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Always in Need of Credit: The USSR and Franco-German Economic Cooperation, 1926–1929

Michael Jabara Carley and Richard Kent Debo

I

In September 1927 Aristide Briand, the French foreign minister, and Carl von Schubert, the state secretary at the *Auswärtiges Amt*, the German foreign ministry, met in Geneva to discuss matters of mutual concern during sessions of the League of Nations Council. The conversation was cordial, as befitted that brief, glorious period after the conclusion of the Locarno security accords and the return of European economic prosperity in 1925–1926. For the French, at least some French, the Germans were no longer the hated *Boches*; in the fleeting “spirit of Locarno,” Germany was a European power with whom it was possible and indeed desirable to conduct business of state.

The talk between Briand and Schubert soon turned to Russia, often the subject of discussion after the Anglo-Soviet rupture of diplomatic relations in May 1927. Both men bemoaned the difficulty of “getting along with the Russians.” Misery liked company, it seems, for they also discussed trade relations with the USSR and the difficulties and inconveniences of giving credit to the cash-poor Russians. Russia is “always in need of credit,” said Schubert, and they are always trying to get more.¹ Herein lay an important objective of Soviet foreign policy and a serious problem for the Western powers in the 1920s.

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¹ Bonn, Politisches Archives, Auswärtiges Amt (hereafter PA, AA), Büro Reichsminister, Frankreich 11/28242/2406/D.505.496–505, memorandum by Schubert, Geneva, 13 Sept. 1927.

Franco-German cooperation in trade with the USSR is a subject virtually untouched by historians, while Franco-Soviet relations in the 1920s have been only infrequently studied.² In 1930 American journalist Louis Fischer published a book on Western-Soviet relations, in which he devoted modest space to French relations with the USSR. Because of Fischer's close ties with Soviet diplomats and in particular with Georgii V. Chicherin, the commissar for foreign affairs, his book is well informed for its time. Raymond Poincaré, the French premier and finance minister, is the villain of Fischer's piece: he opposed better Franco-Soviet relations, which were an important factor in French domestic politics. Good relations with Moscow could elect the left; bad relations, the right and Poincaré. For Fischer, however, "the intrigue behind . . . French scenes," remained hidden, as it did for Stuart Schram and Francis Conte, who reconsidered the question of Franco-Soviet relations in work published in the 1960s and 1970s. Even a team of Russian historians, using recently opened Soviet archives, did not get to the bottom of the story. None of these authors had access to or made use of French diplomatic and finance archives, though Schram read the private papers of Anatole de Monzie, the head of the French delegation which negotiated with the Soviet Union in 1926–1927.³ The shadowy world of French "intrigue" has thus remained to be uncovered—until now.

While Fischer clearly put the blame on Poincaré for the failure of Franco-Soviet relations, he did not have much to say about Briand's position, though he considered Briand to have been more favorable than the French premier to a Soviet accommodation. Poincaré was brittle and determined; Briand, subtle and compromising: those were the conventional characterizations, which historians have since called into question.⁴ Poincaré was not so obdurate, nor Briand so compromising when it came to Germany, but the old characterizations remain

² See, e.g., Richard Kent Debo, *Survival and Consolidation: The Foreign Policy of Soviet Russia, 1918–1921* (Montreal and Kingston, 1992); Michael Jabara Carley, "From Revolution to Dissolution: The Quai d'Orsay, the Banque Russo-Asiatique, and the Chinese Eastern Railway, 1917–1926," *International History Review* 12 (Nov. 1990): 721–61; idem, "Five Kopecks for Five Kopecks: Franco-Soviet Trade Negotiations, 1928–1939," *Cahiers du monde russe et soviétique* 33 (Jan.–Mar. 1992): 23–57; idem, "Prelude to Defeat: Franco-Soviet Relations, 1919–1939," *Historical Reflections* 22 (winter 1996): 159–88; and Jon S. Jacobson, *When the Soviet Union Entered World Politics* (Berkeley, Calif., 1994).

