

The background of the cover is a light yellow-green color with several faint, stylized leaf motifs scattered across it. Each motif consists of a stem with two leaves pointing upwards and to the right.

# FEEDING THE GERMAN EAGLE

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Soviet Economic Aid to Nazi Germany, 1933–1941

Edward E. Ericson III

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Nazi Germany, 1933–1941*

Edward E. Ericson III

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# Preface

“Anything that can go wrong, will go wrong,” states Murphy’s Law. And this proved to be the case with the economic foreign policy that the ruthless leader of the Soviet Union, Josef Stalin, attempted to follow from 1939 to 1941 in regard to Germany. According to his logical and cautious plan, trade with the Nazis would simultaneously keep war away from Soviet borders, prolong a debilitating struggle between communism’s capitalist enemies, and significantly strengthen the Soviet military and war economy. It all made perfect sense, except for the appearance of Mr. Murphy, this time in the guise of the equally brutal, but often incautious and illogical, Adolf Hitler. While contemporary military wisdom assumed that Germany would become enmeshed in World War I–style, drawn-out conflicts, Hitler won a series of rapid military victories at the longest of odds against Poland, Norway, France, Yugoslavia, and Greece. And while contemporary military wisdom also assumed that Germany would have to deal with the growing Anglo-Saxon alliance first before a struggle with the USSR would be at all possible, Hitler did the unthinkable and launched his invasion of the Soviet Union, codenamed Operation Barbarossa, on June 22, 1941. In short, Stalin’s rational plans fell victim to Murphy’s Law.

Mr. Murphy has also made an occasional appearance in the course of researching and writing this project. On the whole, however, I have been continually amazed by the incredible support I have received. I would like to acknowledge first of all the guidance and sound advice of James Diehl of Indiana University-Bloomington and of my father, Edward Ericson, Jr., of Calvin College. I also want to thank the following senior colleagues for their advice and the insights of their works: William Cohen, Hiroaki Kuromiya, Charles Jelavich, and the late Barbara Jelavich, all of Indiana University; John Dodge of Indiana

Wesleyan University; Gerhard Weinberg of the University of North Carolina at Chapel Hill; and Rolf-Dieter Müller of the *Militärgeschichtliches Forschungsamt* (Military History Research Office) in Potsdam (formerly in Freiburg). Not to be forgotten are the many librarians, archivists, and research assistants who assisted me in my work, particularly Kathy Struck and Conrad Bult at Calvin College and Debra Cox at John Brown University.

This project could not have been completed without the financial support of Indiana University and John Brown University, both of which supported this research through various grants. Of even greater importance was the personal and professional support of family and friends in the United States and Germany. Most of all, I would like to thank my wife, Julie, without whose inspiration little of this work could or would have been done.

# Abbreviations

AA	Auswärtiges Amt (Foreign Office)
AG	Aktiengesellschaft (Incorporated)
AGK	Ausfuhrgemeinschaft für Kriegsgerät (Export Association for War Materials)
Akt.	Akten (Document)
APA	Außenpolitisches Amt der NSDAP (Foreign Policy Office of the Nazi Party)
ArWI	Arbeitswissenschaftliches Institut (Institute for Industrial Sciences)
BA	Bundesarchiv, Koblenz (Federal Archives in Koblenz)
BAAP	Bundesarchiv, Abteilung Potsdam (Federal Archives in Potsdam)
BAMA	Bundesarchiv-Militärarchiv, Freiburg (Federal-Military Archives in Freiburg)
Bd.	Band (Volume)
BdRAM	Büro des Reichsaussenministers (Foreign Ministry Bureau)
BdSts	Büro des Staatssekretärs (State Secretary's Bureau)
BfVP	Beauftragter für den Vierjahresplan (Representative for the Four-Year Plan)
BM	Botschaft Moskau (German Embassy in Moscow)
cif	Cost, insurance, freight (all costs paid for by the supplier)
DAD	Der Aussenhandel Deutschlands (German Foreign Trade)
DAF	Deutsche Arbeitsfront (German Worker's Front)
DBFP	Documents on British Foreign Policy
DDfWiO	Deutsche Delegation für Wirtschaftsverhandlungen in

	Ostasien (German Delegation for Economic Talks in East Asia)
Dego	German Gold Discount Bank
DGFP	Documents on German Foreign Policy
doc.	Document
DR	Dienststelle Ribbentrop (Special Office Ribbentrop)
EfA	Einrichtungen für den Aussenhandel (Institutions for Foreign Trade)
FAH	Familienarchiv Hügel (Hügel Family Archives)
fob	Free on board (receiver pays for costs after placed on ship)
FRUS	Foreign Relations of the United States
GHH	Gutehoffnungshütte AG
GmbH	Gesellschaft mit beschränkter Haftung (Limited)
GPO	Government Printing Office
HA Krupp	Historisches Archiv der Friedrich Krupp GmbH, Essen (Krupp Archives in Essen)
HaPol	Handelspolitische Abteilung (Economic Policy Section)
HWK	Sonderstab für Handelskrieg und wirtschaftliche Kampfmassnahmen (Special Staff Office for Economic Warfare)
IfW	Institut für Weltwirtschaft, Kiel (Institute for World Economics in Kiel)
IG	I. G. Farben
IMT	International Military Tribunal
kg	Kilogram
MA	Mannesmann Archiv, Düsseldorf
M.E.	Mineralöl-Einfuhr GmbH (Oil Import, Ltd.)
MGFA	Militärgeschichtliches Forschungsamt (Military History Research Office)
n.	Footnote
NC&A	Nazi Conspiracy and Aggression
NE-Metalle	Nichteisenmetalle (Nonferrous Metals)
NSDAP	Nationalsozialistische Deutsche Arbeiterpartei (National-Socialist German Worker's Party)
NSR	Nazi-Soviet Relations
OKH	Oberkommando des Heeres (Army High Command)
OKW	Oberkommando der Wehrmacht (Armed Forces High Command)
PA	Politisches Archiv des Auswärtigen Amtes, Bonn (Foreign Office Archives)
Pol.	Politische Abteilung (Political Section)
PrA	Pressearchive (Press Archive)
RA	Rußlandausschuß der Deutschen Wirtschaft (Russia Committee of German Industry)

