minister, with the order to consult the Rotterdam Chamber of Commerce and the Dutch railways whether to accept the German offer or to hold out for more.[81]

Upon hearing that G.M. Vissering as president of the *Nederlandsche Bank* was also disgruntled about the German attitude, and was thinking of limiting the flow of acceptance credits to Germany, Heldring decided to pay him a visit as well.[82] The result was a meeting on June, 9, 1925 with the acceptance banks, where it was decided to send a memo to these banks about the German position, announcing the possible limiting of acceptance credit and cautioning the banks to be reticent in granting loans.[83] In a public assembly of the Amsterdam Chamber of Commerce and Industry on the 16th, Heldring called on those who had financial dealings with the Germans to be reserved in granting further credit.[84]

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[80] 'Aantekeningen. De zeehavenuitzonderingstarieven der Duitsche Spoorwegen; het Duitsche standpunt.' *Economisch Statistische Berichten*, 10-3-1926, 235-237; Verseput, 'Nederland en de Seehafenausnahmetarife,' 329; Jonker, 'Koopman op een dwaalspoor,' 190.

[81] Heldring, *Herinneringen en Dagboek*, 603-605. Entry 26 Mei 1925, 603.

[82] DNB 8/1501/2 Visit Heldring to Vissering, Monday 8 Juni 1925; Heldring, *Herinneringen en Dagboek*, 605-607. Entry 6 June 1925.

[83] DNB 8/1501/2 Overleg DNB met de acceptmaatschappijen, Dinsdag 9 Juni 1925.

[84] See: Heldring, *Herinneringen en Dagboek*, 603, footnote 1.

In Germany, the news caused great concern and Foreign Minister Gustav Stresemann even wrote in his diary: ‘On top of that, there are big troubles with the Netherlands, that complains to be discriminated in favour of Belgium. In Holland, bank circles now threaten with withdrawing loans from Germany if we go on with treating Holland unfriendly. Would it really come to a cancellation of the Dutch credits, than it would cause a similar industrial collapse with us, as we had in the years after the foundation of the German Reich’.[85] The concern was tempered, however, by the knowledge that at that time the Dutch credits were in the financial and business interest of the Dutch themselves as well. Both the president of the Reichsbank, Hjalmar Schacht, and the interest groups of the German North Sea ports lost no time to make that clear.[86] As a consequence, Berlin concluded that they could safely stand their ground, and did so. In August 1925, Vissering travelled to Berlin again, where he was wined and dined on the highest level and met with his future colleague as central bank president *Reichskanzler* Hans Luther, with Reich Minister of Economics Albert Neuhaus, Reich Foreign Minister Gustav Stresemann and of course his colleague *Reichsbankpräsident* Hjalmar Schacht, as well as many other influential Germans. Although he was given every chance to explain the Dutch position, the Germans did not budge, however.[87]

It was only when in November 1925 the Dutch-German *Douane- en Kredietverdrag* – Customs and Credit Treaty – was signed, that Marckwald, head of the German delegation, informed his Dutch counterpart J.A. Nederbragt that within a short period of time, the Dutch would be treated on equal footing as any other country when it came to preferential transport rates.[88] In reply to Nederbragt’s question ‘when?’, Marckwald answered ‘at a point in the not too distant future – a period of no longer than eight months’.[89] In the end, the Germans thus granted the special railway rates without contractual obligation, nor asking anything in return. The simple fact was that to them, Dutch equality with the port of Antwerp was a matter of good business sense. Traffic that went towards the western ports of Antwerp or Rotterdam would not be sent to the

[85] G. Stresemann, *Vermächtnis Der Nachlass. Bd. 2, Hrsg. v. H. Bernhard unter Mitarbeit von W. Goetz u. P. Wiegler.* (Berlin 1932-1933), 307-308. Quoted in: Verseput, ‘Nederland en de Seehafenausnahmetarife,’ 332.
[86] BArch R 3101/2741 fol.319, 320 Norddeutscher Lloyd, Bremen, Generaldirektor Stimming to Reichswirtschaftsminister Neuhaus, Berlin, 25-6-1925.
[87] DNB 8/1501/2 Report on Vissering’s visit to Berlin, 10-16 August 1925.
[88] BArch R 43 I/88 fol.208 Marckwald to Nederbragt, 26-11-1925.
[89] BArch R 43 I/88 fol.209 Marckwald to Nederbragt, 26-11-1925.

northern ports in Germany unless rates were lowered even more. Therefore, equality between Rotterdam and Antwerp was merely fuelling the competition between these Dutch and Belgian ports. Because of trade negotiations with Italy, the Germans had been unable to do so earlier, since then the Italians would have wanted similar concessions.

Three weeks later, A. Stricker, head of the department for the Netherlands of the German *Reichsbahn*, visited Vissering. The Germans were still eager to appease the Dutch, and Stricker came to inform him that the railway rates for potash, cement, and ammonia to Ruhrort had been lowered for the express purpose of routing this traffic over Dutch ports. Since Dutch railway tariffs were too high, the rates would only apply to Ruhrort, from where the goods would be sent to Rotterdam by barge. Emphasizing that the German ports were located more favourably, Stricker told Vissering that ‘from this, the necessary conclusions can be drawn about the policy of the *Reichsbahn* with regards to the Dutch ports’.[90] What Stricker failed to mention, was that in Germany, a campaign had been started against the special railway rates.[91] The *Länder* along the Rhine, and the industry located there, had significant interests in Rhine shipping, not just because of the activity in the Rhine ports, but also because they had interests in Rhine shipping companies. The fact that in 1925 eighteen of such companies had not paid out dividends was blamed on the special railway rates.[92]

Despite the German promises about equality with Belgium five months earlier, this had not happened. When asked about it, it turned out that the Germans – understandably from their point of view – were waiting for the Dutch to ratify the trade agreement.[93] Once this Customs and Credit Treaty had been ratified, the Germans announced that they would take action: the special rates to Belgium would be rescinded. Baron Gevers was ordered to contact undersecretary Ritter at the Foreign Office to try and pressure him into a positive solution, in which Belgium and the Netherlands would both be granted the same special rates. However, this pressure was limited to a strong emphasis on the political aspect of the issue, as there was nothing that could be done. Ritter assured Gevers that during the recently failed negotiations with the *Reichsbahn,* he had done

[90] DNB 8/1501/2 Letter by A. Stricker (Leiter der Verkehrsagentur der Deutschen Reichsbahn-Gesellschaft für die Niederlande, Generalvertreter der Reichszentrale für Deutsche Verkehrswerbung) to Vissering, 16 Dec.1925.
[91] PA AA, R 105.653, Note, 15-1-1926.
[92] NA 2.16.23.01 Inv.nr. 2956 Report on the German special tariffs by Thorbecke, Dutch Legation in Berlin. Undated, attached to a letter dated 16 December 1927.
[93] NL-HaNA, BuZa / Economische Zaken, 2.05.37 inv.nr.3260 Auswärtiges Amt Berlin to the Dutch legation, 26 April 1926.

everything to get them to take a different decision, and intimated that if Gevers had insisted on such a positive solution before the trade agreement was ratified, things might have turned out differently. As it was, Ritter could only say that, despite the special railway rates, Amsterdam and Rotterdam were still developing better than Hamburg or Bremen.[94] The Dutch were still hoping to change the outcome, when on 3 August 1926 Ritter officially informed them that, despite his best efforts, this would not happen.[95] On 15 October 1926, Belgium lost the German special railway tariffs. The Netherlands and Belgium now had equal rights, and were both displeased.

In the literature on Dutch-German relations, there have been two studies on the matter of the special railway tariffs. In 1977, J. Verseput published a paper tracing the Dutch-German negotiations on the matter in great detail.[96] He concluded, that the Germans would never have granted the Dutch the same railway rates as the Belgians. The failure of the Dutch diplomacy was thus mostly a result of German intransigence. In 1989, J. Jonker published a paper in which he expressed his disagreement with this point of view. According to Jonker, the German position on the issue could 'only be understood against the backdrop of the rivalry between the ports of both countries and the position of the Netherlands as creditor to Germany'.[97] It is Jonker's opinion, that the negotiations were indeed hampered by Dutch misjudgements and German intransigence. The most important reason why the Dutch were ultimately unsuccessful Jonker states, is because they tried to use the temporary Dutch position as creditor to Germany for political gain. While Jonker was certainly correct in his assessment, some elements do still require clarification.

What is clear, is that Germany was willing to grant the lower railway tariffs to the Dutch as well, since this was in their own best interest. That Dutch diplomacy failed, was in part because of the same reason that the trade negotiations progressed so laboriously: actions by powerful individuals – Vissering spurred on by Heldring – impeded the Dutch process. Yet the Dutch Foreign Office itself was also far from clear in what it wanted to accomplish, and how to go for it. Van Karnebeek's decision to include the railway tariffs in

[94] NA 2.05.36 inv.nr.3260 Gevers to Van Karnebeek, 14-7-1926.
[95] NA 2.05.36 inv.nr.3260 Thorbecke to Van Karnebeek, 3-8-1926
[96] Verseput, 'Nederland en de Seehafenausnahmetarife.'
[97] J. Jonker, 'Koopman op een dwaalspoor', 181-2.

the trade negotiations was in direct contradiction with the tactics that had been laid out so carefully before the negotiations had started. The decision to let the Dutch railways sort out the matter with their German colleagues was, considering the failures to communicate and to sign at least a declaration of intent, not fortuitous, as both Jonker and Verseput note. That the Dutch would not discuss the matter for considerable, often inopportune periods of time, may have been part of a larger plan, but in fact was also unpractical.

Furthermore, the Dutch showed a lack of understanding of the fact that while it was reasonable to demand equal treatment to another nation, demanding the Dutch ports to be treated on an equal footing with the German ports was another matter. The Dutch tried to intervene in the transport policy of another nation, while showing no comprehension of the economic situation in Germany, of the relation between the German *Reichsbahn* and the government, or the pressure brought to bear by interest groups. Within Germany, there was significant resistance to the tariffs from the western and southern *Länder* –states – along the Rhine and even from the *Länder* from Central Germany. Industry from these Central German states was having difficulties due to increased competition from Eastern Europe.[98] Nevertheless, their interests were subordinated to those of the North Sea ports, as was raised by Verseput. It is telling, that envoy Gevers wrote to his minister Van Karnebeek, that upon being told that the special rates to Belgium were to be revoked, thereby putting the Netherlands and Germany on an equal footing: ‘I did not hide from Mr. Ritter my disappointment about the decision, with which Germany had passed up an easy opportunity to favourably influence the prevailing discontent in our country.’ With a 17 per cent decrease in incoming traffic from 1926 to 1927, Dutch railways were the only mode of transportation that was declining, albeit far less than railway transport to Belgium – -36 per cent – or France – -56 per cent.[99] Yet when asked to specify their position on the German railway tariffs in view of the Dutch-German trade negotiations of 1933, the Dutch railways stated that there was nothing indecent in tariff measures that would lower transport cost of home-grown produce and

[98] BArch R 3101/2741 fol.121-123 Letter by Verband der Deutsche Industrie to the Thuringische Ministerium für Inneres und Wirtschaft and the Reichswirstschaftsministerium, 5-2-1925.
[99] Statistisches Reichsamt, *Die Güterbewegung auf deutschen Eisenbahnen [1926-1927]* (Berlin [1927-1928]); Own calculations.

of products of local industry below the level that was charged to foreign goods. 'Such things are done in every country', they replied.[100]

The reason for their remarkably balanced view may have been – apart from the fact that they used similar policies – that, although the precise consequences of these tariffs for the amount of traffic with the Netherlands are not clear, these consequences do not seem to have been serious. Germany's internal and international traffic flows clearly mirror the economic developments of the era. Inland shipping and especially Rhine shipping recovered faster than railway transport. Only in 1925 was the share of the railways in the total German transport equal to that of 1913. In other years, its share was less than it used to be. Both in absolute and in relative terms, the German policy of special railway tariffs seems to have been a rational response to the economic circumstances.

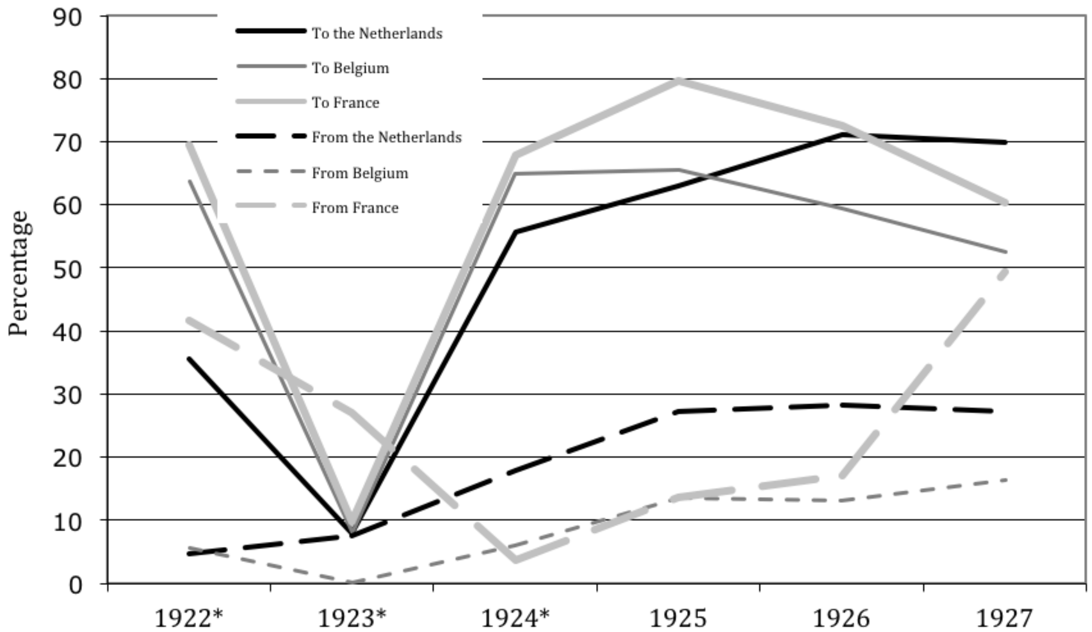
Transport data also indicate, that the effect of the lowered railways tariffs was not as great as stakeholders in Rhine shipping wanted people to believe. When from 1928 transport declined due to the economic downturn in Germany, in spite of further lowering of the railway tariffs, the share of inland shipping in total transport was still rising. Incoming Rhine shipping may have declined in comparison to 1926, but that was only because in 1926 German coal exports had been extraordinarily high due to the strike of the British coalminers (Graph 5.3). Obviously, the lower cost of railway transport to the German North Sea ports – which Verseput demonstrated were usually lower than transport by barge or rail to Rotterdam or Antwerp – was not the decisive factor.[101] What the decisive factors were would be the subject of an interesting study, but does not concern us here. It is likely, that lower overall port costs due to faster turnaround and lower shipping cost for sea shipping may have played a role, but in all probability, the existing business infrastructure – the German investments in Dutch ports and in Dutch businesses – as well as personal and financial contacts were also important. This would also explain the reticence of the Rotterdam and Amsterdam chambers of commerce to join the German protests. Business was not that bad. If anything, German transport with the Netherlands increased: the throughput of the port of Rotterdam recovered more

[100] NA 2.16.23.01 Inv.nr.2956 Letter by the *Nederlandsche Spoorwegen* to the *Minister van Waterstaat*, 20 January 1933.
[101] Verseput, 'Nederland en de Seehafenausnahmetarife,' 335.

quickly and grew faster than that of Hamburg, Rotterdam's most important German rival.[102] According to the Rotterdam Chamber of Commerce and Industry, the port of Rotterdam lost some traffic in merchandise, which they themselves admitted was never their strong suit.[103] The annual report for 1928 of the *Commission Centrale pour la Navigation du Rhin* – Central Commission for Navigation on the Rhine – mentions that the *Ausnahmetarife* caused an important expansion of the port of Bremen.[104] That was a fact, but, although Bremen recovered altogether faster than either Hamburg or Rotterdam, it was and remained a relatively small port.

In spite of strong competition and governmental intervention, Rhine shipping remained considerably more important than the railways in transport between Germany and its western neighbours, the Netherlands and Belgium. Like Rhine shipping, rail transport of these countries concentrated on Ruhr exports while German imports by rail were geographically more evenly distributed (Chart 5.6).