³ Louis Fischer, *The Soviets in World Affairs*, 2 vols. (London, 1930; Princeton, 1951 rpt.) 2:614–22, 707–16; Stuart R. Schram, "Christian Rakovskij et le premier rapprochement franco-soviétique" (2 pts.), *Cahiers du monde slave et soviétique* I (Jan.–Mar., July–Dec. 1960): 205–37, 584–629; Francis Conte, *Un Révolutionnaire-diplomate: Christian Rakovski, l'Union soviétique et l'Europe (1922–1941)* (Paris, 1978), 170–204; and Valeri A. Golovko, Mikhail G. Stanchev, and Georgii I. Cherniavskii, *Mezhdy Moskvoi i zapadom: Diplomaticheskaja deiatel'nost' Kh. G. Rakovskogo* (Kharkov, 1994), 283–378.

⁴ E.g., Jon S. Jacobson, *Locarno Diplomacy: Germany and the West, 1925–1929* (Princeton, 1972); and John F. V. Keiger, *France and the Origins of the First World War* (London, 1983).

apposite in regard to the USSR. The debate in France was not, however, solely between an intransigent Poincaré and a subtle Briand, but also between French politicians and officials who were sharply divided over Russian policy. The secret maneuverings of government took place behind a curtain of trumpeting anti-Red headlines in the right-wing press and on bills stuck to the walls of Paris, and encouraged from the rostrums of the Poincaré ministry. Purse, principle, and politics were the stakes in an arena where the pragmatism of business interests wanting to trade in the USSR clashed with anti-Communist ideology, enlisted in the cause of right-wing electoral politics.

II

In early 1921 the Soviet government emerged ruined and virtually bankrupt from a destructive, merciless civil war which had begun after the Bolshevik seizure of power in November 1917. To rebuild, "the Soviet"—this was the fashionable argot of the British Foreign Office—needed trade with the West and credit to finance it. Vladimir I. Lenin, the Red leader, enjoined his colleagues to go to Western Europe, not as Bolsheviks, but as merchants. When they did, they met angry bankers, who held up to the Russians sanctity of contract and demanded settlement of tsarist bonds which the Bolsheviks had repudiated in 1918. Western industrialists claimed damages for their Russian enterprises nationalized during the Revolution. Not a penny of credit, bankers said, until the Soviet government agreed to pay Russia's debts. Although the bankers made no formal agreements among themselves, they maintained a tight credit embargo against the Soviet state.

In response, the Bolsheviks haggled like rug merchants and connived to tempt Western firms into doing business, dangling rich contracts before ardent merchants' eyes. In the postwar recession which struck Europe, it was hard to resist temptation, and Western manufacturers were soon selling needles, shoes, and locomotives to Soviet trade agencies. At first, the Soviet government paid in gold to prime the flow of trade, then it began to ask for credit to keep the flow going—short-term, spatchcocked credit at first. As Western confidence grew in Soviet reliability to pay its bills, the Bolsheviks demanded longer, cheaper terms. Western lenders bucked at the trend, and most banks still refused to discount Soviet bills of exchange. But the Bolsheviks quickly learned to bargain as hard as any Western merchant. Whereas bankers could afford to rest on their outraged principles of fidelity to contract, manufacturers worried about filling their order books and keeping their "workmen" employed. Bolshevik traders went from country to country looking for the lowest price and the cheapest credit,

playing competing firms off against one another. It was an impressively orchestrated, multifaceted campaign of blandishments and coercion.

In the 1920s Soviet trade agencies had a difficult time: prices were high, and shady acceptance houses discounted Soviet bills of exchange on the "black market" at usurious rates. The French and British governments were nevertheless incensed by the quick-studied Bolshevik application of "capitalist" first principles. Great Britain and France became further annoyed when Soviet trade agencies sold oil, timber, and agricultural products in the West, running up large trade imbalances to acquire foreign exchange to buy in other markets. When the Anglo-French complained, Bolshevik traders replied with deadpanned maliciousness that they would buy more when they could obtain cheaper prices and cheaper terms of credit.