RAM	Reichsaussenminister (Foreign Minister)
RfEuL	Reichsstellen für Ernährung und Landwirtschaft (Offices for Food and Agriculture)
RfF	Reichsstelle für Fette (Office for Fats)
RfG	Reichsstelle für Getreide (Office for Grains)
RfM	Reichsfinanzministerium (Finance Ministry)
RfW	Reichsamt für Wirtschaftsausbau (Office for Economic Development)
RfwP	Reichsamt für wehrwirtschaftliche Planung (Office of War Economy Planning)
RK	Reichskanzlei (Chancellery)
RL	Reichsministerium der Luftfahrt (Air Transport Ministry)
RM	Reichsmark
Ro	Rohstoff Abteilung (Raw Material Section)
RSt	Reichsstelle (Imperial Office)
RWK	Reichswirtschaftskammer (Chamber of Commerce)
RWM	Reichswirtschaftsministerium (Economics Ministry)
RWW	Rheinisch-Westfälisches Wirtschaftsarchiv, Köln (Rhenish-Westphalian Economic Archives in Cologne)
Skl.	Seekriegsleitung (Head of Naval Warfare)
SR	Statistisches Reichsamt (Bureau of Statistics)
Stb	Stabsabteilung (Staff Section)
t	Tons (Metric)
v.	Von (German Title of Nobility)
VO	Verbindungsoffizier (Liaison Officer)
Vowi	Volkswirtschaftliche Abteilung (Political Economy Section)
WA	Werksarchiv (Company Archives)
WFSt	Wehrmachtsführungsstab (Armed Forces Command Staff)
WG	Wirtschaftsgruppen (Economic Group)
Wi	Wehrwirtschaftliche Abteilung (War Economy Section)
Wifo	Wirtschaftliche Forschungsgesellschaft m.b.H. (Economic Research Corporation)
WiRüAmt	Wehrwirtschafts- und Rüstungsamt (War Economy and Armaments Office)
ZAV	Zusatz-Ausgleichs-Verfahren (German Export Subsidy)

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# Introduction

In the late afternoon of September 27, 1939, Reich Foreign Minister Ribbentrop and his entourage were winging their way to Moscow to solidify the tentative partnership worked out in the economic treaty of August 19 and the Nazi-Soviet Pact of August 23. But Ribbentrop's Condor had been delayed in Königsberg for lunch, refueling, and more passengers, and the slower JU-52 escort plane carrying second-level officials arrived first. It was, therefore, the economic negotiators, in particular Dr. Karl Schnurre, the head of the German Foreign Ministry's Eastern European Economic Section, who initially received the red-carpet treatment.<sup>1</sup>

This confusion at the Khodynka airfield was emblematic of the wider developments in the Nazi-Soviet relationship from 1936 to 1941. For in many ways it was Schnurre and not Ribbentrop who was the key figure in the evolution of the Nazi-Soviet partnership because the economic ties were often more central to whatever friendship existed between the two states than their political or military cooperation. And for good reason. With a major war approaching, Germany increasingly needed Russia's raw materials, and the USSR needed German machines and technology.

## THE PROBLEM

The central problem facing Hitler was lack of raw materials: how could Germany, a relatively small country with few natural resources, fight a major war against continent- or globe-spanning empires? By the late thirties the *Führer* had three options: solidify the autarkic economy before going to war (the Four-Year Plan approach), conquer and plunder the needed resources (the Austria-Czechoslovakia strategy), or reach agreements with one or more major powers (the

Nazi-Soviet Pact proposal). Although Hitler and the Nazi leadership appeared to prefer building up a self-sufficient economy (the autarky approach), the necessary infrastructure was expensive and would not be in place until 1942 at the earliest. The loot-and-plunder strategy ran the risk of escalating into the big war that Hitler was trying to avoid (as exemplified by what happened in Poland). Hitler had looked to an understanding with England in the mid-1930s, but by the summer of 1938 he had intensified his naval program (always a key indicator of his intentions towards Great Britain) and had declared that we “must reckon England permanently among [our] enemies.”<sup>2</sup>

With his other options closed, Hitler, reluctantly to be sure, had to consider closer relations with the Soviet Union for economic reasons alone. As a number of German studies produced on the eve of the war argued, only the USSR could plug some of the major gaps in the German war economy, particularly in oil, manganese, rubber, and perhaps even grain.<sup>3</sup>

Without oil, of course, the German military would be unable to carry out any of the tasks Hitler had assigned for it. Unfortunately for the *Führer*, the Greater Reich could only supply 25 percent of its own oil needs,<sup>4</sup> leaving Germany 2 million tons short a year<sup>5</sup> and an eye-popping 10 million tons below planned mobilization totals.<sup>6</sup> With Germany cut off from its (and the world’s) main supplier, the United States, Hitler would have to look to potential European sources for his oil, namely to Rumania and Russia.

