**Diplomacy and International Bankers in Andean countries, 1890-1914**

Executive Summary of Paper Draft

**Oscar Granados**
Associate Professor
Department of International Trade
Universidad Jorge Tadeo Lozano

## Abstract

After the Baring's crisis in Argentina in 1890, the landscape in South America of international banking was transformed, and those banks that had accompanied the funding of Brazil and Argentina found with an increase in competition with the arrival of other banking houses to the region. However, the competition was not only presented in the economic powers of South America, but also in the Andean countries with important strategic resources, vital to the central economies, such as England, Germany, United States and France. Nevertheless, the arrival of international banks was accompanied by diplomacy inasmuch as the interests of some countries by the Andean resources that will facilitate industrial development and progress as powers.

**Keywords:** Bankers, Diplomats, Commodities, Andean Countries

**JEL:** N26, N46, N56, N86

Latin America was influenced from before its independence process by some international bankers who were developing their influence in the first instance from the sovereign debt that emerging nations needed to achieve some political and economic stability. Although there were several situations that temporarily kept away to the bankers, especially the constant defaults, some other bankers took the importance that acquired countries like Brazil and Argentina in international trade, and others with temporary natural resource booms such as gold, cocoa, silver nitrate and tin.

The expansion of international trade in the late nineteenth century and early twentieth century managed to integrate the Andean countries to international food and minerals markets as part of a range of products required to meet new industrial requirements and changes in some eating habits in countries like Britain, Germany, US and France, involved in a political and territorial competition that flowed from the Berlin Conference in 1885. The growth of international trade was higher than world economic growth and the integration of commodities trade with banking services.

The tin in Bolivia, gold and coffee in Colombia, nitrates in Chile, cocoa in Ecuador and copper in Peru, were consolidated as a commodity booms in small economies and achieved the supply of world markets that demanded a greater amount of raw materials to an industrial race that linked with commodities market throughout the world extension.[1] Although some of these booms advanced beyond the First World War, some of these resources were consolidated only as part of the political and diplomatic processes of the central economies that seeking to acquire a global political and economic leadership in the years before the Great War.

Given the importance of several basic goods, some international bankers that regardless of the Andean countries were in adverse political situations and were not the principal economies of South America, came to benefit from the temporary prosperity of these countries, that increased the revenues of international banks and also benefit the industrial and innovation interests of their governments (See Table 1).

Table 1. *Andean Exports to the Central Countries, 1913*

| **Country** | **Value (Millions USD)** | **USA (%)** | **UK (%)** | **Germany (%)** | **France (%)** | **Total (%)** |
|---|---|---|---|---|---|---|
| Bolivia | 36,5 | 0,6 | 80,8 | 8,5 | 4,9 | 94,8 |
| Chile | 142,8 | 21,3 | 38,9 | 21,5 | 6,2 | 87,9 |
| Colombia | 33,2 | 44,5 | 13,5 | 7,1 | 2,0 | 67,1 |
| Ecuador | 15,8 | 24,3 | 10,3 | 16,6 | 34,1 | 85,3 |
| Peru | 43,6 | 33,2 | 37,2 | 6,7 | 3,5 | 80,6 |

Source: Adapted of (Bulmer-Thomas 1994, 74)

This raises the question: Andean countries could be incorporated into the strategic materials global trade as from the structuring of a global network, where were linked bankers, diplomats and elites (local families and migrants)? We answer this question by analysing comparatively commodities business development in Colombia, Ecuador, Bolivia, Chile and Peru, with gold, cocoa, tin, nitrates and copper respectively, where the business of commodities was in head by local families, migrant families and partnerships with international entrepreneurs. For this, I used network theory as a theoretical reference, and

[1] (Findlay and O'Rourke 2007, 405)

built an analysis that linked with visit to public archives in England, Colombia, Ecuador, Chile, Bolivia, Peru, and private archives in England and Germany. This facilitated the structuring of empirical evidence, that adding to use of secondary sources, allowed to develop a response to the research question.

This paper aims to analyse comparatively the development of mining, relations between local and foreign families in Andean countries, and its link with a network of bankers, diplomats and politicians who allowed the business consolidation and influence in the public affairs. From a point of view that relates the evolution and transformation of business and merchant schemes using network theory. Thus, the established a network in these countries was allowed to families, businessmen and bankers achieve the influence in public and foreign affairs of commodities industry as part of its corporate strategy. Wherein articulates a different scheme in the international business history, putting aside the traditional Latin American historical analysis as mentioned Barbero, linking imperialism, underdevelopment and dependence as an important part of the economic and social history,[2] marking a relevance influence in the development of the discipline in the region away from the international business discussion and focusing on imperialism.[3]

Although the analysis is developed in an imperial period, focuses on international business and economic diplomacy, where Central economies, began to advance as an imperial power with the new political approach that deepened Wilhelm II with the resign of Bismarck, and the same situation in the other Governments. This, period that was also characterized by the incorporation of banks to *Haute Finance*, that linked with governments, infrastructure projects, industry, innovation and technological progress, wherein were necessary the strategic materials and luxury products like cocoa.

This document is divided into fourth sections, the first one that reviews the progress of commodities production in the region, their participation in world markets and international prices. A second analyses the influence of migrant families, foreign governments, banks and merchant houses in commodity business, a third examines the operation and structure of the global business network between Andean countries and Central Economies, using network theory, and finally a conclusion section.

