The Primacy of Nationalism: Reconstruction in Eastern and Central Europe

The map of western Europe was dramatically changed in 1919; that of eastern Europe was unrecognizable. The peace treaties resulted in the greatest expansion of sovereign states witnessed since the Peace of Westphalia. Instead of the three great empires of Germany, Austria-Hungary, and Russia, there were now eight new or restored countries: Finland, Estonia, Latvia, Lithuania, Poland, Czechoslovakia, Hungary, and Austria. In the Balkans there was one new state, Yugoslavia, but all the other countries, Albania, Bulgaria, Greece, and Romania, won or lost territories and emerged with new shapes and populations. This radical redrawing of traditional boundaries left the successor states divided and vulnerable. They had very different national characteristics, ethnic compositions, interests, and enemies. Each was defined by its dominant nationality, yet most were multinational without including all their co-nationals. Their leaders were faced not only with ethnically disparate populations but with deep social and economic differences that made integration, both internal and regional, difficult if not impossible.

Regional terminology can be a useful form of historical generalization, but the commonality of ‘eastern Europe’ was purely geographic. The term, regularly used between the wars, referred to a vast territory with an infinite variety of peoples, nationalities, religions, languages, histories, geographies, and climate. Even the sub-terms used to describe the lands between Germany and Russia—the Baltic, central Europe, east-central Europe, south-east Europe, the Balkans—suggest shared characteristics or a degree of unity rarely, if ever, found in practice. The largest and most powerful country, Poland, had a population of 30 million people; the smallest and weakest, Albania, had barely a million inhabitants. There were striking economic contrasts between the highly industrialized Czechoslovakia and Austria, the semi-industrialized states of Poland and Hungary, and the almost wholly agricultural states of the
The statesmen of the countries along the Danube hardly thought of themselves as constituting a Danubian ‘bloc’; if they entertained any such thoughts, each conceived of different plans for its constitution. The German term *Mitteleuropa*, codified in its modern usage by Friedrich Naumann in 1915 and initially including Germany, came to refer as well to Poland, Czechoslovakia, Austria, and Hungary, countries that shared little beyond their historical past and the fact that they could, in the event of a German wartime victory, as Naumann argued, become Germany’s economic and political satellites. As a result of the war, the reduction of old states and the creation of new ones provided a less precise definition of ‘central Europe’. Ödön von Horváth, author of the well-known *Tales from the Vienna Woods* (1930), gave himself as an example of the central European mix. ‘If you ask me what is my native country, I answer: I was born in Fiume, I grew up in Belgrade, Budapest, Pressburg, Vienna and Munich, and I have a Hungarian passport; but I have no fatherland. I am a very typical mix of old Austria-Hungary; at once Magyar, Croatian, German and Czech; my country is Hungary, my mother tongue is German.’

The arguments over nomenclature, then as now, were not purely semantic; alternative ‘mental maps’ embodied illusions and realities that deeply affected internal and external behaviour.

Peace returned slowly to eastern Europe, and it was only in 1922 that the post-war period of small wars came to an end. The impact of the war on these nations had varied with their distance from the battlefield and whether they were on the side of the winners or losers. Poland and Serbia (Yugoslavia) suffered heavy war damage, major military operations took place in Romania, while Czechoslovakia and Austria escaped completely. The difference between their conditions, quite apart from the disparity in size and economic inheritance, also depended on their treatment by the peacemakers. Hungary incurred more disturbances as a consequence of the peace than of the war. Bolshevik Russia recognized the independence of Finland in 1918 and signed peace treaties with Estonia, Latvia, and Lithuania in 1920. The ‘nursery brawls’ in which Poland engaged between 1919 and 1921 destabilized the region as it worked out its new frontiers. The Polish border with Russia was determined by the terms of the Treaty of Riga in 1921 but lacked international recognition until 1923. The Upper Silesian plebiscite took place on 20 March 1921, with the subsequent League division of the territory displeasing both Poles and Germans. In east-central Europe and in the Balkans, even after the peace treaties were finally

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1 Jacques Rupnik, ‘Central Europe or *Mitteleuropa*’, *Daedalus*, 119: 1 (Winter, 1990), 251.
signed, settled conditions were hard to re-establish. Romanian and Czechoslovak troops occupying parts of Hungary only withdrew beyond their new frontiers in 1920 and the Yugoslavs only in 1921. The territorial disputes between Austria and Hungary, Hungary and Romania, Bulgaria with Romania, Romania with Russia over Bessarabia, and Yugoslavia with Italy continued well into the middle of the decade and beyond. Greek claims to northern Epirus in Albania were rejected and its dreams of a ‘Greater Greece’ (controlling both sides of the Aegean Sea) ended with the armistice concluded with the Turks on 11 October 1922, the verdict in both cases confirmed in the Treaty of Lausanne (24 July 1923). New disputes were created when Allenstein and Marienwerder voted in a plebiscite on 11 July 1920 to form part of German East Prussia, severed from the main bulk of Germany by the Poznán (Poznan) ‘corridor’ which secured Poland’s access to the sea. Still others came from the creation of Danzig as a Free City on 15 November 1920 and from the Polish seizure of Vilna (Vilnius) in October 1920, as well as by the Lithuanian occupation of the Memel district in January 1923. Happily, after the Soviet–Polish conflict there were no wars in the region, either between status quo and revisionist powers or with any outside power.

The Habsburg empire, said a wit, ‘was like a beautiful old vase, whose value no one appreciated until it fell and broke into a thousand pieces’. The broken shards of the old empire were sharp. There may not have been war in eastern Europe during the 1920s, but the toxic mix of internal and external disputes, whether political, ethnic, or economic, meant that there was no peace either. With few exceptions, survival of the states depended on the governing capacities of narrow political elites and their ability to begin the process of economic rehabilitation that could bring some measure of internal stability. If the states in the region maintained their independence and outward unity, they did so at the expense of democratic politics and the toleration of ethnic and religious diversity. All the elected post-war governments, many following French models of government, with weak executives and strong legislatures, found it difficult to deal with multinational populations and conflicting economic demands without resorting to authoritarian rule and centralizing policies. Political fragmentation, often the result of ethnic divisions, resulted in rapid turnovers in governments and the discrediting of parliamentary institutions. What progress was made towards stabilization was often the result of the impositions of authoritarian regimes. It was primarily in Czechoslovakia, the country whose degree of

industrialization, social structure, and high literacy rates most closely approximated those of the west, that democracy took root and even here much was owed to the ability of the president, Tomáš Masaryk, to keep the multitude of parties working together. By 1934 it alone among the nations south of Denmark and east of Switzerland was still a functioning democracy.

Pressures from ethnic minorities and peasant parties in a region where 65 per cent of the active population was engaged in agriculture, many under semi-feudal conditions, provided an immediate political agenda both for the established and new successor states. While it was true that more people than ever before were living under governments of their own nationality, the peace treaties created new problems. The Paris treaties gave 60 million people a state of their own but turned another 25 million into minorities.\(^3\) The actions of the majority, at a time when the rhetoric of politics was both democratic and nationalistic, preserved unity only at the cost of fanning ethnic discontent. With the exception of Albania (where nine out of ten inhabitants were Albanian and 60 to 70 per cent Muslims), most of the states of central and eastern Europe were, to some degree, multinational. Even in truncated Hungary and Bulgaria, there remained pockets of ethnic minorities. Where internal minority pressure was negligible, outside irredentist movements kept nationalist protest alive. The peacemakers’ hopes for the assimilation and toleration of minorities proved illusory. Assimilation was rare and restricted mainly to the old-established minorities for whom the new frontiers brought few changes. The peace settlements, even where most responsive to the claims of self-determination, exacerbated traditional rivalries, both because of the new emphasis on Wilsonian principles and because the new governments, controlled by dominant ethnic groups, introduced policies sometimes more intolerant of minority rights than their Habsburg and Romanov predecessors. When criticized in this respect, politicians of the dominant ethnic groups claimed that such practices were necessary to reverse decades, even centuries, of discrimination against their co-nationalists. Western diplomats, especially in the early 1920s, tended to accept their arguments. Centralizing policies intensified the self-consciousness and discontent of those condemned to the position of second-class citizens. The safeguards offered by the League of Nations under the highly innovative ‘minorities treaties’ proved far too weak to correct the inequalities that geography and the conditions of state-building made inevitable. In Yugoslavia minorities were treated as ‘foreigners’ in their own homelands. The specially crafted protection clauses for the Jewish minority did little to prevent

\[^3\] Mark Mazower, *Dark Continent: Europe’s Twentieth Century* (London, 1998), 41.
the imposition of restrictive and discriminatory legislation. Czechoslovakia proved to be the singular exception to this generally dismal picture. As the Jews were not a nationality and lacked even ‘surrogate’ spokesmen, many abandoned hope of relief through the League’s protective system. It was often the multiplicity of minority groups and their divisive economic, religious, and cultural identifications that prevented united action against the dominant nationality. Continuing ethnic tensions acted as a destabilizing force in domestic politics, contributing to the proliferation of political parties, obstructing or paralysing existing governments, and sometimes hastening the abandonment of democratic forms. More often than not, relations with bordering states were adversely affected, deepening the gulf between the winners and losers from the peace settlements and multiplying the differences between the status quo and revisionist states. There was no ‘melting pot’ in the countries of eastern Europe.

II

Reborn Poland created itself from the three former partitioning states, Russia, Austria, and Prussia, each of which left its own legacy. The ‘Austrian’ Poles were the most experienced politically, the ‘Russian’ Poles the least. The ‘Prussian’ Poles had roads and houses and enjoyed some measure of prosperity. With the country so divided, ethnic Poles (just under 70 per cent of the population) rarely agreed on official policy towards the minorities. The highly nationalistic and anti-Semitic right and right-centre parties in the unstable coalition governments of the 1920s introduced legislation that fuelled grievances among the politically self-conscious and economically progressive Germans in the western regions (Pomerelia, Pozonia, and Silesia) of the state, as well as in the eastern lands populated by the far less advanced and mainly peasant Ukrainian, Belorussian, and Russian ethnic groups. The Socialist, Peasant, and other left-of-centre parties preferred to concentrate on economic and social questions rather than on minority issues. The small but active Communist party wanted the eastern territories joined to the Soviet Ukrainian and Belorussian republics. Dmowski’s National Democrats wanted to assimilate the Slavic minorities but not the Jews, viewing the ancient Jewish presence in Poland as a ‘permanent outrage’. Jews constituted nearly 8 per cent of the population; most lived in poverty and were politically inert, but there was also an entirely separate, important, and influential urban representation, making up some 31 per cent of Poland’s total urban population. Anti-Semitic

Table 10. Estimates of Religious Affiliation in South-East Europe, 1930 (* = year of census)

<table>
<thead>
<tr>
<th></th>
<th>Albania 1930</th>
<th>Bulgaria 1934</th>
<th>Czechoslovakia 1930</th>
<th>Hungary 1931</th>
<th>Poland 1931</th>
<th>Romania 1930</th>
<th>Yugoslavia 1930</th>
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<tbody>
<tr>
<td>Roman Catholic</td>
<td>10.1 (000)</td>
<td>46 (000)</td>
<td>10,831 (000)</td>
<td>5,634 (000)</td>
<td>20,670 (000)</td>
<td>1,200 (000)</td>
<td>5,218 (000)</td>
</tr>
<tr>
<td>Uniate/Greek/Armenian</td>
<td>584 (000)</td>
<td>4 (000)</td>
<td>3,336 (000)</td>
<td>201 (000)</td>
<td>3,336 (000)</td>
<td>1,426 (000)</td>
<td>45 (000)</td>
</tr>
<tr>
<td>Orthodox</td>
<td>19.7 (000)</td>
<td>5,130 (000)</td>
<td>201 (000)</td>
<td>40 (000)</td>
<td>3,762 (000)</td>
<td>13,200 (000)</td>
<td>6,785 (000)</td>
</tr>
<tr>
<td>Protestant</td>
<td>19.7 (000)</td>
<td>5,130 (000)</td>
<td>1,130 (000)</td>
<td>2,347 (000)</td>
<td>835 (000)</td>
<td>1,295 (000)</td>
<td>231 (000)</td>
</tr>
<tr>
<td>Jewish</td>
<td>48 (000)</td>
<td>0.8 (000)</td>
<td>357 (000)</td>
<td>445 (000)</td>
<td>3,114 (000)</td>
<td>1,500 (000)</td>
<td>68 (000)</td>
</tr>
<tr>
<td>Muslim</td>
<td>70.2 (000)</td>
<td>821 (000)</td>
<td>13.5 (000)</td>
<td>21 (000)</td>
<td>198 (000)</td>
<td>140 (000)</td>
<td>140 (000)</td>
</tr>
<tr>
<td>Others</td>
<td>25 (000)</td>
<td>4 (000)</td>
<td>198 (000)</td>
<td>0.2 (000)</td>
<td>0.6 (000)</td>
<td>0.1 (000)</td>
<td>0.1 (000)</td>
</tr>
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Map 11. Independent Poland, 1918–22
legislation both encouraged the spread of Marxist and Zionist ideas and alienated those Jews who had left the shtetl to move into the mainstream of Polish life. Unfortunately for all concerned, Poland was the country with the largest free Jewish population in Europe, and their visible presence in the cities and towns of Poland repeatedly acted as an anti-Semitic lightning rod.

Poland’s territorial gains during and after the peace conference increased its vulnerability to nationalist discontents. There were continuing tensions in Upper Silesia as well as in the ‘Polish corridor’ (where the Poles constituted two-thirds of the population), in Posen and West Prussia, and in the free city of Danzig. In the east, where the Poles pushed their borders into Russian territories, centralizing legislation and the unwillingness to concede any form of autonomy aggravated age-old hatreds between the different Slav groups inhabiting the vast areas which had once belonged to the medieval Polish-Lithuanian Commonwealth. The seizure of Vilna, with its Jewish majority and Polish, Lithuanian, and Belorussian inhabitants, poisoned relations with Lithuania, which refused to give up its claims to the former capital.