The problem was similar with regard to metals and metal ores such as chrome, wolfram, nickel, molybdenum, and manganese, all necessary to produce the hardened steel used in tanks, ships, and other weapons of war. But Germany relied entirely on imports for many of these raw materials, imports that would end once the war began. Although the manganese situation was somewhat better, with the Greater Reich producing 40 percent of its own needs,<sup>7</sup> the British blockade would cut Germany’s link to South Africa, its main supplier. Again, the 165,000-ton-a-year shortfall could only be made good by the Soviet Union.<sup>8</sup> Furthermore, Hitler would need Stalin’s permission if he wanted to ship wolfram and molybdenum from China and chrome from Turkey along Russian rail lines.

Hitler would also need Soviet help procuring and shipping another crucial resource from the Far East—rubber. As the Second Reich had discovered in World War I, shortages of rubber meant fewer tires and fewer shoes, among other things. The German military, in other words, had to have rubber as much as it did oil and steel. Although by 1939 Germany’s developing synthetic materials plants could handle about 50 percent of the Reich’s rubber needs,<sup>9</sup> even these plants still required huge amounts of natural rubber to mix with the synthetic product. But the rubber production of Malaysia and the East Indies was dominated by the British and the Dutch. With stockpiles sufficient for only two months,<sup>10</sup> Hitler had to find some way to get more rubber to the Reich.

In comparison to these raw material shortages in oil, metals, and rubber, Germany’s food supply was fairly secure. Imports made up only 11 percent of the Reich’s overall food requirements. On the other hand, imports of fats and oils

accounted for 40 percent of Germany's needs.<sup>11</sup> Here, also, Soviet imports of Ukrainian grains or Soviet transshipments of Manchurian soybeans could make up the shortfall, a shortfall that would only grow if Germany conquered more territories (such as France and the Benelux countries) with an overall food deficit and if the Greater Reich's food production decreased as a result of the war (which it did).

Of course, the Soviets would clearly want something substantial in return for supplying raw materials they themselves needed for their own expanding war economy. In the short term, the Soviet Union needed military equipment and weapons designs to strengthen the purge-weakened Red Army and Red Navy. For example, the Soviets would ultimately ask for, among other things, gun turrets, cruisers, mines, battleship blueprints, and the latest German aircraft. In the long term, the Soviets also required machine tools and new technology to help them develop their own industrial base. German construction of synthetic materials plants, for instance, would initially loom very large in German-Soviet economic negotiations.<sup>12</sup> Such demands, however, would prove difficult for a Germany already engaged against the West. How could the Reich afford to sell guns to the Soviets that the *Wehrmacht* or the *Kriegsmarine* might need to fight the English and French?

Even if the two sides could agree on the amounts and types of items to be traded, a major stumbling block would simply be transporting the goods to the other party. The Soviet transportation network was woefully underdeveloped. Roads were nonexistent, and the rail lines could barely handle their current loads, especially the Trans-Siberian route to the Far East. Soviet trains also ran on a broader gauge than those of the rest of Europe, creating tremendous complications for exchanging goods between the two countries (a problem that became even worse with the redrawing of boundary lines in late 1939 and 1940). Water transport might be able to take up some of the slack, but the overall situation was problematic, to say the least.<sup>13</sup> In short, getting Germany and the USSR together might be a difficult match to make.

## OF POLITICS AND WAR ECONOMIES

Nevertheless, both sides, and Germany in particular, desperately wanted the other's economic help. If these economic relations were so important, however, why are they still so poorly understood? The answer is two-fold. First, the key documents for the economic negotiations are either missing or scattered throughout various archives. As the editors of *Documents on German Foreign Policy* explain, "the basic secret and open files of the Economic Policy Department on the Soviet Union are missing for the period covered by this volume, as are the economic files of the Embassy in Moscow."<sup>14</sup> Published collections that might at least bring together the remaining documents have followed the pattern of the secondary literature and skipped over the "long and bulky" economic negotiations in order to concentrate on the political negotiations.<sup>15</sup> Consequently, one must turn

to unpublished sources in various German archives to find the real story of how valuable Soviet economic aid was for Germany during World War II.<sup>16</sup>

Second, and probably more important, the political and military events appear flashier and more dramatic—economics as the dull science versus Ribbentrop swooping into Moscow to sign last-minute treaties that reshape the face of Europe. As a result, even those works that one might expect to cover the economic relations and their importance for Germany in some detail, such as histories of the German-Soviet relationship or studies of the German war economy, have largely relegated this issue to the sidelines in favor of other questions.

What are those other issues? In the case of the general histories of the war in Europe, the focus has usually been on the ease or difficulty of the German advance. Historians divide into two camps. Much of the early writing was based on the memoirs and autobiographies of German military leaders<sup>17</sup> and consequently provided an often distorted version of events in which Hitler's mistakes, real and otherwise, were analyzed in excruciating detail while the mistakes of various subordinates were glossed over. In other words, Hitler, or Stalin in the case of the Soviet Union,<sup>18</sup> became the scapegoat for practically every German misstep made during the war. Without the *Führer*, supposedly, the *Wehrmacht* would have easily won the war.