[2] (Barbero, 2003, pp. 319-320)
[3] (Jones, 2003, p. 367)

# I

Although the Andean countries could not to consolidate their political structure, as were frequent the clashes between different political groups and supporters of liberal and conservative factions. Several international bankers analysed if the opportunities might be attractive enough to join regions that could easily result in a territorial fragmentation or disintegration of some country.

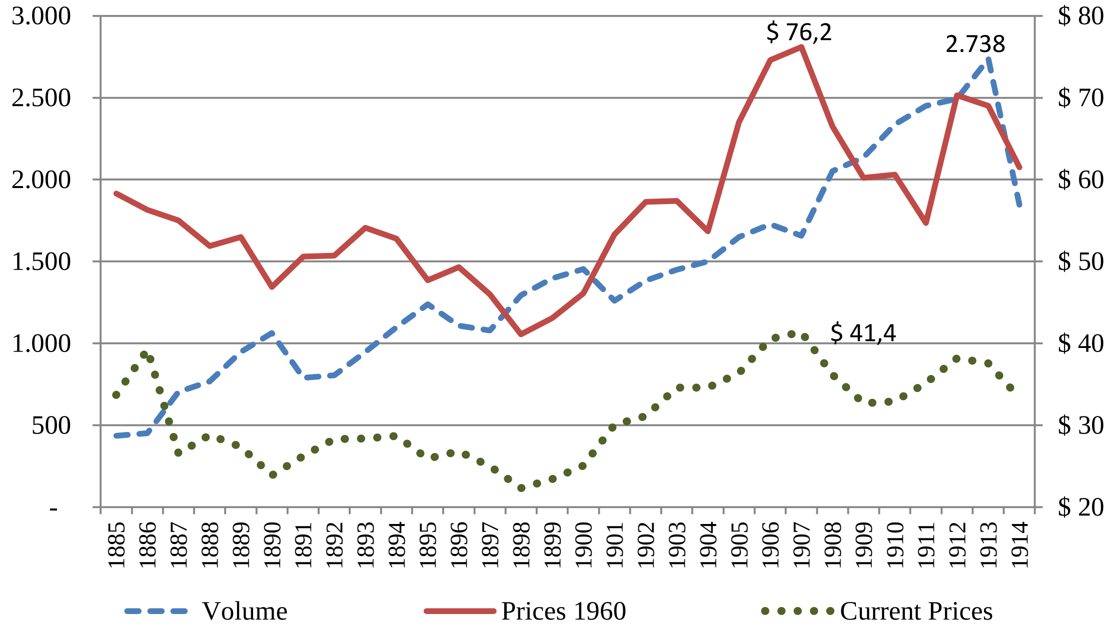


Figure 1. *Chilean Nitrate Expansion, 1885-1914*
*Note*: The volume is in thousands of tons. Prices are in dollars per ton. The current prices are nitrate to put in Chilean ports of Antofagasta and Iquique not aboard ships.
*Source:* With information of (O'Brien, 1989, p. 134) (Sutter and Sunkel, Un Siglo de Historia Económica de Chile, 1830-1930 1982, 126) (Stocking & Watkins, 1946, p. 123).

Colombia, after the implementation of a new Constitution in 1886, underwent a structural transformation that years later would lead to confrontation known as the Thousand Days War (1900-1903), where the radical and uncompromising factions of political parties led to the continuity of armed struggle.[4] However, the Antioquia area, located northwest of Colombia, did not suffer from this war, which allowed its gold zones and merchant centres like the city of Medellin, the continued production progress and as a

[4] (Eslava 1984, 138)

banking centre of Colombia, from also the gold export for reasons of constant clashes intensified with this war.

While Chile trying to overcome their partisan confrontation, several banks takes advantage of business opportunities that generate new territories obtained with the War of Pacific. By 1884 the nitrate business was distributed as follows: Chileans had 36% of production, 20% British, 17% German and 14% British-Chilean associations. The year 1895 would bring a major change in the structure, and the British began to handle 60% of the production, from the alliance between the British government and John North, *the Nitrate King*, integrating the supply monopoly that had Iquique water, an relationship with several migrants as Harvey and Dawson whom specialized in each part of the business, and the Peruvian ownership certificates issued in 1876 that the Chilean government endorsed and served as collateral to finance locally and in Britain. Added to this was an improvement in prices and production levels (See Figure 1), and the increase of British investment that for 1896 totalled $ 60.2 million of dollars[5] while the German investment over 8 per cent to 15 per cent before the war started.[6]

In Bolivia, clashes between liberal and conservatives groups were also presented, that generated the confrontation between 1898 and 1899. Also, the effects of the War of the Pacific, disrupted the economic geography of the region since 1885, and Peru and Bolivia had to revive its rich mountains that for centuries had allowed the financial development of the Spanish Empire with mineral deposits of Upper Peru. The tin became the material par excellence for strengthening military and naval industry as anticorrosive properties were essential for the development of these industries. This allowed an export progress in Bolivia, favoured by increased demand and price (See Figure 2), which had a production structure dominated by Patiño and Aramayo, such as miners and buyers of production, *rescatadores*, of small miners. Germany imported in the years before the outbreak of the First World War a higher volume of metals than food, for 1907, 58.7 per cent was minerals versus 35.4 per cent are food commodities, and distribution remained about the same until 1913. Its

[5] (Monteón, 2003, pp. 74-6) (O'Brien, 1982, pp. 67-9) (Rippy, 1948, pp. 458-60) (Sutter & Sunkel, 1982, pp. 127-36)
[6] (Collier & Sater, 2004, p. 165)

industrial development allowed him to become an exporter of tin, from the value added of its refineries and for the same year exported 182,400 tons and by 1913, 460,800 tons.[7]

