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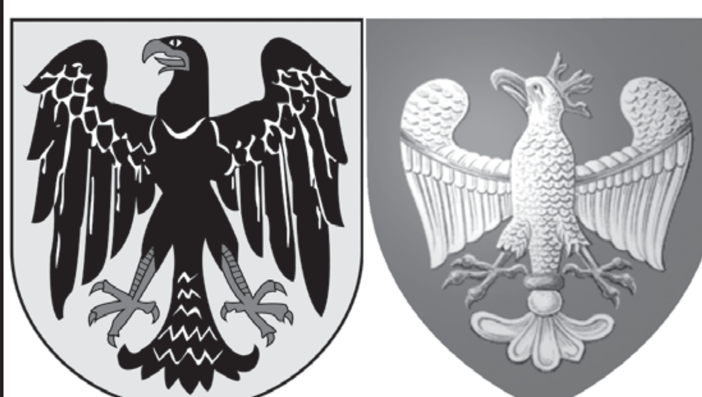

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ABSTRACT

German-Polish relations in the interwar years (1918-1939) were of great importance, not only in shaping those countries' future but the future of Europe, and indeed the world. Not surprisingly, then, the history of those troubled years has been studied by a number of scholars. Most of these studies, however, have focused on the "high politics" of the period, relegating economic ties to the margins of the story. This work uses a different approach. It focuses on Germany's efforts to influence Poland through economic sanctions and incentives. It examines these efforts in light of political science theories of economic linkage, focusing on six separate cases. These case studies show that the "softer" tactic of economic incentives was in fact quite effective. For example, in contrast to the Weimar Republic, the Nazi regime employed economic incentives, and was surprisingly effective at building a positive relationship with Warsaw before 1939. This study aims to shed new light not only on interwar German-Polish ties, but on the role of economic linkage in international relations in general.

After the end of the First World War, Poland finally regained its sovereignty, ending 123 years of occupation by Prussia, Russia, and Austria-Hungary. Yet in many ways the weak new state was not fully independent. For example, as this study will show, the legacy of economic reliance on Germany which the new Polish republic inherited proved to be a serious political problem, one which persisted throughout the interwar years.[1]

Germany sought to exploit its economic advantage through economic linkage, using economic leverage to cause Poland to make political concessions. As we shall see, however, it found economic incentives (positive linkage) to be far more successful than economic sanctions (negative linkage). While the Weimar Republic relied on economic threats, Adolf Hitler, ironically, proved most adept at using economic incentives to support a temporary détente with Warsaw in the years before 1939. The importance of economic linkage is also shown by Poland's leaders, who worked hard to decrease their country's dependence on Germany and thus its vulnerability to threats of economic blackmail.

In this essay I will first briefly introduce my theoretical objective—to show that positive linkage is more effective than negative linkage—and the six main cases used to test that contention. In the next section I examine the roots of Poland's structural economic dependence on Germany during the interwar years, in the areas of trade, investment, and the role of Danzig. Following this I discuss in more detail the main cases of economic linkage in bilateral ties during the interwar years, looking first at the Weimar period and then at the early years of Nazi rule. Then I briefly examine Poland's efforts to counter this linkage. Finally, I consider what conclusions can be drawn, both for the study of German-Polish relations and for the use of economic sanctions and incentives.

I propose to examine interwar German-Polish ties through the prism of an important literature in political science: the study of economic sanctions and incentives. Many authors have studied the use of economic sanctions for political purposes (i.e., trade embargoes, tariff increases, and other negative instruments). A smaller, but growing literature has focused on the opposite phenomenon: the use of economic *incentives*, such as tariff cuts, foreign aid, and government-backed loans.[2] I use the collective term *economic linkage* to refer to both sanctions and incentives.[3]

For many years, scholars of foreign policy have debated such questions as: Does economic linkage work? If so, what type of linkage?[4] More specifically: Can a country really use the seemingly weak weapon of economic aid or sanctions to induce others to make important foreign policy concessions? This study tests that proposition by using the "least likely" or "hard case" method.[5] During the interwar years, Poland and Germany were bitter enemies, with centuries of hatred behind them. Surely one would expect that Germany would have great difficulty winning any concessions from Poland with economic linkage alone. If Germany was even partially successful, this would be powerful testimony to the potential influence of economic instruments.

But which economic instruments? A further focus of this study will be to *compare* the effectiveness of sanctions and incentives. It is my belief that many who claim that "sanctions don't work" have failed to notice that incentives often do. In short, as the old saying goes, "You can catch more flies with honey than with vinegar."[6]

Why is this? There are a number of good reasons to expect positive linkage to be effective. First, economic aid helps build trust. Poland had deep economic, political, and historical reasons to fear Germany. Economic generosity can help to overcome such fears. As David Baldwin notes, incentives "tend to convey an impression of sympathy and concern."[7] In contrast, economic sanctions only confirm a weaker state's fears and increase distrust and resistance. Second, feelings about economic ties naturally tend to spill over into other aspects of the bilateral relationship. The spillover effect is positive when economic incentives are used; a state given aid usually is open to better political and cultural ties to the initiating state. In contrast, a state hit with economic sanctions tends to become hostile to all aspects of that country's policies.[8] Third, positive linkage has the effect of gradually deepening economic ties, thus increasing a target's vulnerability to future influence attempts, while negative linkage cuts ties, forcing the target to turn to other partners and lessening its vulnerability.[9] We will see all of these effects in the cases of German-Polish relations discussed below.

In order to test these theoretical propositions, the interwar period in German-Polish relations can be broken down into six cases, each corresponding to a period of change in German linkage policy. In three cases, negative linkage was used; each time this was unsuccessful, with Poland refusing to make political concessions. In three other cases, when positive linkage was used, Germany was able to achieve some success.

Case 1: Berlin signed a fairly generous trade pact with the Poles in 1919, achieving political goals such as permission for German civil servants to stay in formerly German areas of Poland. This initial positive linkage, however, was stillborn when the Western Allies, worried by the possible impact of German economic linkage, forced Warsaw to repudiate the pact. Thereafter Berlin turned sharply toward negative linkage, a policy that persisted for much of the rest of the Weimar period.

Case 2: Germany imposed a de facto economic embargo on the Poles from 1920 to 1922, a policy that was particularly dangerous to Warsaw during the

Polish-Soviet War. Yet this negative linkage failed to win any Polish concessions relating to the ongoing Upper Silesia crisis or other issues and merely deepened distrust of the Germans. From 1922 to 1925 German-Polish economic ties were dominated by the provisions of the Geneva Convention on Upper Silesia, imposed by the League of Nations, which forced Germany to trade with Poland and thus limited economic linkage. The expiration of this accord marked the start of Case 3 in 1925-1926, again of the negative variety. Berlin tried to exploit Poland's economic crisis to obtain concessions on minority rights and even border revisions. A tariff war began, which greatly limited bilateral economic ties until 1934. Again, as in 1920-1922, this attempt to force concessions failed. Germany also used another form of pressure, lobbying hard to prevent Western states from extending critical loans to the Polish government.[10]

Intermittently from 1926 to 1930, however, a somewhat more positive policy emerged. Its most notable success was Case 4, the Liquidation Agreement of 1929, in which Germany forgave some economic claims against Poland in return for Warsaw's decision to refrain from seizing many German-owned properties. In the spring of 1930, a trade treaty was finally signed—although it had little economic or political effect since it was never ratified by the German Reichstag. Unfortunately, this limited success, like the initial 1919 treaty, was soon forgotten in the generally hostile bilateral atmosphere of the Weimar period. From 1930 to 1933 German-Polish ties lapsed back into negative linkage, Case 5, when the effects of the Great Depression and the political threat of the rising Nazi party helped prevent Berlin from making any further economic concessions. Again, though, as in 1920-1922 and 1925-1926, negative linkage produced only an increase in hostility and even threats of a Polish preventive war.

Finally, as noted above, during the early years of the Nazi period Germany turned sharply to positive forms of economic influence. This can be seen as Case 6. By any objective measure of military capabilities or political threat, one would think that Hitler was a more dangerous figure than the Weimar leaders. Yet he was able to use trade treaties and credits, along with political flexibility, to win Warsaw's friendship, at least temporarily. He not only gained concessions on such issues as the rights of the German minority in Poland, he was able to advance his broader foreign policy goals. Poland seemed reluctant to challenge the Anglo-French appeasement policy of the time and also turned away from the German threat to focus on its own goals, such as border gains vis-à-vis Lithuania and Czechoslovakia. Unfortunately, the results of this case show that positive economic linkage may not always be used for positive ends.

Poland's Structural Dependence on Germany in the Interwar Era

In 1918, Poland's legacy of economic dependence on its larger and more developed Western neighbor was clear. This dependence could be seen in a number of areas. Poland relied on German capital and on trade with Germany; German landowners played a substantial role in the new state; and the historically German port of Danzig handled a major portion of Poland's exports and imports. In this section I briefly examine some of these areas, showing how they gave Germany a good starting point for the use of economic linkage—an advantage which Berlin knew to be its greatest strength in influencing the Poles. As we shall see, Warsaw was not unaware of this situation and struggled to reduce its dangerous dependence.

While the reach of German capital in interwar Poland extended even to the formerly Russian region—for example, the textile industry of Łodz[11]—it was the western regions, which had long been controlled by Prussia and later by united Germany, where its dominance was most apparent. This vital region was the industrial heartland of the new Polish state: fully 73.5 percent of Poland's coal and 77.1 percent of its steel came from the portion of Upper Silesia that was ceded to Poland after a 1921 plebiscite.[12] And the major enterprises in Upper Silesia were all German-owned in 1918.[13] The Polish takeover of part of the region changed little, since Warsaw was not allowed to expropriate private firms without compensation, which it could not afford. Initially Poland was only able to control the former Prussian state properties, which amounted to about 10 percent of the region's coal production. As discussed below, Poland tried to squeeze German capital out of the region; yet the majority of capital in Upper Silesia was still German-owned in 1936.[14]

German investors were often hostile to the new Polish state and willing to cooperate with the Berlin government's economic linkage plans. Most shared the nationalistic resentment of Poland that was common in Germany at the time. Additionally, the new political situation raised many practical business problems. For the majority of German owners (those with assets in formerly Prussian parts of Poland), what had been safe, low-risk domestic investments had suddenly become high-risk foreign investments. Given the risks involved and their own generally anti-Polish sentiments, it was only natural that many German investors would try to pull out of Poland. Others kept their factories running, but drew down their investments by refusing to modernize their facilities and repatriating profits back to Germany.[15] Thus, for both business and patriotic reasons, German investors were only too willing to support negative economic linkage toward Poland by withholding their capital.