Much of the professional historical writing over the past three or four decades has tried to puncture the myth of an invincible German military machine hamstrung by Hitler.<sup>19</sup> Instead, it was Hitler's willingness to risk adventurous campaign strategies and try innovative tactics that proved a key factor in Germany's success during the first two years of the war. Those failures that Germany did encounter were due in much greater measure to various supporting players (particularly in the military) than had been previously realized. Even the more popular-level histories have caught on, noting that Germany's early conquests were, in the case of the German lightning success in France, for example, "almost a miracle."<sup>20</sup> And close-run victories might easily have become defeats without Soviet economic and political support.

As for the German war economy, the discussion has centered on the extent of the Reich's mobilization efforts. Here again we find two major arguments. The early works contended that the Germans never really mobilized until 1942 or later.<sup>21</sup> The United States Strategic Bombing Survey, for instance, reached "the [inescapable] conclusion . . . that Germany's war production was not limited by its war potential—by the resources at its disposal—but by demand; in other words, by the notions of the German war leaders of what was required to win. The Germans did not plan, nor were they prepared for, a long war."<sup>22</sup> According to Alan Milward, this delayed mobilization was part of Hitler's explicit design for a *Blitzkrieg* economy that "allowed Germany to play the part of a great power," and avoid "the total economic commitment of 'total war'" by fighting a series of campaigns in short bursts.<sup>23</sup>

More recent scholarship, however, has concluded that the Germans were mobilizing for total war from 1939 at the latest, and probably from 1936.<sup>24</sup> The

plan was to construct the military-industrial complex first and then build the ships, tanks, and planes. But when the big war they were expecting in 1943 arrived in 1939 instead, the Germans were forced into a “total war of improvisation” in which they tried to do both simultaneously. Far from having excess industrial capacity in the first two years of the war, “all the figures show conclusively that the German economy had converted the great bulk of its labour and capacity to war work by the end of 1941.”<sup>25</sup> Any economic aid, therefore, would have been important to the straining German economy.

In regard to the general German-Soviet relationship, most historians have skipped the economic negotiations and concentrated on the lead-up to the Nazi-Soviet Pact in the summer of 1939<sup>26</sup> and the development and implementation of Operation Barbarossa in the summer of 1941.<sup>27</sup> The primary issue has been which of these two powers was the aggressor—who initiated talks in 1939, for example, and who started planning to attack whom in 1940 and 1941? Furthermore, since their ideological differences were supposedly so great, why did both powers decide to work together from 1939 to 1941?

Again we find two primary arguments—Stalin as reluctant appeaser or as cautious expansionist. Although there have been some extremely pro-Soviet works (Stalin as far-sighted anti-Nazi)<sup>28</sup> or pro-German works (Hitler waging a preventive war against Bolshevism),<sup>29</sup> most historians fall into either of these two less extreme camps. The “appeasers” argue that Stalin preferred to work with France and Britain but was forced by the West’s dilatoriness into a last-minute agreement with Hitler. And as Germany’s power continued to grow, Stalin had no choice but to appease Hitler even further in order to avoid Nazi aggression or possibly even the nightmare vision of complete capitalist encirclement.<sup>30</sup> The “expansionists” contend that Stalin preferred an alliance with Hitler from the very beginning, because it offered him security, territory, technology, and more possibilities to further his world revolutionary goals.<sup>31</sup> Any delays were designed primarily to raise Stalin’s asking price.

## MURPHY’S LAW

Almost sixty years after World War II began, these debates about the general course of the war, German economic mobilization, and Nazi-Soviet relations continue. The opening of the Soviet archives was supposed to answer some of these questions, but the two recent books based on these documents have come to opposite conclusions.<sup>32</sup> Since German-Soviet economic relations profoundly influenced all these aspects of the war, this study can shed some light on these historiographical debates. If Germany was barely mobilized and still easily winning the war, for instance, then closer political and economic relations with the Soviet Union would have meant relatively little to the Reich, and the documents would probably show the Soviets initiating contacts and appeasing the growing German colossus. In fact, a close study of German-Soviet trade supports the more recent version of events in which a resource-poor Reich was barely

winning its “total war of improvisation” and therefore had to approach the USSR first and accede to most of Stalin’s demands. The “expansionists,” in other words, are right, though perhaps more because of Stalin’s emphasis on *realpolitik* than the ideological or personal motivations some have attributed to Stalin.<sup>33</sup> Stalin’s early and frequent approaches to the Germans and his tough bargaining throughout show him not to be appeasing Hitler but to be eager for closer relations with the Reich and also to be taking advantage of an increasingly desperate German economic situation to expand the USSR’s power.

Among those few historians who have focused on German-Soviet economic relations, however, not all have agreed with this interpretation.<sup>34</sup> In fact, the only other substantive piece on the trade negotiations, Heinrich Schwendemann’s revised dissertation, supports the “appeasers” position.<sup>35</sup> Schwendemann is thorough, analytical, and provocative. Unfortunately, he is also too often misleading. The problem is twofold: Schwendemann’s desire to be completely original—his “pride,” if you will; and his bias or “prejudice” against the often superior German source material in favor of other evidence. The result is an intriguing but ultimately flawed work.<sup>36</sup>

So what do the extensive but little-used German files tell us about the economic relationship and its significance? This study makes possible at least five major conclusions which will serve as the building blocks for the detailed narrative to follow:

- (1) The German war economy suffered from continuing raw material shortages in a series of key areas that, if Hitler were to continue his expansionist policies, could only be dealt with by economic cooperation with or domination of the Soviet Union. Hitler preferred the latter policy (as did many in the military), but was willing to follow the former course for as long as he thought necessary.
- (2) Stalin appeared to prefer an agreement with Germany over one with the Allies in part because these German economic needs gave him a superior bargaining position that he exploited logically, and often separately from the political situation, to extract economic concessions from the Germans throughout the entire course of the relationship. Although Stalin did occasionally use some elements of economic blackmail for political purposes, especially in the earlier phases of the relationship, and less frequently a sort of economic appeasement, particularly at the very end of the partnership, the Soviet *Vozhd* concentrated on hard-nosed economic bargaining to get the best trade arrangements he could and expand Russia’s power.
- (3) Hitler’s new focus in July 1940 on attacking Russia instead of England was made primarily for ideological reasons but also because of increasing concerns that the Soviet Union could not be trusted as an ally and that the Soviet trade relationship would not aid Germany enough to see it through a possible long-term struggle with the Anglo-Saxon powers. That these concerns were shared by many in the military and elsewhere goes far toward

explaining the support that planning for Operation Barbarossa received among Germany's ruling elite.

- (4) Despite the tough Soviet bargaining and the German concerns about the extent of Soviet aid, Russian shipments and trans-shipments of raw materials made a crucial contribution to the German war-making capability in the first two years of the war. Gerhard Weinberg's initial questioning of "whether without Soviet aid . . . the German attack in the West in 1940 would have been as successful as it was and the attack on the Soviet Union would have been possible at all"<sup>37</sup> turns out to have been substantially correct.
- (5) Finally, that Stalin's hard-won concessions proved of such little value does not mean that Stalin's basic policy of neutrality and tough bargaining with Germany was misguided, rather that the war took a series of very unexpected turns. Given Hitler's illogical predilections and his success in pulling off long-odds military campaigns, Stalin's strategy was rational to a fault. Stalin was, in short, the victim of Murphy's Law.

## NOTES

1. Politisches Archiv des Auswärtigen Amtes (PA)/Nachlässe/Dr. Karl Schnurre, *Aus einem bewegten Leben. Heiteres und Ernstes* (Bad Godesberg, 1986), 91. See also Anthony Read and David Fisher, *The Deadly Embrace: Hitler, Stalin, and the Nazi-Soviet Pact, 1939–1941* (New York: W. W. Norton & Co., 1988), 349–50.
2. Donald C. Watt, *How War Came: The Immediate Origins of the Second World War, 1938–1939* (New York: Pantheon, 1989), 40–41.
3. For more information on Germany's raw material shortages on as war approached, see OKW/WiRüAmt/Wi, "Die Möglichkeiten der Versorgung Deutschlands und Italiens aus dem neutralen Raum im Fall einer Krieges gegen England und Frankreich (und Rußland) (12.5.39)," *RW 19/3110*.
4. BA/SR/RfW, "Rohstoffversorgung: Möglichkeiten einer Großraumwirtschaft unter deutscher Führung, Teil I (August 1939)," *R 25/53*, 4.
5. BA/SR/RfWP, "Der deutsche Außenhandel im Kriegsfall (Mai 1939)," *R 24/82*, 3–5.
6. BA/SR/RfWP, "Die Einfuhrabhängigkeit der Achse an kriegs- und lebenswichtigen Roh- und Halbstoffen und ihre mögliche Sicherstellung im Kriegsfall (August 1939)," *R 24/21*, 1.
7. BA, *R 25/53*, 4.
8. BA, *R 24/82*, 3–5.
9. BA, *R 25/53*, 4.
10. "Overall Report," in *United States Strategic Bombing Survey, 1945* (Washington, D.C.: GPO, 1947), 45.
11. "Effects of Strategic Bombing," in *USSBS, 1945* (Washington D.C.: GPO, 1947), 132.
12. See Appendix B for more details about Soviet economic demands.
13. For more information, see IG/Vowi, "Das Transportproblem in der UdSSR im Hinblick auf den deutsch-russischen Handelsverkehr (6.10.39)," *80 IG 1/A 3725*.
14. *Documents on German Foreign Policy, 1918–1945*, Series D (Washington D.C.: Dept. of State, 1950–), 8: 7, doc. 10, n. 1.

15. *Nazi-Soviet Relations, 1939–1941*, ed. R. J. Sontag and J. S. Beddie (New York: Didier, 1948), 7.

16. Among these archival sources, the following four document groups are the most important: the *Wehrwirtschafts- und Rüstungsamt* (War Economy and Armaments Office) files at the military archives in Freiburg; the *Handakten* (personal files) of Emil Wiehl and Carl Clodius and the *Nachlässe* (memoirs) of Karl Schnurre at the Political Archives of the Foreign Ministry in Bonn; the reports of the *Rußlandausschuß der deutschen Industrie* (Russia Committee of German Industry) available at a variety of places, including the *Bundesarchiv* (Federal Archives) in Koblenz and the *Institut für Weltwirtschaft* (Institute for World Economics) in Kiel; and the statistical material found in *Der Außenhandel Deutschlands* (German Foreign Trade), available in Kiel and elsewhere.

17. Starting with B. H. Liddell-Hart, *The German Generals Talk*, 1948 (New York: Quill, 1979), this memoir-driven history still pervades many works such as the discouragingly popular R. H. S. Stolfi, *Hitler's Panzers East: World War II Reinterpreted* (Norman: University of Oklahoma, 1991).

