

The Buildup of the German War Economy:
The Importance of the Nazi-Soviet Economic
Agreements of 1939 and 1940

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INTRODUCTION

German-Soviet relations in the early half of the twentieth century have been marked by periods of rapprochement followed by increasing tensions. After World War I, where the nations fought on opposite sides, Germany and the Soviet Union focused on their respective domestic problems and tensions began to ease. During the 1920s, Germany and the Soviet Union moved toward normal relations with the signing of the Treaty of Rapallo in 1922.(1) Tensions were once again apparent after 1933, when Adolf Hitler gained power in Germany. Using propaganda and anti-Bolshevik rhetoric, Hitler depicted the Soviet Union as Germany's true enemy.(2) Despite the animosity between the two nations, the benefits of trade enabled them to maintain economic relations throughout the inter-war period. It was this very relationship that paved the way for the Nazi-Soviet Non-Aggression Pact of 1939 and the subsequent outbreak of World War II.

Nazi-Soviet relations on the eve of the war were vital to the war movement of each respective nation. In essence, the conclusion of the Nazi-Soviet Non-Aggression Pact on August 23, 1939 allowed Germany to augment its war effort while diminishing the Soviet fear of a German invasion.(3) The betterment of relations was a carefully planned program in which Hitler sought to achieve two important goals. First, he sought to prevent a two-front war from developing upon the invasion of Poland. Second, he sought to gain valuable raw materials that were necessary for the war movement.(4) The only way to meet these goals was to pursue the completion of two pacts with the Soviet Union: an economic agreement as well as a political one. Prior to the conclusion of the Non-Aggression Pact, the nations signed an economic agreement, which dictated trade relations. This agreement was later amended in 1940, and further aided the German war economy. Although much of the emphasis is placed on the political implications of the Non-Aggression Pact, it was the economic agreement that allowed for the normalization of tensions between the two feuding nations. Thus, one must also be cognizant of the implication of the Economic Agreement of 1939, especially as it directly enabled Germany to strengthen its war movement. Following this line of causality, it can be argued that the economic pact was more important to German military mobilization during the period between 1939 and 1941 than the Non-Aggression pact was.

ECONOMIC RELATIONS IN THE MID-1930S

As previously stated, Germany and the Soviet Union maintained economic relations throughout the interwar period. After Hitler consolidated power in Germany, ideological attacks began, fostering a break in political relations. Surprisingly, despite the political animosity, trade relations were maintained. The economic ties between the Soviet Union and Germany did weaken initially, as Hitler implemented economic policies that sought

to improve the self-sufficiency of the nation. He wanted Germany to be able to produce all necessary goods within its own borders, in order to ensure production during times of war. When it became apparent that Germany would be unable to become economically independent, trade relations with the Soviet Union began to regain their strength.(5)

A significant change in economic relations occurred in 1936 when, despite Hitler's hard line policies against the Soviet Union, a credit agreement was concluded, which allowed further improvement of trade relations. The new credit agreement benefited the German economy, as it called for increased access to Russian markets and raw materials, especially metals and oil. Prior to the completion of the agreement, Germany was in the middle of its rearmament program and lacked vital materials. The promulgation of this credit agreement showed that Germany could not be economically self-sufficient and it provided the German military with the some of the necessary goods for mobilization.(6) The Credit Agreement of 1936 extended their economic relationship until 1938, when both nations would have the opportunity to reevaluate their economic positions.(7)

The conclusion of the credit agreement showed the general inconsistency and inherent contradictions of Hitler's foreign policy. Until 1938, he continued to use anti-Communist rhetoric to attack the Soviet Union, but was still able to maintain an economic relationship with the nation he believed was his enemy. This type of inconsistency became more apparent throughout the duration of the Third Reich.(8) Hitler's foreign policy vacillations would prove to threaten future negotiations between Germany and the Soviet Union, especially in the creation of a new economic agreement.

Access to Russia's raw materials aided the German war movement by supporting its rearmament program, enabling Hitler to increase his bargaining power vis-à-vis the Western European powers. With a modernized military and developing technology, Germany posed a threat to the sovereignty and well being of many Central European nations. Hitler's continued emphasis on the idea of Lebensraum, or living space, called for the need of diplomacy between Great Britain, France, and Germany, which sought to deter German use of force to gain territory.(9)

The culmination of these diplomatic efforts occurred at a September 1938 conference in Munich.(10) It was at the Munich Conference where Hitler repeatedly stressed his desire to control the Sudetenland in Czechoslovakia because of the high numbers of ethnic Germans living in the region. He argued that in order to unite the Germans in the region, the Sudetenland should become part of German territory. In essence, German expansion into Czechoslovakia would further enhance his goal of Lebensraum. As a response to Hitler's demands, France and Great Britain practiced the policy of appeasement, which enabled Germany to annex the Sudetenland. British Prime Minister Neville Chamberlain, who was often criticized for the lack of Western action against Germany, later argued that this move was an act to buy time for the British and French militaries to prepare for war.(11)

THE MOVE TOWARD RAPPROACHMENT

Diplomacy in 1938

Although the Munich Conference sought to ease tensions between Germany and the West, it instead began the movement toward German-Soviet rapprochement. The British and French did not consult the Soviet Union, despite its world power status and its influence in the Eastern European region, for its position on the German annexation of the Sudetenland. The diplomacy of the Munich Conference highlighted two important issues for the Soviet Union: that Germany was prepared to obtain its goals through any available methods and that the Western powers were both unwilling and unprepared to fight Germany.(12) In order to protect the Soviet Union from what he believed was an inevitable German invasion, Josef Stalin engaged in diplomacy with both Germany and the Western powers. He understood the value of cooperative security and wanted to form an alliance to protect the Soviet Union from harm. Based on the Allies' unwillingness to take strong action against Germany, Stalin was unsure they would come to the aid of the Soviet Union if it were attacked. Thus, encouraging the betterment of political relations with Germany would perhaps delay, or even end, any possible aggression.

The German government also began to reevaluate its position on Nazi-Soviet relations throughout 1938. As it moved eastward and consumed valuable territory, Germany realized that it would be more beneficial if the Soviet Union was an ally rather than an enemy. The strengthening of economic ties was used as a method rapprochement. By March 1, 1938, before the Munich Conference even took place, the two nations engaged in discussions for a new economic agreement to replace the Credit Agreement of 1936, which was due to expire at the end of the year.(13) In formulating new economic policies, both nations maintained their individual motivations while acting upon the other's foreign policy. This strategy allowed the two nations to work together diplomatically without compromising their ideals. The German military prepared for war by continuing its rearmament movement and industrial production. Thus, its goal was to retain access to all necessary raw materials. In comparison, Stalin believed that a credit agreement with Germany would enable the Soviet Union to gain access to machinery and other manufactured goods that it lacked, while delaying a German attack. The individual goals maintained by each nation did not affect rapprochement, except to perhaps to further justify it.

The diplomatic negotiations increased after the Munich Conference and continued into 1939. They did not always proceed smoothly, as both nations maintained their distrust for the other. The primary German diplomats included General Freidrich Schulenburg, the German Ambassador to the Soviet Union, Herr Karl Schnurre, the head of the Eastern European division of the Foreign Ministry, and, upon the completion of the pact, German Foreign Minister Joachim von Ribbentrop. Stalin sent the Soviet Chargé of Affairs Georgi Astakov and during 1939, Viacheslav Molotov, the Soviet Prime Minister. These five diplomats conducted the majority of economic negotiations.(14)

Although meetings and conferences between the diplomats continued throughout 1938, it was not until October that negotiations truly began. On October 26, 1938, Schulenburg sent a memorandum to the German Foreign Office, which outlined his plan to extend the

trade agreement through 1939.(15) The extension of the trade agreement would allow Germany to maintain access to Russian raw materials while solidifying relations with the Soviet Union, which, to the Germans' dismay, continued to negotiate with the Western powers. A December 1st memorandum from Schnurre further elaborated on economic negotiations because it discussed the various conferences in Berlin and how they should attempt to create a new treaty. "...that on occasion of these talks on the extension of the economic agreement [of March 1, 1938], we should sound out the Russians about a new credit on goods."(16)

Despite German attempts to create a new agreement, negotiations only resulted in the extension of the March 1938 trade agreement through the end of 1939, which was Schulenburg's original goal. This agreement was made on December 19, 1938, and laid the foundation for future economic negotiations.(17) It enabled the Germans to continue its push for rapprochement with the Soviet Union through the creation of new economic policies. On January 20, 1939, it was announced that Schnurre would travel to Moscow to discuss the future of German-Soviet trade policies. However, the planned trip to Moscow, which was to remain secret, was cancelled, as Foreign Minister von Ribbentrop, pulled Schnurre away from the assignment.(18)

Toward a New Economic Agreement

The cancellation of Schnurre's trip to Moscow had devastating effects on negotiations in the short term, and they became much more complicated. In a meeting with Schulenburg on May 20, 1939, Molotov argued that German economic negotiations were misguided. He, as well as Stalin, believed that the Germans had an ulterior political motive, showing the distrust maintained by the Soviets. Molotov continued, claiming that there would be no economic pact without strong political discussions. "Soviet government could not agree to the resumption of negotiations unless the necessary 'political bases' had been established for them."(19) He then mentioned a meeting between Schulenburg, Schnurre, and Astakov in April, where the idea for a non-aggression pact was first mentioned. (20) As Germany never mentioned the creation of a political pact after that meeting, Molotov argued that it was not serious about rapprochement. He used the cancellation of Schnurre's trip as a way to stall negotiations and balance the Soviet diplomacy with the Germans against their continuing talks with the Western powers.

The German diplomats continued to reassure the Soviets of their intent and made attempts to ensure political relations. By 1939, all anti-Bolshevik rhetoric and propaganda had ceased in Germany and the main concern among German diplomats was how to regain the trust of the Soviets. In a May 22nd memorandum from Schulenburg to Herr Ernst Weizacker, the state secretary in the German Foreign Office, he expressed his concern about how to satisfy Molotov's concerns. "It cannot be understood otherwise than that a resumption of our economic negotiations does not satisfy him as a political gesture, and that he apparently wants to obtain from us more extensive proposals of a political nature."(21) In the same memorandum, Schulenburg expressed concern about the Soviets using any political proposals as a bargaining tool with the West to create an alliance.

Thus, negotiations with the Soviet Union became more difficult, as the Germans had to be wary about the Soviet government's double-dealing while keeping it interested in an economic pact.