The main consequence of the ethnic question was to add to the fractiousness of Polish politics in the all-powerful Sejm. Parties and political clubs increased in number; new factions based on ideological, nationalist, or economic lines made compromise difficult if not impossible. The coalition governments of the period were highly unstable, and in the background the pro and anti-Piłsudski forces were in constant contention. Between 1921, when the new Polish constitution was adopted, and the Piłsudski coup of May 1926 that marked its abandonment, the country again and again seemed to be on the verge of political disintegration.

Czechoslovakia’s multinational, factional party-political climate was not naturally conducive to parliamentary democracy. After a brief period of Socialist rule, a five-party de facto coalition (Agrarians, National Democrats, Social Democrats, Socialists, and Catholics) was created which continued in power throughout the inter-war period. Without the coalition, the multitude of diverse political forces would have made parliamentary government impossible. Headed by the Agrarians, who represented the prosperous Czech peasantry, it was kept together not only by self-interest but by the strong counterpressures exerted by ‘the Castle’, the highly influential, small, pro-western, and mildly socialist group around the president, Tomáš Masaryk, and by the president’s own personal exertions. If the Prague government functioned more successfully than most, much of the credit must be given to Masaryk, the son of a Moravian estate worker who became a scholar and then a nationalist politician. His unique position
and prestige as Czechoslovakia’s founder secured a key unifying role for him in the country’s political life. Elected four times as head of state, each time opposed by the right, the communists, and the German, Slovak, and Hungarian dissidents, Masaryk’s conception of the Czech nation was not all-embracing. It ignored the Catholicism of much of the population and distinguished Czechs from Germans and Slovaks. Masaryk’s vision encompassed a country linked to the west rather than to the Bolshevik east, and committed to a form of democratic rule that was totally unfamiliar to the eastern half of Czechoslovakia and from which it derived few advantages. While exceptional among the successor states in its political stability, Czechoslovakia followed the general pattern in its treatment of the ethnic minorities who constituted slightly more than one-third of the entire population.

The Czechs ruled over the prosperous Sudeten Germans of Bohemia, Moravia, and Silesia, the overwhelmingly rural Slovak population, and the even more backward Ruthenes of Sub-Carpathia, whose condition in their new country was not much better than under the Hungarians. Slovakia inherited, on economic and strategic grounds, a 750,000-strong disgruntled Hungarian minority, most of them living on the large Danube island of Grosse Schütté. The Jews, who lived in all parts of the republic, mainly in the cities, after a period of initial difficulty flourished under a regime without anti-Semitic legislation and became strong supporters of the Masaryk state.

Apprehensive about the centrifugal forces in the newly created country, the Czechs rejected calls by the regional minorities for local political autonomy and implemented social, cultural, and economic legislation that reinforced political unity. Foremost among the minorities were the Sudeten Germans, a quarter of the new state’s population, who had acquired a common identity and political representation during 1918–19. At first, relations with the Czechs were hostile, and even violent, but once the constitution was adopted in February 1920 most Sudeten Germans entered the body politic. They formed their own parties, took part in elections, and won seats in both houses of the Assembly. Inevitably, the views of the Czech founders shaped the nature of the multinational state. All the Czech leaders, including Masaryk, wanted a unitary and bureaucratically centralized nation-state in which the Sudeten Germans would be included as a minority. The latter, by contrast, wanted a ‘state of nationalities’ based on a confederation of autonomous areas where the local authorities would have paramount influence. The Sudeten Germans were divided between those willing to participate in government and a steadily decreasing minority who preferred non-cooperation and obstruction. Though the former prevailed and took an active part in parliamentary politics, no links were forged
Map 12. Inter-War Czechoslovakia: Ethnic-Linguistic Composition
between the Sudeten and Czech parties and even common economic interests failed to erode the nationalities barrier. It was not until 1926 that the German parties were admitted into the ruling coalition. While not fully integrated into the new state, the Sudeten Germans did not challenge its authority and there was little, if any, irredentist feeling. Czech affairs were low on the overlong list of Weimar priorities. On the whole, Berlin favoured Sudeten participation in Czech politics in the hope that they might influence Prague in a pro-German direction.

The Slovaks and Ruthenes of Sub-Carpathia populated the poorest and least industrialized regions of the country, where birth rates were high and literacy levels low. They had little in common socially and economically with their Czech rulers and suffered from the differential treatment that favoured Bohemia over all other regions. The Slovaks, whose lands had been part of Hungary, had never possessed their own state. After 1918 they had their own representatives in the National Assembly and a minister who represented Slovakia in Prague. No significant powers were devolved to Bratislava, the Slovak capital. The Protestant minority of Slovakia was favoured at the expense of the Catholic majority. Nationalist discontent, fed by the fiercely reactionary Catholic priesthood, was channelled into the increasingly popular Slovak People’s party under the leadership of Father Andrej Hlinka, the leading advocate of Slovak political and cultural autonomy. Until the depression radicalized politics, the Slovaks did not challenge the unitary state. Local agitation centred on demands for a greater share of the funds dispensed by Prague and some measure of autonomy. The Hungarians in Slovakia, many of whom were former landowners who had lost their political power along with their lands, were, on the contrary, strong irredentists who looked to Budapest. Ruthenia, populated by Ruthenes, Hungarians, and Jews, was a desperately poor area, cut off from the rest of Czechoslovakia and lying on the eastern tip of the republic. It had more ties with the Ukraine and with Hungary than with Prague, and might well have gone to Russia had the Bolsheviks not been in power. Political awareness remained minimal and the few active politicians concentrated on economic grievances.

No government in Belgrade could have created a unitary state from the multitude of peoples included within Yugoslavia’s borders, a country even more heterogeneous in its ethnic and religious composition than Czechoslovakia. The new kingdom ‘resembled a miniature edition of the old multi-racial Dual Monarchy’, with its numerous national groups and religions. Yet the constitutional monarchy established in

5 Gerhard Schrieber, ‘Germany, Italy and South-east Europe: From Political and Economic Hegemony to Military Aggression’, in Gerhard Schreiber, Bernd Stegemann,
1921 was a centralized rather than a federal state, which would have been far more appropriate to its origins and character. The leaders of pre-war Serbia continued to rule a much enlarged state unsuited to their existing administrative machinery. The Serbs, Orthodox in religion, constituted only 43 per cent of the total population of the post-war kingdom. The Serb monopoly of power was bitterly contested by the Catholic Croats who, while less than a quarter of the Yugoslav population, had enjoyed considerable autonomy under the Habsburgs and deeply resented the control exercised from Belgrade by Nikola Pašić’s Serb Radical party. The Serbs prevailed mainly by force, but also by offering administrative rights and cultural and economic concessions to the self-conscious Slovenes in the territories once part of Austria, and to the Bosnian Muslims. There were also Montenegrins, Bulgars-Macedonians and Albanians, Greeks, and Turks living in the country. The first two groups were treated as Serbs but the Albanians were deprived of any form of autonomy. Those living in the Kosovo region demanded union with neighbouring Albania, a state that won recognition of its independence and 1913 borders in 1920. Albanian demonstrations were put down by military force and Serb army veterans were brought in and settled in their midst. There was also a significant number of disaffected Germans in the north-west, and Hungarians, mainly in the Vojvodina region in the north, who had previously enjoyed significant influence but were now politically impotent. The struggle between Serbs and Croats cast its heavy shadow over the country’s political life, even when King Alexander I imposed his royal dictatorship in 1929 and transformed the Kingdom of Serbs, Croats, and Slovenes into the Kingdom of Yugoslavia. The country’s divisions, regional, ethnic, and religious discontents provided abundant opportunities for Italian meddling when Mussolini turned his attention to the revision of the Adriatic peace settlement. Apart from Italy, Hungary was perceived as posing the next most dangerous challenge to Yugoslavia’s security, resulting in alliances with Czechoslovakia and Romania.

Romania struggled with democracy. Despite the introduction of universal male suffrage and the creation of a democratic government, King Ferdinand retained considerable power under the new constitution of 1923. With his backing and the use of traditionally corrupt electioneering methods, the Liberals under Ion Brătianu, whose family had dominated Romanian politics since the nineteenth century, won control of the government in 1922 and stayed almost continually in
office until 1928. Brătianu was a rigid centralist, whose administrative policies alienated the Hungarians in Transylvania and Bessarabia as well as the other ethnic minorities. His autocratic government survived until his autarkic economic policies at the expense of the peasantry drove the opposition parties together. The Liberals also had difficulties with the ailing king’s heir, Prince Carol, who refused to give up his mistress, Elena Lupescu, and return home from Paris. He was finally forced in 1925 to renounce the succession in favour of his own infant son Michel and a regency. The death of Ferdinand in the summer of 1926 and of Brătianu, who had held the Liberals together and given the party a sense of direction, in 1927 heralded the end of the period of Liberal rule. Iuliu Maniu’s National Peasant party, appointed by Romania’s regents, acceded to power. The new government, a coalition elected in Romania’s most democratic election of the whole inter-war period, held office from November 1928 until October 1930. In this brief time of constitutional rule, the National Peasants focused on the need to decentralize the government and assure civil and political rights. Maniu came to grief when the exiled ex-king returned to the capital in June 1930 and, as King Carol II, made clear his intention to establish his personal rule.

Though the peace treaties doubled the size of Romania’s territory and population, Romanians still represented over 70 per cent of the enlarged state. They had a clear majority in the Old Kingdom and at least a near or bare majority in the new provinces, Transylvania, Bessarabia, the Banat, Bukovina, and Dobruja. The 2.1 million Hungarians, living mainly in Transylvania, the Banat, and Bukovina, were the most openly dissatisfied minority, as the once dominant Magyars lost their extensive lands and had to accept Romanian political rule. The Hungarian landlords appealed to the League of Nations under the minority treaties, but could not mount a real challenge either to the agrarian reform programme or to Romanian domination of their new provinces. The other minority groups caused fewer problems. The Germans of southern and south-eastern Transylvania, living in long-established and self-supporting Lutheran communities, were politically active but not irre- dentist. The Bulgarian peasants in Dobruja, who felt disadvantaged when Romanian settlers were given preference, were not a significant political force. The Ukrainian and Russian peasants, who benefited from the land reforms at the Hungarians’ expense, were excluded from political life. The sizeable Jewish minority (4.2 per cent of the population and 14 per cent of the urban population), who had already been the object of European concern at the Congress of Berlin in 1878, were finally given citizenship under the treaties signed by Romania. They were important in the economic and professional life of the country, but remained an unassimilated group and were the object of
considerable ill feeling. The Gypsies, the largest group in any country, were powerless and easier to ignore than the Jews.

Though the minorities problem, particularly Hungarian discontent, plagued the Romanian leaders, their main concern focused on Russia’s unwillingness to recognize the Romanian wartime acquisition of Bessarabia. Since neither Czechoslovakia, Yugoslavia, or France, Romania’s allies and friends, shared its extreme hostility towards Moscow, the Romansians concluded a treaty with Poland in 1921, which became a mutual defence treaty in 1926. For most of the 1920s the Russians did not actually challenge the Romanian possession of the province, though they continued to contest Bucharest’s action.

Among the defeated nations in Eastern Europe, Hungary was the most revisionist. After the fall of Béla Kun, it developed close relations with Britain. In November 1919 Sir George Clerk, the British minister designate to Czechoslovakia, who was much influenced by the strong supporter of the successor states R. W. Seton-Watson and his journal The New Europe, was sent to Budapest to oversee the Romanian evacuation of the Hungarian capital and to replace the existing administration with one that was capable of signing the peace treaty. It was due to Clerk’s mediation that the Conservatives were confirmed in power in Hungary and that Admiral Miklós Horthy, formerly in command of the Austro-Hungarian navy and one of the leaders of the counter-revolutionary movement during the Béla Kun regime, became governor-regent of Hungary. Clerk, who regarded Horthy as a ‘gentleman’ who could be trusted, accepted the latter’s quickly violated pledge that there would be no ‘White terror’ in Hungary. While there was no way of disregarding the general clamour for territorial revision, Horthy concentrated on building stable institutions and fostering economic development. He found two remarkable men, both of aristocratic gentry descent, Count István Bethlen (1920–31) and Count Pál Teleki (1920–1 and 1939–41), to serve as prime minister. Teleki, who briefly preceded Bethlen in 1920, started the politics of limited consensus which Bethlen developed into a political art. By limiting the franchise, playing off the many small parliamentary groups, and controlling the press, he established his domination over parliament. Through a series of measures combining cajolery and coercion, Bethlen weakened the socialists and pacified the far right. His centrist coalition, the Party of Unity (known as the Government party), founded in 1922 and completely controlled by Bethlen, rested on the landed magnates and their huge estates. During the early 1920s Bethlen secured British support for his domestic and foreign policy, but by the mid-decade, as he moved towards a highly authoritarian government and set his eye on the revision of the peace treaty, the British lost interest. It was a course that Bethlen had always
kept in mind but whose practical prerequisites, a stable economy and a reliable ally, were absent until the latter half of the decade.

The Budapest government harboured deep and continuing irredentist ambitions for their co-nationals in Transylvania and Slovakia. Its scarcely disguised intentions and the two abortive efforts of ex-Kaiser Karl to regain the Hungarian throne in 1921 (opposed by Bethlen) set the seal on the creation of the ‘Little Entente’, so named by the contemptuous Budapest press, that brought together Czechoslovakia, Romania, and Yugoslavia as allies against Hungary. Within the much-reduced Hungarian state, the ethnic minorities caused few difficulties. Eighty-seven per cent of the country’s population, including Jews and Gypsies, was Hungarian-speaking, and the largest minority, the bilingual Germans, as well as the Croats, were well integrated into Hungarian life. The few remaining Slovaks in the country continued to voice their grievances; the even fewer Romanians in south-east Hungary accepted the status quo.

