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Principled pragmatism: The Eastern Committee of German Economy and West German-Chinese relations during the early Cold War, 1949-1958

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Abstract

This paper focuses on the interplay between the political authorities and the economic actors of the Federal Republic of Germany in the process of establishing relations with the People's Republic of China after 1949. In this framework, the paper will assess the role played by the Ost-Ausschuss der Deutschen Wirtschaft (Eastern Committee of German Economy) – a semi-official organization within the German economy recognized by the FRG government. Both the ability of the German economic actors and China's urgent need for economic contacts with the West led German-Chinese trade relations to circumvent the strict non-recognition policy followed by West German governments. The article also argues that, while economic relations heralded official recognition of the People's Republic of China by other Western European countries, in the case of the FRG a division between the two spheres was finally accepted by the major actors involved, and ended only after the change of attitude imparted by the US Nixon Presidency during the early 1970s.

Introduction

This paper deals with the relations between the Federal Republic of Germany and the People's Republic of China between 1949 and the end of the 1950s. As commonly acknowledged, the epoch was characterized by Bonn's outright refusal to grant official recognition to the Communist regime of mainland China, despite repeated efforts by the Beijing leadership to enhance its international status. The evidence is consistent with the master narrative depicting the Federal Republic of Germany's approach to the early decades of East-West confrontation as hard-lined and unimaginative. Furthermore, whenever Bonn's governmental authorities either were forced or chose deliberately to try new and constructive forms of Ostpolitik towards the Socialist bloc, their preference went to direct dialogue with Moscow for reasons that will be analysed hereafter. As far as Communist China was concerned, West German governments' allegiance to the United States non-recognition policy prevented them from undertaking diplomatic experiments towards such a distant and complicated country, whose regime in was addition aligned with Moscow's refusal to allow German reunification under free elections. This attitude would only change substantially after the Nixon administration took the lead in Western rapprochement with the People's Republic of China and the latter was admitted to the United Nations: as a consequence, official recognition between Bonn and Beijing followed in 1972.¹

Although this paradigm still holds heuristic validity for West Germany's overall approach to the early Cold War decades, an appraisal of the long-term relations between the two countries and a closer look at the primary sources reveal a more complex picture. Thus the first part of the paper will highlight some trends established during the 19th and early 20th century, which helped shape Sino-German relations after World War II despite the respective regime changes and

¹ As an example, see: Yahuda, M. (2008). 'The Sino-European Encounter: Historical Influences on Contemporary Relations,' in Shambaugh, D., Sandschneider, E. and Hong, Z. (eds.). *China-Europe Relations: Perceptions, Policies and Prospects*, Routledge, New York, pp. 13-32.

reconfiguration of the international system. In fact, however, the longer-term perspective will prove how the traditional dichotomy between the political and the economic spheres is inadequate to explain the interplay between German public and private subjects in carrying on relations with China. Although the political-institutional system of the Federal Republic of Germany underwent a radical change after 1945, a sizable part of the private sector which had profited substantially from interchange with China in the past went ahead with reopening the earlier channels; in doing this, it was compelled to take upon itself certain political prerogatives which did not match its traditional mission. In this respect analysis of the West German-Chinese case seems to fulfil the wish that the future of economic history *'would bridge the manifest gap between those who deal with structural developments in history and social sciences [...] and those who wish to retain the category of agency as a perspective on socio-economic, political and cultural change'*.²

The second part of this paper will focus on certain peculiarities of the Federal Republic of Germany's relations with the Socialist bloc after its establishment in 1949. Although reunification of the country and anchorage of it in the West remained the preconditions of Bonn's foreign policy until after the early 1970s, recent studies have highlighted how West German non-state actors played a considerable role in pluralizing and articulating that international projection of the country, especially towards the Soviet Union and its satellites. By non-state actors we here mean organizations *'[...] autonomous from central government funding and control [...], engaging in 'transnational relations' [...] and acting in ways which affect political outcomes'*.³ The burgeoning of German civil society encouraged by Western influence in order to remove the debris of Nazi monolithism; the federalization and fragmentation of the Federal Republic's institutional landscape; the high degree of its international institutionalization: all these elements gave German non-state actors broader leeway than in any other European country. As the paper will underscore, this was especially true in the case of economic actors, both individual and collective, who enjoyed considerable freedom in carrying on their own business with the Soviet bloc, but also exerted a distinct influence over the agenda of the governmental authorities. The third part of the paper will deal with the complex and often conflicting relations between the central government in Bonn and the powerful Ost-Ausschuss der Deutschen Wirtschaft (Eastern Committee of German Economy, OADW from now on) as to implementation of economic exchange and interaction with the People's Republic of China despite the unfavourable political environment. The main result in this regard, which the paper will discuss in detail, was achieved in 1957 with the signing of a framework trade agreement between the OADW and the China Committee for the Promotion of International Trade (CCPIT). Finally some conclusions will be drawn as to the historical meaning of the agreement, as well as about the need for further research in the field of economic relations which would help produce a more balanced assessment of West German-Chinese relations during the early Cold War.

The paper is based on the scant historiography on the subject and on primary sources from the Politisches Archiv des Auswärtigen Amtes (Archives of the German Foreign Ministry) in Berlin as well as from the Rheinisch Westfälisches Wirtschaftsarchiv (Archives of the Chamber of Commerce) in Cologne, which collect the documentation of the Ost-Ausschuss der Deutschen Wirtschaft.

A century of business: German-Chinese relations up to 1945

Although the German-speaking area was not at the historical forefront in the modern European "discovery" of China, trade relations of both the Habsburg Empire and Prussia with China date back to the 18th century.⁴ In the aftermath of the first Opium War the first permanent representations of

² Berghahn, V.R. (1996). 'German Big Business and the Quest for a European Economic Empire in the Twentieth Century,' in Berghahn, V.R. (ed). *Quest for Economic Empire*, Berghahn Books, New York, p. viii.

³ Le Gloannec, A.-M. (2007). 'Non-state actors and "their" state,' in Le Gloannec, A.-M. (ed). *Non-State Actors in International Relations. The Case of Germany*, Manchester University Press, Manchester, p. 2.

⁴ Eberstein, B. (1988). *Hamburg – China. Geschichte einer Partnerschaft*, Christians Verlag, Hamburg, pp. 49-60.

the Hanseatic towns were established and maritime routes were consolidated to and from the Northern sea ports: this proved a substantial step towards increasing bilateral relations since the cost and complications of overland routes through Russia had been a major obstacle during previous decades. The increasing interest of both public and private subjects was signalled by the signing in 1861 of the Treaty of Tientsin between the Qing Empire and the Prussian Kingdom (also representing the German Customs Union), establishing reciprocal recognition and granting a series of guarantees and protections for German economic activities in China.⁵ Hence the last third of the century witnessed exponential growth on the part of German companies involved in direct business with China from 7 in 1855 to 122 in 1901, outnumbered only by British competitors. At the turn of the century the Deutsch-Asiatische Bank was founded as the first foreign credit institution after the British counterparts, while the German trade companies based in the Northern Sea ports coalesced to give birth to the Ostasiatischer Verein (Union for Eastern Asia), a centre for information and promotion of contacts. The trend towards penetration of China and more generally the Far East was a clear consequence of Germany's rise to the status of an international power and a protagonist of the second industrial revolution. However, cooperation between political power and the economic actors was not always effective, as is proved by the consequences of Berlin imperialistic claim to emulate other Western powers. Starting from 1895, the German government forced the Chinese imperial authorities to allow three concessions in Hankou, Jiaozhou and Tianjin: although trade remained largely unaffected by this new condition, the Chinese authorities grew cold towards the presence of German industry which they had previously welcomed, as it was supported now by a more imperialistic-territorial policy.⁶ The transition in China from Empire to Republic in 1912 worsened this perception, as the new ruling class was less tolerant toward the system of concessions and the Western military presence; one of the main goals of China's involvement in World War I was to regain control of at least a part of the concessions made to foreign powers by the previous regime.⁷