During talks in June and July, the German diplomats continued to exert pressure on the Soviet Union to conclude an economic agreement. The Soviets, in response, demanded a political pact to create the necessary "political bases." On June 15, Soviet Chargé Astakov met with Herr Dragonoff, the Bulgarian Minister, to discuss the possibility of a non-aggression pact with Germany. This information was later relayed to the German Foreign Office, which began to formulate the details of a political alliance with the Soviet Union.(22)

In a meeting on July 24, 1939 between Schnurre, Foreign Office Official Walther Schmidt, Astakov and Evgeny Babarin, the head of the Soviet Trade Delegation, Schnurre discussed the possibility of collaboration between the two powers. He provided three ways for Germany and the Soviet Union to foster rapprochement. First was the establishment of economic ties. Schnurre argued that good economic relations would pave the way for future political alliances. They also acted as a method of deterring conflicts between the two nations, which would be increasingly dependent upon the other for vital goods. Second, the two nations would normalize and improve general relations. This step was already well underway by the time of the meeting, as both nations stopped defamatory political rhetoric. The final step was the full establishment of good political relations, which was what the Soviets demanded from Germany.(23)

Although Schnurre's proposition addressed Molotov's concerns, the Soviet government did not immediately accept the proposed plan. Instead, it continued to pursue relations with both Germany and the Western powers. The Soviets responded to Schnurre's proposal on July 28, when Molotov sent a telegram to Astakov, which showed the Soviet acceptance of rapprochement. Molotov wrote:

Political relations between the USSR and Germany may improve, of course, with an improvement in economic relations...if the Germans are sincerely changing course and really want to improve political relations with the USSR, they are obliged to state what this improvement represents in concrete terms...we would, of course, welcome any improvement in political relations between the two countries.(24)

Thus, the Soviets did not directly provide an answer to the Germans, but made it clear that normal relations were possible. However, the Soviet government continued to conduct dual diplomacy as a way to protect the state from a possible German attack.

The Germans became anxious about concluding both an economic and a political pact, and placed increasing pressure on the Soviets to make a decision. The military had finished plans for the invasion of Poland and Hitler wanted to prevent Soviet involvement by concluding a non-aggression pact. To show the importance of the ensuing pact, Hitler sent Foreign Minister von Ribbentrop to meet with the Soviet Chargé Astakov on August 3. At this meeting, Ribbentrop directly answered Molotov's concerns of July 28 when he

proposed that Germany would discuss concrete terms of the pact if the Soviet government would officially communicate its desire for a relationship.(25) He argued that Germany could not be serious about a political pact if the Soviet Union was not as equally committed. Ribbentrop also placed two conditions on the normalization of affairs. First, neither nation would interfere in the affairs of the other country. Second, the Soviet Union would have to withdraw from all negotiations with the West. He felt that these actions would send a clear message to all parties involved, including the Western powers, while solidifying the German position vis-à-vis Europe.

The Soviet government did not immediately respond to Ribbentrop's proposal and instead continued talks with the West. The culmination of Soviet diplomacy with the Western powers occurred on August 10, when an Anglo-French military delegation visited Moscow to discuss the future of relations. However, the talks did not result in an alliance between the Soviet Union and the West, and the Soviet Union thus turned to Germany for a political agreement.(26) A series of meetings between Schnurre and Astakov took place in Moscow to consider proponents of the pact. Much of what was considered focused on the Economic Treaty, while Ribbentrop and Molotov discussed the terms of the Non-Aggression Pact. Although talks were productive, Molotov argued that three things had to be accomplished to ensure Soviet coexistence with Germany. First, both parties had to settle a trade and credit agreement. Second, they must conclude a non-aggression pact or reaffirm the Berlin Treaty of 1926, which ensured neutrality. Finally, they must create a secret protocol that laid down the interests of each party.(27) Even to the bitter end, Molotov insisted upon the creation of a political pact, not realizing that the economic agreement was of more importance to Germany than the Non-Aggression Pact. On August 16th, von Ribbentrop told Molotov that Germany was ready to sign a non-aggression pact, contingent upon the completion of the economic agreement.(28)

On August 19, 1939, Schnurre and Babarin signed the economic treaty in Berlin.(29) The text of the document stated the new economic relationship.(30) The details were not made public until after World War II, even though the economic commitment from both nations was extensive. The agreement extended trade relations into the mid-1940s and specified the goods that were to be traded. The economic relationship created was an extension of the Credit Agreement of 1936, although the amount of goods traded was to be higher than previous levels. In fact, the level of trade between Germany and the Soviet Union was to increase by nine times the level that existed from 1936 through 1938.(31) The signing of this treaty constituted the first step toward a non-aggression pact, as insisted upon by the Soviet government.

Even though the pact stipulated that each nation contribute economically, the terms of trade were unequal. The treaty stipulated that the Soviet Union was to provide a higher percentage of goods than Germany was, although the language of the agreement did not directly state this. It granted the Soviet Union a credit of 200 million Reichsmarks (RM) to be used to obtain necessary goods. At first glance, this appeared to benefit the Soviet Union. However, the repayment of credit owed to Germany from the 1936 Credit Agreement, totaling 200 million Reichsmarks, offset this credit. Thus, the Soviet Union did not gain a net credit from Germany in this agreement, but instead broke even.(32)

The treaty enabled the Soviet Union to trade its abundant natural resources for the goods that it needed for war. The Soviet priorities focused on obtaining German machinery and armaments, which could be used to build up the Red Army. In addition, the acquisition of machine tools and other manufactured goods was necessary to support the failing Soviet industry.(33) In return, the Soviet Union would trade resources it had in abundance, making the agreement beneficial to both parties. The Soviets believed that the German goods would enable the Soviet Union to prepare both economically and militarily for war.(34)

The provisions of the treaty benefited Germany, as it gained two overwhelming advantages over the Soviet Union. First, it was able to trade its outdated machinery, which was often better than the materials produced in the Soviet Union, for necessary raw materials. Much of the goods supplied to the Soviet Union were from World War I, or other goods that the military could not use for its war effort, including its abundant coal reserves.(35) Second, it gained a credit of 200 million Reichsmarks that could be used to purchase Soviet materials. Access to Soviet raw materials enabled the Germans to import resources that it was not abundant in, including oil, iron, and food. Other goods provided by the Soviet Union included lumber, cotton, and manganese, which were used in the German production of goods and war material.(36) Even though Germany had to trade some important goods, such as machinery and manufactured products, it was able to maintain an economic advantage over the Soviet Union and continue its policies of exploitation.

Upon careful examination of the Economic Pact of 1939, it becomes apparent that Germany gained an economic advantage over the Soviet Union. As previously stated, the overall rate of trade was to increase to nine times the trade level created by the 1936 Credit Agreement. This allowed Germany to obtain increased access to materials, which were necessary to support its mobilization for war. In addition, the agreement eliminated the need to transfer hard currency between the two nations, allowing for a faster rate of trade. It was easier to barter goods than transfer currency because much of the money available was used already tied up in the remilitarization process.

Further Economic Negotiations?

Despite the position of Germany after the agreement, the German diplomats continued economic negotiations in the hope for more concessions from the Soviet Union. In a memorandum to the Foreign Office in October 1939, Schnurre proposed a new repayment program that would allow Germany to pay for the goods it received from the Soviet Union at a later date. In return, Germany would aid in the construction of industrial plants in the Soviet Union over a five-year period. (37) New economic negotiations began on October 3, 1939 and continued until February 1940. As a result of ongoing negotiations, an addendum to the economic treaty was created at the end of 1939. On December 23, both nations signed a railway agreement that would facilitate the traffic of supplies.(38) Germany was allowed to ship goods to the Far East by way of the Soviet railroad system, which allowed it to increase its foreign trade despite the British blockade on goods.

Schnurre's repayment proposal was accepted by the Soviets on February 11, 1940, in the creation of a new economic agreement.(39) This commercial agreement expanded upon the trade agreement of 1939 by creating five main provisions.(40) First, it provided for larger quantities of oil, cotton, phosphates, iron, platinum, and lumber to Germany. Second, it set all prices at August 1939 levels, which helped to lower inflation in both nations. Third, the Soviet Union agreed to act as a third party buyer of metals and other goods for Germany. Thus, Germany was able to gain access to markets that it had previously been denied access to. Fourth, it called for large deliveries from Germany to the Soviet Union.(41) The final provision called for the creation of a new payments schedule. Soviet deliveries were to occur over an 18-month period and Germany would provide compensation for these goods over a 27-month period. The Soviet Union demanded that all accounts balance every six months, which acted to ensure payment for traded goods.(42)

The creation of the Credit Agreement of 1940 further enhanced Germany's war economy by allowing it to pay for goods at a later date. It was able to spend more money on the development of new weapons and machinery. In addition, the buying of goods by the Soviet Union enabled Germany to circumvent the limits placed on its foreign trade. It was thus able to increase trade and gain more materials needed for its war effort. Although Germany had to increase its trade with the Soviet Union, it gained a net benefit from the new agreement, which otherwise had the potential to drain its economy.

A Political Counterpart? The Non-Aggression Pact of 1939

The signing of the Economic Agreement of 1939 was the first of Molotov's three steps to ensure the betterment of relations between Germany and the Soviet Union. The second step was the creation of a political pact, which occurred shortly after the conclusion of the economic agreement. The Non-Aggression Pact was signed on August 23, 1939 in Moscow.(43) Unlike the economic pact, this treaty was made public immediately after its completion, as it helped to define the political relationship between the two nations during the first half of World War II. It contained seven articles, each clearly stating the terms of the Nazi-Soviet relationship.(44) The Non-Aggression Pact was not an alliance between the two nations, but instead called for neutrality if the other was attacked. It sought to eliminate military tensions between the Soviet Union and Germany, which was a concern of both governments. The Non-Aggression Pact was to last for twenty-five years, but in reality, it ended after twenty-two months, when Germany invaded the Soviet Union in June 1941.(45)

The third step of Molotov's proposal was also met on August 23, 1939, with the signing of the Secret Protocol.(46) In this document, both nations divided Central Europe along their respective spheres of influence. The Secret Protocol aided both nations because it created a buffer zone, and thus eliminated some degree of tension. It also enabled Germany to invade Poland without Soviet intervention, which subsequently led to the outbreak of World War II.

The signing of the Non-Aggression Pact was important to Germany because it fulfilled the first of Hitler's two goals: to prevent a two-front war. The additional secret protocol acted to ensure the relative interests of both nations within Central Europe. The area that Germany invaded in Poland on September 1, 1939 was, according to the Secret Protocol, technically under its jurisdiction and thus posed no real threat to the Soviet sphere of influence. By dividing the region into equal sectors, Germany managed to assuage Stalin's fears about German invasion while granting the Soviets influence over territory they already considered theirs. It also reinforced German access to Soviet raw materials. Even though the Economic Agreement of 1939 permitted the Germany military to maintain access to Soviet resources, the Non-Aggression Pact further ensured Soviet adherence to the treaty. If a Non-Aggression Pact had not been signed, it is possible that the Soviet Union would have attacked Germany upon its invasion of Poland and the military would have had to fight to regain access to the necessary raw materials.

