

Transnational Business and US Diplomacy in Late Nineteenth-Century South America: W. R. Grace & Co. and the Chilean Crises of 1891

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Abstract. The final decades of the nineteenth century were marked by diplomatic confrontations between Chile and the United States. In 1891 the killing of US Navy sailors in a riot in Valparaíso threatened to provoke armed conflict, an event known as the Baltimore Crisis. This article investigates how William Russell Grace, the head of a merchant firm based in New York, played a central role in negotiating between Chile and the United States. By placing his activities in a transnational framework, Grace responded to the demands of multiple nation-states in the Americas. Observing changes in Grace's transnational economic infrastructure can help to identify larger long-term shifts in diplomacy and power on South America's Pacific coast in the late nineteenth century, especially Chile's emergence as a regional hegemon. The actions of Grace also raise larger questions regarding the power of business in the Americas in the late nineteenth century, especially with regard to growing US interests in the region.

Keywords: US–Chilean relations, Chilean politics and government, transnationalism, Baltimore Crisis, business imperialism, William Russell Grace

Introduction

Bar fights in Valparaíso, Chile, were a regular, if not expected, event at the end of the nineteenth century. The disturbances that erupted in the red-light districts of the city were as much a constant reminder of the transnational character of Chile's principal port as the English- and French-style homes that sat on the hills overlooking the Pacific Ocean and the numerous foreign merchant houses that lined the streets. On Friday 16 October 1891, a fight erupted outside the True Blue Saloon that left two US Navy sailors dead.

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Unlike the many previous fights, this fracas would have far-reaching international implications that, in a few months, would bring Chile and the United States to the brink of armed conflict. Both sailors were on shore leave from the *USS Baltimore*, a battleship that was stationed in the harbour to ensure the safety of US citizens and investments during the recently ended Chilean Civil War of 1891. After the dust had settled, accusations flew between the Chilean and US authorities over whether the attack was premeditated, or if Valparaíso's police force had colluded with the mob during the riot. The deaths quickly became intertwined with unresolved diplomatic tensions stemming from long-simmering conflicts over national sovereignty, economic expansion and nationalism that had existed between Chile and the United States. Not surprisingly, the Baltimore Crisis has thus attracted the attention of numerous scholars of US and Latin American foreign policy.¹

Many historical analyses of the Baltimore Crisis have examined its significance and meaning within the context of the diplomatic history between Chile and the United States in the late nineteenth century.² However, these studies have viewed the episode in binary terms of the foreign affairs of the two nation-states and have tended to overlook the possibility that multiple, often non-state actors had stakes in influencing and negotiating the diplomatic fracas. One of these actors was William Russell Grace, the patriarch and founder of W. R. Grace & Co. Biographers of Grace have noted his involvement in negotiating between Chile and the United States during the 1891 civil war and the Baltimore Crisis.³ However, as history embraces an analytical perspective that, in the definition of Micol Seigel, 'examines units that spill over and seep through national borders, units both greater and smaller than the nation state', it is worth re-examining the activities of Grace

¹ For a detailed description of the riot, see Joyce S. Goldberg, *The Baltimore Affair* (Lincoln, NE: University of Nebraska Press, 1986), pp. 1–19.

² The causes and consequences of the Baltimore Crisis are investigated in Goldberg, *The Baltimore Affair*; Germán Bravo Valdivieso, *El incidente del 'USS Baltimore'* (Chile: Ediciones Altazor, 2002); William Sater, *Chile and the United States: Empires in Conflict* (Athens, GA: University of Georgia Press, 1990), pp. 51–68; Frederick B. Pike, *Chile and the United States, 1880–1962: The Emergence of Chile's Social Crisis and the Challenge to United States Diplomacy* (Notre Dame, IN: Notre Dame University Press, 1963), pp. 66–93; Walter LaFeber, *The New Empire: An Interpretation of American Expansion, 1860–1898* (Ithaca, NY: Cornell University Press, 1963), pp. 130–6; and Lars Schoultz, *Beneath the United States: A History of U. S. Policy Toward Latin America* (Cambridge, MA: Harvard University Press, 1998), pp. 91–106. A collection of primary sources with legal commentary can be found in José Miguel Barros Franco, *Apuntes para la historia diplomática de Chile: el caso del 'Baltimore'* (Santiago: Universidad de Chile, 1950).

³ See Lawrence A. Clayton, *Grace: W. R. Grace & Co., the Formative Years, 1850–1930* (Ottawa, IL: Jameson Books, 1985), pp. 204–23; and Marquis James, *Merchant Adventurer: The Story of W. R. Grace* (Wilmington, DE: SR Books, 1993), pp. 244–62.

in a transnational context.⁴ By doing so, we observe how Grace's interest in resolving the Baltimore Crisis formed part of a larger strategy to maintain regional stability as he adjusted his economic investments across national frontiers following Chile's victory in the War of the Pacific. Investigating Grace's actions can help to contribute to our understanding of two important historical debates in relation to diplomatic power and the influence of business in Latin America during this era.

First, by placing his activities in a transnational framework, we can see that Grace was guided by the demands of political factions and economic conditions within and beyond *multiple* nation-states in the Americas. Grace's influence over the economic policy of Peru in the late nineteenth century is well documented.⁵ However, his firm's activities in Peru must be seen alongside his efforts to respond to the transfer of the nitrate-rich Tarapacá region to Chile following the War of the Pacific. This paper highlights the degree to which Grace cultivated economic and political networks in Chile and the United States to guide his firm's economic strategy in the region in the 1880s and 1890s. Tracing changes in Grace's transnational economic infrastructure can help us to identify larger long-term shifts in diplomacy and power in the region. Grace's efforts to resolve Chilean-US tensions resulted from his firm's need to maintain its investments in Peru while responding to the sudden rise of Chile as a regional hegemon in the late nineteenth century. As we shall see, Grace proved much more adept than many of his diplomatic peers in responding to the consequences of political change along the west coast of South America following the War of the Pacific.

Second, an analysis of Grace's conduct contributes to larger debates regarding the influence of 'business imperialism' in late nineteenth-century Latin America. Investigating the activities of foreign firms, historians have long debated the degree to which international business served as an agent of informal imperialism in Latin America.⁶ However, the vast majority of these

⁴ Micol Seigel, 'Beyond Compare: Comparative Method after the Transnational Turn', *Radical History Review*, 91 (Winter 2005), p. 63.

⁵ Alfonso W. Quiroz Norris, 'Las actividades comerciales y financieros de la Casa Grace y la Guerra del Pacífico, 1879-1890', *Histórica*, 7: 2 (1983), pp. 214-54; C. Alexander G. de Secada, 'Arms, Guano, and Shipping: The W. R. Grace Interests in Peru, 1865-1885', *Business History Review*, 59: 4 (1985), pp. 597-621; Rory Miller, 'The Making of the Grace Contract: British Bondholders and the Peruvian Government, 1885-1890', *Journal of Latin American Studies*, 8: 1 (1976), pp. 73-100; Alfonso W. Quiroz, *Corrupt Circles: A History of Unbound Graft in Peru* (Washington, DC: Woodrow Wilson Center Press, 2008), pp. 170-80, 195-202; Clayton, *Grace*, pp. 107-75.

⁶ The assertion that British firms acted as agents of informal imperialism in nineteenth-century Latin America was argued in John Gallagher and Ronald Robinson, 'The Imperialism of Free Trade', *Economic History Review*, 6: 1 (1953), pp. 1-15. Other historians led by D. C. M. Platt have argued that British firms acted quite independently of their country's diplomatic goals and were also limited in their influence on the domestic

investigations have focused on the activities of British companies. In contrast to Britain, where historians have used business archives regarding Latin America extensively since the 1960s, the use of such sources in the United States to complement the diplomatic record has been less extensive, especially before the twentieth century.⁷ Grace's efforts to influence politics in Santiago and Washington in 1891 support the argument that businessmen did enjoy influence in the governments of the Americas. In particular, the actions of Grace call attention to the previously under-studied role that business interests played in diplomacy in an era when the United States and Chile clashed over each nation's developing political and economic interest in Latin America.

An Era of Change for Chile, the United States and Grace & Co.

The transnational character of Grace & Co. reflected the life of its founder. William Russell Grace was born in Ireland in 1832 and quickly developed an interest in travel and shipping that brought him to Callao in Peru by 1850. There he and John Bryce entered into business as ship provisioners, and he soon became a successful entrepreneur. Fluent in English and Spanish, and

affairs of Latin America; see D. C. M. Platt, 'Introduction', in Platt (ed.), *Business Imperialism, 1840–1930: An Inquiry Based on British Experience in Latin America* (Oxford: Oxford University Press, 1977), pp. 1–14. A more recent and nuanced assessment of the influence of foreign business in Latin America can be found in Rory Miller, *Britain and Latin America in the Nineteenth and Twentieth Centuries* (London: Longman, 1993), pp. 234–45. Miller argues that British firms rarely exercised direct influence on the domestic politics of Latin America, but they did play an influential role in developing economic dependence in the region. These debates are reflected in the economic history of Chile during the nitrate boom. The argument that foreign business had limited political influence in Chilean and international politics in the era of the nitrate boom can be found in Harold Blakemore, *British Nitrates and Chilean Politics, 1886–1896: Balmaceda and North* (London: Athlone Press, 1974). A different view is presented in Thomas F. O'Brien, *The Nitrate Industry and Chile's Crucial Transition, 1870–1891* (New York: New York University Press, 1982). O'Brien argues that foreign firms did enjoy a degree of influence and encouraged Chilean economic dependence during the nitrate era.