In Germany, however, there was quite a different reaction to Soviet traders. The German government did not accept its military defeat in the Great War. The Treaty of Versailles was a rankling, dictated peace, not to be respected any more than circumstances demanded. The German government cheated on reparations payments, and it brooded over the Allied occupation of the Rhineland and over its territorial losses, especially in the east where "the Polish corridor" divided Germany and east Prussia. Under these conditions, the German government took a more pragmatic view of Soviet Russia, though it disliked Communism no less than other Western states. In 1920 Soviet-German trade relations began to develop, and in 1922 Germany concluded the Treaty of Rapallo with Soviet Russia. The German government hated Versailles more than it feared Communism, and it saw Russia as a "necessary evil" to counterbalance France and Great Britain and to undo Versailles.⁵ On these principles, there was near consensus in Germany; even the banks, though suspicious and grudging in their support, went along. German officials, merchants, and bankers tolerated Bolshevik "rudeness" and collusion with German Communists: it was worth it to reverse the *diktat* of Versailles. Even Soviet complicity in an abortive Communist rising in 1923 did not disturb German policy. In fact, stern repression of the 1923 putsch gave the German government confidence that it could trade with the Communists in Russia, while safely shooting them at home.⁶

⁵ *Akten zur Deutschen Auswärtigen Politik, 1918–1945* (hereafter *AzDAP*) (Bonn, 1950–), B, VI, 465–68, memorandum by Herbert von Dirksen, chief of the eastern European division of the Auswärtiges Amt, Geneva, 19 July 1927; and Gaines Post Jr., *The Civil-Military Fabric of Weimar Foreign Policy* (Princeton, 1973), 41–52, 110–29.

⁶ See Werner Breitel and Jürgen Notzold, *Deutsch-sowjetische Wirtschaftsbeziehungen in der Zeit der Weimarer Republik* (Baden-Baden, 1979); Harmut Pogge von Strandmann, "Grossindustrie und Rapallopolitik: Deutsch-sowjetische Handelsbeziehungen in der Weimarer Republik," *Historische*

Apart from political considerations, the German government sought to encourage Soviet economic development. Indeed it wanted to promote a rapid Russian recovery, though no altruism entered into German political calculations. The Germans believed that the development of the Soviet economy would strengthen the industrial base on which the Red Army could depend for support. The German government did not view Soviet Russia as a potential military adversary, but as a valued ally in any future war with Poland to recover "the corridor."⁷ Moreover, Russian economic development, many Germans believed, would strengthen the hand of the Soviet government in its relations with the Western powers and make it less vulnerable to their pressure. In terms of Russian domestic politics, the German government believed that Soviet economic development would strengthen the more "moderate" Bolshevik leaders and reduce the influence of the Communist International, the Comintern, a meddler and bungler in world socialist revolution.

Economically, Russia had been important to German prewar trade. The closing of other world markets to German manufactured goods because of the war made continued destitution of the Russian economy a serious impediment to Germany's own economic recovery. German firms believed that their long experience in the Russian market gave them an advantage, which they fully intended to exploit. Russia was a land of dazzling possibilities, thought German business, but so did the German government, in its consuming determination to dismantle the Treaty of Versailles. German manufacturers would gladly have gone it alone in Russia, but the war and reparations made Germany cash poor and, in fact, a net importer of capital. As a result the German government and German firms eagerly sought cooperation in the United States, Great Britain, and France to trade in Russia. In doing so, however, they acted from purest self-interest, because they believed that they would be the main beneficiaries of such cooperation.

That strategy generally governed German policy from 1920, though without much effect until the middle of the decade. The adoption in 1924 of the Dawes Plan, which limited reparations and provided Anglo-American credit for the German economy, opened up new possibilities. Rapid economic growth in Europe, especially in Germany,

Zeitschrift 222 (1976): 265–341; Gunter Rosenfeld, *Sowjetunion und Deutschland 1922–1933* (Berlin, 1984).

