

# BRITISH WARTIME PROTECTIONISM AND SWISS TRADING COMPANIES IN ASIA DURING THE FIRST WORLD WAR\*

Nationalistic ideas of commerce . . . have contributed to those conceptions of national rivalry and hostility that are now bearing such bitter fruit. Possibly we may yet forsake these ideas, and in time come to stand with the small number of nations that believe international commerce to be not economic warfare but actual international cooperation.<sup>1</sup>

(Henry Raymond Mussey)

The American economist Henry R. Mussey, writing in 1914, expressed a fear that was not restricted to the United States. Many worried that the First World War might so damage the global economy that it would be difficult to kick-start it again. Indeed, as the fighting dragged on, the warring parties no longer aimed simply at military victory, but increasingly attempted to weaken the opponent's national economy. Using well-directed blockade politics, the Allies attempted to shut down the Central Powers' foreign trade. Germany retaliated with a ruthless submarine war that began in February 1915. The resulting obstruction of transport routes and shortage of shipping space seriously impeded the regular provision of raw materials throughout the war.

When writing about economic warfare between 1914 and 1918, historians have concentrated mostly on the macro-perspective of national economies and on the decisions of particular cabinets that led to the naval blockade or the submarine war.<sup>2</sup> Despite its significance, the micro-perspective of firms has

\* We would like to thank Erich Keller, Jürgen Osterhammel, Niels P. Petersson, Roman Rossfeld, Hansjörg Siegenthaler and the six anonymous readers for *Past and Present* for their helpful comments on earlier versions of this article.

<sup>1</sup> Henry Raymond Mussey, 'The New Freedom in Commerce', in *Political Science Quarterly*, xxix (1914), 625.

<sup>2</sup> Among the myriad writings on this topic are Marc Frey, 'Trade, Ships, and the Neutrality of the Netherlands in the First World War', *Int. Hist. Rev.*, xix (1997), 541–62; Niall Fergusson, *The Pity of War: Explaining World War I* (New York, 1999), 248–81; Hans-Peter Ullmann, 'Kriegswirtschaft', in Gerhard Hirschfeld, Gerd Krumeich

(cont. on p. 182)

only been examined in a rudimentary manner.<sup>3</sup> Such a perspective, however, highlights the fact that measures of economic warfare touched fundamental cultural issues of global economic interactions and affected the self-perception and national allegiance of international operating firms, since trade control was applied by a series of administrative measures that sought to identify the national origins of commercial institutions and transactions.

Throughout the second part of the long nineteenth century, the nationality of companies had been of subordinate importance, even after the 1880s, when protectionist currents in continental Europe became stronger and resulted in a politicization of international trade.<sup>4</sup> The period beginning in the mid-nineteenth century brought about a 'truly cosmopolitan bourgeoisie trading internationally under British naval protection', as Charles A. Jones notes.<sup>5</sup> This period of economic cosmopolitanism ended with the outbreak of the First World War, and countries involved in the war spared no effort in stripping down the transnational framework of the world economy and putting national labels on companies and goods. In this respect, the war played a catalytic role for the politicization of the global economy, a trend which had begun with the recurrence of protectionism on the European continent in the late nineteenth century and peaked in the abolition of free trade after the Great Depression and the emergence of autarky policies in the 1930s.<sup>6</sup> However, as Geoffrey Jones observes, it is usually very difficult to define the national origin of nineteenth-century companies that operated on a world scale;

(n. 2 cont.)

and Irina Renz (eds.), *Enzyklopädie Erster Weltkrieg* (Paderborn, 2003), 220–32; Stephan Broadberry and Mark Harrison (eds.), *The Economics of World War I* (Cambridge, 2005).

<sup>3</sup> An exception is Roman Rossfeld and Tobias Straumann (eds.), *Der vergessene Wirtschaftskrieg: Schweizer Unternehmen im Ersten Weltkrieg* (Zürich, 2008).

<sup>4</sup> On the politicization of international trade after 1880, compare: Harold James, *The End of Globalization: Lessons from the Great Depression* (Cambridge, MA and London, 2001), 13–25; Jürgen Osterhammel and Niels P. Petersson, *Geschichte der Globalisierung: Dimensionen, Prozesse, Epochen* (München, 2003), 26, 69ff. The argument that governments were not interested in the nationality of enterprises before 1914 is also put forward by Geoffrey Jones, *Multinationals and Global Capitalism* (Oxford, 2005), 282.

<sup>5</sup> Charles A. Jones, *International Business in the Nineteenth Century: The Rise and Fall of a Cosmopolitan Bourgeoisie* (Brighton, 1987), 2.

<sup>6</sup> James, *End of Globalization*.

depending on the criterion applied — be it the home country of the company founders, the country of residence of its shareholders, the location of the headquarters, or the company's principal area of operation — certain companies could legitimately be attributed several nationalities.<sup>7</sup> During the war, the belligerent's bureaucracies divided such companies arbitrarily along national lines that were often incompatible with the companies' business practices and their self-perception, forcing them to adopt, or even actively promote, a particular national affiliation, in order to survive the war period unscathed.

This article seeks to address these issues by presenting the experience of multinational trading companies with headquarters in neutral Switzerland whose business was predominantly import and export between Europe and Asia.<sup>8</sup> Since the nineteenth century, foreign observers had regularly been astonished by the strong presence of Swiss merchants on the Asian–European trading market, especially since Switzerland had no colonies.<sup>9</sup> Yet, since their home market was too small for the volume of their sales, and since many nations on the European continent closed off their markets at the beginning of the nineteenth century, Swiss industrial firms therefore had to find consumers overseas. As a result, Switzerland, together with Belgium and Great Britain, was among the most export-oriented countries in Europe: between 1909 and 1911 over 25 per cent of all Swiss exports went to overseas markets, mainly through Swiss merchants established in the respective regions. Asia, in particular, was an excellent market for Swiss manufactured goods.<sup>10</sup> From the late nineteenth century,

<sup>7</sup> Geoffrey Jones, 'The End of Nationality? Global Firms and "Borderless Worlds"', *Zschr. für Unternehmensgeschichte*, li (2006), 149–65.

<sup>8</sup> On the economic situation in Switzerland during the First World War, see: Peter Heinrich Schmidt, *Der Wirtschaftskrieg und die Neutralen* (Zürich, 1918); on the effects of the war on the economy of another neutral country, The Netherlands, see Herman de Jong, 'Between the Devil and the Deep Blue Sea: The Dutch Economy During World War I', in Broadberry and Harrison (eds.), *The Economics of World War I* (Cambridge, 2005), 137–68.

<sup>9</sup> Sébastien Guex, 'The Development of Swiss Trading Companies in the Twentieth Century', in Geoffrey Jones (ed.), *The Multinational Traders* (London and New York, 1998), 150–72.

<sup>10</sup> Paul Bairoch, 'Le Volume des exportations de la Suisse de 1851 à 1975', *Schweizerische Zeitschrift für Geschichte*, xxviii (1978), 29–50; Béatrice Veyrassat, 'La Suisse sur les marchés du monde: Exportations globales et répartition géographique au XIXe siècle. Essai de reconstruction', in Paul Bairoch and Martin Körner (eds.), *Die Schweiz in der Weltwirtschaft (15.–20. Jh.)* (Zürich, 1990), 287–316.

Swiss merchant houses not only exported goods to Asia but also imported raw materials such as cotton from India or rubber from the Dutch East Indies to Europe. Due to the policy of free trade which the British pursued in their colonies, Swiss traders gained a strong position in the South East and South Asian trade and were able to extend their networks to Siam, French Indochina and the Dutch East Indies.

Alongside smaller companies, this article will focus on the firms Volkart Bros. and Diethelm & Co., both of which originated in German-speaking Switzerland and were among the biggest Swiss trading houses in this period. Due to the nature of their business activities, private trading companies generally operated transnationally. Such companies were much more seriously affected by deteriorating international relations than were industrial enterprises, which still had domestic markets on which to concentrate their operations. Thus, firms such as Volkart Bros and Diethelm & Co. are excellent examples for case studies of the effects that the war had on individual businesses in global trade.<sup>11</sup> Furthermore, an examination of the experiences of trading houses operating in Asia reveals the economic effects of the First World War in a global light, something that until now has rarely been done,<sup>12</sup> and can demonstrate that the consequences of economic warfare were also felt in regions as remote from the European battlefields as South and South-east Asia. In these colonial regions, economic actors had been classified primarily as either European or Asian. After the outbreak of the war, however, the nationality of European merchants suddenly became crucial. From a theoretical perspective, therefore, the experience of Swiss trading houses during the First World War calls for a business history that understands enterprises not only as organizations that buy and sell goods or services, but also as historically grown

<sup>11</sup> On the history of multinational trading companies in the nineteenth and twentieth centuries, see Stanley Chapman, *Merchant Enterprise in Britain: From the Industrial Revolution to World War I* (Cambridge, 1992); Geoffrey Jones, *Merchants to Multinationals: British Trading Companies in the Nineteenth and Twentieth Centuries* (Oxford and New York, 2000).