Graph 5.5: *The share of the Ruhr in Dutch, Belgian and French rail transport with Germany, 1922-1927. In percentages.*



[102] Nationaal Archief, Den Haag, Kamer van Koophandel en Fabrieken voor Rotterdam: Secretariaat, 1922-1969, nummer toegang 3.17.17.04, inv. nr.1617, Memorandum concerning the interests of the Port of Rotterdam regarding annexation of German territory; Own calculations.

[103] Van Lier, *Kamer van Koophandel en Fabrieken voor Rotterdam 1803-1928*, 834; Verseput, *Kamer van Koophandel en Fabrieken voor Rotterdam*, 67.

[104] Commission Centrale pour la Navigation, *Rapport Annuel 1928* (Strasbourg 1929) 56.

Sources: Statistisches Reichsamt, *Die Güterbewegung auf deutschen Eisenbahnen [1924-1927]* (Berlin [1926-1930]); Own calculations.

5.6 Competition on the Rhine

Germany, the Netherlands and Belgium all had extensive Rhine fleets. Nevertheless, ships under Dutch flag were the majority on the Lower Rhine – from the coast up to Leverkusen – and especially the Ruhr ports, while German ships were in the majority on the Middle Rhine – from Cologne to Oberlahnstein – and Upper Rhine – from Bingen to Basel, including Mannheim.[105] As at the German border, ships under the Dutch flag were in the majority (Table 5.5), thus reinforcing the earlier observations on the importance of the Ruhr to Germany, and the importance of the Netherlands to the Ruhr,[106] it should be noted that Dutch ships were usually smaller than German ships. This is more than offset, however, by the overwhelming majority the Dutch ships enjoyed. Part of the reason for the numerical superiority of Dutch Rhine shipping was the fact that German shipping companies – both private skippers and the large shipping companies – were able to finance ships in the Netherlands at significantly lower rates – typically 6 per cent interest – than would have been possible in Germany. There interest rates were 9-10 per cent after the lost war.[107]

As the German shipping companies had lost an appreciable part of their fleet in lieu of reparations payments to France and Belgium, the ship-owners needed to replenish their transport capacity.[108] Because financing these was both easier and cheaper in the Netherlands, they turned to one of the ten Dutch ship mortgage banks that specialized in this business. The shareholders of these banks were – in all probability – all Dutch, as the buying and selling of these shares was restricted.[109] These companies were more than willing to finance the ships the Germans needed, albeit with the proviso that it should be registered in the Netherlands, in the name of a Dutch *Naamloze Vennootschap* (joint stock

[105] Zentral-Kommission für die Rheinschiffahrt*, Jahres-Bericht 1922* (Strasbourg 1923)117.
[106] Source: NL-HaNA, BuZa / Economische Zaken, 2.05.37, inv.nr.90, Letter by Rijkswaterstaat regarding the report-Nederbragt on the port of Rotterdam, 29th December 1919; Warsch, *Antwerpen, Rotterdam*, 52.
[107] Lülsdorfs, *Die Bedeutung Rotterdams*, 72.
[108] Jolmes, *Geschichte der Unternehmungen*, 82; Lülsdorfs, *Die Bedeutung Rotterdams*, 72.
[109] Hendrik van Criekinge, *De financiering der scheepvaartondernemingen. Het scheepscredietwezen in België en in de omringende landen* (Leuven 1933) 164.

company).[110] The companies that were established for this purpose attracted Dutch capital.[111] This intertwining of Dutch and German Rhine transport under Dutch flag

[110] Walter, *Enige economische beschouwingen*, 77.
[111] O. Most, *Seehafenausnahmetarifee, Devisenwirtschaft und Rheinschiffahrt: kritische Feststellungen und Bemerkungen zu einer Streitschrift gegen den Rhein* (Jena 1937) 35-36.

Table 5.5: *Number of ships crossing the Dutch-German border at Lobith 1919-1931, by nationality*

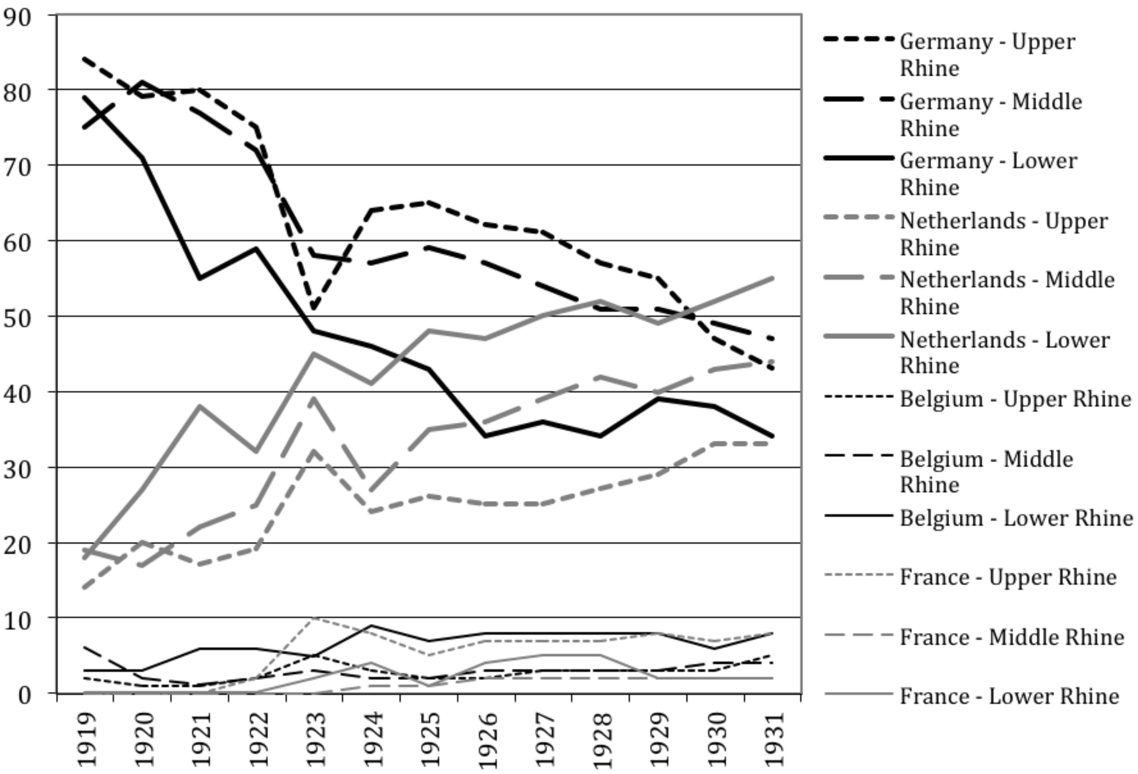
	1919	1920	1921	1922	1923	1924	1925	1926	1927	1928	1929	1930	1931
Dutch	8,571	16,372	24,406	23,168	15,717	35,213	46,328	64,601	57,634	57,421	60,362	65,695	59,641
German	5,000	6,200	8,266	8,562	3,853	13,116	14,886	24,356	18,065	16,775	17,308	16,231	13,842
Belgian	1,031	2,021	4,057	3,582	1,923	9,385	11,100	15,375	12,297	12,562	13,768	15,015	15,359
French	--	--	--	--	1,211	3,027	3,189	3,190	2,834	2,745	2,490	2,669	2,756
Other	193	36	506	1,675	173	288	640	993	836	826	943	1,101	1,093
Total	14,795	24,629	37,235	36,987	22,877	61,029	76,143	108,515	91,666	90,329	94,871	100,711	92,691

Sources: Zentral-Kommission für die Rheinschiffahrt, *Jahres-Bericht der Zentral-Kommission für die Rheinschiffahrt [1920-1931]* (Strasbourg [1921-1932]); Own calculations.

* Data for ships crossing the Dutch-German border were registered both at Lobith and at Emmerich. The data for Lobith were used because they show a greater internal consistency. Differences between the two datasets are to the order of 2-3 per cent.

had started already before the war, when a number of German companies with their own barge fleet, such as Thyssen or Stinnes, had transferred their fleet either in part or in its entirety to the Netherlands. Then this was done because Dutch wage costs were much lower.[112] That the newly built ships that were financed by Dutch banks had to be registered in the Netherlands, also had other reasons. Both before and after the war, favourable Dutch tax laws were a major attracting force. Additionally, wages and employer's contributions to social security services were significantly lower.[113] Finally, during the post-war economic difficulties in Germany some companies – with approval of the German government – placed their entire fleet under Dutch flag to prevent confiscation by the allies.[114]

Graph 5.6: *Traffic on the Rhine by nationality, 1919-1931*
(in percentages of ships docking in port)



Sources: Zentral-Kommission für die Rheinschiffahrt, *Jahres-Bericht der Zentral-Kommission für die Rheinschiffahrt [1919-1933]* (Strasbourg [1920-1934]); Statistischen Reichsamt, *Statistik des Deutschen Reichs, Verkehr der deutschen Binnenwasserstraßen [1919-1933]* (Berlin [1920-1934]); own calculations.

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[112] Jolmes, *Geschichte der Unternehmungen*, 63, 84.
[113] Lülsdorf, *Die Bedeutung Rotterdams*, 65.
[114] Most, *Seehafenausnahmetarifee, Devisenwirtschaft und Rheinschiffahrt*, 35.

How much of the Dutch Rhine fleet was *de facto* in German hands, is illustrated by the fact that by the beginning of 1933 Germans accounted for 37.4 per cent of all mortgages on ships.[115] According to a report by the Central Commission for Navigation on the Rhine, at least 39 per cent of the Dutch fleet of Rhine barges should be regarded as being predominantly German-owned, although they admit that 15 per cent is based on educated guesses. Nevertheless, the authors state that the actual percentage of ships that were mainly owned by Germans probably was significantly higher.[116] Given that already before the war German companies had started to put their Rhine barges under Dutch flag for reasons other than financing, and taking into account that the German share of 37.4 per cent of all mortgages – which is directly linked to the economic lifespan of a ship and therefore a good indicator of the lower limit of German ownership within the Dutch Rhine fleet as a whole – the estimate of the Rhine commission can be considered to have been extremely conservative. It also explains the structural decline of the share of German shipping versus the rise of Dutch shipping on all stretches of the Rhine (Graph 5.6). As the secretary of the Rotterdam Chamber of Commerce and Industry noted in 1927, ‘the building of Rhine ships for German customers has been most important these past few years, and must undoubtedly be counted amongst the factors that create an economic bond between the Ruhr and Rotterdam’.[117] Between 1925 and 1931 the entire Rhine fleet expanded from circa 5.2 million tonnes to 7.2 million tonnes. Because all other Rhine fleets remained stable, most of this expansion can be attributed to Dutch ships.[118] A less desirable side-effect of this building activity was that the total capacity of the Rhine fleet – where signs of overcapacity had already been visible before the war – grew even larger.[119] This resulted in lower freight rates, and made Rhine shipping one of the least profitable enterprises.[120] Nevertheless, the extensive German direct foreign investments in the Dutch Rhine fleet and associated activities such as port installations – although financed by Dutch banks – contributed greatly to a Rhine transport system. In this branch, Dutch

[115] Lülsdorfs, *Die Bedeutung Rotterdams*, 72.
[116] B. Harms, B. Kuske, O. Most, *Die deutsche Rheinschiffahrt: Gutachten der Rhein-Kommission über die Lage der Rheinschiffahrt in der in ihr beschäftigten Arbeitsnehmer* (Berlin 1930) 196-197.
[117] NL-HaNa, BuZa/Economische Zaken, 2.05.37 inv.nr.2682, Letter by Van Lier, Secretaris of the Chamber of Commerce and Industry for Rotterdam, 6th April 1927.
[118] Walter, *Enige economische beschouwingen*, 83.
[119] Jolmes, *Geschichte der Unternehmungen*, 82.
[120] Lülsdorfs, *Die Bedeutung Rotterdams*, 74.

and German companies were to a considerable extent integrated. This in turn no doubt enhanced the ability of Rotterdam to compete with other ports.

5.7 Competition with other ports

The port of Rotterdam was in constant competition with the Belgian and German North Sea ports, but the only significant competitors were Antwerp and Hamburg. Informants in these competing port cities kept the *Commissie Concurrentiemogelijkheden* – Commission for Competition Opportunities – of the Rotterdam Chamber of Commerce informed on all developments regarding investments, monthly traffic statistics and other developments in these ports cities that could threaten Rotterdam's position, while all along the Rhine representatives were actively promoting Rotterdam, especially in potential growth markets such as Switzerland.[121]

Antwerp was Belgium's most important port, both for seagoing transport as well as for inland shipping. For seagoing traffic, Antwerp was somewhat better located than Rotterdam: thanks to the extremely wide estuary of the Scheldt, the port was both easier and safer to enter, while during bad weather ships bound for Rotterdam had to wait for the weather to clear at sea near Hoek van Holland.[122] As an author from Antwerp wrote this information, it is hardly amazing that this point is emphasized, while the fact that the port of Antwerp was situated behind locks – which made entering more time-consuming – was ignored. Above all, however, Antwerp's position with regards to the Rhine was much less favourable. To get to the Rhine, ships had to follow an arduous route through all kinds of canals and locks before they could enter the Waal, a tributary of the Rhine. Locks as well as the tide would often cause traffic-jams along the route.[123]

In Rotterdam the barge connection with the hinterland was much better, but Antwerp had a better and especially shorter rail connection with the German hinterland. The contrast between Rotterdam – which focussed on the transhipment of bulk goods – and Antwerp – concentrated on merchandise – is partly explained by this already. The handling of merchandise was a more lucrative endeavour than was the handling of bulk goods, since transhipment was a much longer process for merchandise. Therefore, not

[121] NL-HaNa, KvK Rotterdam/Secretariaat, 3.17.17.04, invoer nummer 2375, Miscellaneous letters, reports and minutes; NL-HaNa, BuZa / Economische Zaken, 2.05.37, inv.nr.90, Letter by the Consul in Switzerland to the Foreign Minister, 28 Juli 1920; NL-HaNa, BuZa / Economische Zaken, 2.05.37, inv.nr. 90, Report on transhipment in Rotterdam and Antwerp, 19 October 1920; Ibidem Letter to the consul in Geneva, September 24th 1920.

[122] M.W. van de Velde, *Le Port d'Anvers, aperçu de la situation économique et politique du port national Belge en comparaison avec celle des ports de Rotterdam et Dunkerque* (Antwerp 1930) 7.

[123] Warsch, *Antwerpen, Rotterdam*, 30.

only were more man-hours needed to load or unload the ship, much more time was spent in port, resulting in higher income for the port in port fees.

Due to high wages, as well as high port fees in Rotterdam costs had always been considerably higher than in either Antwerp or in Hamburg.[124] In the transhipment of bulk goods such as grain, ores, or coal, these higher costs were offset by the superior technical equipment and better Rhine connection of Rotterdam.[125] Grain was unloaded more than twice as fast as in Antwerp, while coal and ores were unloaded at two to three times the speed, with even higher speeds available if need be.[126] Because these technological advantages were of no value in the transhipment of merchandise, which was hands-on work, the high wages and port fees hampered Rotterdam's development as a port for this most lucrative type of cargo. To remedy this, a special commission that was tasked with expanding Rotterdam's handling of merchandise – the *Stukgoedcommissie* – was created. The *Stukgoedcommissie* tried to get the various parties that were levying these fees – the state, the city council, and various private parties – to lower them. Despite years of effort, this never really succeeded.[127]

Table 5.6: *Movement of goods through the ports of Antwerp, Hamburg, and Rotterdam, 1887-1932, in million tonnes.*

Year	Antwerp	Hamburg	Rotterdam
1887	3.9	5.4	3.2
1902	11.4	15.0	12.7
1910	16.2	23.1	22.9
1913	18.9	25.5	29.4
1920	13.1	5.8	12.0
1924	21.4	19.5	25.0
1929	26.1	27.0	38.8
1932	17.4	19.4	21.3

Source: NL-HaNa, KvK Rotterdam/Secretariaat, 3.17.17.04, inv. nr.1617, Memorandum concerning the interests of the port of Rotterdam regarding annexation of German territory. Data as presented in the memorandum.

[124] NL-HaNa, BuZa/Economische Zaken, 2.05.37 inv.nr.875, Letter KvK&F Rotterdam, 29-11-1922.
[125] Lülsdorfs, *Die Bedeutung Rotterdams*, 42; NL-HaNa, BuZa/Economische Zaken, 2.05.37 inv.nr.875, Letter KvK&F Rotterdam, 29-11-1922.
[126] NL-HaNa, BuZa/Economische Zaken, 2.05.37, inv.nr. 90, Report on transhipment in Rotterdam and Antwerp, dated 19 October 1920.
[127] Verseput, *Kamer van Koophandel en Fabrieken*, 69-75; Van Lier, *Kamer van Koophandel en Fabrieken voor Rotterdam, 1803-1928*, 852-862.