A similar situation prevailed in the area of landownership. The formerly Prussian part of Poland was initially dominated by German landowners, many with large estates. Richard Blanke estimates that even in the Poznań region—the most Polish part of Prussia, where ethnic Germans were clearly in the minority—two-thirds of the land and more than two-thirds of the businesses were German-owned and Germans generated three-quarters of the income tax receipts.[16] German emigration and Polish government measures, including some forced liquidations, reduced this dominance, but even in 1939 Germans still owned 32 percent of the land in the Pomorze and Poznań regions.[17] Furthermore, these lands were often the most productive in the region. The Germans ran larger, more technologically advanced farms and were represented by a dense net of farm organizations and marketing collectives. Worst of all, from the Polish viewpoint, these farmers were concentrated along the German border, representing a constant argument for border changes on grounds of both nationality and economic productivity: "Germans should have this land because we can use it better than the Poles."[18] Thus, throughout the interwar period, Warsaw had reason to fear the influence of German landowners—both economically and in the political realm.

The interwar situation in Poland's foreign trade was in many respects similarly difficult. Here, too, Poland faced a large structural dependence on Germany that opened the door to potential economic linkage. Berlin could either offer Poland generous trade conditions (positive linkage) or exclude Polish goods (negative linkage). Either tactic would have a great effect on Poland at little cost to Germany.

Polish reliance on Germany was heightened by the fact that the other two states that had ruled parts of Poland, Austria-Hungary and Russia, had collapsed during the First World War. Austria-Hungary was replaced by a welter of smaller states with conflicting trade policies, and the Bolshevik regime in Russia limited foreign trade severely, particularly with Poland, which was seen as an enemy due to its war with the Soviets in 1919-1920. The dearth of Polish-Russian trade persisted throughout the interwar period; only in 1939, on the eve of World War II, did the two countries sign their first trade treaty. In 1938, Polish imports from the USSR amounted to only 9.9 million zł., while exports were a paltry 1.4 million—barely a tenth of one percent of Poland's overall exports that year.[19] Clearly, then, Poland had few obvious trade alternatives.

The strong economic links between the formerly Prussian regions of Poland and the German Reich seemed to make continued trade vital for the new state's prosperity. On the eve of World War I over two-thirds of the production of the region was sold within Germany, while only one-tenth went to the then-Austrian and Russian zones of Poland.[20] The coal and steel output of Upper Silesia had also generally been sold within Germany before the First World War.[21] Similarly, western Poland had been an important breadbasket for Germany before 1918; farmers had prospered behind the Reich's high tariff walls, erected by Bismarck and his successors in the "Coalition of Iron and Rye" that dominated the government of Wilhelmine Germany. Now, suddenly, landowners in formerly Prussian Poland were linked to a state that was overwhelmingly agricultural. Like the industrial workers, they too risked being cut off from their natural markets in Germany.

The Allied powers were well aware that trade with Germany would be of crucial importance for the new Polish state. Accordingly, they included a clause in the Versailles treaty requiring Germany to grant Most Favored Nation trade status to Poland for five years.[22] Germany was also required to continue to purchase goods from Poland for three years in an amount equal to the yearly average of German purchases in 1911-1913 from the then German-controlled part of Poland.[23] After Poland gained control over part of Upper Silesia, the Allies pressed Germany to further protect Polish exports from this crucial region. Germany agreed to allow duty-free trade between Polish Upper Silesia and German Silesia for fifteen years and, even more important, agreed to accept a fixed amount of duty-free imports destined for the rest of Germany until June 1925 (including 500,000 tons of coal per month). Taken together, these steps initially seemed to have some promise for limiting German trade leverage against Poland.

In reality, however, trade relations with Germany remained tense and were still colored by political considerations. The fundamental structural reality of this trade—that it was far more important to Poland than to Germany—remained unchanged. In the early 1920s Poland's dependence on Germany reached a peak; in 1920, despite a partial German trade embargo, fully 80 percent of Poland's imports came from that country.[24] Even in 1923 Germany accounted for 51.6 percent of Poland's total trade turnover.[25] Official Polish statistics show that in 1938, after Poland had tried for twenty years to reduce its reliance on Germany, that country was still Poland's leading trade partner, accounting for 23.0 percent of Polish imports and 24.1 percent of Polish exports. However, this trade amounted to only 2.1 percent of German imports and 2.2 percent of German exports.[26] In all, over the 1924-1938 period Poland was *twelve times* more dependent on bilateral trade than Germany.[27]

In addition to the size of this trade, its *structure* shows that it was far more important to Poland than to Germany. For example, in building up its Central Industrial Region in 1936-1939 (ironically, largely to counter the rising Nazi military threat) Poland imported much of the necessary equipment from Germany. In 1938, 60 percent of Poland's machinery imports came from the Third Reich (114.5 million of 192.8 million zł. in total imports). The next leading supplier, Great Britain, provided only 12.6 percent.[28] Similar figures could be cited for other types of sophisticated imports, such as motor vehicles and specialized chemicals and dyes. Yet conversely these shipments were, as Józef Misala notes, of "marginal importance" to Germany. He estimates that over the entire interwar period only about 1.5 percent of German manufactured goods exports went to Poland.[29]

Meanwhile, Poland's exports to Germany consisted of uncompetitive raw materials and semi-finished goods, chiefly meat, timber, coal and zinc. Yet in none of these areas did Poland control a high proportion of German imports. Even coal exports, which one might expect to be important to Germany given the role of Silesian coal in its prewar economy, were in fact relatively small. In the mid to late 1920s Germany typically produced 10 to 14 million tons of coal a month. Thus Polish coal exports, at most 500,000 tons per month, amounted to only three to five percent of Germany's needs.[30] Many other countries were also eager to sell Germany coal. While some industries on the German side of Silesia welcomed Polish imports, they were not essential for the overall German economy. Germany also repeatedly showed its independence from Polish coal by imposing embargos, demanding political concessions before any coal would be imported. Similarly, when meat exports to Germany reached their peak in 1938, they accounted for only 12.5 percent of German meat imports. Yet this represented 90 percent of Polish exports of pigs and 70 percent of overall meat exports.[31] Thus, even in areas of Polish comparative advantage, the Polish side was far more dependent on access to the German market than Germany was on Polish imports.

In general, Poland suffered both from the small size of its economy—which made a certain level of trade loom much larger for Poland than for Germany—and from the nature of its exports, which were generally semi-processed or raw materials which could be easily replaced by Germany. As the German Foreign Office noted bluntly in an internal memo in 1935, they were "products that Germany is not particularly interested in importing."[32] In contrast, Polish imports were largely specialized capital goods and manufactured goods, for which substitutes were not readily available. Good trade relations, then, were always vital for Poland and always relatively unimportant for Germany. This type of trade structure is seen by experts in the field of international political economy as ideal for the use of economic influence.[33]

In addition to the large German role in investment, trade, and landownership, the Germans also occupied a key position astride Poland's shipping routes. The port city of Danzig was the transit point for most of Poland's trade. As in the area of trade, the Allied powers acted to limit this source of potential German economic dominance. President Wilson's Fourteen Points directly mentioned the importance of Polish access to the sea.[34] At the Paris Peace Conference the allies decided to make Danzig a "free city," ruled directly by the League of Nations, in a permanent customs union with Poland. This did not solve the problem, however; the people of Danzig remained German and wanted to be reunited with Germany. League of Nations supervision seemed unreliable, and Poland was prohibited from stationing troops or warships in the city.[35] In short, Poland had good reason to believe that in a crisis Germany could still easily disrupt trade through Danzig. As we shall see below, this did happen during the Polish war with Soviet Russia, when Danzig dockworkers refused to deliver vital war supplies to the Poles.

In all, then, Poland faced a difficult situation during the interwar period. Its dependence on Germany was deep and multifaceted. Germans controlled many key investments, important agricultural areas and trade markets, and the port of Danzig. Given this dependency, the crucial question for the Poles was how Germany would choose to use its advantage—by what means and for what ends? They discovered that leaders of both the Weimar Republic and the Third Reich would not hesitate to use all the economic leverage at their disposal.

Linkage Cases in the Weimar Period

During the Weimar period, Germany relied heavily on negative linkage, and thus failed to achieve Berlin's political goals, while deepening Polish-German hostility. Its rare attempts at positive linkage were more successful, both in achieving their immediate political goals and in improving the overall atmosphere of relations. Germany was also able to use positive linkage in several areas outside of direct governmental relations: to influence the free city of Danzig, the German minority in Poland, and voters in plebiscites on border changes. This further demonstrates the potential power of a more generous approach.

Given the various economic imbalances noted above, as well as the fact that the Versailles treaty had effectively eliminated German military power—it permitted only a 100,000-man army—it was very tempting for the new Weimar government to use economic leverage against Poland. As Robert Spaulding correctly notes, "Germany's still-considerable economic power" became its main tool of influence in the interwar years.[36]

What issues did Germany target with this economic power? Given the political tensions between the two countries, there were many pressing problems. Germany fought for extensive civil rights for its minority in Poland, ranging from the right to use the German language in government business to the right to hold German citizenship. It sought to defend the minority's schools, churches, and property. In 1921 the German minority was estimated at about 1.1 million out of a total population of 27.2 million (about four percent).[37] Yet its economic and political importance was far higher than these numbers suggest. Berlin devoted much energy to defending the minority's economic power—which, as discussed above, played a large role in Poland's overall dependence on Germany. For example, Germany tried to stop Polish confiscation of German property and discriminatory measures against German business owners. Another constant issue was the fate of the 150,000 "optants," Germans who opted to keep German citizenship when Poland assumed control of their home areas. Many had thought they could stay in Poland as resident aliens, but Warsaw wanted them to quickly sell their property and emigrate.[38] The Paris Peace Conference had pressed Poland into granting minority rights in a treaty signed along with the Versailles pact in June 1919, but complaints of unfair treatment continued.

In addition to day-to-day disputes over the German minority, a longer-term issue was the future of the Polish-German border. At an absolute minimum, most Germans demanded that Poland should cede its part of Upper Silesia and return Danzig to German sovereignty. The Polish corridor, which divided East Prussia from the rest of Germany, was also a continual sore point. While more moderate Germans were willing to allow the Poles to keep most of the Poznań area, which was overwhelmingly Polish, others called for even this land to revert to Germany. And not a few voices even demanded that Poland be entirely partitioned again; as the commander of the German army, General Hans von Seeckt, wrote in 1922, "Poland's existence is unbearable. . . . It must disappear, and will disappear, through its own inner weakness and through Russia—with our help."[39] Minority rights and the border issue were in fact linked; preserving the minority and all other traces of German influence in the formerly German areas helped keep the hope of eventual border revision alive. This made it more difficult for Poland to treat the minority generously.