<sup>12</sup> Jürgen Osterhammel, 'Globalgeschichte', in Hans-Jürgen Goertz (ed.), *Geschichte: Ein Grundkurs* (Reinbek bei Hamburg, 2007), 600–1. Exceptions, of course, are Avner Offer, *The First World War: An Agrarian Interpretation* (Oxford, 1989), and Philip Dehne, 'From "Business as Usual" to a More Global War: The British Decision to Attack Germans in South America during the First World War', *Jl Brit. Stud.*, xlv (2005), 516–35.

entities. This understanding requires an examination of the companies' embeddedness in their political, social and cultural environment.<sup>13</sup> Likewise, it seems appropriate to consider the national affiliation of firms not so much as a long-standing characteristic that can be verified objectively, but as the result of a process of cultural construction which has to be analysed within its historical context.

In considering Swiss trading companies in South and South-east Asia, this article provides insights into these processes. Part I describes Great Britain's war economy measures and Part II shows the effect they had on the trading of goods and on the organization of the business of Swiss trading companies. The article then sets out, in Part III, to reveal how the question of the companies' national affiliation became more and more significant as a result of the increasingly restrictive nature of the decrees formulated by the warring parties. Part IV deals with the honorary consulates founded during the course of the First World War, which led to closer ties between Swiss trading companies and the Swiss state, and the final section (Part V) discusses the effects of the war on the business activities and self-perception of Swiss trading companies after 1918.

## I

### GREAT BRITAIN'S MEASURES OF ECONOMIC WARFARE

On the eve of the First World War, global integration in the flow of trade, finance and communication had reached a level that would not be achieved again until the end of the twentieth century. With the outbreak of war, this flow suddenly slowed and, eventually, international trade was completely stalled for several months.<sup>14</sup> The disruptions were not so much the result of the conflicting

<sup>13</sup> Mark Granovetter, 'Economic Action and Social Structure: The Problem of Embeddedness', *Amer. J. of Sociology*, xci (1985), 481–510; Hartmut Berghoff, *Zwischen Kleinstadt und Weltmarkt: Hohner und die Harmonika, Unternehmensgeschichte als Gesellschaftsgeschichte* (Paderborn, München, Wien, Zürich, 1997).

<sup>14</sup> On economic globalization prior to 1914 and the effect of the First World War on the global economy, see Patrick O'Brien, 'The Great War and the Dislocation of the International Economy 1914–1929', in Wilfried Feldenkirchen, Frauke Schönert-Röhlk and Günther Schulz (eds.), *Wirtschaft, Gesellschaft, Unternehmen: Festschrift für Hans Pohl zum 60. Geburtstag* (Stuttgart, 1995), 245–65; Cornelius Torp, 'Weltwirtschaft vor dem Weltkrieg: Die erste Welle der ökonomischen Globalisierung vor 1914', *Hist. Zschr.*, cclxxix (2004), 561–609; Youssef Cassis, *Les Capitales du Capital* (Geneva, 2005), 99–102 and 185.

parties' war economy measures, but had their origin in the temporary shutdown of most international banks and stock-markets at the beginning of the war. Great Britain, for example, was slow to introduce measures of economic warfare in 1914 — free trade, after all, was one of the major pillars of British economic policy.<sup>15</sup> Both entrepreneurs and the Asquith government took the view that restricting trade would have adverse effects on the British economy, and the British Cabinet, accordingly, in 1914 declared that 'business as usual' should continue, and prohibited trade only with German-based companies. Even British subsidiary companies of large German firms, such as Daimler Benz or Siemens, were not subject to the restrictions at first; the trade war was initially aimed in large part only at blocking the flow of goods (primarily raw materials) into and out of the German Reich, Austria-Hungary and the Ottoman Empire.<sup>16</sup>

Towards the end of 1914, when it became clear that there would be no immediate end to the hostilities, the desire for more effective measures to stop trade with the Central Powers grew stronger among the British public, and, from early 1915 until mid-1916, trade was continuously restricted. British controlling agencies began to set their sights on the neutral countries in particular, because trade statistics were showing that the import of commodities in neutral countries such as the Netherlands, the Scandinavian countries and Switzerland had greatly increased since the beginning of the war.<sup>17</sup> The Allies took this to mean that the neutrals acted as trading posts for supplies that were being delivered to the Central Powers. Accordingly, on 23 December 1915, Great Britain passed a law stating that 'His Majesty may by Proclamation prohibit all persons . . . resident, carrying on business, or being in the United Kingdom from

<sup>15</sup> See Georges-Henri Soutou, *L'Or et le Sang: Les Buts de Guerre Economiques de la Première Guerre Mondiale* (Paris, 1985), 196–203; Anthony Howe, *Free Trade and Liberal England, 1846–1946* (Oxford, 1997); Frank Trentmann, 'National Identity and Consumer Politics', in Patrick O'Brien *et al.* (eds.), *The Political Economy of British Historical Experience 1688–1914* (Oxford, 2002), 187–214.

<sup>16</sup> John Mc Dermott, 'Trading with the Enemy: British Business and the Law During the First World War', *Canadian J'l Hist.*, xxxii (1997), 201–20.

<sup>17</sup> Within the cabinet, several ministries were involved in trade politics: the traditionally liberal Board of Trade, the Foreign Office and the consulates and embassies connected to it, the Home Office for companies located within the UK, the War Trade Department, and finally the Admiralty, which controlled the transport of goods at sea. See McDermott 'Trading with the Enemy', 207; Soutou, *L'Or et le Sang*, 203–10; Marion C. Siney, *The Allied Blockade of Germany 1914–1916* (Ann Arbor, 1957), 75–8.

trading with any persons . . . whenever by reason of the *enemy nationality* or *enemy association* of such persons . . . it appears to his Majesty expedient so to do'.<sup>18</sup> With these regulations, Great Britain went far beyond the scope of trade law as it had been commonly practised up to that point. Trade controls were no longer confined to direct trade with the enemy but, by means of what was virtually a secondary boycott, drew neutral countries into the economic hostility of the warring parties. The driving forces behind this tightening of regulations were the increasing pressure from the public, a certain administrative fervour and, finally, the opportunism of British firms which, since their own freedom of trade was restricted, wanted to ensure that the field of activity of their competitors from neutral countries was also limited.<sup>19</sup> In the United States, the largest of the affected countries, the new regulations were met with deep resentment. From the start, it was suspected that the measures had been implemented not only to assist the war effort but also to aid the economic interests of British companies in their trade rivalry with US firms. Foreign minister Sir Edward Grey defended the British position in an article published in the *New York Times*. According to Grey, the new regulations were intended merely to control British trade, while giving neutral states free choice as to whom they should cultivate trade relations with.<sup>20</sup>

The terms 'enemy nationality' and 'enemy association', however, allowed for much interpretational leeway. As a result, whereas nationality had hitherto been only a secondary issue for companies, during the war it became a major criterion in business routines. The numerous questions facing both Allied and neutral companies can be divided into two groups: the first was the origin, transport and destination of goods, the second was the national origin of a company. The significance of these questions and the possible answers continually changed according to place and time.

<sup>18</sup> 'Trading with the enemy (Extension of Powers) 5 & 6', cited from 'The British Black List', *Harvard Law Rev.*, xxx (1917), 279.

<sup>19</sup> Philip Dehne, for instance, points out how British merchants in neutral South American countries campaigned (successfully in the end) for leaving the policy of 'business as usual' and extending the measures of economic warfare to merchants in neutral countries in order to derogate the business of their German competitors: Dehne, 'From "Business as Usual" to a More Global War'.

<sup>20</sup> Sir Edward Grey, 'Black List Legal, Britain Contends', *New York Times*, 15 Nov. 1916, 1.



To examine the origin and destination of goods, the following criteria were applied:

- Licences and certificates for the acquisition of commodities were used to prevent their sale to the Central Powers.
- Certificates of origin were issued for manufactured goods or their parts.
- The country of origin depended on the vessel that transported goods; in the case of a neutral vessel the nationality of goods was the decisive factor.

To ascertain the nationality of companies, the following criteria were adopted:

- The registered location of the head office of the company (this had been the most common legal criterion up until the outbreak of the war).
- The nationality of the owners: in 1915, Great Britain began to adopt the stricter regulation of France, according to which the citizenship of the owners defined the nationality of a company.
- The nationality of senior staff: in Allied territory, Germans and Austrians were detained; in neutral territory, companies risked being seen as an 'enemy company' if they had staff from Central Power nations.
- German-friendliness: with the term 'enemy association', political attitudes became an issue of debate.
- Consular protection: before 1914, Swiss companies in Asia had normally been under the consular protection of either the German Reich or the USA.

