

Roads to Reconciliation

People's Republic of China, Western Europe and Italy
During the Cold War Period (1949-1971)

edited by Guido Samarani, Carla Meneguzzi Rostagni and Sofia Graziani

Between Economic Interests and Political Constraints

The Federal Republic of Germany and the People's
Republic of China During the Early Cold War

Giovanni Bernardini

(Istituto Storico Italo-Germanico, Fondazione Bruno Kessler, Italia)

Abstract This article deals with the relations between the Federal Republic of Germany and the People's Republic of China during the early Cold War decades. The traditional historiographical paradigm of the East-West confrontation assumes that any form of cooperation was impossible between the two countries. However, a shift of focus from the political sphere to the economic one reveals how pattern of conduct predating 1949, as well as purely economic reasons, brought actors from both sides to agree on a set of rules for bilateral exchange, and to improve the trade performance despite the highs and lows of the political climate and the bloc allegiance of both countries.

Keywords Federal Republic of Germany. People's Republic of China. East-West Trade. Cold War. German business. COCOM. Ost-Ausschuss der Deutschen Wirtschaft. Chinese Committee for the Promotion of International Trade. China National Import & Export Corporation.

This essay explores the interplay between the economic elites and the government authorities of the Federal Republic of Germany in relation with the reopening of relations with the People's Republic of China during the early decades after World War II. At that time, the ideological and geopolitical divide produced by the new Cold War paradigm seemed to inhibit any form of cooperation between the two new-born states, despite the long and intense tradition of exchanges and interaction between their predecessors. Nevertheless, the shift of focus from the political to the civil and economic sphere reveals how such traditional interpretation, promoted mainly by the US historiography, falls short of reality. Basing on an institutional approach encompassing both the West German governments and the economic networks, the essay will prove how the relations with China were influenced from patterns of conduct dating back to the interwar years, and from purely economic reasons which diverted largely from the ideological precepts of the East-West confrontation. Concerning the latter point, a vast range of sources available from the German

private and public archives shows how the relations between the Western European states and post-revolutionary China witnessed a high degree of dissociation between the economic and the political spheres. The Federal Republic of Germany was a special case in point, since the adamant opposition of the government authorities to establish official relations with Beijing, in compliance with Washington's will, conflicted with the lively interest of the economic actors to profit from the appealing opportunities offered by the far Eastern giant regardless of its new political orientation. On one hand, West German interest in the People's Republic of China was destined to merge into the broader economic *Ostpolitik*, which anticipated and in some cases hastened the course of the political one. On the other hand, a mix of traditional reasons and historical processes, which will be analysed later, impressed a peculiar and specific character to the economic relations between West Germany and China in comparison with the other countries of the Socialist bloc. A quantitatively accurate analysis of West-German bilateral trade, as well as a comparison with Chinese bilateral relations with other Western states, falls out of the scope of this contribution. Furthermore, a look at the figures of West German foreign exchange (both as a whole and for each commercial sector) shows how trade with the People's Republic of China until the '80s remained relatively under-sized and marginal even in comparison with West German trade with other countries of the Socialist bloc. Nevertheless, the essay will prove how qualitatively crucial the West German economic elites estimated the reopening of business with China since 1949, both from the present and from the long-term perspective, and how they were able to systematically force the Bonn governments to endorse, or at least not to hinder, their strategy.

Although the Deutsches Reich was a latecomer in the age of the 'second' European imperialism, its commitment to expand its military and economic penetration overseas became manifest shortly after its birth in 1871. China was one of the main targets of this strategy, as Berlin authorities aimed at filling the gap with the European competitors (especially Great Britain and France), which had increased their presence and influence since after the First Opium War of the 1840s. At that time the volume of trade between the German states and China was still at an embryonic stage; furthermore, despite the presence of commercial branches of German firms in Canton (such as Siemens and Carlowitz), British patronage and protection over the exchanges was necessary (Eberstein 1988, 49-60; Leutner, Mühlhahn 2001, 21-2). Significantly, it was the joint pressures from Paris and London which 'persuaded' the Chinese authorities to grant the recognition of an official status and of trade privileges to the German states in 1861, after an earlier attempt by Prussia had been dismissed by the Middle Kingdom. Less than a decade later, Chancellor Bismark received a delegation from the Qing court to Berlin, at the time when the German business-military groups were increasing their pressure for a more proactive penetration

of the Chinese market under the flag of the governmental promotion. Although the Reich remained a smaller player in terms of trade volume, its influence in qualitative terms was increasing at the time when the foreign presence started reshaping the cultural and economic landscape of the Chinese cities (Westad 2012, 45 ff.). However, it was only after Germany established itself as a leader of the so-called second industrial revolution during the last quarter of the 19th century that the country became a model of inspiration for China in its search for its own industrialization. Siemens' export of the first pointer telegraphs in the Asian country (Sun, Lancaster 2013, 81) and the invasion of BASF synthetic dyes in the textile industry (Abelhauser et al. 2004, 95 ff.) were two powerful examples, while the more silent penetration of Krupp and of the German shipbuilding industry were part of the Chinese plans for the modernisation of the national defence. The Chinese authorities hired German military and custom advisers with the consent of the Berlin's government; in turn, the latter encouraged the foundation of the Deutsch-Asiatische Bank to emancipate German business from the British protection, to finance German-Chinese projects of railway development and to gain access to the local bond market (Plumpe 2004, 40 ff.; Peruzzi 2015, 100 ff.).¹ The Chinese authorities played an active role in such remarkable progresses, since Germany appeared not only as an example of late but successful industrialization, but also as a power different from its European competitors due to its alleged lack of territorial claims.