Bulgaria’s population was over 83 per cent Bulgarian-speaking and Orthodox in religion. There were few difficulties with the Turks, the largest minority (just over 11 per cent of the population), who were given their own schools, nor with the equally mistrusted and powerless Muslim Bulgarians or ‘Pomaks’. The exodus of Turks, Greeks, and Romanians that had begun after the Second Balkan War (1913) continued during the 1920s. Some 250,000 Bulgars came in from surrounding areas, many in need of public support, putting considerable pressure on the central authorities. It was mainly the Bulgarian Macedonians, far smaller in number than the Turkish minority, who, as sympathizers or members of highly organized, irredentist organizations created the greatest turmoil in the country. The terrorist group IMRO (Internal Macedonian Revolutionary Organization, founded in 1893) was the most powerful terrorist movement in the Balkans, and proved to be a highly disruptive political force. Assisted and funded by backers in Sofia, IMRO was divided between those wanting the whole of Macedonia annexed to Bulgaria and those who favoured a separate Macedonia in a Balkan federation. Repeated incursions across the frontiers threatened Bulgaria’s relations with both Yugoslavia and Greece. In a country where the parties of the left were particularly strong, the ruling radical Bulgarian Agrarian National Union party (1919–23), which came to power after the elections of August 1919 led by Alexander Stamboliiski, wanted to concentrate on domestic reform and avoid foreign complications. Stamboliiski sought agreements with both Belgrade and Athens and participation in the League of Nations (Bulgaria was the first of the defeated nations to be admitted in 1920). The Macedonian extremists, however, were vociferous and the raids of IMRO into Yugoslav
territories particularly damaging to Stamboliiski’s plans. The Convention of Niš concluded with Belgrade in March 1923 was intended to settle the border with Yugoslavia and rein in the terrorists. In the event, it served only to infuriate them further and added volume to the growing chorus of internal opposition to Stamboliiski’s radical agrarian and dirigiste economic programmes. The terrorists, who hated Stamboliiski for signing the notorious Treaty of Neuilly that gave most of Macedonia to Yugoslavia, joined the successful coup mounted by a variety of opponents in 1923; Stamboliiski was captured, tortured, and decapitated. The new regime, which moved massively against the left after a belated Moscow-inspired insurrection, ruled mainly by violence but proved as incapable as Stamboliiski at controlling the terrorists. With secret Italian assistance, as well as help from the Bulgarian ministry of war, IMRO created its own state within a state in Petrich, a ‘no-go’ area where the Bulgarian, Greek, and Yugoslav borders met, and continued its destructive incursions into Yugoslavia. By the time IMRO was finally disbanded in 1934, it had accentuated the trend towards violence in Belgrade and had caused irreparable damage to inter-state relations.

Like the Bulgarians, but on a much larger scale, the Greeks faced the problems of settling incoming refugees. In addition to the flood of people from Asia Minor, displaced after the Treaty of Lausanne on the old Ottoman basis of religion, there were Greeks coming from Bulgaria under a voluntary exchange agreement and refugees from southern Russia fleeing the revolution. Most refugees were settled in rural areas, particularly in Macedonia and Thrace, areas which Greece had only recently acquired. Others were left on the fringes of large towns or in shanties around Athens-Piraeus and became radicals in politics. The huge intake of refugees had its effect on national politics, but, except during the brief dictatorship of General Theodoros Panaglos (1925–6), who threatened to renew the war against Turkey and very briefly occupied a part of Bulgaria after a border incident with the Macedonian terrorists, Greek attention was focused on its internal politics and public finance. Internal conditions remained chaotic and governments highly unstable, even after the debacle in the Middle East. Between 1924 and 1928, when Venizelos again became prime minister, Greece experienced eleven governments, eleven military coups, three elections, and two military dictatorships.6

For the most part, in almost every country the centralizing policies of the dominant ethnic group prevailed. No multinational state was torn apart by ethnic divisions. While old hatreds between neighbouring people were intensified by the peace settlements and the new ethnic

6 Schrieber, ‘Germany, Italy, and South-East Europe’, 334.
conflicts sometimes aggravated border disputes, the status quo was maintained. The revisionist powers were too weak to challenge the peace settlements and no outside country, not even Italy, the most restless of the major victor countries, was ready to take up the revisionist cause. The main external consequence of these tensions was to make regional co-operation, political or economic, more difficult. There was no movement towards the economic confederation of the former Austro-Hungarian lands nor any association of the Balkan states. It was inevitable, given the fragmented character of the region and the multitude of border and ethnic disputes, that local leaders should search for outside support and that the great powers should fish in the troubled waters. While wanting great-power support for some purposes, countries like Poland and Czechoslovakia on the one hand, and Hungary and Bulgaria on the other, had specific regional aims which their patrons did not share and which would weaken or undermine their support. The main interested countries, France, Britain, Italy, and Germany, each had its own agenda, almost invariably pursued in rivalry with the others, exacerbating local tensions. The majority of the multinational states felt under no compulsion to compromise with their ethnic minorities, while enjoying the breathing space provided by the withdrawal of Germany and the Soviet Union and the weaknesses of the defeated states.

III

Apart from nationality questions and divisive domestic politics, it was the comparative poverty of the countries in eastern Europe that most threatened their future development. Even before 1914, most of the region lagged behind the west in terms of agricultural output and industrial development. Economic progress within the area was highly uneven. The Habsburg monarchy included the rich and industrialized regions of Lower Austria and Bohemia as well as the poverty-stricken lands of Galicia, Bukovina, and Dalmatia. Trade was largely internalized and foreign trade actually declined in the years before the war. Most of the rest of east-central Europe was mainly agricultural and dependent on peasant labour. Though the war and peace caused economic upheavals, the region, with one or two exceptions, remained mainly agricultural and without the capital to finance stabilization or industrialization. The effects of the war and the drawing of new boundaries led to the interruption of normal trade and the collapse of traditional markets. The disappearance of the pre-war empires inevitably led to the reordering of the economic map of eastern Europe. The number of independent economic units rose from twenty-six to thirty-eight, the length of customs frontiers increased, and the number of separate currencies in
The creation of the Baltic states and the practical ending of trade with Russia added to the fragmentation and to the disruption of trade lines. Heightened nationalism led to the deliberate severing of former economic ties and intensified the search for markets outside of the region. The shift of trade away from neighbours and towards western Europe left the majority of the eastern European states vulnerable to changes in the world economy and without any means of mutual defence.

The immediate impact of the war was to create economic chaos, high inflation, and debased currencies. Austria, Poland, and Hungary were the hardest hit. Austria was kept alive through relief supplies, mainly American. Agricultural production reached only half its pre-war level in 1920 and Hungary had no substantial surplus food to export to Austria as had been customary before 1914. Austrian industrial output barely exceeded one-third of 1913 levels and unemployment reached unprecedented proportions. The need to provide cheap food for the population to avoid revolution fuelled the wartime inflation. In desperation, the Vienna government appealed to the victors for credits to keep the government afloat. An Austrian subcommittee of the Reparation Commission argued for a postponement of reparation claims in November 1920 but did not conclude its deliberations until the following year. Instead of looking at ways to extract wealth from Austria, it began to assess the methods by which foreign aid could be channelled into the

7 Ivan T. Berend and György Ranki, *Economic Development in East-Central Europe in the 19th and 20th Centuries* (New York, 1974), 201. The totals would be higher if the Baltic states were included.

### Table 11. Population Dependent on Agriculture in Eastern Europe, 1921–1931 (%)

<table>
<thead>
<tr>
<th></th>
<th>1921</th>
<th>1930/1</th>
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<tr>
<td>Czechoslovakia</td>
<td>40</td>
<td>28</td>
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<tr>
<td>Hungary</td>
<td>56</td>
<td>54</td>
</tr>
<tr>
<td>Poland</td>
<td>64</td>
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<tr>
<td>Romania</td>
<td>75–80</td>
<td>78</td>
</tr>
<tr>
<td>Yugoslavia</td>
<td>75–80</td>
<td>79</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>75–80</td>
<td>80</td>
</tr>
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</table>

country. The Béla Kun government in Hungary also failed to halt the drastic drop in agricultural and industrial production, nor could it control the galloping inflation during the life of the 133-day republic. The economic chaos, aggravated by the campaigns of the invading Romanian army, grew worse after the counter-revolution. The massive drop in agricultural exports made it difficult to secure the capital and raw materials needed to stimulate industrial production. Poland had been the scene of terrible fighting that left behind a trail of physical destruction. The weak infant economy bore the costs of hostilities with the Ukrainians, Germans, Lithuanians, and Russians, often fought simultaneously, between 1918 and 1921. The government had the seemingly impossible task of bringing together regions that had belonged to three different empires and that were of very uneven economic development. Financial confusion and rampant inflation undercut any efforts to stabilize the currency. Poland’s unusually protracted and severe currency depreciation paralysed parts of its economy, though it also speeded up economic unification by creating a level playing field and forcing the previously unconnected economic actors to trade with each other.

Elsewhere, governments grappled with war-induced shortages of food and raw materials and high inflation. Yugoslavia and Romania, each of which suffered considerable physical damage in the war, lost livestock (the main portion of Serbia’s rural production) and agricultural equipment and suffered drastic reductions in agricultural output. Romanian oil production plummeted, though its inflation was less severe than in Austria or Hungary as its continuing, if diminished, oil and grain exports somewhat improved the foreign trade balance. The Brătianu government in Bucharest was insistent that the country should put its house in order without foreign loans and placed strict limitations on foreign investment and imports of foreign manufactured goods. Native capital still dominated the oil firms and the import of foreign manufactured goods fell steadily. In Bulgaria, too, though agricultural production figures fell sharply and foreign trade was curtailed, inflation was relatively mild and the budget balanced in 1921–2.

Czechoslovakia was the first country to recover and return to pre-war levels of production. The country had the important advantage, economic-financial as well as psychological, of being treated as a victor nation. It inherited some of the most advanced industrial and banking facilities of the pre-war Habsburg monarchy and benefited, too, from a series of able finance ministers, who cut the old ties with Vienna and rapidly created an independent currency. While the Austrian inflation became a hyperinflation threatening the existence of the government, in Czechoslovakia the Austro-Hungarian krone was quickly withdrawn from circulation; the notes were over-stamped by the Ministry of
Finance and released for domestic purposes. The new crown (koruna) was stabilized in 1921–2. The state survived the ending of the inflationary boom and the introduction of deflationary measures during 1922–3. Though the subsequent overvaluation of the currency (in part the result of an artificial demand for Czechoslovak goods during the Ruhr occupation) checked the growth of the export market, both industrial production and exports resumed their upward trend in the latter half of the 1920s, when Czechoslovakia benefited from the general improvement in the world economy. Alone among the states of eastern Europe, Czechoslovakia was able to generate sufficient capital from her industrial exports to finance her own economic development, invest abroad, and buy back foreign-owned securities to ensure her economic independence.

The immediate post-war inflation had positive as well as negative effects on the process of recovery. In Austria, Hungary, Czechoslovakia, and especially Poland, for a short period at least, inflation stimulated investment, and encouraged the creation of new firms and the restocking of inventories. Foreign investment, cancelled debts, cheap loans, and the flight of capital into goods and buildings led to industrial growth. In the case of Austria, the temporary boom increased the gap between production and consumption and between imports and exports, thereby weakening the whole economic structure. Bulgaria, Romania, and Yugoslavia enjoyed their first spurt of industrial development between 1919 and 1924; in Yugoslavia industrial investment reached its inter-war peak during the inflation period. By the time the inflation ran its course, industrial output was approaching approximately 75 per cent of pre-war levels. But these early stirrings in the agrarian states were not enough to

| Table 12. Index of Eastern European Manufacturing Output, 1920–1929 (1913 = 100) |
|-------------------------------|-----------------|-----------------|-----------------|
|                               | 1920/1          | 1925            | 1929            |
| Czechoslovakia                | 69.8            | 136.4           | 171.8           |
| Hungary                       | 64.0            | 76.7            | 113.9           |
| Poland                        | 35.1            | 63.1            | 85.9            |
| Romania                       | 47.2            | 92.2            | 136.9           |
| Yugoslavia                    | –               | –               | 140.0           |
| Europe (18 countries)         | 66.9            | 89.6            | 110.7           |
| World Total                   | 93.2            | 120.7           | 137.5           |

change the balance of economies still almost totally dependent on agriculture for economic growth, even when, by the mid-1920s, most were reaching or surpassing their pre-war levels of industrial production. Hungary, for instance, doubled its industrial production and expanded its textile and chemical industries, but still depended on agricultural exports, primarily wheat, for the raw materials and machinery essential for industrial growth.

Agricultural weakness continued despite major land reforms in most of the eastern European countries. The example of the 1917 Russian revolution, the mass migrations of 1917–19, and the emergence of strong peasant parties made a response to the widespread demand for land redistribution expedient. The most radical changes took place in the Baltic, especially in Estonia and Latvia where the Baltic German landowners were expropriated, in parts of Yugoslavia, and in Romania, particularly in Bessarabia and Transylvania. There was a radical agrarian programme, too, in Bulgaria, though expropriation was unnecessary for the country was and remained a nation of small peasant holdings. In Greece, after a slow start, the influx of refugees forced the government to institute a radical redistribution programme. Some 40 per cent of the country’s land was redistributed, the highest proportion in the Balkans, with almost all of it going to refugees. In Czechoslovakia, where the land problem was most acute in predominantly rural Slovakia, the implementation of reforms was slow and compensation high. In general, it was the capable and well-organized Czech peasantry rather than the Slovaks and Ruthenes who benefited most. In Poland, the power of the landowners was such that only one quarter of the land belonging to the large estates was expropriated and about 20 per cent of the arable land remained in the hands of the big landowners. Hungary was a special case. The country had historically been bedevilled by the persistence of huge latifundia owned by aristocrats and the Catholic Church. The landowners managed to sabotage early attempts at land reform and the Bolshevik Béla Kun regime did not have the time to implement its intended reforms. After its fall, the traditional landowning class returned to power and regained or held on to its vast holdings. As late as 1935, 43.1 per cent of the land was held by less than 1 per cent of the population. Albania, too, was an exception. It alone in south-eastern Europe had no peasant or Communist party and there was no change in the landowning system. The country, torn by civil war and the conflicting interests of its neighbours, remained the least economically developed state in Europe.