During the first half of the 1920s, competition between the two ports was especially fierce as both ports tried to reclaim the traffic they had lost during the war as a consequence of the economic troubles of the time and of the first years after the war. Antwerp gained a competitive edge when – in order to promote their own seaports – the French in 1919 re-instituted the *surtaxes d'entrepôt,* a levy on almost all non-European products and the *surtaxes d'origine,* a levy on a large number of European products in as far as these were not transported directly from the country of origin to a French port.[128] The taxes payable were often greater than the cost of shipping. In 1924, this duty amounted to 33.6 francs per ton, while freight costs to Strasbourg were 25-40 francs per ton.[129] When Antwerp was granted exemptions a year later, Rotterdam lost most of its traffic to Strasbourg.[130] By way of compensation for the *surtaxes*, Antwerp had already instituted a free tug service to the Rhine from its port, and had committed itself to the construction of a canal to the Rhine at Moerdijk.[131]

This canal over Dutch soil was obviously not in the Dutch economic interests. That the Dutch Foreign Minister van Karnebeek had agreed to the Belgian wish for an improved connection between Antwerp and the Rhine was a result of the difficult diplomatic position the Dutch found themselves in at the end of the war. During the war, the Dutch came to be seen as profiteers, who made good money by exporting to both sides of the conflict. Their reputation had not been improved by the fact that, when former German emperor Wilhelm II had sought asylum in the Netherlands on 10 November 1918, they had not only granted this, but had also denied the demands of the Entente to extradite the man so that he could be tried for his war crimes. Then there had been the fact that on 12 November 1918, the day after the armistice, the Dutch had let 70,000 disarmed German troops escape from Belgian soil through Dutch Limburg, according to The Hague to help Belgium to get rid of these by then hardly disciplined troops.[132] However, as a

[128] Warsch, *Antwerpen, Rotterdam*, 21; Verseput, *Kamer van Koophandel en Fabrieken voor Rotterdam*, 65; Van Lier, *Kamer van Koophandel en Fabrieken voor Rotterdam, 1803-1928*, 834; Walker D. Hines, *Rapport relatif `a la Navigation sur le Rhin, présenté a la Commission Consultative et Technique des Communications et du Transit de la Société des Nations* (Geneva 1925) 8-9.
[129] H.S. de Roode, 'The Port of Rotterdam.' In: M. de Vries (Ed.), *Jubileumnummer 1916-1926 In- en Uitvoer: Handelseconomisch weekblad voor Nederland en koloniën* (Amsterdam 1926) 131-137, here 135.
[130] NL-HaNa, KvK Rotterdam/Secretariaat, 3.17.17.04, inv. nr. 2375, Letter to the Minister for foreign affairs concerning the effects of the French taxes on imports, November 23rd 1923.
[131] Van Lier, *Kamer van Koophandel en Fabrieken voor Rotterdam, 1803-1928*, 835.
[132] Aide-Mémoire, 23 november 1918. B.Z., A 250 Nt., Doortocht. C. Smit (ed.), *Bescheiden betreffende de Buitenlandse Politiek van Nederland 1848-1945. Derde Periode, deel vijf, tweede stuk (3.5.2) 1917-1919 – GS 117* (The Hague 1964) 752.

neutral country, the Dutch should have either refused them entry, or should have interned these soldiers. By not doing either, the Entente argued, the Netherlands had violated its own neutrality and both of these events proved especially to the French and the Belgians that, although they regarded the Dutch population as pro-Entente, the Dutch élite consisted of Germanophiles. The French marshal Philippe Pétain expressed this opinion in strong terms: ‘If Holland suffers the loss of our sympathy and later possibly suffers reprisals, she will only have herself to blame.’[133] The Dutch foreign minister Van Karnebeek, who had taken office only a few months before, was faced with the difficult task to extricate the Netherlands from this diplomatic isolation.[134] To do so, Van Karnebeek started by subtly promoting an understanding of the Dutch position with the Entente. Shortly after he started his tenure as Minister of Foreign Affairs, he reorganized the department. Economic diplomatic relations were now coordinated by the *Directie voor Economische Zaken* – Directorate for Economic Affairs – that was advised by a *Raad van Bijstand inzake de Buitenlandsche Economische Aangelegenheden* – Advisory board on Foreign Economic Affairs – consisting of prominent businessmen and economic experts. These businessmen and experts also would use their personal ties with the countries of the Entente to smooth the way.[135]

By the time the Paris peace conference started, the Dutch were still isolated. The Belgians made use of this, and demanded annexation of parts of Limburg and Zeelandic Flanders, as well as a better agreement on the water level of the Meuse – important for inland shipping –, the depth of the sea lane in the Western Scheldt to obtain better access to the port of Antwerp, an improvement of the connection of Antwerp to the Rhine, and a solution to a territorial conflict regarding the southern-most sea lane in the North Sea towards the Scheldt, the *Wielingen*. While the issue of Limburg was raised out of military-strategic considerations that were the result of the war, the other Belgian demands had a longer history.

[133] ‘De Gezant te Parijs De Stuers aan Van Karnebeek, 20 november 1918. Partikulier en vertrouwelijk (Archief-Van Karenbeek).’ In: Smits, *Buitenlandse Politiek, 3.8.1. 1917-1919 - GS 145,* 755.
[134] For a concise overview of Van Karnebeek’s actions: Rolf Schuursma, ‘De beste van het interbellum. Herman Adriaan van Karnebeek (1918-1927).’ In: Duco Hellema, Bert Zeeman, Bert van der Zwan, *De Nederlandse ministers van Buitenlandse Zaken in de twintigste eeuw* (The Hague 1999) 82-97.
[135] Schuursma, ‘De beste van het Interbellum,’ 87-88; J.A. Nederbragt, *Herinneringen. Oud en nieuw uit het boek mijner gedachtenis* (The Hague 1950).

The fact that the access of the port of Antwerp to the sea was by way of a Dutch stretch of water had long been a thorny issue in Dutch-Belgian relations, both for commercial and military reasons. Dutch neutrality meant, that in time of war foreign military ships were not allowed to pass the Scheldt, which weakened the Belgian military position, as any navy support to Belgium from one of his allies would immediately result in the violation of the Dutch neutrality and possibly even in war with the Dutch. Commercial access to the port of Antwerp was also affected, as the depth of the shipping lane in the Scheldt determined the maximum size of the ships that could pass.[136]

Although initially the Netherlands, being a neutral country, was not invited to the peace talks in Paris that would result in the Treaty of Versailles, the Belgian demands meant they now had a stake. Therefore, in May 1919, the Dutch government was invited to join the discussion and Minister van Karnebeek personally went to the French capital to defend the Dutch interests.[137] Through a combination of fine diplomacy, and handily making use of the reticence of the other members of the Entente to annex parts of a neutral country, Van Karnebeek was able to frustrate the Belgian efforts to annex Dutch soil. The strategic importance of Limburg was no longer an issue after the Dutch had declared that any military incursion on Dutch territory would be a cause for war. Meanwhile, the Dutch agreed to become a member of the new League of Nations, where, through the active participation of Van Karnebeek, the standing of the Netherlands quickly recovered. Nevertheless, the Dutch had to negotiate with the Belgians regarding the remaining issues.

Soon, the two countries had come to an agreement on most issues, including the Dutch consent to the construction of a canal over Dutch soil that would improve the connection between the port of Antwerp and the Rhine. The Belgians were planning to complete the canal within seven years, which caused great concern in the Netherlands. Yet, those without a vested interest were not completely convinced of the danger the canal posed to the port of Rotterdam and Dutch Rhine shipping. The French envoy in The Hague Charles Benoist posed that the cost of the canal and the necessary locks would be so high, that the fees that would have to be levied would negate the advantage of the

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[136] D.A. Hellema, *Nederland en de wereld. Buitenlandse politiek van Nederland* (Houten 4th ed. 2010) 69; Schuursma, De beste van het Interbellum, 89.

[137] NL-HaNA, Karnebeek, H.A. van, 2.05.25, inv.nr.70 Letter about the peace conference by Van Karnebeek to Ruys de Beerenbrouck, 21-5-1919.

canal.[138] In May 1920, however, the Belgian foreign minister Paul Hymans broke off the negotiations in May because of Dutch stubbornness over the territorial issue at the *Wielingen* in the North Sea.[139] Even though the talks had been interrupted, the potential threat of a better Belgian connection to the Rhine was such that it caused those with interests in Rhine shipping and the port of Rotterdam to continue their protest whenever the issue was raised again.[140]

Table 5.7: *Development of traffic of Rhine barges in the port of Antwerp 1923-1931. By nationality in percentages, development of traffic as index, 1926=100.*

Year	German		Dutch		Belgian		French		Traffic index	
	Arrivals	Departures	Arrivals	Departures	Arrivals	Departures	Arrivals	Departures	Arrivals	Departures
1923	8	6	30	21	30	40	30	30	15	31
1924	9	14	29	15	40	48	22	23	49	86
1925	15	13	12	15	54	51	17	20	56	112
1926	11	17	35	11	44	43	9	25	100	100
1927	10	20	45	12	35	45	9	19	90	99
1928	11	22	45	17	32	46	11	11	77	71
1929	13	24	43	17	32	44	10	10	80	63
1930	11	19	45	27	32	38	11	12	74	54
1931	10	24	39	19	37	25	12	28	72	82

Sources: Zentral-Kommission für die Rheinschiffahrt, *Jahres-Bericht der Zentral-Kommission für die Rheinschiffahrt [1923-1931]* (Strasbourg [1924-1932]); Own calculations.

Four years later, in August 1924, the Belgians returned to the negotiations. Now, they focussed on the Belgian connection to the Rhine and disregarded all issues that could cause the talks to fail. On 3 April 1925, a treaty was signed which included the construction of a canal to the Rhine. The treaty caused widespread protests amongst

[138] NL-HaNA, Karnebeek, H.A. van, 2.05.25, inv.nr.54 Meeting between Van Karnebeek and French envoy Benoist, 25-11-1919.

[139] 'No.351 Delegate Struycken to Commission of Fourteen, Paris, 20-5-1920.' In: *Documenten betreffende de buitenlandse politiek van Nederland 1919-1945, Periode A 1919-1930, Deel I*, *1 Juli 1919-1 Juli 1920* (Den Haag 1976) LXXXIX.

[140] NL-HaNA, Karnebeek, H.A. van, 2.05.25, inv.nr.54 Dagboek Van Van Karnebeek, 25-11-1919. NL-HaNa, KvK Rotterdam/Secretariaat, 3.17.17.04, inv. nr. 2375, Meeting of the Commissie Concurrentiemogelijkheden, November 20th 1923; NL-HaNa, KvK Rotterdam/Secretariaat, 3.17.17.04, inv. nr. 2375, NL-HaNa, KvK Rotterdam/Secretariaat, 3.17.17.04, inv. nr. 2375, Letter from the Rotterdam Chamber of Commerce and Industry to the Mayor of Rotterdam, November 23rd 1923; Letter by Mayor Wytema to the Minister for foreign affairs, November 27th 1923; NL-HaNa, KvK Rotterdam/Secretariaat, 3.17.17.04, inv. nr. 2375, Report on French measures favouring Antwerp, November 23rd 1923; NL-HaNa, KvK Rotterdam/Secretariaat, 3.17.17.04, inv. nr. 2375, Minutes of a meeting of representatives of the Rotterdam Chamber of Commerce with the minister for foreign affairs, December 3rd 1923.

those who had interests in Rhine shipping or in the Port of Rotterdam and opened a lively and long-running debate in the press.[141] Ultimately, after the treaty was accepted in the Second Chamber of Parliament, in 1927 the ratification of the treaty was denied by the First Chamber, the Senate. It resulted in the resignation of minister van Karnebeek, who had valiantly defended it.[142]

Belgium tried to further improve its position in the competition between the ports and the transport to the German hinterland by instituting lower rates for transport by rail from its ports toward the hinterland and vice versa.[143] Despite these Belgian measures, Rotterdam surpassed Antwerp in 1924 (Table 5.6), and even though until 1924 Antwerp had a larger turnover, an important part of its Rhine traffic arrived in Rhine barges under Dutch colours (Table 5.7).[144] Although the throughput of its port would only surpass that of Antwerp by 1924, because of its concentration on bulk goods, Rotterdam had a dominant position in the shipping of bulk goods along the Rhine throughout the period 1919-1931. Most of these bulk goods were the raw materials that were shipped to and from the German industry. Even though Antwerp was at times able to secure a lead on a destination such as Strasbourg, such partial dominance was only temporary and of little importance when viewed in context of the total flow of goods to and from the Rhine.

More important was dominance in merchandise of the port of Antwerp, which is hardly visible when total transport is measured in tonnes, but was interesting, nonetheless, as merchandise was the most profitable cargo to handle. In spite of vehement protests in the Netherlands by those with interests in Rhine shipping, over the various Belgian and French measures that caused this temporary dominance, the Dutch government did not intervene. This was partly, because these measures only influenced traffic to the Alsace, and thus were only a very small part of Rhine traffic. Getting the French to change their policy would not be done merely ‘pour nos beaux yeux’ – for our pretty eyes –, as Van Karnebeek put it. To get French and Belgian concessions, as with everything, something would have to be given in return, and these concessions would

[141] Th. van Welderen Rengers, *Duitsche stroomingen en het verworpen Nederlandsch-Belgisch Verdrag* (Leeuwarden 1928); A.J. van Vessem, *Een historische onjuistheid. De grondslag van minister Van Karnebeek’s tractaat met België* (Utrecht 1926); A.J. van Vessem, *De verrassingen van het tractaat met België* (Utrecht 1926); ‘Opengelaten punten.’ *Nieuwe Rotterdamsche Courant,* 4-11-1924, Avond; R.L. Schuursma, *Het onaannemelijk tractaat. Het verdrag met België van 3 april 1925 in de Nederlandse publieke opinie* (Groningen 1975).
[142] Schuursma, *Het onaannemelijk tractaat*, 248-249.
[143] Warsch, *Antwerpen, Rotterdam*, 37-38.
[144] Van de Velde, *Le Port d’Anvers*, 140.

outweigh this temporary setback. Far more important to the recovery of transport in the Dutch ports and on the Rhine were the issues of monetary instability abroad, and, most of all, the overall slump of the hinterland.[145]

[145] NL-HaNa, KvK Rotterdam / Secretariaat, 3.17.17.04, inv. nr. 2375, Meeting of representatives of the Rotterdam chamber of commerce and industry with the Minister for foreign affairs, December 3rd 1923; BArch R 901/77074 Report by the German consulate for the Auswärtige Amt, Rotterdam, 6-12-1923.

5.8 Conclusion

The economic structure and international economic ties of Germany with the surrounding countries, especially with the Netherlands, find a strong expression in the transport sector. Statistics for both inland shipping as well as internal railway transport show that Germany's economic heartland clearly was the Ruhr area. Germany's international traffic also centred on the Ruhr and consisted mostly of shipping along the Rhine. In fact, traffic flows indicate that the Rhine river basin can rightly be called a transnational economic region – encompassing parts of the Netherlands, Belgium and France – with the Ruhr area as its economic heartland.

Although ties with Belgium and France were strong, it was the Netherlands – more specifically, the port of Rotterdam – that provided the Ruhr with its connection to the rest of the world economy. The Dutch transport sector was focussed on international transport with Germany, specifically the Ruhr area and the left bank of the *Rheinprovinz*. While railway transport was sizeable, Rhine traffic was considerably more important. When after the stabilization of the German currency and the adoption of the Dawes-plan, Germany's economic recovery started, it was Rhine shipping which profited.

In shipping to and from the Ruhr, ships under the Dutch flag were in an overwhelming majority. A significant part of these ships were, however, actually German, although especially during this period the question as to what exactly was a German company blurred due to extensive foreign investments by the Dutch in Germany and vice versa. These German-owned Rhine ships under Dutch flag had usually been financed by Dutch banks, and were part of the Dutch subsidiaries of German concerns. Nevertheless, this fact does not necessarily refute Adenauer's claim. In fact, it enhances it. Even though mostly financed by the Dutch, these foreign direct investments – that had already started before the war – only added to the intertwining of Dutch and German companies, and therefore of their economies.