EVALUATING THE ECONOMIC PACTS

Although the Non-Aggression Pact guaranteed Soviet neutrality, the Economic Agreement of 1939 and the continuing trade negotiations and treaties were more significant to the German war movement. Many historians have failed to evaluate the importance of the economic agreements and instead have focused on the political consequences. However, there is an inherent problem in the failure to evaluate the various economic agreements in relation to the German war effort. In order to understand how the German war economy became so powerful, an analysis of the economic factors are necessary. Although it is often difficult to separate political and economic implications, the fact remains that it needs to be done. Otherwise, the true value of the economic agreements will never be understood.(47)

There are a number of distinct reasons for the importance of the economic agreement. First, its conclusion allowed Germany to gain access to valuable Soviet raw materials. This was one of Hitler's primary goals and could only be obtained through the negotiation of a pact. Second, it allowed Germany to gain leverage over the other nations of Europe, including the Soviet Union and France. With powerful military and Soviet neutrality, there was no real threat to Germany expansion as long as the Western powers maintained their policies of appeasement. Third, the Soviet Union was not capable of fighting a sustained war against Germany at the time of the invasion of Poland. Thus, even if no political agreement had been signed, the Soviet Union was not a real threat to the German military, as proven by Soviet military failures in Poland and Finland in 1939 and 1940.

The German War Economy

The conclusion of various economic pacts was vital to the German war economy, and can only be seen upon an analysis of raw materials imports. Although some scholars argue that it is difficult to ascertain the overall value of the resources, as no total of goods and services provided to Germany have been found after World War II, some assessment of their value is possible.(48) It is possible to see which goods were delivered to Germany and evaluate how they aided in the ensuing war movement.

Germany lacked many vital natural resources before the war and the government focused on obtaining access to these goods. The Economic Agreement of 1939, as previously stated, reaffirmed Germany's opportunity to obtain the necessary goods needed to prepare for war, especially oil, iron, and other metals. Of the goods necessary for war, Germany was self-sufficient in only the production of coal and possibly foodstuffs.(49) Its self-sufficiency in coal arose out of German control over the Ruhr and Saar regions, which were important coal producing areas. In 1939, Germany produced over 225 million tons of coal, which afforded it a great surplus. This coal was later used as an export to pay the Soviet Union for various necessary products.(50) In terms of food, Germany maintained an adequate level of production, but no real surplus. Prior to the war, the government only imported 11% of its food requirements, which mainly centered on meats and fats.(51) The self-sufficiency in coal and food allowed Germany to import other raw materials that were vital to its war movement.

Oil

The Economic Pact of 1939 called for the German importation of necessary goods in exchange for military and manufactured products. The most important resource shipped to Germany by the Soviet Union was oil. German production of oil prior to the war was estimated at 33% of its need.(52) It was high on the list of demands, as oil was necessary for German war plans. The Economic Pact of 1939, coupled with the Credit Agreement of 1940, provided for the annual shipment of 90,000 tons of mineral oil, as well as other types of oil, throughout the duration of the agreement. In 1940 alone, the Soviet Union transported 620,000 tons of oil, which accounted for almost 1/3 of German imports.(53)

Although it is difficult to know how the oil was used, it is easy to understand why it was important to the war movement. Oil was one of the most vital resources in the war because it was used to power the industrial infrastructure and enabled armaments to be constructed. It was also the lynchpin of mechanized warfare, as it powered the tanks and planes, among other machinery, used in the war. The exact percentage breakdowns of the German use of Soviet oil are unavailable, but the increased demand and subsequent use of it was unmistakable. Without Soviet imports of oil, the German military would not have been able to fight for a prolonged period of time. As it was, Germany's prewar production of oil would not have even supported the blitzkrieg movements, as it barely sustained the needs of German society. After World War II began, Germany became more dependent upon the Soviet Union for oil reserves, as its previous supplier, the United States, no longer exported oil to Germany.(54) Thus, the import of Soviet oil helped to facilitate the early years of the war and made the German war economy stronger.

Metal

Another vital natural resource that the Soviet Union supplied to Germany was metal, in the form of pig iron, chrome, and manganese. These metals were important to the German war movement because they helped to produce hardened steel for munitions.

There was a low supply of metal in Germany before the war and 65% of its iron was imported in 1939.(55) Prior to the war, Germany obtained much of its metal imports from South Africa, which had an abundance in chrome, manganese, and nickel. Access to these resources was denied by the British blockade, and Germany had to find new suppliers.(56) The Soviet Union became the obvious answer to Germany's metal deficiency and imports of iron in 1939 totaled almost 500,000 tons. By 1941, the Soviet Union was unable to maintain this level of availability and it only exported 300,000 tons.(57) The decrease in Soviet imports occurred because of the need to mobilize its own military. The amount of iron provided by the Soviet Union, coupled with access to the French region of Alsace-Lorraine, provided Germany with adequate reserve levels of iron for the first half of the war.

Iron was not the only metal used by Germany during the war and it sought to import other forms from the Soviet Union. Prior to World War II, Germany was dependent upon the import of manganese, as there were no manganese deposits within any of the German territories. Manganese was heavily used in the German remilitarization movement because it was a necessary ingredient in the deoxidization of steel. It thus enabled Germany to use previously corroded machinery and other weapons that would have otherwise been destroyed. Germany obtained almost 100% of its manganese supply from the Soviet Union, as it had the best access to supplies.(58) The manganese also enabled Germany to restore some of its older weapons, which it then traded to the Soviet Union for other resources.

The only metal that Germany had an abundance of was aluminum, which it combined with the other imported metals to make war machinery and planes. Without the importation of other metals, Germany would not have been able to successfully rearm its military. The ability to trade its outdated machinery and industrial plans enabled Germany to gain access to Soviet raw materials. Although it did trade some goods of value, the German military gained an economic and military advantage over not just the Soviet Union, but over all of Europe. The imported metals, coupled with the Soviet oil, aided in the creation of mechanized warfare, which enabled the war to proceed as it did.

Food and Textiles

The shipment of food and textiles into Germany also aided in the war movement, although in a different way. These items were used to supply both the military and the homefront during the war and helped to delay the implementation of rationing policies. Prior to the outbreak of the war, Germany was self-sufficient in the production of food and foodstuffs. Although it did not have a real surplus of goods, the German people would not have starved during World War II. However, the German government sought to import grain to maintain pre-war dietary levels. The Credit Agreement of 1940 called for 1,000,000 tons of Soviet grain to be shipped to Germany, which was to augment the already high levels of German grain.(59) The importation of Soviet food, which was detrimental to the Soviet Union because its infertile terrain and various agricultural problems limited its agricultural reserves, aided in the German war movement because it delayed the use of rationing policies. In addition, the shipment of textiles to Germany,

especially cotton, aided both the military and the homefront. Pre-war levels of textiles only satisfied 40% of peacetime requirements and additional reserves were necessary during wartime.(60) Much of the cotton shipped by the Soviet Union was used for the production of new uniforms.(61) Other goods, such as blankets and clothes, were produced for the home and increase the level of morale.

German War Output

The Nazi-Soviet economic pacts allowed Germany to boost its war economy and prepare militarily for war. The agreements lasted for twenty-two months and were relatively successful until Germany invaded the Soviet Union in June 1941. By April 1941, the trade of goods continued steadily and the Germans were pleased that the Soviets continued to live up to their end of the agreement. Both Hilger, the Counselor of the Germany Embassy in Moscow, and Schnurre claimed that the Soviets were increasingly cooperative, even to the point of crippling their own economy.(62) Economic cooperation over the twenty-two months was only suspended once, in the fall of 1940, when Moscow stopped all shipments to Germany because the German government defaulted on a payment. By October 7, trade had resumed and Germany paid its debts with coal, which it had in reserve.(63)

The economic agreements and subsequent access to raw materials allowed Germany to increase its war output in relation to its available output. The war economy became stronger after 1939 and the German government was able to spend a higher percentage on war materials than it was before the economic agreements were signed.

Germany's Total Available Output and War Output, 1939-1942

(Billions of RM, 1939 prices)

	1939	1940	1941	1942		
Total output available			126	138	146	156
War Expenditures	30	53	71	91		
Internal Wehrmacht Expenditures	19	31	39	45		
Industrial sales to armed forces	14	19	24	28		
Munitions	8	12	12	16		
Military Pay	5	12	15	17		
Other War expenditures	11	22	32	46		
War expenditures as % of output	24	38	49	58		
Total Wehrmacht expenditures						
As % of output	16	23	29	31		
Munitions output as % of output	6	9	8	10		

Figure 1

Source: Burton Klein, p. 91.

Figure 1 provides detail on German military expenditures during the first half of the war. The access to Soviet goods, coupled by the increasing availability of scarce

resources due to Soviet third party buying of goods and foreign trade through the Soviet railroads, enabled Germany to increase its total war output. War expenditures more than doubled from 1939 to 1941 and tripled by 1942. Not all of the results presented in Figure 1 were dependent upon just access to Soviet resources, as Germany was able to gain resources from other areas in Europe, including the Scandinavian countries. However, the economic agreement did play a substantial role in the betterment of the German war economy and enabled the production of armaments and munitions to increase.(64)

In return for resources, Germany provided valuable manufactured goods and machinery to the Soviet Union, which placed emphasis on the ability to gain airplanes and industrial plans.(65) It was believed that these goods would substantially aid in the Soviet war movement. However, the new payment schedule created by the Credit Agreement of 1940 significantly hindered their military mobilization. As the Soviet Union provided goods over an eighteen-month period and the Germans paid within twenty-seven months, the Germans gained an economic advantage. Because the Germany invaded the Soviet Union in June 1941, it only provided payment for approximately six months, while the Soviet Union provided goods for all eighteen months required. Thus, the pact lasted for only twenty-two months and the Germans were able to profit from a gain of almost 230 million RMs in war material.(66)

Political and Military Leverage

Although the various economic agreements directly influenced the German war economy, they also had additional ramifications. The acquired access to resources increased Germany's political and military stance within Europe vis-à-vis other nations. The Soviet Union succumbed to Germany's power the quickest, as it signed additional economic pacts even though they did not necessarily benefit from them. The fear of German invasion provided Stalin's motivation for signing new agreements. As the Soviet Union upheld its end of the economic pacts, it severely limited its economic and military stance. In addition, the Soviets continued to provide goods to Germany, even when it defaulted on payments.(67) Although it had the right to suspend trade due to unpaid balances, Stalin only exercised this power once, in 1940. As the war continued, the Germans delayed payment as much as it could in order to continue its mobilization and preparations. The Soviet Union, instead of retaliating, upheld its side of the economic pact until Germany invaded it in June 1941.