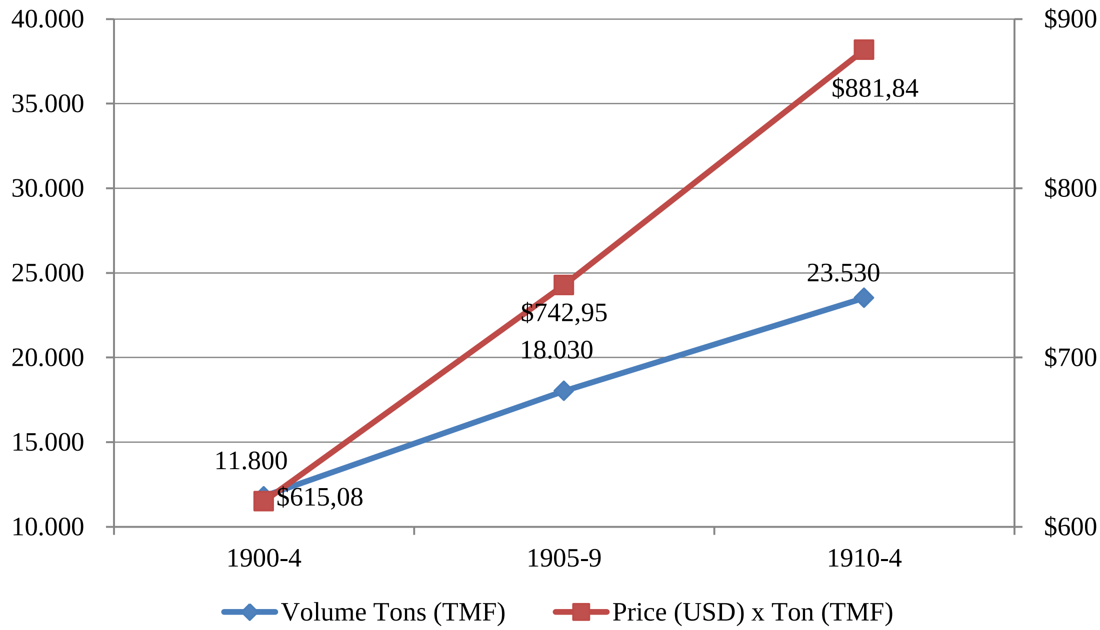


Figure 2. *Volume and price of tin exports from Bolivia*
*Note:* Five years averages
*Source:* Developed by the Author with information of (Abadie-Aicardi, Economía y Sociedad de Bolivia en el Siglo XX. El Antiguo Régimen 1966, 24) (Ruiz, 1956, pp. 50-1)

Ecuador, after a long conservative period, developed a period also called a liberal progressive, led by Eloy Alfaro in 1911. In that year, a period of political instability and economic crisis which maintained a constant confrontation between population, elites and the military, looking for a balanced of political power. However, during the liberal period that was integrated with the development of international trade in cocoa, Ecuador advanced as the largest producer of cocoa before take-off of African countries in the early years of the twentieth century (See Table 2). The accumulation of some Ecuadorian families was important for the arrival of merchant bankers and also for the internal development of the banking business with the founding in 1894 of the Banco Comercial y Agricola in Guayaquil.[8]

[7] (Molodowsky, 1927, pp. 669-72)
[8] (Granados 2013)

Table 1. *Cocoa Export of Leading Growers, 1885-1914*

| Country | 1885 | 1895 | Var. % | 1905 | Var. % | 1914 | Var. % |
|---|---|---|---|---|---|---|---|
| Ecuador | 11,8 | 17,5 | 48,3 | 21,7 | 24,0 | 47,2 | 117,5 |
| Venezuela | 6,7 | 7,1 | 5,9 | 11,6 | 63,4 | 16,9 | 45,7 |
| Brazil | 6,2 | 10,8 | 74,9 | 21,1 | 95,4 | 40,8 | 93,4 |
| Dominican Republic | 0,4 | 1,7 | 325,0 | 13,1 | 670,6 | 20,7 | 58,1 |
| Trinidad and Tobago | 6,2 | 13,4 | 116,1 | 21,9 | 63,4 | 28,8 | 31,5 |
| St. Tome | 1,2 | 7,0 | 483,3 | 25,7 | 267,1 | 32,1 | 24,9 |
| Ghana | 0 | 0 | N.A. | 5,6 | N.A. | 53,7 | 858,9 |

*Note:* In Thousands of Metric Tones

*Source:* Developed by author with information of (Clarence-Smith 2000, 238-9)

The exports in 1885 amounted to 40,689 tons where the Western Hemisphere concentrated 95.7 per cent of world exports. Ten years later the Western Hemisphere participated with 86.5 per cent of the export of 74,185 tons. By 1905 exports were 145,602 tons where African and Asian production was entirely colonial territories came to 24.3 per cent and 2.9 per cent respectively. In 1914 exports amounted to 279,867 tons where the western hemisphere participated in a 62.3 per cent (See Table 1).