The scenario changed rapidly at the end of the century, when the Kaiser decided to follow the British and French example and to obtain two concessions in Hankou and Tianjin: the third one and the more promising in economic terms, in the Kiaochow Bay (1898), was the result of a military occupation in retaliation for the murder of two German missionaries. The new concessions under the German navy administration proved counterproductive in political and economic terms. On the one hand, due to its imperialistic homologation, the Reich had lost most of its appeal toward the Chinese authorities, which grew cool to the advances of German industry they had previously welcomed (Kirby 1984, 12). On the other hand, the plans of expansion toward the whole Shandong province were abandoned for a series of domestic and international reasons, particularly after the 1900 Boxer Rebellion, when the German presence became one of the targets of the anti-Western insurgence at the point that Clemens von Kettler, the German minister to the Qing court, was murdered during the siege of the foreign legations in Beijing. Harsh retaliation followed when General Marshal Graf von Waldersee was appointed as head of the West-

1 Most of the major German banks took part in the consortium that gave birth to the Deutsch-Asiatische Bank in 1889, while the state authorities exerted a more active role than in the case of the French and Russian competitors in the area.

ern occupation force in the Chinese capital; moreover, Germany played an active role along with the other imperialist powers in paraphrasing the humiliating conditions of the Boxer Protocol of 1901 (Cho, Crowe 2014, 3-4). In economic terms, the results of Germany's alignment with a more traditional interpretation of its imperialistic mission in China were mixed: as aforementioned, the new adventures seem to have undercut the efforts of the German industry to increase its direct presence in China and to deal directly with Chinese authorities in the fields of military and industrial development. The situation worsened further with the transition from Empire to Republic in 1912, as the new leadership was especially disturbed by the massive foreign presence in the country and one of its main goals, which ultimately led to the country's involvement in World War I, was to regain control over the concessions extorted to the late Qing dynasty (Tanner 2010, 133). On the other hand, of the 122 German firms present in China in 1901 – they were 7 in 1855 – most were import-export houses: at that time the German trading and shipping complex to and from China was second only to the British, and the most important firms among them, mainly based on the Hanseatic ports, improved their position after they founded the *Ostasiatischer Verein* in 1900, a network for the promotion of German exchange and interaction with Southeast Asia which is still operating today (Eberstein 2000). As a result, in 1913 German firms carried 19% of foreign imports in China, with less than 8% of German origin (Kirby 1984, 13).

The outbreak of World War I impressed the first major break to the development of bilateral relations. Even before the end of the conflict, German physical presence in China was annihilated: Japanese forces took over the Reich's concessions in Tsintao and Kiaochow, while the German holdings in the British and French concessions were taken over by the allied powers. Finally, China declared war to Germany in August 1917 and rapidly took over the German concessions in Tientsin and Hankow and seized the relative properties with only a small compensation after the war. Of the almost 300 German firms active in China before the conflict, only 2 were operative in 1919; German investments in the country, which amounted to 263.5 million \$ in 194, were reduced to 40 million after the war.

Officially the reopening of the relations between the two countries was favoured by the Chinese refusal to sign the Versailles Treaty, since it granted the Japanese government control over the formerly German concession in Shandong. A separate bilateral agreement was reached in 1921 to settle the old disputes and to restore peaceful relations between China and the new German Republic; Berlin formally renounced its rights and privileges (including those included in the Boxer Protocol) while avoiding any recognition of the Japanese pretensions, and diplomatic and trade relations between the two countries were restored. As in the case of the more famous Rapallo agreement between Germany and Soviet Russia, the

agreement paved the road to an increased cooperation in the economic and military field in order to circumvent the limits established by the Versailles Treaty.

It is not a paradox to argue that the forced renounce to territorial pretences became a valuable asset for Germany, as it recovered its pre-war share of the Chinese market within six years with comparatively better prospects for further progress. Part of the Republican leadership expressed its bias for a stronger partnership with Berlin since its loss of its extraterritorial rights had put the German economic actors in a 'superior position' compared with the other imperialist powers, and potentially on a foot of equality with China (Xu 2005, 280). Also the German side appreciated that the forced abandonment of "the time-worn methods of British imperialism" could give an advantage to the national economy right at the time when it was badly in need of new opportunities (Kirby 1984, 24). In their search for escape from the cage of the Versailles Treaty, the new leaders of the Weimar Republic foresaw exciting prospective in China, also because the rampaging civil war made of the country the world's greatest arms market. By 1927 the German companies involved in business with and directly represented in China outnumbered those of the pre-war years; along with the traditional promoters of German-Chinese trade such as Siemens and Krupp, new big groups such as IG Farben and Stahlunion were seeking for new beginnings in Asia, far from the ruinous inflation which affected their home country (Ching 2006, 17). Finally, the private-public cooperation was propelled by the urgent need of new markets and raw materials: apparently China could provide both. The foundations were laid for a golden age of bilateral relations, corresponding roughly to the so-called Nanking Decade (1927-1937). At that time the Guomindang leadership displayed a renewed admiration for Germany as a model for the modernisation of the domestic military-industrial complex. As business and industrial experts followed the German investments, the government decided to accommodate the request of the Chinese authorities and to dispatch some German so-called military advisers to Nanking in 1928; although the revelation of the initiative raised international criticisms, the other 'imperialist' countries were neither willing nor able to counter it effectively (Leitz 2004, 124; Martin 1981, 238).

The identification between the attractive features of European modernity and the German economic-technological power was a constant of the Nanjing decade, which remained unaffected by the transition from the Weimar Republic to the Nazi regime during the early '30s (Leitz 2004, 128-9). It would be misleading to conclude that the renewed cooperation took place mainly for ideological rather than pragmatic reasons; nevertheless, part of the Chinese nationalist leadership estimated that the Nazi experiment embodied a combination of conservatism and modernism consistent with its plans for China. The result was the further increase of the German

influence in the Chinese economy: during the mid-'30s the German share of foreign trade in China rose to 17%, not far from the US leadership in the field. On the other hand, China became the third trade partner for Germany worldwide, and the third recipient country of its foreign direct investments. The quantitative progress encouraged the German industry to follow the example of the trade companies at the turn of the century and to undertake the road of coordination and centralization. In this case the sensible nature of the business initiatives (mainly dealing with the production of armaments) led to the creation of shadow firms discretely but strongly supported by the state and the army, thus following the successful example of German-Bolshevik and German-Turkish cooperation during the early '20s (Kirby 1984, 20 ff.).