Germany also gained political advantage over Great Britain. When Germany invaded Poland in 1939, Great Britain enacted a blockade to cut off all trade to Germany. As a result, by the United States, South Africa, and European nations no longer supplied vital resources to Germany. The blockade allowed Great Britain to maintain political and economic leverage over Germany. However, Germany was able to circumvent the blockade by using its economic relationship with the Soviet Union. The creation of the Credit Agreement of 1940 called for the Soviet Union to act as a third-party buyer of goods for Germany. This, coupled with the agreement allowing the German use of the Soviet railroad for trade, enabled Germany to gain access to goods it otherwise would not

have acquired.(68) Thus, British attempts to delay German mobilization failed, giving Germany a political edge.

Germany also gained a military advantage as a result of the various economic pacts. As previously stated, access to resources was vital to the German military and it was able to mobilize at a faster rate than the Western powers. (69) Even though the French and British claimed that their appeasement tactics during the Munich Conference of 1938 sought to buy time to prepare militarily, neither nation adequately prepared for war. Of the Western powers, France became the victim of the German military. Invaded in May of 1940, France was unable to defend itself. German tanks broke through the lines of defense, subsequently collapsing the communications system.(70) The lack of French communications limited the abilities of the French military and the German troops advanced easily through the nations. The fall of France in 1940 showed the superiority of the German military at that time.

The "Strength" of the Red Army

The third and final justification for the importance of the economic pacts over the Non-Aggression Pact revolves around the strength of the Soviet military in 1939. Even though the Non-Aggression Pact assuaged Soviet fears of a two-front war, the chance that one would occur and be sustained in 1939 was slim. The Soviet military at the time of the German invasion of Poland was weak and would have been unable to support a war against Germany.(71) This statement is proved by the unpreparedness of the Red Army in 1939.

The primary justification for Stalin's signing of the Non-Aggression Pact was to protect the Soviet Union from German invasion. "...conclusion of the pact of non-aggression...is of tremendous positive value...eliminating the danger of war between Germany and the Soviet Union."(72) The reason why Stalin needed to protect the Soviet Union from what he thought was inevitable German aggression was because he knew that the military was weak. The purges, which eradicated the traditional Leninists from society, had devastating effects on the Red Army. Originally part of Leon Trotsky's grand ideas for the Soviet Union, he created an elaborate system of Imperial Generals and political counterparts within the Red Army.(73) This system posed a threat to Stalin, who purged many high-ranking officials in the Red Army. From the mid-1920s through the mid-1930s, over 47,000 officers were forced from service.(74) As a result, the Soviet military was unprepared to go to war in 1939.

The Soviet weakness was apparent to the Germans. In the summer of 1938, the Chief of the General Staff, General von Beck, argued that the Red Army could not even be considered an armed force.(75) Indeed, the numbers show the ineffectiveness of the Soviet army. In 1938, the number of soldiers in the Red Army approximated 1.5 million. However, these troops were not mobilized for war, as the Soviets lacked the necessary military and manufactured goods.(76) Thus, even though the Non-Aggression Pact prevented a two-front war during the initial years of World War II, its importance is often overrated. If a two-front war had occurred, the Soviet Union would probably not have

survived the more powerful German attacks. It is even plausible to believe that the Soviet Union might not have even attacked Germany after the invasion of Poland because it was too militarily weak.

In addition to the low levels of soldiers, the weakness of the Red Army can be seen by the lack of military mobilization before the war. It did not use the resources that it had available to create a defense program for the Soviet Union. Although it did lack a strong industrial foundation, the Soviet government could have made an attempt to remedy the situation. Instead, the Soviet Union decided to not allocate funds to its defense budget until after the war began.

Defense of the Soviet Union, 1936 - 1940
(In millions of Rubles)

	Defense Budget	National Budget	Defense as % of Total
1936	14,883	92,480	16.1
1937	17,481	106,238	16.5
1938	23,200	124,038	18.7
1939	39,200	153,299	25.6
1940	56,800	174,350	32.6

Figure 2

Source: Roger Reese, p. 166(77)

Figure 2 provides a breakdown of the Soviet Union defense spending from 1936 to 1940. As shown, the government did not spend a large percentage of its budget on defense prior to the outbreak of World War II, even though the German military was already undergoing a series of mobilization movements. By 1939, the Soviet Union only appropriated 25% of its budget to defense, which is striking when one considers that Stalin believed that a German attack was inevitable. One would think that he would commit more money for the protection of the Soviet state. With only 25% of the budget, it is plausible to argue that the Red Army was not adequately prepared for a war in 1939. The defense budget as a percentage of the national budget did increase to 32% by 1940, but still did not compare to the German war economy. Thus, even though defense was supposed to be the top priority of Stalin, the budget proved otherwise.

Examples of Weakness: Poland and Finland

The weakness of the Soviet military was further illustrated by its inability to maintain control in the occupied areas of Poland and Finland. These regions came under Soviet jurisdiction upon the completion of the Secret Protocol of the Non-Aggression Pact.⁽⁷⁸⁾ The Soviets had always considered these areas as included in their sphere of influence, as they were in the geographical proximity of the eastern border and were once part of the Imperial Empire. Upon invasion, the Soviet government believed that the Red Army would be able to secure control with relative ease. This, however, was not always the case, as the Red Army was unable to solidify the Soviet position in the occupied areas.

The Secret Protocol of the Non-Aggression Pact called for the partition of Poland and enabled the Soviet Union to secure its influence in the region. The Soviet public reacted against the German invasion of Poland, not realizing that it was part of a larger scheme because this addendum was kept a secret by both governments. There was a fear that Germany would advance to the border of the Soviet state and perhaps attack, although the Non-Aggression Pact should have assuaged this fear. In order to ensure Soviet interests in its half of Poland, Stalin immediately called for the mobilization of troops and demanded that they begin an invasion. Although the Red Army was militarily weak and lacked the necessary equipment, the Soviet government announced to the Germans on September 9th that it would assume control over its half of Poland. At the time of the Soviet invasion, the Red Army was only partially mobilized as a result of its weak industrial base and lack of trained military officers.(79)

The Soviet occupation of Poland did not go as smoothly as either Stalin or Molotov had planned. The Red Army, which was only partially mobilized, did not have enough manpower to easily secure the region. The attack on Poland came from two command groups, one from Belarus and the other from the Ukraine, and these armies did not coordinate their plan of attack.(80) These armies faced significant problems, including command and control, logistical, and morale problems, which weakened the Soviet attack. The lines of communication between the military commands were weak and the Red Army lacked the necessary trained officials to carry out orders.

It took the Red Army almost a month to gain control over the Polish region and all military action ended on October 7, 1939.(81) However, the Soviets were not able to maintain peace in the region and patches of resistance became evident. This is striking in comparison to the German invasion of Poland. Whereas the Red Army took almost a month to consolidate control, the Germans were able to conquer their half in under three weeks, showing the superiority of the German military and its blitzkrieg tactics.(82)

The invasion of Poland marked a clear shift in Soviet foreign policy, as it began to concentrate on obtaining territory along its eastern border. It used the terms of the Non-Aggression Pact to justify the invasion of various nations to its east. The Soviet expansion of territory began in September with its invasion of Poland and continued throughout 1939, as the Red Army worked their way up to Finland, conquering the Baltic states of Latvia and Estonia on the way.(83)

The Soviet experience in Finland was similar to its invasion of Poland, although the weakness of the Red Army was more apparent. Finland was once part of the Russian Empire and only gained its independence after World War I. The Soviet Union had expressed interest in the region for years, and the Non-Aggression Pact provided the opportunity to achieve its desires.(84) The invasion of Poland showed the Soviet government that further mobilization was necessary and it used the German manufactured goods it received as a result of the Economic Pact of 1939 to build up its military. After it gained control over the Baltic states and its goals became apparent to the rest of Europe, the Soviet government decided to engage in diplomacy with the Finns. The Soviet Union demanded that it be allowed access to Finnish resources and ports,

which was rejected by the Finnish government. (85) The bold move by the Finns came as a surprise to the Soviet government, which immediately began to suspect that the Finns had planned for military action. Stalin thus decided to launch a pre-emptive attack on Finland to prevent a surprise assault. On November 30, the Soviet Union engaged in total war against Finland, attacking from land, sea, and air.(86)

Despite the size and military capabilities of the Soviet Union, it was unable to win a decisive victory against the Finns. The population of Finland was only 3.5 million, which was slightly more than half of the available Soviet troops.(87) However, the Finns continued to fight to maintain control over their homeland and perhaps it was this psychological value that gave them the motivation to fight. The Soviet military followed plans approved by Stalin, who foresaw the defeat of the Finns by powerful attacks along different axes. It was thought that this would force the Finns to scatter their forces along the border of the Soviet Union.(88) Although the reasoning behind the plan was militarily sound, it overestimated the power of the Red Army. The Finnish troops were spread out along the border, which scattered the Soviet troops and made it difficult for weapons and other supplies to be delivered. As a result, the war stagnated during the winter and the Soviets were unable to secure a solid military position against the Finns.

Fighting continued throughout January, as the outnumbered Finns maintained their military stance against a stronger Red Army. Even though the military was holding its own against Soviet attack, the Finnish government realized that its troops would not be able to fight indefinitely. It pleaded with the Allied forces to send troops into Finland aid the war effort, but the Allies refused.(89) At that time, the Western powers were still mobilizing their own troops and were preoccupied with the war on the western front. Without the military support of the Allies, the Finnish troops were unable to defeat the Red Army and the war reached a stalemate.

The inability of the Red Army to easily defeat the Finns proved to Stalin that the army was inefficient compared to the German war machine.(90) Upon the realization that the Soviet attack plan was flawed, the military set out to create a new one. The military focused on the mobilization of additional troops to provide the much-needed reinforcements.(91) After a series of command changes and new war preparations, the Soviet military stabilized the front and broke through the Finnish lines of defense.(92) The Finnish resistance crumbled as a result of the increased number of infantrymen and tanks sent by the Soviet army. By the end of February, the Soviet troops gained control over the region, taking over three months to defeat the Finns. In February 1940, the two nations signed a peace treaty, where the Soviet Union was granted influence in the region, including the control of the important military bases, in return for allowing the Finns to maintain their sovereignty.(93) Despite the semblance of peace that ensued after the signing of the peace treaty, the war in Finland continued for another two months, as the Soviet Union attempted to control the Petsamo region along the northern border. The fighting ended on March 12, 1940, when Finland ceded the territory to the Soviet Union to end the Winter War.(94)

The Soviet military was unable to win a quick and decisive war against the outnumbered Finns. In fact, almost 127,000 Soviet soldiers were killed during the Winter War, and 265,000 were wounded.(95) Thus, the Red Army continued to be unprepared for battle, while the German troops were consistently winning battles along the western front.