These German priorities played a large role in the first case of economic linkage in the interwar period: the provisional economic and political agreements reached with Warsaw in the fall of 1919. Germany was clearly using positive linkage in this case. A series of technical agreements was signed on the handover of formerly German lands, including an economic agreement (October 23, 1919).[40] Among other trade provisions, Germany agreed to lend Poland 100 locomotives and rolling stock and to ship it seeds and fertilizer, in return for Polish agricultural products. Germany agreed to allow Western shipments to reach the Polish army, while Poland gave the Germans free navigation rights on the Vistula—a right it had not yet granted the Allied powers. Germany agreed to allow its civil servants to stay in place for two months in the lands being ceded to Poland, ensuring effective administration. It even offered Poland a credit of five million Reichsmarks (RM) to facilitate the new trade accord. For Spaulding, these seemingly generous agreements constitute "the high point of German-Polish economic cooperation" in the entire interwar period.[41]

Yet these agreements were not mere altruism on Germany's part. Harald von Riekhoff notes that "while the agreements promised economic gain to both signatories . . . Germany tried to exploit her superior bargaining position by attaching some far-reaching political conditions to the provisional agreements, [which] would, in part, have revised some of the terms of the Versailles Treaty."[42] That treaty had called for German civil servants to leave, with Poland having the right to liquidate their property; Poland was now voluntarily (if temporarily) renouncing this right. Berlin hoped that Poland could be induced to extend the German administrative role, which could both help to keep the region more German and give Berlin leverage on other disputed issues. The provisional agreements also served Berlin's goal of driving a wedge between Poland and the Western Allies, who feared Germany would be able to effectively make a separate peace with its weak Eastern neighbors. A French government note to Britain on January 10, 1920, claimed, "It is extraordinarily dangerous to allow the governments of the newly created states to have direct negotiations with Germany."[43]

In all, this is clearly a case of successful positive linkage. Only months after the June 1919 Versailles settlement, Germany was successfully lightening its effects and at least temporarily preserving some influence in its former territory. Economic and administrative aid was instrumental in this success, which was highly worrying to the Western Allies. In the end, though, the success was short-lived. The Allies instructed Poland to break off the bilateral talks, which were shifted from Berlin to Paris—under Allied control. On the day the Versailles treaty officially entered into force, January 10, 1920, Poland renounced its economic agreement with Germany.[44]

Despite the potential shown by the 1919 agreement, Germany soon began a second episode of economic linkage—this time of the negative type. Anger with Poland was rising in the aftermath of Versailles, especially as the conflict over Upper Silesia grew. In 1920 Berlin imposed strict controls on trade with

Poland, which seemed to violate the newly signed Treaty of Versailles.[45] Also, as noted above, Germany refused to allow "war-related" goods to be exported into Poland during the Polish-Soviet War. This action was an ominous harbinger of later German-Soviet cooperation in 1939, which resulted in a new partition of Poland. Officially, Germany merely proclaimed a policy of neutrality, stopping supplies of war goods to both parties. In reality, however, this policy was aimed at undermining Poland, which was far more dependent than Russia on supplies flowing through Germany. For reasons of both nationalism and socialist solidarity with the Soviets, the dock workers of Danzig honored this embargo, further limiting the flow of vital war supplies.[46] These economic measures were clearly designed to wring concessions on political issues from the Polish side.[47] Foreign Minister Walter Simons stated that "until Polish encroachments in the political sphere" were stopped, he "would not even consider" economic talks and instead would press for further economic "reprisals." On this and other occasions, German leaders established a quid pro quo—concessions such as citizenship and property rights for the “optants” and possible border changes were a prerequisite for economic talks.[48]

The results of the undeclared embargo and the restrictions on trade through Danzig were negative for Germany. They deepened Polish distrust of the Germans because they were imposed when the country was fighting for its life against Soviet Russia. Moreover, at the height of the war the Poles unloaded some supplies at the fishing village of Gdynia—the beginning of the effort to build up an alternative port to Danzig.[49] In the end, no Polish political concessions were forthcoming, and on July 20, 1922, Germany was forced to agree to lift its sanctions.[50]

In 1922-1925 German-Polish trade ties improved, due largely to the effects of the three-year Silesian trade agreement which the Allies forced Germany to sign after the partition of Upper Silesia. Since this treaty was not voluntary on Berlin’s part, it cannot be considered a case of German linkage; Poland did not give Germany any credit for the trade concessions. The 1922-1923 French occupation of the Ruhr, which limited German coal and steel production, briefly increased the relevance of imports of these products from Poland. However, even this increase in trade, which would seem to be positive for Poland, was not without risks. Strobel makes it clear which side was the dominant partner: “Although the agreement was advantageous for the German Reich, for Poland it was a question of life or death. However, it made Poland dependent on the German Reich, since it continued the old regional ties of the pre-war period. This fit in well with Germany's desire to use economic pressure to make Poland more accommodating to German political wishes.”[51]

In negotiating economic ties after the expiration of the Silesian agreement in 1925, Germany again had the autonomy to set its own policy. Its leverage was strengthened by the fact that the Versailles treaty's provisions on overall trade with Poland had also expired that year. Berlin quickly returned to its policy of using negative linkage—economic threats—to push for various Polish political concessions, including border changes. This can be seen as marking a third case of linkage in the Weimar period.

Gustav Stresemann, the longtime Weimar foreign minister, was regarded in the West as a moderate who favored reconciliation with Germany's former enemies. However, even he strongly favored a policy of politically motivated economic pressure on Poland. In a 1926 letter to the German ambassador in London, Stresemann wrote that "a peaceful solution to the Polish border questions, one that does real justice to our demands, will not be possible until the economic and financial crisis in Poland has reached an extreme degree and has brought the entire Polish entity into a state of impotence."[52] Many similarly hostile statements from German leaders could be cited. As Erich Wallroth, head of the Eastern Department (Ostabteilung) of the German foreign ministry noted, "a trade treaty is a type of friendship treaty, and cannot be signed when the other side [Poland] is committing one unfriendly act after the other" by refusing to agree to supposedly "reasonable" German demands on political issues.[53]

German goals in the trade talks included securing an end to Polish liquidation of German-owned property; the right of German citizens to settle in Poland; and the right of the minority to have teachers from Germany in their schools. Kurt Graebe, a leader of the German minority, claimed that "as the price of recovering its fiscal health, Poland should be made to pay in the form of concessions to the German minority."[54] Stresemann also stressed that a "settlement of the border question that meets our desires" was essential before an economic agreement.[55]

Despite this welter of proposed demands, however, Germany did not present the Poles with a single, clear quid pro quo: "If political concession X is made, economic sanction Y will be dropped." Since Poland seemed weak at the time, German leaders put forward demands which "became ever more fantastic," as Spaulding notes, yet "never put forward specific demands or indicated what Germany could offer in the economic sphere in return for accommodation on the political side."[56] In this situation, the Polish prime minister, Alexander Skrzyński, complained in December 1925 that Poland "is still uncertain what Germany's real demands are."[57] Many Poles believed that only total surrender and a new partition would satisfy Germany, and their natural reaction was a wave of patriotic revulsion—which helped make it impossible for their government to make any concessions. Here again one can see a key weakness of negative linkage, as noted at the start of this essay: it generates a negative spillover effect that tends to poison the entire bilateral relationship.

Since Poland refused to agree to tie political demands to a trade treaty, no agreement was reached, and a crippling tariff war began. The Weimar Republic was only too pleased by this, knowing that Poland would be hurt far more by the dispute than Germany. As Karol Błahut notes: “Due to the strong position which Germany held in Poland's total trade turnover, trade problems with [Germany] had an impact beyond the trade arena, affecting other economic areas and Poland's finances. In contrast, the low level of Polish-German trade had no influence on the level and development of German foreign trade and the German economy.”[58]

Berlin's position seemed to be strengthened by the economic turmoil in Poland at the time, as the Polish złoty weakened dangerously. To Warsaw's disgust, Germany employed another tactic of negative linkage: it tried to prevent other countries from making a loan to stabilize the złoty. The chief of the Reichsbank, Hjalmar Schacht (later Hitler’s finance minister), lobbied the head of the Bank of England, Montagu Norman, to stop any foreign loans to Poland and called for the "outright return of the [Polish] corridor and Upper Silesia" before any economic help would be agreed to.[59] The President of the Senate of Danzig, Heinrich Sahm, similarly believed that it would be possible to secure “the return of the city to Germany as the condition for an international loan for Poland.”[60] Even Stresemann hoped that the “Anglo-Saxon powers” (Britain and the United States) would agree to pressure Poland to make concessions.[61] This suggestion was backed with threats to American banks that they would lose German business if they participated in the loan.[62]

Again, however, negative linkage failed. The Poles had no intention of making concessions under pressure, especially on the sensitive border issue. The British, whose help Berlin had been counting on, eventually decided to back a stabilization loan to Poland. In the end, an Anglo-American loan of $62 million and £2 million was given in October 1927. As Joseph Rothschild notes, “the loan was a significant demonstration of Poland’s capacity to outflank assiduous German efforts to destroy her through a combination of tariff war and credit boycott. As such, it was a categorical success.”[63] This result illustrates another key weakness of negative linkage: as noted in the first section of this study; embargoes create a natural economic demand for others to break them. By denying Poland capital, Germany effectively drove up the interest rate on loans to Poland, enabling other countries to lend to Poland on profitable terms.[64]

After May 1926, when Marshal Piłsudski assumed power, Poland was gradually able to stabilize its economy, and a few more far-sighted Germans began to realize that negative linkage was not working. Ulrich Rauscher, for example, the German minister to Warsaw, who had backed pressure during the 1925-1926 economic crisis, now strongly favored an economic settlement. And indeed, from 1926 to 1930 some efforts were made to break the negative cycle, most notably the Liquidation Treaty (signed on October 31, 1929) and the Trade Treaty (signed on March 17, 1930).[65]

The Liquidation Treaty was especially important, since it—unlike the Trade Treaty—was actually ratified and put into effect. Thus it will be considered a fourth case of economic linkage in the interwar years, and the second positive case, although at the same time the broader German-Polish tariff war continued unabated. The Liquidation Treaty shows what might have been possible if Germany had followed a more positive economic policy in the Weimar years.

The basic terms of the agreement were as follows. Under the Versailles treaty, Poland was entitled to liquidate some German property, that is, confiscate it while paying just compensation. Since Warsaw was eager to eliminate German influence, it rushed to take advantage of this opportunity. As Blanke notes, liquidation had affected some 200,000 hectares of German-owned land in the early 1920s. In all, about one-third of these lands were lost between 1919 and 1926.[66] Since Poland often lacked funds, however, many landowners had not been properly compensated. Additionally, Poland was pressing to extend liquidations to many other Germans whose status was in dispute, such as the optants and Germans who lived as tenants on former Prussian state lands.[67] Under the 1929 liquidation agreement, Germany agreed to renounce claims for money due for past Polish actions. In return, Warsaw agreed to halt the forced sale of many other German properties which it was entitled to take.

The results of this agreement were quite positive. It helped both the Polish economy and the German minority; as Rauscher stated, the agreement was "the greatest service which the German government has been able to render to her minority in Poland."[68] By halting the liquidations, it was estimated that Berlin preserved up to 180,000 hectares of endangered German-owned land and 5 million RM in city properties while some 12,000 German families remained on tenant farms.[69] In return Germany renounced an estimated 538.7 million RM in compensation for earlier liquidations, although it is unlikely that Poland could have paid that sum in any case.