With the implementation of its war economy measures, Britain ventured into new administrative territory: laws had to be passed, juridical practice established, and administrators appointed. For each aspect of economic warfare there were different laws (price law, 'trading with the enemy' act), various administrative bodies, and numerous means of gathering information (freight documents, censorship of mail and telegrams, police investigations and espionage<sup>21</sup>). While the prize law was mainly aimed at

<sup>21</sup> For example, the British kept a cover firm in Switzerland which, through its own business activities, collected information on Swiss companies and their trade partners: The National Archives, London (TNA), FO 382/429.



physical control of the movement of goods at sea, the measures relating to 'trading with the enemy' were directed at controlling the operations of Allied companies. Not only was their trade with German and Austrian companies prohibited, their dealings with neutral companies were also monitored. Whereas 'hard' issues — such as the nationality of a company's owners or the place where the firm was registered — could be verified or refuted in case of a lawsuit, 'soft' issues — such as assumed German-friendliness of the staff — left much of room for ambiguity and were subject to a warfare of a more ideological kind. In all areas, the Allies betrayed the principle that had been painstakingly established in the nineteenth century which held that war was not to be aimed at enemy citizens and their property, but only at the enemy state.<sup>22</sup>

Since only Great Britain, as the leading naval power, actually possessed the means to enforce its economic sanctions globally, trade from Asia was controlled mainly by Britain. The British navy regularly stopped suspicious vessels under a neutral flag to clarify details concerning the receivers of goods. Generally, control measures focused on movement of goods to the European continent. With respect to the freedom of the seas, they were carried out at the beginning of the war in accordance with the 1909 Declaration of London. Soon, however, Great Britain extended the prize law's area of application — in large part due to the pressure exerted by France. As a result, the reprisal orders of 11 March 1915, drawn up in reaction to the German submarine activity in British waters, allowed Great Britain to confiscate enemy goods under a neutral flag.<sup>23</sup> Furthermore, the list of conditional and absolute contrabands was extended considerably. Absolute contraband included war materials such as weapons, ammunition and materials that could be made into war goods, while conditional contraband included civil goods that might be intended for use by the enemy army.<sup>24</sup> The list of contraband

<sup>22</sup> Heinz Ochsenein, *Die verlorene Wirtschaftsfreiheit 1914–1918: Methoden ausländischer Wirtschaftskontrollen über die Schweiz* (Bern, 1971), 129; Tor Egil Førland, 'The History of Economic Warfare: International Law, Effectiveness, Strategies', *Jl Peace Research*, xxx (1993), 151–62.

<sup>23</sup> Siney, *Allied Blockade of Germany*, 61–74.

<sup>24</sup> The terms absolute and relative contraband are taken from international marine law and indicate (smuggled) goods on neutral vessels that may be captured by warring countries under certain circumstances: Harold Reason Pyke, *The Law of Contraband of War* (Oxford, 1915); Siney, *Allied Blockade of Germany*, 21–3.

goods that could be confiscated, set out in the 1909 Declaration of London, had been limited exclusively to war materials. However, by October 1914, the Allies' list of absolute contraband had already grown to 196 items including, for example, wool, silk, rubber, tin, copper and colouring matter, and by 1916 this included almost every commodity that was transported by sea — and this in spite of the neutrals' protests against the restriction on their freedom of trade. The United States, with its political and economic clout, was alone in combating (at least temporarily) the measures put in place by the Allies.<sup>25</sup>

For manufactured goods, Great Britain introduced so-called 'certificates of origin'. With very few exceptions, the neutrals had to provide these certificates for the export of all products to guarantee that they were manufactured in the country of export. Since end products often included parts that came from different countries, Great Britain determined in 1915 that no more than 25 per cent of a product's value could be material of enemy origin.<sup>26</sup>

The rules against 'trading with the enemy' applied first of all solely to commerce between companies of the warring countries. As the war progressed, Great Britain influenced the economy of the neutral countries by attempting to control their movement of goods as well as their business activities. As of December 1915, the British government was authorized to ban trade with companies from neutral countries if they maintained business relations with companies from enemy territory. These measures were implemented through the introduction of several lists: the blacklists included German- or Austrian-owned companies in neutral countries and companies that were known to be sympathetic to the Central Powers. Companies could also be blacklisted if they had Austrian or German managers, or traded with companies from countries belonging to the Central Powers. Any trade with blacklisted companies was prohibited. For the four largest, non-western neutrals — namely Morocco, Persia, Siam and China — the restrictions were still more comprehensive: British companies were allowed to trade only with businesses from these countries if they were included on a white-list.

<sup>25</sup> Ochsenein, *Die verlorene Wirtschaftsfreiheit*, 125–7.

<sup>26</sup> TNA, CO 675/43: Memorandum for the Guidance of His Majesty's Consular Officers in issuing Certificates of Origin, 15 July 1915; see also: Siney, *Allied Blockade of Germany*, 84–6.

The procedure for blacklisting included the preliminary gathering of information, the provisional listing of a company in case of suspicion and the subsequent consultation of chambers of commerce and financial interests to ascertain what objections existed against a listing. Nevertheless, British officials were aware that the blacklisting of neutral companies could harm their own country's business interests, and that British trade could lose partners for export that could not easily be replaced.

The implementation of the measures of war economy caused more than its share of problems. Throughout 1915 and 1916, the British Foreign Office was swamped with enquiries from companies demanding to know why a shipment was blocked from a particular harbour, whether a certain company would be permitted as a trading partner, or why their trading partner of many years suddenly appeared on a blacklist. The documentation reveals a certain strain on the authorities who, with the extensive trade control regulations, were in new administrative territory. Owing to a traditional lack of competence in other languages, British public servants produced mix-ups and misunderstandings on a daily basis. Goods were repeatedly blocked because the instructions issued were imprecise or because harbour inspectors were not clear about the black- and white-lists' areas of application.<sup>27</sup> In case of doubt, goods were blocked and the decision left to the courts of justice. One intention of the British Government was to pressure neutral powers into founding bodies of trade control as demanded by the Allies, such as the Netherlands' Overseas Trust or the Société Suisse de Surveillance économique. Since these boards had to guarantee that no products of strategic relevance could be exported to the Central Powers, they permitted the Allies to exert considerable influence on the economy of neutral countries.<sup>28</sup>

<sup>27</sup> As one of many examples, the company Sturzenegger & Co. in Penang was denied delivery of a supply of goods and given the explanation that they were not on the white-list. However, there were no white-lists for the British colonies: TNA, CO 48192/1915. A plethora of such cases can be found in The National Archives, categorized by country and listed under the Foreign Office, the Colonial Office, the Board of Trade and other bodies. Cases from Switzerland, Singapore, Siam and the Dutch East Indies were used in this study.

<sup>28</sup> For dealings with the Allied countries, Switzerland established the Société Suisse de Surveillance économique (S.S.S.); for dealings with the Central Powers, there was the Schweizerische Treuhandstelle (S.T.S.) (Swiss Trust Agency): Max Obrecht, *Die kriegswirtschaftlichen Überwachungsgesellschaften S.S.S. und S.T.S. und insbesondere ihre Syndikate* (Bern, 1920); Ochsenein, *Die verlorene Wirtschaftsfreiheit*; Siney, *Allied*

(cont. on p. 192)

## II

## THE IMPACT ON SWISS TRADING HOUSES

How were Swiss trading companies in Asia affected by British wartime protectionism? Swiss trading companies operating in Asia usually had close business connections with German and Austrian trading partners. Consequently, they were hit hard by the prohibition of business contacts with customers and suppliers from the countries of the Central Powers, as the following examples of Volkart Bros. and Diethelm & Co. demonstrate.

Volkart Bros. was the largest Swiss trading house at this time, and had been engaged in a lively import and export trade between India and Europe, representing numerous European shipping and insurance companies on the subcontinent since the 1850s. During the First World War, the company had its headquarters in Winterthur, north-east of Zurich (at that time it was fully owned by the Winterthur-based merchant family, Reinhart), a branch in London, six in British India, and one in Ceylon. While the company's activities were multifaceted, its focus was on exporting raw cotton from India to Europe and East Asia. Around the turn of the century, Volkart, along with the Greek-British company Ralli Brothers, had become the most important exporter of Indian cotton to Europe.<sup>29</sup>

The trading house Diethelm & Co. was founded by Wilhelm H. Diethelm and was one of the many medium-sized Swiss firms at Asian trading ports in this period. In 1871, Diethelm was employed as a merchant with Hooglandt & Co. in Singapore; by the mid-1880s he had acquired the controlling interest in this Dutch trading company. At the same time, he founded the trading house in Zurich bearing his name, Diethelm & Co., which alongside its major branch office in British Singapore, operated branches in French Saigon and neutral Bangkok, and owned plantations in the Dutch East Indies. Hooglandt & Co. was kept in business as a subsidiary. Diethelm's controlling interest was Swiss-based, with

(n. 28 cont.)

*Blockade of Germany*, 34–44. On the Netherlands' Overseas Trust see Frey, 'Trade, Ships, and the Neutrality of the Netherlands in the First World War'.

<sup>29</sup> On the history of the Volkart company, see Walter H. Rambousek, Armin Vogt and Hans R. Volkart, *Volkart: The History of a World Trading Company* (Frankfurt a. M., 1990).

the Diethelm family owning a large proportion of the shares after the firm became a limited company in 1907. The enterprise also had foreign shareholders; a quarter of the shares were Dutch-owned. Moreover, until 1914, Diethelm profited from one, albeit minor, German contributor of capital. The company exported manufactured European goods to South-east Asia (mainly textiles but also metalware, silverware, porcelain, and chemicals), operated local offices for several insurance companies, and was actively involved in the plantation business in Malaysia and Sumatra as well as the tin and oil trade within Asia.<sup>30</sup>

The outbreak of the war was a critical event for these international trading companies as long-established modes of payment abruptly became dysfunctional and outstanding exchanges could no longer be redeemed. At the outset of the war, international communication came to a complete standstill. Diethelm's head office in Zurich, for instance, did not know for some time whether its branches had received its instructions to adopt the rules of war economy, which included an immediate halt on all purchase orders and detailed instructions concerning payment transactions.<sup>31</sup> Although it was not long before international communication and payment transactions were restored, trading companies suffered from the increasingly heavy restrictions on trade. As each company had branches both within and outside the British Empire, each branch was affected by the measures of economic warfare in a different way.