The end of the decade witnessed a sudden decline of the bilateral exchange. This occurred again when political-strategic considerations took the upper hand, namely the preference of the Hitler regime for a tighter alliance with Japan, which in turn was on war with China at least since 1937. The following year the authorities in Berlin commanded to interrupt the trade of weapons and armaments toward China and ordered the advisers to leave the country immediately, despite Chiang Kai Shek's appeal to the neutrality of the German Reich in the Sino-Japanese conflict. The final decision from Berlin to officially recognise the puppet regime established in Nanjing by the Japanese occupation forces in Summer 1941 signed the point of no return and paved the road to the war declaration by the Chiang government against Germany. Nevertheless, most of the German economic actors operating in the Far East were not enthusiastic about the orders from Berlin. A quick comparison between the economic opportunities offered by China and Japan in terms of potential markets and raw materials led to the widespread conclusion that the severance of relations with the first could prove a terrible mistake, not only in times of peace but also for the total war inscribed in the projects of the Nazi regime (Leitz 2004, 130). Although the noncompliance with Hitler's order was first out of question and later impossible due to the increasing role of state authorities in managing the economy, trade relations between the two countries never came to a complete stop. Even when the German authorities imposed an increase in the interchange with the puppet regimes in Nanjing and in Manzhouguo, major groups such as Siemens, Otto Wolff and IG Farben were able to keep the traditional contacts open until the course of the war and the German defeat led to a new geopolitical scenario.

The end of the war did not translate into a new and stable condition for both countries, and the later emergence of the new East-West confrontation, on which China and Germany would play both an important role, reduced further the room for recovery of the former economic cooperation. The outbreak of the rivalry between the nationalist and the Communist factions plunged China back into civil war; the final defeat of Chiang

forces, which were forced to repair in Taiwan, led to the proclamation of the People's Republic in mainland China in October 1949 under the leadership of Mao Tze Dong and the political monopoly of the Communist Party. As a consequence, a fast although not unproblematic development of Chinese-Soviet relations brought the Asian giant into what was perceived from the West as a cohesive geopolitical block under Moscow's leadership. Meanwhile, Germany had ceased to exist as a political entity and its territory was divided into four occupation zones among the victorious powers. The rapid deterioration of the Allied coalition made a common solution for Germany impossible and resulted in the permanent division in two new states: the Federal Republic of Germany (FRG from now on), which was military and politically linked to the West, and the German Democratic Republic (GDR from now on), which adopted the socialist system under tight Soviet tutelage. Thus, the emergence of the new ideological confrontation around the Soviet Union and the United States of America and its geopolitical declination in Europe and in Asia involved both China and Germany in a process of radical redefinition of their identities and of their place in world politics. The ideological proximity between Beijing and Moscow on one hand, and between the FRG and the United States on the other hand, meant that the two countries found themselves entangled in rival political system since their act of birth. The reopening of the traditional links to China proved especially hard for the FRG, whose freedom in international politics was strongly restricted by the occupation status that lasted until 1955. Before and after that date, the interest of the governments in the Far East was further limited by their focus on the management of the new German Question and on the political, economic and military integration of their country in the Euro-Atlantic space. Hardly any room was left for creative diplomacy, especially when it could probably hurt the US sensitiveness about dealing with the new enemies in the East. Furthermore, the adhesion of the PRC to the Soviet field led Beijing to recognise the existence of the GDR as a legitimate state right at the time when the FRG authorities committed themselves to the integral respect of the so-called Hallstein Doctrine: only one German government (in the West) was the product of free elections and thus was entitled to represent the whole German people; the recognition of another German government by a third country would compel the FRG to end its relations with it (Gray 2003). The only exception admitted during the '50s was the Soviet Union, due to its relevance as the occupier power of the Eastern part of Germany. A second reason for West Germany's neutralist stance lied in the condition of China after the end of the civil war, when two governments, one in Beijing and the other in Taipei, competed for the title of the sole representative of the whole Chinese people and territory. Bonn had hardly any reason for being dragged into the legislative and political struggle around this point, especially since the tensions between Beijing and Taipei (strongly

supported by Washington) constantly seemed on the verge to escalate into a military conflict. Moreover, Adenauer and his ministers feared that the Cold War logic could turn the Chinese division into a permanent *fait accompli*, thus legitimising a two-state solution that could be extended by analogy to the German case.

The decision of the German government to avoid the official recognition of Taiwan was welcomed by those German economic actors who supported the reopening of the traditional exchanges with mainland China despite the victory of the Communists (Rudolph 2004, 156). However, the course of the immediate post-war years revealed how this convergence was a mere accident. The economic sphere did not escape the totalizing nature of the bipolar confrontation both inside the countries and on a global level, and it became a factor of prime importance in the architecture of the containment of the Soviet bloc promoted by the United States. If the generosity of the US support and the intensification of the interaction within the Atlantic sphere was fundamental to the quick recovery of Western Europe, the price that the latter had to pay was the severance of its traditional economic links to the Eastern side of the continent and more generally with all the countries falling within the Soviet sphere of influence. According to the new US doctrine, the so-called free world should refrain from trading strategic goods with the enemy. The first unambiguous step was undertaken when the US Congress passed an amendment to the Economic Cooperation Act (which established the operative framework for the Marshall Plan) barring “any country receiving US aid if it exported any product to a non-participating European country which might contain a US-supplied commodity that would ordinarily be refused a US export license in the interest of national security” (Cain 2007, 5). A few months later Washington exhorted the recipient countries of its help to follow the embargo measures already in force in the US. Although the European partner reserved an unenthusiastic reception to this request, they had hardly any option but to comply and to take part in the birth of the Coordinating Committee for Multilateral Export Controls (best known as COCOM). The new multilateral body was wrapped in secrecy and established in Paris with the goal of monitoring East-West trade on the base of lists of strategic goods mostly redacted following US recommendations.