Land reform did not solve the problem of agricultural backwardness. Even where radical land distribution took place, the new farms were too small to be profitable and rising population figures, due to a lower death
rate and reduced emigration overseas, put new and heavy pressure on peasant families. In Poland and Hungary, where the persistence of the large estates created social and economic problems among the mass of landless labourers and productivity remained low, there was little incentive for improvement. The most notable recovery in the mid-1920s occurred in Romania and Yugoslavia, where increased yield resulted from new land brought under cultivation and the use of additional labour rather than from improved methods of farming. Agricultural recovery was helped, too, by the high post-war demand for food and rising agricultural prices on the world market. Neither of these conditions lasted beyond 1927–8. If real progress was to be made, these agriculturally dependent countries needed to diversify their exports, still heavily centred on grain, and radically modernize their farming techniques. Even in the best years between 1924 and 1928, the food-exporting states of south-east Europe could not challenge the far more efficient American and Canadian agricultural producers. For countries dependent on grain exports to finance loans and industrial expansion, any major fall in world prices would pose catastrophic problems.

The weaknesses in agriculture and in the foreign trade sector were compounded by the actions of the new post-war governments. The Allied powers recognized the economic costs of the political disintegration of the Habsburg monarchy and, in competition with each other, pressed for the creation of regional economic federations. Instead, seven separate and independent customs systems were created within the former territories of the Dual Monarchy. Each of the successor states was determined to establish and maintain its full economic independence. Despite the peace-treaty provisions for preferential customs treaties and the agreements proposed at the Porto Rosa meeting called by the Italians in October–November 1921 to ease barriers and restrictions, governments resorted to prohibitions of imports and exports when the latter did not serve the state’s interests. When currencies were finally stabilized, the governments applied high customs duties in the interests of self-sufficiency and freedom of action. Czechoslovakia and Austria encouraged agricultural production at home by setting high tariffs on imports of cereals and livestock. The agrarian countries of the Danube valley, in turn, raised tariffs against industrial imports from Czechoslovakia and Austria. These protective measures reduced intra-regional trade and encouraged a shift away from the Danubian basin to the markets of western Europe and the American continent. Immediately after the war, 52 per cent of all Czechoslovak exports went to the Danubian states; by 1924 this total was reduced to 37 per cent and by 1929 to 31 per cent. The protectionist policy introduced by the Czech agrarians made it impossible for Romania and Yugoslavia,
Czechoslovakia’s partners, to buy Czech industrial goods, including armaments. Agricultural products and raw materials were their only exchange commodities. Czechoslovakia and even impoverished Austria looked to the United States and Canada where, despite transport costs, agricultural prices were competitive and Czech exports buoyant. Yugoslavia’s regional trade dropped significantly compared to Serbia’s pre-war figures; Italy rapidly became its best market. The Hungarians, determined on a course of forced industrialization paid for by the peasantry, maintained high protective walls and deliberately restricted their trading with neighbours. Outside efforts to open up new markets within the region or to introduce more liberal trading practices repeatedly failed. Soviet initiatives at the conferences of Riga in March 1922 and Moscow in December 1922 produced minimal results. No progress was made at the 1922 Genoa conference when the Little Entente powers, backed by France, buried the Porta Rosa recommendations. Proposals for preferential tariff arrangements were also stultified by Britain’s insistence on most-favoured-nation status despite London’s pressure for tariff reductions. By the time the World Economic Conference assembled in 1927, the tariff level throughout eastern Europe was considerably higher than in 1914. Poland was the sole exception, only because of the very high pre-1914 Russian tariff. The policy of ‘beggar one’s neighbour’ not only increased the vulnerability of these states to the conditions of the world markets but failed to bring sufficient benefits to either agriculture or industry to cushion their economies when the world markets contracted.

IV

With the notable exception of Czechoslovakia, governments in east-central Europe, while determined to establish their economic independence, found they did not have the capital resources needed for stabilization and recovery. In the immediate post-settlement period, reparations and war debts (the defeated nations had to assume their predecessors’ obligations) represented a considerable burden on the weak economies of the states concerned, but also proved major obstacles to securing immediate credits and loans. Though reparation payments for the ex-enemy countries came to be postponed, reduced, and abandoned in the case of Austria, and more generous terms negotiated for war debts, they were not cancelled and continued to complicate the process of financial rehabilitation. Relief supplies, mainly financed by the United States, and to a lesser extent by Britain and Canada, flowed into Austria, Poland, Czechoslovakia, Romania, and Yugoslavia and were even sent to Hungary and Bulgaria, though on far less favourable
terms. Relief loans and other forms of inter-governmental lending failed to cover short-term needs, and attempts to secure private credit and investment were more often than not unsuccessful. In London, private bankers proved unenthusiastic even before the Bank of England imposed its not entirely effective embargo on private foreign lending in 1921. Where credits were secured, their costs increased the burden on already indebted governments. Representatives from firms in the United States, Britain, France, and Italy appeared in the capital cities looking for speculative or more long-range bargains. Syndicates were formed to obtain concessions either through official channels or on a more ad hoc basis. Anglo-American relief workers often took advantage of the local situation to become concession hunters themselves or to prepare the way for fellow nationals ready to combine philanthropy with profit. Meanwhile, there were appeals for help to the Supreme Council in Paris from the Austrian chancellor and requests for loans and credits from Czechoslovakia, Hungary, Yugoslavia, and the hard-pressed Poles.

Though most of the Anglo-American experts at the peace conference thought that the economies of the states in central and eastern Europe could be reconstructed through private enterprise, officials began to discuss how loans and credits could be funneled into east-central Europe. Bankers and financial experts agreed that European economic recovery would occur only if governments stabilized their currencies, cut their expenditures, balanced their budgets, and established independent and politically ‘neutral’ central banks. Such programmes of reform seemed beyond the range of possibility for the states of east-central Europe, given their political and economic situations. International intervention began in a significant form with two major stabilization loans, to Austria in 1922 and to Hungary in 1924. In both, the Financial Committee of the League of Nations, encouraged and supported by Montagu Norman, the governor of the Bank of England, played the central role. It was the increasingly precarious situation in Austria that resulted in the international effort to provide the Austrians with a long-term loan—650 million gold crowns—guaranteed by Britain, France, Italy, and Czechoslovakia, in return for acceptance of a closely monitored plan of radical reform devised by the League’s Financial Committee. The mechanism adopted was derived from a Czech application for an international loan issued in London, Amsterdam, and New York in 1922, and the decision to use the League of Nations as an arbiter in case of any clash between the Czech government and the lenders about security. Because of the American participation in the issuing of the stabilization loan, the new Austrian currency was stabilized against the dollar. The rigorous regime imposed on Vienna included
strict control over Austria’s internal economy and the appointment of a commissioner-general (or ‘financial director’) who forced through deflationary policies that successfully revalued the currency and eliminated social-welfare schemes, in the process alienating the Social Democrats and much of the working class. Recovery was quick but, after paying off previous debts, supporting the currency, and balancing the budget, there was little capital left for restructuring Austrian industry. The League’s direct control of the Austrian budget was only lifted in 1926. Recovery and stabilization were accomplished in ways advantageous to Austria’s new creditors. Her banks and associated industries were internationalized and the British, French, Americans, Belgians, Dutch, and Swiss became major shareholders. The financial and commercial fate of Austria was now tied to developments outside Vienna.

The Austrian stabilization loan became the model for subsequent League action. The loan to Hungary in 1924 followed the Austrian pattern in securing the loan on designated revenues, providing for a new bank of issue, introducing a programme of financial reform, and appointing a neutral controller-general. It was mainly due to the persuasion of the British Treasury and the participation of the Bank of England that the Hungarian loan was successfully issued in July 1924 with nearly £8 million out of a total of £14,200,000 subscribed in London.8 France did not participate because of its own financial difficulties and the lack of interest among French banks. Ironically, the loan had raised, in a miniature but striking fashion, the fundamental problem with Montagu Norman’s claim that central bankers were neutral actors on the international stage. He had revoked his support for the Hungarian loan in December 1923, claiming that the loan conditions made it a poorer risk than its Austrian counterpart, but the following April performed a dramatic volte-face when the chancellor of the Exchequer in the Labour government, Philip Snowden, intervened. ‘The British government now deem it politically expedient to proceed with the Scheme,’ Norman wrote, ‘and, although on the question of principle my views regarding the proposed foreign Loan, looked at solely from the economic aspect, remain unchanged, I shall nevertheless, in view of this decision, now give it every support in my power.’9

Behind Norman’s interventionism and his advocacy of the League solution to the problems of central Europe was his belief that it was essential to separate the political from the financial and economic realms

8 Anne Orde, British Policy and European Reconstruction After the First World War (Cambridge, 1990), 273.
9 Norman to Gerard Vissering (president of the Nederlandsche Bank), 12 May 1924, Bank of England G3/180. (The underlining is Norman’s.)
of international policy. He wanted to remove the management of the latter from the inept hands of the politicians and allow the central bankers to address the problems of economic reconstruction. Norman came to believe that central bank co-operation could provide the solution to Europe’s post-war economic difficulties. In reality, such co-operation represented only some future goal. Though Norman succeeded in establishing personal and institutional links with Benjamin Strong and the Federal Reserve Bank of New York, and with prominent central bankers of some neutral states in Europe, he had yet to create the base for successful central bank co-operation. In its absence, arranging support for League stabilization schemes was the next best solution, and the League’s Financial Committee the closest equivalent to a neutral and impartial body of banking and financial experts. Norman had personal and professional ties with the members of the Financial Committee, which was dominated by its three British representatives (other countries had only one), including its chairman, the British senior civil servant Sir Arthur Salter. It was hardly surprising that it was widely believed, particularly in Paris, that the ‘Norman conquest’ of central Europe took place on the back of the Financial Committee and that Britain was using the League to further its own brand of financial imperialism on the continent.

Norman claimed otherwise. ‘The quarrels in Austria between the protagonists of the French on the one side and of the British on the other have been very unfortunate,’ he wrote to Strong in 1921, ‘and of course all spring from the fundamentally different standpoints of the two countries. Our basis is economic, the French basis is political, and nowhere is the distinction more clearly seen than in Austria.’

Norman’s policies were hardly as politically neutral as he professed, and the lines drawn between politics and finance proved less clear in practice than in theory. Rebuilding the economies of central and eastern Europe was a way of restoring British monetary and financial stability. Predicated on the concept that the pound must rejoin the gold standard at the earliest opportunity, Norman and his circle hoped to return sterling and the City of London to their pre-war eminence. Norman missed no opportunity to attempt to link the new central banks to the Bank of England and to tie their stabilized currencies to the pound sterling, at least for the terms of the loan projects. Despite Norman’s efforts, the Austrian crown was stabilized against the dollar, but the newly created National Bank of Hungary was required to deal exclusively with the Bank of England and the korona was stabilized against the pound. Norman could be ruthless in mobilizing Britain’s financial

power and political influence to achieve his ends. In December 1921, seeking to reconcile Austria with its neighbours, the British warned the Czechs that unless they were more forthcoming in their attitude towards Vienna, there would be no British loans to Prague. Similar tactics were used in 1923, when Norman took up the cause of a League loan for the Hungarians and sought Foreign Office help to bring Romania and Czechoslovakia into line. The two powers were forced to give way and agree to abandon their liens on Hungary’s assets for reparation payments.

Between 1924 and 1927 the League’s Financial Committee sponsored a number of further loans to small states, including refugee loans to Greece and Bulgaria, to the Free City of Danzig, and to Estonia. Most loans were given to balance budgets and to stabilize depreciated currencies. The City of London provided almost half of the League loans (49.1 per cent of £81.2 million subscribed) to eastern Europe; the American contribution was less than half that (19.1 per cent) and no other European country was able to take more than a small tranche of the loan issues. It was only during and after 1927, with the increased availability of American capital, that the Americans began to assert their autonomous financial power and that the role of the Financial Committee and British influence was radically reduced. The Bank of France, too, after the stabilization of the franc in 1926, appeared on the scene as a rival to the Bank of England. In Poland, after an exchange-rate crisis in 1926 following the introduction of a new currency, an American stabilization plan was adopted, setting less strict conditions than would have been demanded by the League. A loan was arranged by the FRBNY with French support. Half the loan, used mainly for currency stabilization, came from the United States and the rest from Britain, France, Switzerland, and Holland. In the case of Romania, the Liberal government of Iuliu Maniu, which was more willing than its predecessors to seek outside assistance, appealed to the French and the Bank of France to cover the final stages of its currency stabilization. This loan in 1929, the last to be linked to the gold exchange system, took the form of a joint central bank credit with each of the four major central banks in France, Britain, the United States, and Germany taking equal shares. Though France played an important part in the financial reconstruction of Poland, Romania, and Bulgaria (the stabilization loan of 1928), its role was limited by the need for outside (mainly American) participation and its ‘financial weapon’ was not very powerful.

Orde, *British Policy and European Reconstruction*, 328. In terms of non-League lending during the 1920s, the USA was by far the largest source of all loans, both long- and short-term (55.2% and 26.2% respectively of loans extant in 1931). Ibid. 329.
The League loans, though they undoubtedly assisted financial stabilization, failed to bring about any major improvement in the borrowers’ capacity to meet their long-range obligations. The Austrians were unable to solve their basic problem, which stemmed from their weak trading position. Political obstacles were raised against every proposal for enlarging the Austrian market and expanding its regional trade. The future of the country remained highly problematic, and some both in Vienna and London spoke approvingly of Anschluss. The Hungarian situation initially looked more propitious. Its economic reserves were sufficient to secure the interest service and the amortization of the League of Nations loan. Much of the budget deficit was financed from internal resources; a policy of strict financial austerity was introduced, and enforced mainly at the expense of the urban middle classes. By the middle of 1925 the League’s financial controller-general in Budapest, who ultimately proved to be little more than a statistical observer, could report that Hungary had not only balanced its budget but had produced a substantial surplus. Once financial stability and liquidity were established, foreign banking houses were willing and even eager to extend long-term loans to Hungarian enterprises and projects. Yet stabilization and the ‘loan culture’ that it spawned did not yield a permanent solution to the country’s economic disabilities. The bulk of western loans to Hungary did not go to productive enterprises; 40 per cent of the long-term loans were used to service and amortize other loans, including pre-war debts. Renewed indebtedness and dependence on foreign capital left Hungary unprotected from the ravages of the depression. The inexpedient utilization of loan capital was not peculiar to Hungary. Most loans were short term and were used to cover budget deficits and interest charges, to repay previous borrowings, or to convert old debts into new ones. Some were spent on military equipment or channelled into public welfare schemes for political purposes. Relatively few encouraged industrial output. While loan credit assisted the consolidation of the existing regimes, it did nothing to discourage their economic particularism.