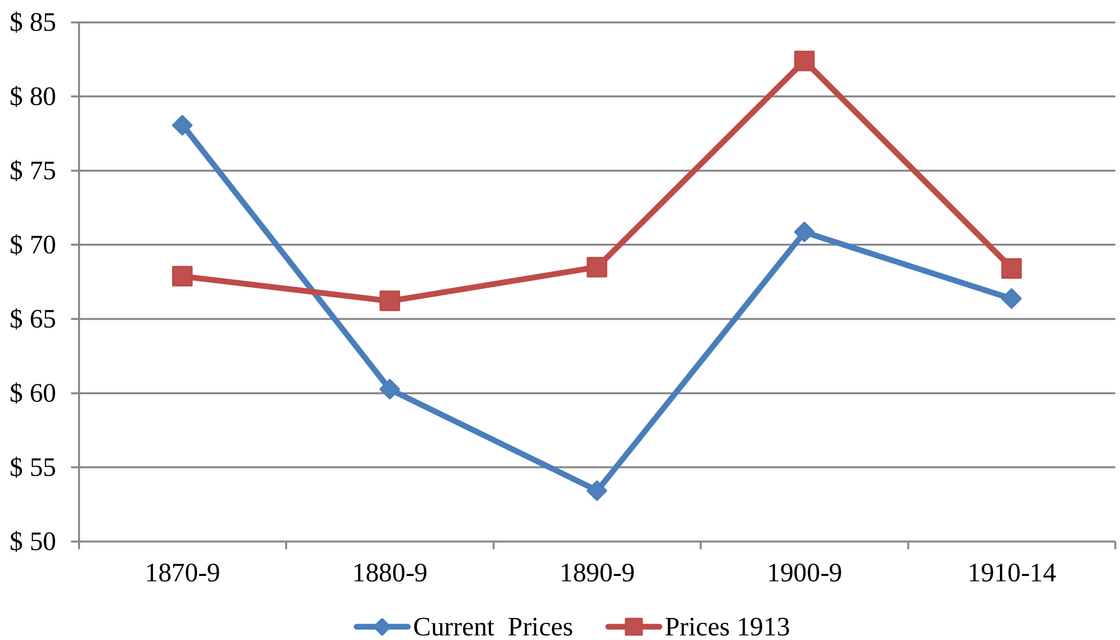


Figure 3. *London Metal Exchange Copper prices, 1870-1914*
*Note:* GBP x Metric Ton. Metric Ton current prices vs. prices 1913
*Source:* Developed by author with information of (Schmitz, 1986, p. 409)

However, these booms were not integrated fully with the international bankers, but many times you were local merchants who developed the banking business, where the international bankers stayed away and used the correspondent's scheme or directly came to establish their offices in the region.

In Colombia, the large number of banks that were created during the period of 1890-1914, overflowed all standards that connected the economic activity with the number of banks. The banks created in Colombia, especially in the Antioquia region, centre of *colonización antioqueña* that would give life to the coffee boom, were connected more with financial speculation that economic growth or foreign trade growth. Several banks that took advantage of gold speculation and emission of notes, such as Banco Popular, Banco Medellin, Banco de los Mineros de Antioquia and others closed their doors in 1904. It was the rise of regional banking in Colombia, in Antioquia and Bogotá, Cartagena and Barranquilla, where also banks like Bank of Barranquilla and the American Bank were closed.[9]

While other banks moved to international links during the period, such as Banco de Antioquia, Banco de Sucre and the Banco Alemán Antioqueño, without neglecting the banks of the capital city, Bogotá and Colombia, whom developed a network of foreign correspondents London, Paris and New York.[10] However, foreign capital and international bankers expected a better position to be taken directly to Colombia due to slow business and economic development. With the exception of the joint venture between entrepreneu.rs of Antioquia and Bremen that created the Banco Aleman Antioqueño, the Cortes Commercial Corporation, a joint venture between Bogota citizen and English entrepreneurs, branch of the Mercantile Bank of the Americas and the Bank of London, Mexico and South America had been since 1864 in the region, but many banks came to the region after the First World War ended.[11] Adding to the activities of Colombian entrepreneurs, who started trade and financial activities from their corresponding offices in New York, as was the case of the House Vásquez Correas.[12]

[9] (Child and Arango 1984, 62-63, Meisel and Posada 1994, 230-231, 259)
[10] (Botero 1994, 200-207, Echavarría 1946, 360-362, Romero 1994, 271)
[11] (Meisel 1990, 145)
[12] (Child and Arango 1984, 70-71)

While Peru's new Mining Code launched in 1901, allowed the United States advance, with the founded of the Cerro de Pasco Investment Holding Company based in New York and would have interest in Cerro de Pasco Mining Company, in the Cerro-Oroya Railway and the rights of other mines in central Peru. Among its partner network were Michael Grace, James Haggin, JP Morgan and George Hearst, [13] who activated a mine production that in the nineteenth century was closed. Competition in the production of the United States developed their skills for that mining companies were interested in Peru and later in Chile under vertical structures as Anaconda Copper, American Smelting & Refining, Phelps Dodge, US Smelting, Refining & Mining Co.,[14] given by a growing demand for the metal and the necessity to diversify their investments.

Real prices were activated with the high demand from the United States and Germany in the 1900s (See Figure 3), with the difference that the former had important local deposits, but both had developed internal infrastructure and refining smelters they allowed to accumulate sufficient financial capacity for go into the exploration processes and exploitation in the region in the coming years, which had a cheap labour supply.[15] Authors like Felgran mentioned that there was manipulation by major United States mining companies on prices, but that did not really exist in such a deep crisis as prices usually manifests.[16]

## II

First, the commodity trade became attractive to merchant houses and later, merchant banks were attracted by the opportunities that were generated from the mid-nineteenth century in the Andean region. However, the cost of travel by the Cape Horn, in spite of the construction of the Panama Railroad, did not allow all export activities were profitable. For this reason, commodity booms in the Andean countries were not of the interest of merchant

[13] (Waszkis, 1993, p. 87)
[14] These are some of the largest industrial enterprises in the nonferrous metals sector for 1909, according Chandler adaptation of Kaplan's work, see (Chandler Jr., 1962, pp. 5, 327)
[15] The Guggenheim took this opportunity that gave the Peruvian and Chilean market, although the latter was in the nitrates boom (O'Brien, 1989, pp. 129-32), but it would be the beginning of the cooper expansion by falling nitrate exports by the expansion of synthetic nitrates, which Guggenheim also wanted to take advantage at the end of the First World War, because the German production of synthetic nitrates was reduced by the impacts of the war ended (Glaser-Schmidt, 1995, pp. 177-9).
[16] (Felgran, 1982, pp. 35-6)

houses and merchant bankers because were not always profitable, hence the raw materials were obtained through other intermediaries who assumed the risks of transport and them out from a difficult place in the Andean mountains.