The weakness of the Red Army was the final, and perhaps most important, reason why the economic treaties were more important than the promulgation of the Non-Aggression Pact. The only counter-argument to this reasoning is that the Non-Aggression Pact prevented a Soviet alliance with the Western powers. Although this is true, there is no evidence that an alliance would have deterred the German invasion of Poland. First, negotiations between the Soviet Union and the West broke down prior to the completion of the Non-Aggression Pact, not as a result of it. The Soviet demand for troops in Poland and Rumania was not politically popular with the West and helped to cause the breakdown of talks.(96) Thus, it is even possible that an alliance with the West might not have been created. Second, even if the Soviet Union declared war on Germany, there is no evidence to suggest that the West would have aided a war on the eastern front. In fact, there is evidence to the contrary: that the Allied powers did not immediately come to the aid of the Soviet Union in 1941-1942 because it wanted both armies to weaken the other.(97) Thus, the Non-Aggression Pact, although important because it prevented a two-front war in 1939, was not integral to the German war movement.

CONCLUSION

In the study of Nazi-German relations before World War II, much emphasis is placed upon the Non-Aggression Pact of 1939. There is some value in this, as this political pact did have important ramifications for the outbreak of the war. However, there is often not much of a focus on the economic pacts concluded around the same time, either because it is too difficult to separate the political and economic ideas, or their importance is not understood. It is important for those who study history to be cognizant of the various economic agreements of the pre-World War II era, as they were important to the war economies of both Germany and the Soviet Union. In fact, it is possible to say that these pacts were the lynchpin of the German war economy, because without them, the German military would never obtained access to the valuable resources necessary for war. There should be no shortcuts when studying history; there must be some separation between the economic pacts and the Non-Aggression Pact of 1939 because they had different goals and objectives. For Germany, the economic pact ensured access to resources. For the Soviet Union, it was the first step toward a political neutrality agreement, which would protect from aggression. In studying the pre-World War II German war movement, the understanding of the various economic and political pacts is necessary.

The Economic Pact of 1939 and the Credit Agreement of 1940 enabled Germany to continue its mobilization and remilitarization in preparation for war. Without them, it would not have had access to the Soviet goods that were necessary for sustaining the German military. The constant replenishment of resources enabled Germany to gain a powerful military advantage during the first years of the war. Thus, it was not the Non-

Aggression Pact that raised Germany's status vis-à-vis the other European nations; rather it was the economic pacts. The Nazi-Soviet Pact did allow Germany to achieve its goal of preventing the outbreak of a two-front war. However, the economic pact was more important to the German military position during the war than the Non-Aggression Pact was. The Soviet military at the outbreak of the war did not have the capabilities to defeat a small European nation, much less the military might of Germany. Thus, the Non-Aggression Pact was not the most important agreement signed between the Germans and the Soviet Union prior to World War II - the Economic Agreements of 1939 and 1940 were.

APPENDIX A

CREDIT AGREEMENT OF AUGUST 19, 1939

BETWEEN THE GERMAN REICH AND THE UNION OF
SOVIET SOCIALIST REPUBLICS

Representatives of the Government of the German Reich and representatives of the Government of the Union of Soviet Socialist Republics have conducted negotiations with each other on placing additional Soviet orders in Germany, and have come to the following agreement:

Article I

1. The Government of the Union of Soviet Socialist Republics will cause the Trade Delegation of the USSR in Germany, or the importing organization of the USSR, to take placed additional orders to the amount of 200 million Reichsmark with German firms.

2. The additional orders shall be placed exclusively for supplies for capital investment purposes, that is in particular for:

Equipment of factories,

Installations,

Fittings of various kinds,

Machinery and machine tools of all kinds,

Construction of apparatus,

Equipment for the naphtha industry,

Equipment for the chemical industry,

Products of the electro-technical industry,

Ships, vehicles, means of transport,

Measuring instruments,

Laboratory equipment.

3. The usual spare parts for such supplies are also included. There are further included contracts for technical assistance and bringing installations into operation, where these are stipulated in connection with orders placed under this Credit Agreement.

4. The value of individual orders shall not be less than 50,000 Reichsmarks.

5. Not included in the additional orders, are orders for so-called current business. Such are, in particular:

Raw materials,

Semi-finished products,

Spare parts (other than those mentioned in paragraph 3),

Chemical products,

Consumer goods,

Articles of daily use.

6. The Trade Delegation and the importing organizations shall be free in the choice of firms when placing orders. German firms shall likewise be free to decide whether, and to what extent, they wish to except orders under this Agreement.

7. Orders from List A will be placed within a period of two years from the date of the conclusion of this Agreement. By the end of the first year from the conclusion of this Agreement, the value of the orders shall not exceed 120 million Reichsmark.

8. Orders will be placed by the Trade Delegation, or, with joint liability of the Trade Delegation, by the importing organizations of the USSR.

9. The German Government undertake to give the Trade Delegation and the importing organizations of the USSR the necessary assistance in placing orders, in each individual case where required, particularly in respect of delivery dates and the quality of goods.

10. The delivery terms for orders placed under this Agreement shall be the normal ones and the prices for such supplies shall be reasonable.

11. Article VII of the German-Soviet Agreement on Trade and Payments, on December 19, 1938, shall also supply to orders placed under this Agreement.

Article II

The German Government declare that the German Gold Discount Bank ("Degeo") has given them an understanding to finance the additional orders to the amount of 200 million Reichsmark on the following terms:

1. The Trade Delegation of the USSR in Germany shall deposit bills of exchange with "Degeo". These bills shall have an average term of seven years and shall be drawn for each individual transaction in such a way that

30 percent of the amount of the order shall run for 6 ½ years,

40 percent of the amount of the order shall run for 7 years,

30 percent of the amount of the order shall run for 7 ½ years.

The bills of exchange shall be drawn by the importing organizations of the USSR and endorsed for acceptance by the Trade Delegation of the USSR. The bills shall be drawn in Reichsmark and shall be payable in Berlin.

2. On the basis of the bills of exchange, "Degeo" shall make a credit available to the Trade Delegation and the importing organizations of the USSR, which shall be used to pay the German firms cash in Reichsmark. "Degeo" will not require endorsement of this credit by the German suppliers.

3. The bills of exchange shall bear 5 percent interest per annum. This shall be paid by the Trade Delegation to "Degeo" at the end of each quarter through the Trade Delegation's current account with "Degeo". The interest shall be covered by bills of exchange if "Degeo" so requires.

4. The Trade Delegation of the USSR in Germany shall have the right to redeem before maturity the bills of exchange deposited with "Degeo", in accordance with paragraphs 1 and 3 of this article, in which case interest will be paid only of the period that has elapsed.

Article III

The agreement on the technical method of payment, in accordance with Article II of this agreement, will be concluded between "Degeo" and the Trade Delegation of the USSR.

Article IV

Orders shall be placed in accordance with the provisions laid down in the General Delivery Conditions, the Arbitration Agreement, and the Final Protocol, signed on March 20, 1935, by the Russian Committee of German Industry, on the one side, and by the Trade Delegation, on the other side, with amendments which may be agreed on in an exchange of letters between the appropriate agencies of both sides.

Article V

1. The Government of the USSR give an undertaking to take measures for the delivery to Germany of the goods set out in List C, to the minimum values indicated therein, within two years from the conclusion of this agreement. The prices of these goods shall be reasonable.

2. Delivery of, and payment for, the Soviet goods shall be made in accordance with the provisions of the German-Soviet Agreement on Trade and Payments, of December 19, 1938.

3. Should the Agreement of December 19, 1938, not be extended during the term of this Agreement or, in the event of extension, be amended, it shall continue to apply unless otherwise agreed upon, until such time as all bills of exchange and interest on the credit have all been paid up and the amounts paid in for Soviet deliveries of goods have been used for the redemption of all bills of exchange, including the previous ones.

4. This applies also to Articles VII and VIII of the above-mentioned Agreement of December 19, 1938.

5. The German Government undertake to issue permits promptly for the import of Soviet goods into Germany, to an amount sufficient to cover at due date the credit provided for in this Agreement, and the payment of interest thereon, as well as to meet all other liabilities of the USSR bills of exchange in Germany. With this object in view, the two Governments shall, in due time, enter into negotiations for drawing up annual lists of such goods the import of which into Germany meets the requirements of German economy on the one hand and Soviet possibilities and interests on the other.

6. The German Government further undertake to render assistance to the Trade Delegation of the USSR in Germany and to the Soviet importing organizations in placing orders and obtaining supplies of other goods set out in List B, against the free amounts resulting from the sale of Soviet goods in Germany.

Article VI

At least 60 percent of the German supplies shall be carried by German ships, if available, at rates which are usual and normal in view of the freight situation on the Germany-USSR run. The remainder of German supplies shall be carried by Soviet ships, using German seaports.

Article VII

1. Should difficulties arise in placing and duly executing the orders provided for in this Agreement, or in the delivery of other goods - against the credit as well as against the current proceeds resulting from Soviet exports - the two Governments shall immediately enter into negotiations for the purpose of removing such difficulties. If no settlement is reached the further obligations of the Government of the Union of Soviet Socialist Republics under Article V of this Agreement, regarding the execution of measures for the delivery of Soviet goods to Germany, as set out in List C, shall be suspended until the ration provided for in paragraph 3 of this Article is reached.

2. The same shall apply in the event of difficulties arise in the delivery of Soviet goods to the extent provided for in Article V of this Agreement: the two Governments shall immediately enter into negotiations for the purpose of removing such difficulties. If no settlement is reached the further obligations of the German Government under Article I of this Agreement, in connection with facilitating the placing and due execution of orders against the credit, shall be suspended until the ratio provided for in the following paragraph of this article is reached.

3. In the cases referred to in this article, the Government concerned shall not be released from their obligations to take all measures to reach, in the shortest time, a ratio between the orders in accordance with Lists A and B on the one hand and the contracts for the supply of Soviet goods, in accordance with List C, on the other hand, corresponding to the totals of these lists. In this connection, the two Governments shall take the necessary measures for the execution of the orders and contracts in accordance with the terms contained therein.