There is no doubt about the importance of international investment in eastern Europe during the 1920s and beyond, but there is some debate about its effects on the recipient states. Foreign investment was highly concentrated in the extractive and capital goods industries in Poland and Czechoslovakia, and in the oil industries of Romania (Britain was the dominant investor). Capital tended to go, moreover, to the largest companies in the most highly concentrated industries, that is, into mining and metallurgical companies in Czechoslovakia, Poland, and Yugoslavia, oil companies in Romania, and tobacco and sugar refining industries in Bulgaria, increasing their size and encouraging
mergers and cartelization. As foreign investors favoured industries where they had similar or related enterprises elsewhere, investment, while encouraging industrialization, came to serve the interests of the capital-exporting countries rather than those of the recipient nations. Imbalances were created that were not to the latter’s long-term advantage. Neither loans nor foreign participation in industry was sufficient to stimulate long-term economic growth and industrial development, nor did they create the domestic and foreign export markets necessary for sustained expansion. In financial terms, it was mainly British and French investment capital that replaced ex-enemy funds, though capital also came from the United States, Italy, Belgium, Holland, and Switzerland. The peace treaties offered special privileges to the victors that allowed them the opportunity to replace the Germans and Austrians who had dominated the financial life of the Danubian basin. The Entente powers were given most-favoured-nation treatment for the first five years after 1919 and special regulations strengthened the position of their investors. The ‘nostrification’ clause (Article 297 of the Versailles treaty) allowed the victors to acquire capital shares of Central Power nationals in enterprises within their borders, either as reparations or with just compensation. Czechoslovakia and Romania became the chief regional beneficiaries. The Czechs took over the branches of the pre-war Vienna banks in their country and, subsequently with capital to export, acquired shares in enterprises in Romania and Yugoslavia. The Romanians took over a considerable part of the substantial German and Hungarian holdings in their banks, mines, and industrial plants. In Yugoslavia, only modest acquisitions were made and the old concerns continued their activities under new names. In Poland, where the pool of private investors was small and lacking in initiative, the French, as well as others, capitalized on the situation.

In the troubled conditions of 1918–20 concession hunters acquired assets in return for exports or took advantage of strong currencies to purchase devalued shares. The French and British governments lent their active support to private concerns seeking east-central European securities, the former more interventionist than the latter, who used more indirect methods of persuasion. Both governments encouraged the purchase of equity capital in the Vienna and Prague banks, the former with their important pre-war links with the leading industrial firms of the old Habsburg monarchy and their contacts in the Balkans and Turkey. Approaches were sometimes made directly by Viennese and Czech bankers anxious to secure capital for new share options. Unusually, two banks, the Austrian Länderbank (which already had a sizeable French participation) and the Anglo-Austrian bank (where the Bank of England was among the bank’s British creditors) were totally
transformed into French and English banking institutions. The head-
quarters of the Länderbank was moved to Paris and, under strong
pressure from the Quai d’Orsay, was taken over by Paribas and
renamed Banque des Pays de l’Europe Centrale, with Jules Cambon,
a former French ambassador, as president. The bank, the fifth largest in
Austria, was a savings rather than an investment bank and proved a
disappointment both to the Quai d’Orsay and to its French investors.
The Czech branches of the bank were turned into an autonomous
concern with a continuing French presence. The Anglo-Austrian bank
stayed in Vienna but came under the patronage of the Bank of
England. After lengthy and difficult negotiations, a separate Anglo-
Czech bank was established under almost complete British control. In
time the British disposed of the Austrian branches of the Anglo-
Austrian bank, but the Bank of England, with Treasury approval,
indirectly became a shareholder in Rothschild’s Credit-Anstalt, the
only remaining important Viennese bank in the early 1930s. By that
time, more than half of the shares of this giant holding company were
held by foreigners and 40 per cent of its business was conducted
outside Vienna. Such direct absorptions were exceptional. More gen-
erally, foreign investors were encouraged to acquire participating
shares in the joint-stock capital of the largest commercial banks and
industrial companies of the successor states. It was common practice
for the large commercial banks to borrow abroad and to channel the
funds to industries in their own countries and elsewhere in south-east
Europe. Some of the larger industrial firms sought credits directly from
foreign banks or from issues floated on the New York or London
markets on their behalf. Trusts were created in London and New
York to hold portfolios of central European industrial shares. Western
stock ownership in the commercial banks did not necessarily mean
control or direction. As the Vienna banks grew less important, the
other national banks gained in strength and expanded their hold over
subsidiaries in their own countries. Many of the Prague banks
remained in Czech hands. The highly prestigious Zivnostenska
Banka in Prague, which had holdings outside Czechoslovakia, was
exceptional in that it had no foreign capital at all. Hungarian banks
continued to pursue their own national strategies despite international
boards of directors.

The British established and maintained the leading investment posi-
tion in the region; they were either the ranking or second ranking
investor in almost every country with the exception of Poland. This
investment, of course, represented only a small part of the British total.
By 1930, 58 per cent of British investment was in the empire, 20.8 per
cent in South America, 7.9 per cent in Europe, and 5.4 per cent in the
The percentage of total investment in Europe was much lower than either that of the French (60 per cent) or the Americans (30 per cent) who, in any case, were far more interested in Germany than in east-central Europe. In terms of total value, French investment may have been slightly higher in the region than that of Britain. A good deal of French capital went into short-term ventures in London and New York, but France enjoyed the dominant investment position in Poland, maintained a strong presence in Czechoslovakia, and was a major player in Yugoslavia, Romania, and Bulgaria. As in the case of Britain, French trade did not follow investment despite hard bargaining with the Poles and the Czechs and demands for most-favoured-nation status. Even Italy, with a smaller investment of capital, was often more successful than France, as in Yugoslavia.

While both Entente powers were equally anxious to prevent the ‘bolshevization’ of the region or the revival of German economic predominance, each sought to create its own sphere of influence in the Danubian area. As early as 1922 the region was divided into two rival camps. The French plans for central and south-eastern Europe were highly ambitious. Officials in the Quai d’Orsay believed that, by building up French economic power in the region, France could extend its political influence and strengthen its barrier against both German and Russian expansion. The British goals were far less political, but the Foreign Office hoped that by creating a Danubian bloc consisting of Austria, Hungary, and Czechoslovakia, Britain might play a leading role in the stabilization of the region and secure a base for the expansion of investment and trade. More inclined than the French to let British traders and investors find their own way without government assistance, the Foreign Office concentrated its efforts on encouraging the recovery of Austria and Hungary and their integration with Czechoslovakia into a Danubian bloc.

Though the French had to abandon their far-reaching wartime plans for a vast economic, industrial, and commercial union in Europe under their direction, many politicians, officials, and some industrialists still looked to eastern Europe to secure the scarce raw materials, particularly coal and oil, that would enable the country to balance Germany’s greater economic potential. This explains the particular interest that French officials took in the Saar coalfields, the mines of Upper Silesia, the mines and steel plants of Teschen, and the Galician and Romanian oilfields.

The Quai d’Orsay took the initiative in persuading often reluctant French industrialists to invest in Polish metallurgy and mining projects and in Romanian oil. Politicians and officials in the Quai d’Orsay and Ministry of Finance thought that through loans and the acquisition of shares in the leading banks of Austria and Czechoslovakia, France could acquire a dominant influence in the economic life of the region where banks and industry were intimately linked. ‘The tentative was not a normal and inevitable development of French capitalism,’ Georges Soutou suggests, ‘but a governmental and administrative attempt to modify the structure of the latter.’

The difficulty was that France lacked the financial resources to carry out its grand designs (the ‘imperialism of the poor’) and that, despite official encouragement, French bankers and industrialists pursued their own interests, often thwarting the Quai’s broader and more long-range objectives. The French faced competition with the richer British and American investors and the resistance of the recipient states, which preferred multinational investment to exclusive French control. Extensive but dispersed investments did not lead to French domination of any single government or produce the blocs it wanted. Such investment could not be turned into political power.

The French started out with high hopes. Their troops were in occupation of Austria in 1919 and controlled all the railway lines to Vienna, the natural focus of early foreign competition. By gaining control of the great pre-war Vienna banks, the French hoped to move into the rest of central and south-east Europe, including the Balkans. In 1920, when Alexandre Millerand became premier and the extremely active Maurice Paléologue, the ex-ambassador to Russia, returned to the Quai d’Orsay as secretary-general, they seized on the idea of making Hungary rather than Austria the ‘axis’ of a politically reliable and economically integrated Danubian bloc under French control, despite an already established British position in Budapest. Political and economic talks were opened in Paris in March 1920 between the French, the Hungarians, and the managers of the important Schneider–Creusot company. In return for promises to back Hungary’s demands for significant boundary changes in the still unsigned Treaty of Trianon, Paléologue won extensive concessions for the concern. The scheme aroused intense anger in London and Rome and produced high alarm in Prague and Belgrade. It faltered, in the first place, on political grounds, because of Hungarian demands for treaty revision which

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France could not really back, but also because of strong British objections at a time of considerable Anglo-French tension. By the summer of 1920 the French were in retreat, though conversations continued even after the Hungarians signed the Trianon treaty on 4 June 1920. These abortive commercial negotiations had important, if unintended, political consequences. They served to push Czechoslovakia, Yugoslavia, and Romania together in opposition to what was seen as a French attempt to establish its hegemony over the Danubian region through Hungary. The Czechoslovak–Yugoslav agreement was signed in Belgrade on 14 August 1920; Marshal Joffre was dispatched to Bucharest to block Beneš’s effort to conclude a similar agreement with Romania. Both the British and the Italians welcomed the Prague counter-move as a means of checking the spread of French influence. It was only in the autumn of 1920, after Millerand became president and Paléologue was dropped and replaced as secretary-general by the experienced, influential, and imperturbable Philippe Berthelot, that the French shifted the centre of their activities from Budapest to Prague. Berthelot emerged as one of the foreign ministry’s strongest supporters of the ‘Little Entente’.

France’s early ambitions were not sustained. Too often, quick profits were favoured over the kinds of development that would have created allies. It was mainly in Czechoslovakia that France’s political and economic interests converged. Eugène Schneider, France’s leading iron and steel producer and the president of the Comité des Forges, was in every way the exception to the rule in his involvement in eastern Europe, in the range and importance of his acquisitions, and in his close partnership with the Quai d’Orsay. Even while the peace negotiations were being conducted, discussions took place between Beneš, officials from the ministries of foreign affairs and finance, and the representatives of the Schneider company which led to the latter’s acquisition of a majority stake in the Skoda armaments works. The latter became a huge combine, with mining, metallurgic, and engineering interests in Czechoslovakia and elsewhere in south-east Europe. Through its many subsidiaries and cartel arrangements, the Schneider–Creusot concern acquired an often controlling interest in Czechoslovakia’s basic industries and an important voice in the banking and industrial enterprises of other states, such as Poland and Hungary. Through the Union Européenne Industrielle et Financière (UEIF), an investment company created by Schneider & Cie. and two other concerns, the Schneider group came to control a vast empire with a minimal outlay of capital. Schneider’s activities constituted one of the few really successful moves in extending French power in central Europe. Partly because of the Czech base of so many of his concerns, however, even he found it difficult to integrate industries across national lines.
British goals in east-central Europe were less clearly defined; they had no security interests of the kind that shaped French policy. Official concerns were more narrowly economic than those of France, but this did not preclude interference in the political life of the Danubian states. The government wanted to prevent the spread of Bolshevism, and this was an important factor in the British commitment to the reconstruction of Austria and Hungary. The first British efforts to create a Danubian bloc began in Vienna, where everything possible was done to check the spread of French influence and to encourage the financial rehabilitation of the state. It soon became obvious that Austria would have great difficulty in recovering, and by 1922 hopes had faded that it could resume its pre-1914 banking and industrial role. There was a brief interval, between 1920 and 1921 when the Foreign Office looked to Prague to take the lead in creating the desired Danubian federation. There was considerable competition between the British ministers in Vienna, Prague, and Budapest, each anxious to make his respective capital the centre of British activity in the region. Increasingly, the Foreign Office and the Bank of England took the view that the Czechs were too anti-Hungarian and too favourable to the French to provide a reliable base for the extension of British influence. The pro-Hungarian faction in the Foreign Office prevailed, and, due in large measure to the efforts of the extraordinarily sympathetic and totally uncritical minister in Budapest, Sir Thomas Hohler (January 1920–May 1924), British influence there was maintained. Admittedly official support did not extend to Hungarian territorial revisionism. Austen Chamberlain, who became foreign secretary in November 1924, tried to dampen Hungarian hopes for territorial changes without openly admonishing the Bethlen government. British interest in Budapest soon faded, as it did in most of east-central Europe. It was clear before the middle of the decade that there was no way of achieving the ‘ultimate solution for Eastern Europe’, an economic federation, including the half-dozen countries in or near the Danube, freed of customs barriers. Whatever their support for Danubian economic co-operation, the British would not abandon their own most-favoured-nation status in any of the east-central European states. The establishment of the Little Entente and the French alliances with Poland (1921) and Czechoslovakia (1924) made it impossible for London to bridge the gap between former friends and foes or to counter the French political advantage. The Foreign Office grew tired of dealing with ‘squabbling states’ and their ‘impossible leaders’, and saw little reason to become involved in their tangled affairs and distasteful politics.