This was also a reason why many migrants reached places difficult to access, but many times in order to stay in the region and others to develop business with merchant houses most bigger and with more capital, to export to ports in Europe and the United States that created a commercial network which integrated the interests not only in trade but also bankers and diplomats interested in the resources of the region. Several migrants, such as Bebín brothers in Bolivia and John North in Chile were some who managed to integrate into the global network of raw materials, and at times these brokers of commodities, were linked to international bankers who had the ability to structuring transactions with these countries, distanced by the Andes of the most important countries in the region: Argentina and Brazil. Despite this, Valparaiso became the most important commercial and financial centre of the Pacific, with operations most important that the same city of Buenos Aires for banks like Deutsche Ueberseeische Bank.[17]

However, the sources of funding are not always developed by local banks, but where some international banks were important to develop and strengthen this process. In Colombia, domestic banks led the financing but with an incipient structure were conditioned by the development of market economy.[18] Similar to what happened in Bolivia, where bank concentration is deepened with the coming of the twentieth century and the influence of the miners as Patiño and Aramayo, further weakened the arrival of new banks, where international banks preferred to develop their businesses with main customers, the tin barons, in other international financial markets and not in Oruro, La Paz or Sucre, where some banks had been established as part of the domestic banking development of Bolivia: Banco Industrial de Bolivia, National Bank of Bolivia, Banco Francisco Argandoña and subsequently Banco Mercantil.[19]

[17] Balance of 1911-12 of Deutsche Üeberseeische Bank. Historische Gesellschaft der Deutschen Bank, S3866.
[18] (Avella 2009, 62)
[19] Historische Gesellschaft der Deutschen Bank, K01/0796

The coffee in Colombia despite being an activity that did not had a deep expertise of entrepreneurs; the credit went a major source for developing the coffee investments, [20] but with a different linkage of the merchant bankers. Namely, the foreign merchant houses with specific interests in coffee that financed part of the resources for coffee. The other option was generated from mortgage loans from landlords and then some banking institutions in the transitional system of free banking,[21] replacing one of the traditional lenders during the colonial period and the first decades of the nineteenth century: the Catholic Church.

At the end of the War of Pacific, the South-western Latin American mining scenario, a triangle was rich in various minerals had a new frontiers (See Figure 4). Rapidly was structured a close relationship between mining companies and private bankers who develop an entire railway infrastructure, storage centres, shipping ports, utilities, financing structures and banks, critical to the timely delivery of these minerals to European industrial centres, which competed for these resources to facilitate their economic growth, technological progress, capital accumulation and the creation of financial capital.

Few families were ahead of this economic transformation, a region that was characterized because families established a local label but was the next generation that assumed positions nationwide.[22] On several occasions the development of their business moved to public affairs and political processes, given their importance for export duties on fiscal revenue, creating situations that influenced social structures in exploitation regions, as in central governments. Businessman like North, Grace, Patiño, Aramayo, Edwards[23], Concha Subercaseaux, Backus, Johnston, were important in raw materials but also in the development of related businesses, which is conjugated with a network of private bankers like Rothschild, Barings, Gibbs, merchant houses, correspondents, joint-stock banks in

[20] (Palacios 1980, 99)
[21] (Kalmanovitz and López 2006, 70-1, Meisel 1990, 136)
[22] (Balmori, Voss, & Wortman, 1984, p. 13)
[23] Agustin Edwards linked external markets and funding sources under one merchant banking structure (A. Edwards & Co.) which facilitated the advancement of Chilean mining. This bank was later acquired by The Anglo South American Bank in July of 1920 when it bought 60 per cent of the bank's shares. See: Joslin, *A Century*, 259; Carmen Sutter and Osvaldo Sunkel, *Un Siglo de Historia Económica de Chile, 1830-1930*, (Madrid: Ediciones Cultura Hispanica del Instituto de Cooperación Iberoamericana, 1982), 122. In a first phase was established a strategic alliance and then Agustin Edwards was designated Director of Anglo South American Bank from October 1926 until October 1935 when he was designated ambassador of Chile in London, and a year before liquidation and acquisition by Bank of London & South America; Lloyds Bank Archives, F/4/b/1.2/#4671.

other multinational financial and industrial centres, enabling them to strengthen and diversify their production, trading and financial activities.