⁷ I do not wish to suggest that scholars of US–Latin American relations have ignored debates over the influence of 'business imperialism'. Historians have long investigated the influence of US business in Latin America, but such studies have usually examined business influence through the perspective of resource extraction of commodities like bananas, copper and oil. These many rich studies, too numerous to list here, have also tended to focus on the twentieth century. Other studies have investigated US influence in Latin American financial policy: see, for example, Mark B. Rosenberg, *The Changing Hemispheric Trade Environment: Opportunities and Obstacles* (Miami, FL: Florida International University, 1991). Thomas F. O'Brien's two books, *The Revolutionary Mission: American Enterprise in Latin America, 1900–1945* (Cambridge: Cambridge University Press, 1996), and *The Century of U. S. Capitalism in Latin America* (Albuquerque, NM: University of New Mexico Press, 1999), provide excellent accounts of the influence of US business in Latin American affairs. However, as their titles suggest, these investigations focus mainly on the twentieth century.

with a growing set of business relationships in England, Peru and the United States, Grace was able to establish valuable personal relationships that would eventually allow him to move from local provisioning to international shipping. As business expanded, Grace brought his younger brother, Michael, to Callao. In 1865 he opened an office in New York, where he would establish his permanent residence. In 1876 he severed ties with Bryce in order to focus the firm's primary business on shipping. Grace brought his other brother, John, to open an office in San Francisco, and entered the guano trade. As business expanded, Grace increased his political activities in New York, leaving much of the firm's business management in the hands of his brother, Michael. Grace would serve as mayor of New York twice in the 1880s and enjoyed a great deal of political influence in that city as well as in Washington.

Grace & Co.'s rise placed the firm in competition with other transnational trading houses on the west coast of South America. With its economic capital based in Callao and its headquarters in New York, Grace & Co. established shipping lines between Peru and San Francisco. From there the company could use railways to move its goods to locations in the United States or, if demand was low, to Atlantic ports for further export to European buyers.⁸ Grace & Co.'s economic links connecting South America's Pacific coast, the United States and Europe were not unique, but mirrored the activities of rival firms like Balfour, Williamson & Co. and its partner house, Balfour, Guthrie & Co., which operated offices in Liverpool, Valparaíso and San Francisco.⁹ Thus Grace was keenly aware of the need to maintain his firm's competitiveness across multiple national frontiers.

Six months before the War of the Pacific commenced in February 1879, Grace & Co. outmanoeuvred its rivals when the state-owned *Compañía Salitrera* in Peru granted it exclusive distribution concessions for sales of its nitrate output to the United States. However, Grace & Co. lost this lucrative contract soon after Chile's invasion of the nitrate region. Chile dismantled the state monopoly, forcing Grace & Co. rapidly to seek new economic investments.¹⁰ With traditional exports eliminated, Grace used his shipping firm's transnational structure to profit from arms trafficking. Influential British trading companies like Balfour Williamson and Antony Gibbs & Sons aligned themselves with Chile during the War of the Pacific. As a result, political elites in Peru looked to Grace & Co. to supply them with arms. Abusing neutrality laws, Grace & Co. avoided harassment from the Chilean

⁸ James, *Merchant Adventurer*, pp. 7–32, 111–24; Quiroz, 'Las actividades comerciales', pp. 220–4.

⁹ Wallis Hunt, *Heirs of Great Adventure: The History of Balfour, Williamson and Company Limited*, vol. 1 (London: 1951), pp. 67–70.

¹⁰ Thomas F. O'Brien, 'Chilean Elites and Foreign Investors: Chilean Nitrate Policy, 1880–1882', *Journal of Latin American Studies*, 11: 1 (1979), pp. 101–21.

Navy by flying the US flag on its ships, all the while secretly selling munitions, torpedoes and launchers to Peru for use in fighting the war. The arms sales to Peru during the War of the Pacific helped the company to compensate for the loss of its nitrate export concession.¹¹

Before Peru formally transferred Tarapacá to its southern neighbour at the Treaty of Ancón in 1883, Grace saw the need to expand his economic and political influence in Chile. Transitioning into the Chilean economy posed both benefits and risks for Grace. Unlike the previous policies employed by Peru, where the state held a monopoly over the guano trade and only contracted exploitation and export rights to a limited set of merchant houses, Chile allowed businesses to hold private property and chose to earn its state revenues through export duties. This policy resulted in windfall revenues for Chile, but exposed Grace & Co. to new competition in the export of nitrates to the United States.¹² Responding to the new business environment, the company opened an office in Valparaíso on 19 October 1881. The office was initially run by Noel West and John Grace. West had previously worked for the Pacific Steam Navigation Company's Chilean interests and enjoyed a good reputation in Valparaíso. John left the post in 1887 and was followed by George Duval, who was then replaced in 1890 by the trusted manager of the Lima office, William S. Eyre.¹³

Grace & Co.'s entry into Chile did not signify the firm's abandonment of its Peruvian investments. After the War of the Pacific the Graces worked to diversify and expand the firm's interests in Peru. Michael Grace emerged as the primary negotiator of the 'Grace Contract' between Peru and the holders of its defaulted pre-war debt. He negotiated a settlement that forgave Peru's debt in return for key mining concessions and railways, to be controlled by a new London-based company established by the bondholders and named the Peruvian Corporation. Although the Corporation generally represented the interests of Peru's British creditors, Michael Grace used his influence over the new company to bolster the firm's investments in the Cerro de Pasco mines.¹⁴ Grace & Co. also commenced its coastal hacienda sugar production in 1891 and began to expand into the textile manufacturing sector in Vitarte.¹⁵

¹¹ Quiroz, 'Las actividades comerciales', pp. 214–54; Secada, 'Arms, Guano, and Shipping', pp. 597–621.

¹² Rory Miller and Robert Greenhill, 'The Fertilizer Commodity Chains', in Steven Topik, Carlos Marichal and Zephyr Frank (eds.), *From Silver to Cocaine: Latin American Commodity Chains and the Building of the World Economy* (Durham, NC: Duke University Press, 2006), pp. 228–70. Chile's privatisation of nitrate holdings and subsequent policy is also explored in O'Brien, *The Nitrate Industry*, pp. 42–62.

¹³ Clayton, *Grace*, p. 135; James, *Merchant Adventurer*, pp. 244–5.

¹⁴ Clayton, *Grace*, p. 141–75; Miller, 'The Making of the Grace Contract', pp. 99–100.

¹⁵ For analysis of Grace & Co.'s activity in the 1880s and 1890s in relation to the Peruvian national economy, see Clayton, *Grace*, pp. 275–301; and Thorp and Bertram, *Peru*, pp. 23–4.

To secure economic and political support for their company's investments, W. R. and Michael Grace coordinated their activities on three continents. Michael continued negotiating the details of the Grace Contract, which had left some questions with Chile outstanding, while he worked in London with Antony Gibbs & Sons to sell the Peruvian Corporation's debentures in order to finance new railway construction.¹⁶ In Washington, W. R. Grace met with Secretary of State James G. Blaine on several occasions in 1889 and 1890 to secure US support for the Grace Contract negotiations.¹⁷ For the Graces, employing the transnational influence of their firm on multiple continents proved the key to securing their economic investments in Peru and Chile.

The relationship between the Chilean government and Grace & Co. remained uneasy, however. By 1890 the company had become the leading exporter of Chilean nitrates to the United States, but grievances from the War of the Pacific and the Graces' continued investments in Peru complicated the firm's expansion into Chile. Throughout the 1880s the firm continued a suit against the Chilean government for compensation over the cancelled Peruvian contracts.¹⁸ More importantly, Michael Grace's emergence as the primary representative of the Peruvian bondholders during the Grace Contract negotiations raised Chilean suspicions about the firm. First, Chileans were wary of the Grace-represented bondholders' push for Chile to assume half the responsibility for Peru's pre-war debt. Additionally, by settling its debt, the

33-4, 41-3. Grace & Co. founded the Cartavio Sugar Company in 1891 and had gained significant ownership over the textile mill in Vitarte by 1902.

¹⁶ Vicary Gibbs to Herbert Gibbs, 20 Aug. 1891, Gibbs MSS 11040/2, London Metropolitan Archive. Grace & Co. and Gibbs were traditional rivals, but both firms found their economic interests in Peru intertwined following the War of the Pacific, and the Graces helped Gibbs to obtain the rights to the Peruvian Corporation's guano export concessions. Negotiations over the Peruvian Corporation's pending questions with Chile often took place in Grace & Co.'s Valparaíso office between Edward Eyre and representatives of Gibbs: see Valparaíso to London, 26 Aug. 1892, Gibbs MSS 11470/14, London Metropolitan Archive. The Grace-Gibbs negotiations with Chile are also described in Charles E. Mansfield to Lord Rosebery, 15 Sep. 1892, FO61/394, UK National Archives (hereafter UKNA). Mansfield was the British minister to Lima, Rosebery the British foreign secretary. References to material in the Gibbs MSS and UKNA were supplied by Rory Miller.

¹⁷ See William R. Grace (hereafter WRG) to Michael P. Grace (hereafter MPG), 13 Dec. 1889, Letter Book 17, W. R. Grace & Co. Papers, Rare Books and Manuscript Library, Columbia University (hereafter Grace Papers), in which Grace discusses his meeting with US Secretary of State James G. Blaine, with regard to the Peruvian debt negotiations; and WRG to Edward Eyre (hereafter EE), 10 Jan. 1890, Letter Book 17, Grace Papers, in which Grace discusses a second meeting with Blaine on 28 Dec. At the meeting Blaine offered to help with the debt settlement, but Grace discouraged him, advising that the Chileans would react negatively to diplomatic action by the United States. In WRG to EE, 6 June 1890, Letter Book 18, Grace Papers, Grace talks of another meeting with Blaine to discuss political tensions between Peru and Chile that resulted from the debt settlement.

¹⁸ Clayton, *Grace*, p. 206; James, *Merchant Adventurer*, p. 247.