18. See Aleksandr Nekrich, "June 22, 1941": *Soviet Historians and the German Invasion*, edited by Vladimir Petrov (Columbia: University of South Carolina, 1968), for the beginnings of the Soviet debate.

19. See, for example, Gerhard Weinberg, *A World at Arms* (New York: Cambridge University, 1994), and Militärgeschichtliches Forschungsamt, *Das Deutsche Reich und der Zweite Weltkrieg*, 10 vols. (Stuttgart: Deutsche Verlags-Anstalt, 1979–).

20. Robert A. Doughty, "Almost a Miracle," *Military History Quarterly* 2, no. 3 (Spring 1990): 43.

21. For examples, see *The United States Strategic Bombing Survey*, edited by David MacIsaac, vol. 1 (New York: Garland, 1976); Burton Klein, *Germany's Economic Preparations for War* (Cambridge: Harvard University, 1959); Rolf Wagenführ, *Die deutsche Industrie im Kriege 1939–1945*, 2nd ed. (Berlin: Duncker & Humboldt, 1963); and Alan Milward, *The German Economy at War* (London: Athlone, 1965).

22. "Overall Report," in *The United States Strategic Bombing Survey*, 1945 (Washington, D.C.: GPO, 1947), 31.

23. Milward, *German Economy*, 8.

24. These recent works include Richard Overy, "Mobilization for Total War in Germany, 1939–41," *English Historical Review* (July 1988): 613–39; Hans-Erich Volkmann, "Die NS-Wirtschaft in Vorbereitung des Krieges," in *Ursachen und Voraussetzungen der deutschen Kriegspolitik*, Vol. 1 of *Das Deutsche Reich und der Zweite Weltkrieg* (Stuttgart: Deutsche Verlags-Anstalt, 1979), 117–370; and Ludolf Herbst, *Der totale Krieg und die Ordnung der Wirtschaft im Spannungsfeld von Politik, Ideologie und Propaganda 1939–1945* (Stuttgart: Deutsche Verlags-Anstalt, 1982). For a recent survey of this debate, see J. P. Harris, "The Myth of Blitzkrieg," *War in History* 2, no. 3 (November 1995), 348–52.

25. Overy, *Mobilization*, 627.

26. See, for instance, Reinhold W. Weber, *Die Entstehungsgeschichte des Hitler-Stalin-Paktes 1939* (Frankfurt: P. D. Lang, 1980), or Ingeborg Fleischhauer, *Der Pakt. Hitler, Stalin und die Initiative der deutschen Diplomatie 1938–1939* (Berlin: Ullstein, 1990).

27. Two examples are Barry A. Leach, *German Strategy Against Russia, 1939–1941* (London: Oxford University, 1973), and Robert Cecil, *Hitler's Decision to Invade Russia 1941* (New York: David McKay, 1975).

28. For instance, see the appropriately entitled book by Anna Strong, *The Soviets Expected It* (New York: Dial, 1941).

29. The most recent and famous of these books is by Victor Suvorov, *Ice-Breaker: Who Started the Second World War?*, trans. Thomas B. Beattie (London: Hamish Hamilton, 1990).

30. See Bianka Pietrow, *Stalinismus, Sicherheit, Offensive: Das Dritte Reich in der Konzeption der sowjetischen Aussenpolitik 1933–1941* (Melsungen: Schwartz, 1983); Ingeborg Fleischhauer, *Diplomatische Widerstand gegen "Unternehmen Barbarossa."* *Die Friedensbemühungen der Deutschen Botschaft in Moskau 1939–1941* (Berlin: Ullstein, 1991); and Geoffrey Roberts, *The Unholy Alliance: Stalin's Pact with Hitler* (Bloomington: Indiana University, 1989).

31. For the first two points, see Donald C. Watt, *How War Came: The Immediate Origins of the Second World War, 1938–1939* (New York: Pantheon, 1989); Max Beloff, *The Foreign Policy of Soviet Russia, 1929–1941*, 2 vols. (New York: Oxford University, 1947–49); and Gerhard L. Weinberg, *The Foreign Policy of Hitler's Germany, 1937–39* (Chicago: University of Chicago, 1984). For the third motivation, see Tucker's contribution to Robert C. Tucker, et al., "Discussion: The Emergence of Stalin's Foreign Policy," *Slavic Review* 36, no. 4 (December 1977): 563–607; and R.C. Raack, "Stalin's Plans for World War II," *Journal of Contemporary History* 26 (1991): 215–27.

32. R.C. Raack, *Stalin's Drive to the West, 1938–1945: The Origins of the Cold War* (Stanford: Stanford University, 1995), and Geoffrey Roberts, *The Soviet Union and the Origins of the Second World War: Russo-German Relations and the Road to War, 1933–1941* (New York: St. Martin's, 1995), both restate their earlier positions.

33. For a more focused discussion of this point, see Edward E. Ericson III, "Karl Schnurre and the Evolution of Nazi-Soviet Relations, 1936–1941," *German Studies Review* 21, no. 2 (May 1998): 263–84.