Figure 4. *Transformation Border Region, 1879-1883*

*Note:* New Chilean territory:

*Source:* Developed by author with information of (Collier & Sater, 2004, pp. 115,130)

Several migrants established their mercantile houses, without a significant influence on national economies but if in small regions, in the case of Dugand family in Barranquilla, Colombia, and German Fricke in Potosi, Bolivia.[24] It was a time where small trading houses connected with multinational merchant houses and merchant bankers as Balfour Williamson & Co., Duncan Fox & Co., Graham Rowe & Co., joined WJ Lockett & Co., Antony Gibbs & Co., who were notable for interacting in various business activities as well

[24] (Granados 2014, Meisel and Posada 1994, 252-253)

as the representation of transport and insurance companies, essential for the advancement of trade in the Andean raw materials, but also developed partnerships with Germans and English Banks to develop business in different areas.[25] Also, as other smaller Fould & Cie., G. Schwann & Co., Amnsink & Co., Stiebel Brothers, Brothers Schools, Tardif & Cassou, Schütte & Geiseken, Franckfurten & Liebermann, participated in a more specialized way in trade and brokering of specific commodities, such as coffee, cocoa and gold.[26] Although some of these traders became participants in the banking business, such as the local council of the subsidiary bank Disconto-Geselleschaft, Bank Chile und Deutschland, which brought together three major merchant houses: Vorwerk & Co., Weber & Co., and E&W Hardt.[27]

It was a constant transformation that towards broader the business network that linked with the mining families and large merchant companies, and several times it wasn't necessary to install international banks in this mining region, where the regional economy structure was a source to attract these entities and not only the mining production. For this reason, Bolivia only had four domestic banks and two international banks branches, while Chile and Peru 11 and 23 with 8 and 20 respectively.[28] The traditional domain of private banks was reached and integrated a new competition: the joint-stock banks like Deutsche Überseeische Bank, Bank für Chile und Deutschland, Anglo-South American Bank.

Families mining became an influential social class facilitated the establishment of proposed of British businessmen and bankers, who also pressured their government to advance the establishment of a free market in Bolivia, Chile and Peru. Some with more success than others, because they themselves which influenced internal and external affairs.

[25] (Chapman, 1985, pp. 236-8) (Contreras 2000, 201, Couyoumdjian 2000, 43-5, Estrada 2006, 72, Joslin 1963, 85), Historische Gesellschaft der Deutschen Bank, S3773.

[26] (M. Botero 2002, 691, Palacios 1983, 104-117, 284)

[27] Historische Gesellschaft der Deutschen Bank, GB01/0795

[28] The Anglo-South American Bank indirectly settled in Chile in 1888, after the acquisition of Bank of Tarapaca and London, the bank that was initially funded by the Rothschild's; The Rothschild Archive XI/38/38. Its merger in 1900 with Anglo Argentine Bank created in 1889 the Bank of Tarapaca & Argentine, which in 1906 changed its name to Anglo-South American Bank; Geoffrey Jones, *British Multinational Banking, 1830-1990*, (Oxford: Oxford University Press, 1993), 404-9. In 1914, bank had twenty-four offices: seventeen in Chile, four in Argentina, one in Uruguay and the Oruro agency; Lloyds Bank Archives, F/4/b/6.0/#4678. These offices were connected with a network correspondent, where Banco Mercantil de Oruro founded by Patiño was one of them. The Deutsche Überseeische Bank who started their expansion in the region in 1886 (Feis, 1930, p. 66), settled in Chile in 1896 and Bolivia in 1905, where by August 1913, had nine offices in Chile, six in Argentina, four in Peru, three in Brazil, two in Bolivia and one in Uruguay, the last one continued until the withdrawal of Anglo American South Bank as the only foreign bank in Bolivia because the Bank für Chile und Deutschland close the La Paz branch in 1910 and the Oruro branch in 1914. Historische Gesellschaft der Deutschen Bank, GB01/B10, K01/0796, S3775.

This is the case of Bolivian mining families, directly influences, were the owners of all the tin vertical structure and their accumulation allowed them influence also in international markets. Mining families had managed to develop their fortunes in foreign trade commodity, because there was no industrial capacity to absorb mineral production, and central economies were to route the productions to their markets, but also initiated the transfer of ownership of mineral production to British control, as was the case of nitrates in Chile with some internal funding processes[29] and not only through foreign investment.

Miners and landowners became intermediaries between British business and Chilean public affairs, as their benefit to be part of this network provided them with capital accumulation for integration with agricultural, merchant, mining and financial business. Although not in the proportion who achieved Bolivian entrepreneurs, which reduced the possibility that the British took control of tin industry, starting from complex business schemes, corporate strategies and early capital accumulation, which facilitated the transfer of capital to Britain, France, Switzerland and later to the United States.

British interests were diverse in regional mining, in Chile its influence in public affairs was vital to advance its industrial consolidation, where the association with local families he facilitated the development of its business, is the case of Melbourne Clark & Co where participating Edwards, Ossa and Puelma with William Gibbs & Co., and other British investors.[30] As in other partnership schemes, such as those achievement Grace before the default on Peru and its deteriorating fiscal situation at the end of the War of Pacific, which led him to get the rail concession in exchange for Peruvian debt restructuring,[31] that achieved with its international banking network, led by Barings in London[32] and its close relationship in the nitrate business.[33]

In Bolivia there was no such influence, which was exercised directly by local mining families and their ability to remove the major public office at the time that their interests were not protected. The events of 1891 in Chile, configured clearly set the difference between the direct manipulations of British in public affairs through the achievement of

[29] (Cademartori, 1968, pp. 63-4)
[30] (O'Brien, 1980, p. 7)
[31] (The Barings Archive, HC4.11.28)
[32] (Miller, 1976, p. 88) (Secada, 1985, p. 602)
[33] (The Barings Archive, HC4.3.21) (The Barings Archive, HC4.3.18.2)

resources that supported the rebels. The influence, in some cases handling, mining families in Bolivia, like Patiño, that although it was years later, established a common factor and was the defence a mining interests of any political demonstration that affect. Even though the political influence of the Aramayo was different, his father took over the functions of Minister Plenipotentiary in London in 1897, after rejecting the offer of President Pando taking as Minister of Foreign Affairs,[34] who in the shade was elevated to that position, by his diplomatic actions in conflict with Brazil and Chile, and his son held various public and diplomatic positions.