From the outset of the war, companies operating in territories controlled by the Allies were prohibited from delivering orders to countries of the Central Powers. This caused significant stoppage of goods traffic. Following the outbreak of the war, Volkart was left with almost 127,000 bales of raw cotton which, for the most part, had been ordered by customers from Austria and Germany. The value of the blocked cotton was more than £1 million. Despite the sale of the bulk of it subsequently to British customers, after fifteen months Volkart was still left with more than

<sup>30</sup> On the history of the Diethelm company, see Jakob Eggenberger, *Das Haus Diethelm im Wandel der Zeit, 1887–1987* (Zürich, 1987); Friedemann Bartu, *The Fan Tree Company: Three Swiss Merchants in Asia* (Zürich, 2005).

<sup>31</sup> Diethelm-Archiv, Zurich (DA), 2.2: Hans Schweizer-Iten, 'Das Haus Diethelm 1860–1973', unpublished manuscript 1973, 717.

21,000 bales of cotton from this inventory.<sup>32</sup> German and Austrian spinning companies also contacted Volkart repeatedly, suggesting that the cotton be shipped to neutral harbours such as Venice, Genoa or Rotterdam, whence the goods could be sent indirectly to their destination countries. Volkart, however, categorically refused, since a violation of the 'trading with the enemy' act could have led to the liquidation of large portions of the enterprise located in the British Empire. 'This is not a matter of goodwill or ill-will. It is an absolute exigency', Volkart told a German spinning company in April 1915, 'We do not believe you seriously expect us to put the existence of our house at risk for 1,100 bales of cotton'.<sup>33</sup>

Despite these difficulties and the fact that turnover on cotton was at most only half of what it had been in the 1913/14 season,<sup>34</sup> the war years were very successful for Volkart. In 1917, the company even made one of the highest net profits in its history, reaching a nominal 4.9 million Swiss francs.<sup>35</sup> Volkart profited from the increase in raw material prices after 1916, which allowed the trading house to widen its margins. The company was also able partially to compensate for the loss of its important central European markets with more exports to Japan, and by intensifying its trade business within India.<sup>36</sup>

Great Britain's impact was stronger in the rubber trade than in cotton because the British Empire was the most important producer of plantation-grown rubber and much of the worldwide rubber trade went through London and Singapore.<sup>37</sup> The fact that natural rubber was declared absolute contraband (unlike cotton, which was relative contraband) was at least partly due

<sup>32</sup> Jakob Anderegg, *Volkart Brothers 1851–1976: A Chronicle*, Vol. II (Winterthur, 1976), 245–7.

<sup>33</sup> Volkart-Archiv, Winterthur (VA), Dossier 42 – Rechtliches, Cotton Business Germany 1st World War: Winterthur an Mech. Baumwoll-Spinnerei & Weberei, Augsburg, 23 Apr. 1915.

<sup>34</sup> VA, Dossier 8 – Karachi/3: copy of sales 1913–19.

<sup>35</sup> VA, Dossier 61 – ex GR persönliches Archiv I: Graphische Tabellen: Verhältnis von Stammkapital zu Gewinn und Verlust.

<sup>36</sup> Anderegg, *Volkart Brothers*, 251–5.

<sup>37</sup> Eric T. Brice, *Rubber Shares as Investments: A Brief Analysis of the Position of the Leading Companies in the Malay Peninsula, Java and Sumatra, Intended as an Aid to Investors* (London, 1912); Walther Schmidt and Georg Heise, *Kautschuk: Produktion, Handel und Konsum* (=world trade atlas: production, trade and consumption of the most significant international merchandise with numerous maps, diagrams and statistics, with explanatory text, Vol. 15) (Berlin-Lichterfelde, 1927); John H. Drabble, *Rubber in Malaya, 1876–1922: The Genesis of the Industry* (Kuala Lumpur, 1973).

to the interests of British companies and investors. Great Britain's competitors at the time came mainly from neutral countries such as the Netherlands and the United States and less from enemy countries. As the Netherlands, with rubber plantations in Sumatra, was the second largest producer and by far the greatest importer, the British took advantage of the war to attempt to monopolize trade. Sir Frank Swettenham, who had been British governor-general in Malaysia from 1896 to 1901, wrote, in 1916, in the *Times* Trade Supplement: 'The important thing for us is that this new and most valuable industry . . . was created by British foresight and energy, was developed by British capital and will remain in British hands'.<sup>38</sup> Arthur Lampard, one of the most prominent lobbyists for natural rubber production and trade, put pressure on the Foreign Office in 1915 to grant the Netherlands only sufficient natural rubber to meet that country's own needs: any surplus from the Dutch colonies was to be sold on British markets.<sup>39</sup> Swiss trading companies in Singapore were affected by these special-interest politics. The company Jaeger & Co., for example, operated a *gambier* and rubber plantation on Sumatra. In December 1914, the firm requested an import licence from Great Britain for 25 tons of raw rubber, guaranteeing that the entire amount would be used in Switzerland. But, in order to pressure Switzerland into founding an agency that controlled Swiss economy (which would later be the Société Suisse de Surveillance économique), Britain refused to grant the licence. As result, the acute scarcity of rubber was one of the factors that eventually caused the Federal Council of Switzerland to give in to the British demands.<sup>40</sup>

In contrast to regulatory enforcement of the commodity trade to Europe, that of the export trade of European manufactured goods to Asia was less strict. Nevertheless, Diethelm encountered problems with the delivery of their goods to Asia because they were forced to find new suppliers to replace the former German ones — submarine activity also made the flow of goods uncertain. Yet warehouses in Asia were relatively well stocked at the beginning of the war and it was expected that purchasing levels at

<sup>38</sup> *The Times* Trade Supplement: Rubber, P.1, Dec. 1916, cited from Drabble, *Rubber in Malaya*, 154–5.

<sup>39</sup> Guildhall Library London, Harrisons & Crosfield Papers, Ms 37041, Box 2: Lampard to Foreign Office, correspondence 9/10 1915.

<sup>40</sup> Ochsenein, *Die verlorene Wirtschaftsfreiheit*, 151–4.



bazaars would decrease during the war. Also, the possibility arose of transferring stocks from the seized Austrian company Dalmann & Co. in Singapore, although the integration of their stocks into Diethelm's commercial operations proved difficult, due to communication problems caused by the war.<sup>41</sup> Altogether, the problems involved in exporting European manufactured goods to Asia were relatively minor, which is why the subject came up only rarely in Diethelm's administrative protocols.

Swiss merchants in Asia were affected not only because of what they did, but also because of who they were. The organization of the company—that is, of the management and shareholders as well as the consular protection under which the companies operated—became relevant issues under the 'trading with the enemy' act. While the movement of goods was mainly controlled by the harbour authorities, officers who investigated contact with the enemy relied on the censoring of letters and telegrams and on information from the police and secret service. Mail and telegrams were systematically supervised from the outset of the war. Along with the loss of mail caused by submarine activity, censorship made in-house correspondence problematic because letters could be held by the censoring body for a prolonged period of time. Furthermore, telegrams were no longer allowed to be encoded, causing problems for the operation of businesses—since the secrecy of business offers and pricing was essential to trading houses. As a result, the overall volume of telegrams between Switzerland and British India was reduced to barely a third of what it had been in the year immediately preceding the war.<sup>42</sup> 'We have been fully transported back to the times of our ancestors who had to make do without telegraphy, when mail from India took four weeks to arrive', wrote an employee at Volkart in November 1914.<sup>43</sup> The communication problems caused by the war were indeed great for globally operating trading companies, because the success of their business depended, as a rule, on quickly communicated instructions and information on supply,

<sup>41</sup> DA, A 3.21: private correspondence of W. H. Diethelm with managers: M. Stadermann to W. H. Diethelm, 20 Nov. 1914; Eggenberger, *Das Haus Diethelm im Wandel der Zeit*, 171, 174.

<sup>42</sup> *Schweizerisches Bundesblatt: Bericht des Bundesrates an die Bundesversammlung über seine Geschäftsführung*, Vols. 66–71 (Bern, 1913–18).

<sup>43</sup> VA, Dossier 42 – Rechtliches, Cotton Business Germany First World War: Gebrüder Volkart, Winterthur, to J.H. Reitz, Chemnitz, 18 Nov. 1914.

demand, product quality and payment arrangements. Censorship also brought with it the danger of certain statements in the correspondence awakening suspicion that British war regulations were being violated. For this reason, a manager in Singapore pointed out to the Zurich headquarters as early as 1914 that any mail from Zurich put the Singapore branch in jeopardy because it could be construed as evidence for the 'import of certain goods'.<sup>44</sup>

Volkart and Diethelm were at pains to avoid any conflict with the British authorities. Very early in the war, Wilhelm H. Diethelm paid off the heirs of the last German shareholder. In other respects, as well, connections with the Central Powers were broken off. The branches in Singapore and Bangkok withdrew from the consular protection of the German Reich and found representation by the local US consulates. The managers in Singapore in particular urged the other branches, and the head office, to abide strictly by the 'obligations in respect to the enemies of Great Britain'.<sup>45</sup>

Despite all their prudence, both companies found themselves in critical situations several times during the war. In the summer of 1915, the British censoring authority intercepted letters written by two Volkart employees which contained negative remarks about the Allies. As a result, one of the employees (an American citizen who was working for Volkart in Colombo) was expelled from the country, while the other, who was on holiday in Europe at the time, was prevented from returning to India.<sup>46</sup> Both employees were laid off immediately and the company strongly advised all employees to 'strictly refrain' in their private correspondence 'from any discussions of the war, of politics and any related questions'.<sup>47</sup> In the wake of the incident, the branch in Colombo was searched by British authorities. Because most of the company's documentation was written in German, it was taken in for closer examination and returned only several days later. Nothing suspicious was found.<sup>48</sup>

<sup>44</sup> DA, A 3.21: private correspondence of W. H. Diethelm with managers: Stadermann to W. H. Diethelm, 20 Nov. 1914.