In this respect, Germany's defeat and the consequent loss of its strongholds in China surprisingly turned to a competitive advantage in the aftermath of the war, when the Republican leadership was eager to deal with the West on a more equal footing. These expectations matched the interest of the new authorities of the Weimar Republic in increasing economic cooperation outside the iron cages imposed by the Peace treaty, while for the same reason political involvement abroad was not a viable option. Post-war German political authorities and economic actors were especially motivated by two prospects associated with China in the long-term: raw materials available at affordable prices and the potentially huge market for industrial products. Backed by such discreet promotion by political authorities, a new wave of German industrial and commercial firms increased their presence in China well beyond pre-war levels, seeking new beginnings in Asia far from the ruins of domestic inflation.⁸ The Guomindang's attitude of cooperation seemed to stem from an even longer-term and more ambitious perspective. Although defeated during the war, Germany had retained a great part of her industrial structure and military potential which formed a source of inspiration and emulation for the long-sought modernization of China. As a result, the intensification of bilateral exchanges came with the welcome dispatch of economic and military "advisers" both by the private sector and by the state.⁹ The sudden rise of the Nazi regime did not interrupt such trends on either side. On the contrary, the new German leadership was even more interested in importing strategic materials which were essential to its plans for rearmament, and which could be obtained from China outside the radar of international control.¹⁰ At the same time,

⁵ Kyle Crossley, P. (2010). *The Wobbling Pivot. China since 1800*, Wiley-Blackwell, Hoboken, p. 86.

⁶ Kirby, W.C. (1984). *Germany and Republican China*, Stanford University Press, Stanford, p. 12.

⁷ Tanner, H.M. (2010). *China: A History. Vol. II: From the Great Qing Empire through the People's Republic of China*, Hackett Publishing, Indianapolis, p. 133.

⁸ Kirby, *Germany and Republican China*, p. 24.

⁹ Martin, B. (1981). *Die Deutsche Beraterschaft in China 1927-1938: Militär, Wirtschaft, Außenpolitik*, Droste, Düsseldorf.

¹⁰ Leitz, C. (2004). *Nazi Foreign Policy, 1933-1941: The Road to Global War*, Routledge, London, pp. 128-129.

several factions in the Guomindang nursed a peculiar interest in the ethical and organizational aspects of German fascism, with its mix of conservatism and modernization which in their opinion might serve the cause of Republican China.¹¹ Once again a discreet and self-restraining involvement in bilateral relations by Berlin's state authorities favoured the expansion of private economic cooperation, German companies accounting for 17% of Chinese trade, not far from the US leadership in the field. Meanwhile, during the mid-1930s China had risen to Germany's third trade partner and third recipient of German direct investments abroad. Major iron and steel companies were especially involved and profited from the need for armament production in both countries: following the example of the trading companies at the turn of the century, they promoted a high degree of centralization in their business with China under the auspices of their government and the military hierarchy.¹² Over and above the figures, it was material and cultural-ideological exchange, as well as the apparent absence of "imperialistic" goals that made Germany the most influential foreign country and the face of the West in China during the so-called Nanjing decade (1927-1937).

If political considerations propelled the 1930s Golden Age, they were also the reason for its abrupt end in 1937. At that time the Nazi regime was led by its own strategic priorities to side with the Japanese ally in its aggressive policy towards China, despite Chiang Kai-shek's appeals to German neutrality in the conflict. In 1938 one year after the beginning of the second Sino-Japanese War, the Berlin government ordered all German "advisers" to leave China and called a halt to the arms export towards China. Recognition of the Japanese puppet regime in Nanjing in 1941 marked a point of no return; Chiang Kai-shek's government declared war on Germany, Italy and Japan, siding with the United States after the Japanese attack on Pearl Harbour. The compliance of the German economic actors was neither immediate nor complete. A large majority of them made an attempt to resist directives from Berlin to orient the whole of their activities towards the Manzhouguo puppet state and to interrupt cooperation with the legitimate Chinese government. This attempt was based on a mere economic assessment: the opinion shared by the most important industrial groups like Siemens, Otto Wolff and IG Farben was that the potential of the Chinese market still exceeded by far the opportunities offered by exclusive cooperation with Japan.¹³ Thus economic cooperation was never interrupted between the German private sector in the area and the Chinese nationalist government, as far as was allowed by the course of the war and by the changing geopolitical conditions.

Worlds apart: two Germanys, two Chinas, one Cold War

The end of the war in Europe as well as in the Pacific brought about deep and dramatic changes for both countries. With a narrow five months' difference, the Federal Republic of Germany and the People's Republic of China made their appearance in the international arena in 1949. Both states emerged from World War II and from the turmoil of its aftermath carrying the signs of dramatic rupture with their political, social, and economic past. The birth of a new state in the Western part of the former *Reich* (and the subsequent proclamation of the first Socialist German state in the East) was the result of failure by the Allied Coalition members to reach a unanimous solution for Germany. As a result, the new Republic experienced a dramatic enhancement of its status from the main culprit responsible for the outbreak of the war to a key and reliable ally in the heart of Cold War Europe. In China the end of the war with Japan was followed by the resumption of the civil war between the Guomindang and the Communist Party. The ultimate victory by the latter led Mao Zedong to proclaim the birth of the People's Republic of China, while the nationalist government of Chiang Kai-shek retreated to Taiwan, with both authorities claiming their right to represent the whole Chinese people. The break-up of the Allied victorious coalition and bipolarization of the Euro-Asiatic chessboard around the new superpowers, i.e. the United States and the Soviet Union,

¹¹ Kirby, *Germany and Republican China*, p. 153.

¹² Ibid., pp. 20 ss.

¹³ Leitz, *Nazi Foreign Policy*, p. 130.

had immediate consequences for both the German and the Chinese questions, apparently leaving no room for revival of pre-war multilevel cooperation in the economic sphere. On the one hand, the ideological proximity of the new Beijing regime with the leadership in Moscow and integration of the country in the Soviet sphere of influence were made official with the signing of the Sino-Soviet Treaty of Friendship, Alliance and Mutual Assistance in early 1950