Graces were providing Peru with the possibility of borrowing again. Chile's leaders feared that Peru's renewed access to credit would be used to obtain loans for rearmament, or the possible purchase of Chilean-occupied Tacna and Arica in 1893, as stipulated in the Treaty of Ancón.¹⁹

Chilean mistrust of Grace & Co. was not a secret. The British minister at Santiago, Hugh Fraser, recounted to Lord Salisbury in August 1887 that a 'rather amusing storm of consternation and anger in Chile' had emerged over Grace and the Peruvian bondholders making claims to guano and nitrate exported from Tarapacá.²⁰ Based on information from a *New York Herald* correspondent, the *Financial News* of London reported that, following the publication of the Grace Contract, 'the principal newspapers of Valparaíso and Santiago devoted 48 editorials to this subject, and the tone of intense disapprobation was unanimous'.²¹ So unpopular was Grace & Co. in Chile that in 1889 Grace agreed with Duval's plans to spend between £400 and £500 on entertainment in efforts to improve the image of the firm.²² Yet, in an 1890 letter to Edward Eyre (the head of the Lima office and William Eyre's brother), Grace still complained that 'there is practically nothing for us in the commission business as at present shared with Lima and Valparaíso', and with regard to the company's reputation he commented: 'Duval has not failed to convince the Valparaíso people that we abuse them roundly.'²³

In a similar manner to its strategy during the War of the Pacific, Grace could play down his firm's association with Peru to aid his transition into Chile by emphasising his company's ties to the United States. However, the United States also lacked a favourable relationship with Chile's political leaders following the war. Diplomatic relations between Washington and Santiago had always remained cool since the US invasion of Mexico in 1846 and its inaction during Spain's naval war against Chile and Peru from 1864 to 1866.²⁴ The Chileans' distrust of the United States turned into outright anger during the War of the Pacific when Blaine, serving as President James A. Garfield's secretary of state, attempted to negotiate the outcome of the conflict. The United States and its diplomatic corps, worried that Chile's gains in the war would only benefit British nitrate houses, encouraged Peru to

¹⁹ For an analysis of the negotiations between the bondholders, Michael Grace and Chile, see Miller, 'The Making of the Grace Contract', pp. 77–96. The two countries were unable to negotiate a solution to the Tacna–Arica question of the Treaty of Ancón until 1929, when Peru reacquired Tacna from Chile by winning a plebiscite and paying an indemnification. For further analysis see William E. Skuban, *Lines in the Sand: Nationalism and Identity on the Peruvian–Chilean Frontier* (Albuquerque, NM: University of New Mexico Press, 2007).

²⁰ Hugh Fraser to Lord Salisbury (Foreign Secretary), 14 Aug. 1887, FO 61/372, UKNA.

²¹ *Financial News*, 3 Oct. 1887.

²² WRG to George Duval (Valparaíso), 16 Aug. 1889, Grace Papers.

²³ WRG to EE (Lima), 31 Dec. 1890, Box 66, Folder 19, Grace Papers.

²⁴ Sater, *Chile and the United States*, pp. 9–30.

continue fighting the lost cause and attempted to prevent the transfer of the Tarapacá region to Chile. Throughout the 1880s Chilean leaders viewed Blaine's ongoing efforts to draft treaties to return conquered territory to Peru suspiciously, and remained strongly opposed to the secretary of state's proposed Pan-American diplomacy, which they believed was a thin disguise for more imperial goals.²⁵ In addition, Chile's victory in the War of the Pacific marked a drastic change from its traditional goals of political equilibrium with its neighbours and altered the post-independence international power structure that had existed in South America.²⁶ Now it was the United States, outwitted diplomatically during the War of the Pacific and faced with the apparent emergence of a regional hegemon, that expressed concern regarding Chile.²⁷

The final factor thwarting Grace & Co.'s efforts to expand in Chile was the emergence of a talented commercial rival, Charles Flint. Flint was one of Grace's most trusted advisers and had much experience conducting the firm's business in the region – in fact, it was Flint who oversaw Grace & Co.'s secret arms shipments to Peru during the War of the Pacific.²⁸ By 1889, however, Flint had abruptly severed ties with his mentor and created a shipping company serving Latin America named the West Coast Line, placing him in direct competition with Grace & Co.²⁹ During the Pan-American Congress held in Washington in 1889, Flint managed to convince the State Department to post him in the US delegation, to the exclusion of Grace. Flint's diplomatic coup put him in contact with Latin American representatives of commerce and government and further alarmed Grace.³⁰ Worst of all, Flint's increased profile with Latin American diplomats followed his creation of the United States Rubber Co. trust.³¹ Flint's new venture placed him in control of the export of Brazilian rubber to the United States, excluding Grace from one of the region's fastest-growing export commodities.³² Thus, Grace had to secure

²⁵ Pike, *Chile and the United States*, pp. 47–66; Herbert Millington, *American Diplomacy and the War of the Pacific* (New York: Columbia University Press, 1948), pp. 85–95, 106–35; Sater, *Chile and the United States*, pp. 31–50.

²⁶ Robert N. Burr, *By Reason or By Force: Chile and the Balancing of Power in South America, 1830–1905* (Berkeley, CA: University of California Press, 1965), pp. 138–40, 167–70.

²⁷ Sater, *Chile and the United States*, pp. 51–3. Sater details how, in the mid-1880s, US Navy officials expressed worry over Chile's ability to mount naval attacks in California and Oregon.

²⁸ Clayton, *Grace*, pp. 71–2, 114–15; Charles R. Flint, *Memories of an Active Life: Men, and Ships, and Sealing Wax* (New York: G. P. Putnam, 1923), pp. 85–8.

²⁹ *Ibid.*, pp. 181–8, 194–6.

³⁰ James, *Merchant Adventurer*, pp. 246–7; Flint, *Memories of an Active Life*, pp. 148–58.

³¹ James, *Merchant Adventurer*, pp. 215–24.

³² Flint entered the Brazilian rubber trade before its peak boom years between 1900 and 1910. However, Brazilian rubber exports had steadily increased in volume and value since 1860. In 1890, Brazil exported 15.5 million kilos of Amazonian wild rubber. For analyses of the

his firm's interests in nitrates quickly in order to continue its economic dominance in the region.

Grace's transition into Chile met with further complications in January 1891 when the majority of the national Congress of Chile declared an armed rebellion against the sitting president, José Manuel Balmaceda. Escaping to the northern nitrate port of Iquique and taking most of the navy with them, the 'Congressionalists' waged war against Balmaceda, whom the army supported. Nine months and over 10,000 lives later, the Congressionalists defeated Balmaceda in early September 1891. Many observers, especially those in President Benjamin Harrison's administration, initially suspected that the war was the result of the provocation of foreign (particularly British) merchant houses that were wary that Balmaceda would begin to nationalise their valuable nitrate fields in the north. The US leadership was correct in assuming that the booming profits of the nitrate economy and what they would mean for Chile's future development were looming large in the minds of the Congressionalist and Balmacedist factions during the civil war. However, its belief in the strength of foreign merchant houses in provoking the war lacked the same validity. In reality, the civil war was largely the product of internal political conflicts in Chile, and the influence of foreign business was limited and fragmented.³³

When the civil war broke out in Chile, the United States maintained a policy of neutrality and did not recognise the Congressionalist cause. However, while other nominally neutral European nations and businesses did flirt with the Congressionalist leadership, US diplomatic policy – directed again by Blaine, who had returned as secretary of state during the Harrison administration – kept its distance from the Iquique junta. This icy stance towards the Congressionalists stemmed from the fact that the rebellion's perceived association with European powers directly refuted the Pan-American commercial and diplomatic policies promoted by Blaine and Harrison.³⁴ However, several incidents during the civil war convinced the Congressionalists that the United States was, in fact, overtly supporting Balmaceda. In need of materiel, in March 1891 the Congressionalists commissioned Ricardo Trumbull to purchase arms and return them on board the ship *Itata*, via the port of San Diego. When the Balmaceda

Brazilian rubber boom and bust, see Barbara Weinstein, *The Amazon Rubber Boom, 1850–1920* (Stanford, CA: Stanford University Press, 1983); Bradford L. Barham and Oliver T. Coomes, *Prosperity's Promise: The Amazon Rubber Boom and Distorted Economic Development* (Boulder, CO: Westview, 1996); and Zephyr Frank and Aldo Musacchio, 'Brazil in the International Rubber Trade, 1870–1930', in Topik et al. (eds.), *From Silver to Cocaine*, pp. 271–99.

³³ Blakemore, *British Nitrates and Chilean Politics*, pp. 192–239.

³⁴ LaFeber, *The New Empire*, pp. 130–6.

government objected, the United States decided to prevent the *Itata* from sailing. After a bizarre escape attempt on 7 May, the US Navy chased down the *Itata*, returned her to San Diego and confiscated her arms cargo. Following the Itata Incident, the Congressionalist leadership was convinced that the US government openly favoured Balmaceda.³⁵

If the Congressionalists needed more proof of US animosity, they found it in July 1891 when the *USS Baltimore* helped the Central and South American Telegraph Company divert an underwater cable that had previously travelled through Iquique, thus isolating the rebel junta headquarters. Although both the United States and the Central and South American Telegraph Company claimed the action was done to ensure that the business could compete economically, the actions incensed the Congressionalists. The final act occurred in August 1891 when the captain of the *USS San Francisco* cabled information regarding Congressionalist troop movements to his superiors in Washington. Although the action was not unusual, many Chileans accused the United States of simultaneously transmitting the information to Balmaceda in an effort to aid the president.³⁶

In addition to fomenting distrust of the United States, these incidents left its sitting ambassador in Santiago, Patrick Egan, increasingly at odds with the Congressionalists after the civil war. Egan had arrived in the United States in 1883 after his participation in Irish nationalist movements had placed him in conflict with the British government. Becoming a citizen of the United States in 1888, Egan had risen through the Republican Party as a key organiser of the Irish-American vote.³⁷ During the crises with Chile, many blamed Egan for contributing to the bitter diplomatic climate. Critics pointed to Egan's lack of diplomatic experience, his perceived anti-British stance, his unfamiliarity with Latin American affairs and his overt favouring of Balmaceda as primary factors in the hostility between his legation and the victorious Congressionalist government. Later assessments of Egan argue that, although he was not an experienced diplomat, the ambassador did not violate his embassy's neutral status in favour of Balmaceda. In fact, Egan simply followed policy by communicating with the de jure Balmaceda administration until the new Congressionalist government and its forces entered Santiago in August 1891. The Congressionalists often harassed Egan following the war, when many Balmacedists sought refuge and safe passage out of Chile from the US embassy. However, these protests overlooked the fact that Egan's actions followed diplomatic protocol and, more importantly, that the ambassador had offered

³⁵ Osgood Hardy, 'The Itata Incident', *Hispanic American Historical Review*, 5: 1 (1922), pp. 195–226.