The economy based on exporting raw materials and importing manufactured goods, was vulnerable to any change in international prices, that to be influenced by economic crises led to impacts on public finances, which determined its budget on taxes customs, wherein export duties which facilitated the financing of public spending, and went from 24.9 per cent of total ordinary entries in 1885 to 39.1 per cent in 1915, and the total customs duties 75.9 per cent.[35] So the influence of merchant banks, getting no significant gains in minerals trading, they did so with the provision of loans to sort out fiscal imbalances, directly or indirectly through its correspondent network that came to the banking structure in major financial centres such as London, Paris, Berlin and New York later. Similarly, started an important investment process and business expansion with industrial interests, financial and mining in the region.

Demand for mineral resources in the region left a common factor: a high dependence on minerals, and being a capital-extensive industry despite the easy access of several mineral deposits, did not require a constant transformation and training of general workforce, but only a few workers, what greatly influenced the productivity of these, in the concentration of mining in GDP, in political influence and stiffness to achieve structural changes in the three countries.

## III

The active bankers in the nineteenth century were linked to a network with entrepreneurs and sometimes with some diplomats or government officers of the central economies or

[34] (Crespo, 1981, pp. 158-166)
[35] (Cademartori, 1968, p. 66) (Sutter & Sunkel, 1982, p. 140)

Andean countries that strengthened their financial business during the credit boom from 1904 to 1914, with a slight reduction in 1907 by the international financial crisis. The liquidity generated by the advance of the central countries, facilitated the borrowing of the region. Rothschild was the main banker of Chile, and Barings for Peru, but now clashed with US, German and French banks that arrived to the region and undermined the British power in the financing of the region during the *Belle Époque*.[36]

The most important thing was not linking the financing of governments, started a major investment and financing to sectors that interacted with the commodities trade: transport, ports, commercial companies, financial institutions, and occasionally ventured proceed directly to business investment in agricultural and mining companies, as the mobility of factors was necessary in this case the capital, to facilitate the complementarity of trade and supply of raw materials.

The global liquidity encouraged the speculation in Latin American stocks and bonds that connected with the export boom and companies that were expanded globally. International financial flows between 1885 and 1914, relative to the size of the world economy were greater than it was in the first decade of the century. By the end of 1913 the Argentine bond yield was 4.9 per cent versus 3.4 per cent of British bonds and 4.02 per cent of average US corporate bonds,[37] also, in the bank creation.

By 1885 there were in Chile, six banks that had capital in excess of one million U.S. dollars Chilean pesos equivalent to slightly more than 500,000 of the date, and in 1905 was over 17 banks with capital in excess of one million Chilean pesos, but had already built large banks like Bank of Chile with a capital of $ 64.9 million, Banco Nacional with 11.9 million, Banco Mobiliario with 8.2 million, Banco de la Republica with 7.7 million from the Republic and A. Edwards[38] with 7 2 million.[39] This facilitated the Chilean mining progress and expansion of copper, as several companies were funded locally, despite having foreign investment and a high level of public debt in international markets, representing a British funding equivalent to 66.8 million by 1895 and 172.2 million in

[36] (Marichal 1988, 199-200)
[37] (Nakamura and Zarazaga 2003, 295-301)
[38] Agustín Edwards linked the international trade and funding sources in the same business structure: A. Edwards & Cía. In Colombia tried to make the same Vásquez, Correa & Cia.
[39] (Sutter and Sunkel 1982, 122)

1913.[40] The House of Rothschild supplied resources to an economy that had an essential raw material, copper, for industrial development future of the central countries with credit transactions of 1886, 1887, 1892, 1896.[41]

Peru solved its fiscal deterioration that was generated by the War of the Pacific by integrating the commodities boom with the interests of entrepreneurs like a Grace that before a default, obtained the rail concession in exchange for the restructuring of the Peruvian debt, which was achieved with his international banking network, headed by Barings in London and its close relationship in the business of nitrate.[42]

The Bolivian government took advantage of the opening up of the US banks to finance foreign governments. The most important credit arrangements were made in 1906 and in 1908: the first with a consortium led by Speyer & Co.,[43] National City Bank as financial agents, and Grace & Co. as underwriter, to develop the rail network; The latter with JP Morgan and Crédit Mobilier to stabilize the exchange rate and to complete the introduction of the gold standard in Bolivia. This loan was also taken up to consolidate the Central Bank.[44]

Colombia to be plunged into a spiral of debt and its constant suspensions in debt service made that President Núñez used the mechanism of emission and domestic credit, minimizing external debt requirements.[45] This led to several international bankers stayed away, given the constant failures of the agreements with bondholders, and only with the agreement Holguin Averbury of 1905 was achieved a new progress. Although since 1865, the 35th Law favoured the arrival of international banks: the case of Bank of London and South America, the first international financial institution that operated in Colombia between 1865 and 1867.[46]

---

[40] (Stone 1977, 706)
[41] (The Rothschild Archive 000/401E/14)
[42] (The Barings Archive HC4.11.28, The Barings Archive HC4.3.21, The Barings Archive HC4.3.18.2)
[43] The DeutscheÜeberseeiche Bank sent a communication to Speyer & Co. in 7 November of 1905 to offer the branches in Bolivia. Historische Gesellschaft der Deutschen Bank, S3774.
[44] Isaiah Bowman, "Trade Routes in the Economic Geography of Bolivia. Part III." *Bulletin of the American Geographical Society* 42, no. 3 (1910b): 184-5; Gallego, *Expansión y ruptura*, 157; Klein, *Parties and political change*, 42-4.
[45] (Junguito 1995, 212, 240)
[46] (The Lloyds Archives F/2/1/b/1.1)

The local or international bankers were integrated to the extent that their corporate strategy was linked to the advances and characteristics of exporting booms. However, their relationship with business families and elites who led the raw materials business, made from the importance of the raw material and the relevance in the international market. While nitrates in Chile attracted the attention of countless bankers, coffee in Colombia is concentrated in institutions devoted exclusively to business and not to delve into other businesses (See Figure 5).