<sup>45</sup> DA, 2.2: Hans Schweizer-Iten, 'Das Haus Diethelm 1860-1973', unpublished manuscript 1973, p. 720.

<sup>46</sup> VA, Dossier 6 – Colombo: 4. Table of Events.

<sup>47</sup> VA, Dossier 18 – Winterthur I: 1. Table of Events: Bombay, circular, 22 Oct. 1915.

<sup>48</sup> VA, Dossier 6 – Colombo: 4. Table of Events.

In August 1916, British authorities focused their attention on Volkart a second time. Ellison & Co., a British company representing Volkart in Liverpool, informed the Swiss enterprise that, in future, Volkart would be able to conduct its business only under the surveillance of the British Board of Trade. Volkart and Ellison believed that the problem had been caused by British business rivals who had blackened Volkart's name among British authorities as an easy way of disposing of a competitor. Following a heated correspondence with the British authorities, and the presentation of evidence which proved that the company had at all times followed directives, Volkart finally received permission to continue business without British supervision.<sup>49</sup>

Diethelm Bangkok was even blacklisted for a short time. In spite of instructions from Zurich to the contrary, the managers in Bangkok had taken an exceedingly long time to exchange their German consular protection for protection by the US consulate. This would hardly have landed the branch on a blacklist had not a Swiss rival business, Berli & Co., in a letter to the British authorities, distanced itself from the 'German-friendly behaviour' of Diethelm's managers.<sup>50</sup> It is difficult to say whether the Berli executives actually feared that the political attitude of Diethelm's managers might damage the Swiss community in Bangkok, or whether they simply seized the opportunity to cast a positive light on themselves at Diethelm's expense. The latter seems plausible in so far as Berli still had German shareholders and was suspected of doing business with Germany. In any case, the manoeuvre was successful. A British report from Bangkok described the political orientation of the local Diethelm branch as follows: 'Their sympathies are such, that they might well be regarded as of enemy nationality'.<sup>51</sup> As a result, Diethelm Bangkok was put on the list of 'enemy companies'. Only when the Chartered Bank of India in London intervened with the British government in support of Diethelm was the name taken off the list in September 1915.<sup>52</sup>

<sup>49</sup> Anderegg, *Volkart Brothers*, 248.

<sup>50</sup> DA, A 3.13: Correspondence Zurich Bangkok, 1915.

<sup>51</sup> TNA, FO 371/2465, Paper 139987: Memorandum of 28 Sept. 1915 by the British Consulate in Siam to the Foreign Office.

<sup>52</sup> Bartu, *The Fan Tree Company*, 83.

These examples demonstrate that Swiss trading houses depended on good connections with the British business community in order to continue trade within the territory of the Empire. The dramatic impact which the strictures of war economy could have on a trading company without such connections, in cases where the British regarded their attitude as ambiguous, is seen in the case of the Basel Trading Co. This company was founded in India in 1859 by Basel missionaries and had a successful trading business in India and on the Gold Coast (now Ghana). The high proportion of German employees and shareholders in the company, however, attracted the suspicion of the Indian government. From 1916, Basel Trading Co. India was under British supervision and threatened with liquidation. From 1918, the same was also true for its subsidiary on the Gold Coast.<sup>53</sup> The trading company then made an effort to cut connections with its German shareholders as well as with the Basel Mission — over which the British were keeping a careful watch due to its connection with the South-west German Mission. Nevertheless, all the company's efforts failed, even though local British authorities had been instructed by the Foreign Office to be tolerant of neutral trading companies who were willing to co-operate, and in spite of the Swiss authorities' attempt at diplomatic intervention. After the end of the war, its overseas possessions in India and the Gold Coast were seized by the British. These confiscations, which effectively terminated the company's operations in India, were quite obviously unjust, and in 1952 the British government was forced to pay compensation to the company.<sup>54</sup> In the case of the Basel Trading Co., Margareth Gannon came to the conclusion that the British were very much ideologically biased. According to Gannon's assessment, the British took offence at the cultural influence of the Protestant missionary work to such an extent that the company's efforts to give their business an independent and British-sanctioned basis were destined to fail.<sup>55</sup>

<sup>53</sup> Schweizerisches Bundesarchiv, Bern (BAR) E 2200.110 (Bombay), ref. no. 1, box 1, package 1: A. Eidenbenz, General Agent, Basel Mission Industrials, Calicut, to The Chief Secretary to the Government of Madras, 28 Sept. 1915.

<sup>54</sup> Adolf Wanner, *Die Basler Handelsgesellschaft A.G., 1859–1959* (Basel, 1959), 376–421.

<sup>55</sup> Margaret Gannon, 'The Basle Mission Trading Company and British Colonial Policy in the Gold Coast, 1918–1928', *Jl African Hist.*, 24 (1983), 503–15.

## III

## THE INCREASING IMPORTANCE OF THE NATIONAL AFFILIATION

Throughout the second part of the long nineteenth century the ideology of free trade dominated in the British Empire's sphere of influence. With the outbreak of the war, however, the question of national origin suddenly took on central importance—and for Swiss businesses it became a veritable can of worms. They increasingly felt the ideological heat of the war, which sometimes took the form of a clash of cultures, since, far away from Europe, the British Empire was fighting a war against all things German or German-sounding.

The British civil servants in charge of implementing the regulations of the 'trading with the enemy' act in Asia were, however, often fuzzy in their differentiation between German as nationality and German as national language. A British police officer, for example, in a report on the Bangkok firm, Berli & Co., described it as 'German Swiss under German protection'. In the same document, Diethelm Bangkok is at one point referred to as a 'Swiss firm' and at another as a 'German firm'.<sup>56</sup> Merchants from the German-speaking part of Switzerland in particular were afraid that the British would confuse them with German nationals. The Swiss merchant Victor Zollikofer, a former employee of Diethelm's subsidiary, Hooglandt, who now operated his own company in Burma, for instance, believed that 'since the outbreak of the war, we Swiss have suffered greatly from English apathy and prejudice against German-sounding names, which are condemned without discretion as either completely German or at least German-friendly'.<sup>57</sup>

This new way of defining economic players according to their country of origin was directly related to the transformation of the First World War from being simply a military conflict between European states to the status of global economic war. Yet firms originating in Switzerland in particular found it no easy task to demonstrate unambiguously to the outside world the nature of their national identity—as the examples of Volkart and Diethelm show. Although the associates of Volkart were Swiss, and the

<sup>56</sup> TNA, FO 371/2465, Paper 139987: Memorandum of 28 Sept. 1915 of the British Consulate in Siam to the Foreign Office.

<sup>57</sup> BAR, E 2200.110 (Bombay), ref. no. 1, box 1, package 6: Viktor Zollikofer, Zollikofer & Co., Rangoon to K. Ringger, Swiss Consulate, Bombay, 31 July 1917.

commercial operations were in fact controlled in Winterthur, the company's nominal head office had been transferred to London in 1891,<sup>58</sup> and the vast majority of its actual commercial operations were conducted in countries outside Switzerland. Because of this, Volkart's proprietors stated, in a letter of 1892, that 'our company is for the most part a foreign one and, in London and India, is virtually understood to be English'.<sup>59</sup>

For the Diethelm company, cultural versatility, broad multilingualism, and cultural know-how constituted the most important advantages over its competitors. The company subsidiary Hooglandt & Co. was retained until after the Second World War as a Dutch company, due to its comparatively easy access to the Dutch East Indies market. Having a company division in the British colony of Singapore was important in dealing with British investors who wanted to access the rubber industry during the rubber boom prior to the First World War. Through its Saigon branch, Diethelm fostered close ties with French manufacturers, and, through its one German shareholder, the company had had connections with the German Reich. The company's multiple identity as a Dutch-Swiss firm was so important to its patron that he continued to adhere to it even as its organizational and fiscal disadvantages became clear, and even though various managers in the Asian branches considered the division to be outdated. For example, one manager in Singapore demanded without avail in 1917 that the head office in Zurich should proceed with the merging of Diethelm and Hooglandt, pointing to the high costs arising from keeping books for the two companies separately and to the additional supervisory work.<sup>60</sup>

The ability to classify the nationalities of trading companies unambiguously was also complicated by the cosmopolitan background of employees. For multinational trading houses, with

<sup>58</sup> The relocation to London of what was the company's head office in name only became necessary in the 1880s because of a change in the Swiss Code of Obligations; commercial operations, however, actually continued to be directed by the parent house in Winterthur: Rambousek, Vogt and Volkart, *Volkart*, 72ff.

<sup>59</sup> VA, Dossier 18 – Winterthur I: 3<sup>rd</sup> Nominal transfer of HO to LONDON from Winterthur, Volkart Brothers to the Swiss Department of Trade & Justice, Bern, 29 Nov. 1892.