Article VIII

This Agreement shall enter into force on the date of signature.

Done in duplicate in the German and Russian languages, both texts being equally authentic.

Berlin, August 19, 1939.

For the German Government: For the Government of the USSR:

Dr. K. Schnurre E. Babarin

APPENDIX B

CONFIDENTIAL PROTOCOL

In connection with the Credit Agreement between the German Government and the Government of the Union of Soviet Socialist Republics, signed today, the undersigned have agreed as follows:

The German Government will refund $\frac{1}{2}$ percent per annum of the interest agreed upon and paid, so that an actual interest rate of $4\frac{1}{2}$ percent per annum on the credit will remain. This refund will be made at fixe repayment rates, to be agreed upon between "Degeo" and the Trade Delegation, in such a manner that 10 percent of the interest paid by the Trade Delegation for each accounting period will be refunded at the payment dates. Payment of such amounts shall be made in Reichsmark into one of the special accounts opened under the Agreement on Trade and Payments of December 19, 1938, of the Trade Delegation of the USSR in German, or of the National Bank of the USSR.

It is understood that the right, specified in paragraph 17 of Article IV of the above-mentioned agreement of December 19, 1938, of using the balances in the special accounts for payments of interest, extends also to the interest on the credit which is the subject of the Credit Agreement signed today between the German Government and the Government of the Union of Soviet Socialist Republics.

Berlin, August 19, 1939.

For the German Government: For the Government of the USSR:

Dr. K. Schnurre E. Barabin

APPENDIX C

FOREIGN OFFICE MEMORANDUM SUMMARIZING TERMS

OF GERMAN-SOVIET TRADE AGREEMENT

CONCLUDED 19 AUGUST 1939(98)

The German-soviet Trade Agreement concluded on August 19 covers the following:

1. Germany grants the Soviet Union a merchandise credit of 200 million Reichsmarks. The financing will be done by the German Golddiskontbank. This method of financing includes a 100 percent guarantee by the Reich. It is a credit based on bills of exchange. The bills of exchange are to be drawn for each individual transaction and have an average currency of 7 years. The interest is 5 percent. Under a secret final protocol, one-half percent of this is refunded to the Russian special accounts in Berlin, whereby the actual interest rate is reduced to $4\frac{1}{2}$ percent.

2. The credit will be used to finance Soviet orders in Germany. The Soviet Union will make use of it to order the industrial products listed in schedule A of the agreement. They consist of machinery and industrial installations. Machine tools up to the very largest

dimensions form a considerable part of the deliveries. And armaments in the broader sense (such as optical supplies, armor plate and the like) will, subject to examination of every single item, will be supplied in smaller proportion.

3. The credit will be limited by Soviet raw materials, which will be selected by agreement between the two governments. The annual interest will likewise be paid from the proceeds of Soviet merchandise, that is, from the special accounts kept in Berlin.

4. In order that we might secure an immediate benefit from the credit agreement, it was made a condition from the beginning that the Soviet Union bind itself to the delivery, starting immediately, of certain raw materials as current business. It was possible so to arrange these raw-materials commitments of the Russians that our wishes were largely met. The Russian commitment of raw materials are contained in schedule C. They amount to 180 million Reichmarks: half to be delivered in each of the first and second years following the conclusion of the agreement. It is a question, in particular, of lumber, cotton, feed grain, oil cake, phosphate, platinum, raw furs, petroleum, and other goods which for us have a more or less gold value.

5. Since these Soviet deliveries made as current business are to be compensated by German counterdeliveries, certain German promises of delivery had to be made to the Russians. The German industrial products to be supplied in current business as counterdeliveries for Russian raw materials are listed in schedule B. This schedule totals 120 million Reichmarks and comprises substantially the same categories of merchandise as schedule A.(99)

6. From the welter of difficult questions of detail which arose during the negotiations, the following might also be mentioned: guaranteeing of the rate of exchange or the Reichsmark. The complicated agreement arrived at appears in the confidential protocol signed on August 26 of this year. In order not to jeopardize the conclusion of the agreement on August 19 of this year, the question was laid aside and settled afterwards. The questions of the liquidation of the old credits, the shipping clause, an emergency clause for the event of inability to deliver of either party, and the arbitration procedure, the price clause, etc., were settled satisfactorily despite the pressure of time.

7. The agreement, which has come into being after extraordinary difficulties, will undoubtedly give a decided impetus to German-Russian trade. We must try to build anew on this foundation and, above all, try to settle a number of questions which could not heretofore be settled, because of the low ebb which had been reached in our trade relations. The framework now set up represents a minimum. Since the political climate is favorable, it may well be expected that it will be exceeded considerably in both directions, both in imports and exports.

8. Under the agreement, the following movement of goods can be expected for the next few years:

Exports to the USSR Imports from the USSR

200 million Reichsmarks credit 180 mill. RM. Raw material

deliveries, schedule A. deliveries, schedule C

120 mill. RM. Deliveries as current 200 mill. RM. Repayment of business, schedule B.
1935 credit

approx. 100 mill. RM. capitalized interest from present and last credit

X mill. RM. unspecified deliveries X mill. RM. unspecified deliveries

on current business of Soviet goods under German-Soviet Agreement of Dec. 19,
1938.

The movement of goods envisaged by the agreement might therefore reach a total of more than 1 billion Reichsmarks for the next few years, not including liquidation of the present 200 million credit by deliveries of Russian raw materials beginning in 1946.

9. Apart from the economic import of the treaty, its significance lies in the fact that the negotiations also served to renew political contacts with Russia and that the credit agreement was considered by both sides as the first decisive step in the reshaping of political relations.

Schnurre

Berlin, August 29, 1939.

APPENDIX D

ECONOMIC AGREEMENT OF FEBRUARY 11, 1940 BETWEEN

THE GERMAN REICH AND THE UNION OF SOVIET

SOCIALIST REPUBLICS. (100)

As a result of the negotiations for the establishment and execution of the contemplated economic program, the government of the German Reich and the Government of the Union of Soviet Socialist Republics have made the following agreement:

Article I

In the period February 11, 1940, to February 11, 1941, in addition to the deliveries provided for in the Credit Agreement of August 19, 1939, the commodities enumerated in List 1 to the value of 420 to 430 million Reichsmarks shall be delivered from the Union of Soviet Socialist Republics to Germany.

Article II

In the period February 11, 1941, to August 11, 1941, there shall be delivered, likewise in addition to the deliveries provided for in the Credit Agreement of August 19, 1939, commodities to the value of 220 to 230 million Reichsmarks from the Union of Soviet Socialist Republics to Germany, namely, in each case, half of the values or amounts specified for the various commodities in List 1.

Article III

The Government of the Union of Soviet Socialist Republics pledges itself to take all measures necessary to insure the performance of the deliveries named in Articles I and II. The deliveries shall begin immediately.

Article IV

In payment for the Soviet deliveries provided for in Article I, German products of the kind designated in List 2 (war material) and List 3 (industrial equipment and other industrial products) to the value of the 420 to 430 million Reichsmarks shall be delivered from Germany to the Union of Soviet Socialist Republics during the period of February 11, 1940 to May 11, 1941.

Article V

In payment of the Soviet deliveries provided for in Article 2, German products of the kind designated in List 4 (war material) and List 5 (industrial equipment and other industrial products) to the value of 220 to 230 million reichsmarks shall be delivered from Germany to the Union of Soviet Socialist Republics during the period of May 11, 1941 to May 11, 1942.

Article VI

The Government of the German Reich pledges itself to take all steps necessary to insure the performance of the deliveries shall begin immediately.

Article VII

In List 6 appended to this Agreement are specified the machinery, equipment, and processes of production which the Union of Soviet Socialist Republics is interested in acquiring or receiving. Both parties shall take all steps that may be necessary in order that commercial contracts for machinery, equipment, and processes of production of the kind enumerated in the list may be concluded as soon as possible.

The payments provided that become due on the basis of these contracts during the validity of this Agreement shall be made from a special account of the Union of Soviet

Socialist Republics in Germany by way of the German-Soviet clearing system. If they become due during the first 15 months of the Treaty, they shall be used in settlement of the Soviet deliveries provided for in Article I, and insofar as they become due in the succeeding 12 months, in settlement of the Soviet deliveries provided for in Article II>

For this settlement, other payments which are credited to the special accounts of the Union of the Soviet Socialist Republics, for example for transit traffic, shall also be used.

Article VIII

The Government of the Union of Soviet Socialist Republics has declared by the exchange of letters of September 28, 1939, that it is prepared to deliver, in addition to the quantities of petroleum otherwise agreed upon or still to be agreed upon, a supplementary quantity of petroleum equivalent to the annual production of the Drohobycz and Boryslaw oil region, in such proportions that half of this amount shall be delivered to Germany and the half from the other oil regions of the Union of Soviet Socialist Republics. As compensation for these petroleum deliveries the Union of Soviet Socialist Republics shall receive deliveries of coal and steel tubing.

It is agreed that the quantities of petroleum and petroleum products to be delivered in accordance herewith during the period of September 28, 1939 to September 28, 1940 shall be included in the amount named in List 1. In calculating the value of the compensatory deliveries of coal and steel tubing, it shall be assumed that the first annual amount is equal to the value of 30 million Reichsmarks. These petroleum deliveries shall be compensated by German deliveries of coal to the value of 20 million Reichsmarks and steel tubing to the value of 10 million Reichsmarks. These deliveries shall be made by September 28, 1940.

Article IX

Both parties take it for granted that the mutual deliveries based on this Agreement are to balance.

The Soviet deliveries made during the first 12 months of the duration of this Agreement shall be compensated by German deliveries by May 11, 1941; that is, after the first six months 50 percent of the Soviet deliveries provided or in the first period of the treaty shall be balanced by 40 percent of the German deliveries provided for in the same period of time; after 12 months 100 percent of the Soviet deliveries shall be balanced by 80 percent of the German deliveries. The rest of the German deliveries shall be made within the following 3 months.

The Soviet deliveries made during the period from the 13th to the end of the 18th month of the duration of this Agreement shall be compensated by German deliveries to be made during the period from the 16th to the end of the 27th month, computed from the date this Agreement goes into effect, in equal quarterly amounts. It is provided that

during this second period of the Agreement a balance sheet of mutual deliveries shall be drawn up every three months.