³⁶ Goldberg, *The Baltimore Affair*, pp. 47–51; Bravo, *El Incidente del 'USS Baltimore'*, pp. 38–41.

³⁷ Goldberg, *The Baltimore Affair*, pp. 30–1.

the same privilege to Congressionalists during the Balmaceda government. Although Egan probably did not deserve the Congressionalists' ire, it certainly left the somewhat inexperienced diplomat politically isolated from the new government following the civil war.³⁸

While the relationship between the United States and the Congressionalists remained lukewarm during the war, Grace emerged as a strong supporter of the rebel cause. Sharing an Irish past, Grace often joined Egan in opposing the same British economic and political interests in Latin America that identified with the Congressionalists' aims.³⁹ However, several factors led Grace to join other European firms in lending tacit support to the Congressionalists over the Blaine-favoured Balmaceda government. In the first place, the company's nitrate holdings in the Congressionalist-held north meant that Grace & Co. would be happy to lobby for the rebellion in order to protect its economic interests in Tarapacá. Furthermore, most of the Congressionalist leaders were also invested in the nitrate economy and thus shared Grace's overall vision for Chile's economic future.⁴⁰ If Grace needed more reasons to side with the Congressionalists, his financial rival, Flint, emerged as a chief ally of Balmaceda. Serving as Balmaceda's consul general in the United States during the civil war, Flint arranged arms purchases for the sitting president. More alarming for Grace, Flint also used his close political ties with Balmaceda to begin negotiations with US and European bankers in order to raise capital to secure lucrative consolidations of the nitrate fields in Tarapacá. Grace and his brothers knew that a Congressionalist victory would certainly help them lock out a competitor in the Chilean markets.⁴¹

During the civil war the Congressionalist delegation looked for allies in Washington but found little support from US diplomats. In a communiqué to Egan regarding the activities of the Congressionalist delegation, Assistant Secretary of State William F. Wharton argued that US neutrality 'made it quite impractical for this [State] Department to receive them or communicate with them directly, even in an unofficial way'.⁴² In this political environment, the leader of the Congressionalist delegation in Washington (and future

³⁸ Osgood Hardy, 'Was Patrick Egan a "Blundering Minister"?', *Hispanic American Historical Review*, 8: 1 (1928), pp. 65–81; Sater, *Chile and the United States*, pp. 59–60.

³⁹ James, *Merchant Adventurer*, pp. 246–8.

⁴⁰ For a detailed analysis of the social and economic background of the Congressionalists, see Maurice Zeitlin, *The Civil Wars in Chile (or the Bourgeois Revolutions that Never Were)* (Princeton, NJ: Princeton University Press, 1984), pp. 174–92.

⁴¹ Flint, *Memories of an Active Life*, pp. 64–72; Clayton, *Grace*, p. 214. Clayton argues that at the outbreak of the war, Flint emerged as an aggressive backer of Balmaceda while using the US press to discredit Grace's connections with the Congressionalists.

⁴² William F. Wharton to Patrick Egan, 21 July 1891, Microfilm 77, Roll 37, State Department Records Division, Record Group (hereafter RG) 59, US National Archives (hereafter USNA).

president of Chile from 1906 to 1910), Pedro Montt, found a valuable political ally in Grace. Public knowledge of Grace's ties with the Congressionalists was evident enough that in July 1891 the Balmaceda government's ambassador in the United States, Prudencio Lazcano, sent a detailed report to Santiago documenting the lobbying efforts of both W. R. Grace and his brother Michael on behalf of the Congressionalists. Even Lazcano had to admit: 'The Chilean insurgents made a skilled choice in *Señor* Grace, for, more than being a man of great talent, he is one of immense wealth, placing at their service the important commercial relations that the merchant house that bears his name carries in this country [the United States].'⁴³ Julio Bañados Espinosa, Balmaceda's minister of the interior during part of the civil war, commented that 'the soul of the activities in the United States in favour of the [Congressionalist] navy ... was William R. Grace', and that Trumbull counted on Grace's influence in purchasing arms for the rebel war effort.⁴⁴ The correspondence of Montt confirms that he was in contact with Grace during the war. In a 30 July letter to the Iquique government, Montt reported that Grace was advising peer investors in the United States not to do business with Balmaceda.⁴⁵

Despite his sympathies with the Congressionalists, when his rival, Flint, and the US press began to implicate Grace's involvement in the *Itata* Incident, he expressed alarm. Grace still had operations in Valparaíso and could not risk being associated openly with the Congressionalists during the war. It was true that Trumbull, the director of the Congressionalists' efforts to purchase arms and transport them on the *Itata*, had met with Grace in New York on 5 March 1891. Although Trumbull claimed the *Itata* was a Grace Line ship in a last-ditch effort to avoid confiscation, Grace did not provide direct assistance to the Congressionalist scheme.⁴⁶ In telegrams to the Valparaíso house and the US attorney general, Grace expressed his concern over accusations that his firm had overtly violated neutrality, and vehemently denied the company's involvement in the incident.⁴⁷ Ironically, the accusations implying Grace's

⁴³ Prudencio Lazcano to Minister of Foreign Relations, 18 July 1891, vol. 482, Ministerio de Relaciones Exteriores, Archivo Nacional de Chile (hereafter MRE).

⁴⁴ Julio Bañados Espinosa, *Balmaceda, su gobierno, y la revolución de 1891*, vol. 2 (Paris: Garnier, 1894), p. 408.

⁴⁵ Montt to Minister of Foreign Relations in Iquique, 30 July 1891, vol. 482, MRE.

⁴⁶ Both Hardy and Clayton indicate that Grace provided no material or financial support to the Congressionalists. Hardy examines and refutes rumours of potential Grace support for the Congressionalists in 'The *Itata* Incident', pp. 202–3, n. 47; also see Clayton, *Grace*, pp. 209–14. Clayton argues that Flint worked to stoke rumours implying that Grace had arranged for arms purchases for the Congressionalists, but he also concludes that Grace had not done this.

⁴⁷ WRG to Grace & Co. Valparaíso office, 11 May 1891; WRG to Attorney General W. H. Miller (Washington), 11 Sep. 1891, Box 81, Grace Papers.

collusion with the Congressionalists only further cemented the relationship between the two, as both sought to downplay the allegations of the Balmaceda and US governments. Grace worked with Montt in order to prove to the US government that the *Itata* was not a Grace Line ship violating neutrality laws, as Flint suggested. In return, Grace met with the secretary of the navy, Benjamin F. Tracy, to encourage him to defuse the situation. The meetings led Grace to conclude that 'Montt is a sensible, prudent fellow.' More importantly, Grace could also boast to his brother, Michael, that 'I have a great deal of influence with him [Montt].'⁴⁸ The amicable relationship between the two men continued during the civil war, and Grace was happy to give Montt letters of introduction when the latter took over the ambassador's post upon the Congressionalists' victory.⁴⁹ Grace's pleasantries did not only extend to Montt – he also sent a congratulatory cable on 8 September 1891 to the new Chilean ambassador to France, Augusto Matte, expressing his delight over 'the victory of the good cause' and pledging to lobby for Congressionalist interests in the United States.⁵⁰

The good relations that developed between Grace and the Congressionalists brought immediate and positive results for Grace's shipping firm. Upon meeting with newly victorious Congressionalists in San Francisco, the firm's office in that city happily reported to Grace that the company's fortunes were bound to improve. 'They say, also, that the house of Grace has never been popular in Chile', the San Francisco office reported, 'but that the people would swing into line and gladly welcome a representative of "*la casa Grace*".'⁵¹ Both sides continued to work together through September and October 1891 to dismiss the final outstanding charges against them in relation to the *Itata* Incident.⁵² As he had hoped, Grace reaped his benefits at the expense of Flint. The Congressionalists quickly cancelled the shipping contracts that Balmaceda

⁴⁸ WRG to MPG, 11 Sep. 1891, Box 66, Grace Papers, outlines the details of these meetings. Grace's activity is also detailed in Montt's reports: see Montt to Minister of Foreign Relations, 7 Sep. 1891, vol. 482, MRE.

⁴⁹ In a letter to Pedro Montt dated 3 Sep. 1891 (Box 66, Grace Papers), Grace congratulates Montt on the end of the civil war and offers his services. Montt responded to Grace on 15 Oct. 1891 (Catalogued Correspondence, Montt, Pedro, Grace Papers) thanking him for his letters of introduction.

⁵⁰ WRG to Augusto Matte, 8 Sep. 1891, Box 66, Grace Papers.

⁵¹ Holloway to WRG (New York), 7 Sep. 1891, Box 81, Grace Papers.

⁵² See communications regarding final negotiations and the dismissal of charges related to the *Itata* Incident: WRG to Attorney General W. H. H. Miller, 16 Sep. 1891; WRG to Montt, 16 Sep. 1891; WRG to Miller, 17 Sep. 1891; WRG to Montt, 17 Sep. 1891; WRG to R. F. Tracy, 12 Oct. 1891, Box 66, Grace Papers. Also see telegrams talking about the upcoming trial regarding the *Itata* Incident: WRG to Montt, 29 Sep. 1891, Box 81, Grace Papers. These negotiations are also documented by Montt in Pedro Montt to Minister of Foreign Relations, 30 Sep. 1891, vol. 482, MRE.

had granted to Flint and transferred their titles to Grace & Co.⁵³ After his meetings with Matte in Paris, Edward Eyre reported that the ambassador stood in stark opposition to doing business with Flint and was 'fully alive to the fact that we have all been friendly and loyal to his cause during the late difficulties'.⁵⁴ Additionally, Eyre reported that in his meeting with Matte in Paris the ambassador had indicated that he would like to negotiate with both Grace & Co. and Peru over Chilean opposition to the Grace Contract.⁵⁵ It appeared that Grace & Co. had begun to reap the benefits from its support of the Congressionalists in the civil war.