Another element of the agreement deserves to be mentioned, since it was recognized by actors at the time. A key advantage of positive linkage is that it tends to deepen the economic connections between countries, thus making future linkage easier. Von Riekhoff quotes Rauscher as saying that the agreement "normalized our relations with Poland and thereby provided us a free road for the economic penetration of that country," and he draws this conclusion: "The opportunity of thus providing safeguards for the continued economic existence of her minority group in Poland presented Germany with a political gain which exceeded by far any possible financial sacrifices."[70]

The ratification of the Liquidation Agreement was difficult, as extremists in the Reichstag denounced it as a giveaway to the Poles. To help secure ratification Berlin added another small dose of positive economic linkage. In an exchange of diplomatic letters, it offered the Poles an increased quota of pork exports in the trade treaty which was then being negotiated. In return the Poles committed themselves to not use their right to buy back land from some German settlers, which could have kept heirs from inheriting some lands. This helped to reassure the Reichstag, which then approved the agreement by a vote of 236 to 217 on March 12, 1930.[71] A bilateral Trade Treaty was signed five days later.

However, any tentative rapprochement was scuttled by the political and economic effects of the Great Depression. The brief period of improvement in relations "was little more than an anachronism and its positive spill-over effect did not materialize."[72] German economic interests, especially farmers, and the rising Nazi and Communist parties united to ensure that the Trade Treaty was never ratified by the Reichstag, and the tariff war thus continued. The moderate, socialist-led German government fell within weeks of the signing of the Trade Treaty and was replaced by the more nationalist Brüning regime, which felt it had to adhere to a harder line against the Poles. This return to negative linkage can be considered yet another case of linkage—the fifth of the Weimar period.

In 1931 Germany was considering a customs union with Austria. Bernhard von Bülow, state secretary in the German foreign ministry, wrote that this arrangement would isolate Poland and expose "her unstable economic structure . . . to all kinds of dangers; we would have her in a vise, and this might put her in a state of mind to consider . . . political concessions." Even in February 1933, shortly after Hitler seized power, von Bülow reiterated this hard line, stating that it must be made clear to the Poles that "without our cooperation and without a settlement of the frontier question they can never achieve economic prosperity."[73]

Berlin's actions fit these words. In 1930 agricultural tariffs on Polish goods were raised; in 1931 timber concessions and an agreement on rye sales were revoked; and at the end of that year both sides imposed punishing supertariffs.[74] This hostility was reflected in bilateral trade statistics. Even in the context of falling trade worldwide during the worst years of the Great Depression (1929-1933), German-Polish trade fell faster: in 1934 Polish imports from Germany stood at only 12.8 percent of the 1929 figures, and exports at only 18.4 percent.[75]

Again, though, negative linkage failed. Germany was not able to achieve any lasting improvement in the situation of its minority in Poland, and broader German objectives—such as border changes—remained well out of reach. In fact, tensions reached such a pitch that in the early 1930s there were repeated "war scares" between the two countries.[76] This illustrates again a persistent problem with negative economic linkage, namely its tendency to harm other aspects of bilateral ties through negative spillover effects.

Yet the potential benefits of positive linkage should have been clear to Berlin not only because of its successes in German-Polish governmental relations (such as the liquidation agreement case) but also because it was effective below the intergovernmental level. Here three examples will briefly be noted: the role of economic aid in influencing Danzig, the German minority in Poland, and the postwar territorial plebiscites in border regions. While these cannot be counted as "cases" in the same sense as the German-Polish governmental ties described elsewhere in this study, they are nonetheless suggestive. The success of positive linkage here tends to confirm that it could have worked in overall German-Polish ties.

It can be argued that various forms of economic linkage played a role in influencing the outcome of the crucial plebiscite in Upper Silesia in 1921. This vote decided whether the region would join Poland or remain German. As noted above, it was an important prize, containing vital heavy industry and coal reserves. Warsaw felt that it could easily win the plebiscite, since ethnic Poles dominated the area. Yet, to the surprise of many, Germany won the most votes. It is striking that, despite an atmosphere of great ethnic tension, many Poles evidently decided they were better off staying in Germany. Many surely decided this in part for economic reasons.

As Cienciala and Komarnicki show, Germany used a variety of economic tools to help ensure victory. These included providing special aid to the poor in the region, exempting Upper Silesia from a new Prussian land tax, and funding an extensive propaganda campaign. Also, free rail tickets and lodging were provided for German Silesians who had migrated to other parts of the Reich, ensuring they could return for the vote.[77] In the end, Germany won 59.6 percent of the votes, although the 1910 German census (which probably, if anything, understated the number of Poles) showed them outnumbering Germans by 50 percent in Upper Silesia (1.25 million to 880,000).[78] The lure of a higher standard of living also certainly played a role in influencing Polish voters to support staying in Germany. In the end, the Western Allies awarded Germany only part of Upper Silesia. Still, if Germany had lost the vote it would probably have lost the whole region.

Economic influence may have also played a role in Germany's overwhelming victory in the plebiscite in southern East Prussia (Masuria), held on July 11, 1920, in which an even larger number of Poles voted to remain with Germany. There were other factors: at the time Poland was at war with Soviet Russia; also, many Masurian Poles were Protestant and thus hesitated to join Catholic Poland. Still, it is striking that in the Masurian referendum fewer than 15,000 people voted to join Poland, although over 110,000 Polish-speakers were in the province (1925 German census). Surely, as in Silesia, the lure of economic stability and a higher standard of living played an important role. In one district, for example, Germany won 97.8 percent of the votes, although 43.7 percent of the people had declared Polish as their mother tongue in the 1910 German census.[79] All of Masuria, the Allies decided, would remain under Berlin's rule. Germany's wealth probably helped it to win both plebiscites. This had a direct and important impact on the country's borders.

The ability of economic aid to win friends for Berlin was seen in another way as well. Germany was successful in using aid to support and control both the German minority in Poland and the city-state of Danzig. Admittedly, both groups were inclined to follow the Berlin government's lead; yet economic leverage greatly strengthened their loyalty. In a policy that continued throughout the interwar years, a huge variety of direct and indirect subsidies were given, often subsumed under the umbrella of *Osthilfe*. Christoph Kimmich catalogs German aid for Danzig in detail, showing the large range of economic instruments used.[80] These included various types of aid to the Danzig government: direct grants from several German ministries, indirect grants such as payments for pensions and unemployment benefits, and loans funneled through government-related or private banks. There were also inducements to Danzig's businesses and farmers, including loans, grants, government contracts, reimbursement of Polish charges for shipping freight through the corridor, and special duty-free quotas for trade with Germany.

German economic aid was singularly effective in this area, helping to ensure that Danzig followed Berlin's political direction. For example, Kimmich notes that "German aid to Danzig . . . bought Germany the right to intervene in the internal affairs of the free city," and that Danzig, in the words of the president of the Bank of Danzig in 1933, was a German "economic colony."[81] Dependence on German aid meant that Berlin could direct the city's relations with Poland and even the composition of its government. Between 1928 and 1930 Danzig was ruled by a socialist-led coalition, which Berlin feared might be too conciliatory toward Poland. Berlin insisted that Heinrich Sahm, the nationalist head of the Danzig senate, be permitted to remain in office, despite the socialists' misgivings. Similarly, it was unthinkable for the head of the senate to call for new elections in the city-state without first securing Berlin's approval. Most important, German aid made possible Danzig's continued defiance of Poland, which helped to keep alive Germany's revisionist hopes for all the lost eastern territories. In several instances, Danzig considered a course of accommodation with Poland—for example, when delegations of prominent merchants traveled to Warsaw in 1919, 1925, and 1932 to discuss accepting greater Polish influence in the city.[82] Such instances often led to Germany increasing its subsidies to Danzig to ensure loyalty. When the city-state finally adopted a more conciliatory approach toward Warsaw in 1933-1934, it was again under Berlin's influence—this time as part of Hitler's new détente strategy.

As Richard Blanke shows in his extensive study of the interwar German minority in Poland, its leaders were similarly influenced by Berlin's economic aid. As with Danzig, the minority was given lenient customs treatment for its exports, such as the right to ship some wheat duty-free to Germany in 1930-1932—a dramatic contrast to the ongoing tariff war with the rest of Poland.[83] Overall, the scope of the German aid was massive, including both direct and indirect aid and payments funneled through both private and government-controlled banks and *Stiftungen* (foundations). In 1932, for example, it was estimated that 75 percent of the annual budget of the Upper Silesian Volksbund (the main minority organization) was provided by the German government.[84]

This aid bought compliance to Berlin's political agenda. For example, Germany pressed the minority to maintain a single electoral list to the Polish parliament. When German socialists in Crakow wanted to run on the Polish Socialist Party list in 1924, they were threatened with the end of funding for their party and its newspaper—and stayed on the German ticket.[85] Since Berlin was funding not just the minority's political leaders but also its schools, hospitals, trade unions, cultural groups, and so on, defying its directives was not easy. Even individual families were affected; for example, those who married Poles or sent their children to Polish schools were often excluded from aid as "disloyal to Germany."[86] In all, economic aid generally helped to cement the loyalty of wavering plebiscite voters, the German minority in Poland, and the city of Danzig.

Despite these achievements, and some limited success with positive linkage on the intergovernmental level (the 1919 trade agreement and the liquidation pact of 1929), the Weimar period mainly saw negative linkage. The results of this negative economic policy were not impressive. As the theory would lead us to expect, economic pressure drove the Poles to increase trade and investment ties with other partners, such as France, Britain, and the United States. This could only decrease Germany's future economic leverage, a result which Berlin could not welcome. More importantly, negative linkage did not achieve its stated goals: Poland dug in its heels at Berlin's political demands. The border question was regarded as completely nonnegotiable. And the question of the German minority was only made more difficult by economic pressure. With the threat from Berlin seemingly ever-present, Warsaw had reason to see the minority as a hostile "fifth column." This only led to an intensification of the Polish campaign to restrict the minority. Spaulding puts it simply: "direct trade pressures failed to bring any Polish concessions."[87]

Linkage in the Early Nazi Period (1933-1939)

By the start of the Nazi era, then, Polish-German economic and political ties were at a low ebb. Yet surprisingly—given his hard-line nationalist beliefs—Hitler decided almost immediately to use *positive* trade leverage in his attempts to influence Poland. Perhaps even more surprisingly, since Nazi Germany represented by any measure a larger threat to Poland than the Weimar Republic, his policy worked. Economic aid helped to establish a fragile German-Polish détente. German policy in 1933-1938, the sixth case of interwar economic linkage, is thus a third example of successful positive linkage. Hitler's economic generosity was not altruism; he simply realized that economic generosity was a good way to influence Warsaw politically. Also, unlike the Weimar leaders, he could afford to ignore anti-Polish public opinion or economic lobbies at home when it suited his goals. In April 1933, for example, he told his cabinet that "foreign policy interests precede domestic economic interests. Germany must make economic concessions if political interests determine that."[88]