It is during this period, that Rotterdam surpassed its two main rivals Antwerp and Hamburg as Germany's gateway to the world market. In spite of the more extensive Belgian railway network, not just Dutch shipping, but also Dutch railway traffic with Germany was greater. When German international traffic by way of the Rotterdam Port is compared with traffic through either Antwerp or Hamburg, the Dutch transport sector was clearly Germany's most important partner in international freight.

All in all, the answer to whether Adenauer's claim that 'the backbone of the economic ties between Germany and the Netherlands is the Rhine' holds water, can therefore best be summed up as: most definitely, with the addendum that transport flows indicate that the Rhine river system – which can indeed be viewed as a transnational economic region – had two main economic centres: the extended Ruhr area as a production centre, and the port of Rotterdam as its main distribution centre.

Chapter 6 – Diplomatic relations

6.1 Introduction

On economic issues that were of importance to the Netherlands and Germany there was a constant stream of reports by the legations and consulates of both countries, and there were regular negotiations such matters. Regular diplomatic relations, on the other hand, were limited to just a few issues. Of these, only the damages sustained by Dutch civilians as a result of the war, and a border dispute over the Ems estuary are of note. Apart from the mutual diplomacy, there was one other matter of note: the promotion by the Dutch of German interests in international politics.

6.2 Dutch promotion of German interests in international politics

Although by the end of the decade Dutch public opinion had turned against the Germans, during the first post-war years the Dutch had shown compassion with the German population. This compassion ranged from taking in German children from the Ruhr to give them a holiday and a proper meal, to the understanding that even as German products were outcompeting Dutch goods, the Germans were still in an altogether unenviable position.[1] This did not stop the Dutch from temporarily protecting the Dutch tobacco and shoe industries from German competition, but on the other hand, that was also the full extent of such measures. The Dutch were only too well aware of the importance of a quick German economic recovery to the Dutch economy. It was because of this that they not only tried to help the recovery of German industry, but also advocated the inclusion of Germany in the League of Nations. Ironically, this initially included convincing the Germans that it was in their interests to become a member of the League.[2]

The Dutch were only in a position to do so, once they themselves had once again become a part of the international community again. The passage through Limburg granted to fleeing and disarmed German soldiers after the war, and the asylum that was granted to former German emperor Wilhelm II, had diminished the Dutch standing among bthe former allies. If it were not for Foreign Minister Van Karnebeeks diplomatic efforts at the Paris Peace Conference – and the reticence of the other members of the Entente to annex parts of a neutral country –, Belgium might have been allowed to annex parts of the Netherlands. Because of its active participation in the League of Nations however, within a few years the Dutch had politically recovered from its wartime damage. Consequently, The Hague felt able to press the United Kingdom for action in the matter of the Ruhr occupation in 1923, which caused a disruption of traffic on the Rhine, had led to violations of the international Rhine Act of Mannheim (1868), and was most damaging not just to the German, but also to the Dutch economy.[3] With the adoption of the Dawes-plan in

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[1] Ries Roowaan, *Im Schatten der Großen Politik. Deutsch-Niederländische Beziehungen zur Zeit der Weimarer Republik, 1918-1933* (Münster 2006) 132-134.

[2] NL-HaNA, Karnebeek, H.A. van, 2.05.25, inv.nr.56 Diary of Van Karnebeek during the Genua Conference, 13 April 1922.

[3] Woltring, BPvN, 234 Van Karnebeek aan de Nlse gezant in Londen De Marees van Swinderen, 7 maart 1923.

1924, Germany was no longer isolated. After the Locarno Treaties – made possible after the staunchly anti-German government of Poincaré had made way for that of Aristide Briand – and the subsequent German membership of the League of Nations, such Dutch diplomacy was no longer needed.

6.3 War damages

Apart from sporadic Dutch efforts to speak on behalf of Germany, which were always in the direct interest of the Dutch as well, there were only a few political matters that were not either directly or indirectly related to the Dutch-German economic interdependence. One of these matters was the result of the war. Even though the Dutch had been neutral, they had suffered damage as a direct result of the military conflict. These damages ranged from minor – such as the damage done to houses or crops by crashed aeroplanes – to unjust imprisonment or forced enlistment and to loss of lifes. In the cases were the German liability was clear and monetary interests negligible, such as damage caused by a crashed aeroplane, the German government quickly acknowledged their responsibility.[4] In the case of the damage caused to the roads in Limburg by the passage of German soldiers, and the transport of their confiscated weapons, they were already less forthcoming.[5] The unjust imprisonment of a Dutch citizen with a French name – who had been arrested in France and became partially disabled by a hernia suffered during his imprisonment – or the former German, now Dutch citizen, who had been forced to enlist in the German army, were legally complicated.[6] These were all – in monetary terms – relatively unimportant. The one war-related issue that was more important, was the damage suffered by Dutch fisheries and merchant shipping. During the war, according to a summary by the *Bureau voor Zeeoorlogsschade* – Bureau for damages sustained during the sea war – 699 sailors had lost their lives, and 76 ships had been destroyed, with a further 17 damaged as a result of German or British mines, and German torpedoes. Almost 2,000 sailors had been detained – mostly by the British – as their ships were checked for contraband either at sea or in port. The total claimed damages were in excess of 35 million guilders, over 26 million of which were due to German actions. Of the deaths, the great majority were due to parties unknown.[7] It

[4] BArch R 901/27866 Heeres-Abwickelungs-Amt-Preussen (formerly Kriegsministerium) to the German Foreign Office, 12-2-1920.
[5] BArch R 901/27865 Dutch legation in Berlin to the German Foreign Office, 18-10-1919.
[6] BArch R 901/27866 Various papers regarding Messrs. LeJeune and Holzschuher von Harrlach, 1919-1920.
[7] Nationaal Archief, Den Haag, Ministerie van Buitenlandse Zaken: Bureau Zeeoorlogsschade, 1919-1940, nummer toegang 2.05.32.09, inventarisnummer 31 Overzicht der door het Bureau voor Zeeoorlogsschade op grond van de tot 1 April 1921 ingekomen vragenlysten voorlopig onderzochte schadevorderingen, ingedeeld naar haar aard en naar de Mogendheden, waartegen zy zyn gericht. Oddly enough, an earlier report mentioned 1200 dead sailors, and 300 shipwrecks. See: Idem, Algemeen voorlopig rapport van het Bureau voor Zeeoorlogsschade, 4 Juni 1920.

took until 1922 for the Dutch government to institute a commission that would estimate the damages in each particular case.[8] In the end, it would take until 1930 before a multi-year payment plan – preferably in the form of payment in German-built ships – was discussed, for which Germany tried to obtain a extension of the *Tredefina* credit until 1922.[9] By the end of 1931, the matter had still not been settled.

The ships that had been sunk, however, were almost all small fishing vessels. In one particular case, the ship that had been sunk was an oceanliner belonging to an important Dutch shipping line, the *Koninklijke Hollandsche Lloyd*. The ship in question, the Tubantia, was sunk by a German submarine on 16 March 1916 with no loss of life.[10] Although the Germans initially claimed the ship had been sunk by a British mine, before long they had to admit it had been a German submarine. It would be the only case were the German paid damages already in the 1920s. One of the directors of the *Koninklijke Hollandsche Lloyd* was C.J.K. van Aalst, president of the *Nederlandsche Handel Maatschappij* and one of the most influential Dutch businessmen. When after the war, the Germans were not forthcoming enough, Van Aalst merely had to imply that this would negatively impact the credit that had been granted to German industry in 1920. Van Aalst had been instrumental in this credit, a fact the Germans were only too well aware of. Given that the damage to German industry would be greater than the savings in denying compensation, in September 1922 the Germans agreed to pay 8.5 million guilders in compensation for the losses.[11]

[8] NL-HaNA, BuZa / Zeeoorlogsschade, 2.05.32.09, inv.nr.3, Notulen eerste vergadering van sub-commissie B van de Commissie voor Zeeoorlogsschade, 9-11-1922.
[9] BArch R 3101/2749 fol.30-39 Report by the German Foreign Office on the compensation of damages relating to the war at sea, 7 April 1930.
[10] 'De "Tubantia".' *Algemeen Handelsblad*, 17-03-1916 Ochtend; Later articles in the press also did not mention any deaths.
[11] BArch R 43 I/88 fol.121 Telegram Kreuter, 1-9-1922.

6.4 Border dispute

On the whole, the integrity and location of the Dutch-German border was never questioned. Archives on the matter almost all concern humdrum matters such as the maintenance of border markings, and border traffic which was eased by a number of agreements in 1921 and 1923.[12] In 1928, the Dutch and German customs posts on the Rhine were even merged to ease traffic.[13] The only exception to these smoothly handled border issues was the Ems, which was the subject of a long-standing – and still unresolved – border dispute. The Ems is a German river, whose estuary forms the border between the North-Easternmost part of the Netherlands and North-Western Germany. From the Geman point of view, the Ems was a German river, and therefore its entire estuary was German as well. To the Dutch government, on the other hand, the Ems estuary was a shared border. Therefore, according to international law, the border was located in the middle of the thalweg – the deepest fairway. At the time of the Weimar Republic, it was already a long-running matter that once every few years would rear its head. Since 1894, the Dutch adopted a wait and see attitude, as they were not sure the Dutch point of view would hold up in court.[14] In 1911 it was decided to have a Dutch-German commission study the issue.[15] The next year, however, a high diplomate of the German foreign office visited the Dutch foreign minister R. de Marees van Swinderen, to unofficially dicuss a possible solution.[16] The Germans had prepared a memorandum, detailing their claims and citing historical documents dating as far back as the 15th century. While

[12] See: Nationaal Archief, Den Haag, Ministerie van Binnenlandse Zaken: Afdeling Binnenlands Bestuur, 1879-1950, nummer toegang 2.04.57, inventarisnummer 1416; Nationaal Archief, Den Haag, Ministerie van Binnenlandse Zaken: Afdeling Binnenlands Bestuur, 1879-1950, nummer toegang 2.04.57, inv.nr. 1417; Nationaal Archief, Den Haag, Ministerie van Binnenlandse Zaken: Afdeling Binnenlands Bestuur, 1879-1950, nummer toegang 2.04.57, inv.nr. 1420; PA AA, R 71562; Idem, R 71563; Nationaal Archief, Den Haag, Ministerie van Binnenlandse Zaken: Afdeling Binnenlands Bestuur, 1879-1950, nummer toegang 2.04.57, 71564; Idem, R71565; BArch R 3101/2738 fol.188-189; Nationaal Archief, Den Haag, Ministerie van Binnenlandse Zaken: Afdeling Binnenlands Bestuur, 1879-1950, nummer toegang 2.04.57, R 43 I/88 fol.152-156, various letters and ontwerpwet, 1921 en 1923.

[13] R 43 I/88 fol.235-240 various letters and overeenkomst inzake samenvoeging Nederlandsche en Duitsche douanepost on the Rhine, September 1928.

[14] C. Smit, *Bescheiden betreffende de buitenlandse politiek van Nederland 1848-1919, Derde periode 1899-1919,* No.644 Nota van het hoofd der eerste afdeling van het ministerie van buitenlandse zaken Rochussen, undated [ca. 14-4-1906] 703.

[15] C. Smit, *Bescheiden betreffende de buitenlandse politiek van Nederland 1848-1919, Derde periode 1899-1919,* No. 846 Nota van het Departement van Buitenlandse Zaken inzake de grensregeling in de Beneden-Eems, 24-12-1918, 827-831.

[16] C. Smit, *Bescheiden betreffende de buitenlandse politiek van Nederland 1848-1919, Derde periode 1899-1919,* No.681 Min buza De Marees van Swinderen aan konWilhelmina, 25-6-1912, 789.

recognizing the fact that the Dutch had established common law legal rights to the use of the estuary, which the Germans would be willing to grant officially in a treaty, the Germans were now pressuring for a swift solution. The Dutch were well aware that their position in the matter was weak, and were looking for a way in which they could acknowledge the German rights to the Ems without harming Dutch sovereignty – ensuring de accessibility of the Dutch port of Delftzijl on the Ems.[17] Even though some of the historical documents used by the Germans to prove their claim were regarded as false, the remaining documents were still enough to ensure that in arbitration the German claim would be granted.[18] However, before an agreement could be reached, the First World War broke out. During the war, the Dutch decided not to interfere with German shipping movements on the Ems.[19] Since the area was disputed, there was no need to enforce Dutch neutrality.[20] Just after the end of the war, in December 1918, the Dutch were preparing to raise the issue again.

By now, the Dutch chances for a satisfactory outcome were better than before, since the Entente governments would never allow the recognition of the German sovereignty over a disputed territory during at least the first few years. The Dutch tried to use their temporary ascendancy to persuade the Germans that the Dutch solution would be the best possible solution for both parties: both the Dutch port of Delfzijl and the German port of Emden would be reachable through territorial waters.[21] The Germans, however, needed the part of the Ems channel that the Dutch claimed because it was the only approach that could be used by the larger German ships. Furthermore, the German navy was emphasizing its importance to the defense of the *Reich*.[22] In May 1919, the Germans came to baron Gevers with a proposal. A mixed commission of eight persons would work out a solution that would serve both the military and economic interests of both countries.[23] The Germans were now

[17] C. Smit, *Bescheiden betreffende de buitenlandse politiek van Nederland 1848-1919, Derde periode 1899-1919,* No. 846 Nota van het Departement van Buitenlandse Zaken inzake de grensregeling in de Beneden-Eems, 24-12-1918, 827-831.
[18] Smit, *Bescheiden betreffende de buitenlandse politiek,* No. 756 Prof. J. Jitta aan min BuZa Loudon, 6 February 1914, 884-903, there 901-902.
[19] BArch R 901/36645 fol.3-4 Reichsmarineamt aan Staatssekretär des Auswärtigen Amts, 16-3-1919.
[20] Smit, *Bescheiden betreffende de buitenlandse politiek van Nederland,* No.846, 827-831.
[21] Smit, *Bescheiden betreffende de buitenlandse politiek van Nederland*, No.846.
[22] BArch R 901/36645 fol.3-4 Reichsmarineamt aan Staatssekretär des Auswärtigen Amts, 16-3-1919.
[23] BArch R 901/36645 fol.59-60 Note by von Simson on a meeting with Dutch envoy Gevers, 21-5-1919.

working towards what had been the Dutch position in 1912, were the border was in the thalweg of the western arm of the Ems, but were asking for compensation in the form of economic cencessions.

Given the history of the issue, their wishes were few, which is indicative for the German economic problems at that time. The Dutch could have their way if German fishermen could fish in the Dutch part of the Ems, and if they would let the Gemans have a few thousand tonnes of shipping tonnage for a few months, so they could import foodstuffs from, preferably, the Dutch-East Indies.[24] Van Karnebeek choose to hold off the German offer, arguing that he wanted to keep the Dutch economic concessions for when the economic relations with Germany were to come up for negotiation. Then, on 6 January 1920, the German envoy in The Hague Friedrich Rosen – who one year later became the German Foreign Minister – informed Van Karnebeek that the German government was willing to forego a Dutch compensation in the matter of the Ems. It would however, be highly appreciated if the Dutch government were to keep in mind that any economic accomodation would be more than welcome.[25]

Since negotiations for the Coal and Credit Treaty, which entailed a 200 million guilder credit for raw materials for German industry and for foodstuffs, were going on at that time, the Germans likely tried to pander to Dutch wishes. Still, the matter remained with the committee, were talks subsided and the matter once more disappeared from the agenda of both foreign ministries. Why the Dutch did not make use of their strong post-war position to attain the solution they had promoted, is not clear. Although it was never expressly stated, the reason may well have been related to the Dutch policy of neutrality. The pre-war reports on the matter note, that if the western part of the Ems were Dutch territory, this meant that neutrality would have to be enforced here. Although Emden was not a large naval base, there was significant naval traffic, and Dutch neutrality would almost certainly be infringed upon. As a report by the Dutch Foreign Ministry stated in 1906, ‘it is undeniable that if complications were to arise in regards to the Ems estuary, the government […]

[24] Barch R 901/36645 fol.33-36, 44-46 Records of a meeting at the German Foreign Office in Berlin, 10-5-1919.
[25] Woltring, DBPvN , No. 198. Minister van Buitenlandse Zaken Van Karnebeek aan de gezant te Berlijn Gevers, 9 januari 1920.

would have a greater freedom of action if the situation remains unresolved.'[26] The fact that the issue had not been settled during the war, had thus been a blessing in disguise. Since there were no immediate downsides in leaving the matter unresolved, this might well have led the Dutch to wait and see.