On the other hand, the new conservative government of the Federal Republic of Germany relied heavily on US assistance and protection for the viability of the country. The already narrow room for manoeuvre by the West German authorities, subjected to strong limitations on their sovereignty in foreign affairs at least until 1955, was further reduced by the resolution to give full priority to irreversible integration of the country in the Western-Atlantic economic and military sphere. As a consequence, political exchanges with the Socialist bloc were strictly limited to official dialogue with Moscow as established since 1955 and motivated by Soviet control over the eastern part of the country and the resident German population. As for China, it was relegated to the periphery of Bonn's geopolitical interest for several reasons. First, the well-known Hallstein Doctrine self-imposed by Bonn's authorities declared the government of the Federal Republic to be the only legitimate representative of the whole German population. Any act of recognition of another German political authority (implicitly the Soviet-imposed German Democratic Republic in the East) by a foreign government implied breaking off diplomatic relations with Bonn.¹⁴ Although the Doctrine became official only in 1955, when the Federal Republic of Germany regained a certain degree of sovereignty over its foreign relations, the principle had lain at the core of Bonn's international projections as promoted by conservative-led governments since 1949 and would continue until its dismantling twenty years later. As the People's Republic of China acknowledged the existence of the German Democratic Republic immediately after its own proclamation in October 1949, Bonn's non recognition simply complied with its own doctrine. Besides, further anomalies of the Chinese case prevented any later softening of the West German position, when a political debate sprang up in Bonn as to the wisdom of introducing a so-called birthmark theory, that is the possibility of having ties with countries that had never had any choice about links with East Germany (such as the Soviet European satellite states). In fact, although Bonn was the battlefield of a diplomatic campaign between the two Chinese governments during the 1950s, the Adenauer government declined both the advances of Beijing and pressure by Washington to recognize the nationalist government in exile. Until 1972, the official policy of the West German governments adamantly refused to take a stance between Beijing and Taipei. Neutrality on the Chinese question was mainly inspired by the desire to dispel any analogy with the "German question".¹⁵ Although a two Chinas solution was never endorsed by any Washington administration, West German diplomats feared that it could cast a long shadow on the political debate of the 1950s as to whether to relax the tension in the Far East and allow both states to enter the United Nations.¹⁶ Any application of the same arguments to a two Germanys theory would legitimate the claims of the German Democratic Republic to international recognition, thus frustrating Bonn's strategy of reunification from a position of strength in the foreseeable future.¹⁷ The case of the non-recognition of Taiwan highlighted an interesting convergence of opinions between the Adenauer government and the main German firms interested in reviving their old business with China: namely, that such a diplomatic initiative would be an unnecessary outrage to

¹⁴ Gray, W.G. (2003). *Germany's Cold War. The Global Campaign to Isolate East Germany 1949-1969*, University of North Carolina Press, Chapel Hill.

¹⁵ Throughout the 1950s and 1960s, the West German Foreign Ministry sent detailed instructions to Bonn's representatives abroad containing legal and political arguments to deny any such analogy. As an example, see: Politisches Archiv des Auswärtigen Amtes [hereafter PA-AA], Bestand B 80, Band 353, Memorandum by Abteilung II, "Unterschied zwischen der Deutschland-Frage und der China-Frage", 22.1.1964.

¹⁶ PA-AA, Bestand AV, Band 7555, Memorandum from the FRG Embassy in Washington, "Amerikanische Stellungnahme zur Theorie zweier chinesischer Staaten", 24.2.1958.

¹⁷ Leutner, M. (ed) (1995). *Bundesrepublik Deutschland und China 1949 bis 1995*, Akademie Verlag, Berlin, p. 42.

Beijing.¹⁸ More often, however, economic relations with the Socialist bloc represented an area of conflict and misunderstanding between the political institutions and German big business. International economic relations were not exempt from the all-encompassing logic of bipolar confrontation, construed in terms of containment of the Soviet Union by the Truman administration. If alignment with Washington had a positive effect in terms of Marshall Plan aid, it also imposed the curbing of economic interchange between the so-called free world and countries under Communist leadership. As a first step, the Marshall Plan legislative framework barred 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 licence in the interest of national security*’:¹⁹ albeit implicitly, the provision was extended to mainland China after the birth of the People’s Republic. The consequences were less important to the US, whose trade turnover towards the Soviet Union and Eastern Europe had never reached a significant level; the same was not true for Western European countries which had expected to resume the traditional business routes with the east after the end of World War II. Nevertheless, launching of the Marshall Plan came along with “exhortation” by Washington to adhere to the embargo measures already in force in the United States. Although the request met with a cold reception and even a certain degree of resentment, it was substantially adopted by all the recipient countries in Western Europe. A new international body was created to monitor compliance with the list of strategic goods whose export to the Soviet bloc was forbidden: the Coordinating Committee for Multilateral Export Controls or COCOM.

The Federal Republic of Germany was most severely affected by the new embargo provisions. German exports towards the Soviet Union and Eastern Europe had reached a remarkable 15% of the total amount during the interwar period and regardless of the changes to political regimes occurring at home and abroad. Although the German economic actors appreciated the opportunities unfolding with reorientation of the country towards the west, most of them expected to make use of their old experience and acquaintance with their eastern counterparts and resume the traditional channels as soon as possible.²⁰ However, the birth of the Federal Republic did not imply an immediate end of its status as an occupied country, including substantial allied control over its foreign economic activities.²¹ Besides, the desire of the Adenauer government to prove its loyalty to the Western cause translated into the strictest compliance with the embargo policy among Washington’s European allies, despite the authoritative dissenting opinions occasionally expressed in the internal debate. The most notable example was Minister for Economics and later Chancellor Ludwig Erhard, who complained to Adenauer in 1950 that the combination of the government’s orthodox stance with direct control by the US authorities had produced a condition of permanent discrimination against West German trade with the East, contrasting with the more permissive attitude of other foreign authorities.²² Two years later, while the Adenauer government and the allies signed conventions putting an end to occupation status for the Federal Republic of Germany, the *Bundestag* passed a resolution urged by the parliamentary opposition and by economic circles which advocated that

*the remaining limits on German freedom of action in the control of merchandise trade and – so far as is legally possible – in the conclusion of trade treaties with East bloc countries must be eliminated as soon as possible.*²³

¹⁸ Rudolph, K. (2004). *Wirtschaftsdiplomatie im Kalten Krieg. Die Ostpolitik der westdeutschen Großindustrie 1945-1991*, Campus Verlag, Frankfurt, p. 156.

¹⁹ Cain, F. (2007). *Economic Statecraft during the Cold War. European Responses to the US Trade Embargo*, Routledge, London, p. 5.

²⁰ Spaulding, R.M. (1996). ‘*«Reconquering Our Old Position»: West German Osthandel Strategies of the 1950s,*’ in Berghahn (ed). *The Quest for Economic Empire*, p. 115.

²¹ Braun, H.J. (1990). *The German Economy in the Twentieth Century. The German Reich and the Federal Republic*, Routledge, London, p. 109.

²² PA-AA, Bestand B 130, Band 4656A, Minister Erhard to Chancellor Adenauer, 25.9.1950.

²³ Spaulding, *«Reconquering Our Old Position»*, p. 132.