In comparative terms, the reduction of trade with the East due to an overextended definition of ‘strategic goods’ had a more severe impact on Western Europe than on the US, whose economic interest in the Soviet Union and in its new satellites had always been marginal. The Federal Republic of Germany was a special case in point, due to the high level that the German-Russian (and more generally German-Eastern European) business relations had reached during the interwar period and despite the regime changes. Although the West German economic firms could appreciate the opportunities offered by the integration into the new Transatlantic

economic area, which proved essential for their quick rehabilitation after the collusions with the Nazi regime and the war destructions, most of them recommended a fast recovery of the old positions in the East grounding on their long experience and their detailed knowledge of the area (Spaulding 1996, 115). Such aspirations were frustrated by the persistence of FRG's status of limited sovereignty on its foreign affairs before and after its official birth in 1949. Until that year the Joint Import-Export Agency supported the Allied High Commission on Occupied Germany (HICOG) in supervising West German exports; thereafter the physical presence of the Allies - and above all of US military authorities - in the country imposed the most rigorous application of the embargo policy, to which the governments in Bonn offered their support to prove their unconditional devotion to the Western cause (Braun 1990, 109). As far as the private sector was concerned, its compliance with the new rules was neither full-hearted nor immediate. According to the black list redacted by the US authorities in 1952, allegations of illegal trade practices with the East were raised against more than 80 German firms; some of them even incurred in the suspension of the Marshall Plan helps when their violations were proven. Due to the sensitiveness of the US public opinion for trade with the enemy, both the Truman and the Eisenhower administration complained with the West German authorities; State Secretary John F. Dulles even hinted the possibility of the "cancellation of all foreign aid" if the internal control was not able to prevent the violations and to sanction them (Neebe 1996, 117). Despite the official position of the German governments, the support to the economic circles came from part of the political spectrum. As an example Ludwig Erhard, the powerful Minister for Economy and later Chancellor, although a staunch advocate of Transatlantic solidarity, estimated that the sacrifice of a liberal trade policy would be a too high price to pay (Neebe 1996, 115). A meaningful progress was achieved in May 1952 when the Bundestag resolved unanimously that "the remaining limits on German freedom of action in the control of merchandise trade and in the conclusion of trade treaties with East bloc countries must be eliminated as soon as possible". It was not by coincidence that the resolution was approved during the same days when the Western victorious powers signed the so-called "Bonn Paris conventions", which put an end to the occupation status of West Germany and restored the full sovereignty of the FRG. Although the final ratification would take place only three years later, the Bundestag resolution was a clear exhortation to the government to play a more active role in promoting German trade with the East (Spaulding 1996, 132). During the same months came the decision by representatives of the German leading chemical, iron and steel groups, as well as from brokerage houses and banks to give birth to the Eastern Committee of German Economy (*Ost-Ausschuss der Deutschen Wirtschaft*, OADW from now on). The first motivation behind this choice laid in the prospect of dealing with

Soviet-like economies characterised by state monopoly and a high degree of centralization. In doing so, the German economic actors were building on their experience of the interwar years, when the creation of the Russian Committee of the German Economy in 1928 had produced outstanding results in levelling all the technical-procedural problems affecting German-Soviet trade (Braun 1990, 127-9). The choice of a permanent coordinating forum seemed to fit also the needs of the new times, when a plurality of German economic actors confronted state monopoly of foreign trade in the new socialist countries in Europe and beyond, with the risk of declining profits and internal competition. According to its statute, the new Committee aimed at advising the German governmental authorities when economic relations with the East were at stake; at promoting more fruitful and forward-looking relations with the East; and at signing trade agreements in absence of official recognition between the FRG and each Socialist country (Jüngerkes 2012, 28 ff.; Spaulding 1996, 131). Although the mythology surrounding the early steps of the Committee highlights the conflicting relations with the German government concerning the prerogatives of the newborn organisation, in 1952 the Ministry for Economy in Bonn recognised the Committee as “the sole representative of the whole German Economy for its range of duty” and pledged cooperation “in all relevant matters” (Jüngerkes 2012, 42). More generally, the Committee enjoyed a cross-party support ranging from national-conservative and liberal circles which promoted a more autonomous promotion of FRG’s interests, to the Social Democratic opposition in its search for political credit among the entrepreneurs. Although the original target of the Committee was the Soviet-controlled space in Europe, a China Work Group was created since the early months. The continuity with the tradition of the German interests in China was represented by the participation of representatives from the major firms which had operated in that country before the war. The inclusion of China in the range of competencies of the Committee was seen as the consequence of the rapid socialization – when not simple sovietisation – of the Chinese economy. Nevertheless, the outbreak of the Korean War and the ensuing tightening of the US-led embargo made even more necessary a coordinate and proactive attitude by the German economy.

Until then, the US administration had shown understanding for the efforts of the German economy to reestablish the traditional links with mainland China. Even after the victory of the Communist revolution, the internal debate in Washington in 1949-1950 showed a higher degree of tolerance towards the PRC in comparison with the rest of the Soviet bloc, due to Beijing’s alleged military irrelevance (Cain 2007, 42). Since the postwar recovery of the FRG’s economy was deemed necessary for the cohesion and the wellbeing of the anti-Soviet alliance, Bonn’s room for manoeuvre in international trade had to be increased even when the targets, such as the PRC, were included in the embargo list. The result was a short-lived