[26] Smit, *Bescheiden betreffende de buitenlandse politiek van Nederland,* No. 644 Nota van het hoofd der eerste afdeling van het ministerie van Buitenlandse Zaken Rochussen, ongedateerd [circa 14 April 1906], 703-706, there 705.

6.5 Conclusions

In matters of diplomacy as well as in economic matters, during the first half of the 1920s the Dutch were in a strong position with respect to Germany. Once the Dutch had shaken the mistakenly applied stigma of being pro-German war profiteers, and had become a respected member of the League of Nations and the international community again, in some instances they promoted the interests of the Germans. However, this was only done out of economic self-interest. This Dutch ascendency was also evident in the border dispute over the Ems estuary. The Germans were willing to adopt the solution the Dutch had been suggesting since before the war, asking nothing in return but the promise that the Dutch would consider offering economic assistance. Why the issue nevertheless remained unresolved is not clear, but this may well have been because the status quo held more advantages than a solution. As far as the war damages were concerned, the Germans were unwilling to pay. Only by 1930 serious negotiations between the two countries started about the amount to be paid and the schedule of payments. This is quite understandable, since the damages claimed were to the tune of some 26 million guilders. During the 1920s, damages were only paid for one ship. The ship had belonged to the *Koninklijke Hollandsche Lloyd*, where one of those responsible for the Coal and Credit Treaty was a director. When he threatened that failure to pay would have consequences for this credit, the Germans accepted that they had to compensate the Dutch for this loss. Thus, even in purely diplomatic matters, the economic relations trumped everything.

Chapter 7 – Conclusions

7.1 Intertwined economies

The origins of the Dutch-German economic interdependence lie with the coal-based industrialization in Rhineland-Westphalia that speeded up from the 1860s, and the intense Dutch ties with the region caused by the fact that the most efficient trading route of this major industrial centre passed the Netherlands to the sea. Dutch trade and transport became an essential part of the development of the region. The next defining moment was the agricultural crisis of the 1870s, which resulted from the import of cheap grain from the Americas and Russia, made possible by the rapidly lowering costs of ocean shipping and new railway connections. In the Netherlands and Germany, the reaction to the crisis was entirely different. The Germans protected their farmers by instituting high tariffs, but for the Dutch, this was no option as they had greatly profited from the growth of free trade during the previous decades. Unable to close their home market from the import of cheap grain, the Dutch agricultural sector had to adapt to the new circumstances. As the demand for cereals was met by imports, farmers turned to horticulture, dairy farming, and breeding cattle, pigs, and poultry. This resulted in even more imports of cereals, to be used as fodder for the growing livestock, and a growing need for other import products to be used in intensive agriculture, such as fertilizers.

The increasing specialization of Dutch agricultural production soon exceeded domestic needs, and the Dutch agricultural sector became increasingly dependent on exports. Since much of the products were highly perishable, they had to be exported to nearby countries. Consequently, the growing population of the nearby German industrial centre in the extended Ruhr area became an important market for these products. At the same time, the Netherlands industrialized itself and because the country lacked raw materials, these had to be imported in increasing amounts. Prime among these was coal, which initially came from England, but which during the last decade of the century was replaced with Ruhr-sourced coal. The Dutch also lacked iron ores, and did not have a basic iron or steel industry. For its shipyards and machine industry, intermediates such as steel sheets were imported from Germany.

On top of that, Dutch consumers had by the end of the nineteenth century become good customers for Solingen cutlery, Thuringian porcelain, and toys from Württemberg.

The growing mutual trade caused increasing transport flows, both by train and by barge. Once the larger projects to regulate and canalize the Rhine had been finished by the end of the nineteenth century, and barges became larger and faster due to technological advances, Rhine transport became a cheap alternative to rail transport. From the 1890s, the fast growing volume of Rhine transport helped the development of the seaports of Rotterdam, and to a far lesser extent Amsterdam and Antwerp. Between Rotterdam and Antwerp a rivalry ensued that was closely linked to the rivalry between the railways and Rhine navigation. By the beginning of the twentieth century, the volume of Rhine traffic surpassed that of the railway transport to Germany. As the main port of the region, the port of Rotterdam, which focussed on bulk goods – mostly transported by barge – now surpassed Antwerp, which focussed on merchandise that was mostly sent by railway. By 1913, the Netherlands thus had close economic ties with Germany through trade and transit. It was at least also because of this, that the original Schlieffen-plan – which encompassed German troop movements to attack France through the Netherlands and Belgium – was amended to respect the Dutch neutrality. As the German Chief of Staff Hellmuth von Moltke said already in 1909, '…it will be of the utmost importance to have a country, by means of the Netherlands, whose neutrality will allow us to continue to import and export. It should be our windpipe, allowing us to breathe.'

The economic consequences of war and peace

Due to the British blockade of trade with Germany and Germany's own submarine warfare, the Netherlands did not really fulfil this function. Dutch exports increasingly had to be financed by Dutch banks, while imports became ever more difficult. As the war went on, the Dutch were looking into establishing or further developing their own basic industries, such as coal mining and an iron and steel industry. Meanwhile, anti-German feelings were on the rise, due to the German refusal to export essential materials such as coal and steel unless these were paid in foodstuffs. These were increasingly needed on the Dutch home market. By the end of the war, the Germans were competing for the post-war Dutch market with the British, who had been a trading partner of an almost comparable importance to the Dutch.

The post-war Dutch economy had changed, and Germany was in tatters. The way Germany had become a Republic, the fact that this Republic had been forced to sue for peace, granted under humiliating conditions, political instability and serious economic problems, all combined to make the Weimar Republic a highly unstable construct. The German defeat had devastating consequences. At the Paris Peace Conference Germany lost important agricultural and industrial areas, as well as important raw material producing territories. Furthermore, the country had to pay extensive reparations. This had important effects on the post-war German economy. First of all, to pay reparations, Germany needed foreign currency which could only be obtained by an export surplus or by importing great amounts of capital. Realizing an export surplus was difficult, since compared to the loss of territory, the loss of population was small, causing a structural need for imported foodstuffs. This was exacerbated by the loss of iron ores and other raw material reserves, which meant that imports would now be even higher. These structural problems of the economy were compounded by monetary instability, depreciation, and inflation. Because the inflation did not keep pace with the depreciation, this initially helped German exports. However, as most of Europe dealt with similar problem, markets were scarce. In addition, German exports mostly were industrial export, for which it needed imported raw materials and therefore Germany needed hard currency.

Dutch financial experts, businessmen and politicians acknowledging the German problem, were also aware of the fact that without a German recovery, the Dutch economy would suffer. While bankers as Ter Meulen of Hope en Co. and Vissering of the Nederlandsche Bank tried to organize an international loan to finance Germany's recovery, prominent businessmen as Van Aalst argued for direct and unilateral action. A Dutch loan to Germany would help Dutch exports, and by financing the purchase of raw materials for industry would aid the economic recovery of the eastern neighbour. Since the Dutch were in desperate need of coal because of the European coal shortage, the credit could be partly repaid that fuel. The Dutch ports, which were suffering under the decrease in traffic due to the German problems, would be helped by routing as much of the raw materials as possible through these. The combination of aid provided out of enlightened self-interest, with palpable benefits would be a recurring motif in the Dutch efforts to facilitate the German recovery.

A real German recovery would not start, however, before another three years. In the meantime, its growing monetary problems would send Germany into a deep crisis. Quite contrary to what one would expect, this actually caused a deeper degree of interdependence between the two economies than before. Dutch and German companies became intertwined to an unprecedented degree. This process started with large streams of German flight capital searching for a safe haven in Amsterdam. In its wake, no less than 67 foreign, almost all German banks were founded in the Netherlands, most of them as legally Dutch firms. That these banks choose to settle in the Netherlands is not surprising. German banks no longer had access to London, which prior to the war had financed most of its international trade, and were in need of a neutral financial centre. The Netherlands offered a stable currency, favourable tax laws, banking secrecy, and a good location with regards to German transport flows. Since both countries already had extensive economic ties, the personal contacts and political willingness to ease the transition were there.

By the summer of 1920, the role of Amsterdam as a financial centre in financing German trade had become so important, that the German Consulate-general described the Dutch guilder as ‘Germany’s gold-backed currency’. In their words, Germany was ‘basically returning to the world-market under the Dutch flag.’ They were doing so with the help of both the Dutch banks and the Amsterdam German banks. These banks financed the German imports of raw materials mostly through acceptances in the form of reimbursement credits, a short-term, mostly three months credit using the financed goods as collateral. The use of this relatively secure form of credit was promoted by the *Netherlands Bank* ever since the popular form of short-term credit – the *prolongatiekrediet* – had worsened the credit crunch at the beginning of the war. As the demand for this type of credit increased, the policy of the *Nederlandsche Bank* allowed the acceptance market to expand.

After a short period of relative stability, by the spring of 1922, inflation was again worsening. More and more German companies found it difficult to make a profit. In the time between the purchase of the raw materials and the sale of the final products, the inflation destroyed any possible profit. The Amsterdam German banks, established during the first wave of German investments, now facilitated the creation of new companies – owned by German companies, yet legally Dutch. Dutch middlemen and financiers were also active in this field. Whoever facilitated the process, the procedure was usually the same: between the client and the newly formed company, a standalone company was placed, to obscure any link between the firm and the actual founder. Sometimes this was because of the considerable resentment towards Germans in the countries of the Entente, but probably many German companies also made use of flight capital. That was illegal. As Germans also preferred to keep these companies under Dutch tax law, they had many reasons to obscure the links between a German company and its Dutch daughters.

The German monetary problems not only caused German companies to invest in the Netherlands, they also caused Dutch companies to do so in Germany. The declining exchange rate caused Dutch exports to Germany to decrease, as German price levels were extremely low in strong Dutch guilders. As Dutch industry was flushed with funds because of their war-time profits, they could use the high purchasing power of the guilder either by buying existing factories or established new ones. Thus they deftly combined the evasion of German import restrictions with the benefits of cheaper production. As a result of these extensive mutual investments, the German and Dutch economies were already intertwined in a much more fundamental way than had been the case before the war, before the onset of the German economic recovery. The strong Dutch guilder also meant that Dutch imports from Germany recovered quickly. For the same reason, however, imports from the Netherlands remained low, because they were too expensive. Only once the German Mark had been stabilized and the recovery began, Dutch exports to its eastern neighbour increased again. When it did, it was the last step in a process that included not just the restoration of the Dutch-German economic bonds, but had also led to a deepening and strengthening of the mutual interdependence. This last step happened almost overnight with the stabilization of the mark at the end of 1923.

Post-war trade relations

Germany's post-war trade relations changed in two ways: in geographic structure and in the structure of its imports and exports. Before the war, there was a high volume of trade with Russia and the Austro-Hungarian Empire. While trade with Central and Eastern Europe remained important, Central and Eastern Europe itself had changed and many new states had been formed. Although German exports to these new countries strongly increased, most of these countries were in a highly dependent position vis-à-vis Germany. Their trade relations with Germany were of far greater importance to their economies, than they were to the German economy. Where the changes were more profound, was in German trade relations with Western Europe. From having been the second-largest exporter to Great Britain, France, and Belgium, Germany was now relegated to a position as a minor supplier. As a market to their products, the country was also less important than it had been before the war.

Trade relations with the Netherlands, however, recovered instantaneously once the German currency had stabilized and even became more important than they had been before the war. Compared to the pre-war situation, the importance of the Netherlands both as a market and a supplier of Germany had greatly increased. Whereas before the war, the Dutch share in German imports had been 3 per cent, by 1925 – the first full year of stability, which marked the reversal of the Weimar Republic's fortunes – this had doubled to 6 per cent. The Dutch share in German exports had also increased substantially, from 7 to 11 per cent.

The German need for food imports was at the core of the increased imports from the Netherlands. That it was its western neighbour that profited, was due to the fact that with the loss of much of the German industry in the east, the industry of the extended Ruhr area gained importance. As industry in the region expanded, the population did as well. The increased German need for food was thus concentrated in this region. Throughout the 1920s, 65 to 75 per cent of Dutch exports consisted of foodstuffs, mainly vegetables, fish, meat, and especially dairy products such as butter and cheese. The destination for the majority of these was the extended Ruhr area. During the German crisis, only cheese and vegetables still found a much reduced market in Germany. From 1924, as the German economy recovered, the demand for these products was the first to increase, which explains the instant and dramatic rise in imports from the Netherlands. The larger Dutch share in German exports was mostly caused by the increased demand for (semi)-manufactured goods such as machines and fertilizers for Dutch industry and agriculture, for consumer goods such as textiles and hardware, and for raw materials, especially coal. Throughout the 1920s, Dutch imports from Germany would rise. It was only in 1930, that they would start to decline. Remarkably however, once corrected for the drop of the pricelevel, the decrease in imports from Germany was actually very limited compared with the imports from other countries. The volume of Dutch exports to its neighbour showed a very different development. Even when correcting for the price development, once the crisis set in, exports to Germany decreased at a much faster rate than those to other countries. That this should be so, is not so much due to the much-maligned German protectionist policies, but rather an indication of the severity of the economic crisis in Germany.

The Dutch as financier to Germany

As from 1924, the German economic recovery took off the Germans had also regained access to the international financial markets, and were no longer solely dependent upon the Dutch. Since they were continuously expanding credit facilities to the Germans, usually offered cheaper loans than other markets, and because by now relations between the Dutch financial market and German trade and industry were close, the Dutch remained a key financier to Germany. In absolute terms, the United States were by far the most important creditor to Germany, with the Dutch and British alternating in second place at a considerable distance, but whereas the Americans – and to a lesser extent the British – mostly lent money to German banks, the Dutch directly financed trade and industry. In fact, the Dutch were by far the most important creditor to German trade and industry. Only part of these credits consisted of acceptance credits, but during its heyday, the Dutch acceptance market alone still financed some ten per cent of Germany’s imports. The actual importance of Dutch short-term financial services to the German economy is therefore hard to overstate.

German companies and local governments were also active at the Dutch capital market. While Amsterdam would remain significantly smaller than London and New York, throughout the 1922-1930 period the volume of international emissions in Amsterdam was substantially larger than in Paris or any other continental market. In 1926 and 1927, Amsterdam even surpassed London in the volume of German bonds being issued there. Between 1926 and 1928 – the heyday of Amsterdam as an international financial centre – 40 per cent of the foreign issues offered were of German origin. Bonds from France, Belgium, and the United States were also of some importance. Given that it is often impossible to ascertain were bonds ended up, and statistical data are rare, one cannot draw any conclusions with regards to how this impacted Dutch-German economic ties. The only available data are from a survey done by the *Nederlandsche Bank* in 1933, according to which the nominal value of the German bonds in Dutch possession amounted to 431 million guilders, plus shares with a nominal value of 263 million guilders. Long-term loans were also granted for the construction of barges on Dutch shipyards for German customers. Germany had to hand over a considerable part of its Rhine fleet in lieu of reparations, and was unable to finance the replacements. These ships were put into service under Dutch colours, another instance where the line between Dutch and German companies became blurred. Transport flows, however, are a clear window on the geographical structure of Dutch-German economic interdependence.

Transport flows

The post-war development of transport clearly illustrates that the Ruhr industry was the driving force in the German economic recovery. Between 1925 and 1929, roughly half of the German goods that were exported by rail originated in the Ruhr. Rhine shipping, which was the dominant mode of transport in the imports and exports of bulk goods, also centred on that region. The greater post-war importance of the Ruhr is evident from the fact that when transport reached its peak in 1927, the volume of Rhine shipping was 40 per cent larger than it had been in 1913 while that of railway traffic was only 5 per cent larger. Much of this rail transport was also related to the extended Ruhr.

The Dutch ports and Dutch Rhine barges held a dominant position in Rhine transport, although here again it has to be said that the term Dutch is relative, due to the fact that much of the Dutch fleet was actually German and German companies had also invested in Dutch port facilities. In rail transport, the Dutch share in German imports and exports was comparable to that of Belgium and France. However, only part of this traffic was bound for Dutch ports. Most was used for Dutch-German trade. Based on the transport flows, the extended Ruhr was the main centre of German export-oriented industry, with the port of Rotterdam, and to a lesser extent the ports of Antwerp and Hamburg, as its international distribution centres.