34. The few pieces that focus on the economic partnership from 1939 to 1941 include Ferdinand Friedensburg, "Die sowjetischen Kriegslieferungen an das Hitlerreich," *Vierteljahrshfte zur Wirtschaftsforschung* (1962): 331–38; Gerhard Eichler, *Die deutsch-sowjetischen Wirtschaftsbeziehungen vom August 1939 bis zum faschistischen Überfall im Juni 1941* (Ph.D. diss., Halle, 1965); Wolfgang Birkenfeld, "Stalin als Wirtschaftspartner Hitlers (1939–1941)," *Vierteljahrsschrift für Sozial- und Wirtschaftsgeschichte* 53 (1966): 477–510; Hartmut Schustereit, "Die Mineralöllieferungen der Sowjetunion an das Deutsche Reich 1940/41," *Vierteljahrsschrift für Sozial- und Wirtschaftsgeschichte* 67 (1980): 334–53; and Manfred Zeidler, "Deutsch-sowjetische Wirtschaftsbeziehungen im Zeichen des Hitler-Stalin-Paktes," in *Zwei Wege nach Moskau*, ed. Bernd Wegner (München: Piper, 1991), 93–110.

35. Heinrich Schwendemann, *Die wirtschaftliche Zusammenarbeit zwischen dem Deutschen Reich und der Sowjetunion von 1939 bis 1941. Alternative zu Hitlers Ostprogramm?* (Berlin: Akademie, 1993).

36. For a more thorough analysis of Schwendemann's work, see Edward E. Ericson III, *Feeding the German Eagle: Soviet Economic Aid to Nazi Germany, 1933–1941* (Ph.D. diss., Indiana, 1996), 30–38.

37. Gerhard Weinberg, *Germany and the Soviet Union, 1939–1941* (Leiden: E. J. Brill, 1954), 75.

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## Chapter 1

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# Traditional Interdependence

Our story begins long before Stalin or Hitler had come to power. As those Germans who supported the policy of economic cooperation with the USSR repeatedly noted, Germany and Russia were natural economic allies, the one possessing first-class industry and the other abundant natural resources. While their compatibility politically and ideologically has frequently been debated,<sup>1</sup> there is no questioning their economic importance to each other. In 1912, for example, Germany imported 1.5 billion Reichsmarks (RM) worth of goods from Russia and exported 680 million RM to that country, an astounding 14.3 percent of total German imports and 7.6 percent of total German exports.<sup>2</sup>

Since the late nineteenth century, the issue for the Germans had been one of means and not ends. Germany clearly needed Russia and its resources. But were Germany's status and prosperity best insured by trade or conquest? Before World War I, German leaders such as Bethmann-Hollweg appear to have been of two minds on the Russian question. However, once war started, direct control of Russian grain, metals, and oil inevitably became a vital goal of German military planning.<sup>3</sup>

## **WORLD WAR I**

Even before the guns of August 1914 had roared to life, Great Britain had begun to cut off Germany's lifeline to the world's markets when Winston Churchill mobilized the British navy in the early morning hours of August 2. As Liddell-Hart explains, "the blockade [was] . . . the decisive agency in the struggle," demoralizing the German people and making them feel helpless.<sup>4</sup> He goes on to say, "Helplessness induces hopelessness, and history attests that loss of

hope and not loss of lives is what decides the issue of war.”<sup>5</sup>

When the Von Schlieffen Plan came up short and the armies on the Western Front had become mired in bloody trench warfare, the only real German hope of victory was the defeat of Russia. Success here could secure Germany from the effects of the blockade and perhaps even enable her to gather enough strength to break the siege in the West. Unfortunately for the Central Powers, this plan was too long in the making and too poorly executed. Although Russia did eventually collapse, Germany proved incapable of quickly harnessing the needed resources. England’s “Empire Jack” managed to torch the Rumanian oil fields in mid-October 1916 ahead of the invading Central Power armies, while the British beat the Germans to the Baku oil fields in August of 1918.<sup>6</sup> Efforts to feed Germany from the Ukrainian breadbasket proved equally ineffectual. From an area that had previously exported an average of five million tons of grain a year, Germany was able to secure less than one million tons in 1918.<sup>7</sup> With its economy in shambles and the Allied armies approaching, Germany gave up the fight in November 1918.

## THE “HAVE-NOTS” HAVE EACH OTHER, 1919–27

This first disastrous attempt to dominate instead of trade with the Russian colossus should have chastened those who had harbored expansionist aims in the east. Such, however, was not the case. German military leaders were successfully able to sidestep the issue of their responsibility for losing the war and to put much of the blame on the new political leadership. Consequently, many nationalist-conservative leaders continued to nourish the belief that German national security required eventual control of the now-Soviet economy. Rolf-Dieter Müller and other historians, therefore, have asked the logical question: “Were there not in the economic and armament policies of the Weimar Republic such extensive, genuine power-political aims to make it necessary to describe the economic revisionism and military policy of the Twenties as a preliminary step to the aggressive-expansionist course of the Nazi leadership?”<sup>8</sup>

Although this argument can be all too easily exaggerated, Hitler’s anti-Bolshevik rhetoric did trumpet many of the same concerns voiced by these nationalist elites, despite their frequent distaste for Hitler’s racialist and anti-semitic propaganda. Hitler, too, believed that Germany’s national security and potential world-power status required it to have a secure resource base. Or, as he put it in *Mein Kampf*, “Germany will either be a world power or there will be no Germany.”<sup>9</sup>

To achieve this aim, there were, from Hitler’s perspective, two possible courses: control of sea lanes to a colonial empire (as in the British case) or control of a land empire (as in the case of the United States or the USSR), which, for Germany, could only be found to the east. The cardinal German error in World War I, therefore, had been to lose simultaneously both of these raw material bases.