boom of West German-Chinese trade which amounted to a remarkable 284 million Deutsche Mark during the first nine months of 1951 (with an increase of 2,000% compared to 1948): as Bonn established itself as the first trade partner in the West for the PRC, Beijing became the most important market for the FRG within the Soviet bloc. During this window of opportunity, most of the German firms seem to have harbored the illusion that the new geopolitical conditions would not affect the plains for new business opportunities. As evidenced by the case of Otto Wolff A.G., one of the leading firms in China before the war, the end of the “unlucky interruption caused by the war” was characterised by the attempt to recover the old personal contacts and even to revive the contracts signed by the Chinese nationalist authorities and not yet repealed by the new rulers.² The need for a fast and dynamic strategy toward Beijing was not motivated only by the search for profits in the short run. In strategic terms an integral application of the embargo policies to Beijing was bound to push the PRC further into the arms of the Soviet Union and to hasten the homogenisation of its economy according to Soviet-like standards. The first business reports coming from relevant areas such as Manchuria proved that a high degree of centralization and planning would suit perfectly the need of the new authorities to retake full control of the economy and to increase the production as quickly as possible. As a consequence, the presence of several Soviet ‘advisors’ at work was signaled even before the signing of the Soviet-Chinese Treaty of Friendship in February 1950. These evidence, coupled with the inexorable nationalization of all economic activities, exhorted the German economic actors to improve their coordination in order to increase both their negotiating power vis-à-vis the new state-owned corporations in China and their ability to avoid Beijing’s full dependence from Moscow. The price of failure would be the permanent exclusion of Western (and therefore German) enterprises from one of the most promising world markets, and the blame was clearly on Washington’s policy of recognition of Taiwan and on the inclusion of the PRC in the embargo list. As long as the internal authorities and the international conditions allowed, the German firms assumed the mission to avoid any political conditioning and to profit from free trade with China on the base of the superiority of German products.³

The Truman Administration profited from The Korea War to impose the reinterpretation of the bipolar confrontation in Asia in military terms. The intervention of Chinese troops in the conflict after October 1950 pushed

2 Letter from Otto Wolff von Amerongen to Chang Shi Kang, China Automotive Ltd., Shanghai, 5 December 1949, RWWA, Abt. 72, 389-1.

3 Letter from David L.F. Sung, Managing Director of United Engineering Corporation Ltd., Hong Kong, to Otto Wolff von Amerongen, 25 March 1950, RWWA, Abt. 72, 389-1.

Washington to immediately declare the strictest embargo on trade to and from China and the freeze of all financial assets linked to the Chinese authorities (Cain 2007, 43). The decision had further consequences also on a multilateral level. A special section of COCOM, soon named CHINCOM (CHINA COMmittee) was created in September 1952 to supervise the Western trade of strategic goods with mainland China; due to the *de facto* state of war between the US and the PRC, the controls were stricter than with the other socialist countries, and the figure of goods included in the CHINCOM list was almost double than that of COCOM (the so-called China differential) (Mit cham 2005, 6). The Panmunjom armistice did not change Washington's attitude in this respect: while Moscow enjoyed a softening of the original embargo measures during the '50s, hardly any change was introduced toward Beijing.

Although grudgingly, the US allies had to comply with Washington's desire to give a multilateral mantle to such strategy; the need of Washington's security and economic support and by the apparent sensitiveness of the US public opinion on this subject proved enough to silence the dissenting opinions. The government in Bonn could be hardly an exception, due to its particular reliance on Washington and to its status of limited sovereignty. Although some attempts were made until 1953 to introduce exceptions for the most concerned sectors of German economy, such as the iron and steel industry, the full compliance with the CHINCOM rules was assured and consequently the short-lived boom of West German-Chinese trade came to an abrupt end.⁴ The event was interpreted in Beijing as a deliberate act of discrimination, since the non-compliance with contracts sealed with the PRC came at the same time of an encouraging improvement of FRG's trade with other socialist countries. Consequently, in late 1952 the authorities of the PRC issued an Instruction Letter to all Chinese representatives abroad containing such discriminatory measures for West German exporters which made trade between the two countries virtually impossible (Jüngerkes 2012, 142). These evolutions persuaded the OADW to improve internal cooperation without delay, in order to reopen the channels with Beijing and to persuade the authorities in Bonn to promote the lift of the Chinese differential.

As far as the first point was concerned, the OADW engaged immediately in a diplomatic effort to contain the effects of the Instruction letter and to establish direct links with the representatives of the Chinese economy abroad. The choice fell on the China National Import and Export Corporation (CNIEC from now on), which had established its European headquarter in East Berlin. Although the first contacts in 1952 met a cold reception from the Chinese side, the signing of the Panmunjom armistice

4 Letter from Otto Wolff to Fu Sze in Tientsin, 23 February 1951, RWWA, Abt. 72, 389-1.

the following year contributed to improving the atmosphere. In May 1953 a delegation of the OADW visited East Berlin in order to persuade the CNIEC interlocutors to lift the restrictions introduced by the Instruction Letter and to negotiate a standardisation of West-German trade procedures. The CNIEC representatives recognised the OADW as the official partner in negotiations and proved to be open to work out imaginative solution to overcome the current problems; nevertheless, they requested that the whole matter concerning shipping and payment would be included in a comprehensive bilateral trade agreement (Jüngerkes 2012, 143). Although the West German government had finally withdrawn its objections to the East Berlin meeting, and the Economic Ministries had expressed their understanding for the goals pursued by the OADW,⁵ the Chinese request was at odds with the strict policy of non-recognition prevailing officially in the FRG. This evidence however did not bring the negotiations to a halt, since the OADW benefited from its ambiguous nature of private association of public interest. A further although mostly symbolic step was made during the Conference summoned in Geneva in 1954 by the major world powers to find a solution for the aftermath of the Korean War and for the end of the French presence in Indochina. The conference saw the participation of the PRC, although not recognised by some of the participants; for its first appearance in such an important multilateral meeting, Beijing dispatched to Europe a high level delegation including economic representatives. Otto Wolff von Amerongen, Chairman of the Otto Wolff group and later leader of the OADW, was in the Swiss city during the very same days in order to take part in a meeting of the United Nations Economic Commission when he was reached by the invitation to meet informally Hsu Hsue Han, the Director of CNIEC and a high ranking official of the Chinese economy.⁶ Having obtained the authorisation of the West German Economic Ministry to speak as a 'private citizen', Wolff von Amerongen met Hsu on 6th May 1954 to discover the positive attitude reserved by the new rulers in Beijing to the past history of his family group in China, despite its cooperation with the "criminal Guomindang regime" (Wolff von Amerongen 1992, 243). The discussion tackled the problems left unsolved by the East Berlin negotiations, namely the need for an agreement on the procedures for shipping, payment and arbitration in case of conflicts. In the latter case, the Chinese suggestion to opt for East Berlin as the location for arbitration was immediately declined for obvious political reasons. More generally, the meeting did not produce any conclusion but left the impression, transmitted by Wolff von Amerongen to his German interlocutors, that the PRC