## IV

In this paper was used the social network theory, which allowed us to identify the characteristics of some Andean export commodities before the First World War. Clearly, I found a differences in the intensity, dynamics and complexity of global networks but was possible determined the parameters that establish the importance they had Andean raw materials during the period analysed.

The Bolivian tin made progress in an intense form in the national and international stages but moved away the mining population and industrial diversification, focusing on the almost total expatriation of the capital obtained by the tin activity. The copper and nitrates showed the influence of two structures, national and international companies, who achieved considerable influence in public affairs, but not in the size of Aramayo and Patiño in the case of tin in Bolivia. This influence of the mining industry was leading for international companies and to a lesser extent on the local companies but were they who cared to diversify its mining operations in other financial and industrial investments into Chile and Peru.

The cocoa was not achieved a link that transformed the Ecuadorian population significantly. The cocoa benefited elite that diversified rapidly before the transformation of the world cocoa market and the arrival of African farmers, sponsored by the Central Powers during and after the First World War. Similar to the process lived in Colombia with coffee.

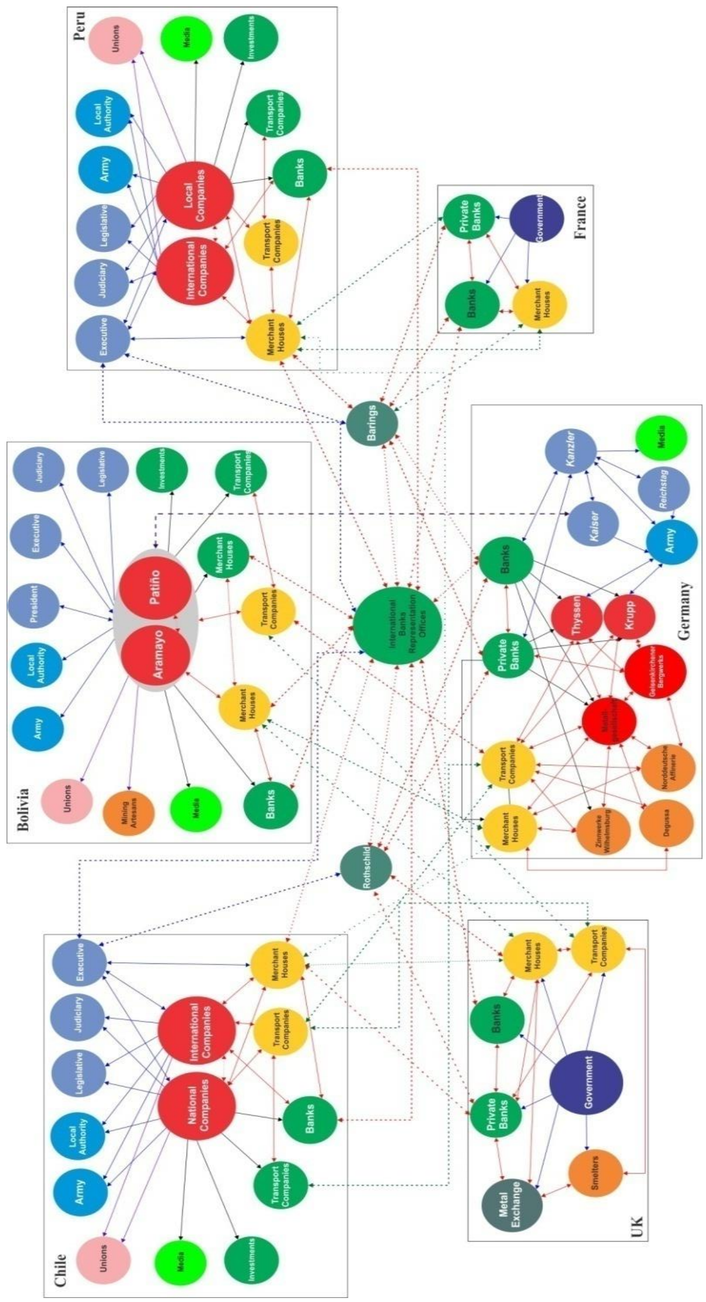


Figure 5. *Global Mining Network of South of Andes*
*Source:* Developed by author[47]

The bankers managed to adjust to the various economic schemes that had the booms within countries. In the case of the international bankers, both private banks and joint-stock

---

[47]See (Krempel, 2011) (Jackson, 2008, pp. 20-51)

banks identified their target market that sometimes led to high exposure in the funding of raw materials and related activities. In some cases, the banks were driven to new crises that moved away of the region in the same way that the Barings crisis attracted.

The First World War would bring a major adjustment in the entailment of US banks to the region, although slowly began to arrive to activities of government debt and in the integration of trade networks, where several banks made significant returns and also a high volatility on their balance sheets.