For Hitler the future choice was clear. Russia must become German *Lebensraum*. And so he wrote in 1925, “At long last we break off the colonial and

*commercial policy of the pre-War period and shift to the soil policy of the future.*” However, “if we speak of soil in Europe today, we can primarily have in mind only *Russia* and her vassal border states.” Consequently, “if before the War we could have choked down every possible sentiment and gone with *Russia*, today it is no longer possible,” because “*the conclusion of an alliance with Russia embodies a plan for the next war. Its outcome would be the end of Germany.*”<sup>10</sup>

There has, of course, been endless debate about how to interpret these professed goals of eastern *Lebensraum*. A. J. P. Taylor claimed that they were just “day dreams.” Others have seen them as practically a lock-step plan.<sup>11</sup> However, most historians have accepted Alan Bullock’s explanation that “Hitler’s foreign policy . . . combined consistency of aim with complete opportunism in method and tactics.”<sup>12</sup> In other words, the conquest of *Russia* as the basis for world power would remain Hitler’s constant aim, but the tactic of rejecting any alliance with the Soviet Union, no matter how temporary, could be modified depending on circumstances.

These plans for domination of *Russia*, however, were not official German policy during the 1920s. In fact, the Weimar government preferred to reestablish its trade relationship with the Soviet Union as a way of bolstering its economy and also gaining some political leverage over the victorious Allies. Even this policy, however, did not develop overnight. At first, German views of the USSR were mixed at best, and German-Soviet contacts were limited. Edward Carr offers this prescient British assessment of the situation in the summer of 1919:

All classes in Germany are looking towards *Russia* for one reason or another. The extremists of the Left look upon her as the realization of their own political ideals; the pan-Germans look upon her as providing the only possible outlet for surplus population and compensation for the loss of colonies. Officers think that she may provide employment, which is no longer possible in their own country. Industrialists think that she will provide employment for capital and ultimately be the means of paying off the war indemnity. The realization of these ideas, however, lies in the far future, and, for the present, communication is much too difficult to make any practical steps possible.<sup>13</sup>

But this confused situation began to clarify itself as the governments in both Germany and the USSR solidified their internal positions. Their mutual political opposition to the Treaty of Versailles and their natural economic compatibility combined to draw the two sides closer together, as evidenced by the commercial treaty of May 1921 and the Rapallo Agreements of April 1922.

This new relationship, however, “did not bring with it a definite swing of German foreign policy away from the West and toward a firm alliance with Soviet *Russia*.”<sup>14</sup> In fact, both sides continued their diplomatic and economic contacts with other powers, “constantly asking themselves who would be the first to sell the partner down the river by making a deal with Poland, England, or France.”<sup>15</sup>

The negotiations leading up to the signing of a cluster of economic treaties on October 12, 1925, were a good indication of the fragility of this relationship. Both sides needed to have a successful resolution of the talks, but “the Germans were

mainly interested in material results, whereas the Russians had their eye principally on the tactical advantages that might be gained.”<sup>16</sup> Consequently, the negotiations were long and difficult, and neither side was very happy with the final 100 million RM in short-term credits offered to the USSR. To rectify this problem, a novel formula was agreed to in February 1926 that provided 300 million RM in longer-term credits backed by the German government to 35 percent.<sup>17</sup> This new system became the model for future credit arrangements with ever-increasing percentages guaranteed by the German government.

These economic agreements were also intended, in conjunction with the April 2, 1926, Treaty of Berlin, to allay Soviet concerns about the October 16, 1925, Locarno Treaty and to allow Stresemann, Germany’s Foreign Minister, to continue his policy of playing the USSR and the West against each other to German benefit. Nevertheless, these economic arrangements did foster a growing trade relationship that saw imports from the USSR reach 433 million RM and exports reach 330 million RM in 1927, both post-war highs.<sup>18</sup>

### THE FIRST FIVE-YEAR PLAN, 1928–32

During the next four years, the political relationship began to deteriorate as the more isolationist Stalinist regime asserted its power in the USSR, and as “the Allied decision to abandon military control . . . [made] Germany less dependent on Russia and to this extent strengthen[ed] the hand of German foreign policy.”<sup>19</sup> The economic relationship, on the other hand, continued to grow. The *Schicksalgemeinschaft* (Community of Fate) had become a “marriage of convenience.”<sup>20</sup> But increased trade was, coincidentally, just such a convenience, due in part to the new treaty structure that made trade easier. Ironically, the Great Depression also fostered improved German-Soviet economic relations because German firms were increasingly desperate to find customers anywhere, even in markets such as the USSR, which, “during the years of prosperity, German business had tended to regard . . . as a risky undertaking made difficult by petty formalism, tiresome bargaining, and an annoying fear of responsibility on the part of the Soviet negotiators.”<sup>21</sup>

Even more important than German export requirements was increased Soviet demand resulting from the implementation of the first Soviet Five-Year Plan. This demand pushed overall Soviet imports from almost 2.5 billion Rubles in 1926–27 to 3.85 billion Rubles in 1931 and imports from Germany from 563 million Rubles to 1431 million Rubles during the same period. In fact, by 1932, 46.5 percent of all Soviet imports came from Germany!<sup>22</sup>

New economic treaties merely tried to keep pace with this surging Soviet demand: the Arbitration Treaty of January 25, 1929, which set up a bipartisan arbitration board; the Pyatakov Agreement of April 14, 1931, which provided for another 300 million RM credit to the USSR; the May 28, 1932, Tariff and Toll Treaty, which allowed easier Soviet access to the German market; and another