5 Proceedings of the Arbeitskreis China meeting, 13 March 1953, RWWA, Abt. 72, 459-1.

6 Memorandum from Otto Wolff von Amerongen on the meetings held in Geneva, 6 May 1954, RWWA, Abt. 72, 389-1.

was interested in expanding its trade with the West because of the higher quality of its products and in order to avoid an exclusive dependence on the Soviet Union.⁷

The meeting impressed a new impetus to the negotiations in East Berlin. The presence of some high representatives Chinese in the East German capital on their way back from Geneva allowed a substantial progress and even a tentative drafted was circulated in August (Ching 2006, 205). The principle of the agreement was the exchange of the goods included in two exhaustive lists; barter transactions were admitted as preferential and more generally the imports should be equal to the exports in overall value for both sides. More important from the German point of view were the compromises reached on almost all the technical details which had burdened the bilateral exchanges so far.

Although the government in Bonn approved the text as it did not violate any political condition, a last request from the Chinese government was turned down after short evaluation: the invitation to the representatives of the OADW to visit Beijing for an official signing ceremony. This was interpreted by the German authorities as part of a diplomatic offensive launched by the PRC to force the Western governments to recognise the new regime; the evidence was the request of the CNIEC representatives to leave some aspects which involved the governmental level (such as the involvement of the Chinese and German central banks) for a last round of talks to be held in Beijing (Jüngerkes 2012, 142). Under government imperative, the OADW was forced to decline the invitation, causing a sharp reaction from the Chinese side which seemed to jeopardise all the results reached until then. During the previous months the bilateral trade had experienced a new upswing and Beijing expressed clear signals of willingness to increase its economic exchange with the West (Mitcham 2005, 15). However, the OADW was not willing to abandon the idea of a comprehensive trade agreement due to the lack of clear conditions that seemed to affect especially such sectors as iron and steel and the chemical industry; and to the condition of structural inequality of negotiations between German firms and the centralised Chinese authorities, which reduced dramatically the profit rate of the former (Ching 2006, 214). Moreover, the West German economic performance with China was worsening in comparative terms with most Western competitors. At least since 1953 the Chinese authorities seemed to favour clearly those foreign firms whose government were entertaining official relations with Beijing. This was the case of Great Britain and Switzerland, which had recognised the new Communist regime; but other Western countries seemed ready to dispatch political-economic delegations

7 Memorandum from Otto Wolff von Amerongen on the meetings held in Geneva, 6 May 1954, RWWA, Abt. 72, 389-1.

to China in order to improve their chances (Ching 2006, 212).⁸ Thus, as Western solidarity to the embargo started crumbling during the mid-'50s, the OADW grew disappointed with Bonn's adamant loyalty to the US that seemed to jeopardise the results achieved so far during the negotiations with the CNIEC.⁹ While the German government promoted the formal revision of CHINCOM, a process that would take months or years to be accomplished, other countries such as Great Britain and France simply announced their will to remove China's differential unilaterally before 1957; at the same time, Japan requested and obtained by CHINCOM a long list of derogations to the common rules on the base of the relevance of trade with China for the recovery of the Japanese economy.¹⁰ Apparently the OADW did not have any option but to keep the negotiations with the CNIEC alive: all details of the text were revised and agreed during 1955, so that a new invitation to Beijing was issued by the Chinese representatives. Once again the time seemed to work against the cause of the OADW: during all 1955 the West German government was absorbed by the hard negotiations for the mutual recognition between the FRG and the Soviet Union, which involved sensitive issues such as the repatriation of German war prisoners (Jüngerkes 2012, 144).

The following year the growing Chinese uneasiness with German dilatory tactics, coupled with a further worsening of West German economic performance with China in relative terms, led to widespread criticisms of the German government's attitude. While five new Western delegations (from Italy and France among others) reached Beijing to sign promising bilateral contracts, the OADW was still engaged in the controversy to gain the authorisation by the government in Bonn. A last baffling compromise was suggested by the West German Foreign Ministry during the first half of 1956: the OADW should invite the CNIEC to sign the agreement in a city of the Western hemisphere, with Beijing as a second-best option only in case of a Chinese refusal.¹¹ The OADW declined the suggestion since it would have further damaged the credibility of the German interlocutors. The Committee restated that its goal had always been to improve the technical conditions of German-Chinese business relations and not to replace the government in its prerogatives; rather, it was time for the political sphere to realise that

8 Letter from the President of the Arbeitskreis China Heinrick Köhler to the General Director of the Bundesverband der Deutschen Industrie Hans-Wilhelm Beutler, 3 May 1955, RWWA, Abt. 175, 4-1.

9 Letter from Otto Wolff to Heinrick Köhler, 18 September 1956, RWWA, Abt. 175, 4-1.

10 Letter from Drossel to Otto Wolff von Amerongen, 23 December 1955, RWWA, Abt. 72, 389-1.

11 Letter from Beutler to van Scherpenberg of Foreign Ministry, 24 May 1956, RWWA, Abt. 175, 4-1.

its interference in business was producing a dramatic waste of opportunities to the advantage of the international competitors.¹² The controversy became public at the end of the year, when the opposition at the Bundestag raised two official questions to the government: the Liberal Party (FDP, traditionally close to business circles) provocatively proposed the opening of a German trade mission in China, while the SPD simply asked the government to give its final permission for the signing of the long-negotiated trade agreements with CNIEC (Ching 2006, 216). The details mentioned in both questions raised suspicion of an active role by the OADW. Although difficult to gauge, this would not be inconsistent with the more aggressive attitude displayed by the Committee after the election of the new President Otto Wolff von Amerongen in 1955. The result was the commitment taken by the government in front of the Bundestag to allow new significant steps towards the signing of the trade agreement, since a further postponement of the visit to Beijing “would lead to unpleasant public debates” shortly before the federal elections of September 1957.¹³ Moreover, the German government was encouraged by the alleged softer attitude of the Eisenhower administration on the embargo issue: when France and Great Britain officially declared the end of China’s differential in Summer 1957, they did not incur in any retaliatory measure from Washington.¹⁴