7.2 German economic policies and their effect on Dutch-German relations

Prior to the war, Germany had protected its agricultural sector through high tariffs. When war broke out, the need to import foodstuffs had been such that these had been abolished. Since this need continued after the end of the war, and the price of imports was high, tariffs had not been reinstated. For many industrial products, however, tariffs were raised at the time. These affected every German trading partner the same, since every country had been granted the most-favoured nation status in response to the Treaty of Versailles, which had forced the Germans to unilaterally grant this status to all members of the Entente until January 1925. As of that date, Germany’s trade policy changed. The reparations that it was forced to pay necessitated either a trade surplus or the import of foreign capital. Now Berlin was allowed to implement its own trade policy, it introduced a system of tariffs aimed at providing it with a good negotiating position. However, in spite of the structural need for food imports, due to pressure by the agricultural sector, the tariffs on agricultural products were not only reinstituted, but were raised considerably.

In the negotiations for a new trade agreement, which had started at the end of 1924, the Dutch were treated quite favourably. The Hague was fully aware that it had nothing to offer, and thus had to convince the Germans of the importance of the Dutch free trade to the German economy. Berlin, however, was well aware of the importance of mutual trade, and from the outset promised the Dutch that it would be no problem for the Netherlands to keep its position as a most-favoured nation. When agricultural interest groups in the Netherlands started to ask for specific tariff concessions, however, and Foreign Minister Van Karnebeek tried to include the transport policy in the trade agreement, the negotiations faltered. Increasing friction between the Dutch Ministry of Trade and Industry and the Ministry of Agriculture caused further delays, and presented Dutch negotiators with the problem that Dutch wishes were no longer clear nor consistent. Dutch papers and interest groups were by now declaring that after all the Dutch had done to help the Germans, Berlin was ungrateful and hostile. In October 1925, when the negotiations picked up steam, the Germans asked for Dutch compensation by way of a modification of the existing credit treaty. Originally the treaty was for a revolving credit of 160 mln guilders at an interest rate of 6%, that was to expire in 1930. The Germans asked for a continuation of the credit for another seven years, and a decrease of the interest rate with half a per cent. This, the Dutch government was willing to do, and on 26 November 1925 the new trade agreement, known as the *Douane- en Credietverdrag* – Customs and Credit Treaty – was signed. Due to strong opposition in the Dutch Second Chamber, however, the treaty was only ratified nine months later.

The chaotic realization of the trade agreement makes it difficult to gauge whether the Dutch were treated benevolently or not. The outcome – while not to the liking of many – seems advantageous to the main Dutch export interests. Tariffs may have been higher than before, but Dutch exports were taxed at the lowest rate. The price, the extension of the Dutch credit to German industry, seems reasonable. Given that the German government was limited by what it could get the *Reichstag* to agree with, it seems that the Dutch – whose negotiating position was weakened by similar issues – were, in fact, to some degree indulged.

Early on, the trade negotiations had become entangled with those about the transport policy. Early in 1924, *Seehafenausnahmetarife* – lower railway rates to German sea ports – were re-introduced in order to route more traffic through the German North Sea ports. Due to the stipulations of the Versailles Treaty, comparable rates had to be offered to Belgium, which put the Dutch ports at a disadvantage. In the ensuing talks with Berlin, The Hague wanted, however, not just the same tariffs that were granted to the Belgians. Because most of Dutch traffic was with the Ruhr, which was located closer to the Dutch than to the Belgian border, such rates would still put Rotterdam at a disadvantage. Rather, the Dutch wanted equality with the German ports, and by mid-1924 they were already threatening with difficulties over the Credit Treaty and stating that the matter 'was threatening to cast a shadow on the relations between the two countries.' That autumn, the Dutch obstructed the German access to the part of the credit that financed the import of Dutch foodstuffs by the German state. The matter was still unresolved, when in the summer of 1925, the president of the *Nederlandsche Bank* threatened he would no longer allow the Germans to finance their trade over Amsterdam if this trade not in the direct interests of the Dutch, and would pressure Dutch banks to reduce the volume of the German credits.

All the while, the Germans were willing to talk about putting the Netherlands on equal footing with Belgium, but would not do so with regards to the German North Sea ports. Even Vissering's threat, which caused quite a stir and led to him being in private talks with *Reichskanzler* Hans Luther, Foreign Minister Gustav Stresemann, and many other German dignitaries, could not sway them. Only when on 26 November 1925 the new Dutch-German trade agreement was signed, the Germans – voluntarily and without asking for compensation – promise that within eight months the Netherlands would be treated on equal footing with Belgium. They waited for the Dutch to ratify the trade agreement before taking action, however, and since the Dutch parliament was late in doing so, it was October 1926 when the Dutch were granted equal rights, but not by reducing the railway tariifs for the Dutch, but by retracting the lower rates for Belgium. Thus, it became entirely a matter of domestic transport policy. That it was not resolved earlier, is most probably due to a combination of Dutch negotiating tactics, and because – akin to what happened in the setting of tariffs for the German trade policy – interest groups were at work. In this case, the German North Sea ports were in conflict with German cities who had interests in Rhine shipping, and parts of Central-German industry.

Quite in contrast to the way the Dutch government approached the matter, the transport sector showed considerable restraint when it came to joining forces with German relations to combat the *Seehafenausnahmetarife*. Here again, a parallel may be drawn to the trade relations: as detrimental as the German policy may have been, the volume of transport was growing, and Rotterdam increasingly outpaced Hamburg in throughput. Furthermore, in these circles – once the Belgian advantage had been removed – it was regarded as a matter of standard domestic policy. As the Dutch railways would state in 1933, 'Such things are done in every country.'

Further trade conflicts

As the German agricultural sector increased its output, but from 1927 it was struck by the world-wide agricultural crisis, and the *Reich* government was pressured to protect its home market. As the German market for industrial products and for raw materials was also increasingly shut off from imports, Dutch disenchantment with the Germans was growing, but as long exports to Germany were growing, this never had any real consequences. Only when in 1929, the exports of the most important Dutch export product to Germany, butter, was threatened, did the Dutch public opinion turn decidedly negative toward Germany. In the summer of 1930, a massive boycott of German products caused a concerted effort of German industrial interests. Their efforts managed to supersede those of the agricultural sector. The German plans to raise the tariff on butter were shelved, but only for a few months. Then import quotas were instituted as pressure from the German farmers became even more dangerous, not just for the German economy, but even for the Republic, than a Dutch boycott ever could be.

Real political problems only started when the German economy was in crisis and imports – especially of Dutch luxury foodstuffs such as butter – were decreasing regardless of tariffs or quota. Until then, whenever this was in their interest and the costs were not too high, the Germans indulged the Dutch. Berlin was aware that imports of foodstuffs were a necessity, although this need became less as the output of German agriculture increased. High tariffs were therefore not so much a necessity as an accomodation of agricultural interests, balanced with the export-oriented interests of the German industry. By the end of 1930, the crisis at home and the decrease of exports meant that this became a luxury they could no longer afford.

Meanwhile, political relations that were not immediately connected to the economic bonds between Germany and the Netherlands were scarce. Interestingly, once the Dutch were no longer politically isolated, they tried to help Germany to overcome its isolation, to promote the granting of credits, and during the occupation of the Ruhr by lobbying with the British Foreign Ministry to have them speak out against this Franco-Belgian adventure. Ultimately, this was all motivated by Dutch economic self-interest. Even in the resolution of war damages caused by the Germans and the border dispute over the Ems estuary, negotiations were shaped by economic aspects. Economic relations permeated every aspect of Dutch-German relations.

7.3 The resilience of Dutch-German interdependence and its effect on political relations

World War I and its immediate aftermath formed a threat to the continuation of the mutually profitable bonds that had marked pre-war Dutch-German relations. However, quite contrary to what the low volume of trade and transport seemed to indicate, already during the first post-war years both economies became more intertwined than they had been before. Depreciation and inflation, the payment of reparations, the loss of territories, political instability, and the initial post-war chaos caused immense problems in Germany. Yet this German crisis would also cause the Dutch financial market to focus on financing German trade and industry, and would lead to extensive mutual foreign direct investments in banks, industry, trade, and transport. Although such investments were also done before the war, the scale and nature of these investments was incomparable to what had happened before. It was this process, coupled to the increased importance of the Ruhr within the German economy that – once the recovery started in 1924 – the interdependence of both economies deepened and expanded to a level that had never reached before.

At the most basic level, it can be said that the Dutch fed the population of the extended Ruhr and bought the products of its industry. Since much of Dutch trade consisted of foodstuffs that were either expensive or easily substituted, the level of mutual trade was determined more by the economic circumstances than by trade policy. The trade policy with regards to the part of Dutch exports that fulfilled Germany's primary needs – vegetables and other cheap foodstuffs – was less restrictive, and the demand for these products was also less sensitive to economic fluctuations. As a result, when Germany was hit by the Great Depression, Dutch exports to this country declined much less than those of most other countries.

The structure of the economic relations also explains much about how the political relations between these two countries were structured. In view of the nature of Dutch trade with Germany, it is understandable that on the Dutch side these received close attention at the level of the Foreign Minister and Minsters of Trade and Industry and of Agriculture. In the same vein, it is understandable why in Germany these would be dealt with at a much lower level – that of undersecretary at the Foreign Office. The German archives show no direct involvement of the Foreign Minister. Only when relations suddenly worsened – as during Vissering's action in of 1925 – would matters be deffered to a higher level. In case of such crises, the importance of the German relation with the Dutch became visible, also at the German side, as it was the very highest level, the *Reichskanzler* personally, that then became involved. Dutch-German economic relations were inherently tight, and therefore of an imense importance for both countries. For that reason, as soon as these relations were under serious threat, the problem was dealt with at the very highest level, not just in The Hague, but also in Berlin.

7.4 Interdependence theory

The theoretical framework of interdependence that was chosen for this study has shaped its structure. An analysis of how the various liberal and (neo-)realist models determine economic interdependence led to the realization that such an interplay between two economies is governed by more than trade only. Neither does an attempt to determine how much of each country's GDP is linked to economic relations with its partner provide much information on how their economies are intertwined. It is exactly this information that would be useful in gauging the strength and stability of such bonds, and can also be of help in studying their political relations. Once this has been acknowledged, the approach to analyse economic relations should be by studying not just the monetary value of the economic transactions between the countries, but also of their structure, and an appreciation of the subtle – yet important – and varied ways in which economies interact. This is why the choice was made to look deeper into the nature of the financial services, the mutual investments, and how these relate to not only trade, but to transport as well. Likewise, an understanding of not just the volume of trade and transport, but also of their make-up and destination has provided insights into their development and stability. Together, they help explain how it not just was the government, but also the interaction of that government with interest groups operating within and outside Parliament that shapes political relations, that decide a policy that can sometimes be mutually detrimental to these economic relations. The focus on the structure of economic interdependence has also helped to explain why in this case the Dutch-German economic interdependence showed such resilience, and – due to the increased importance of the extended Ruhr to the German economy – became even stronger than it had been before. In this regards, a comparison to the restoration of the German-Dutch economic relations after World War II – which have been analysed by Martijn Lak in his aptly named dissertation 'Because we need them…' – yields interesting results.

Looking at the political consequences of the Dutch-German interdependence, it has become clear that the government-to-government analytical framework as often used is severely limited. In both trade policies – the trade negotiations of 1924-1925

– and transport policies – the *Seehafenausnahmetarife* – the German government was indeed quite willing to accommodate the Dutch. That the focus of Dutch-German interdependence was on Dutch relations with the extended Ruhr, meant that such benevolence was predicated on the influence of the export-oriented industry that was based there, combined with that of other interest groups - (such as the *Länder* along the Rhine, or the Central-German industry – whose interests at times converged with that of the Ruhr industry. At different times and for different reasons, the considerable influence of its export-oriented industry was negated, however, in favour of that of the ports of Hamburg and Bremen or the agricultural sector. During the period 1918-1931, the Dutch-German diplomatic relations seem therefore to support the liberal concept of the interdependence theories and its effects on diplomatic relations, but with the proviso that one should be aware that the policies that shaped these relations were the result of interaction between government policy and interest groups. The actions of these interest groups were at times undertaken in collaboration with their Dutch counterparts. The importance of cross-border commercial relations was evident in the ties between the Dutch and German Chambers of Commerce, as well as in industry and – given the relatively low impact of the *Seehafenausnahmetarife* on transit traffic with the Netherlands – especially in the transport sector. In the final analysis, while two states may be interdependent on an economic level, it is the balance of power between the economic interest groups within either state that ultimately determines how these states interact in matters of economic diplomacy. As such, the economic structure and geographic spread of economic activities of either state therefore play an important part in this process.

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Stellingen gerelateerd aan het proefschrift van Jeroen Euwe,

1. In de jaren twintig van de twintigste eeuw kon Amsterdam tot het belangrijkste internationale financiële centrum van het Europese continent uitgroeien dankzij de Duitse behoefte aan een centrum van waaruit de Duitse invoer kon worden gefinancierd.

2. De Amsterdamse financiële markt was van groter belang voor de Duitse economie dan de financiële markt van London of New York.

3. De sterke Nederlandse band met Duitsland is in feite een band met het uitgebreide Ruhr-gebied.

4. De Duitse nederlaag in de Eerste Wereldoorlog leidde tot sterkere economische en politieke banden tussen Nederland en Duitsland.

5. De teleurstellende resultaten van de onderhandelingen die leidden tot het Douane- en Kredietverdrag van 1925 waren eerder het gevolg van onderlinge strijd tussen Nederlandse belanghebbenden en gebrekkige leiding aan Nederlandse kant, dan van Duitse onwil Nederland ter wille te zijn.

6. De ontwikkelingen op de Nederlandse kunstmarkt ten tijde van de Eerste Wereldoorlog en tijdens de Duitse inflatie direct daarna, alsmede tijdens de Tweede Wereldoorlog, tonen aan dat monetaire instabiliteit gepaard gaat met verhoogde activiteit op die markt.

7. De export van kunstwerken naar Duitsland tijdens de Tweede Wereldoorlog kwam in laatste instantie voor rekening van de Nederlandse overheid, en daarmee de Nederlandse burger.

8. In wetenschappelijke publicaties wordt dit jaar al drie decennia gepoogd de houding van de Nederlandse bevolking tijdens de Tweede wereldoorlog in genuanceerder termen weer te geven. Het is de hoogste tijd dat ook de populair-wetenschappelijke pers deze periode in genuanceerder kleurschakeringen weergeeft.

9. De Hawker *Hurricane* speelde een belangrijker rol in de *Battle of Britain* dan de Supermarine *Spitfire*.

10. Sinds de introductie van het Shearer-systeem in 1935 zijn er geen fundamentele verbeteringen in luidsprekertechnologie gedaan.

11. Een proefschrift wordt beter door regelmatig een flinke wandeling te maken. Wandelen is in dit geval werken: ontspanning en arbeid liggen in de wetenschap dicht bij elkaar.