The German economic stake in eastern Europe remained of considerable importance at a time when its political position was weak. Once
the key foreign investor in the Habsburg empire, Germany lost about 60 per cent of its pre-1914 investment in eastern Europe. Early German attempts to create new networks in Austria, Czechoslovakia, and Hungary failed mainly because of French opposition. It was only gradually that German industry began to re-establish itself in what had once been major markets; the ending of the Versailles restraints in 1925 provided a major boost that was quickly exploited. Co-operation between government, banks, and business was a major feature of post-war German policy well before the country regained its full economic sovereignty. Reforms introduced into the German foreign ministry after the war strengthened its commercial section, and important diplomatic posts, for the first time, were given to outsiders. The German economic initiatives were most successful in the Baltic, where the German government worked in the closest co-operation with financial and industrial circles as well as with the Baltic Germans. Provisional trade agreements with Latvia in 1920 and with Estonia and Lithuania in 1923 opened the way for German business. Conscious of the needs of East Prussia and the importance of exports for any resolution of the reparations question, the Germans were willing to compromise any outstanding differences in order to gain entry into the Baltic markets. German behaviour contrasted sharply with that of the British, who had played the key role in securing the independence of the Baltic states and were much favoured by their new governments. British importers and exporters, in a privileged position immediately after the war, began to lose interest when it became apparent that the republics would not become the ‘springboard’ to the supposedly rich markets of Russia.

The Germans made use of the German minority living in the cities of the Baltic states, above all in Riga, as the foreign ministry began its active campaign for settling disputes, mainly about reparations and questions relating to the Baltic Germans. By the end of 1921 German finance began to enter the area and trade soon followed. Germany soon surpassed Britain in exports to the Baltic and took the lead in the admittedly disappointing transit trade to Russia. The Ruhr crisis led to a redoubling of official efforts to conclude separate economic agreements with each of the Baltic countries and with Moscow. The Germans wanted an economic arrangement that would bring together Lithuania, Estonia, Latvia, and Russia and would leave Poland isolated. Their sustained efforts, assisted by Baltic worries about the growth of Polish–French influence in the region, began to pay important dividends. The British continued to be the principal importer of Baltic goods, mainly timber and agricultural products, but the money earned from Britain was spent in Germany. The Wilhelmstrasse (German foreign ministry) had to face considerable suspicion and Baltic governments continued to look to
London for the protection of their interests, but persistence brought success. The Rapallo treaty with Russia, it is true, proved a double-edged sword, useful in keeping Poland off balance but often an impediment to good relations with the Baltic republics. The German foreign ministry had to convince the Baltic states that Germany could provide a bridge to Moscow and would try to secure a Soviet commitment to their independence. An attempted communist coup in Estonia in 1924 made the German task no easier. There were also problems with Finland, Germanophile because of the military assistance given against the Bolsheviks in 1918 but strongly anti-communist. The Germans used their influence to help turn the Finns away from anti-Soviet Baltic alliance projects towards the more neutral Scandinavian countries.

**Table 13. Baltic Trade with UK and Germany (% of total value)**

(a) Exports

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<th>Latvia</th>
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<td>Germany</td>
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<tr>
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<td>45.2</td>
<td>3.9</td>
<td>67.5</td>
<td>1.2</td>
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<tr>
<td>1921</td>
<td>39.6</td>
<td>3.9</td>
<td>35.6</td>
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<tr>
<td>1922</td>
<td>22.2</td>
<td>12.7</td>
<td>40.3</td>
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</tr>
<tr>
<td>1923</td>
<td>34.1</td>
<td>10.8</td>
<td>46.3</td>
<td>7.6</td>
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</tr>
<tr>
<td>1924</td>
<td>33.5</td>
<td>22.6</td>
<td>41.5</td>
<td>16.4</td>
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<tr>
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<td>25.0</td>
<td>31.2</td>
<td>34.6</td>
<td>22.6</td>
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<tr>
<td>1926</td>
<td>28.8</td>
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<td>1927</td>
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(b) Imports

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<td></td>
<td>UK</td>
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<tr>
<td>1920</td>
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<tr>
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The German economic success in the Baltic was paralleled by an expansion of trade in central Europe and the Balkans. Export totals throughout the 1920s were still well below 1913 levels, but the Germans staged an impressive comeback. The complementary structure of the economies of Germany and the eastern European states, as well as traditional networks of business contacts, opened possibilities not available to France. I. G. Farben, for example, began by using indigenous agent firms, which were gradually replaced by companies established under the laws of the host country. Its well-organized sales force and subsequent cartel arrangements meant that the company could market its chemical products in Austria and move from there into south-eastern Europe. The successor states became the third largest world market for the German chemical industry. The Germans needed raw materials and markets for their industrial goods; the eastern European states could supply the former and required the latter. In Poland and Czechoslovakia, but also in Romania and Yugoslavia, Germany was an important customer, in the first two cases the single most important customer outside eastern Europe. Many eastern European states (Yugoslavia, because of its trade with Italy, and Poland were exceptions) ran negative trade balances with the Weimar republic. The latter’s positive balance, with fluctuations after 1925, stood in marked contrast to France’s negative trade balance throughout the decade. In 1924 Germany took 43.2 per cent of Poland’s exports and supplied 33.8 per cent of its imports. Apart from being Poland’s most important trading partner, Germany was an important source of short-term credit. It was only during the tariff war that the overall volume of trade fell as Poland turned to the Scandinavian countries for substitute markets. Poland was in a special category; the lost lands of the east never vanished from the German political agenda. It was, after all, the question that had raised the deepest sense of betrayal when the peace terms became publicly known. The German government tried, without success, to use its economic power to win territorial concessions from the Poles when the Versailles treaty duty-free provisions and the Polish–German Upper Silesian free-trade agreements lapsed. In 1924 the introduction of temporary German quotas on imports from eastern Silesia seriously hurt the Polish coal miners, but the Poles rejected the new and unsatisfactory German terms of 1925 and a ‘tariff war’ between the two countries began. Under Foreign Minister Stresemann’s aegis, Germany would change its tactics but not the pursuit of territorial revision.

The Germans were well aware of the value of trade in strengthening their political standing. Stresemann, in particular, argued that, in the absence of military forces, Germany’s economic power was one of her most important assets in the return to great-power status. With the
exception of Poland, the Germans were very cautious about using trade as a means of increasing their political influence in the capitals of the states concerned. While willing to support nationals in their commercial endeavours, Weimar governments generally refused to become involved in regional disputes and preferred a course of political neutrality. In the Baltic and in Czechoslovakia the Germans had every interest in the preservation of the independence of the new states and, though supporting links with German-speaking groups, used them mainly to encourage good relations and trade with Germany. For most, the primary interest was to re-establish former export positions; both the government and business considered south-east Europe to be their natural market. In the mid-1920s, there were some expressions of concern, and not just in Poland, that Germany’s economic expansion in eastern Europe might lead to a revival of its *Mitteleuropa* ambitions and prove less desirable than was thought.

V

Given their size, domestic difficulties, jealousies, and conflicts, it was inevitable that the states of eastern Europe would remain vulnerable to the ambitions of the larger powers. Most governments, overwhelmed with the problems of state-building, could do little more than seek bilateral arrangements to settle commercial and territorial disputes with neighbours where they did not engage in acrimonious dispute. Two states—Poland, the largest of the successor states, and Czechoslovakia, the strongest economically—sought to protect themselves from future dangers through regional associations and alliances with France. The two countries became the most active diplomatic players in the region. But despite their common links to France, there was no real agreement between them. There were imponderables, such as background, temperament, and culture, that kept the two nations at loggerheads, quite apart from the geographically insignificant but fiercely contested territorial disputes and their differing attitudes towards the Soviet Union. As competitors for the leadership of the small states in eastern Europe, the Poles and Czechs surveyed the European scene from very different vantage points. Marshal Piłsudski thought that an enlarged Poland, supported by the French army, could defend itself against Germany and Russia, both of whom he regarded as equal and permanent threats to Polish independence. He dismissed the League of Nations as irrelevant, and after Germany’s admission judged it inimical to Poland’s interests. Edvard Beneš, who shaped Czech foreign policy almost single-handedly throughout the inter-war period, insisted that his country’s security lay in the creation of a stable international
environment and that Czechoslovakia should have no permanent enemies. He showed considerable confidence in the Geneva system and became one of its most recognizable figures.

Poland, because of its size, geography, and army, assumed that it could take a major role in organizing the states lying between Germany and Russia in order to defend its western and eastern frontiers. Its concerns extended into the Baltic and into the Balkans as well. Although from the time of the peace conference, Marshal Piłsudski believed that Poland would have to act on its own behalf to change the balance of power in eastern Europe, both his followers and opponents soon realized that the maintenance of the Polish frontiers would depend on French assistance. Successive Polish foreign ministers, whether on the left or right, had few alternative options. The Polish room for manoeuvre, despite the propensity of its ruling aristocratic elite to think in grandiose terms, was more limited than that of its strategically less vulnerable southern neighbour. Situated between two giants, Germany and Russia, it had to fear not only the expansionist policies of either but the possibility that the two pariahs of Europe would link arms, confronting Poland with the prospect of a new partition. Unfortunately, some Poles continued to harbour ambitions that far outstripped the country’s means. Piłsudski’s vision of a great central European federation consisting of a free Poland, Lithuania, Belorussia, and the Ukraine, strong enough to withstand enemies on both frontiers, had to be modified after the Polish–Soviet War of 1920–1. Nonetheless, the ideas of this charismatic soldier-statesmen provided a dangerous legacy for his successors, even after his temporary retirement from politics in 1922. The Treaty of Riga (1922) following the Polish–Soviet War left both sides dissatisfied. On the eastern frontier, clashes continued as the Russians took up the claims of the Soviet Ukrainian government to East Galicia. Ukrainian nationalists in the disputed territories fled to Czechoslovakia, where they found Prague sympathetic to their cause. Piłsudski’s belief that neither the Soviet Union nor Czechoslovakia would survive in their existing forms encouraged false hopes. His coup in Vilna, intended to force the Lithuanians to accept either union or federation, made it difficult if not impossible to create the highly desirable Baltic combination that he sought. Neither Latvia nor Estonia would move without its neighbour. Instead of following a circumspect policy during the early years of the reborn Polish state, the Poles started out on a high and expensive road of expansion. During the 1920s Poland’s military expenditure took almost 30 per cent of its national income.

Poland’s geographic situation was the decisive factor in its foreign policy. No one in Warsaw needed instruction in the lessons of the past.
Its rebirth, however, after 123 years of division, engendered exaggerated views of future influence. Even when Piłsudski’s federation ideas were abandoned, Polish statesmen still believed that their country could create and lead a central European grouping that would stand as a barrier to German and Soviet expansion. Poland was Europe’s fifth largest country and sixth most populous state, but neither its political nor economic situation encouraged optimism about its future leadership role. The Polish–Soviet war deepened the quarrels between Piłsudski’s followers and Dmowski’s National Democrats and accentuated the differences between the parties of the left and right. The Polish constitution, adopted in March 1921 and framed by the National Democratic majority, was specifically aimed at curbing Piłsudski’s power and was never accepted by his supporters. Poland’s foreign secretaries, who followed each other in quick succession (ten between 1919 and 1925), found it difficult to carry through any consistent policy. Suffering from a protracted and paralyzing process of depreciation until the American intervention of 1926–7, its governments were unable to deal with the rampant inflation. Its crippling lack of domestic capital made it particularly dependent on foreign investment for rational and sustained industrial growth; the French proved unable or unwilling to meet its needs.

The gap between Polish aspirations and resources was magnified by France’s own security interests. The French viewed an enlarged Poland, a Polish–Czechoslovak alliance, and Polish adhesion to the Little Entente as the substitute for their lost Russian partnership. Few at the Quai d’Orsay questioned the importance of Polish assistance in containing Germany, but it was the defeat of General Wrangel and the collapse of French hopes for a White victory in Russia that opened the way for a Franco-Polish alliance. There were some doubts in Paris about the wisdom of an alliance that committed France to the defence of Poland’s eastern as well as western borders. Marshal Foch argued that the continuing enmity between Poland and Russia would involve an unwilling France in their quarrels. Due to the efforts of Millerand and Piłsudski, the text of the Franco-Polish political and secret military convention was signed on 21 February 1921. It was an unequal partnership, and the Poles took umbrage at their client status. They had won the substance of their demands but at a high commercial price, including concessions in East Galicia and Upper Silesia and most-favoured-nation status for French exports. Briand, trying to win time in order to secure the revival of the 1919 British guarantee, and knowing of Lloyd George’s anti-Polish sentiments, insisted that agreement had to be reached on the remaining troublesome economic issues before the political and military accords could come into operation. It was not until Poincaré took office that the economic agreements were signed and the alliance activated.
The political agreement was accompanied by a secret military convention providing for joint action in case of German aggression and French material and technical assistance in case of a Polish–Russian war. The French hoped that Poland would provide a defence against German revisionism and a barrier to the spread of Bolshevism; the Poles saw France as the protector of its independence and territorial integrity on both frontiers. Predictably, the new alliance was ill-received in London. The British did not look kindly on French attempts to spread their influence in central Europe and, particularly in moments of crisis, accused them of harbouring hegemonic designs. No French leader succeeded in modifying the veto on any British eastern guarantee; London’s negative attitude complicated and made more difficult France’s search for British support in the west.

Most French leaders considered Poland a valuable asset and ignored the possible liabilities of their new alliance. Whatever their doubts about the specific policies of their ally, they loyally supported the Poles even at the risk of quarrelling with Britain. It was due to French pressure on Lord Balfour, the former British foreign secretary, that the final division of Upper Silesia went in the Polish favour. Though French support for Warsaw during the Polish–Soviet war was far less vigorous than was publicly claimed, the Quai d’Orsay was undoubtedly relieved when the Poles checked the Russian advance and strongly backed Poland’s subsequent diplomatic efforts to strengthen its position in the east. The French supported Polish efforts to create a northern pact in 1921 and again in March 1922, just before the Genoa conference, when the foreign ministers of Estonia, Latvia, Finland, and Poland, meeting in Warsaw, concluded a pact (never ratified by Finland) providing for political and economic co-operation as well as concerted action in case of an attack on any member. The Russians reacted by inviting the four participants to Riga (the Finns refused and sent an unofficial observer), and secured an accord calling for the recognition of the Soviet Union. The Riga meeting at the end of March was seen in Moscow as a successful check both to the overambitious Polish government and to its French patron. It was mainly the quarrels with Lithuania over Vilna that continued to frustrate Polish ambitions to create an anti-Soviet northern bloc.