However, Grace learned that the sensitive issues over Chile's reimbursement for the valuable nitrate interests taken during the War of the Pacific and opposition to the Grace Contract would remain until at least the end of 1891. As a result, he would have to remain on good terms with the Chilean government. Maintaining this delicate relationship became more and more critical as the nitrate trade began to dominate the firm's business. Demand in Grace's primary nitrate export market, the United States, remained significantly smaller than in Europe.⁵⁶ Nonetheless, by the end of 1891 roughly a third of Grace & Co.'s profits originated from nitrates and the firm was the single largest exporter of the commodity to the United States.⁵⁷ These conditions made Grace & Co. acutely vulnerable to political repercussions from events and political changes in Chile, a fact that became uncomfortably evident when the Baltimore Crisis suddenly erupted.

The Baltimore Crisis

Initially the Valparaíso riot did not receive a great deal of attention in US political and print circles. Although Egan and Chile's minister of foreign affairs, Manuel Antonio Matta, traded a few terse communiqués regarding the pace of the investigation, relations remained amicable. Blaine and Montt met

⁵³ This information is revealed in WRG to Montt, 21 Sep. 1891; WRG to Julio M. Foster, 22 Sep. 1891; WRG to Montt, 22 Sep. 1891; WRG to Julio M. Foster, 23 Sep. 1891, Box 66, Grace Papers.

⁵⁴ EE (London) to WRG, 18 Nov. 1891, Box 81, Grace Papers.

⁵⁵ MPG (London) to WRG, 11 Nov. 1891, Box 81, Grace Papers. Michael Grace indicated that Eyre was travelling to Paris to meet with Matte to 'induce him to assist us in connection with the Chilean monies'. Upon returning from his meeting with Matte, Eyre indicated that Chile would not make a decision on the Grace Contract until the installation of a permanent government at the end of 1891. However, Matte also promised Eyre that he would speak with the Chilean political leadership on the need to negotiate with Michael Grace and Peru: EE (London) to WRG, 18 Nov. 1891, Box 81, Grace Papers.

⁵⁶ Statistics provided in Miller and Greenhill, 'The Fertilizer Commodity Chains', p. 240. In 1890 Chile exported a total of 921,600 metric tons of nitrate. 122,000 metric tons, or roughly 13 per cent, were exported to the United States.

⁵⁷ Clayton, *Grace*, pp. 260–2.

as early as 26 October 1891 to discuss the events in Chile. Both men left the meeting with the understanding that Chile would investigate the killings quickly and fairly and that the United States would honour the conclusions of the *sumario* (a legal investigation undertaken by Chilean judges).⁵⁸ Grace was aware of this since Montt wrote to him on 31 October speaking positively of his meetings with Blaine. Although Montt did express his concern over the poor state of diplomatic relations between the two countries since the Itata Incident, he made no reference to the riot.⁵⁹ At the end of October, the principal concern of Grace & Co., the new Chilean government and the United States continued to be the resolution of the Itata Incident.⁶⁰

Only as October drew to an end did relations between Chile and the United States begin to erode. Both the captain of the *Baltimore*, Winfield Scott Scheney, and Egan were uncomfortable with the inherent secrecy of the *sumario* process, and Chilean judges repeatedly subpoenaed *Baltimore* sailors, often denying them any legal counsel. Matters were not helped when another sailor in the US merchant marine, Patrick Shields, was arrested and later abused in Chilean police custody on 24 October 1891.⁶¹ Grace illustrated his concern by early November, when it must have become apparent to him that the traditional diplomatic relations between the new Congressionalist government and Egan seemed unable to handle the crisis. Initially the Graces had enjoyed a favourable relationship with Egan during the civil war, despite the fact that the two parties appeared to support opposite sides of the conflict.⁶² Grace believed Egan's dedication to US business interests would help his company's position in Chile and even wrote the ambassador's letters of introduction upon his arrival there.⁶³ Despite this early confidence in Egan, by early November Grace saw the ambassador's presence as an exacerbating factor in the Baltimore Crisis. In a letter to William Eyre on 4 November, Grace wrote: 'I think the time has come to move for the withdrawal of Egan.' Following through on his word, Grace released a telegram to Washington and contacted the *New York Herald* and the *New York World* detailing the failures and misjudgement of Egan.⁶⁴ Although Egan never identified Grace in

⁵⁸ Goldberg, *The Baltimore Affair*, pp. 61–5; Bravo, *El incidente del 'USS Baltimore'*, p. 70.

⁵⁹ Montt (Washington) to WRG (New York), 31 Oct. 1891, Catalogued Correspondence, Montt, Pedro, Grace Papers.

⁶⁰ WRG (New York) to Grace & Co. Valparaíso office, Oct. 1891, Box 81, Grace Papers.

⁶¹ Goldberg, *The Baltimore Affair*, pp. 65–75; Bravo, *El incidente del 'USS Baltimore'*, pp. 75–6.

⁶² WRG to Patrick Egan [*sic*] (Santiago), 25 April 1891, Box 66, Grace Papers. In the letter, WRG offers assistance to Egan.

⁶³ Details of Grace & Co.'s favourable impression of Egan found in Clayton, *Grace*, p. 208.

⁶⁴ WRG to W. S. Eyre (hereafter WSE), 4 Nov. 1891, Box 66, Grace Papers. See *New York Herald*, 26 Jan. 1892, pp. 4–7; 27 Jan. 1892, p. 3; and 28 Jan. 1892, p. 3. Grace responds to Eyre's request to 'try to influence the Gov. and the press' and states that he 'personally visited my friend Ballard Smith the Chief Editor of the World [*sic*]'. Correspondence with the press

communications to Washington, the ambassador expressed his anger to Blaine regarding the New York newspapers which, according to him, had subverted his attempts to negotiate the crisis by releasing false information and criticising the embassy's activities.⁶⁵

With little confidence in traditional diplomatic action and extensive experience in South American and US politics, Grace took the early initiative to intervene in the crisis. Such a step was not unusual for Grace, who had met with Blaine in 1889 and 1890 to discuss the Peruvian debt negotiations. Grace wrote to Blaine on 2 November 1891 expressing confidence that the sailors' deaths and the legacy of the Itata Incident 'would be treated with consideration' by the secretary of state; he offered to travel to Washington himself if the diplomat needed any additional 'advisement'. That same day Grace offered similar services to Montt while assuring the ambassador that Blaine was 'a pleasant man' who would handle the case well.⁶⁶ Two days later Grace contacted the US attorney general, William H. H. Miller, thanking him for finally dropping the charges against the Chileans involved in the Itata Incident and advising him to share his information with Blaine and Harrison. Grace correctly predicted that information about the Itata Incident would 'explain the feeling of the populace in Chile and will show how great an injustice was done to the Congressionalists at that time'.⁶⁷ Using his contacts in Valparaíso and Washington, Grace was able to ascertain a holistic picture of the root causes of the Baltimore Crisis that was denied to Egan and the US diplomatic corps, which found itself largely shunned and on bad terms with the Chilean government.

Grace's familiarity with the Congressionalist diplomats, Trumbull and Montt, proved valuable when they sought links with US political officials. Throughout November and early December 1891, as both the United States and Chile waited for the findings of the *sumario*, Grace acted early to encourage dialogue and share information between the two parties. Grace arrived in Washington on 10 November and met with Montt, Blaine and other political figures to encourage diplomatic cooperation.⁶⁸ When Trumbull

in early November 1891 is also detailed in WRG to MPG (London), 4 Nov. 1891, Box 81, Grace Papers. In this letter, Grace informs his brother Michael that the trading house has 'formed a connection with the "World" [*sic*] by which our Valparaiso [*sic*] friends can cable anything of consequence'.

⁶⁵ Egan (Santiago) to Blaine (Washington), 19 Nov. 1891, Microfilm 10, Roll 39, RG 59, USNA.

⁶⁶ WRG to Blaine (Washington), 2 Nov. 1891; WRG to Montt (Washington), 2 Nov. 1891, Box 66, Grace Papers.

⁶⁷ WRG to William H. H. Miller, 4 Nov. 1891, Box 66, Grace Papers.

⁶⁸ WRG to Blaine (Washington), 6 Nov. 1891; WRG to Montt (Washington), 9 Nov. 1891, Box 66, Grace Papers.

visited Washington in late November to meet with Under-Secretary of State John W. Foster, Grace wrote a letter to the official endorsing the Chilean representative.⁶⁹ Trumbull met with Blaine on 4 December. Blaine noted that Trumbull had given him a detailed and thorough illustration of political events in South America, and he felt reassured when Trumbull insisted that the Chilean diplomatic corps had never intended to insult the United States.⁷⁰ Grace also contacted and shared information with Andrew Carnegie, who had already voiced concern over a potential war to both Blaine and Stephen B. Elkins, soon to be secretary of war. Later Carnegie used information gathered by the Grace office in Valparaíso in his meetings with Tracy, the secretary of the navy. As usual, Grace communicated the results of these meetings to Montt in an effort to keep the ambassador informed.⁷¹ When the *USS Yorktown* under the command of Robley Evans arrived in Valparaíso harbour to support the *Baltimore* in early December, Grace also occasionally used his office there to share information with the newly arrived commander. In diary entries from late December 1891, Evans listed at least two instances in which he sought information from the Grace & Co. office, where an unnamed staff member could 'be relied on giving his best information'.⁷²

Grace also used his contacts within the New York press community to help play down the bellicose headlines that appeared in the US dailies.⁷³ The Valparaíso office of Grace & Co. acted as an efficient wire service that he could use to feed information to the press. Grace suspected that Egan was using his position to supply the news-hungry papers with biased information against Chile in the weeks following the riot, especially with regard to the coverage found in the *World*. 'We have made this arrangement so that at any time it should be necessary to check the anti-Chilean or apparently anti-Chilean dispatches of [other newspaper correspondents]', detailed Grace to the Valparaíso office, 'you can cable freely to the *World*'.⁷⁴ At the same time, William Eyre readily sent telegrams from the Valparaíso office that detailed events in Chile so that Grace could use them 'to influence the Gov. and the press here in favour of Chile'.⁷⁵ True to his word, Grace wrote a letter to

⁶⁹ WRG to John W. Foster (Washington), 24 Nov. 1891, Box 66, Grace Papers.