Summary in Dutch

Samenvatting in het Nederlands

Het onderzoek

Dit onderzoek maakt deel uit van het door de Nederlandse Organisatie voor Wetenschappelijk (NWO) gefinancierde project *The Netherlands and Germany 1870-2000: Economic interdependence versus sovereignty*, en analyseert de periode 1918-1931. De centrale onderzoeksvraag daarbij is hoe na de Duitse nederlaag in 1918 de Duits-Nederlandse economische banden veranderden, en welke consequenties dit, samen met de Duitse politieke ontwikkelingen, had voor de politieke verhoudingen tussen beide landen. De Nederlandse en de Duitse economie raakten vanaf de tweede helft van de negentiende eeuw steeds meer van elkaar afhankelijk. De vraag is, hoe deze economische interdependentie de politieke banden tussen beide landen heeft beïnvloed. Het debat over de relatie tussen economie en politiek, afhankelijkheid en interdependentie wordt al eeuwen gevoerd. De spanning tussen afhankelijkheid en onafhankelijkheid was al een thema in het werk van Macchiavelli in de zestiende eeuw. De econoom Adam Smith schreef al in 1776 dat handel het gevolg was van wederzijdse behoeften, en dat dit leidde tot een wederzijdse afhankelijkheid die slechts tegen hoge kosten kon worden opgegeven. De filosoof Immanuel Kant bracht de politieke en economische aspecten van het concept interdependentie samen in zijn werk *Zum ewigen Frieden*, en legde daarmee de basis voor de liberale interdependentietheorieën die binnen de sociale wetenschappen worden gebruikt voor de analyse van de gevolgen van economische banden op de politieke verhoudingen tussen staten. Hoewel er binnen de liberale theorieën verschillende inzichten bestaan over de precieze causale verbanden tussen economische banden en politieke relaties, delen zij alle het inzicht dat intense, wederzijds profijtelijke economische banden de kans op (militaire) conflicten verminderen, aangezien de kosten voor beide partijen te hoog zijn. Dit liberale inzicht wordt niet gedeeld door de (neo)realisten. Binnen deze stroming wordt de nadruk gelegd op het belang van de machtsbalans tussen staten. Staten richten zich daarom op veiligheid, en hun politieke verhoudingen met andere staten worden vanuit dit gezichtspunt bepaald. De sleutel tot vrede ligt voor de realisten in de verdeling van macht. Waar zij verschillen van inzicht is of dit een unipolaire, bipolaire of multipolaire verdeling moet zijn. Het is dan ook weinig verwonderlijk, dat realisten bij economische interdependentie niet zozeer denken in termen van wederzijdse afhankelijkheid, maar meer in termen van afhankelijkheid en onafhankelijkheid, van macht en zwakheid. Daarom richten de (neo)realisten zich meer op asymmetrische interdependentie, waar één van de partijen zich in een relatief meer afhankelijke positie bevindt. Binnen het (neo)realisme bestaan twee basis-hypotheses over de link tussen interdependentie en (gewapende) conflicten tussen staten. Volgens de ene hypothese leidt economische interdependentie tot een verhoogde kans op conflicten omdat de afhankelijkheid die het met zich meebrengt leidt tot onveiligheid, onder meer vanwege een afhankelijkheid van de invoer van strategisch belangrijke goederen, juist datgene wat een staat altijd zal vermijden. De tweede hypothese stelt dat er geen significant verband tussen de twee bestaat, omdat politieke en militair-strategische overwegingen belangrijker zijn dan alle andere factoren. Zowel de voorstanders van de verschillende liberale theorieën als de (neo)realisten pogen hun gelijk aan te tonen door middel van statistische modellen. Dat betekent, dat zij moeten expliciteren wat economische interdependentie inhoudt, en bovendien het niveau van deze interdependentie dienen te bepalen. Deze modellen zijn daarom bestudeerd met het oog op hun toepassing op de Nederlands-Duitse economische banden. Daarbij bleek dat geen van de bestaande modellen voldoet, omdat zij allen essentiële elementen missen. Zowel voor het aantonen van interdependentie in het algemeen, het bepalen van de aard van deze interdependentie, alsmede voor het bepalen van het niveau ervan zijn zij ongeschikt. Juist de analyse van deze modellen heeft echter wel geleid tot een inzicht in hoe de economische interdependentie tussen Nederland en Duitsland het beste kon worden bepaald. Op grond van deze inzichten is er voor gekozen het onderzoek te richten op drie deelaspecten, te weten de financieel-monetaire banden, de handelsbanden, en de transportsector. Nadat aldus de economische banden zijn ontleed, was het mogelijk de samenhang met de politieke relaties te analyseren.

Verweven economieën

Tijdens de tweede helft van de negentiende eeuw raakten de Nederlandse en de Duitse economie verweven. Toen vanaf de jaren zestig van de negentiende eeuw de industrialisatie van het Duitse Ruhrgebied versnelde, nam het belang van de Nederlandse handel en het transport van en naar dit gebied steeds meer toe. Transport werd steeds goedkoper, wat er toe leidde dat vanaf de jaren zeventig de Europese markt overspoeld werd met goedkoop graan uit Amerika en Rusland. In reactie op de resulterende crisis in de landbouw stelde Duitsland hoge invoertarieven in om zo de eigen landbouwsector te beschermen. Voor Nederland was dit geen optie, aangezien de Nederlandse handel de voorbije decennia sterk had geprofiteerd van de opkomst van de vrijhandel. De landbouw schakelde in plaats daarvan om naar tuinbouw, intensieve landbouw en veeteelt. Hierdoor nam zowel de invoer van kunstmest voor de tuinbouw en intensieve landbouw als de invoer van granen sterk toe, aangezien niet alleen de bevolking, maar ook de veehouders, varkensfokkers, en pluimveehouders een grote behoefte aan granen hadden. De productie van de landbouwsector raakte steeds meer gespecialiseerd, en oversteeg al snel de binnenlandse behoefte. Aangezien deze producten voor het merendeel sterk bederfelijk waren, was Nederland aangewezen op nabije afzetmarkten. Deze werd in steeds sterkere mate gevonden in het Duitse Ruhrgebied en de aanpalende gebieden, waar de bevolking vanwege de uitbreidende industrie sterk groeide. Tezelfdertijd vond ook in Nederland een industrialiseringsproces plaats. Aangezien de Nederlandse bodem nauwelijks grondstoffen voor de industrie opleverde, moesten deze worden ingevoerd. In hoeveelheid was steenkool de belangrijkste van deze grondstoffen. Deze steenkool kwam aanvankelijk uit Engeland, maar de Engelse steenkool werd tijdens het laatste decennium van de negentiende eeuw verdrongen door kolen uit het Ruhrgebied. Aangezien in Nederland geen basisindustrie zoals hoogovens bestond, werden grote hoeveelheden ijzer en staal ten behoeve van vooral de machinebouw en scheepsbouw ingevoerd. Ook hier werden de handelsbanden met Duitsland steeds sterker. En tenslotte vonden Duitse producten zoals messen, scharen en dergelijke uit Solingen, porselein uit Thüringen en speelgoed uit Württemberg in toenemende mate hun weg naar de Nederlandse consument.

De groeiende handel was niet enige manier waarop de Nederlandse en Duitse economieën steeds belangrijker voor elkaar werden. Door de regulering en kanalisering werd de Rijn steeds beter bevaarbaar, en door de technologische vooruitgang werden de schepen groter en gingen de vrachtprijzen omlaag. Dankzij de opkomst van de Rijnvaart werd de Rotterdamse haven een steeds geduchter concurrent voor de havens van Hamburg en Antwerpen, die beiden veel meer op goederentransport per trein waren aangewezen. Aan de vooravond van de Eerste Wereldoorlog waren de economische banden van Nederland met Duitsland dermate sterk, dat de Duitse generale staf besloot dat in geval van oorlog de Nederlandse neutraliteit moest worden gerespecteerd. Als neutraal land werd Nederland een sleutelrol toegedicht in de Duitse in- en uitvoer. Dankzij de Britse zeeblokkade en de Duitse onderzeebootoorlog kwam hiervan echter niets terecht.

Nederland en Duitsland na de oorlog

Na de oorlog was de wereld veranderd. De internationale handel was sterk teruggelopen, en werd bemoeilijkt door economische problemen in geheel Europa. De economieën van de belligerenten waren sterk verzwakt, hetgeen ook een bedreiging vormde voor de economie van de neutrale landen. De meeste Europese landen kampten met monetaire instabiliteit, waardoor het herstel van de bloeiende vooroorlogse internationale handel bemoeilijkt werd. Een spoedig herstel van de internationale handel was van het grootste belang voor Nederland, maar werd sterk bemoeilijkt door de monetaire instabiliteit in bijna heel Europa. Nederland was één van de weinige landen met een stabiele munt en een ruime geld- en kapitaalmarkt. Vooraanstaande Nederlandse bankiers, voorgegaan door Gerard Vissering – president van De Nederlandsche Bank – ontplooiden talloze initiatieven om het internationale betalingsverkeer weer op orde te krijgen, zodat de handel weer kon herleven. Wat in Nederland vooral veel zorgen wekte, was de desastreuze economische en politieke situatie in Duitsland. Niet alleen werd er gevreesd dat de politieke instabiliteit naar Nederland zou overslaan, maar ook waren de Nederlandse politiek en ondernemers zich er van bewust dat Nederland zonder een Duits economisch herstel zware tijden tegemoet zou gaan. Er werd dan ook al snel in ondernemerskringen en de regering gesproken over financiële steun in de vorm van kredietverlening.

Monetaire en financiële banden

In 1920 besloot de Nederlandse regering een krediet van ƒ 200 miljoen aan Duitsland te verlenen. Hiervan was ƒ 60 miljoen te besteden aan Nederlandse voedselproducten, terwijl de resterende ƒ 140 miljoen een zogenaamd revolverend krediet was (dat wil zeggen na afbetaling kwam het krediet weer beschikbaar) voor de aanschaf van grondstoffen voor de Duitse industrie. Zo werd niet alleen het ook voor Nederland zo belangrijke herstel van de Duitse economie bevorderd, ook was Nederland verzekerd van een – zij het kleine – minimumhoeveelheid steenkolen op een moment dat in heel Europa een potentieel voor de industrie verlammende kolennood heerste. Bovendien kreeg de Nederlandse export naar Duitsland zo een steun in de rug, terwijl overeengekomen was dat het vervoer van de aan te kopen grondstoffen zo veel mogelijk over Nederlandse havens zou geschieden.

Terwijl over het krediet onderhandeld werd, was de Nederlandse financiële markt in hoog tempo aan het internationaliseren. Dit proces, dat in belangrijke mate gereguleerd werd door De Nederlandsche Bank, leidde ertoe dat Amsterdam uitgroeide tot het belangrijkste internationaal financieel centrum van continentaal Europa, en tot de belangrijkste financier van de Duitse handel en industrie. De financiële banden tussen Nl en Dl waren al tijdens de oorlog aanzienlijk sterker geworden, omdat de Nlse export naar Dl door Nlse banken werd gefinancierd. Naarmate in de loop van de oorlog de inflatie in Duitsland toenam, vloeide bovendien een toenemende stroom vluchtkapitaal richting Nederland. Vanaf het eind van de oorlog vestigden bovendien Duitse banken zich in grote getale in Nederland. Bijna al deze banken kozen ervoor een Nederlandse firma op te richten, waardoor deze banken voor de wet Nederlandse banken waren. De keuze voor Nederland was logisch. Voor de oorlog was het grootste deel van de Duitse handel gefinancierd via Londen. Aangezien dit financiële centrum niet langer toegankelijk was, hadden de Duitsers behoefte aan een neutraal financieel centrum. De keuze viel op Amsterdam vanwege de stabiele gulden, de ruime geldmarkt, de gunstige belastingwetgeving en het Nederlandse bankgeheim. Bovendien was Amsterdam niet alleen dichtbij, de belangrijke handel met Nederland en de rol van de Nederlandse transportsector maakten het een voor de hand liggende keuze ook de financiële afhandeling van de handel via Nederland te laten verlopen. Zoals het Duitse generaal-consulaat het uitdrukte werd de Nederlandse gulden 'Duitslands door goud gedekte munt', en keerde Duitsland 'terug op de wereldmarkt onder de Nederlandse vlag'. Tegen het einde van de jaren twintig financierde de Nederlandse geldmarkt zo'n 10 procent van de Duitse invoer. Daarnaast werden op de kapitaalmarkt vele obligaties van de Duitse industrie geplaatst. Dit alles werd gefinancierd vanuit de mede door de Nederlandse spaarzin en de inkomsten uit de koloniën ruime Nederlandse geldmarkt, het meeste Duitse vluchtkapitaal was snel na de Duitse monetaire stabilisatie gerepatrieerd. Toen na de Duitse economische ineenstorting van 1931 de balans van de Duitse buitenlandse schulden werd opgemaakt, bleek dat de Verenigde Staten weliswaar de belangrijkste schuldeiser was, maar dat deze voornamelijk geld had uitstaan bij banken in Duitsland. De tweede schuldeiser was Nederland, wiens kredietverlening de nauwe economische banden met Duitsland perfect weerspiegelden: de Nederlandse banken waren veruit de belangrijkste financiers van de Duitse handel en industrie. Ook in de uitstaande Duitse schulden bij de buitenlandse handel en industrie waren Nederlandse handel en industrie de belangrijkste schuldeisers.

De financiële banden tussen de beide buurlanden gingen echter verder dan financiële dienstverlening: direct na de oorlog waren de Duitse banken niet de enigen die in Nederland investeerden, de Duitse handel en industrie deden hetzelfde. Ook in deze gevallen werden veelal Nederlandse firma's opgericht. Dankzij de steeds lagere wisselkoers van de mark tijdens de periode tot november 1923 zagen Nederlandse bedrijven, die door de Duitse monetaire problemen hun goederen daar niet meer konden afzetten, hun kans schoon. Door tegen bodemprijzen in Duitsland bedrijven op te richten of over te nemen verkregen zij daar productiecapaciteit, waardoor zij hun marktaandeel in Duitsland konden beschermen. Een succesvol voorbeeld hiervan vormen de firma's van Van den Bergh en van Jurgens, die later met de Britse firma Lever Brothers zouden samengaan in Unilever. Tegen het einde van 1921 zouden beide firma's volgens sommige bronnen meer dan 80 procent van de Duitse markt voor margarine hebben veroverd. Zo leidden de Duitse monetaire problemen en de behoefte aan kredieten tot nieuwe en nauwere economische banden tussen Nederland en Duitsland dan ooit tevoren.

Nederlands-Duitse handelsbanden

Bij het verdrag van Versailles verloor Duitsland grondgebied in het westen, noorden en oosten van het land. In het westen verloor Duitsland belangrijke ijzerertsvoorraden, terwijl het in het oosten een belangrijk industriegebied en verder landbouwgebieden verloor. Hierdoor werd het economisch belang van het Ruhrgebied vergroot, en had het land – omdat het relatief veel minder inwoners verloor – meer behoefte aan de invoer van sommige grondstoffen, maar vooral van voedsel. Voor de oorlog bestond 30 procent van de Duitse invoer uit voedsel, na de oorlog werd dit 40 procent. Bovendien werd nu minder voedsel uitgevoerd. Deze verandering in de structuur van de Duitse internationale handel had grote consequenties voor de handel met Nederland. Het Nederlandse aandeel in de Duitse invoer steeg van 3 procent in 1913 naar bijna 6 procent in 1925. Ook het aandeel in de Duitse uitvoer steeg aanmerkelijk, van 7 procent naar 11 procent. Dat juist Nederland kon profiteren van de sterkere Duitse behoefte aan voedselimporten kwam voor een belangrijk deel door het toegenomen belang van de Ruhrindustrie. De industrie aldaar breidde uit, en de bevolking groeide mee. Net over de grens bevond zich dus een sterk groeiende markt voor de producten van de Nederlandse landbouw en voedselindustrie. Gedurende de jaren twintig bestond de Nederlandse uitvoer naar Duitsland dan ook voor zo'n 65 tot 75 procent uit voedselproducten, zoals groente, vis, vlees, en vooral melkproducten. Gedurende de naoorlogse Duitse crisis vonden enkel die producten waarvoor geen goedkoop substituut bestond, zoals groente, nog een – zij het sterk gekrompen – markt in Duitsland. Toen de Duitse economie zich vanaf 1924 herstelde, was het de vraag naar de meer luxe voedselproducten die als eerste opbloeide, hetgeen de dramatische toename van de Nederlandse uitvoer naar Duitsland verklaart.

Het grote Nederlandse aandeel in de Duitse uitvoer lag aan de grotere vraag naar (half)fabrikaten zoals machines en kunstmest voor de industrie en de landbouw, grondstoffen (voornamelijk steenkool), en consumentengoederen zoals textiel en ijzerwaren. Gedurende de twintiger jaren bleef de invoer uit Duitsland toenemen, pas vanaf 1930 nam zij af. Eén van de kenmerken van de depressie van de jaren dertig was echter, dat de prijzen daalden. Wanneer hiervoor wordt gecompenseerd, blijkt dat de invoer uit Duitsland nauwelijks afnam, vooral in vergelijking tot de invoer uit andere landen. Het omgekeerde geldt voor de Nederlandse uitvoer naar Duitsland. Omdat Duitsland harder dan andere landen werd getroffen door de crisis, daalde de Nederlandse uitvoer naar het buurland sneller dan die naar andere landen.

Transport

'De ruggegraat van de economische banden van de [Duitse, J.E.] Rijngebieden met Nederland is de Rijn', zo schreef Konrad Adenauer – de latere Bondskanselier, destijds burgemeester van Keulen – in 1930, vlak voordat de economische crisis in Duitsland toesloeg. In zijn opvatting ging het hier om een transnationale economische regio, zij het dat hij deze term, die pas later ingang zou vinden, niet gebruikte. In de Nederlands-Duitse economische banden speelt vervoer dan ook een zeer belangrijke rol. Als we kijken naar de transportstromen binnen Duitsland, dan blijkt dat het Ruhrgebied het economische hart van Duitsland was. Bovendien was het merendeel van het Duitse internationale goederenverkeer in feite transport van en naar het Ruhrgebied. Dit gebied was echter niet alleen het economische hart van Duitsland, maar vormde het hart van een economische regio die zich uitstrekte over de Duitse Rijnoeverstaten, Noord-Frankrijk, België en Nederland. Uit de transportstromen blijkt dat het hart van deze regio bestond uit het Ruhrgebied, dat fungeerde als productiecentrum, en de verbinding met de Rotterdamse haven, die fungeerde als distributiecentrum. De rol van Antwerpen was – in tonnage – ondergeschikt.