In late August 1957 the nine members of the OADW delegation were allowed to travel to mainland China via Hong Kong. Most of them came from the Workgroup China: together with Otto Wolff, representatives from Bayer AG, Mannesmann and Deutsche Bank among others reached Beijing on 8th September. Their new interlocutors were the leaders of the China Committee for the Promotion of International Trade (CCPIT), a higher-ranking body than the CNIEC which symbolised the value attached by the Chinese hierarchy to the conclusion of the agreement. It took twenty days of “the hardest negotiations” (according to Otto Wolff) to iron out all the questions left open by the previous talks.¹⁵ The delay was due to the last Chinese attempts to entail the two governments in the implementation of the agreement, so as to introduce a *de facto* recognition between the FRG and the PRC. The most heated point of discussion was the request of an

12 Speech by Otto Wolff von Amerongen to the Cologne Chamber of Commerce, 17 May 1956, RWWA, Abt 72, 381-2.

13 Memorandum of van Scherpenberg of the Foreign Ministry, *Ein- und Ausfuhrvereinbarung zwischen den Ostausschuss der Deutschen Wirtschaft und dem China-Committee for the Promotion of International Trade*, 26 July 1957, PA-AA, Bestand 63, Band 139.

14 Memorandum from Zahn-Stranik of the Foreign Office, *Die Wirtschaftsbeziehungen der BRD zur VR China nach Aufhebung des China-Differentials*, 4 July 1957, PA-AA, Bestand 63, Band 136.

15 Letter from Otto Wolff von Amerongen to the Director of the Ostasiatischer Verein Hans Stoltenberg-Lerche, 7 October 1957, RWWA, Abt. 72, 381-2.

agreement between the two central banks as a guarantee of import-export transactions. The institutional framework of the Federal Republic offered the German delegation an escape route. Since the statute of the 'Bank Deutscher Länder' (later Bundesbank) made it an institution autonomous from the government, the financial responsibility for trade relied on the Ministry of Economics (which incidentally was constantly updated during the negotiations). The compromise came with an official letter committing the Ministry to acknowledge the agreement and to do its utmost for its fulfilment.¹⁶ Concerning the problem of arbitration, soon after the Chinese side had abandoned its preference for East Berlin, an easier compromise was reached in favour of Zurich, since official relations existed between Switzerland and the PRC (Leutner 1995, 73). A success for the OADW was the quite unproblematic inclusion of West Berlin in the area subject to the agreement; on the contrary, no progress was made in the delicate field of trademark registrations, since the CCPIT delegates refused to discuss a matter that could only be dealt with by the governments.¹⁷ More generally, the OADW claimed to have avoided all major risks and to have reached more than 80% of its goals especially in defining the technical terms for trade and financial transactions, whose uncertainty had dogged economic relations so far.¹⁸ Also the government in Bonn expressed its satisfaction for the agreement signed on 27th September in Beijing, since the limits of the OADW mandate in terms of political disengagement had been respected.¹⁹ However, a last symbolic dispute occurred to remind the limits imposed by the Cold War environment. The Committee requested the publication of the text of the agreement by the official bulletin of the German Ministry for Economics, since the CNIEC had posed this condition during the negotiations. The opening formula referring to "friendly negotiations" was politically unpalatable to the government in Bonn, and it took a further round of talks between the parts to approve an amended version of the text.²⁰ This last episode reveals once again how closely wedged had been the mediation of the OADW between Beijing's attempts to broaden the scope of the agreement, and Bonn's uncompromising stance about non-

16 Proceedings of the first negotiating session, 10 September 1957, RWWA, Abt. 175, 5-1.

17 Proceedings of the fifth plenary session, 18 September 1957, RWWA, Abt. 175, 5-1.

18 Letter from Otto Wolff to the President of the CCPIT Nan Han-Cheng, 27 September 1957, RWWA, Abt. 175, 5-1.

19 Memorandum from the German Consulate in Hong Kong to the Foreign Ministry, *Direktgeschäft mit der Volksrepublik China; Ergebnis der Verhandlungen der Delegation des Ostausschusses der Deutschen Wirtschaft in Peking*, 17 October 1957, PA-AA, Bestand 63, Band 139.

20 Record of the meeting between the German delegation to Beijing and Reinhard of the Foreign Ministry, 11 November 1957, RWWA, Abt. 175, 5-1.

recognition policy. From the economic point of view, the agreement was an unconditional success. A global trade volume of 230 million Deutsche Mark was foreseen for both import and export: the result in 1958 was three times higher. Besides, as a result of the common definition of trade customs and rules, the share of direct trade between the FRG and the PRC increased from a mere 35% in 1957 to 86% one year later (Ching 2006, 218). At that time, however, the Chinese authorities refused to open the negotiations for an extension of the agreement due to lack of progress on the political scale. Beijing's goal to translate the new relations at the governmental level had been frustrated both by OADW's lack of interest and by Bonn's refusal to get involved. Despite the anxiety expressed by the Committee, the absence of a new binding agreement did not influence negatively the volume and the quality of the exchange. On the contrary, it seemed that the authorities of the PRC estimated that the bilateral economic relations had developed too favourably to be conditioned by political instability. Quite on the contrary, West German-Chinese trade benefited from other international tensions: the unofficial trade agreement between the PRC and Japan was abruptly suspended in 1958 when a Japanese nationalist group insulted the Chinese flag at a fair taking place in Nagasaki. Until then Japan was PRC's first economic partner: the freeze of bilateral trade imposed by the Chinese leadership opened new opportunities for FRG business to increase its share of the Chinese market (Hsiao 1977, 41-50). On the other hand, the declining performance of West-German-Chinese trade during the first half of the '60s was neither a consequence of the lack of a new bilateral agreement nor the result of the strict non-recognition policy carried by Bonn: according to a widespread interpretation, the more general reduction of PRC's exchanges with the Western world was due to the disastrous results of the Great Leap Forward.