⁷ See Manfred Zeidler, *Reichswehr und Rote Armee, 1920–1933: Wege und Stationen einer ungewöhnlichen Zusammenarbeit* (Munich, 1994); Michael Geyer, *Aufrüstung oder Sicherheit: Die Reichswehr in der Krise der Machtpolitik, 1924–1936* (Wiesbaden, 1980); Iurii L. D'iakov and Tatiana S. Bushueva, *Fashistskii mech kovat'sia v SSSR: Krasnaia armia i reikhsver tainnoe sotrudnichestvo 1922–1933: Neizvestnye dokumenty* (Moscow, 1992).

offered the German government an opportunity to try out its Russian trade policies. A new German initiative was necessary because of the decision to balance the Locarno accords and entry into the League of Nations with the German-Soviet Treaty of Berlin in April 1926, which included a three-year, 300-million-mark credit to Soviet trade agencies. The provision of credit was intended to support German firms working in Russia, but also to advance the full German political agenda. The size and long term of the credit excited unfavorable comment among the Western powers—hardly an unexpected reaction—and the German foreign ministry quickly reassured its Western critics. Germany would remain true to Locarno, said German officials, and they encouraged Western firms to join their German counterparts in profiting from development of the Russian market. The German government hoped that 300 million marks would create “economic bridgeheads” in Russia, which would in turn serve to attract Western capital, not acting independently but in close cooperation with German firms. The German position in the Russian market would be reinforced and self-interested foreign criticism deflected.

American, British, and French firms also traded in the USSR, and they all feared competition from Germany and from each other. Naturally, Soviet trade agencies encouraged the competition to obtain lower prices and to break down the Western credit embargo, which in the mid-1920s was formidable. Soviet tactics aroused opposition among the former Allies, but also in Germany, which disliked Soviet “arbitrary” trade practices. If the German government could work together with the Western powers, it believed—somewhat paradoxically in view of German political objectives—they could force the Soviet government to abandon these *modi operandi*. In August 1926 the German foreign ministry sent orders to that effect to its embassies in the major European capitals and in the United States.⁸ German firms were eager to find partners wherever they could and were well aware that British and United States businesses were interested in their activities in Russia, if only to prevent Germany from running away with the Russian trade. In 1926, however, the British and United States governments remained firmly opposed to closer political relations with the USSR. It was in France, therefore, that the Germans sought their first collaborators.⁹

⁸ AzDAP, B, II, 2, 174–77, Schubert to Albert Dufour-Feronce, German chargé d'affaires in London, 7 Aug. 1926.

⁹ See Hermann Hagspiel, *Verständigung zwischen Deutschland und Frankreich: Die deutsch-französische Aussenpolitik der zwanziger Jahre im innerpolitischen Kräftefeld beider Länder* (Bonn, 1987); Franz Knipping, *Deutschland, Frankreich und das Ende der Locarno-ära 1928–1931: Studien zur internationalen Politik in der Anfangsphase der Weltwirtschaftskrise* (Munich, 1987).

III

It was not the first time that Franco-German cooperation in Russia had been mooted. In 1921 Russian émigrés, looking to recover lost fortunes, proposed to act as the go-betweens of Franco-German economic cooperation. They tried again in 1923, but the Franco-German conflict over reparations and the Ruhr crisis in that year blocked their efforts. Even if the circumstances had been otherwise, cooperation would have been difficult since the French government was not interested in financing German manufacturers' profits in Russia. In 1924–26 the French treasury also faced a grave financial crisis and the collapse of the franc on foreign exchange markets. However, those early initiatives were not as off-beam as they might appear because important French firms were involved, including the group controlled by the influential minister-industrialist Louis Loucheur.¹⁰ And the French *Sûreté générale* identified another, less well-known participant in the venture as a Bolshevik agent, suggesting a Soviet interest. In 1921 no get-rich-quick adventurer or ne'er-do-well was beneath Soviet employment to obtain credit or to make a deal in the West.¹¹

In 1924 Soviet prospects improved somewhat with British and French diplomatic recognition of the USSR. The movement in Great Britain was cut short by the "Zinoviev letter," an alleged directive from the Comintern to the British Communist party. Publication of the Zinoviev letter set off a new wave of Tory anti-Communism which led to the rupture of Anglo-Soviet relations in 1927. France was also affected: the French right wanted to emulate the Tory example.¹² In spite of increasing anti-Communist agitation, the French government was prepared to consider a limited improvement of political and economic relations with the USSR. Some French firms, especially in the petroleum industry, were interested in buying and selling in the Russian market. Aware of these developments, Moritz Schlesinger, the Auswärtiges Amt's specialist in Russian business, visited René Saint-Quentin, the deputy director for commercial relations at the Quai d'Orsay, the French foreign ministry. Their meeting took place in June 1926. Agreeing that their