Het merendeel van dit transport geschiedde over de Rijn. In het transport van en naar het Ruhrgebied vormden de schepen onder de Nederlandse vlag een overweldigende meerderheid. Een aanzienlijk deel van deze schepen was in feite in Duitse handen, hoewel ook deze laatste term problematisch is vanwege de uitgebreide Nederlandse investeringen in Duitsland en vice versa. Veel van de schepen in kwestie waren gefinancierd door Nederlandse banken, en maakten deel uit van Nederlandse dochterfirma's van Duitse bedrijven. Ook in de transportsector vervaagden in deze periode het onderscheid tussen Nederlandse en Duitse bedrijven.

Het is in de jaren twintig, dat de Rotterdamse haven haar rivalen Hamburg en Antwerpen in tonnage voorbijstreefde. Dit was echter niet alleen het gevolg van het Rijnvervoer, ook het Nederlandse transport van en naar Duitsland per trein was omvangrijker dan dat van België. De Nederlandse transportsector was Duitslands belangrijkste partner in internationaal transport.

Politieke relaties

Gezien het belang van de economische banden tussen beide landen zal het weinig verwondering wekken dat hun politieke relaties zich op dit aspect concentreerden. Er waren schadeclaims van Nederlandse burgers in verband met oorlogsschade, een grenssteen viel om, zulk waren de meeste kwesties die speelden. De enige kwestie van enig belang was het langlopende grensconflict met betrekking tot de monding van de Eems. Wellicht met het oog op de onderhandelingen over het Kolen en Kredietverdrag was de Duitse regering in januari 1920 bereid aan de Nederlandse wensen tegemoet te komen tegen enkel de Nederlandse belofte dat enige economische tegemoetkoming overwogen zou worden. Toch werd van deze gelegenheid geen gebruik gemaakt, waarschijnlijk omdat het de Nederlandse regering beter uitkwam dat de zaak onopgelost bleef.

Ook in de economische kwesties leken de relaties aanvankelijk goed. Het merendeel van de Nederlands-Duitse politieke relaties had betrekking op de handel. Gezien het belang hiervan voor vooral de Nederlandse economie is dit niet verwonderlijk. Al in het begin van de jaren twintig werden maatregelen genomen om het grensverkeer tussen beide landen te vergemakkelijken. Vanaf 1924 zouden de relaties echter danig onder druk komen te staan. In maart van dat jaar werden de *Seehafenausnahmetarife* opnieuw ingevoerd. Deze voorkeurstarieven bestonden ook voor de oorlog al, en waren bedoeld om het transport per trein over lange trajecten aantrekkelijker te maken. Hierdoor werd vervoer dat normaal naar Antwerpen of Rotterdam zou gaan naar de Duitse Noordzeehavens gelokt. Vanwege de bepalingen van het verdrag van Versailles was Duitsland verplicht deze tarieven ook – indien zij daartoe een verzoek indienden – aan de landen van de Entente toe te kennen. De Rotterdamse haven dreigde dus een aanzienlijke hoeveelheid verkeer te verliezen aan zowel Hamburg als Antwerpen. Bovendien begonnen de Duitsers dat jaar met een herziening van de invoerrechten, die zij het jaar daarop wilden invoeren. Voor de oorlog werd de Duitse landbouwsector beschermd door hoge invoerrechten. Met het uitbreken van de oorlog waren deze afgeschaft omdat er een grote behoefte aan voedselimporten bestond. Deze behoefte bleef ook na de oorlog bestaan, en daarom waren de invoerrechten niet opnieuw ingevoerd. Voor vele industriële producten werden de invoerrechten nu juist sterk verhoogd. Dit had geen invloed op de onderlinge concurrentiepositie van de verschillende handelspartners, omdat Duitsland, dat met het verdrag van Versailles gedwongen werd tot 1925 aan de landen van de Entente meestbegunstiging toe te kennen, deze status aan alle handelspartners schonk. In 1925 veranderde deze situatie. Omdat het land ook gedwongen was herstelbetalingen te doen, had het behoefte aan een actieve handelsbalans dan wel een grote kapitaalimport. Nu Berlijn vrij was in het bepalen van de Duitse handelspolitiek, werd een nieuw tariefsysteem ingevoerd dat Duitsland kon gebruiken in onderhandelingen met andere landen. Onder druk van de landbouwsector werden, ondanks de Duitse behoefte aan de invoer van voedsel, ook de invoerrechten op voedsel sterk verhoogd.

Bij de onderhandelingen voor een nieuw handelsverdrag werden de Nederlanders in eerste instantie zeer welwillend behandeld. Den Haag wist maar al te goed dat het vanwege de Nederlandse vrijhandelspolitiek niets te bieden had, en probeerde daarom de Duitsers te doordringen van het grote belang van deze Nederlandse politiek voor de Duitse economie. Berlijn was hiervan maar al te goed op de hoogte, en bood al direct meestbegunstiging aan. Nederlandse belangengroepen voor verschillende landbouwsectoren wensten echter specifieke Duitse tariefconcessies, en minister van Buitenlandse Zaken Van Karnebeek maakte bovendien de fout de Duitse voorkeurstarieven voor treinvervoer bij het handelsverdrag te betrekken. Vanzelfsprekend haperden de onderhandelingen. Inmiddels was frictie ontstaan tussen de verschillende Nederlandse ministeries die ieder hun eigen belangen voorstonden. De aanvankelijk heldere Nederlandse wensen werden steeds onduidelijker, terwijl onder invloed van belangengroeperingen nu ook de pers zich deed horen: na alles wat Nederland voor

Duitsland had gedaan toonde Berlijn zich ondankbaar en vijandig. Toen in oktober 1925 de onderhandelingen snel moesten worden afgerond, vroegen de Duitse onderhandelaars om verlenging van het krediet van f 160 miljoen dat in 1920 was verlengd, tegen een half procent lagere rente. Hiermee gingen de Nederlandse onderhandelaars akkoord, en in december werd het Douane- en Credietverdrag getekend. Door een sterke oppositie in de Tweede Kamer zou het echter nog negen maanden duren voor het werd geratificeerd.

Door de chaotische totstandkoming van het verdrag is moeilijk te bepalen of de Nederlanders welwillend werden behandeld. Het resultaat werd weliswaar sterk bekritiseerd, maar lijkt gunstig te zijn geweest voor de belangrijkste Nederlandse uitvoerproducten. De prijs die ervoor moest worden betaald lijkt redelijk. En aangezien de Duitse regering op haar beurt ook in haar handelen werd beperkt door de Rijksdag, heeft het er alle schijn van dat de Nederlanders wel degelijk welwillend waren behandeld. Aangezien de onderhandelingen voor het handelsverdrag al in een vroeg stadium overlapten met die over de Duitse voorkeurstarieven voor treinvervoer naar de Duitse Noordzeehavens, onderhandelingen die tot een hoog oplopend conflict leidden, valt deze uitkomst dan ook alleszins mee. De Duitse spoorwegen hadden op Belgisch verzoek deze tarieven ook aan hen verleend, waardoor de Rotterdamse haven zich in een ongunstige positie bevond. In de onderhandelingen wilden de Nederlanders niet alleen gelijkstelling met Antwerpen, maar ook met de Duitse havens. Al in de zomer van 1924 werd er gedreigd met moeilijkheden over de kredietverlening, en dreigden de diplomatieke relaties te bekoelen. In de zomer van het volgende jaar was de zaak nog steeds niet opgelost. De President van De Nederlandsche Bank, Gerard Vissering, dreigde daarom de financiering van de Duitse handel te beperken, en de Nederlandse banken te instrueren hun kredieten aan Duitse klanten op te zeggen. De Duitsers waren al deze tijd bereid te praten over gelijkstelling met België, maar niet met betrekking tot de Duitse havens. Zelfs het dreigement van Vissering, dat tot grote ongerustheid leidde in Duitse regeringskringen en leidde tot persoonlijke gesprekken tussen Vissering en de Duitse rijkskanselier Hans Luther, de minister van Buitenlandse Zaken Gustav Stresemann, en vele andere vooraanstaande Duitsers, leidde niet tot een verandering in het Duitse standpunt. Vissering had de Nederlandse machtspositie overschat: in 1925 had Duitsland volop toegang tot de financiële markten van Londen en New York, en had Duitsland als de nood aan man kwam da handel via deze centra kunnen financieren. Pas toen in december 1925 het handelsverdrag tussen beide landen werd getekend, beloofden de Duitsers – zonder compensatie te eisen – dat Nederland binnen acht maanden hetzelfde zou worden behandeld als België. Toen dit gebeurde, werd dit gedaan door de voorkeurstarieven voor België in te trekken. Het is opvallend, dat de Nederlandse Spoorwegen zich in de zaak op de achtergrond hielden. Voor hen was de zaak een kwestie van transportbeleid, zoals ook Nederland soortgelijke tarieven kende.

Vanaf 1927 had de Duitse landbouw sterk te lijden onder der wereldwijde landbouwcrisis, en de Duitse regering zag zich gedwongen de Duitse markt te beschermen. Aangezien ook de markt voor industriële producten en voor grondstoffen steeds verder werd afgesloten, leidde dit tot toenemend ongenoegen in Nederland. De uitvoer naar Duitsland bleef echter toenemen, waardoor dit ongenoegen geen consequenties had. Pas toen in 1929 de uitvoer naar Duitsland van het belangrijkste Nederlandse exportproduct, boter, werd bedreigd door een tariefverhoging, keerde de Nederlandse publieke opinie zich tegen Duitsland. In de zomer van 1930 leidde een massale Nederlandse boycot van Duitse producten tot actie van de kant van de Duitse industrie. De lobby van de Duitse export-industrie bleek krachtiger dan die van de landbouwsector, en de tariefverhoging ging niet door. Enkele maanden later zegevierde de landbouwsector alsnog, en werden er import quota's ingesteld. De echte problemen ontstonden dus pas, toen de Duitse economie in crisis geraakte en de Duitse invoer van Nederlandse luxe-producten zoals boter met of zonder tariefsverhogingen of import quota's zou afnemen. Tot dan toe, zolang het in hun belang was en de kosten niet te hoog waren, stelde de Duitse regering zich welwillend naar de Nederlanders op. Hoge invoerrechten waren een accommodatie van de belangen van de landbouwsector, die werd afgewogen tegen de exportbelangen van de industrie. Vanwege de economische crisis en de afname van de uitvoer was dit tegen het einde van 1930 een luxe die de Duitsers zich niet langer konden veroorloven.

Zoals eerder reeds gezegd, waren politieke relaties die niet direct verband hielden met de economische banden tussen beide landen schaars. Toen Nederland, dat zich direct na de oorlog aanvankelijk in een politiek isolement bevond door haar neutraliteit en de asielverlening aan de voormalige Duitse keizer, uit dit isolement kwam, hielp het Duitsland uit het isolement te halen. Dat niet alleen, Nederland lobbyde in het buitenland voor kredietverlening aan Duitsland, en lobbyde bij de Engelse regering tegen de Ruhrbezetting door Franse en Belgische troepen. Al deze acties waren in laatste instantie ingegeven door de Nederlandse economische belangen. Zelfs in de onderhandelingen over oorlogsschade en het grensgeschil over de Eems speelden economische motieven een rol. Ieder aspect van de politieke verhoudingen tussen Nederland en Duitsland was doordrongen van de economische banden tussen beide landen.

Conclusies

Na de oorlog werden de ec banden juist sterker. Dit gold voor alle gebieden van de economie: in de handel, het transport, de financiële dienstverlening, overal nam het belang van Nederland voor Duitsland – en vice versa – sterk toe.
Dit belang voor Duitsland was echter vooral een belang voor het Ruhrgebied. Het belang van de industrie van het Ruhrgebied voor de Duitse economie, en de effectiviteit van hun lobby in Berlijn, bepaalde hoe Nederland werd behandeld. Het gebruikelijke analytisch kader waarin de relaties tussen staten doorgaans worden bestudeerd biedt hier dus geen uitkomst. In plaats daarvan gaat het om de invloed die de belanghebbenden op de regering kunnen uitoefenen. Op verschillende momenten en uit verschillende overwegingen werd de invloed van de export-industrie tenietgedaan, bijvoorbeeld in het geval van de voorkeurstarieven voor de Duitse Noordzeehavens en de bescherming van de landbouwsector. De Nederlands-Duitse politieke verhoudingen tussen 1918 en 1931 lijken daarom de liberale interdependentietheorieën te ondersteunen, met het voorbehoud dat het beleid dat deze verhoudingen creërde het resultaat was van de interactie tussen de regering en verschillende belangengroepen. Hoewel twee staten economisch van elkaar afhankelijk kunnen zijn, is het in laatste instantie de machtsbalans tussen de belangengroeperingen binnen iedere staat die bepalen hoe beide staten met elkaar omgaan. Daarom spelen de economische structuur en de geografische spreiding van economische activiteiten binnen beide staten een grote rol in dit proces.

Curriculum Vitae

Jeroen Euwe was born on 21 October 1968 in Vlaardingen, Zuid-Holland. He studied history at Utrecht University, specializing in Art Management and Policy. During his studies, he fell under the spell of the theatre. After having learned the basics of lighting and sound engineering at the Utrecht University Theatre, he became a theatre technician. Having gained experience with traveling shows and as an in-house technician, he returned to the University theatre, where he instructed students on the technical aspects of theatre. When the demands of the job were alleviated with the recruitment of additional personnel, he resumed his study of history. Until then, his interest was mainly in cultural history. A course by Hein Klemann on the Dutch economy during the Second World War would change his outlook dramatically. From now on, his research interests became firmly focussed on economic history. He wrote his doctoral thesis on the Dutch art market during the Second World War under the supervision of Hein Klemann, who was instrumental in later publishing the result as a book. Since October 2006 he has been a PhD-candidate at Erasmus University Rotterdam, working on a project called ‘Dutch-German relations after the Great War: interwoven economies and political détente, 1918-1931’. The central question of this project is which changes occurred in the economic relations between the Netherlands and Germany in the period 1918-1931, and how this – together with (international) political changes – influenced the relations between the two countries. This research is part of his promotor Hein Klemann’s larger project entitled *The Netherlands and Germany 1870-2000: Economic interdependence versus sovereignty,* financed by the *Nederlandse Organisatie voor Wetenschappelijk Onderzoek* (The Netherlands Organization for Scientific Research, *NWO*). Although the scope of his interests his wide, Jeroen’s main interests are Dutch-German relations, Weimar and Nazi Germany, the First and Second World War, (Dutch) art policy, and the art market.

Publications

Book:

- *De Nederlandse Kunstmarkt 1940-1945* (Boom 2007) 180pp.

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- EBHA – 12th Annual Conference: Transactions and Interactions – The Flow of Goods, Services and Information (Bergen, 21-23 August 2008)
  'Amsterdam's role as an international financial centre in Dutch-German economic relations, 1914-1931';
- Zentrum für Niederlande-Studien der Westfälischen Wilhelms-Universität Münster: Deutsch-niederländische Wirtschaftsbeziehungen im 20. Jahrhundert (Münster, 12-13 June 2008)
  ‚Amsterdam als Finanzzentrum für Deutschland, 1914-1931';

- VIIIe colloque du Groupement de recherche 2539 du CNRS: Culture, presse et entreprises sous l'Occupation. Vecteurs d'idées, médiateurs d'information? (Caen, 27-28 March 2008)
  'Le Marché de l'Art en Hollande, 1940-1945';
- Paris School of Economics & IDHE: Financial centres as competing clusters (Paris, 30 January 2008)
  'Amsterdam as an international financial centre, 1914-1933: a consequence of interwoven economies?';
- 2nd Transnational Rhine Conference: The Coal-based Rhine Economy. Development of an Industrial Region from Basel to Rotterdam, 1850-1950 (Goethe University: Frankfurt am Main, 2010, 25-27 November 2010)
  'The Rhine; Backbone of Dutch-German Interdependence 1918-1933';
- Erasmus Research Institute of Management, Research Seminar (Rotterdam, 4 April 2011)
  'The Rhine; Backbone of Dutch-German Interdependence 1918-1933'.