The continuing disputes between Poland and Czechoslovakia made it particularly difficult to fulfil any dreams of building barriers against German and Russian expansion from the Baltic to the Black Sea. The French efforts to promote military co-operation between the two states were repeatedly checked by the two countries’ territorial disputes and their very different attitudes towards Moscow. It may be that the French leadership, despite the earlier alliance with Poland, felt closer in spirit to
the stolid Czechs than to the politically unstable and often rash and intransigent Poles, but they brought pressure on both governments in their vain attempt to secure agreement. It was in part French prodding that led Konstanty Skirmunt, one of Dmowski’s collaborators, who became foreign minister in June 1921, to seek a rapprochement with Prague. The commercial and political treaties concluded in October and November 1921 were the closest the two countries came to an alliance. The Skirmunt–Benesˇ pact provided for mutual territorial guarantees and benevolent neutrality in case of war, including the transit of war materials. In a secret protocol Beneš offered limited diplomatic backing in East Galicia and support for international recognition of the Riga settlements in return for Polish backing against any attempt of the Habsburgs to reclaim the thrones of Austria or Hungary. The Polish claims on the border commune of Javorina, a tiny Tatra village of 400 inhabitants, and the old disputes over Teschen, Spiš, and Orava were left over for future discussion. The Sejm proved reluctant to ratify the agreement without these territorial concessions and, with the fall of Skirmunt after the Genoa conference and the beginning of a period of intense political strife in Warsaw, hopes for ratification faded. Beneš lost interest and turned his attention to the Little Entente.

The Poles took other steps to guard their position against Soviet Russia. They sought agreements with Hungary and Romania. These moves, much favoured by Piłsudski in 1920, had been checked when France abandoned its Hungarian plans and Beneš succeeded in winning Romanian support for his proposals for anti-Hungarian ententes. The Poles maintained their contacts with Budapest and refused to recognize the validity of the Treaty of Trianon, which had ceded Transylvania to Romania. There was more success with the Romanians. The shrewd and resourceful Romanian foreign minister, Take Ionescu, was determined to exploit his common borders with Poland and Czechoslovakia to win protection against both the Soviet Union and Hungary. He initially favoured an enlarged five-power alliance which would include France, Poland, Czechoslovakia, and Yugoslavia, but this met with opposition from both the Czechs and Poles, the latter preferring a separate regional bloc. Ionescu solved the Romanian security dilemma by concluding an alliance with Poland on 3 March 1921 and signing bilateral agreements with Czechoslovakia and Yugoslavia on 23 April and 7 June 1921 respectively. The Polish–Romanian pact, encouraged by France, provided for mutual assistance against an attack from the Soviet Union, and contained a secret protocol keeping open the possibility of enlargement, though this remained an unfulfilled gesture.

The success of Czechoslovak diplomacy depended largely on the adept stewardship of Dr Edvard Beneš, who never lost his grip on the
direction of foreign policy throughout the entire period from 1919 to 1938, even when he was in political difficulties. Apart from consultations with President Masaryk, he took no counsel, revealed little about his intentions, and was probably happier in Geneva than in Prague. A calculating realist in foreign affairs, Beneš favoured a middle-of-the-road approach to diplomacy, relying on his negotiating abilities to find the way out of difficult, if not dangerous, situations. Beneš’s advocacy of the solution moyenne was intended to underpin Czechoslovakia’s role as an intermediary between France and Britain, bringing them together in the interest of preserving the peace settlements so advantageous to Czechoslovakia. The ‘Grand Master of Compromise’ put excessive reliance on what could be accomplished through personal diplomacy and cautious piloting. There were successes—the negotiation of the treaties with Yugoslavia and Romania and the alliance with France—but also failures which must be attributed, in part, to the foreign minister’s ceaseless activities. One of the most striking was Beneš’s inability to establish a good relationship with the British, who came to dislike and distrust him. Foreign Office officials shared Lord Curzon’s belief that Beneš ‘travels too much and talks too hard’.15 His interminable journeying and sojourns in Geneva earned him the reputation in London of being the ‘Jack Horner’ of European diplomacy. Beneš was also partly responsible for the failure to conclude an agreement with Poland; the foreign minister rejected Polish advances on more than one occasion and blocked its admission into the Little Entente circle. Beneš viewed his Polish neighbour as the great troublemaker of the north and insisted that Polish policies were antagonizing Britain as well as Germany and Russia. He made little secret of his doubts about the permanence of Poland’s German acquisitions. He thought that the Polish war with Russia and the occupation of East Galicia would permanently alienate the Soviet Union, which he viewed as a future market for the Czechs and a possible ally against German revisionism. Above all, Beneš feared that Anglo-French differences over Poland would weaken their joint defence of the status quo upon which the safety of Czechoslovakia rested.

Beneš rapidly emerged as the man of Geneva, six-times chairman of the League Council, president of the Assembly, and chairman and rapporteur of innumerable League committees. With French support, he took a directing role in the discussions of the 1923 Treaty of Mutual Assistance and, with the Greek representative, Nicolas Politis, in the drafting and mobilization of support for the Geneva Protocol in 1924.

This again put him into opposition to the British, who objected to his ‘pactomania’ and his search for an enhanced League security role. Austen Chamberlain was particularly contemptuous of what he took to be Beneš’s self-aggrandizement and strongly opposed his candidature for the post of secretary-general of the League in 1925. Even when Beneš’s international reputation was at its height, his influence on European affairs was more illusory than real. League diplomacy was often little more than great-power diplomacy dressed in Wilsonian clothes, and the importance of the representatives from the small states, however active, was necessarily limited. Beneš, however, was not a naive optimist. Collective security was an insurance policy for the maintenance of the status quo and a means of protecting the interests of the states most at risk from revisionism. It was a commentary on the limits of small-power diplomacy that Beneš’s supposedly highly rational and scientific policies were no more successful than those of the ‘romantic’ Poles, and that neither had any choice but to look to France for protection.

Czechoslovakia enjoyed greater political stability, more defensible borders, and far more impressive economic resources than its neighbour. The clashes between the Agrarian party coalition and the ‘castle group’ around Masaryk in Prague did not spill over into the international arena and made relatively little difference to Beneš as he held court in Geneva. Unlike Poland, Czechoslovakia enjoyed a speedy financial and economic recovery that enabled it to take an active part in the economic rehabilitation of the Danube basin. Despite Beneš’s strong support for disarmament, his country became the leading small-arms manufacturer in Europe and a major competitor with the French and British in the export of heavy armour. Czechoslovakia’s greatest advantage over Poland was geographic; the much smaller country was not squeezed between two great dissatisfied powers. In the 1920s, though Germany remained a future threat, Berlin showed only limited interest in the Sudeten Germans and had no territorial disputes with Czechoslovakia. Strongly anti-Bolshevik at home, Beneš was far less Russophobic than the Polish or Romanian leaders and thought that economic co-operation with Moscow was both possible and profitable. It was for these reasons that the Czechs believed they could afford a certain measure of detachment from the great-power rivalries in Europe.

The Czech leaders intended that Czechoslovakia should be the major player in the Danube basin. Beneš used the Hungarian danger and Millerand’s abortive efforts in Budapest to approach Belgrade in the summer of 1920 and to conclude an alliance (14 August 1920) with Yugoslavia. The abortive attempts made by ex-King Charles in April
and October 1921 to regain the Hungarian throne helped to strengthen the ties not only with the Yugoslavs but with Romania. Beneš made a great deal of the ex-king’s second return in October, to the point of threatening a Czech–Yugoslav invasion of Hungary and resorting to partial mobilization. Even in the face of British and Italian anger, he managed to secure Allied support for the permanent banning of the entire Habsburg dynasty from the Hungarian throne. While the Romanians refused to mobilize their army and entertained some doubts about Beneš’s extreme bellicosity, they gave their approval to the joint Czech–Yugoslav action. The bilateral agreements between Czechoslovakia and Yugoslavia (14 August 1920), Romania and Czechoslovakia (23 April 1921), and Romania and Yugoslavia (7 June 1921) constituted the basis of the Little Entente. The treaties were narrowly focused and specifically directed against Hungary. In their origins, they were not only anti-Hungarian but also anti-French. It was the change in France’s position and her abandonment of Hungary in 1920 that proved critical for the Little Entente’s future history. The Czechs were correspondingly cool towards the first French attempts to conclude an agreement with Prague. General Foch visited the Czech capital in 1921 to discuss the details of a political and military agreement, but neither Masaryk nor Beneš thought the time ripe. Even when Poincaré replaced Briand (who secretly favoured a Habsburg restoration in the interests of Danubian unity), Beneš, in the face of British hostility to the alliance, was still reluctant to conclude an agreement that was aimed solely at Germany or to turn the Little Entente into an anti-German military pact. He saw the grouping as a self-defence structure intended to keep the great powers out and to allow the three countries, individually small and isolated, the opportunity, in theory if not in practice, to speak with a single voice.

Nothing more than their common dislike of Hungary kept the three states together. Romania and Yugoslavia had more to fear from their respective enemies, Russia and Italy, than from Germany, which represented the greatest future danger to Czechoslovakia. Their treaty was also directed against Bulgaria with whom Czechoslovakia had no quarrel. The bilateral agreements had no economic basis; each country insisted on functioning as a separate economic unit and economic borders followed national lines. Nationalism triumphed over economic good sense. Each country looked for supporters outside of the Little Entente and concluded separate treaties. The Czechs, despite continuing suspicion of Vienna, did not rule out some form of understanding with Austria, whose continuing independence was of considerable importance to Prague. In January 1920 the Austrian chancellor visited the Czech capital; his country needed food and coal which he hoped the Czechs would provide. Three secret protocols for a political
and military alliance against Hungary were signed, though little economic relief for the Austrians followed. The Austrian quarrel with the Hungarians over the small Burgenland strip and the return of the Habsburg king to Hungary again brought the two states together. In the Treaty of Lány, concluded in December 1921, the Austrians secured financial assistance in return for assurances against the return of the Habsburgs or an Anschluss with Germany. The agreement was welcomed by Romania and Yugoslavia, the latter anxious to re-establish Serbia’s pre-war commercial relations with Austria. The Czechs were not overly anxious to move too close to their ex-rulers, while for their part the Austrians had little interest in aligning themselves with the Little Entente, which would compromise their neutrality and offend the Germans. British pressure played its part in the Czech offer of financial support to Austria in 1922. The German representative in Vienna, noting the action, reported: ‘the well-behaved Austrian child has received a Zuckertüte from its godfather…because it has obediently shaken hands with its sister, Czechoslovakia, instead of reaching for mother Germania’s apron.’ At the 1922 Genoa conference neither Romania nor Yugoslavia was willing to forego its liens on Austria’s assets so as to facilitate an international loan. Despite the Austrian prime minister Johann Schober’s hopes for Beneš’s support, the latter defended his allies. At the same meeting the Little Entente vetoed proposals, supported by Italy and Hungary, that would have given substance to the Porto Rosa recommendations and improved Austria’s trading positions. Beneš preferred bilateral to multilateral trade agreements; the one signed with Austria actually lowered tariffs on almost a third of the products exchanged between the two countries. The Czechs feared that any kind of economic integration in the region might lead to the political federation they so strongly opposed.

Opportunities for joint action between Poland and Czechoslovakia were repeatedly lost. The two countries failed to work together at Genoa in 1922. The Poles wanted international recognition of their Russian and Lithuanian borders and acceptance of their occupation of eastern Galicia. Czechoslovakia and Yugoslavia, lacking contiguous borders with the Soviet Union, were not disposed to sanction the political recognition that such action might imply. The Romanians were adamant that there should be no change in Russia’s status without recognition of their possession of Bessarabia. While the main Polish interest in the Genoa conference was the recognition of its eastern

frontier with Russia, Beneš was unwilling to go beyond some form of economic co-operation with Russia. At the March 1922 Little Entente meeting in Belgrade, while Beneš was shuttling between London and Paris promoting co-operation, the Poles, under Skirmunt’s leadership, tried to promote an agreement with the Little Entente powers. On his return Beneš succeeded in burying the idea. Beneš, however, lost ground at the Genoa conference. Lloyd George blamed him for the failure of his rescue plans for the Austrian republic, and was annoyed at the Little Entente’s continuing hostility to Hungary. Lloyd George’s strong personal antipathy towards Beneš deeply upset Masaryk, who sought British backing to offset Prague’s dependence on France. Beneš’s chief success at Genoa was the commercial treaty concluded with Chicherin and signed in Prague on 5 June. It hardly compensated for the failure to keep ‘one foot on each of two horses’, as Beneš’s policy towards France and Britain was described.\(^\text{17}\)

The Poles, too, gained little at Genoa, and the Rapallo treaty was a real blow to their interests, bringing together their two most dangerous neighbours. They had failed to create a Baltic bloc or to negotiate an alliance with the Little Entente states and had upset the French by pursuing an independent line. Lloyd George, who welcomed Skirmunt’s more conciliatory attitude towards Moscow, refused his request for a territorial guarantee of Poland. In the face of the German–Russian agreement, Skirmunt abandoned his efforts to get the eastern boundaries acknowledged. The failure to bring back anything concrete from the conference weakened his standing at home. Piłsudski deplored Skirmunt’s policies and his followers demanded that Poland take a more isolationist stand, equally detached from France and Britain. The Ponikowski–Skirmunt cabinet fell. The Sejm elections in November 1922, following fierce and bitter political conflicts, resulted in a stalemate between the parties of the left and right. Piłsudski refused to stand as a candidate for the presidency under the new constitution; the elected president was assassinated by a nationalist fanatic a week after his inauguration. It was only then that some degree of sanity returned to the Warsaw scene. The new left-wing cabinet, headed by General Władysław Sikorski, had a firmer grasp over the political situation than its predecessor and was further helped by Piłsudski’s temporary retirement from politics. The new foreign minister, Count Aleksander Skrzyński, a highly experienced diplomat, was left to pilot Poland through the delicate waters of the next highly difficult year.