Article X

Each of the two Governments shall appoint plenipotentiaries who shall meet on the date specified in the previous Article. The task of these plenipotentiaries shall be to study currently the total commercial intercourse between Germany and the Union of Soviet Socialist Republics and the observance of the percentage relationship between the German and the Soviet deliveries mentioned in Article IX, and to take all measures necessary to carry out the economic program agreed upon between the Governments, especially to balance the above-mentioned percentage relationship.

The Plenipotentiaries of both Governments shall be empowered within the scope of their duties to communicate with each other directly, either in writing or orally. They may from time to time draw the experts needed in their work into their consultations.

If the percentage relationship fixed by Article IX for the mutual deliveries is disturbed in one of the periods of time, both parties shall take measures in the shortest possible time for the removal of the disproportion, in which connection supplementary deliveries, especially of coal, shall be used by Germany as a means of settlement. In case this cannot be arranged, the interested party shall have the right to discontinue temporarily its deliveries until the stipulated relationship is attained.

Article XI

In the execution of this Agreement the following shall be applied:

- a) the Agreement regarding exchange of goods and payments of December 31, 1939
- b) The provisions of Article IV and of section 3 of Article V of the Credit Agreement of August 19, 1939.

Besides, in connection with the payment of Soviet obligations arising from orders made on the basis of this Agreement, the provisions of section 5 of Article V of the above mentioned Credit Agreement shall be correspondingly applicable:

- c) The Confidential Protocol of August 26, 1939.

Article XII

Both Parties have agreed that the accommodations granted for transit traffic on the basis of the exchange of letters of September 28, 1939 (freight reductions of 50 percent on soybeans and the payment of all railway freight charged in the transit traffic through the German-Soviet clearing system) shall remain in force during the entire period of the validity of this Agreement. In order to facilitate use of the sums paid in reichsmarks by

Germany for freight charges, Germany shall lend her cooperation to the Soviets in placing orders in Germany and acquiring goods and techniques of production there.

Article XIII

This Agreement shall not affect the Credit Agreement between the German Reich and the Union of Soviet Socialist Republics of August 19, 1939, which shall remain completely in force.

Article XIV

This Agreement shall become effective upon signature.

Done in two original copies in the German and the Russian languages respectively, both texts being equally authentic.

Done in Moscow, February 11, 1940.

For the Government Representing the Government of the

Of the German Reich: Union of Soviet Socialist Republics:

K. Ritter A. Mikoyan

K. Schnurre Babarin

APPENDIX E

CONFIDENTIAL PROTOCOL OF FEBRUARY 11, 1940

In connection with the Economic Agreement signed today between the German Reich and the Union of the Soviet Socialist Republics, the undersigned Plenipotentiaries of the Governments of both Parties have agreed concerning the following:

The Government of the Union of the Soviet Socialist Republics shall instruct the proper Soviet commercial organizations to enter into the Government of the German Reich in regard to the purchase by the Soviet Union of metals and other goods in third countries and in regard to the sale of these metals and goods to Germany. Such sales shall be made by the Soviet organizations on the following basis:

Payment of the goods by the German purchasers up to 70 percent in transferable foreign currency to be designated by the Soviet commercial organization making the delivery and 30 percent in reichsmarks in accordance with the German-Soviet Agreement regarding exchange of goods and payments of December 31, 1939. If the German purchaser is not in a position to make payment in the currency suggested by the Soviet commercial organization, he may offer to make payment in another transferable currency.

If the Soviet commercial organization refuses this currency, payment shall be made in gold on conditions to be agreed upon between the purchaser and the Soviet commercial organization making delivery.

In this connection the Germans shall, for the purpose of utilization of the sums in reichsmarks paid by the Germans to the Soviet commercial organizations, lend their cooperation in placing orders in Germany and in the acquisition of goods and production techniques in Germany.

Moscow, February 11, 1940.

For the Government Representing the Government of the

Of the German Reich: Union of Soviet Socialist Republics:

K. Ritter A. Mikoyan

K. Schnurre Babarin

APPENDIX F

THE TREATY OF NON-AGGRESSION BETWEEN GERMANY AND THE UNION OF THE SOVIET SOCIALIST REPUBLICS

23 AUGUST 1939(101)

The Government of the German Reich and the Government of the Union of Soviet Socialist Republics desirous of strengthening the cause of peace between Germany and the USSR, and proceeding from the fundamental provisions of the Neutrality Agreement concluded in April 1926 between Germany and the USSR, have reached the following agreement:

Article I

Both High Contracting Parties obligate themselves to desist from any act of violence, any aggressive action, and any attack on each other, either individually or jointly with other powers.

Article II

Should one of the High Contracting Parties become the object of belligerent action by a third power, the other High Contracting Party shall in no manner lend its support to this third power.

Article III

The Governments of the two High Contracting Parties shall in the future maintain continual contact with one another for the purpose of consultation in order to exchange information on problems affecting their common interests.

Article IV

Neither of the two High Contracting Parties shall participate in any grouping of powers whatsoever that is directly or indirectly aimed at the other party.

Article V

Should disputes or conflicts arise between the High Contracting Parties over problems of one kind or another, both parties shall settle these dispute or conflicts exclusively through friendly exchange of opinion or, if necessary, through the establishment of arbitration commissions.

Article VI

The present treaty is concluded for a period of ten years, with the proviso that, in so far as one of the High Contracting Parties does not denounce it one year prior to the expiration of this period, the validity of this treaty shall automatically be extended for another five years.

Article VII

The present treaty shall be ratified within the shortest possible time. The ratifications shall be exchanged in Berlin. The agreement shall enter into force as soon as it is signed.

Done in duplicate, in the German and Russian languages.

Moscow, August 23, 1939.

For the Government With full power of the

Of the German Reich: Government of the USSR:

v. Ribbentrop V. Molotov

APPENDIX G

SECRET ADDITIONAL PROTOCOL(102)

On the occasion of the signature of the Nonaggression Pact between the German Reich and the Union of Soviet Socialist Republics the undersigned plenipotentiaries of each of the two parties discussed in strictly confidential conversations the question of the

boundary of their respective spheres of influence in Eastern Europe. These conversations led to the following conclusions:

1. In the event of a territorial and political rearrangement in the areas belonging to the Baltic States (Finland, Estonia, Latvia, and Lithuania), the northern boundary of Lithuania shall represent the boundary of the spheres of influence of Germany and the USSR. In this connection the interest of Lithuania in the Vilna area is recognized by each party.

2. In the event of a territorial and political rearrangement of the areas belonging to the Polish state the spheres of influence of Germany and the USSR shall be bounded approximately by the line of the rivers Narew, Vistula, and San.

The question of whether the interests of both parties make desirable maintenance of an independent Polish state and how such a state should be bounded can only be definitely in the course of further political developments.

In any event both Governments will resolve this question by means of a friendly agreement.

3. With regard to Southeastern Europe attention is called by the Soviet idea to its interest in Bessarabia. The German side declares its complete political disinterestedness in these areas.

4. This protocol shall be treated by both parties as strictly secret.

Moscow, August 23, 1939.

For the Government Plenipotentiary of the

Of the German Reich: Government of the USSR:

v. Ribbentrop V. Molotov

1. Dorothy Faulkner Sanderson. *Nazi-Soviet Relations, 1939-1941*. (California: San Diego State University Press, 1953), v; Klaus Fischer. *Nazi Germany: a New History* (New York: Continuum Press, 1995), p. 70; Dietrich Orlow. *A History of Modern Germany: 1871 to Present*. Fourth Edition (New Jersey: Prentice Hall Publishers, 1999), p. 141.

The Treaty of Rapallo reestablished normal relations and strengthened economic ties between the two nations that had been outcasts from the concert of European powers. In addition, both nations decided to not seek the reparations stipulated in the Treaty of Versailles. The 1926 Treaty of Berlin further confirmed the terms of the Treaty of Rapallo in addition to creating two additional provisions. Germany and the Soviet Union

agreed that if either nation was attacked by a third power, the other would remain neutral and consented not to ask for reparations from each other.

2. Adolf Hitler. *Mein Kampf* (Boston: Houghton Mifflin Company, 1943), pp. 660-665.

3. Within much of the literature, the Non-Aggression Pact is referred to by variety of different names. The most popular are the Nazi-Soviet Pact and the Hitler-Stalin Pact, although it is sometimes called the Ribbentrop-Molotov Pact, for the diplomats who signed the initial treaty.

4. E. H. Carr. *German Soviet Relations Between the Two World Wars, 1919-1939* (New York: Arno Press, 1979), p. 137.

5. Gustav Stolper. *The German Economy, 1870-present*. (New York: Harcourt, Brace, and World, Inc, 1967), pp. 135, 159.

6. Edward Ericson III. *Feeding the German Eagle: Soviet Economic Aid to Nazi Germany, 1933-1941*. (Indiana: University of Indiana, 1995), p. 78.

7. Dorothy Faulkner Sanderson. *Nazi-Soviet Relations, 1939-1941*, p. 7.

8. Walter Laqueur. *Russia and Germany: A Century of Conflict* (Boston: Little, Brown, and Co., 1965), p. 174.

9. Felix Gilbert. *The End of the European Era, 1890 to the Present*. Fourth Edition (New York: WW Norton and Co., 1991), pp. 306-307.

10. Bernd Wegner. *From Peace to War: Germany, the Soviet Union and the World, 1939-1941* (Providence: Berghahn Books, 1997), p. 31.

11. Felix Gilbert. *The End of the European Era*, p. 307.

12. Bernd Wegner. *From Peace to War: Germany, the Soviet Union and the World, 1939-1941*, p. 31.

13. Gustav Hilger and Alfred G. Meyer. *The Incompatible Allies: a Memoir of German-Soviet Relations, 1918-1941* (New York: Macmillan Company, 1953), p. 285.

14. The diplomatic process was often long and arduous, and required the involvement of many different diplomats. In addition to the five primary actors, there were others involved to a lesser degree. From Germany, Gustav Hilger, the Counselor of the German Embassy in Moscow, was vital to the creation of economic relations. The Soviets also involved Evgeny Babarin, the head of the Soviet trade delegation, and Anastas Mikoyan, the Soviet trade commissar.

15. Gerhard Weinberg. *Germany and the Soviet Union, 1939-1941*. (Leiden: EJ Brill, 1972), p. 9.

16. Gerhard Weinberg. *Germany and the Soviet Union, 1939-1941*, p. 9-10.

17. Gustav Hilger and Alfred Meyer. *The Incompatible Allies*, p. 289.

18. Gustav Hilger and Alfred G. Meyer. *The Incompatible Allies*, p. 286.

The reasoning behind the cancellation is unclear, but much of the evidence points to the Soviet failure to keep the meeting a secret. The meeting was reported in both French and Polish newspapers, which von Ribbentrop viewed as a Russian attempt to sabotage negotiations. As a result, all negotiations were suspended for the month of February.