Over the next several years Germany indeed made a number of economic concessions which accompanied and strengthened the nascent political cooperation with Warsaw. First, while talks were underway on a German-Polish non-aggression pact, German negotiators saw clearly that "Poland could not be expected to sign the agreement unless the key issues in the long-standing tariff war had been resolved."[89] Hitler intervened personally in the talks to ensure that Germany made the concessions needed to reach the tariff accord. He instructed his negotiators in November 1933 to agree to Poland's demands for a higher import quota for Silesian coal, stating that "the negotiations are not to founder over the coal question."[90] Given the sensitivity of this issue both economically (the German coal industry was still in recession, like the rest of the economy) and politically (stopping coal imports had been a key tool of German sanctions for years), this was a major concession. The government also pressed private companies to agree to a generous accord on purchasing Polish iron and steel products, signed in October 1933. German industrialists complained at a March 1934 meeting that the agreement "was forced on the iron industry as a matter of high politics."[91] Berlin also encouraged Danzig to deposit gold reserves worth 25 million gulden with the Polish central bank, thus helping to support the złoty.[92]

Finally, the German-Polish Non-Aggression Pact was signed in January 1934, and a protocol to end the tariff war quickly followed (March 7, 1934). As one author notes, German economic concessions “cleared the way for both the non-aggression agreement and the economic agreements.”[93] And the political benefits for Germany were clear. The pact distracted world attention from the Reich’s pullout from the League of Nations and the disarmament conference, and also seemed to further weaken the tottering system of French alliances with Central Europe.[94]

A year later, on November 4, 1935, a full trade treaty was signed. It contained many German concessions, including paying above world market price for many Polish products. As Albert Hirschman shows in detail in his classic work *National Power and the Structure of Foreign Trade,* Nazi Germany commonly used this tactic to induce dependence in its East European trading partners. Payment for goods was to be made through bilateral clearing accounts, so Poland did not have to use hard currency. Germany even offered a small bridging loan to start the new system. The trade was to be balanced; this benefited the weaker Polish side, which would otherwise have tended to run a deficit. For the first time since the 1925 expiration of the Geneva agreement on Upper Silesia—forced on Germany by the Allies—Berlin granted Warsaw Most Favored Nation status.[95] Again, this generosity was clearly politically motivated; by 1935, Germany was moving to shred parts of the Versailles treaty, through rearmament and other measures. It hoped that Poland would remain quiet in the face of these provocations. Also, with the death of Piłsudski in May 1935, it was important for Germany to ensure that the new regime would continue a policy of détente with the Reich. Accordingly, Hitler again personally ordered the trade concessions, overriding advisors such as Hjalmar Schacht, his finance minister, who saw them as economically untenable. Spaulding quotes Hitler as telling Schacht that concessions were needed to avoid damage to “our present relations with Poland,” which “have become an important factor in our foreign policy as a whole.” He also quotes the German ambassador in Warsaw, Helmuth Moltke, as saying that it was vital to “bring [the new government] to a positive attitude toward Germany by the conclusion of an economic treaty.”[96]

In ensuing years, German economic generosity continued—and it continued to serve Berlin's goal of promoting détente with Warsaw despite Germany's increasingly threatening actions. In spring 1936, Germany agreed to a generous settlement of the controversial issue of payments for railroad service through the "Polish corridor." Berlin paid 1.8 million RM in May 1936 and 1.5 million RM monthly thereafter.[97] This not only benefited Poland economically; it also implied recognition of Poland's right to control the corridor, an important concession. With the transit payments, Poland was essentially guaranteed a steady overall surplus in the bilateral balance of payments—a huge benefit in the 1930s, when countries competed fiercely to secure foreign currency. In economic terms, these concessions were unnecessary; yet political considerations prevailed. At the same time, in the Rhineland crisis of spring 1936, Poland—like Britain and France—failed to take a strong stance. As one historian puts it, Poland at the time played into Germany's hands as it "gambled on a double-track policy, both to reassure [France] and to follow a policy of aloof but effective cooperation with Germany."[98]

In 1937 the Trade Treaty was renewed for two years, again on generous terms. The political détente continued; Hitler was able to induce the Poles to sign a bilateral treaty on minority rights on November 5, 1937, a treaty which had long eluded the Weimar regime.[99] The accord specified that the minority was to be protected from pressure to assimilate and given the right to use the German language in the press, religious institutions, schools, and political organizations.[100] Hitler received representatives of the Polish minority in Germany in friendly fashion at his Chancellery. In July 1938, Germany and Poland even signed a schoolbook accord, designed to ensure that each country's history would be presented fairly to future generations.[101] Meanwhile, in March 1938 Poland recognized the German takeover of Austria, reacting more favorably than many neutral countries such as the United States. For example, Poland withdrew all diplomats from Vienna, while some other states insisted on keeping their embassy buildings as consulates. Poland also quickly agreed, in July 1938, to amend the trade treaty with Germany to include former Austrian lands.

Finally, at the time of the infamous Munich conference on Czechoslovakia, the Germans made one more important positive economic gesture to Poland: they signed an agreement, on September 30, 1938, to give Warsaw 120 million zł. in credits to buy German goods.[102] This was the only such large government credit offered in the entire interwar period. When the British and French signed away the Czech Sudetenland, Poland failed to protest this injustice. In fact, two days after the credit agreement Warsaw's troops occupied the Polish-populated Teschen region of Czechoslovakia.

In all, it seems clear that Hitler's softer trade posture was more successful in helping to meet Germany's goals than the Weimar Republic's trade denial strategy. Berlin secured a bilateral treaty on minority rights, a trade agreement, a non-aggression pact, and an overall improvement in political ties and tolerance of Hitler’s increasingly muscular foreign policy. Needless to say, however, Hitler's overall strategy was not nearly as “soft” as his economic actions seemed to indicate. Far from being aimed at real bilateral reconciliation, Hitler's economic incentives were intended as a prelude to conquest. The hope was to induce Poland to fall into a fatal dependence, after which it would either be invaded outright or at best survive as a vassal ally of the Reich, giving up land in the west in return for sharing in conquests further east.

The Poles were certainly not fools, however. Marshal Piłsudski was wise enough to regard the détente with Germany as “a temporary pause, after which we must be ready to defend ourselves.”[103] The construction of the Central Industrial Area by his successors in 1936-1939 shows that war preparations were not completely neglected. Moreover, Poland’s alternatives were difficult. Standing up to Germany alone was almost impossible, and allies were scarce: the Western powers also were lulled into a policy of appeasement, and the USSR had its own aggressive designs.[104] Still, it is striking how patient Warsaw remained in the face of increasing German threats—until at last, in late 1938 and early 1939, the danger became unbearably obvious. It was not until October 1938, when Germany stunned the Poles by presenting a series of demands for territorial revisions and other concessions, that Poland realized the moment of truth was at hand.[105] Yet even then, Warsaw did not openly reject Germany’s demands until March 26, 1939, after the Nazis swallowed the remainder of the Czech lands and set up a puppet Slovak government. As Borodziej notes, as late as March 15 a Polish government newspaper headlined the creation of the new Slovak “state” with the optimistic words, “Long Live the Independent Slovakia!”[106] Germany’s false détente policy, including an important element of positive economic linkage, should be given some credit for Warsaw’s hesitant reaction.

Why did Germany's economic incentives have this effect? Several reasons can be cited, which are inherent to the nature of positive linkage, as discussed at the start of this study. First, such linkage helps to deepen the target state's economic dependency. Germany's willingness to buy uncompetitive Polish goods and to provide loans—especially during the Great Depression—was of great value to the Poles. Second, economic aid tends to build trust in the target state. It was difficult for Poland to believe that Germany really had aggressive intentions when it was treating Poland generously on economic matters, seeming to show both friendship and long-term thinking. Why sign multiyear trade pacts if one might invade within months? Third, German aid helped to bolster the influence of relatively pro-German leaders in Poland, notably Foreign Minister Józef Beck, against rivals who called for a more strongly anti-German approach.[107]

Poland was not alone: as Hirschman shows, the states of the Balkan region were affected even more severely by German economic linkage.[108] The economic dependence of Bulgaria, Romania, Yugoslavia, and Hungary was so high that it played a role in inducing them to ally outright with Hitler (albeit briefly in Yugoslavia's case). And of course in 1941 Stalin also was misled in his hopes that a non-aggression agreement and close economic links meant that a German attack was unlikely.[109]

The Polish Response to Economic Linkage

Clearly, then, Germany's actions in the interwar years showed that it was well aware of the potential power of economic linkage. Poland's actions at the time further confirm this fact. The Polish government knew that it was vulnerable to linkage in such areas as investment, trade, landownership, and the role of Danzig. As this section will show, it thus worked hard to try to minimize each area of dependence, investing large amounts of money and administrative effort and often incurring the disapproval of Berlin and the League of Nations.[110] Warsaw would not have made these efforts unless it knew that economic linkage was a potentially powerful weapon.

Despite Poland's desperate need for capital, government policies encouraged the departure of German investment. Health and safety regulations were selectively enforced against German firms. Contracts for government work were generally awarded only to Polish-owned companies, as were licenses to import machinery or raw materials needed by businesses.[111] Government officials sometimes interfered with personnel decisions in German firms, demanding that more Polish workers and managers be hired. In an article on the Giesche Mining Company, Daniel Stone showed in detail how the company was sold to U.S. investors, who then faced intense pressure to "Polonize" the work force. The firm was also pressured to ensure that any new equipment or construction purchases were made within Poland.[112] In several instances Polish authorities presented German-owned companies with questionable bills for back taxes, in amounts so large that the owners had no choice but to liquidate the company. This was the method used to deal with the Pless company, the largest German-owned coal and steel firm in Upper Silesia. While the German owner remained nominally in charge, he had to sell off many holdings and install a Polish manager, who fired most of the firm's ethnic German workers.[113]

Of course, Poland had good reason for its hostile attitude toward German capital; after all, as noted above, most German owners favored their government's efforts to pressure Poland economically, hoping even to force changes in the Polish-German border. Yet efforts to reduce the role of German capital were not without costs. Partly as a result of efforts to restrict German ownership, Poland suffered throughout the interwar period from a shortage of foreign capital. The lack of German investment could only be partially compensated for by other countries. The United States and France were fairly active investment partners, but geographic and other considerations (for example, compatibility with existing German-made machinery in many Polish factories) could have made Germany a more logical partner in the strictly economic sense. In all, by striving to reduce the role of German capital, Poland lessened its vulnerability to economic linkage. Yet it also weakened its overall economic position. As E. Garrison Walters notes, "the net result was to maintain Polish economic sovereignty, but also to keep the economy relatively anemic."[114]

In addition to the negative economic consequences, Poland's efforts to eliminate the role of German capital also had negative political results. While it was true that German owners were suspicious of the Polish state, more positive treatment could have won some allies in this group. As Richard Blanke notes, initially some German capitalists "saw economic opportunities in [joining] a large but economically underdeveloped state, a tempting market for the mostly German businesses of [formerly] Prussian Poland."[115] To the German industrialists of Upper Silesia, for example, Poland was in many ways a logical economic partner.[116] Poland needed the region's coal and steel much more than Germany, which could rely on the Ruhr and other industrial areas. And Upper Silesia was adjacent to Poland and far from most of Germany's population centers. Yet because of political barriers on both sides of the border, this economic logic was largely ignored. Finally, Poland's restrictive actions against German-owned corporations were publicized extensively in Germany, which only deepened the desire of both political leaders and average citizens to put pressure on—and perhaps even eliminate—the Polish state.