¹⁰ Paris, *Ministère des Finances* (hereafter MF), B31986, "Reconstitution économique de la Russie par la collaboration franco-russo-allemande," not signed (hereafter n.s.), but probably by Dimitri Balachowsky, of the émigré Groupement Jaroszynsky, covered by an internal finance ministry note dated 25 June 1921 and also four other memoranda and letters, June–Sept. 1921; and, inter alia, Paris, *Ministère des Affaires étrangères* (hereafter MAE), Sous-direction des Relations commerciales, 1920–1940 (hereafter RC), Russie/(carton no.) 2044, "Note pour le ministre," Daniel Serruys, *Ministère du Commerce*, 23 Nov. 1923.

¹¹ PA, AA/31966/6701H/8208/21, German embassy, Paris, n.s., no. W. 797, 29 Oct. 1921; and Carley, "From Revolution to Dissolution," 743.

¹² Carley, "Prelude to Defeat," 165–73.

conversation would be of “a private and purely personal nature,” they proceeded to a wide-ranging discussion.

According to Schlesinger, Saint-Quentin was curious about “almost everything regarding Russia.” Although Schlesinger avoided discussing political issues, he “responded freely” to Saint-Quentin’s questions about economic problems. The German government “would welcome the conclusion of a Franco-Soviet trade treaty.” France should not fear that such an accord would strengthen Communism, said Schlesinger. Exactly the opposite would occur, because every Soviet commercial agreement with the West would tie the Russian economy closer to Europe and would limit the influence of “extreme” political elements in Russia, such as Lev D. Trotskii and Grigorii E. Zinoviev. Indeed, the “moderates” under J. V. Stalin held the upper hand, at least in part because of the imperative Soviet need for foreign credit. Schlesinger argued that France should cooperate with Germany in Russia, because neither country by itself was in a position to “compete successfully with Anglo-Saxon capital.” France, warned Schlesinger, would eventually be forced to expand its exports and to compete with Germany in the Russian market. If they did not cooperate, the Russians would eat them alive. Each would be forced to offer lower prices and longer, cheaper credit, favorable to the Russians, but not to themselves. Saint-Quentin readily agreed that German and French firms should discuss the possibilities of cooperation in Russia. Later, Saint-Quentin advised State Secretary Schubert that Briand, then premier, and Philippe Berthelot, secretary general at the Quai d’Orsay, had sanctioned Franco-German discussions.¹³

While Briand may have approved the talks suggested by Schlesinger, that blessing did not prompt any immediate follow-up because the French were negotiating directly with the USSR. Informal Franco-Soviet negotiations had gone on sporadically in 1925, and in February 1926 a Franco-Soviet conference began in Paris to reach a settlement of the debts repudiated by the Bolsheviki in 1918 and to conclude wider political and economic agreements. The French hoped to obtain a settlement of billions in claims by French bondholders, which the Soviet would only consider in exchange for large trade credits.

By the summer of 1926 Soviet negotiators had whittled down French demands for annuities to pay off tsarist bonds from 125 to 60 million gold francs, though the French had pulled the Soviet up from

¹³ PA, AA 31881/6698H/H.109.389–392, Schlesinger to Leopold von Hoesch, German ambassador in Paris, 6 June 1926; MAE, RC, Russie/2060, Note, RC, Saint-Quentin, 17 June 1926; and *ibid.*, Jean Herbet, French ambassador in Moscow, no. 213, 1 July 1926.