The engagement of the economic actors grew out of dissatisfaction with US intransigence, as proved by the number of German firms blacklisted by the Allied High Commission in 1952: 87 suffered freezing of US aid after being investigated for violating the embargo policy. Adenauer's commitment to increasing internal control prevented any escalation to a major political crisis; nevertheless the new US Secretary of State John Foster Dulles warned the Chancellor that the persistence of violations on such a massive scale would bring to a halt all financial help to Germany, due to the sensitivity of both Congress and American public opinion over '*trade with the enemy*'.²⁴ The German economic groups interested in improving trade with the east drew the conclusion that an increase in organized pressure was necessary to influence the political institutions. Thus it was that, under the auspices of the Federation of German Industry (*Bundesverband der Deutschen Industrie*), representatives from the leading chemical, iron and steel groups, as well as from brokerage houses and banks gave birth to the OADW in 1952. Interestingly enough, the inspiration came from the past experience of dealing with the state-owned Soviet economy, a model now extended to the whole Socialist bloc. The Russia-Committee of German Economy had been created in 1928 as a permanent forum to reduce competition among German firms and to redress the power imbalance in negotiations with the Soviet monopoly, which had both dramatically reduced their margins of profit. The Committee had even improved its cooperation with the Nazi regime during the 1930s, and had achieved a satisfactory settlement to some technical issues concerning payments and delivery which had bedevilled Soviet-German economic relations earlier.²⁵ Traces of this lesson can be found in the ambitious mission undertaken by the newborn OADW and by some of its eminent members: to represent the interests of the German economy in '*advising*' the government in Bonn; and to promote '*useful, effective and increasing relations*' with the East, aimed at the conclusion of legally binding agreements with state-owned national economies even in the absence of diplomatic recognition.²⁶ On the first front, the Committee fostered the cause of trade with the east through a discreet lobbying activity towards a plurality of subjects within the political spectrum, such as the liberal-nationalist elements ranked within the Christian Democratic Union (CDU) and the smaller Liberal Party (FDP); however, occasional cooperation was also experienced with the Social Democratic (SPD) opposition's critical stance towards the excessive costs imposed by the outright pro-Western stance of the government. Although the self-narrative of the OADW founding fathers has stressed the conflicting character of their relations with the government in Bonn right from the start,²⁷ a substantial endorsement came from the Ministry of the Economy, which officially recognized the OADW as '*the sole representative of the German economy in trade with the East*', and wished for close cooperation and exchange of information about those countries which lacked Bonn's official recognition.²⁸ Among the latter, the turmoil of the post-war years and the birth of the People's Republic had made China an excellent case in point: since the experience of centralization and cartelization had already given encouraging results during the Nanjing decade, the progressive nationalization of the Chinese economy according to the Soviet model only added further reasons for its inclusion in the areas covered by the efforts of the Committee. As a result, a China Working Group (*Arbeitskreis China*) was soon established to include most of the business groups already active in the country before World War II.

Another main reason for the birth of the Working Group may be found in the rapidly worsening Western perception of Beijing from the early 1950s on. The proclamation of the People's Republic

²⁴ Neebe, R. (1996). 'German Big Business and the Return of the World Market after World War II,' in Berghahn (ed). *The Quest for Economic Empire*, p. 117.

²⁵ Braun, *The German Economy*, pp. 127-129.

²⁶ Jüngerkes, S. (2012). *Diplomaten der Wirtschaft. Die Geschichte des Ost-Ausschusses der Deutschen Wirtschaft*, Fibre, Osnabrück, pp. 28 ss.; Spaulding, «*Reconquering Our Old Position*», p. 131.

²⁷ As an example, see: Wolff von Amerongen, O. (1992). *Der Weg Nach Osten. Vierzig Jahre Brückenbau für die deutsche Wirtschaft*, Dromer Knauer, München.

²⁸ Jüngerkes, *Diplomaten der Wirtschaft*, p. 42.

in 1949 had unleashed a harsh dispute in the United States about the ‘*loss of China*’, the first manifestation of the victorious trend of international communism. However, the early debate inside the Truman administration over extending the embargo reveals a surprisingly softer attitude than towards the rest of the Soviet bloc. On the assumption that China’s military potential was low and non-threatening for US national security, the Department of State advocated only a moderate embargo against Beijing, otherwise a harder stance would reverberate negatively on the economic recovery of West Germany and Japan, both already hard hit by the embargo against the Soviet Union, with foreseeable consequences to ‘*our security program over the long period ahead*’.²⁹ The government in Bonn endorsed the US attitude and a window of opportunity opened for the German private sector in recovering its business activities with China. The value of official bilateral trade increased by 1,000% between 1949 and 1951 to reach a remarkable 284 Million Deutsche Mark: this was also a promising result for Beijing, whose exports often exceeded imports and proved how enduring German interest was in Chinese goods. Significantly enough, the US State Department forecasts proved right, as China rose to Bonn’s first trade partner in the Communist bloc (while the Federal Republic achieved the same position within Beijing’s western economic partners).

A shift of focus from the macro- to the microeconomic dynamics of the short-lived German success again reveals some interesting lines of continuity with the past. During the first half of the century the Cologne-based steelmaker Otto Wolff AG had been ‘*the most ambitious and the most successful*’ German firm in China.³⁰ In 1947 the Allied authorities gave the founder’s son Otto Wolff von Amerongen (briefly interned following the invasion of Germany) responsibility for re-establishing the company’s export business. Concerning China, the task was immediately interpreted as an encouragement to recover the old contacts and trade orders interrupted only in 1941 despite unfavourable attention by the Nazi regime. Despite the ‘*unlucky interruption due to the conflict*’ and the raging civil war in China, the firm was able to get in touch with some of its old interlocutors, which had also survived the proclamation of the People’s Republic due to initial tolerance of some private actors by the Communist authorities.³¹ The Otto Wolff AG, like other West German firms, seems to have lived under the illusion that the political transition both at home and in China would leave business relations unaffected, except for some cosmetic measures such as the recommendations to replace the title ‘*sir*’ with ‘*comrade*’ when dealing with Chinese interlocutors, and to leave unanswered requests about the eastern or western origin of the German firm.³² The real source of concern came from the evolution of the international situation rather than from the state of bilateral relations. As an example, observers in Manchuria noticed how the local authorities sought the technical advice of the Soviet “counsellors” dispatched to the area instead of the western representatives of the United Nations Relief and Rehabilitation Administration and the Economic Cooperation Administration.³³ More generally, the Soviet influence on the economic structure of the People’s Republic was destined to increase primarily on a practical rather than ideological basis, as administrative centralization and economic planning seemed most suitable to cope with the post-war and post-revolutionary need for a quick recovery, especially in those areas previously subject to Japanese occupation. As a result, the progressive nationalization of all economic activities became a structural process and foreign firms had to start facing the prospect that future negotiations must be conducted exclusively with the Communist government in Beijing. According to the representatives of Otto Wolff AG in China, the conversion of the Sino-Soviet rapprochement into a political-ideological issue was mainly the result of mistaken US policy. Their

²⁹ Cain, F. (1995). The US-Led Trade Embargo on China: the Origins of CHINCOM, 1947-52, *The Journal of Strategic Studies*, 18:4, p. 42.

³⁰ Kirby, *Germany and Republican China*, p. 194.

³¹ Rheinisch-Westfälisches Wirtschaftsarchiv [hereafter RWWA], Abt. 72, 389-1, Memorandum by Otto Wolff von Amerongen, 10.10.1949.

³² RWWA, Abt. 72, 389-1, Report of a travel to Manchuria by the members of the «Fu Sze Company – Tientsin Branch» to Alexander Ruengens of the «Otto Wolff», 2.03.1950.