<sup>60</sup> When ordering goods from trading companies, it was common that the supplier also purchased insurance. In Singapore, the insurance agencies were run by Hooglandt, while Diethelm was predominantly in charge of import: DA, A 3.21: private correspondence of W. H. Diethelm with Managers: Roest to W. H. Diethelm, 29 Dec. 1917 and Ingold to W. H. Diethelm 21 Nov. 1917.

their wide geographical associations, it was the rule and not the exception that their employees were of various nationalities. Many firms that operated in the Allied countries were forced to lay off their German and Austrian managers during the war in order to avoid blacklisting.<sup>61</sup> This problem did not arise for Diethelm, since the firm recruited exclusively Swiss and Dutch managers. Volkart, however, had filled numerous executive positions with German employees in its London branch until the summer of 1914. When war broke out, these employees were either interned or else had to be laid off. With this, the company lost a large number of its highly qualified employees at what was an extremely critical time, because Volkart London was forced to operate more or less without instructions from Winterthur.<sup>62</sup>

In Asia, Swiss traders often co-operated with traders from other European nations. In Singapore, German and Swiss traders developed a specific division of labour, where the Swiss, with their background in the textile industry, carried on the sales of European manufactured goods (mainly cloth in the bazaar), while the Germans were engaged in the export of produce to Europe. This division of labour was adapted in the 1860s by all German trading houses and, although the strict division became blurred after a while, German and Swiss business communities stayed in close connection up to the outbreak of the First World War. Many firms even had both German and Swiss partners. A typical example of this kind of association is the case of the Sturzenegger family. Swiss merchant Conrad Sturzenegger came to Singapore as a young man in the 1860s. He was hired by Rautenberg & Schmidt and later became a partner in this Hamburg company. Upon returning to Switzerland in 1880, he started a supplier company in Schaffhausen for his partners in Singapore and founded the German-Siamese Trading Company in Bangkok. In 1909 Robert Sturzenegger inherited his father's holdings and also became partner of Rautenberg & Schmidt. When this company was seized in 1914, he was able to collect his share of the company and use it to start his own business. This appeared to confirm that he had separated from his German

<sup>61</sup> The lists of suspect companies from Siam and the Dutch East Indies respectively provide the names of German owners and managers: TNA, CO 671/52, file 18678 and FO 371/2465, file 139987.

<sup>62</sup> Georg Reinhart, *Aus meinem Leben* (Winterthur, 1931), 55; Anderegg, *Volkart Brothers*, 257ff.



partners once and for all. Yet, when Sturzenegger's new company went bankrupt in 1922, it was revealed that it had maintained close connections with his former German partners, even after 1914.<sup>63</sup> Robert Sturzenegger was thus fortunate that his company had not ended up on the blacklist as a German cover firm. Other Swiss merchants who tried to keep up their business connections under the cover of newly founded companies were less lucky. The Engler & Menzi company, which had been founded by former partners of the Hamburg trading company Behn, Meyer & Co., and whose commercial operations in Bangkok they wanted to continue under a neutral flag, landed on the blacklist, as did the business of H. C. Hanhart, a former employee of the German company Grimm & Co in Bangkok.<sup>64</sup> Due to such attempts at evading British war regulations, British companies were very careful not to get involved with firms they were not familiar with, and quite often contacted the Foreign Office for information on suspicious circumstances surrounding potential trading partners.

The problems experienced by Swiss trading companies in Asia arose not only from business connections, but also as a consequence of the specific cultural situation of western business people in the Asian colonies. The employees of Swiss firms, in both their professional and private lives, to a great extent adapted to the lifestyles of business people from other European companies. In this, however, clear differences can be seen between the situation in India and Singapore. On the subcontinent, Volkart fostered close relations with the British business world and urged its executive employees to become members of the local clubs in order to establish ties.<sup>65</sup> Swiss traders in Singapore, on the other

<sup>63</sup> Over the course of the more than four-year process, the Swiss Trust Agency was obliged to produce a report clarifying the complicated connections Robert Sturzenegger had with the company Schmidt & Küstermann in Hamburg and with their shareholders. Although the Swiss Trust Agency came to the conclusion that Robert Sturzenegger had been running his one-man business in Schaffhausen, and its subsidiary in Penang, independently of the Hamburg firm, the bankruptcy officials in Penang were – to put it mildly – very puzzled that Sturzenegger did his bookkeeping in Hamburg: City Archives Schaffhausen, bankruptcy files Robert Sturzenegger, no call number.

<sup>64</sup> TNA, FO 371/2465. Siam, 1915.

<sup>65</sup> Studienbibliothek Winterthur, Ms Sch 84/61: Georg Reinhart to Theodor Reinhart, Tuticorin, 2 Apr. 1902; VA, Dossier 63 – ex GR persönliches Archiv III, folder: Calcutta – Wirtschaftlichkeits Probleme 1928–31: Werner Reinhart to Winterthur, Bombay, 17 Oct. 1928.

hand, because of their traditionally close ties with German business people, cultivated a lively exchange, and socialized privately, with Germans. Their everyday business life was multilingual, but in leisure time German was the favoured language. The German Club Teutonia always had a Swiss citizen as its vice-president. In the articles of the Swiss Club, it was even explicitly laid down that associate members had to speak German; the other two official languages of Switzerland, Italian and French, were not used.<sup>66</sup> In this way, the shared German language formed a constitutive element of their cultural practice abroad. When the war began, this cultural relationship of the Swiss German merchants with Germans, the shared language and the sympathies for Germany, proved a handicap. As described above, the accusation of being German-friendly could be taken just as seriously as actual trading with the enemy.

In the course of the wartime years, efforts were made by Great Britain and the colonial administration to legally establish the identity of ambiguous companies. Due to the strict Companies Ordinance in Singapore in 1916, Diethelm and its Dutch subsidiary, Hooglandt, were forced to institute separate bookkeeping. Diethelm had to add 'Incorporated in Switzerland' to its company name and have its statutes translated into English, notarized in Zurich and certified by the British consulate for submission to the Registrar of Companies. Its financial statements also had to be translated into English and legally attested.<sup>67</sup>

In 1917, the British Business Registration Act required foreign companies to include the names and nationalities of their owners on all business documents.<sup>68</sup> Volkart's principals in Winterthur reacted positively to this new regulation, as they thought that such a declaration would disperse doubt about the company's origin.<sup>69</sup> They advocated that every business letter should be headed with

<sup>66</sup> W. H. Diethelm, J. R. Riedtmann-Naef, W. Stiefel, partners in the company Diethelm & Co., that is, Hooglandt & Co. all acted as vice-presidents for Teutonia at the end of the nineteenth century. On the Swiss Club in Singapore, see: Hans Schweizer-Iten, *One Hundred Years of the Swiss Club, 1871–1971* (Dalkeith, 1980).

<sup>67</sup> DA, 2.2: Hans Schweizer-Iten, 'Das Haus Diethelm 1860–1973', unpublished manuscript 1973, 735.

<sup>68</sup> Anderegg, *Volkart Brothers*, 250.

<sup>69</sup> VA, Dossier 13 – London/Liverpool (VOLKART + Woods & Thorburn)/Bremen: 7. Proclamations during First World War: Winterthur to London, 30 Jan. 1917.

'Volkart Brothers . . . Partners: Theodor Reinhart, George Reinhart, Werner Reinhart, Oscar Reinhart, Swiss Firm established 1851'. Certain branch offices in India, however, believed that next to the names of the partners on the letterhead it should be explicitly stated, 'Nationality and Origin: Swiss'. They based their argument on the problems experienced by the Basel Trading Co., a company which, despite its Swiss origins, had come under British control: 'Here in South India, we have had before us the example of the Basel Mission Industries, which, though giving itself out as a Swiss concern, has been proved to be considerably adulterated with Enemy capital and partners, so much so that a polemic has been going on for ever so long in the papers about the right of such a concern to call itself "Swiss"'. . . . [W]e are naturally anxious that no such suspicions against us . . . should ever arise again'.<sup>70</sup> In the end, however, the principals asserted themselves on their recommendation for the phrasing of the letterhead.<sup>71</sup>

#### IV

##### THE ESTABLISHMENT OF SWISS CONSULATES IN ASIA

The First World War not only led to a closer connection between transnationally operating trading companies and the Swiss nation on a symbolic level; it also did so structurally. One of the problems experienced by Swiss business people and companies at the beginning of the First World War was the insufficient consular representation of their country in South and South-east Asia. In the Middle and Far East, only Manila (since 1862), Jakarta (1863) and Yokohama (1866) had Swiss consulates; in British India, from today's Pakistan to Singapore, the Confederation had no consulates. As early as 1885, Volkart had asked the Swiss Federal Council how the protection of their Indian branches could be assured in case of war and, as was common at the time, received the response that Swiss firms in countries without Swiss consulates were free to choose the country they wished to represent them. Since 1871, agreements were effective with

<sup>70</sup> VA, Dossier 18 – Winterthur I: 1. Table of Events – 1917: copy of the letter in question, no place and date.

<sup>71</sup> VA, Dossier 13 – London/Liverpool (VOLKART + Woods & Thorburn)/Bremen: 7. Proclamations during First World War: Winterthur to London, 23 Apr. 1917.

Germany and the United States, in which these countries would provide consular protection if required. At this time, Volkart decided on US representation, as the company feared that difficulties might arise in the event of a future European war if their Indian branches were under the consular protection of the German Reich.<sup>72</sup> In common with many other firms, Diethelm decided to be represented by the German Reich, a move that was probably founded on close relationships with Germans in their daily business activities as well as on the basis of cultural and linguistic solidarity felt by many business people from German-speaking Switzerland.