In the area of landownership, too, Poland tried to minimize its dependence on Germany. Poland passed a law in 1920 which generally prohibited foreigners from buying land. Its main purpose was to discourage Germans from investing in or settling in the country. Surprisingly, this law still influences land sales in present-day Poland, despite the numerous changes in regime which have taken place since that time. Foreigners are allowed to buy land only if an application is submitted to the Polish Ministry of the Interior. Applications are now generally granted for commercial investors, even for German corporations, but are still denied to Germans who seek to buy land or homes for private use. This restriction was a major bone of contention in Poland's negotiations to enter the European Union in 2004.[117]

Many other restrictions were put in place in order to reduce landownership by the German minority among Poland's own citizens. For example, land reform laws were applied selectively, with Germans in western Poland being told their farms would be broken up, while Poles were allowed to keep large estates in the east (areas in which they were the landowners in a sea of poor Ukrainian and Belorussian peasants).[118] Warsaw also attempted to squeeze out many Germans whose land titles originated from prewar Prussian efforts to "Germanize" the areas around Poznań and the Polish corridor. Some Germans were farming Prussian state lands under long-term leases—and Prussian lands now became property of the Polish state. Other farmers had obtained title to their lands from Prussia just before the Polish takeover, and Poland sought to invalidate these grants.

As noted above, German-Polish trade fell drastically during the so-called tariff war, which lasted from 1925 to 1934. For Warsaw, this had the positive effect of greatly reducing the country's dependence on German trade. Yet, as with German investment and landownership, reduced dependency had a cost. First, by reducing its natural complementary trade ties to Germany, Poland was hurting its own smaller, weaker economy more than Germany's. Furthermore, reducing the ties decreased their already limited importance to the Germans. In the early 1920s Germany sent almost 5 percent of its exports to Poland; by the late 1930s that figure had fallen precipitously, bottoming out at only 1.3 percent in the mid-1930s.[119] With Poland becoming ever less important to Germany economically, few German firms would step forward to argue against politically motivated trade embargoes by Berlin. Poland's weak economic position meant that efforts to reduce its trade dependence could even have an effect on the overall political stability of the country. Walters, for example, goes so far as to blame the 1926 military coup which ended Poland's fragile democratic system on the economic disruptions caused by the tariff war with Germany, which had begun the year before.[120]

One final example of Poland's attempts to challenge German economic dominance is the construction of a new port at Gdynia, where the so-called Polish Corridor met the Baltic coast. Polish statistics of the time proudly trace the growth of this port, noting exactly how much of each export/import category was shipped through Gdynia and Danzig. By 1938, 46.1 percent of Polish trade was flowing through Gdynia and only 31.6 percent through Danzig, whereas in 1930 Gdynia had handled only 14.6 percent.[121] The investments required to build an entirely new port from scratch were considerable, especially for a nation in which fully two-thirds of the population still worked on the land. Adding to these costs, Poland was forced to build a special railroad to Gdynia to carry such goods as Silesian coal (the so-called *Kohlenmagistrale*).

In this, as in the other economic areas discussed above, Poland faced a difficult dilemma. By favoring Gdynia as a trading port Poland began to harm Danzig economically, raising German-Polish tensions and driving the people of Danzig closer to Germany for protection.[122] Like the German industrialists in Silesia, the citizens of Danzig were suspicious of the new Polish state but were not uniformly hostile, and some might have been won over by a more generous Polish economic policy. In setting up the Free City arrangement, the Allies confidently expected that "the commercial advantages of cooperation with Poland will soon do their work."[123] As Elizabeth Clark notes, the German government was very much afraid of this possibility.[124] And with good reason; as her study shows, in the late 1920s a center-left coalition government took power in Danzig which was friendly to Poland. It was backed by business leaders who hoped to profit from the Polish trade and by the Social Democrats, who hoped to increase the number of jobs in the dock trades, their major base of support. In the end, though, Poland's policy of diverting trade to Gdynia conspired with the effects of the Depression to help drive this coalition from power, ensuring the return of a German nationalist government in Danzig. Carl Tighe sums up the situation as follows: "As the Danzigers saw it, Gdynia was just a very expensive way of ruining them; it proved just how hard-hearted and merciless the Poles could be, and that feeling helped to foster the growth of the Nazi Party in the Free City."[125]

Like the restrictions on German capital, trade, and landownership, Poland's effort to cut its dependence on Danzig was based on well-founded fears of German economic linkage. Yet as in the other areas outlined here, Poland's efforts to evade German linkage were at best partly successful. First, they further antagonized Berlin and became themselves a key bone of contention between the two countries, as the Germans sought to preserve their economic role in Poland. This is another example of the negative spillover effect already noted: limiting economic ties angers the country targeted. Second, as we have seen in all the areas mentioned, Poland's efforts were extremely costly, and due to its weak economy Poland could not carry them out fully. Third, both geographic proximity and the natural compatibility of their economies worked against Poland's efforts to cut ties to Germany. In contrast, as authors such as Neil Pease have shown, other potential partners, such as Britain and the United States, did not have such strong natural ties to Poland.[126] In the end, Warsaw's desperate efforts to escape German linkage only confirm how powerful this linkage was.

Conclusion

In sum, as the preceding discussion makes clear, Poland remained economically dependent on Germany throughout the interwar period. In each area of the two states' bilateral ties—trade, investment, transport links, and so on—Poland needed Germany more than Germany needed it. Yet how could Germany effectively use this advantage to win important political concessions from Poland? Berlin found in the end that positive economic linkage (economic concessions) was more effective than negative linkage (economic threats). A summary of the cases discussed in this study makes this clear.

Germany had success with positive linkage on three occasions. In 1919, Berlin negotiated a trade treaty with the Poles and won Warsaw's agreement to keep German administrators in western Poland and limit liquidations of German property. In 1929, the Liquidation Treaty spared many such properties from confiscation in return for economic aid. Finally, in 1933 Germany switched to a more consistent policy of positive linkage, and the Nazis were able to create a temporary détente with Poland. This allowed Germany to win concessions both on bilateral issues, such as minority rights, and on broader foreign policy issues—helping to persuade Poland to remain quiet in the face of increasing German strength.

All these cases clearly show the advantages of positive linkage as outlined above. German aid began to build trust in Poland, trust which spilled over to political aspects of the countries' bilateral relationship (positive spillover effect). At the same time, it encouraged Poland to rely on Germany economically, building a material basis for continued linkage. Unfortunately, such interludes in the Weimar period were brief; only the Hitler regime used positive linkage for a longer period, and it did so for cynical ends.

In contrast, all three cases of negative linkage were unsuccessful. From 1920 to 1922 an economic embargo was employed, hitting Poland hard as it fought for its survival against Soviet Russia. In 1925 a tariff war began, and Germany also worked to deny Poland international loans. By 1930, with the Reichstag's failure to ratify the Trade Treaty, it was clear that another case of negative linkage had begun, which helped to sharply increase tensions between the two countries. In each of these cases, Berlin hoped that economic pressure would force Poland to meet German political objectives, including granting rights to the German minority and even agreeing to border revisions. Yet, as the would lead us to expect, negative sanctions drove Warsaw to dig in its heels. Sanctions only deepened Poland's distrust and hatred of the Germans and made concessions on political issues less likely. They also encouraged Warsaw's efforts to lessen its economic dependence on Germany.

In the end, then, this study has important implications for both the study of German-Polish relations and international relations in general. Positive linkage seems to be effective, even in a "hard case" like interwar German-Polish ties. We would thus expect that it could be effective in many other areas of international relations, perhaps even in modern-day situations where bilateral ties are hostile and the issues involved are explosive. For example, can the United States today use economic incentives to induce states such as Libya, Iran, and North Korea to renounce weapons of mass destruction? A number of authors have argued that this method can be effective.[127]

Sadly, this study also shows that for all their potential, positive economic ties can be misused. It was the predatory Hitler regime that made the most consistent and effective use of positive linkage. When Poland reached out to take up what seemed to be a German hand of friendship, it soon found itself in terrible danger. In the end, it was not until well after the debacle of the Second World War that Germany began to learn to use positive economic linkage in a truly positive fashion, as Chancellor Willy Brandt showed in his "new *Ostpolitik*" of the late 1960s. This marked the beginning of a gradual process of reconciliation which deepened after 1989, when Germany aided the new postcommunist Polish state with economic aid and help in entering the European Union.[128] This more friendly policy now seems to have the potential to begin to heal the wounds of the past.

Notes

1. Many works describe Polish economic dependence at this time in more detail. See for example Józef Misala, *Deutsch-polnische Wirtschaftsbeziehungen im 20. Jahrhundert: Tendenzen und Faktoren* (Warsaw: Friedrich Ebert Stiftung Vertretung in Polen, 1992), chap. 1; Harald von Riekhoff, *German-Polish Relations, 1918-33* (Baltimore: Johns Hopkins Press, 1971); Robert Spaulding, *Osthandel and Ostpolitik: German Foreign Trade Policies in Eastern Europe from Bismarck to Adenauer* (Providence: Berghahn Books, 1997); and Randall Newnham, "Polsko-niemieckie zależności gospodarcze w okresie międzywojennym," *Przegląd Zachodni* 40, no. 4 (2004): 33-51.

2. It is possible, of course, to use economic sanctions for economic purposes, for example imposing tariffs simply to punish a trading partner for doing the same. More commonly, though, the focus is on efforts to link economic sanctions to political goals. Perhaps the leading study in this field is Gary Hufbauer and Jeffrey Schott, *Economic Sanctions Reconsidered: History and Current Policy* (Washington, D.C.: Institute for International Economics, 1990). Other works summarizing the extensive literature on sanctions include Michael Mastanduno, "Economic Statecraft, Interdependence and National Security: Agendas for Research," *Security Studies* 9 (1999-2000): 288-316, and Steve Chan and A. Cooper Drury, eds., *Sanctions as Economic Statecraft: Theory and Practice* (New York: St. Martin's Press, 2000).

On economic incentives, see such classic works as Albert Hirschman, *National Power and the Structure of Foreign Trade* (Berkeley and Los Angeles: University of California Press, 1945); David Baldwin, "The Power of Positive Sanctions," *World Politics* 24 (1971): 19-39; and David Baldwin, *Economic Statecraft* (Princeton, N.J.: Princeton University Press, 1985). More recent studies include Randall Newnham, *Deutsche Mark Diplomacy: Positive Economic Sanctions in German-Russian Relations* (University Park, Pa.: Penn State Press, 2002), and Daniel Drezner, "The Trouble with Carrots: Transaction Costs, Conflict Expectations, and Economic Inducements," *Security Studies* 9 (1999-2000): 188-218.

3. Some authors, such as Baldwin, attempt to use the term *sanctions* to include both positive and negative actions. Others believe that *sanctions* is so firmly associated with negative economic actions that a new term is needed.