³³ RWWA, Abt. 72, 389-1, David L.F. Sung, Managing Director of «United Engineering Corporation Ltd.» Hong Kong to Otto Wolff von Amerongen, 25.03.50.

persistent recognition of the Taiwan government as the sole representative of all of China, and the consequent application of COCOM restrictions to Beijing, not only prevented free trade from promoting the evolution of the Communist regime in a liberal sense, but also increased Beijing's structural reliance on the Soviet Union for the long-sought industrial development of the country. The escalation from economic cooperation to the Sino-Soviet Treaty of friendship, alliance and mutual assistance in 1950 was only the first poisoned fruit, and pending a radical change in the US stance, the German economic actors estimated that their penetration of the Chinese market depended entirely on their ability to compete with Soviet exports in terms of quality and price, while all involvement in political affairs should be avoided at any cost.³⁴

The watershed of the Korean War: doing business vs. economic warfare

The German economic actors were forced to abandon their business-as-usual attitude when a sudden change in international conditions brought the quick recovery of bilateral exchange with China to a halt. The eruption of the Korean War in June 1950 led the Truman administration to redefine its doctrine of containment in Asia in more rigid and military terms: the first consequence was the dispatch of 300,000 US soldiers under UN aegis to support the South Korean regime and restore the *status quo*. Four months later, as the South Korean and international troops crossed the 38th parallel formerly dividing the country, the People's Republic of China entered the conflict in support of the Communist regime in the north. The immediate reaction of the Washington authorities was to impose a complete embargo to and from China, as well as to freeze all Chinese accounts in US banks.³⁵ As a result, the previously expressed understanding about the German (and Japanese) '*special economic relation*' with Beijing was overruled and all the allies were strongly exhorted to conform to the new restrictive trend. Despite initial complaints, all western governments complied with Washington's desire. The new policy was sanctioned with the birth of CHINCOM in 1952, a COCOM section charged with scrutinizing the export of strategic goods to China on a case by case basis; the institution also administered the so-called China differential list, which included a wider range of embargo goods than those prohibited by earlier COCOM deliberations and applying only to Beijing.³⁶ The armistice signed in 1953 by the United Nations Command, the Chinese People Liberation Army and the North Korea People's Army did not bring any significant change, as the experience of direct confrontation had increased the sensitivity of the US Congress and public opinion.

The troubles experienced by Otto Wolff AG after the beginning of the crisis illustrate perfectly the condition imposed on German-Chinese trade by the strict control of both the High Allied Commission in the Federal Republic and the Adenauer government. Since the early 1930s the Rhine steel industry had taken part in major projects for the development of the railways and roads system in China in close cooperation with the Republican government. In this framework the Otto Wolff AG signed a contract with the Chinese authorities for the delivery of 5,000 chassis to be used for urban and extra-urban transport. The agreement between the firm and the Chinese government entailed establishing a new company in Shanghai, and German technicians were dispatched to organize the assembly work.³⁷ Although World War II put a halt to the business, contacts were resumed in 1947 with the nationalist government which confirmed its interest: new negotiations came to a quick conclusion despite the ravages of civil war, and a new arrangement was reached for the delivery of 2,000 chassis. Surprisingly enough, the new Communist leadership pledged its commitment to honour the deal; in late 1950 Otto Wolff AG was ready to deliver a fourth of the whole after approval by the local and allied authorities. Nevertheless, the Allied High Commission

³⁴ Ibid.

³⁵ Cain, *The US-Led Trade Embargo on China...*, p. 43.

³⁶ Mitcham, C. (2005). *China's Economic Relations with the West and Japan, 1949-1979. Grain, Trade and Diplomacy*, Routledge, London, p. 6.

³⁷ RWWA, Abt. 72, Memorandum of Otto Wolff von Amerongen, 16.02.1951.

demanding in January 1951 the postponement of the shipment, after the escalation in Korea but well before the new set of rules under CHINCOM came into force. Although the German authorities had a different opinion and expressed resentment for such arbitrary conduct, they came eventually to the conclusion that no legal argument would deter the US administration from taking the most extreme measures, as long as the China issue was perceived as a major threat to national security.³⁸ Thus the birth of CHINCOM came as no surprise to the Bonn authorities, whose last resistance to compliance with the full embargo on exports of iron and steel products to the People's Republic was abandoned in 1953, thus leading to cancellation of the chassis deal.³⁹ US insistence on strict application of the embargo came with a warning that violation would cause political repercussions on the handover of sovereignty from the Allies to the government of the Federal Republic. As a result of the twofold control procedures, trade with China virtually stopped; the Otto Wolff AG leaders admitted that even recourse to illegal measures such as re-exportation through neutral or other Socialist countries, tolerated by other governments, was ruled out since potential German export goods such as chassis were too big and recognizable to avoid sanctions from the authority.⁴⁰ Even the earlier success of bilateral trade backfired in 1952, as the People's Republic interpreted the cancellation of already sealed contracts as a deliberate act of discrimination, while the exchange between West German and other Socialist countries was improving. Before the end of the year an Instruction letter was sent from Beijing to the Chinese representatives abroad containing retaliatory measures disguised in terms of a dramatic worsening of trade terms and conditions for West German exporters.⁴¹ The episode led the OADW to conclude that tighter cooperation could not be delayed if only to persuade the government in Bonn to embrace the cause of the Committee and to promote the cancellation of the Chinese differential. At the same time, the OADW engaged in a parallel diplomacy of its own with Beijing to reduce the damage done by the Instruction letter. Efforts focused on re-establishing a cooperative relationship with the China National Import & Export Corporation (CNIEC) represented in East Berlin. However, the representatives of the West German firms reported a cold reaction to their frequent visits, as the Chinese interlocutors dismissed proposals for future cooperation while stating that the bulk of the import goods necessary for industrial development, such as steel products, would be purchased from China's 'big neighbour'.⁴²

The Panmunjom armistice in 1953 and mounting dissatisfaction in the West with the China differential brought about some signs of softening in the US attitude, of which the German political authorities took advantage. Part of the measures adopted beforehand were revoked and even more important was the cooperative stance by the Ministry of Economy to talks with the representatives of the OADW over a set of simplifying and rationalizing procedures for the controls of exports towards the Chinese market.⁴³ Again, the attitude of the CNIEC representatives had improved substantially, as they finally agreed to discuss a comprehensive regulation of future trade customs and procedures with the Committee. Both parts took some major steps during a plenary meeting in May 1953, from which the delegation of the Ost-Ausschuss drew the conclusion that the CNIEC had finally recognized it as the official counterpart for economic negotiations despite their non-governmental status. As a result, the Chinese representatives proposed that the two institutions should work out a comprehensive, legally binding trade agreement which would solve all the technical problems that had arisen in bilateral trade.⁴⁴ Although such a goal was explicitly inscribed in the statutory mission of the OADW, and suited the urgent needs of the West German economy, the political situation had not improved enough to bring the matter to the attention of the political authorities in Bonn and to obtain their imprimatur. However, the ambiguous status of the

³⁸ PA-AA, Bestand 80, Band 27, Memorandum for Hirschfeld and Nostitz, *Zahlungen an Rot China*, 24.08.1951.

³⁹ RWWA, Abt. 72, 389-1, Otto Wolff to «Fu Sze» in Tientsin, 23.02.1951.

⁴⁰ RWWA, Abt. 72, 389-1, Memorandum of Bilow to Otto Wolff, 18.06.1953.

⁴¹ Jüngerkes, *Diplomaten der Wirtschaft*, p. 142.

⁴² RWWA, Abt. 72, 389-1, Vöges to Otto Wolff on the meetings in East Berlin, 25.11.1952.

⁴³ RWWA, Abt. 72, 459-1, Record of the plenary session of the Arbeitskreis China (Ost-Ausschuss), 13.03.1953.

⁴⁴ Jüngerkes, *Diplomaten der Wirtschaft*, p. 143.