⁷⁰ Goldberg, *The Baltimore Affair*, pp. 93–9; Trumbull's negotiations are documented in Bravo, *El incidente del 'USS Baltimore'*, pp. 107–10, 115–6.

⁷¹ WRG to Montt (Washington), 4 Dec. 1891; WRG to Montt (Washington), 5 Dec. 1891; WRG to Montt (Washington), 8 Dec. 1891, Box 66, Grace Papers.

⁷² Robley D. Evans and Rudyard Kipling, *A Sailor's Log: Recollections of Forty Years of Naval Life* (New York: D. Appleton, 1901), p. 271; quotation from p. 275.

⁷³ Grace's influence in the New York press is noted in James, *Merchant Adventurer*, p. 258.

⁷⁴ WRG to Daniel Morrison (Valparaíso), 4 Nov. 1891, Box 81, Grace Papers.

⁷⁵ WRG to WSE (Valparaíso), 4 Nov. 1891, Box 66, Grace Papers, emphasis in original. Grace's efforts to influence the press through his valuable information source in the

the editor of the *World*, Ballard Smith, encouraging him to write articles highlighting the Itata Incident, Egan's inexperience, and other factors contributing to the Baltimore Crisis.⁷⁶ These efforts continued into early December as Grace reported to William Eyre in Valparaíso that he was 'at work often with the press', in an effort to mitigate the public reaction to the diplomatic imbroglio.⁷⁷

In early December, President Harrison – who, in Grace's view, 'fancied a war would reelect him' – chose to express his outrage at Chile in his annual address to Congress.⁷⁸ Grace also expressed frustration in regards to Tracy's annual report, released in December. According to Grace, Tracy's report 'put the thing very unfavourably', by blaming Chile for the riot and fiercely defending US conduct during the civil war and the Itata Incident. The report, which cited much information from Harrison's annual message to Congress, attracted significant news coverage in the United States. From the Lima office, John Grace angrily commented to William Eyre that members of the Harrison administration were disgruntled because they had 'backed the wrong horse' during the civil war and in reality 'were really delighted at the unfortunate episode of the *Baltimore*'.⁷⁹ If Harrison was pushing for a fight, Chile's foreign minister, Manuel Antonio Matta, played directly into his hands. In response to Harrison's and Tracy's reports, Matta published a rebuke in Chile's *Diario Oficial* (the 'Matta Circular') that harshly criticised the United States and blamed the riot on the drunk and disorderly behaviour of its sailors. The circular was quickly transmitted by Egan to his superiors in the US State Department. Now both nations were determined to save face, and national pride had become deeply embedded in the ongoing sumario of the Baltimore incident.⁸⁰

Grace responded to the deepening crisis by travelling to Washington in early December 1891. Rather than lobbying the president directly, Grace worked to support members of Harrison's cabinet that were against conflict with Chile.⁸¹ Grace must have believed he had achieved some success, for his 11 December letter to Montt had a slightly positive tone. In the

Valparaíso office are detailed in WRG to MPG (London), 4 Nov. 1891, Box 81, Grace Papers.

⁷⁶ WRG to Ballard Smith (New York), 4 Nov. 1891, Box 66, Grace Papers.

⁷⁷ WRG to WSE (Valparaíso), 9 Dec. 1891, Box 66, Grace Papers.

⁷⁸ Goldberg, *The Baltimore Affair*, pp. 81–3. Grace assesses Harrison's goals in WRG to MPG (London), 12 Feb. 1892, Box 66, Grace Papers. Bravo, *El incidente del 'USS Baltimore'*, pp. 125–6, argues that Harrison pushed for conflict as a political strategy for re-election and was disappointed by the eventual arbitration.

⁷⁹ John R. Grace (Lima) to WSE (Valparaíso), 8 Dec. 1891, Box 81, Grace Papers.

⁸⁰ WRG to MPG (London), 8 Dec. 1891, Box 66, Grace Papers; for more information on Tracy's report, see Goldberg, *The Baltimore Affair*, pp. 83–5.

⁸¹ WRG to WSE (Valparaíso), 9 Dec. 1891, Box 66, Grace Papers.

communication, Grace told of further meetings with Carnegie that established that both Blaine and Foster wanted to avoid war.⁸² After several productive meetings with Carnegie at the State Department, Grace reported to Montt on 14 December that he felt comfortable that Blaine and Foster were hesitant to push for war.⁸³ Grace continued to rely on Foster's influence in the Harrison administration, calling him 'my particular friend' in a 5 January 1892 letter to William Eyre.⁸⁴ Grace also found an ally in the newly appointed secretary of war (and fellow businessman), Stephen B. Elkins. In a letter to Elkins dated 18 December 1891, Grace promised to be in Washington on Monday 21 December and thanked Elkins for his 'kind sympathy with the Chilean matter'.⁸⁵ Grace and Montt coordinated a 26 December dinner party at the Chilean embassy in Washington to celebrate the formal inauguration of the new government in Chile, and invited Blaine.⁸⁶ In the days leading up to the event, and during the actual party, Grace personally translated and passed communications between Blaine and Montt.⁸⁷ Reflecting the central role of the businessman in the informal summit, some newspapers even began to refer to the event as the 'Grace Dinner'.⁸⁸ Grace's efforts to lobby Harrison's administration led to mixed results. Even Egan, in a 29 December telegram from Santiago, expressed hope that Grace's influence would lead to a 'better spirit' in the new government's foreign ministry.⁸⁹ However, Harrison himself publicly expressed his dissatisfaction with Grace's attempts.⁹⁰

Despite these efforts, by the end of December Grace was pessimistic regarding negotiations between Santiago and Washington. Grace advised that Chile enter arbitration, but Montt and the new Chilean government hoped that, with time, the incident would blow over and this would permit them to save face in the international arena. Grace believed that Chile had no option but to accept international arbitration to settle the matter.⁹¹ Unlike Montt, he

⁸² WRG to Montt (Washington), 11 Dec. 1891, Box 66, Grace Papers.

⁸³ WRG to Montt (Washington), 14 Dec. 1891, Box 66, Grace Papers.

⁸⁴ WRG to WSE (Valparaiso), 5 Jan. 1892, Box 66, Grace Papers.

⁸⁵ WRG to Elkins, 18 Dec. 1891, Box 66, Grace Papers.

⁸⁶ Discussions between Grace and Montt leading up to the dinner can be found in WRG to Montt (Washington), 11 Dec. 1891; WRG to Montt (Washington), 14 Dec. 1891; and WRG to Montt (Washington), 16 Dec. 1891, Box 66, Grace Papers. Montt later reported to his superiors on his conversations with Blaine at the dinner party.

⁸⁷ Grace's activity is detailed in Montt's report to Santiago: Montt (Washington) to Matta (Santiago), 27 Dec. 1891, vol. 482, MRE.

⁸⁸ James, *Merchant Adventurer*, pp. 259–60.

⁸⁹ Egan (Santiago) to Blaine (Washington), 29 Dec. 1891, Microfilm 10, Roll 40, RG 59, USNA.

⁹⁰ Harrison's negative reaction to Grace's lobbying is reported in 'Chile's Arrogant Tone', *New York Times*, 2 Jan. 1892, p. 1.

⁹¹ This desire is not only reflected in Grace's communications, but was also mentioned in the press: see *New York Herald*, 28 Dec. 1891, p. 4.

believed that Harrison was willing to use force against Chile. He made these concerns public in a telegram to the *New York Herald* published on 30 December that warned: 'The American cabinet entertains a feeling of anger toward Chili with the exception of Blaine, who alone restrains it from violent measures.'⁹² Finally, Grace expressed worry that, despite his talks with Blaine, in the event of war the secretary of state would surely side with Harrison. Even worse, Grace feared that Blaine would push to return Tarapacá Province to Peru in order to vindicate his vision during the failed 1880 peace negotiations. Returning Tarapacá to Peru would once again place Grace & Co.'s nitrate investments in limbo.⁹³

Unfortunately, diplomatic relations would go from bad to worse in the new year. Commander Evans of the *Yorktown* notified Washington on 4 January 1892 that the Chilean judge Foster Recabarren had released the findings of the sumario. The document defended the actions of the Chilean police and, while expressing regret for the deaths of the US sailors, concluded that the fatalities were the result of a drunken brawl and that no evidence existed of a premeditated assault. More insulting was the fact that John Davidson, a seaman from the *Baltimore* involved in the riot, was sentenced to prison for up to three years for his role in the disturbance.⁹⁴ Grace himself expressed shock at the boldness of Chile's actions in a 12 January letter to Montt.⁹⁵ As he had done in December, Grace worked with Carnegie to coordinate an anti-war lobby and arranged for the steel magnate to make a second trip to Washington. In a 14 January 1892 letter to Montt, Grace informed the ambassador of Carnegie's trip and assured him that, 'as a friend of the President, he will speak with him with a great deal of interest in favor of Chile'; he further suggested that Montt try to arrange a visit with Carnegie in Washington.⁹⁶

Grace continued to feed information to the press via his firm's infrastructure in order to convey information outside traditional diplomatic channels. Egan had to notify his superiors in Washington that the *Herald*, a newspaper already in close contact with Grace since the beginning of the crisis, was able to exchange direct telegrams with the president of Chile.⁹⁷ Since the end of December 1891 the *Herald* had published numerous reports filed from its 'exclusive dispatch' (presumably Grace's office) in Valparaíso, and

⁹² *New York Herald*, 30 Dec. 1891, p. 4.