With the outbreak of the First World War, it became obvious that Switzerland should have its own consulates. Before the outbreak of the war, Switzerland possessed only eleven embassies abroad, which was a modest number in comparison with other European states of similar size. To compensate for this, Switzerland had a network of honorary consulates at its disposal. These consulates had often been founded in response to requests by Swiss people abroad, and they were generally headed by business people who resided locally. In this way, trading companies took on a para-national function.<sup>73</sup> As the awarding of consular positions was not tied to citizenship, Volkart's various branch directors on the Indian subcontinent were able, from the middle of the nineteenth century, to act as consuls for Belgium, the Netherlands, Sweden, Norway, and Germany, among other countries.<sup>74</sup> Wilhelm H. Diethelm served as a Russian consul and, upon returning, as a consul for Denmark in Zurich.<sup>75</sup>

From the beginning of the First World War until the 1920s, a host of Swiss consulates were established in the Middle and Far East: in Bombay in 1915, in Colombo, Singapore and Medan

<sup>72</sup> BAR, E2, 1477: correspondence of Volkart and the Federal Political Department, 25 Apr./27 Apr./1 May 1885.

<sup>73</sup> Karl Rohner, *Die Schweizer Wirtschaftsvertretungen im Ausland* (Bern, 1944), 21; Claude Altermatt, *Zwei Jahrhunderte Schweizer Auslandsvertretungen* (Bern, 1990); on the significance of the Swiss economy for foreign policy, compare also: Hansjörg Siegenthaler, 'Die Bedeutung des Aussenhandels für die Ausbildung einer schweizerischen Wachstumsgesellschaft im 18. und 19. Jahrhundert', in Nicolai Bernard and Quirinus Reichen (eds.), *Gesellschaft und Gesellschaften* (Bern, 1982), 325–40.

<sup>74</sup> VA, Dossier 1 – Die Teilhaber I: A) Die Familie der Gründer, Johann Georg Volkart; Dossier 6 – Colombo: 3. European staff lists; Dossier 8 – Karachi: 1. Management.

<sup>75</sup> Bartu, *The Fan Tree Company*, 56–7.

(Sumatra) in 1917, in Shanghai and Canton in 1921, in Madras, Calcutta and Bangkok in 1922, and in Saigon in 1926. In Bombay, Colombo and Madras, the directors of Volkart's local branch offices were appointed consul by the Swiss government, and in Singapore, Saigon and Bangkok, the managers of Diethelm. The principals in Winterthur and Zurich actively supported them in this.<sup>76</sup> The fact that trading companies like Volkart and Diethelm were prepared, as companies operating in highly competitive business sectors, to allow their executives to take on the honorary position of consul, requires explanation. The position was, after all, quite time-consuming.<sup>77</sup> In spite of this, Swiss merchants applied for the position of honorary consul in various parts of Asia after the outbreak of the war. This could be explained by the inherent patriotism of these companies, but there was clearly an economic reason as well. An executive serving as Swiss Consul gained access to decision-makers abroad in the event of a political crisis.

Hence, in December 1915, the Swiss merchant Victor Zollikofer, residing in Burma, sent an urgent message to the recently appointed Swiss Consul in Bombay. Zollikofer had heard rumours that even citizens of neutral countries were to be interned in Burma.<sup>78</sup> He feared 'malicious defamation' from British tradesmen. In a second letter to the consul at the end of January 1916, Zollikofer emphasized that he was certain that 'there is a fair share of competitive manoeuvring at the bottom of it all'.<sup>79</sup> To avoid internment and bankruptcy, Zollikofer asked the consul directly if he could be appointed 'Acting Swiss Consul or else, should this not lie within your power, for you to take the

<sup>76</sup> On the establishment of the consulate in Colombo, see for instance: BAR, E 2200.110 (Bombay), ref. no. 1, box 1, package 13.

<sup>77</sup> For example, Jean Frei, the manager of the Volkart branch in Madras, reported spending two to three hours a day on consular duties: BAR, E 2200.110 (Bombay), ref. no. 1, dossier no. 1, Apr. 1924 to Feb. 1925: Volkart Brothers, Winterthur, to the Federal Political Department, Department of External Affairs, Bern, 1 Apr. 1924.

<sup>78</sup> BAR, E 2200.110 (Bombay), ref. no. 1, box 1, package 1: Victor Zollikofer from Firma V. Zollikofer & Co., Rangoon, to K. Ringger, Swiss Consul, Bombay, 20 Dec. 1915.

<sup>79</sup> BAR, E 2200.110 (Bombay), ref. no. 1, box 1, package 4: Victor Zollikofer from Firma V. Zollikofer & Co., Rangoon, to K. Ringger, Swiss Consul, Bombay, 24 Jan. 1916.

matter to Switzerland, that is, recommend the idea to the Swiss Federal Council.<sup>80</sup>

Writing to Bombay in the summer of 1917, Zollikofer renewed his request that he become Swiss Consul for Burma, claiming that Switzerland did not have an adequate number of consulates abroad, especially overseas. A Swiss consulate would be particularly appropriate, he argued, in guaranteeing some protection for Swiss citizens living in Burma. As already mentioned, Zollikofer accused the British of regarding anything German-sounding as German-friendly: 'These circumstances will persist for many years to come & so it would be most desirable to counteract this formidable evil with the establishment of a consulate'.<sup>81</sup> The Federal Council, however, rejected Zollikofer's recommendation, noting that only a small number of Swiss citizens were living in Burma.<sup>82</sup>

Volkart also hoped to profit from Karl Ringger's double role as employee of the company and Swiss consul, when in 1917, Volkart Karachi was prohibited from engaging in the lucrative trade in hides.<sup>83</sup> In response, Volkart asked the Swiss embassy in London to take up the matter.<sup>84</sup> It seemed convenient in this situation that, with Karl Ringger, the Swiss consul for India was an employee of the firm.<sup>85</sup> Yet Ringger's efforts remained unsuccessful. In January 1918, the Indian government informed him

<sup>80</sup> BAR, E 2200.110 (Bombay), ref. no. 1, box 1, package 1: Victor Zollikofer from Firma V. Zollikofer & Co., Rangoon, to K. Ringger, Swiss Consul, Bombay, 20 Dec. 1915.

<sup>81</sup> BAR, E 2200.110 (Bombay), ref. no. 1, box 1, package 6: Viktor Zollikofer, Zollikofer & Co., Rangoon to K. Ringger, Swiss Consulate, Bombay, 31 July 1917.

<sup>82</sup> BAR, E 2200.110 (Bombay), ref. no. 1, box 9, Swiss Consulate Rangoon: Schweizerischer Generalkonsul, Bombay, to the Consular Service of the Federal Political Department, Bern, 5 July 1928

<sup>83</sup> Volkart was able to export 121,755 hides in 1915 and 122,750 in 1916, whereas in 1914 it had only been 14,600. The majority of the hides went to Italy: BAR, E 2200.110 (Bombay), ref. no. 1, box 1, package 2: Volkart Brothers, London, to Swiss Legation, London, 12 July 1917.

<sup>84</sup> BAR, E 2200.110 (Bombay), ref. no. 1, box 1, package 2: Volkart Brothers, London, to Swiss Legation, London, 12 July 1917.

<sup>85</sup> BAR, E 2200.110 (Bombay), ref. no. 1, box 1, package 2: Volkart Brothers, Winterthur, to the Swiss Consulate, Bombay, 19 Sept. 1917. What is interesting about the correspondence between Volkart's headquarters and Karl Ringger is that the Winterthur office did not address its letters to its own employee but to 'the Swiss Consulate' in Bombay. The distinction between Ringger's function as director of Volkart Bombay and as Swiss consul was therefore made explicit. This was likely done so as not to undermine Ringger's position as official representative of Swiss interests through the semblance of bias.

that Volkart Karachi's request to be allowed to take part in the trade in hides had been dismissed.<sup>86</sup>

## V

### CONSEQUENCES OF THE WAR FOR SWISS TRADING COMPANIES IN THE POST-WAR YEARS

The First World War brought about a radical shift in the world economic balance. Alongside the United States, it was mostly Asian countries that gained economic influence in the process, while the economic importance of European countries declined.<sup>87</sup> This was a direct result of the war. In several Asian countries, the trade and submarine wars had led to a reduction of imports from Europe and to increased domestic industrialization. The Japanese economy in particular experienced a boom after 1914.<sup>88</sup> Furthermore, there were fewer exports from Asia to Europe during the war, while the volume of inner-Asian and trans-Pacific trade increased. At the outset of the war, a more or less equal amount of raw materials (especially sugar, coffee, natural rubber, tobacco, tea, and cinchona bark) was exported from the Dutch East Indies to European and non-European countries. At the end of the war, exports to Europe had declined to almost a sixth, while non-European exports had doubled. Exports to the United States and Japan in particular skyrocketed.<sup>89</sup> The trade war also led to new transport links with Asia. To avoid the strict British control of goods traffic, the Netherlands established a new shipping route from the Dutch East Indies via Japan to the USA. Apart from the Batavia-San Francisco route, shipping routes from Japan and China to California also became increasingly important. Finally, US companies such as Goodyear and

<sup>86</sup> BAR, E 2200.110 (Bombay) ref. no. 1, box 1, package 3: Government of India, Indian Munitions Board, Delhi, to the Consul of Switzerland, Bombay, 2 Jan. 1918.