Committee and the lack of governmental endorsement did not prevent the parties from bringing the negotiations forward during the following year, when they eventually overlapped with the international conference taking place in Geneva and attended by the People's Republic of China alongside major world powers. The meeting was summoned to address the outstanding issues raised by the Korean War and by the French withdrawal from Indochina. Although the participation of the People's Republic of China did not imply it was officially recognised by the other participants such as the United States, Beijing sent a high-ranking delegation to Geneva, which also included top members from the Ministry of the Economy. Thus, during the time of the conference the Swiss city attracted a high number of European economic actors looking for personal contacts with the Chinese representatives for foreign trade. Geneva was also the stage for a meeting which would gain an almost mythical status for the future of German-Chinese business, due to its high symbolic value. While in Geneva to attend a meeting of the United Nations Economic Commission for Europe (ECE), Otto Wolff von Amerongen was invited to a private meeting with the Director of CNIEC and a high-ranking official of the Economic Ministry Hsu Hsueh Han, who was also a member of the Chinese delegation to the international conference.⁴⁵ Although the protagonists stressed the Chinese origin of the initiative, the primary sources leave some room for doubt: Hsu's movements and especially his attendance at the conference had been monitored during previous weeks, and likewise the possibility of a meeting were broached in advance.⁴⁶ However, the Chinese origin of the invitation helped to overcome the resistance of the German Foreign Ministry, which finally gave consent to the meeting provided that Otto Wolff attended as a '*private citizen*' and did not speak for his government. The surprisingly warm attitude of the Chinese representatives left no doubt of their interest in restoring partnership with the German economy. In his welcoming address Hsu's stated that the new Communist regime had closely examined all the contracts signed between Otto Wolff AG and the '*criminal Guomindang regime*' before the revolution and had found no sign of offence '*to the pride of the people of China*'.⁴⁷ Therefore Beijing was eager to consider new business proposals that the German firm would submit in the near future. The conversation that followed highlighted the same problems as emerged during the OADW-CNIEC negotiations in East Berlin, namely the need for clear and reliable conditions for shipping and payment. However, further details revealed more political than technical implications, as in the case of arbitration rules in cases of dispute between the parties. The Chinese insistence on recommending East Berlin as the '*neutral forum*' for future controversies with West German firms was dismissed by Otto Wolff as unacceptable and no alternative solution had emerged during the talks. Nevertheless, the leader of the Cologne steelmaker's and future head of the OADW reported from the meeting his impression that Beijing's new interest in trading with the West was not only due to the quality of goods produced outside the so-called Iron and Bamboo curtains.⁴⁸ Otto Wolff von Amerongen was also persuaded that the People's Republic of China was trying to avoid the monopolizing influence of the Soviet Union over its own development, despite the opposite view expressed in public. Hence future Western negotiators should be aware of Beijing's willingness both to reach satisfactory agreements soon and to present them under an increasingly political light.⁴⁹

Apart from the results of the meetings in Geneva, the presence of the Chinese representative in the West during the conference had a positive outcome on East Berlin negotiations, which also enjoyed the discreet but official endorsement of the West German Ministry of Economy.⁵⁰ Preliminary documents worked out by the OADW were accepted by the Chinese as a basis for discussion, and a last round of meetings in August ended in a draft agreement valid for one year. The preamble stated that '*barter transactions*' were accepted as the general principle regulating

⁴⁵ RWWA, Abt. 72, 389-1, Memorandum of Otto Wolff von Amerongen on the meetings held in Geneva, 6.05.1954.

⁴⁶ RWAA, Abt. 72, 389-1, Lange from East Berlin to Otto Wolff von Amerongen, 18.03.1954.

⁴⁷ Wolff von Amerongen, *Der Weg nach Osten*, p. 243.

⁴⁸ Mitcham, *China's Economic Relations with the West and Japan*, p. 15.

⁴⁹ RWWA, Abt. 72, 389-1, Memorandum of Otto Wolff von Amerongen on the meetings held in Geneva, 6.05.1954.

⁵⁰ RWWA, Abt 175, 4-3, Reinhardt of the Ministry of Economy to the «Ost-Ausschuss», 21.01.1954.

bilateral transaction, which meant that a total amount of exchanges was fixed, that both sides should draw up a list of desired import and export goods, and that they would trade accordingly.⁵¹ When the OADW brought the result of the negotiations to the attention of the government, the experts of the Ministry of Economy raised no objection on the technical aspects. However, one last condition from the CNIEC was destined to create strong opposition inside the cabinet: a delegation of German businessmen was expected to visit Beijing and sign the agreement during an official ceremony. The Chancellery and the Foreign Ministry interpreted this request as the latest evidence of Beijing's general strategy to enhance its international status, which had started with participation in the Geneva Conference. The compliance of the CNIEC with the technical requests of the Ost-Ausschuss was seen as suspect; besides, the Chinese negotiators in East Berlin had also proposed concluding a warrant deal between the central banks concerning the financial aspects of the agreement, thus implying participation of a public German institution and paving the way for a first act of official recognition. Under these premises, the government refused to endorse signing of the agreement and especially to allow an OADW delegation to Beijing, which Communist propaganda would exploit as a first breach in Western (and especially German-American) solidarity.⁵² The harsh reaction of the Chinese authorities to the indefinite postponement of the signing ceremony seemed to nullify the progress accomplished during the last two years and to push economic relations between the Federal Republic of Germany and the People's Republic of China towards a major new crisis, as every attempt to find a different solution by the Committee was bluntly rejected.

Meanwhile, bilateral trade had experienced steady growth which had led some German actors to the conclusion that signing the agreement was irrelevant. Rather, the real problem was the lasting embargo on some groups of products which represented a fundamental asset for the German economy, such as iron and steel. Although the figures achieved looked encouraging, the bilateral trade still suffered from the same problems which had pushed the OADW to take the initiative, namely lack of clear customs and procedures, and more generally Beijing's monopsony position which the plurality of weaker German interlocutors could not counterweight.⁵³ Even more important was the evidence that the German economic performance was losing ground to Western competitors, as the easing of the embargo after the Panmunjom armistice marked the beginning of a generalized rush to China. In several cases, the respective political authorities endorsed the initiatives of the private sector through the opening of official channels with Beijing, although few of them reached the status of diplomatic recognition.⁵⁴ The Chinese authorities seemed to appreciate this and between 1953 and 1955 trade was intensified especially with those countries which had sent official missions to the People's Republic.⁵⁵ The case of Great Britain was the most evident: London had recognized the new government in Beijing in 1950, therefore official relations had never been broken despite the Korean crisis and reluctant adherence to the US-led embargo. The visit of the British governor of Hong Kong to mainland China in 1955 offered Premier Zhou Enlai an opportunity to praise her Majesty's government while blaming the other Western European states for their '*poor insight*' and their treatment of the Communist leaders as '*lepers*'.⁵⁶ Moreover, the historic visit of Chancellor Adenauer to Moscow during the same year opened official relations between the Federal Republic of Germany and the Soviet Union, and Mao Zedong's immediate approval of that historic opening was followed by the hope that a similar process would also include

⁵¹ Ching, C. (2006). *Trade without Flag. West Germany and China 1949-1972*, The University of Hong Kong Pokfulam, Ph.D dissertation (unpublished), p. 205.

⁵² Jüngerkes, *Diplomaten der Wirtschaft*, p. 142.

⁵³ Ching, *Trade without Flag*, p. 214.

⁵⁴ PA-AA, Bestand 80, Band 353, Memorandum from Brautigam to all German representatives abroad, *Anerkennung zur Volksrepublik China und ihre Beziehungen zu anderen Ländern*, 30.12.1955.

⁵⁵ Ibid., p. 212; RWWA, Abt. 175, 4-1, Letter from the President of the "Arbeitskreis China" Heinrich Köhler to the General Director of the "Bundesverband der Deutschen Industrie" Hans-Wilhelm Beutler, 3.05.1955.