The evaluation of the 1957 trade agreement and of its long-term consequences seems to suggest that the coordination and the pragmatic attitude displayed by the German economy, coupled with the low-profiled and discrete involvement of the governmental actors, has been a constant guarantee of success in improving German-Chinese economic relations. This was even more so in the framework of the unfavourable environment produced by the Cold War during the early '50s. Both the gyrations of East-West relations and the emerging Sino-Soviet split seem to have exerted a scant influence on bilateral exchange as long as it proved profitable for both sides, provided that most of the technical issues were resolved bilaterally and the basic rules of security were respected by the two geopolitical blocs. In this respect, the agreement signed in 1957 was not the mere stage-setting for the later official recognition between the FRG and the PRC, which occurred only in 1972; on the contrary, it deserves a careful consideration for its long-term influence over the course of German-Chinese relations to the present day.

Bibliography

- Abelhauser, Werner; von Hippel, Wolfgang, Johnson, Jeffrey Allan; Stokes, Raymond (2004). *German Industry and Global Enterprise. BASF: The History of a Company*. Cambridge: Cambridge University Press.
- Braun, Hans-Joachim (1990). *The German Economy in the Twentieth Century. The German Reich and the Federal Republic*. London: Routledge.
- Cain, Frank (2007). *Economic Statecraft During the Cold War. European Responses to the US Trade Embargo*. London: Routledge.
- Ching, Chung-cham (2006). *Trade without Flag. West Germany and China 1949-1972* [PhD Dissertation]. Hong Kong: The University of Hong Kong.
- Cho, Joanne Miyang; Crowe, David M. (2014). "Introduction". Cho, J.M.; Crowe, D.M. (eds.), *Germany and China. Transnational Encounters Since the Eighteenth Century*. London: Palgrave MacMillan, 1-18.
- Eberstein, Bernd (1988). *Hamburg - China. Geschichte einer Partnerschaft*. Hamburg: Christian Verlag.
- Eberstein, Bernd (2000). *Der Ostasiatische Verein, 1900-2000*. Hamburg: Christian Verlag.
- Gray, William Glenn (2003). *Germany's Cold War. The Global Campaign to Isolate East Germany 1949-1969*. Chapel Hill: University of North Carolina Press.
- Hsiao, Gene T. (1977). *The Foreign Trade of China. Policy, Law and Practice*. Berkeley: University of California Press.
- Jüngerkes, Sven (2012). *Diplomaten der Wirtschaft. Die Geschichte des Ost-Ausschusses der Deutschen Wirtschaft*. Osnabrück: Fibre.
- Kirby, William C. (1984). *Germany and Republican China*. Stanford: Stanford University Press.
- Leitz, Christian (2004). *Nazi Foreign Policy, 1933-1941. The Road to Global War*. London: Routledge.
- Leutner, Mechthild (ed.) (1995). *Bundesrepublik Deutschland und China 1949 bis 1995*. Berlin: Akademie Verlag.
- Leutner, Mechthild; Trampedach, Tim (eds.). (2001). *Deutsch-chinesische Beziehungen im 19. Jahrhundert. Mission und Wirtschaft in interkultureller Perspektive*. Münster: LIT.
- Martin, Bernd (1981). *Die Deutsche Beraterschaft in China 1927-1938: Militär, Wirtschaft, Außenpolitik*. Düsseldorf: Droste.
- Mitcham, Chad J. (2005). *China's Economic Relations with the West and Japan, 1949-1979. Grain, Trade and Diplomacy*. London: Routledge.
- Neebe, Reinhard (1996). "German Big Business and the Return to the World Market after World War II". Berghahn, Volker R. (ed.), *The Quest for Economic Empire. European Strategies of German Big Business in the Twentieth Century*. Providence: Berghahn Books, 95-122.

- Peruzzi, Roberto (2015). *Diplomatici, banchieri e mandarini. Le origini finanziarie e diplomatiche della fine dell'Impero Celeste*. Milano: Mondadori.
- Plumpe, Werner (2004). "Deutsche Bank in East Asia 1872-1988". Historical Association of Deutsche Bank (ed.), *Deutsche Bank in East Asia*. München: Piper Verlag, 23-90.
- Rudolph, Karsten (2004). *Wirtschaftsdiplomatie im Kalten Krieg. Die Ostpolitik der westdeutschen Großindustrie 1945-1991*. Frankfurt: Campus Verlag.
- Spaulding, Robert Mark (1996). "'Reconquering Our Old Position'. West German Osthandel Strategies of the 1950s". Berghahn, Volker R. (ed.), *The Quest for Economic Empire. European Strategies of German Big Business in the Twentieth Century*. Providence: Berghahn Books, 123-45.
- Sun, Jiaming; Lancaster, Scott (eds.) (2013). *Chinese Globalization. A Profile of People-based Global Connections in China*. London: Routledge.
- Tanner, Harold M. (2010). *From the Great Qing Empire through the People's Republic of China*. Vol. 2 of *China: A History*. Indianapolis: Hackett Publishing.
- Westad, Odd Arne (2012). *Restless Empire: China and the World since 1750*. New York: Basic Books.
- Wolff von Amerongen, Otto (1992). *Der Weg nach Osten. Vierzig Jahre Brückenbau für die deutsche Wirtschaft*. München: Droemer Knaur.
- Xu, Guoqi (2005). *China and the Great War. China's Pursuit of a New National Identity and Internationalization*. Cambridge: Cambridge University Press.

Archives

Rheinisch-Westfälisches Wirtschaftsarchiv (RWWA), Cologne, Germany
 Politisches Archiv des Auswärtiges Amtes (PA-AA), Berlin, Germany