40 million. Soviet negotiators wanted to talk about the quid pro quo of trade credits, but the French were not anxious to oblige. In 1925 the French government's initial position had been that concessions on credits were a bargaining counter to obtain a Soviet debts settlement, but later in the year the position began to change. Economic reconstruction of war-devastated northeastern France was nearing completion, and at the beginning of 1925 France had lost its special trading privileges in Germany, allowed under the Treaty of Versailles. The French government was running big deficits because of postwar reconstruction and low taxation. French industry needed new markets, and the French treasury needed foreign exchange, which French exports would generate, to reestablish the stability of the franc. Trade with the USSR looked increasingly attractive, but only if French firms acted quickly. "Our foreign competitors," said a Quai d'Orsay memorandum, "have perfectly understood [the position] . . . and were not allowing profitable openings to slip by." France must get into the Russian market before competitors established positions from which they could not be dislodged. To trade in Russia, however, raised "a question of primordial importance": the Russians wanted credit and were making it a condition of contracts with Western firms.

Herein lay a major difficulty. French exporters wanted Soviet contracts, but they were "paralyzed" by the refusal of any French bank to discount Soviet bills of exchange. Unblocking credit for Russian trade would mean giving up the bargaining counter for a Soviet agreement on debts.¹⁴ The Quai d'Orsay seemed inclined to do so, but with considerable reluctance.¹⁵ At the same time, Soviet officials made it plain to their French interlocutors that they could not agree to a debts settlement without credits in exchange. To buy, the Soviet had to sell. Without a favorable balance of trade the Soviet government could not settle French debts. But to establish this favorable trade balance, the USSR also needed credit. This quid pro quo was indispensable for a Franco-Soviet agreement.¹⁶

There was another difficulty: France had little surplus capital for foreign investment and even less for Russia.¹⁷ French negotiators were

¹⁴ MAE, RC, Russie/2046, "Note pour le ministre," RC, n.s. (but probably Pierre de Sorbier, deputy director for commercial relations), 7 Nov. 1925.

¹⁵ MAE, RC, Russie/2046, Briand to Loucheur, finance minister, no. 3498, 28 Nov. 1925; and MAE, RC, Russie/2047, "Note pour le sous-directeur des Relations Commerciales," Sous-direction d'Europe (hereafter Europe), n.s., 6 Dec. 1925.

¹⁶ MAE, RC, Russie/2045, Jean Herbette, nos. 408-09, 27 May 1925; and MAE, Europe, 1918-1940 (hereafter z, followed by the geographical subheading and folio numbers, when foliated), z-Russie/487, Briand to Herbette, French ambassador in Moscow, unnumbered, 5 Feb. 1926.

¹⁷ MAE, z-Russie/497, 188, internal MAE note for Charles Corbin, deputy director for European affairs, n.s. (but probably Jacques Seydoux, deputy political director), 10 Nov. 1925.

well aware of the Soviet position, and of their own, by the time the Franco-Soviet conference began in February 1926. "France is as incapable of extending credit of a certain importance to Russia," wrote the deputy political director, Jacques Seydoux, "as Russia is of finding by its own means something with which to indemnify French bondholders and French industrialists." Seydoux thought nevertheless that some arrangement could be found based on the principle that France needed Russian grain and oil and that Russia could buy French manufactured goods. The credit required to facilitate that trade could only be found in New York and London, and to get it, the Soviet government would have to settle the tsarist debts. "Our situation is therefore good," concluded Seydoux: "it suffices for two countries which have no money, to find an artifice which permits Russia to say that it is obtaining financial aid from France, and which permits [the French government] to say to bondholders and former property owners that they will receive the compensation to which they are entitled."¹⁸ One point was clear to French negotiators at the beginning of Franco-Soviet conference: no credit meant no deal with the Soviet.¹⁹

In July 1926 negotiations were suspended for the summer holidays, but in a letter for Jean Herbette, French ambassador in Moscow, Briand said he remained confident of a successful outcome of the conference. Briand's letter was "cancelled" and filed on 21 July 1926, four days after the fall of his government, and two days before Raymond Poincaré became premier and finance minister.²⁰ Poincaré's first order of business was to stabilize the French franc, which he did in the ensuing months. Having commenced to restore financial confidence, Poincaré turned to other matters, including the suspended Franco-Soviet conference. The German embassy in Paris watched developments carefully in the expectation that a Franco-Soviet settlement would facilitate Franco-German cooperation in Russian trade.