⁵⁶ PA-AA, Bestand 80, Band 353, Memorandum from the Foreign Ministry to all German representations abroad, *Frage der Anerkennung der Volksrepublik China und ihre Beziehungen zu anderen Ländern*, 30.12.1955.

the People's Republic of China. The lack of reactions from Bonn was magnified by the rapidly changing attitude by its main partner in Europe, as a first French delegation reached Beijing in early 1956. Although the emphasis was on the economic profile of the delegation, as attested by the several contracts signed during meetings, the appointment of Senator Henri Rochereau (then president of the Economic Commission of the upper House) was a clear sign of commitment by the French institutions.⁵⁷ The several contacts between Otto Wolff von Amerongen and Senator Rochereau before and after the visit of the French delegation proved the former's interest and desire to imitate a successful experience. Nevertheless the members of the OADW grew frustrated at Bonn's hesitations which failed to recognize the opportunities offered to German economic actors by '*ninety years of successful business with China*';⁵⁸ while the Adenauer government persisted in refusing to allow the visit of a German delegation, '*outsiders*' were paving the road to Beijing at the expense of those who had devoted their energy and competence to the same goal for years.⁵⁹

A further element of resentment by the German economic actors was the selective removal of controls on China trade. During 1955 Japan had requested and obtained some major exemptions from the CHINCOM provisions on merely economic grounds, namely the importance of bilateral exchange for the economic recovery of the country.⁶⁰ Although the similarities between the two countries had made Japan a sensitive issue for the Federal Republic of Germany during the postwar years, no official protest came from Bonn, to the disappointment of the OADW. One year later, when other western governments questioned Washington's arbitrary behaviour, the German government seemed concerned only with political mediation in order to avoid any repercussions on cohesion within NATO, which the Suez crisis had already placed under stress.⁶¹

Paving the road to Beijing: the battle at home and the trade agreement of 1957

Despite the political deadlock, the meetings between the OADW and the CNIEC were resumed in 1955. However negotiations were reaching a paradoxical stage since agreement on the text was complete and no further improvement could be expected. As the Chinese interlocutors grew irritated at what they perceived as deliberate dragging tactics, the German government turned down a new request by the Committee to visit Beijing, since the opening of diplomatic relations with Moscow was not to be influenced by other official moves towards the Socialist bloc.⁶² Although the Foreign Ministry seemed to have abandoned its principled reservations about the trade agreement, its proposals for a compromise on the last step were unacceptable and insulting for the OADW: the latter was to invite the CNIEC to sign the agreement in a city of the Western hemisphere, and only in case of refusal might the Committee agree on Beijing. According to the most expert negotiators of the agreement, they would get no result except losing what remained of their faces after having declined the first Chinese invitation.⁶³ This last provocation combined with further evidence that the German economic performance towards China was declining and that more economic missions were rushing to China from other western partners such as France and later Italy.⁶⁴

As a consequence the conflict became public in 1956, when the leading members of the OADW (who in turn had been put under pressure by their colleagues for their lack of concrete results) seized every opportunity of restating how mistaken the interpretation of the agreement was in political terms. On the contrary, the Committee did not intend to serve as a representative of the

⁵⁷ See A. Romano's article in this special issue.

⁵⁸ RWWA, Abt. 175, 4-1, Letter from Beutler to van Scherpenberg of the Foreign Ministry, 24.05.1956.

⁵⁹ RWWA, Abt. 175, 4-1, Letter from Otto Wolff to Heinrich Köhler, 18.09.1956.

⁶⁰ RWWA, Abt. 72, 389-1, Letter from Drossel to Otto Wolff von Amerongen, 23.12.1955.

⁶¹ PA-AA. Bestand 1, Band 66, Memorandum by van Scherpenberg of the Foreign Ministry, *Die Verhandlungen im China-Komitee über eine Ermässigung der Embargo-Massnahmen gegenüber der VR China im Frühjahr 1957*, 25.05.1957.

⁶² Jüngerkes, *Diplomaten der Wirtschaft*, p. 144.

⁶³ RWWA, Abt. 175, 4-1, Letter from Beutler to van Scherpenberg of Foreign Ministry, 24.05.1956.

⁶⁴ On Italy, see V. Zanier's and C. Meneguzzi's articles in this special issue.

government, but only to secure new paths and clear and safe procedures for the German economic community in trading with such a promising market as mainland China.⁶⁵ The public campaign waged by the OADW focused less on the opportunities for improving political relations between the two countries, which depended exclusively on the evolution of the international environment, than on the waste of opportunities that undue interference by politics was causing the German economy.⁶⁶ The crisis reached its acme at the end of the year, when two parliamentary questions were addressed to the government on the subject. While the second came from the small FDP (Liberal) party, which had traditional links to the business community, and provocatively demanded the opening of a German trade representation in China, the first was raised by the SPD (social democrats), the main opposition force on the left, which asked the Federal Government plainly whether it was prepared to allow the signing of a trade agreement with China.⁶⁷ This timely and detailed question raised suspicions that some reserved information had been leaked to the opposition. Although difficult to gauge, the operation would not be inconsistent with the strategy of the OADW and especially with the more aggressive attitude towards the political world brought by the appointment of Otto Wolff von Amerongen as President since 1955. While the organization restated its traditional neutrality in politics, internal debates revealed the intention of some members to *'leave the road to the Parliament open [...] when no further gain could be obtained from the government'*.⁶⁸ The pressure from the Bundestag forced the government to concede that, despite some still open questions, the time had come for some significant steps towards a trade agreement. Meanwhile parallel diplomatic operation was conducted in the same aggressive tones by the highest level of the German economy and especially by President of the Confederation of German Industries Fritz Berg who, in a letter to Chancellor Adenauer in early 1957, hinted at the risk that an unjustified delay to the visit would play into the hands of *'our political opponents'*.⁶⁹ Finally the strategy of the OADW proved right, as the government reached the conclusion that further postponement of the visit to Beijing was not a viable option because *'it would lead to unpleasant public debates'* shortly before the federal elections due in October.⁷⁰ Further encouragement for Bonn came from Washington, where the first steps of the second Eisenhower Presidency seemed to herald a softening of the special economic treatment for China.⁷¹ The crucial evidence came from the decision of the French and British authorities to abandon the China differential in summer 1957 without any retaliation from the US: as a consequence, the West German government toed the line with the West European partners.⁷²

After a new invitation by the CNIEC, and charged with a recommendation by the German government not to get involved in any political initiative, a delegation of eight members of the Ost-Ausschuss reached Beijing on 8th of September 1957. A new interlocutor was waiting there for the last phase of the negotiations, namely the China Committee for the Promotion of International Trade (CCPIT), another emanation of the Chinese government whose status was regarded as more adequate. Signing was expected within a week, and yet it took twenty days of negotiations that Otto Wolff von Amerongen (who was to negotiate all major agreements with the other Socialist

⁶⁵ RWWA, Abt. 175, 4-1, Letter from Reuter to Köhler, 5.05.1955.

⁶⁶ RWWA, Abt. 72, 381-2, Speech by Otto Wolff von Amerongen to the Cologne Chamber of Commerce, 17.05.1956.

⁶⁷ Ching, *Trade without Flag*, p. 216.

⁶⁸ RWWA, Abt. 175, 4-1, Record of the plenary session of the "Arbeitskreis China" in Bremen, 12.10.1956.

⁶⁹ RWWA, Abt. 175, 4-3, Letter from Berg to Adenauer, 12.03.1957.

⁷⁰ PA-AA, Bestand 63, Band 139, 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*, 26.07.1957.