⁹³ WRG to WSE (Valparaíso), 30 Nov. 1891, Box 66, Grace Papers.

⁹⁴ Goldberg, *The Baltimore Affair*, pp. 99–100; Bravo, *El incidente del 'USS Baltimore'*, pp. 61–4.

⁹⁵ WRG to Montt (Washington), 12 Jan. 1892, Box 66, Grace Papers.

⁹⁶ WRG to Montt (Washington), 14 Jan. 1892, Box 66, Grace Papers.

⁹⁷ Egan (Santiago) to Blaine (Washington), 21 Jan. 1892, Microfilm 10, Roll 40, RG 59, USNA.

in a 19 January article the author assured readers: 'I am told by a semi-official authority that Señor Pedro Montt, Chilean Minister at Washington, has been instructed to act in the most conciliatory manner.'⁹⁸ In a 19 January letter to Ballard Smith, the editor of the *World*, Grace reminded the editor that, despite Commander Evans' telegram, no official report of the Chilean courts regarding the *sumario* had been received. Indicating the high degree to which the press relied on Grace for information, Grace assured Smith that as soon as the Valparaíso office of Grace & Co. learned of a final verdict, he would send a copy to the newspaper.⁹⁹ Grace also took the liberty of sending a letter to numerous newspapers on 20 and 21 January detailing the final transfer of Balmacedista refugees from the US embassy to the *Yorktown* in Valparaíso harbour, and argued that such an act represented Chile's willingness to return to an amicable relationship with the United States.¹⁰⁰ Along with the *World*, Grace remained in close contact with the *Sun* and the *Tribune*.¹⁰¹

In mid-January Grace expressed confidence to Montt that a resolution was in sight. Grace claimed that he had talked with friends of Harrison who had all concluded that it would be politically disadvantageous for Harrison to declare war.¹⁰² As late as 22 January 1892 Grace had commented that 'there is nothing in the Chilean war scare except jingoism'. However, he did recognise that the situation was still fragile and that Harrison's policies remained dictated by political opportunism, or as he would conclude later, 'with a view to the effect at [the presidential elections to be held] next November'.¹⁰³ Grace's tempered approach was warranted; as soon as he wrote his comments, the threat of conflict began to loom larger than ever before.

At the end of January 1892, when relations between the two countries remained fragile, the Chilean government made a bold and poorly timed demand: on 20 January it requested the removal of Egan as ambassador. The demand enraged Harrison so much that even the normally moderate Blaine was forced to take a combative and bellicose tone in his communication with Chile the following day. Blaine's telegram demanded a full apology from Chile for the Baltimore Crisis as well as for Matta's comments in the circular from early December. If these demands were not met, diplomatic relations would be broken. Due to translation delays, the Chilean government could not draft a response until 23 January. By that time, Harrison had written an address to

⁹⁸ *New York Herald*, 16 Jan. 1891, p. 3.

⁹⁹ WRG to Ballard Smith (New York), 19 Jan. 1892, Box 66, Grace Papers.

¹⁰⁰ WRG to Montt (Washington), 20 Jan. 1892; WRG to Montt (Washington), 21 Jan. 1892, Box 66, Grace Papers.

¹⁰¹ Grace detailed communication with the *Sun*, the *Tribune* and the *Herald* regarding news in Chile in WRG to Montt (Washington), 19 Jan. 1892; and WRG to Montt (Washington), 22 Jan. 1892, Box 66, Grace Papers.

¹⁰² WRG to Montt (Washington), 15 Jan. 1892, Box 66, Grace Papers.

¹⁰³ WRG to W. R. Grace & Co. Valparaíso office, 30 Jan. 1892, Box 81, Grace Papers.

Congress, delivered on 25 January, which repeated his ultimatum. At this point, the possibility of war appeared to be quite real.¹⁰⁴ Grace did not have to wait for the public address for the US response because, in an action that demonstrates the high degree of access that Grace enjoyed with the Chilean diplomatic mission, Montt had already sent him copies of the communication from Blaine.¹⁰⁵

By 23 January 1892 the tone of Grace's communications with Montt had changed dramatically, reflecting the rapid deterioration in diplomacy between the United States and Chile. Grace noted in a telegram to the Valparaíso office that 'Chile's usual policy of delay to gain time has not served her in good stead on this occasion', and urged Montt and his superiors to draft an immediate and conciliatory response.¹⁰⁶ In a letter dated on the same day, Grace warned Montt that he had learned that the United States had sent two steamships southward that he believed were carrying arms and supplies for US Navy vessels in Montevideo. It is difficult to determine the existence of such ships, and whether Grace's communication was a potentially treasonous warning for the Chilean government or simply an effort to force Montt to understand the serious nature of the situation.¹⁰⁷ Recognising that Chile's opportunity to save diplomatic face had passed, Grace now advised Montt to enter into negotiations with Blaine over arbitration.¹⁰⁸

The resolution of the Baltimore Crisis proved to be unusually quick, despite the heightened tensions. With his official inauguration as president of Chile on 26 December 1891, Jorge Montt (Ambassador Pedro Montt's cousin) replaced Matta as minister of foreign affairs with Luis Pereira. Unfortunately, this change did not prevent Matta's envoys from demanding the removal of Egan in early January. By the end of the month Pereira had taken command of the ministry with the goal of immediately diffusing the threat of war. Unlike Matta, Pereira understood Harrison's willingness to declare war. More importantly, Pereira realised that, although most European powers frowned upon the US push towards conflict, in the event of war they would remain

¹⁰⁴ Goldberg, *The Baltimore Affair*, pp. 100–7; Bravo, *El incidente del 'USS Baltimore'*, pp. 109–10. A review of the *New York Herald* reports of the incident suggest that Montt may have attempted to delay delivering the letter to Blaine, fully understanding the consequences such an action would provoke, and only completed his duty when mandated by his superiors in Santiago. It is difficult to gauge what influence W. R. Grace had in this decision, but if the reports are true, it certainly illustrates Montt's good diplomatic judgment: see *New York Herald*, 26 Jan. 1892, pp. 4–7; 27 Jan. 1892, p. 3; and 28 Jan. 1892, p. 3.

¹⁰⁵ WRG to Montt (Washington), 24 Jan. 1892, Box 66, Grace Papers. In the letter Grace offers detailed analysis on Blaine's comments.

¹⁰⁶ WRG to Grace & Co. Valparaíso office, 30 Jan. 1892, Box 81, Grace Papers. The telegram was written after Montt took action and served as a summary for the Valparaíso office.

¹⁰⁷ WRG to Montt (Washington), 23 Jan. 1892, Box 66, Grace Papers.

¹⁰⁸ WRG to Montt (Washington), 24 Jan. 1892, Box 66, Grace Papers.

neutral. With Harrison appearing close to declaring war on Chile and lacking any international support, Pereira offered an immediate conciliatory response that reached Washington on 25 January 1892. In his telegram Pereira promised that Chile would enter into arbitration to pay reparations for the dead US sailors, apologised for the Matta Circular and promised not to ask for the removal of Egan. The immediate and conciliatory response of the Chilean government at once negated Harrison's only motivation for declaring war: national pride. In fact, the date of the Chilean telegram (23 January 1892, two days *before* Harrison's message to Congress) exposed the US president to criticisms of warmongering.¹⁰⁹ It is hard to gauge how much Grace's advice influenced Montt and Pereira, but he must have felt relieved at Chile's offer of arbitration, which he determined was the best resolution to the conflict.

As usual Grace was abreast of these rapid developments, and by 25 January 1892 he had already offered his help in the next steps toward resolution as well as any further diplomatic needs. The Valparaíso office continued to send press dispatches to US dailies giving insight into developments in Chile.¹¹⁰ In the diplomatic arena, Grace quickly sent a letter to Montt in which he argued that arbitration would be Chile's best option when it needed to settle on a monetary amount for the reparations, and suggested either Germany or Brazil as the best choices for judges.¹¹¹ The continued involvement of Grace illustrated that, despite the fact that the threat of war was now removed, diplomatic relationships between Chile and the United States remained poor. As a result of the crisis, Grace commented in a 30 January letter to William Eyre that 'Montt and Blaine have got at loggerheads', and he repeated this assessment in a February letter to his brother, Michael.¹¹² More than a month after the crisis Grace wrote to Trumbull (now returned to Chile), claiming: 'I have now a most lively and heartfelt interest in the progress of Chile and find myself constantly interested in its affairs.'¹¹³ This continued informal diplomacy also allowed Grace to reach out to potential business partners by leveraging his now established reputation in Chile. In a letter to the president of New York Life Insurance Co., Grace proposed: 'Perhaps you would like to take some steps toward the restoration of the company's full prestige in Chile,

¹⁰⁹ Goldberg, *The Baltimore Affair*, pp. 124–32. A critical commentary on Harrison's actions can be found in the *Nation*, 54: 1388, 4 Feb. 1892, p. 82. Bravo, *El incidente del 'USS Baltimore'*, pp. 93–7, suggests that the possibility of Argentina allying with the United States in a possible war was also a factor in Chile's decision to accept arbitration.

¹¹⁰ See, for example, the detailed local press reports reprinted in the *New York Herald*, 28 Jan. 1891, p. 3.

¹¹¹ WRG to Montt (Washington), 25 Jan. 1892, Box 66, Grace Papers.

¹¹² WRG to WSE (Valparaíso), 30 Jan. 1892; WRG to MPG (London), 12 Feb. 1892, Box 66, Grace Papers.

¹¹³ WRG to R. L. Trumbull (Santiago), 12 March 1892, Box 66, Grace Papers.

and if so, please consider that my house in Valparaíso is at your command, to serve you in any way or manner possible.’¹¹⁴ It appeared that both diplomatic corps would still need transnational actors like Grace to help them with their interactions in the near future.