4. This debate has raged in the literature for at least thirty years, with the consensus seeming to be that "sanctions don't work"—or at least they work relatively rarely, in certain specific circumstances. See, for example, Hufbauer and Schott, *Economic Sanctions Reconsidered*, and Robert Pape, "Why Economic Sanctions Do Not Work," *International Security* 22 (1997): 90-136. However, others continue to defend the usefulness of sanctions, such as Kimberly Elliot, "The Sanctions Glass: Half Full or Completely Empty?" *International Security* 23 (1998): 50-65. On the types of economic linkage instruments, I note a few representative works. Trade sanctions and incentives: Neil Richardson and Charles Kegley, "Trade Dependence and Foreign Policy Compliance: A Longitudinal Analysis," *International Studies Quarterly* 24 (1980): 191-222, and Lars Skålnes, *When International Politics Matter: Grand Strategy and Economic Discrimination* (Ann Arbor: University of Michigan Press, 2000). Foreign aid as a political weapon: Steven Hook, *National Interest and Foreign Aid* (Boulder, Colo.: Lynne Rienner, 1995), and Patrick Regan, "U.S. Economic Aid and Political Repression: An Empirical Evaluation of U.S. Foreign Policy," *Political Research Quarterly* 48 (1995): 613-28. Technology sanctions: Michael Mastanduno,

Economic Containment: COCOM and the Politics of East-West Trade (Ithaca, N.Y.: Cornell University Press, 1992), and William Long, "Trade and Technology Incentives and Bilateral Cooperation," *International Studies Quarterly* 40 (1996): 77-106.

5. In this method, the author selects a case or cases in which the expected result would seem to be very unlikely. If the result nonetheless takes place, this tends to confirm the original theory. See Alexander George and Andrew Bennett, *Case Studies and Theory Development in the Social Sciences* (Cambridge: MIT Press, 2005).

6. Several authors have cited this adage. See, for example, Richard Haass and Meghan O'Sullivan, *Honey and Vinegar: Incentives, Sanctions, and Foreign Policy* (Washington, D.C.: Brookings Institution, 2000), and Randall Newnham, "More Flies with Honey: Positive Economic Linkage in German *Ostpolitik* from Bismarck to Kohl," *International Studies Quarterly* 44, no. 1 (2000): 73-96.

7. Baldwin, "The Power of Positive Sanctions," 32. See also James Davis, *Threats and Promises: The Pursuit of International Influence* (Baltimore: Johns Hopkins University Press, 2000).

8. Baldwin, "The Power of Positive Sanctions," 32.

9. See Jason Davidson and George Shambaugh, "Who's Afraid of Economic Incentives? The Efficacy-Externality Tradeoff," in Steve Chan and A. Cooper Drury, eds., *Sanctions as Economic Statecraft*, 40-41.

10. When Germany used positive linkage to influence Poland, for example during the détente era of the 1970s, it reversed this policy and interceded with Western Europe and the United States in Poland's favor. Similarly, in the 1990s it worked hard to help Poland win entry to the European Union. See Randall Newnham, "Germany and Poland in the EU Enlargement Process," *Canadian-American Slavic Studies* 39, no. 4 (2005), 469-88. Such attempts to either help or hinder economic ties to third parties are an important (and understudied) form of economic linkage.

11. Lothar Dralle notes that in 1912 Germans owned 122 major firms in Łodz, while only 11 were owned by Poles. *Die Deutschen in Ostmittel- und Osteuropa* (Darmstadt: Wissenschaftliche Buchgesellschaft, 1991), 151. The same 1912 data shows that Germans owned buildings and land valued at over 103 million rubles in Łodz, as compared to less than 32 million rubles for Poles.

12. Zbigniew Landau and Jerzy Tomaszewski, *The Polish Economy* (London: Croom Helm, 1985), 36.

13. Richard Blanke, *Orphans of Versailles: The Germans in Western Poland* (Lexington: University Press of Kentucky, 1993), 212.

14.. Misala, *Deutsch-polnische Wirtschaftsbeziehungen,* 13. Moreover, the former state properties were run through a joint Polish-French company, Skarboferme. See Anna Cienciala and Titus Komarnicki, *From Versailles to Locarno: Keys to Polish Foreign Policy, 1919-1925* (Lawrence: University Press of Kansas, 1984), 83.

15. This behavior was seen by Poles as one of the reasons for the overall economic weakness of the interwar Polish state. Landau and Tomaszewski (125) note that over the period from 1924 to 1937, 3.195 billion zł. was invested in Poland; however, this was more than made up for by the 1.866 billion zł. of capital outflows and 3.703 billion in interest and dividends, resulting in a net capital loss for Poland of 2.373 billion zł.. When one considers that much of the new capital that Poland did attract came from France and the United States, while the stock in place in 1918 was predominantly German, it becomes clear that the lion's share of the withdrawals must be attributed to Germany.

16. Blanke, *Orphans of Versailles*, 4.

17. *Ibid.,* 208.

18. This argument continued to be used after 1945 by Germans who rejected the Oder-Neisse border. They pointed to the economic downturn in the region after the Polish takeover as evidence that the area should revert to Germany.

19. *Mały Rocznik Statystyczny* (Warsaw: Nakladem Głownego Urzedu Statystycznego, 1939), 169.

20. Landau and Tomaszewski, *Polish Economy,* 13, 15.

21. Cienciala and Komarnicki (44), for example, note that in 1901, 54 percent of the coal used in Berlin came from Upper Silesia; in 1910, 76 percent of the region's coal was used either in Silesia or elsewhere in the Reich, leaving 24 percent for export. While the other regions of Poland represented a potential market, their purchasing power was not great.

22. Since the Versailles treaty formally came into effect on January 10, 1920, this clause expired in January 1925, at which point Germany was free to discriminate against Polish goods—and quickly did so. Misala, *Deutsch-polnische Wirtschaftsbeziehungen,* 5.

23. Landau and Tomaszewski, *Polish Economy,* 50. The provisions were included in articles 264-68 of the treaty.

24. As noted in Mieczysław Tomala, "Deutsch-polnische Wirtschaftsbeziehungen seit 1919," in Hans-Henning Hahn et al., eds., *Polen und Deutschland: Nachbarn in Europa* (Hannover: Schernerdruck, 1995), 46.

25. Karol Błahut, *Polsko-Niemieckie Stosunki Gospodarcze w Latach 1919-1939* (Wrocław: Ossolineaum, 1975), 90.

26. *Mały Rocznik Statystyczny* (1939), 169.

27. Misala, *Deutsch-polnische Wirtschaftsbeziehungen,* 18.

28. *Mały Rocznik Statystyczny* (1939), 177, 181, for 1938 trade structure figures.

29. Misala, *Deutsch-polnische Wirtschaftsbeziehungen,* 20.

30. German production figures from National Bureau of Economic Research historical database, NBER series 01119, http://www.nber.org.

31. Błahut, *Polsko-Niemieckie Stosunki Gospodarcze,* 343. See also Misala, *Deutsch-polnische Wirtschaftsbeziehungen,* 19, and Spaulding, *Osthandel and Ostpolitik,* 156.

32. Cited in Spaulding, *Osthandel and Ostpolitik*, 254.

33. See, for example, the classic discussion in Hirschman, *National Power and the Structure of Foreign Trade.*

34. In point 13. "Deutsche und Polen," *Informationen zur Politischen Bildung*, no. 142/143 (Bonn: Bundeszentrale für Politische Bildung, 1991), 23. For a more detailed description of the role of Danzig in the Versailles talks see Carl Tighe, *Gdańsk-Danzig: National Identity in the Polish-German Borderlands* (London: Pluto Press, 1990), chap. 5.

35. After endless debate, Poland won the League's permission to establish a small naval facility for provisioning ships, guarded by a few dozen men. But it was not allowed to establish a real military base or station ships in Danzig permanently.

36. Spaulding, *Osthandel and Ostpolitik,* 152.

37. "Deutsche und Polen," 25.

38. See, for example, Tomala, "Deutsch-polnische Wirtschaftsbeziehungen," 47.

39. Tomala, "Deutsch-polnische Wirtschaftsbeziehungen," 47, citing a memorandum of September 11, 1922.

40. For details on these agreements, see von Riekhoff, *German-Polish Relations,* 24-26; Spaulding, *Osthandel and Ostpolitik,* 152-53, and Tomala, "Deutsch-polnische Wirtschaftsbeziehungen," 46.

41. Spaulding, *Osthandel and Ostpolitik*, 154.

42. Von Riekhoff, *German-Polish Relations,* 25.

43. Quoted in Tomala, "Deutsch-polnische Wirtschaftsbeziehungen," 46.

44. *Ibid.,* and von Riekhoff, *German-Polish Relations,* 26.

45. For an overview of this case, see von Riekhoff, 26-54.

46. See Tighe, *Gdańsk-Danzig,* 101, as well as Ewa Kobylińska, et al., eds., *Deutsche und Polen: 100 Schlüsselbegriffe* (Munich: Piper, 1993), 97. As Cienciala and Komarnicki note, the Danzig workers even refused to unload French ships with cargoes for Poland. *From Versailles to Locarno,* 102-04.

47. Georg Strobel, "Von der Wirtschaftlichen Konfrontation zur Industriellen Kooperation," *Berichte des Bundesinstituts für Ostwissenschaftliche und Internationale Studien*, no. 34 (1973): 1.

48. Spaulding, *Osthandel and Ostpolitik*, 155. The Simons quote is from a meeting of Foreign Ministry officials on July 2, 1920. Spaulding further notes that the next day representatives of the economics and agriculture ministries and the Auswärtiges Amt (Foreign Ministry) agreed to link economic talks to ongoing negotiations over the Polish corridor. When economic talks finally began in November 1920, the German side stated that no progress could be reached without Polish concessions on issues of optants, property liquidation, and minority rights. On the German objectives, see also Landau and Tomaszewski, *Polish Economy*, 50, and Strobel, 2.

49. Cienciala and Komarnicki, *From Versailles to Locarno,* 102.

50. Tomala, "Deutsch-polnische Wirtschaftsbeziehungen," 46.

51. Strobel, "Von der Wirtschaftlichen Konfrontation," 3.

52. Letter of April 19, 1926, as cited in Kobylińska, *Deutsche und Polen,* 99.

53. Strobel, "Von der Wirtschaftlichen Konfrontation," 2, citing a memorandum of November 19, 1926. Strobel also cites several other statements from the files of the interwar German foreign service, which make it obvious that linkage was taking place.

54. Blanke, *Orphans of Versailles*, 153, cites Graebe and gives a list of his specific demands.

55. Spaulding, *Osthandel and Ostpolitik,* 156, 158.

56. *Ibid.*, 158.

57. *Ibid.*

58. Błahut, *Polsko-Niemieckie Stosunki Gospodarcze,* 354.

59. See the discussion in von Riekhoff, *German-Polish Relations*, 259-63, and Tomala, "Deutsch-polnische Wirtschaftsbeziehungen," 47.