<sup>87</sup> Niall Fergusson therefore regards the First World War as the start of an economic and political shift of power from Europe towards Asia. According to Fergusson, Asia will thus slowly regain the geopolitical significance that it had at the beginning of the Industrial Age. Niall Fergusson, *The War of the World: Twentieth-Century Conflict and the Descent of the West* (New York, 2006).

<sup>88</sup> Nobuo Kawabe, 'Development of Overseas Operations by General Trading Companies, 1868–1945', in Shin'ichi Yonekawa and Hideki Yoshihara (eds.), *Business History of General Trading Companies* (Tokyo, 1987), 71–103.

<sup>89</sup> Emil Helfferich, *Die Wirtschaft Niederländisch-Indiens im Weltkrieg und heute*: Vortrag gehalten in der Geographischen Gesellschaft in Hamburg am 7. Oktober 1920 (Hamburg, 1921).



Standard Oil initiated, or strengthened, their business operations in the Dutch East Indies during the First World War and were able to increase their influence in the region steadily until the Second World War.<sup>90</sup>

The war also destabilized the basic parameters of the global economy. After 1918, numerous political and economic attempts were made to restore the economic 'normalcy' of pre-war times. In the end, however, none of the attempts met with success. Because a restoration of the gold standard failed, and protectionist economic policies saw a revival in the inter-war period, international trade experienced a profound crisis which was heightened by the stock-market crash of 1929. As a result, the volume of worldwide trade during the inter-war period was, on average, around 20 per cent below what it had been in 1913.<sup>91</sup> The current literature on this subject usually supports the thesis that there was an initial phase of economic globalization that lasted from 1800 to 1914, which was followed by a phase that may be called de-globalization with respect to trade, and which lasted until the end of the Second World War.<sup>92</sup> With respect to individual enterprises, however, it can in no way be argued that after 1918 they only operated within the confines of certain nation states. On the contrary, a number of companies strengthened their foreign investments in the period between the wars in order to counter the increased protectionism and to be on the market in other countries through subsidiary companies. Many companies, indeed, only became globally operating enterprises during this period.<sup>93</sup>

For the Swiss trading companies Diethelm and Volkart, the First World War and the post-war period required a reorganization of their business activities. Diethelm, for instance, intensified their involvement in the plantation business which they had

<sup>90</sup> James W. Gould, *Americans in Sumatra* (Den Haag, 1961), chs. 2 and 3.

<sup>91</sup> W. Arthur Lewis, *Economic Survey 1919 to 1939* (London, 1970), 59–72.

<sup>92</sup> Eric Hobsbawm, *Age of Extremes: The Short Twentieth Century 1914–1991* (London, 1995), 88–9; O'Brien, 'The Great War', 252–63; Osterhammel and Petersson, *Geschichte der Globalisierung*, 77–83 and 93–100.

<sup>93</sup> Jones, 'The End of Nationality', 164; Margrit Müller argues that the regional pattern of Swiss exports became more global after 1918 with 30 per cent of exports going to Asia and the Americas: Margrit Müller, 'From Protectionism to Market Liberalisation: Patterns of Internationalisation in the Main Swiss Export Sectors', in Margrit Müller and Timo Myllyntaus (eds.), *Path Breakers: Small European Countries Responding to Globalisation and De-globalisation* (Bern, 2008), 113–49.

begun before the war during the rubber boom. In this, the company profited from the fact that plantations in the Dutch East Indies especially had flourished during the war despite trade restrictions, because exports to Japan and the United States had increased substantially. But while in the beginning Diethelm's participation was more speculative, after 1918 it became more strategic as the company became a major supplier of aluminium tools used in raw rubber production. For this purpose, they set up a small factory in Singapore. The tools manufactured in Singapore made rubber production more economical and were soon used the world over.<sup>94</sup>

While Diethelm & Co. continued to limit itself to South-east Asia in the inter-war period, opening new branches on the Malay Peninsula in Penang (1923) and Ipoh (1929), as well as in Haiphong (1924) and Hanoi (1926) in French Indochina,<sup>95</sup> Volkart developed into a global player after 1918. Between 1919 and 1922 — years of dire crisis for many European industrial enterprises — Volkart Bros. achieved record profits. In the first post-war years, the company benefited from the high demand for raw materials in countries damaged by the war, which kept prices, and companies' trade margins, high. The successful trading years seemed to have confirmed the belief of Volkart's directors that international trade after 1918 would return to pre-war levels, and great efforts toward expansion were therefore taken in the early 1920s. New subsidiary companies and branch offices were founded in quick succession in Osaka (1919), Bremen (1920), New York (1920), Shanghai (1921), and Singapore (1924). Through its entry into the North American cotton market and its intensified activities in East Asia after 1930 in particular, Volkart became truly a globally operating trading company.<sup>96</sup>

For Volkart, however, extending the area of operations globally led to a stronger commitment to the company's national origin as a direct result of the experiences of the First World War. In an internal memorandum of 1939, Georg Reinhard, one of the partners, noted: 'We are a *Swiss company* (Thank God!) and want to keep it this way'. While, prior to the First World War, numerous

<sup>94</sup> Eggenberger, *Das Haus Diethelm im Wandel der Zeit*, 153.

<sup>95</sup> Eggenberger, *Das Haus Diethelm im Wandel der Zeit*, 127–8, 153.

<sup>96</sup> Rambousek, Vogt and Volkart, *Volkart*, 81–6.

executive positions (for example in the London office) were filled by employees from Germany — all of whom were detained following the outbreak of war — in the post-war era the company adopted a policy of filling ‘executive positions . . . only with Swiss citizens of proven character’. In Reinhart’s view, only from such persons could one expect ‘that, in foreign countries, they will be fully committed to the company out of patriotism. The English, American, German, or Japanese employee may find himself in situations where his patriotism comes into conflict with his duty toward the company’.<sup>97</sup> This policy was consistent with the endeavours of many Swiss enterprises to get rid of foreign capital and foreign members of their governing boards and to accentuate their ‘Swissness’ after 1918.<sup>98</sup> It can be seen as a sign of the fact that globalization and nationalization are not necessarily diametrically opposed developments, but rather two sides of the same coin, and often dialectally intertwined.<sup>99</sup> In the case of Volkart, this strategy proved successful during the Second World War, as it prevented the firm from losing employees to detention and, as Reinhart noted contentedly in a memorandum in 1944, it led to the fact that ‘not for a moment was our company suspected of being anything but Swiss and Swiss alone’. Many German and Japanese citizens indeed filled executive positions in the Volkart subsidiaries in Bremen and Osaka, but the commercial operations of Volkart’s other branches were not affected by this because the two companies were legally independent subsidiaries.<sup>100</sup>

## CONCLUSION

The aim of this article is to demonstrate that an examination of the economic effects of the Great War from the micro-perspective

<sup>97</sup> VA, Dossier 62 – ex GR persönliches Archiv II, The Family Code of the House of Mitsui, Japan, aufgestellt im siebzehnten Jahrhundert und mein Kommentar dazu vom 10./11. November 1939, 19–21.

<sup>98</sup> Martin Lüpold, ‘Wirtschaftskrieg, Aktienrecht und Corporate Governance: Der Kampf der Schweizer Wirtschaft gegen die “wirtschaftliche Überfremdung” im Ersten und Zweiten Weltkrieg’, in Valentin Groebner, Sébastien Guex and Jakob Tanner (eds.), *Kriegswirtschaft und Wirtschaftskriege* (Zürich, 2008), 99–115.

<sup>99</sup> See Ian Clark, *Globalization and Fragmentation: International Relations in the Twentieth Century* (Oxford, 1997); Sebastian Conrad, *Globalisierung und Nation im Deutschen Kaiserreich* (München, 2006).

<sup>100</sup> VA, Doss. 63 – ex GR persönliches Archiv III, Richtlinien für unsere Geschäftstätigkeit: Memorandum by GR, 28 Apr. 1944.

of individual firms can offer new insights into the cataclysm this conflict brought for the global economy, and into the difficulties faced by multinational companies. The increasing restrictions on trade as a result of economic warfare definitely put an end to the economic cosmopolitanism of the nineteenth century and uprooted multinational companies from the socio-cultural and legal environment in which they had flourished before 1914. After the outbreak of the war, even firms operating multinationally were forced to subject themselves to the cultural concept of a distinct national origin, even though — or precisely because — their actual operations and the constitution of their staff and their associates were often at odds with this concept. Such a heightened awareness of the nationality of enterprises had not been customary prior to the war.

The belligerents' measures of economic warfare, however, not only affected business during wartime, but had an impact on the cultural imprint of global trade and the strategies of individual companies well after 1918. The Swiss trading firms Volkart and Diethelm strove, on the one hand, to expand their sphere of activity in order to find new markets in East and South-east Asia or in the USA, and thus to counter the protectionist mood and the restrictions they were facing in post-war Europe. On the other hand, they continued to emphasize their 'Swissness', since they had learned during the war that, while operating in foreign markets, the fact that they originated from a neutral country could provide a certain protection in the event of a political crisis. This article, therefore, shows the extent to which the relationship between commerce and state power was renegotiated as a consequence of the war. Furthermore, it points out that globalization and nationalization were not necessarily diametrically opposed developments but often dialectically intertwined.

*University of Constance*  
*University of Zurich*

*Christof Dejung*  
*Andreas Zangger*