It is important to note, however, that Grace did not act alone in exerting pressure on the Harrison administration to avert war. Grace relied on the cooperation of like-minded industrialists like Carnegie and members of Harrison’s administration, especially Blaine, Foster and Elkins. Other actors worked against conflict with Chile independently of Grace. Leaders of the Democratic-led House of Representatives also voiced concern over Harrison’s push for war with Chile.¹¹⁵ Press outlets that had no contact with Grace like the *Nation* also harshly criticised the conduct of Harrison and Egan throughout the civil war and the Baltimore Crisis.¹¹⁶ The *Nation* also lamented the lack of reliable information between Chile and the United States and noted that the Baltimore Crisis had occurred ‘under the stimulation, as far as we can now see, of naval officers, contractors, and nitrate speculators, and a fugitive from foreign justice [Egan] who has been and is our representative in Chili at this critical period’.¹¹⁷ Grace was more than a simple ‘nitrate speculator’, however. The reach of Grace’s transnational economic and political networks permitted him to serve as a key negotiator during the diplomatic crisis when information stemming from traditional channels was deemed unreliable or untrustworthy.

Of course, Grace was more than happy to fulfil this role. He was content with – if not boastful of – his participation in resolving the political crisis, and was quick to offer his own assessments regarding why it had erupted in the first place. In a letter to a newspaper editor in Utica, New York, Grace stated: ‘I am happy to say that I think I have saved this country from a dreadful disgrace.’ Grace went on to argue that a ‘victory of this country over Chile would have damned us for ever in the eyes of all Europe and of ourselves’, not to mention all of Latin America. In the letter Grace placed the march towards war directly on the shoulders of Harrison and Tracy, but also lamented that Blaine, although he was for peace, could not convince the administration to ‘give [Chile] time to come down gracefully’, adding, ‘we know that’s all they wanted’.¹¹⁸

¹¹⁴ WRG to John A. McCall (New York), 12 March 1892, Box 66, Grace Papers.

¹¹⁵ ‘A Little of Everything’, *New York Times*, 21 Jan. 1892, p. 8.

¹¹⁶ The magazine closely followed and criticised Harrison’s and Egan’s position towards Chile in 1891 and 1892. Examples include the *Nation*, 52: 1356, 25 June 1891, p. 509, and 53: 1381, 17 Dec. 1891, p. 457.

¹¹⁷ *Nation*, 54: 1386, 21 Jan. 1892, p. 42.

¹¹⁸ WRG to E. P. Bailey (Utica, NY), 28 Jan. 1892, Box 66, Grace Papers.

During the Baltimore Crisis Grace not only used the transnational infrastructure of his company to encourage diplomacy between political actors in Chile and the United States, but also continued to improve his firm's standing in Chile. At the end of January 1892, when the threat of war was at its greatest, Grace commented to his brother Michael: 'The Chilean affair has kept us pretty lively but we have done good work and I think Montt appreciates it.'¹¹⁹ Grace reflected similar sentiments and hope for good political standing in Chile in communications with the Valparaíso office. In a letter to William Eyre, Grace noted: 'We are happy to see that our friends in Chile appreciate our effort here.'¹²⁰

Conclusion

Historians and scholars of Latin America have long thought of W. R. Grace and Grace & Co. as opportunistic, often greedy figures whose actions frequently led to political instability and repression in the region.¹²¹ Given this, it appears somewhat surprising to see Grace using the extensive political influence of his company to lobby for peace. However, a closer inspection of the economic goals of Grace & Co. in Chile and the region illustrates that Grace's efforts to prevent war in 1891 reflected his firm's transnational need to ensure a successful transition into South America's new political and economic landscape following the War of the Pacific.

This article illustrates how Grace's negotiations between Santiago and Washington formed part of his overall efforts to restructure his firm after the transfer of the valuable Tarapacá nitrate fields from Peru to Chile. By exploiting his firm's transnational resources in both North and South America, Grace weathered the potential loss of his company's nitrate export contracts with Peru by identifying his previously Callao-headquartered firm with the US merchant marine. This strategy allowed Grace and his brother Michael to sell war materiel to Peru while continuing the firm's economic participation in the now Chilean-controlled nitrate fields of Tarapacá. Grace continued to cultivate influence in multiple countries as he sought to diversify his firm's economic activity in Peru and expand its participation in the nitrate export economy between Chile and the United States. Thus the transnational structure of Grace & Co. allowed the company to maximise its advantages in both Chile and Peru following the War of the Pacific. However, the same transnational reach could also pose risks. Grace & Co.'s participation in settling Peru's pre-war debt raised Chilean suspicions with regard to the firm

¹¹⁹ WRG to MPG (London), 22 Jan. 1892, Box 71, Grace Papers.

¹²⁰ WRG to WSE (Valparaíso), 20 Feb. 1892, Box 66, Grace Papers.

¹²¹ See, for example, the special edition of *NACLA Report*, 'Amazing Grace: the W. R. Grace Corporation', *NACLA Report*, 10: 3 (March 1976).

in the 1880s. Additionally, Grace's transnational reach exposed his firm to potential conflicts between the multiple nations seeking to exert influence along South America's Pacific coast.

When the Baltimore Crisis once again threatened to upset the region's political and economic balance, Grace worked to resolve the imbroglio before it upended his firm's investments in Chile and Peru for a second time. Unlike the US government, Grace 'backed the right horse' in the 1891 civil war by siding with the Congressionalists. Grace's actions during the war allowed him to improve the image of his firm in Chile and outmanoeuvre economic rivals. More importantly, when Egan and Blaine found themselves isolated from the new Chilean government during the Baltimore Crisis, Grace used his many personal and political connections shaped during the Chilean Civil War and the Itata Incident to create trust between himself and the victorious Congressionalist diplomatic faction. Grace led an effective lobby to help Blaine restrain President Harrison's desires to provoke a nationalistic war with Chile while simultaneously pressuring Montt to accept arbitration. He accomplished this by employing the transnational reach of his firm's communications and economic infrastructure to share information among the New York press, Latin American and European diplomats, and other commercial interests.

Grace's activities call attention to the need for more research in two aspects of business and diplomatic history. First, the actions of Grace illustrate the need to examine business activity in Latin America through a transnational framework. By doing so, we observe the intertwined relationship between economic and political networks across multiple national frontiers in the Americas. Grace's involvement in negotiating between Chile and the United States can only be understood if it is placed in the context of his firm's economic activities among multiple states and political actors in the late nineteenth century. Revisiting Grace's activities thus contributes to a greater understanding of the political and economic environment along South America's Pacific coast in this period. Second, Grace's involvement highlights the value of business archives in examining foreign relations, especially those of the United States, in the late nineteenth century. It is important to note that Grace's cultivation of influence in Chile formed only one link in his business network which, at the time of the Baltimore Crisis, had begun to expand into the economies of Central America and the Amazon basin, and to engage in financial speculation in Europe and the United States. It is safe to assume that Grace continued to use the resources of his firm to influence and respond to moments of political change in these countries. In doing so, Grace was hardly an exception. As early as 1893, Flint would use his business and political influence to lend support to Brazil's president, Floriano Peixoto, during a navy revolt, to protect the same rubber investments that he had outmanoeuvred

Grace to control prior to the Baltimore Crisis.¹²² More studies are needed that investigate how the activities of transnational business interests have reflected and affected moments of political and economic change in the Americas.

Spanish and Portuguese abstracts

Spanish abstract. Las últimas décadas del siglo XIX estuvieron marcadas por confrontaciones diplomáticas entre Chile y los Estados Unidos. En 1891, la muerte de personal de la naval norteamericana en un disturbio en Valparaíso amenazó con provocar un conflicto armado (un evento conocido como la Crisis de Baltimore). Este artículo investiga cómo el empresario W. R. Grace jugó un papel central en la negociación entre Chile y los Estados Unidos. Al ubicar sus actividades dentro de un marco transnacional, observamos que Grace respondió a las demandas de múltiples estados nacionales en Latinoamérica. El examinar los movimientos en la infraestructura económica transnacional de Grace puede ayudar a identificar cambios de más largo plazo en la diplomacia y el poder en la costa del Pacífico de Sudamérica a fines del siglo XIX (especialmente el surgimiento de Chile como una hegemonía regional). Asimismo, las acciones de Grace señalan cuestiones mayores en relación al poder del comercio en Latinoamérica en ese periodo, especialmente en cuanto a los crecientes intereses norteamericanos en la región.

Spanish keywords: relaciones exteriores Estados Unidos–Chile, políticas chilenas y gobierno, transnacionalismo, Crisis de Baltimore, imperialismo comercial, William Russell Grace

Portuguese abstract. As últimas décadas do século XIX foram marcadas por confrontos diplomáticos entre o Chile e os Estados Unidos. Em 1891, o assassinato de marinheiros da Marinha estadonidense durante uma revolta em Valparaíso ameaçou provocar um conflito armado – um episódio conhecido como a Crise de Baltimore. O artigo investiga como o empresário W. R. Grace desempenhou um papel central nas negociações entre o Chile e os EUA. Ao situar suas atividades em um quadro transnacional, observamos que Grace respondeu às demandas de diversos estados-nações nas Americas. Ao analisar as mudanças em sua infraestrutura econômica transnacional, podemos identificar alterações diplomáticas e relativas ao poder mais amplas na costa pacífica da América do Sul durante o final do século XIX, em especial quanto à emergência da supremacia regional chilena. Ademais, as ações de Grace levantam questões maiores relacionadas ao poder das empresas nas Américas no final do século XIX, particularmente em relação aos crescentes interesses americanos na região.

Portuguese keywords: relações internacionais Estados Unidos–Chile, política e governo chileno, transnacionalismo, a Crise de Baltimore, imperialismo empresarial, William Russell Grace

¹²² Flint's activities are outlined in his biography, Flint, *Memories of an Active Life*, pp. 88–102; and in Steven Topik, *Trade and Gunboats: The United States and Brazil in the Age of Empire* (Stanford, CA: Stanford University Press, 1996), pp. 155–77.