19. Memorandum by the German Ambassador in the Soviet Union (Schulenburg). May 20, 1939. Raymond Sontag and James Beddie. *Nazi-Soviet Relations 1939-1941: Documents from the German Foreign Office* (Washington DC: US Department of State, 1948), p. 5-7.

20. Dorothy Faulkner Sanderson. *Nazi-Soviet Relations, 1939-1941*, p. 29.

21. Memorandum by Schulenburg to State Secretary in the German Foreign Office (Weizacker). May 22, 1939. Raymond Sontag and James Beddie. *Nazi-Soviet Relations, 1939-1941*, p. 89.

22. Foreign Office Memorandum by Woermann. June 15, 1939. Raymond Sontag and James Beddie. *Nazi-Soviet Relations, 1939-1941*, p. 20-21.

23. Telegram to State Secretary in the Soviet Embassy. June 12, 1939. Germany. *Documents on German Foreign Policy. Series D. Volume VI. Document #514*, p. 711.

24. Geoffrey Roberts. "The Soviet Decision for a Pact with Nazi Germany." *Soviet Studies*. 44(1) 1992: 64.

25. Telegram to Schulenburg by Ribbentrop. August 3, 1939. Raymond Sontag and James Beddie. *Nazi-Soviet Relations, 1939-1941*, p. 37-39.

26. Viacheslav Molotov. Statement at the Session of the Supreme Soviet of the USSR on the Ratification of the Soviet-German Non-Aggression Pact. August 31, 1939 (New York: Bookniga Press, 1939), p. 6.

27. Anthony Reed and David Fisher. *The Deadly Embrace* (New York: W.W. Norton and Co., 1988), p. 207.

28. A. Rossi. *The Russo-German Alliance: August 1939-June 1941* (London: Chapman & Hall, 1950), p. 28.

29. Gerhard Weinberg. *Germany and the Soviet Union, 1939-1941*, p. 68.

30. For full text, see Appendix A.

31. Raymond Ahl. *Nazi-Soviet Pact: Its Effects upon the German War Economy*. (Milwaukee: Marquette University Press, 1966), p. 29.

32. Foreign Office Memorandum Summarizing the Terms of German-Soviet Trade Agreement. August 29, 1939. Raymond Sontag and James Beddie. *Nazi-Soviet Relations, 1939-1941*, p. 85.

33.

33 Gerhard Weinberg. *Germany and the Soviet Union, 1939-1941*, p. 43.

34. R. H. Haigh, D. S. Morris, A. R. Peters. *The Years of Triumph? German Diplomatic and Military Policy 1933-1941*. (New Jersey: Barnes and Noble Books, 1986), p. 156.

35. Raymond Ahl. *Nazi-Soviet Pact: Its Effects upon the German War Economy*, p. 30.

36. Gerhard Weinberg, *Germany and the Soviet Union, 1939-1941*, p. 68-69.

37. Foreign Office Memorandum by Schnurre. October 1939. Raymond Sontag and James Beddie. *Nazi-Soviet Relations, 1939-1941*, p. 119-120.

38. Gerhard Weinberg. *Germany and the Soviet Union, 1939-1941*, p. 68.

39. Memorandum on the German-Soviet Commercial Agreement Signed on February 11, 1940. February 11, 1940. Raymond Sontag and James Beddie. *Nazi-Soviet Relations, 1939-1941*, p. 131-134.

40. For full text, see Appendix C.

The text of the document includes fourteen articles, though five of them add new terms to the Economic Agreement of 1939.

41. Gerhard Weinberg. *Germany and the Soviet Union, 1939-1941*, p. 70; Dorothy Faulker Sanderson. *Nazi-Soviet Relations, 1939-1941*, p. 70.

42.

42 Economic Pact of 1940 Between the German Reich and the Union of Soviet Socialist Republics. *Germany. Documents on German Foreign Policy. Volume XIII*.

Document #607, p. 762-769; Raymond Ahl. The Nazi-Soviet Pact: Its Effects upon the German War Economy, p. 30.

43. Wolfgang Leonhard. Betrayal: the Hitler-Stalin Pact of 1939. (New York: St. Martin's Press, 1986), p. 4.

44. For full text, see Appendix F.

45. Walter Laqueur. Russia and Germany: a Century of Conflict, p. 259.

46. For full text, see Appendix G.

47. For further analysis, please see Edward Ericson III, Feeding the German Eagle.

48. Gerhard Weinberg. Germany and the Soviet Union, 1939-1941, p. 74.

49. Raymond Ahl. The Nazi-Soviet Pact: Its Effects upon the German War Economy, pp. 6-8, 14.

50. Raymond Ahl. The Nazi-Soviet Pact: Its Effects upon the German War Economy, pp. 14-15.

51. Burton Klein. Germany's Economic Preparations for War, pp. 88-89; Edward Ericson III. Feeding the German Eagle, p. 16.

52. Raymond Ahl. The Nazi-Soviet Pact: Its Effects upon the German War Economy, p. 6.

53. Burton Klein. Germany's Economic Preparations for War, p. 63.

54. Edward Ericson. Feeding the German Eagle, p. 14.

55. Raymond Ahl. The Nazi-Soviet Pact : Its Effects upon the German War Economy, p. 8

56. Edward Ericson. Feeding the German Eagle, p. 14.

57. Raymond Ahl. The Nazi-Soviet Pact : Its Effects upon the German War Economy, p. 38.

58. Burton Klein. Germany's Economic Preparations for War, p. 57.

59. Dorothy Faulkner Sanderson. Nazi-Soviet Relations, 1939-1941, p. 70.

60. Gustav Stolper. The German Economy, 1870-present, p. 136.

61. Burton Klein. *Germany's Economic Preparations for War*, pp. 63, 110.
62. Gustav Hilger and Alfred Meyer. *The Incompatible Allies*, p. 326; Raymond Sontag and James Beddie. *Nazi-Soviet Relations, 1939-1941*, p. 134.
63. Gustav Hilger and Alfred Meyer. *The Incompatible Allies*, p. 325
64. Edward Ericson. *Feeding the German Eagle*, p. 380.
65. Raymond Ahl. *The Nazi-Soviet: Its Effects upon the German War Economy*, p. 49.
66. Economic Agreement of February 11, 1940. Germany. *Documents on German Foreign Policy. Series D. Volume VIII. Document #607*, p. 764.
67. Gustav Hilger and Alfred Meyer. *The Incompatible Allies*, p. 326.
68. Edward Ericson III. *Feeding the German Eagle*, p. 152, 157.
69. Felix Gilbert. *End of the European Era?*, p. 319.
70. Felix Gilbert. *End of the European Era?*, p. 321.
71. David Glantz. *Stumbling Colossus: the Red Army on the Eve of World War*. (Kansas: University Press of Kansas, 1998), p. 9.
72. Viacheslav Molotov. *Statement at the Session of the Supreme Soviet of the USSR on the Ratification of the Soviet-German Non-Aggression Pact. August 31, 1939*, p. 3.
73. John Lawrence. *A History of Russia. 7th Edition*. (New York: Meridian Press, 1993), p. 242.
74. David Glantz. *Stumbling Colossus*, p. 27.
75. David Glantz. *Stumbling Colossus*, p. 31.
76. David Dallin. *Soviet Russia's Foreign Policy, 1939-1942*. (New Haven: Yale University Press, 1942), p. 58.
77. Roger Reese. *Stalin's Reluctant Soldiers: a Social History of the Red Army, 1925-1941*. (Kansas: University of Kansas Press, 1996), p. 166.
78. *Secret Additional Protocol*. Raymond Sontag and James Beddie. *Nazi-Soviet Relations, 1939-1941*, p. 78.
79. James T. Shotwell and Max Userson. *Poland and Russia, 1919-1945*. (New York: King's Crown Press, 1945), p. 53.

80. David Glantz. *Stumbling Colossus*, p. 87.

81. R. Umiastowski. *Russia and the Polish Republic, 1918-1941*. (London: Aquafondata, 1945), p. 222.

82. Felix Gilbert. *End of the European Era?*, p. 319.

83. Geoffrey Roberts. "The Soviet Decision for a Pact with Germany", pp. 71-72.

The Soviets later obtained control of Lithuania, after engaging in negotiations over their respective spheres of influence with Germany. According to the Secret Protocols of August 23, the area of Lithuania was to be controlled by the Germans, who used it for food and foodstuffs. This area was later to be given to the Soviet Union in return for access to Poland and the Balkans.

84. R. H. Haigh, D. S. Morris, A. R. Peters. *The Years of Triumph?*, p. 175.

85. Vaino Tanner. *The Winter War: Finland Against Russia, 1939-1940*. (Stanford: Stanford University Press, 1950), p. 89.

86. R. H. Haigh, D. S. Morris, A. R. Peters. *The Years of Triumph?*, p. 176.

87. R. H. Haigh, D. S. Morris, A. R. Peters. *The Years of Triumph?*, pp. 175-176.

88. David Glantz. *Stumbling Colossus*, p. 88.

89. Ivan Maisky. *Memoirs of a Soviet Ambassador: the War, 1939-1943*. (New York: Charles Scribner's Sons, 1967), p. 47.

90. R. H. Haigh, D. S. Morris, A. R. Peters. *The Years of Triumph?*, p. 177.

91. David Glantz. *Stumbling Colossus*, pp. 89-90.

92. Viano Tanner. *The Winter War*, p. 115.

93. H. Peter Krosby. *Finland, Germany and the Soviet Union, 1940-1941: the Petsamo Dispute*. (Madison: University of Wisconsin Press, 1968), viii.

94. H. Peter Krosby. *Finland, Germany, and the Soviet Union*, p. 208.

95. Roger Reese. *Stalin's Reluctant Soldiers*, p. 171.

96. Viacheslav Molotov. *Statement at the Session of the Supreme Soviet of the USSR on the Ratification of the Soviet-German Non-Aggression Pact. August 31, 1939*, p. 6.

97. Felix Gilbert. End of the European Era?, p. 331.

98. Foreign Office Memorandum by Schnurre. August 29, 1939. Raymond Sontag and James Beddie. Editors. Nazi-Soviet Relations, 1939-1941, p. 83-85.

99. English translation for Schedules A, B, C unavailable.

100. Germany. Documents on German Foreign Policy. Volume XIII. Document #607, p. 762-769.

101. Raymond Sontag and James Beddie. Nazi-Soviet Relations, 1939-1941, p. 76-77.

102. Raymond Sontag and James Beddie. Nazi-Soviet Relations, 1939-1941, p. 78.