60. Cienciala and Komarnicki, *From Versailles to Locarno,* 110.

61. Stresemann cable to German missions, June 30 1925, quoted in Christoph Kimmich, *The Free City: Danzig and German Foreign Policy, 1919-1934* (New Haven, Conn.: Yale University Press, 1968), 76.

62. Von Riekhoff, *German-Polish Relations,* 262. In *Poland, the United States and the Stabilization of Europe 1919-1933* (Oxford: Oxford University Press, 1986), Neal Pease tells the story of this period in some detail.

63. Joseph Rothschild, *Piłsudski's Coup d'Etat* (New York: Columbia University Press, 1966), 287.

64. As Rothschild shows (*ibid.,* 285), the 1927 loan was made with 7 percent interest and other terms which were relatively harsh on Warsaw—and thus profitable for the issuing bankers. A similar phenomenon occurred prior to WWI when Germany excluded Russia from the Berlin credit markets in order to put political pressure on the tsar's government. French bankers were only too happy to step into the void, simultaneously profiting from the loans and cementing the new Franco-Russian alliance. See Newnham, *Deutsche Mark Diplomacy,* 65-74.

65. Von Riekhoff, *German-Polish Relations,* 170. Blanke, *Orphans of Versailles*, 125, quotes Rauscher as admitting that economic pressure was "ill-suited to the achievement of practical advantages for the minorities." For details on the treaties, see von Riekhoff, chaps. 6-7.

66. Blanke, *Orphans of Versailles*, 69, 72.

67. Some of these cases were legally complex because the tenants often held title to the land, but the land could revert to the state under certain circumstances. Poland tried to use this right—which devolved to it, as legal successor to Prussia—to evict as many Germans as possible. These lands, which had been settled recently in Prussian schemes to "Germanize" the region, were especially controversial in Poland.

68. Von Riekhoff, *German-Polish Relations,* 151.

69. *Ibid.*, 150, and Blanke, *Orphans of Versailles,* 125

70. Von Riekhoff, *German-Polish Relations,* 151, citing a confidential memorandum of November 1, 1929.

71. The problem was that many German settlers lived on land owned by the Prussian state, and if they died the state had the right to repossess it. The settlers feared that the Polish state could thus claim their property upon their deaths, since the Versailles treaty made it the legal successor to Prussia. Poland agreed to give up this right, ensuring that families could inherit these lands. *Ibid.,* 152, 156.

72. *Ibid.*, 193. Note here the use of the concept of "positive spill-over" to other issues as an important advantage of positive economic linkage.

73. Von Bülow to legation in Prague, April 19, 1931, and to German embassy in Paris, Feb. 10, 1933, both cited in Kimmich, *The Free City*, 160, 128.

74. Von Riekhoff, 190-91. Although the retaliatory supertariffs were revoked by both sides in 1932, the underlying tariff war continued.

75. Misala, *Deutsch-polnischeWirtschaftsbeziehungen,* 6.

76. Since the Polish armed forces numbered about 265,000 men to Germany's 100,000, there were real fears that Poland might launch an attack on Berlin. A high point in the confrontation

was reached immediately after Hitler assumed power, when the Poles unilaterally ordered a reinforcement of their small military garrison on the Westerplatte in Danzig. Von Riekhoff, *German-Polish Relations,* 341, 372.

77. Cienciala and Komarnicki, *From Versailles to Locarno*, 54-56. They note that, thanks to the help of the German government, an estimated 180,000 German "outvoters" (former residents of Upper Silesia) were able to participate in the referendum, as opposed to only about 10,000 Polish "outvoters." Negative economic pressure also played a role here; some Polish workers in the Ruhr and elsewhere feared they would lose their jobs at German factories if they returned to vote.

78. "Deutsche und Polen," 24.

79. Wladislaw Kulski, *Germany and Poland: From War to Peaceful Relations* (Syracuse, N.Y.: Syracuse University Press, 1976), 23.

80. The following is based largely on Kimmich, *The Free City*, esp. 34-43, 48-50, 84-95, 106-08, 121-23.

81. *Ibid.,* 100 and 155.

82. *Ibid.,* 43, 86, 126.

83. See von Riekhoff, *German-Polish Relations,* 212, and Blanke, *Orphans of Versailles*, 156-57. Kimmich, *The Free City*, 103-04, provides a good summary of the many types of German aid to the minority.

84. Von Riekhoff, *German-Polish Relations,* 214.

85. *Ibid.*, 207n. In a rare episode of defiance, however, two German socialists did run on the Polish list in 1928. Blanke, *Orphans of Versailles,* 96.

86. Blanke, *Orphans of Versailles*, 145.

87. Spaulding, *Osthandel and Ostpolitik,* 152.

88. *Ibid.,* 246.

89. *Ibid.,* 252.

90. *Ibid.,* 252, 256.

91. *Ibid.,* 253n.

92. Kimmich, *The Free City,* 146. The Danzig gulden was fixed to the British pound at a rate of 25 to 1. Hence, this amounted to £1 million.

93. Spaulding, *Osthandel and Ostpolitik,* 252.

94. For more details see Anna Cienciala, “The Significance of the Declaration of Non-Aggression of January 26, 1934, in Polish-German and International Affairs,” *East European Quarterly*, 1 (1967): 1-30.

95. Landau and Tomaszewski, *Polish Economy*, 104.

96. Spaulding, *Osthandel und Ostpolitik,* 256-57.

97. *Ibid.,* 258.

98. Gerhard Weinberg, *The Foreign Policy of Hitler’s Germany: Starting World War II, 1937-1939* (Chicago: University of Chicago Press, 1980), 249.

99. Strobel, "Von der Wirtschaftlichen Konfrontation,” 16.

100. Blanke, *Orphans of Versailles*, 215.

101. Alfred Schickel, *Deutsche und Polen: Ein Jahrtausend gemeinsamer Geschichte* (Bergisch Gladbach: Lübbe Verlag, 1984), 215-16. The idea of a school book commission was revived—with more sincerity on Germany’s part—in the 1970s.

102. Misala, *Deutsch-polnische Wirtschaftsbeziehungen,* 13.

103. Piłsudski quoted in “Deutsche und Polen,” 29.

104. On this view see, for example, Anna Cienciala, “The Munich Crisis of 1938: Plans and Strategy in Warsaw in the Context of the Western Appeasement of Germany,” in Igor Lukes and Erik Goldstein, eds., *The Munich Crisis, 1938: Prelude to World War II* (London: Frank Cass, 1999), 48-81, and Wlodzimierz Borodziej, “Die Alternative Warschaus,” in Klaus Hildebrand, Juergen Schmaedeke and Klaus Zernack, eds., *1939: An der Schwelle zum Weltkrieg* (Berlin: Walter de Gruyter, 1990), 321-26.

105. Kulski, *Germany and Poland,* 31, details the German demands, made by Ribbentrop on October 24, 1938. They included the cession of Danzig and an extraterritorial route across the Polish corridor.

106. Borodziej, “Die Alternative Warschaus,” 325.

107. On Beck and his role, see Henry Roberts, “The Diplomacy of Colonel Beck,” in Gordon Craig and Felix Gilbert, eds., *The Diplomats: 1919-1939* (Princeton, N.J.: Princeton University Press, 1953).

108. Hirschman, *National Power and the Structure of Foreign Trade*.

109. On this case, see Edward Ericson, *Feeding the German Eagle: Soviet Economic Aid to Nazi Germany, 1933-1941* (Westport, Conn.: Praeger, 1999).

110. Under the minority rights treaty of 1919, imposed on Poland as part of the Versailles

settlement, the league had the right to consider complaints of unfair treatment by the German minority. Also, as discussed below, Danzig remained under league control throughout the interwar period—so complaints of unfair Polish treatment of the "free city" were often addressed by the league. See the extensive discussion in Blanke, *Orphans of Versailles,* and Kimmich, *The Free City.*

111. Blanke, *Orphans of Versailles,* 43.

112. Daniel Stone, "The Giesche Company: Anaconda Copper's Subsidiary in Interwar Poland," *Slavic Review*, 56, no. 4 (1997): 679-97, esp. 686-91.

113. Blanke, *Orphans of Versailles,* 119-20.

114. E. Garrison Walters, *The Other Europe: Eastern Europe to 1945* (New York: Dorset Press, 1990), 180.

115. Blanke, *Orphans of Versailles,* 86.

116. Cienciala and Komarnicki, *From Versailles to Locarno,* 44.

117. Continuing fears of German land purchases, even after EU membership, can be seen in the fact that Poland was granted a transitional period before allowing foreign landownership—and that this transition period is longer in areas close to the German border than in Poland's eastern regions. See Newnham, "Germany and Poland."

118. See, for example, the discussion in Blanke, *Orphans of Versailles*, 112-14.

119. Misala, *Deutsch-polnische Wirtschaftsbeziehungen*, 3.

120. Walters, *The Other Europe,* 186. Other authors regard this as an exaggeration, but still see the tariff war as a significant factor in the economic downturn which paved the way for the coup. See, for example, Rothschild, *Piłsudski's Coup*, 16-24.

121. *Mały Rocznik Statystyczny,* 165.

122. Poland's actions, which Hitler exaggerated into an "economic embargo" of Danzig, were cited by the German dictator as one of the pretexts for the invasion of Poland in 1939. See "Deutsche und Polen," 31.

123. Kimmich, *The Free City,* 9, quoting James Headlam-Morley, the English negotiator who did much to devise the Free City plan at Versailles.

124. Elizabeth Morrow Clark, "Free City of Danzig: Borderland, Hansestadt, or Social Democracy?" *The Polish Review*, 42, no. 3 (1997): 259-76. See also her paper, "German Foreign Policy and the Danzig Question: Whose Germans Are These Anyway?" (presented at the annual meeting of the German Studies Asssociation, Washington, D.C., October 2001).

125. Tighe, *Gdańsk-Danzig*, 103.

126. Pease, *Poland, the U.S. and the Stabilization of Europe.*

127. For a good general study, see Thomas Bernauer and Dieter Ruloff, *The Politics of Positive Incentives in Arms Control* (Columbia: University of South Carolina Press, 1999). Case studies include Joel Wit, Daniel Poneman, and Robert Gallucci, *Going Critical: The First North Korean Nuclear Crisis* (Washington, D.C.: Brookings Institution Press, 2004); Randall Newnham, "Nukes for Sale Cheap? Purchasing Peace with North Korea," *International Studies Perspectives*, 5 (2004): 164-78; and Bruce Jentleson and Christopher Whytock, "Who 'Won' Libya? The Force-Diplomacy Debate and Its Implications for Theory and Policy," *International Security,* 30 (2005-06): 47-86.

128. On German aid to Poland immediately after the fall of Communism, see Randall Newnham, "Poland and Germany, 1989-1991: The Role of Economic Factors in Foreign Policy," The Donald W. Treadgold Papers in Russian, East European, and Central Asian Studies, no. 26 (Seattle: Henry M. Jackson School of International Studies, University of Washington, 2000). On admission to the EU, see Newnham, "Germany and Poland."

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