The French–Belgian–Italian occupation of the Ruhr was an anxious time for both Poland and Czechoslovakia. The Poles feared that the

\(^{17}\) Quoted in Bátonyi, *Britain and Central Europe*, 190.
French action would drive Germany closer to Russia and that the Germans would seek compensation in the east for their losses in the Ruhr. At the same time, the Russians intervened to warn against Polish action should the communist revolution in Germany succeed. In line with Moscow’s own ambiguous policies in Germany, Warsaw was cautioned against any aggressive moves in East Prussia or Upper Silesia. The Poles used the crisis to secure the international recognition of their borders that they failed to gain at Genoa. One day before the occupation of the Ruhr, the Lithuanians, courted by both the Germans and Russians, seized Memel, an autonomous, formerly German port. In these circumstances it was rightly believed in Warsaw that Britain would no longer oppose the Polish occupation of Riga. The Polish case for border recognition was further strengthened by Mussolini’s favourable attitude, the consequence of an advantageous oil agreement with Warsaw. Enmeshed in the Ruhr difficulties and faced with both French and Italian demands for recognition, the British gave way. On 14 March 1923 the Conference of Ambassadors, acting in the name of the great powers, recognized the Polish–Lithuanian and Polish–Soviet frontiers. Warsaw refused to concede any form of autonomy to the East Galicians (Poles constituted only 35 per cent of the population) or offer any protection to the Ruthene minority.

Czechoslovakia, too, was placed in an awkward situation by the French Ruhr action. Its important economic ties with Germany made it vulnerable whatever the short-term economic advantages derived from the occupation. Both Masaryk and Beneš were privately critical of Poincaré’s action, but their efforts at mediation were entirely futile. Faced with the breakdown of relations between Britain and France, which he considered the sine qua non of European stability, Beneš, with a seat on the Council following Czechoslovakia’s election in 1923, turned his attention to the League. While the Ruhr crisis was at its height, he took the initiative in soliciting support for the Treaty of Mutual Assistance, only to be faced with a British veto. The movement towards an alliance with France gathered momentum. The French, through General Mittelhauser, the French chief of staff of the Czechoslovak army, brought increasing pressure on the Prague government for an open military alliance. This time Beneš’s reply was positive enough to encourage the French to work out the terms of an alliance which were dispatched to Prague in June 1923. There were differences between Masaryk and Beneš; the former was more reluctant to abandon the possibility of British friendship. All through the summer and autumn of 1923 he insisted in London that Czechoslovakia would maintain its independence from France and resist its pressure for a military convention. Responding to Masaryk’s objections to the alliance Beneš tried to
delay matters, but the French were increasingly impatient. In mid-
October Masaryk and Beneš made their much-discussed visits to Paris,
Brussels, and London. The talks with the French were highly product-
ive and pointed to the forthcoming alliance; those with the British were
more satisfactory than usual, possibly because Masaryk was critical of
Poincaré’s Ruhr policy and Lord Curzon was assured that there would
be no Czech military alliance with France. The Czech leaders might
have preferred the existing informal arrangements, but the French were
insistent.

Beneš’s options were few. The Anglo-French entente had become a
mésentente. The domestic difficulties in Germany, particularly in Bavaria,
could easily have spilled over into Czechoslovakia. In early November
1923, to Beneš’s considerable alarm, Crown Prince Wilhelm crossed the
border into Germany. The British dismissed Beneš’s exaggerated appre-
hensions about a possible Hohenzollern restoration but the French and
Belgians backed his futile demands that the German government expel
the prince. The way was clear for the Masaryk–Beneš visit to Paris in
December, when the Franco-Czech bargain was concluded, and on 25
January 1924 the treaty of alliance was signed. The agreement provided
for consultations and concerted action in case of threats to the security of
either country or to the existing peace settlement. Its terms, which
included provisions against the restoration of the Habsburgs and
Hohenzollerns, as well as against Anschluss, were intentionally loose.
As Beneš insisted, no military convention was concluded but he agreed
to an exchange of military letters, signed six days after the treaty of
alliance, outlining the conditions for general-staff collaboration against
aggression by any common enemy against either state and for plans to
provide mutual assistance in case of need. It was a military alliance in
everything but name. Unable to push the Czechs in the direction of
Warsaw or to convince Beneš to enlarge the Little Entente to include
Poland, France’s eastern alliance system still lacked strategic credibility.

Beneš had returned to the oldest form of national self-defence, an
alliance with a stronger military power. The British Foreign Office
washed its hands of Prague; it was widely believed in London that a
military alliance had been concluded. The partnership between the
French and Czechs over security and disarmament questions in Geneva
further alienated the British, despite the change in government in
London and Ramsay MacDonald’s debut as Labour prime minister
and foreign secretary. The Italians, too, took umbrage at the new
alliance, which they saw as a further extension of French influence in
the Balkans. Nor were the Poles particularly pleased; they felt that the
new alliance weakened their influence in Paris and would pull the
French in the direction of Moscow. While repeatedly assured that no
military convention had been concluded, the Polish leaders remained unconvinced.

The British and Italians insisted that there should be no parallel French treaties with Yugoslavia and Romania. There had been, in fact, a cautious response to Poincaré’s advances in this direction. Alliances with France could bring more risks than benefits. The Yugoslavs preferred a bilateral settlement with Rome. On 27 January 1924 Mussolini concluded a friendship treaty with Belgrade. Despite their considerable shock, the French continued their talks in Belgrade. Though they wanted close and regular co-operation between the two general staffs, they were not prepared to back a Yugoslav attack on Bulgaria, with whom the French had no quarrels. The French negotiations with the Romanians also stalled; Bucharest wanted an agreement that would specifically guarantee the Romanian–Soviet frontier and Romania’s right to Bessarabia. The Romanians wanted a pact along the lines of the Franco-Polish and Romanian–Polish agreements. The French were only interested in a military agreement aimed at Germany and were not prepared to sacrifice their freedom of manoeuvre in the east. The Romanians knew, too, that the British looked on French pact-making with extreme disfavour and were reluctant to antagonize London. The Czechs lost what little enthusiasm they had for such additional agreements. Still engaged in the Ruhr, the French were unwilling to take on new obligations in the Balkans and preferred to wait for a more auspicious moment. French weakness provided Mussolini with opportunities for action. A friendship treaty with Romania along the lines of the Italian–Yugoslav agreement was ruled out because of the Italian recognition of the Soviet Union in January 1924, but a move towards Prague might prove useful. Ignoring French warnings, Beneš arrived in Rome in April and concluded a commercial and a friendship treaty that committed the signatories to the defence of the status quo and the prevention of a Habsburg restoration. It was a very limited agreement and, on Beneš’s side, probably little more than a warning to Paris that Czechoslovakia would continue to pursue an independent policy. There was no love lost between Beneš and Mussolini and neither trusted the other. In the spring of 1924 French diplomacy had suffered a double check, in the Ruhr and in the Danubian basin.

Contrary to every French hope, there was still no movement on the Czech–Polish front. Beneš’s growing international reputation and his triumph in Paris grated on Polish nerves; the commis voyageur had a poor press in Warsaw. While the rightist parties were conciliatory, the Polish left, especially those circles close to Marshal Piłsudski, questioned the usefulness of any rapprochement with Prague. The Czechs, for their part, saw no advantage from taking on Poland’s problems when France
was moving towards the de facto recognition of the Soviet Union and the resolution of the Ruhr crisis on Anglo-American financial terms was opening dangerous questions of treaty revision. There were differences, too, in the Czech and Polish reactions to the electoral changes in France. Beneš had enthusiastically welcomed the changes of government both in London and Paris. He still hoped that the security issue might be solved through the League and threw his full weight behind the 1924 Geneva Protocol. The return of two left-wing governments held out the prospect of a reconstitution of the Anglo-French entente and would improve the chances of a Geneva success. In Warsaw, the victory of the Cartel des Gauches under Herriot set off warning bells of future difficulties. An adverse change in French priorities was widely anticipated. A powerful attack on the Polish National Democratic foreign secretary, Count Maurycy Zamoyski, for being too subservient to the French led to his resignation in July and his replacement by Count Ścibor-Rylski. Returning to the foreign ministry for a second time, Ścibor-Rylski tried to improve relations with Herriot’s government and offered to start a dialogue with the Czechs. Neither initiative met with success. Franco-Polish co-operation was closely associated with the parties of the right, and Herriot’s determination to re-establish the Anglo-French entente in the summer of 1924 boded ill for Warsaw. There were fears that Poland might have to pay the price for improved French relations with Germany. Conscious of the uneasiness in Warsaw, the Herriot government backed the new Franco-Polish consortium formed to extend the port at Gdynia and concluded a more equal trade agreement with Warsaw in December. The Czechs saw Ścibor-Rylski as Piłsudski’s man and treated the new minister’s attempt to re-open talks with considerable suspicion.

The early rumours of a western security pact unsettled both Poles and Czechs. It could be said the Ścibor-Rylski was panicked while Beneš remained philosophical. The Polish leaders distrusted Stresemann though they retained their faith in France. Many, and not just the Poles, regarded the German security plans as nothing more than the prelude to an attack on Poland and viewed Berlin’s offer of an arbitration agreement as a device for airing Germany’s frontier grievances. Efforts by Herriot and Chamberlain to calm the rising panic in Warsaw were only partly successful, though Ścibor-Rylski, recognizing the limited possibilities for Polish action, did his best to calm the Polish public. It was not just the Polish–German border that was at risk. The Poles had long been concerned with the possibility of a change in the French attitude towards Russia. After the conclusion of the Rapallo treaty during the Genoa conference, Marshal Foch had visited Warsaw hoping to win modifications of the 1921 alliance by excluding the Soviet Union from its provisions. The Poles refused to discuss what they considered a
dangerous change. In 1924 the Herriot government, following the British example, and hoping to separate Russia from Germany, began its own negotiations with Moscow. On 24 October the Soviets won full diplomatic recognition and the restoration of normal diplomatic relations with France. Would this mean a French reassessment of the Franco-Polish pact? There were also problems in the east: the Poles were caught up in the manoeuvring between Moscow and Berlin as the Soviets tried to use the ‘Polish card’ to draw Stresemann away from the western powers. In December 1924, and again in October 1925, Chicherin visited both Warsaw and Berlin, offering the Poles a non-aggression pact and using the unlikely threat of a Franco-Polish-Soviet accord to bring the Germans closer to Russia. The Soviet non-aggression treaty, following the same form as used in the bilateral treaties with Turkey, Iran, and Afghanistan, bound the signatories not to intervene in any conflict with a third party as well as to agree not to attack each other. The Poles would not be wooed; they insisted that any treaty with Moscow would have to include the Baltic states and Finland. Chicherin had little satisfaction from Stresemann. The latter wanted to keep his eastern line open, not least for its salutary effects on London and Paris, but the western security accords were his first priority.

Beneš showed less open concern with the new stirrings in western Europe. When it became clear that the new British Conservative government that took office in November 1924 would reject the Protocol, Beneš sought further reassurance from France. He needed to know that Germany would not be given a free hand in the east nor be allowed to unite with Austria as continuing economic difficulties again raised the spectre of Anschluss. Not for the first or the last time, Beneš distinguished between the interests of Czechoslovakia and Poland, suggesting, privately at least, that some measure of Polish border revision was desirable and the inevitable consequence of the new security negotiations. As the talks proceeded the Czechs showed considerable interest in the German proposed arbitration pact, and made their own démarche without consulting Warsaw. Even during this period of high anxiety the two central European governments failed to work together. Despite all of Beneš’s efforts to distinguish Czechoslovakia from Poland, both countries were treated identically by Stresemann, who refused to allow France to guarantee the German arbitration pacts. He was determined to restrict the participation of the central European powers to the very last stages of the Locarno talks when these pacts would be discussed. Poland and Czechoslovakia only entered the negotiations on 15 October 1925, the day before the initialling of the final Locarno agreements. In his intentionally overstated speech to the nationalists, Stresemann recalled the scene:
The psychology of the gentlemen was different. Mr. Beneš, that skilful politician, acted after he had not accomplished anything as if he had. He put on a big smile and appeared to be happy. Mr. Skrzyński could not conceal his agitation. . . . Mr. Beneš and Mr. Skrzyński had to sit there waiting in the anteroom until we let them in. That was the situation of the states that were previously coddled because they were the servants of others and that were dropped in the moment when it was believed that there could be an understanding with Germany.18

VI

Small states live in the shadows of large ones. It was always clear that German recovery would leave Poland and Czechoslovakia at risk and that any agreement between Moscow and Berlin would pose a double threat to the former. The only real alternative to seeking outside assistance would have been the fulfilment of Piłsudski’s plans for a central European federation, but his dream had no reality once the Soviet Union survived foreign intervention and the Polish attack. Each of the two central European powers tried to create regional pacts; either these failed to materialize or provided, as in the case of the Little Entente, only minimal protection from a non-existent regional danger. If Warsaw and Prague had buried their differences and concluded an alliance they would have been in a stronger position, not only towards their enemies but with regard to France. Together they could have exerted far more pressure on Paris than they could do individually. Only France could provide the protection they needed. Both Poland and Czechoslovakia would have welcomed British underwriting, but London was uninterested, if not hostile. The Italians had their own revisionist scenario: Mussolini’s ambitions centred on Albania and Yugoslavia, but his flirtations with the Hungarians and interests in the Danube basin and the Balkans made him an unsuitable friend. The Poles and the Czechs faced the daunting possibility that in safeguarding its western borders France might compromise the security interests of its two eastern allies. Their fears were for the future. France still had the margin of military power that provided safety, but the future evacuation of the Rhineland and the failure to create an eastern Locarno would leave them at risk. Their statesmen were forced to play a careful game; it hardly helped that they could not settle the differences between themselves. Concentrating on the inter-relationships between the two major

peripheral players and the great powers does scant justice to the complexities of eastern European relations during the 1920s. Yet Poland and Czechoslovakia, more than any of the other regional states, held the key to any diplomatic refiguration of east-central Europe. From the perspective of western Europe, all these states, whether old or new, were only secondary actors in the process of European stabilization.

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