⁷¹ PA-AA, Bestand AV, Band 7555, Letter from Dittmann of the German Consulate in Hong Kong to Kessel in the Foreign Ministry, 14.03.1957.

⁷² PA-AA, Bestand 63, Band 136, Memorandum from Zahn-Stranik of the Foreign Office, *Die Wirtschaftsbeziehungen der BRD zur VR China nach Aufhebung des China-Differentials*, 4.07.1957.

countries) would dub immediately thereafter as ‘*the hardest*’.⁷³ Although the document agreed on in East Berlin in 1953 was the basis for negotiations, much remained to be settled, especially on two points. As forecast, the Chinese negotiators renewed their pressure to include an agreement between the two central banks, thus opening a first breach towards official involvement of the German government. In that case, the institutional framework of the Federal Republic offered the German delegation an easy escape route: the then Bank Deutscher Länder (later Bundesbank) was an institution autonomous from the government, while the Ministry of the Economy was charged with the financial responsibility for trade (and was updated constantly about the course of the negotiation). The solution came with an official letter to the OADW stating that the Ministry was committed to acknowledging the agreement and would do its utmost for its fulfilment (the letter was eventually transmitted to the CCPIT).⁷⁴ Likewise, the problems concerning arbitration were solved with a compromise which avoided the risk of a solution inconsistent with the Hallstein Doctrine: the suggestion of East Berlin was finally abandoned by the Chinese negotiators and an agreement was reached on Zurich, barring a different agreement between the parties.⁷⁵ Finally, the German request to include West Berlin in the area subject to the agreement was again the subject of a separate letter signed by Otto Wolff von Amerongen and acknowledged by the Chinese delegation without objections. While all other attempts to involve the federal government in the agreement were rejected, the German negotiators estimated they had achieved a satisfying 80% of their aims,⁷⁶ especially in the definition of clear and agreed terms for trade and financial procedures, the uncertainty of which had dogged economic relations for so long, and in the preferential status accorded to the Deutsche Mark for payments.⁷⁷ The only point-blank refusal by the CCPIT delegates regarded registration of German trademarks in China, since they opined that only the two governments were entitled to discuss the matter.⁷⁸

Although the agreement signed on 27th September was the result of a hard battle, the government in Bonn shared the same positive opinion of the OADW and acknowledged that the delegation had fully respected the limits of its mandate without implying any engagement of the political authorities.⁷⁹ A short follow-up of the agreement proved how the last point, namely an early symbolic step towards governmental recognition, had been the real goal of Beijing which had helped the Committee to get the upper hand during the negotiations on concrete trade issues. As a last request, Beijing had conditioned the enforcement of the agreement on its being published in the official communications of the German government. Transmission of the request to the Ministry of the Economy was initially turned down, since the authorities deemed the opening formula referring to ‘*friendly negotiations*’ as politically unacceptable.⁸⁰ A last round of talks led to publication of an amended and more politically neutral version of the text in the official bulletin of the Foreign Ministry, but the course of the event had proved one more time how closely wedged the mediation of the OADW had been between Beijing’s claims and Bonn’s uncompromising stance on the political level. As far as the economic performance was concerned, the agreement proved an unconditional success. A total trade volume of 230 million Deutsche Mark was foreseen for each import and export: the result in 1958 was three times higher. To prove how right the Committee had been, the most powerful impulse came from the definition of trade customs and rules, which also

⁷³ RWWA, Abt. 72, 381-2, Letter from Otto Wolff to the Director of the “Ostasiatischer Verein” Hans Stoltenberg-Lerche, 7.10.1957.

⁷⁴ RWWA, Abt. 175, 5-1, Proceedings of the first negotiating session, 10.09.1957.

⁷⁵ For the full text of the agreement, see Leutner (ed), *Bundesrepublik Deutschland und China*, p. 73.

⁷⁶ RWWA, Abt. 72, 381-2, Letter from Otto Wolff to Hans Stoltenberg-Lerche, 7.10.1957.

⁷⁷ RWWA, Abt. 175, 5-1, Letter from Otto Wolff to the President of the CCPIT Nan Han-Cheng.

⁷⁸ RWWA, Abt. 175, 5-1, Proceedings of the fifth plenary session, 18.09.1957.

⁷⁹ PA-AA, Bestand 63, Band 139, 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*, 17.10.1957.

⁸⁰ RWWA, Abt. 175, 5-1, Record of the meeting between the German delegation to Beijing and Reinhard of the Foreign Ministry, 11.11.1957.

helped dramatically to increase the share of direct trade between the countries from a mere 35% in 1957 to 86% at the expiry of the agreement.⁸¹ The value of the agreement for normalization of bilateral trade relations was also attested in the course of a short-lived crisis in 1958, when the Chinese authorities complained to the OADW about alleged discrimination on German imports from China as a consequence of the European Economic Community coming into force. Mediation by the Committee with the Bonn authorities was again an effective substitute for direct diplomatic representation, and the crisis was defused after some minor technical adjustments.⁸²

Nevertheless, the Chinese interlocutors manifested their dissatisfaction with the results of the agreement well before it expired, and declared that its renewal as such was not a priority. Again the reason lay in the lack of progress at a political level, as the German government constantly refused to get involved in the negotiations. Surprisingly enough, the lack of a new agreement did not affect either trade praxis, which on the contrary followed the prescription agreed in Beijing, or the volume of exchange which maintained the same level as in 1958. It is easy to conclude that the People's Republic of China itself estimated that the bilateral economic relations had developed too favourably to be jeopardized by political considerations, especially in key sectors such as the chemical industry, and iron and steel. Besides, other international problems imposed economic repercussions, such as the incident occurring in 1958, when an ultranationalist Japanese group insulted the Chinese national flag at a fair taking place in Nagasaki. Although Japan was the first economic partner of Beijing at the time, the so-called Nagasaki incident forced the Communist leadership to bring bilateral trade to a full halt until 1962.⁸³ As a result, trade with Western Europe and especially with the Federal Republic of Germany increased dramatically since it proved the best substitute in terms of price and quality of imports. On the other hand, the downturn experienced by West German-Chinese trade at the turn of the decade was not due to the lack of a new bilateral agreement, but to the devastating consequences of the Great Leap Forward on Beijing's economic performance at home and abroad.

To conclude, the endeavour of the OADW to wrap up an economic agreement with the People's Republic of China proved right, as bilateral trade was neither affected by the instability of East-West relations (or later by the rising Sino-Soviet split), nor influenced by the protracted lack of diplomatic recognition between Bonn and Beijing. On this last point, despite recurring recriminations by the Chinese and the failure of all attempts promoted during the 1960s, both governments seemed to have acquiesced in a distinction between the profits of economic exchange and the limits imposed by the ideological confrontation at the core of the Cold War until the changing international environment allowed official reciprocal recognition in 1972. As a result, the prestige of the OADW experienced considerable growth as the interlocutor of Beijing, and a real parallel diplomacy was conducted in the following years through frequent contacts with the Chinese representatives abroad (mainly in Bern) and reciprocal invitations to economic fairs in both countries. Thus the efforts of the OADW to subtract economic exchange from the gyrations of politics brought about positive results which lasted well beyond the limited case of the agreement signed in Beijing in 1957.

⁸¹ Ching, *Trade without Flag*, p. 218.

⁸² Jüngerkes, *Diplomaten der Wirtschaft*, p. 151.

⁸³ Hsiao, G.T. (1977). *The Foreign Trade of China. Policy, Law and Practice*, University of California Press, Berkeley, pp. 41-50.