Briand's earlier summertime confidence about the outcome of Franco-Soviet negotiations appeared to disappear at a meeting with Gustav Stresemann, the German foreign minister, at Thoiry, France, on 17 September 1926. Briand and Stresemann knew each other well. Along with British foreign secretary Austen Chamberlain, they had concluded the Locarno accords in 1925. The three "merry companions" received the plaudits of Europe, and the Nobel peace prize in

¹⁸ MAE, RC, Russie/2047, "Note: Négociations avec la Russie," no. 9–26, Seydoux, 29 Jan. 1926.

¹⁹ Comments by Victor Dalbiez, *député* and member of the French delegation ("Délégation française, réunions préparatoires, séance du 19 février 1926," MF, B32014).

²⁰ MAE, z-Russie/488, Briand to Herbette, 21 July 1926.

December 1926.²¹ Stresemann, who sometimes sounded his French counterpart about Russia at League meetings in Geneva, did so again at Thoiry. I don't "believe the Bolshevik regime [will] last much longer," commented Briand, in a startling turnabout from what he had proposed to write to Herbette in July. He claimed instead to want to promote Ukrainian and Georgian independence. Nor did Briand believe that economic cooperation in building up Russia would be possible until "more stable conditions" prevailed.²² These were curious comments since, at the very time Briand was meeting Stresemann at Thoiry, his officials were in Moscow, negotiating with their Soviet counterparts to work out terms of a debts settlement and trade credits.²³

Briand held to the same line, however, in December 1926 when he met Stresemann again at one of their "Locarno tea parties" in Geneva. French business circles viewed developments in the USSR with "great scepticism," said Briand. There are only two possibilities regarding business there, he observed: Either we will lose money or, if we make a profit, the Soviet government will tax it away. Briand was just as sceptical about any Soviet promise to pay Russia's prewar debts. It would only be an illusion if the Russians recognized the debts and then sought to "pay the interest . . . with French money."²⁴

What happened between July and December 1926 to cause Briand to change—or at least to conceal—his mind about Franco-Soviet negotiations? Poincaré was the main reason. In Poincaré's term as premier and foreign minister between 1922 and 1924, he had demonstrated considerable hostility toward diplomatic recognition of the Soviet government. Recognition and the possibility of a debts settlement were among the issues which the Radical-Socialist party coalition, the *Cartel des gauches*, had used to win the 1924 parliamentary elections. In 1926 Poincaré returned to power no less hostile to the USSR and wiser still about the electoral perils of improved Franco-Soviet relations. Briand must have thought that with Poincaré in power, there would be little progress in the Paris negotiations. To say it to Stresemann, however, would be politically unwise, though to say nothing would seem amiss to German officials. Briand could not allow the German government to believe that France was no longer interested in seeking an agreement

²¹ Jacobson, *Locarno Diplomacy*, 126.

²² *AzDAP*, B, I, 2, 188–91, memorandum by Stresemann, Geneva, 17 Sept. 1926.

²³ MF, B32012, "Compte-rendu d'une conversation entre MM. Alphand et Preobrajensky . . . à Moscou, le 8 septembre 1926"; *ibid.*, "Compte-rendu d'une seconde conversation . . . , le 10 septembre 1926"; MAE, z-Russie/488, "Conversation entre MM. Preobrajensky, Reingold, Tchlenov et M. Jean Herbette, le 7 octobre 1926"; and *ibid.*, Herbette, nos. 771–77, 14 Oct. 1926.

²⁴ *AzDAP*, B, I, 2, 533, extract from Briand-Stresemann conversation, Geneva, 5 Dec. 1926.

with Moscow. That could open the road to even closer Soviet-German relations. It was far better to blame the Soviet, always an ideal scapegoat, for failure to reach agreement.

In October 1926 Poincaré took control over the Soviet negotiations. Until that time, discussions had focused on a settlement of bondholders' claims and trade credits. Poincaré sent instructions to Briand that state-to-state war debts and the claims of dispossessed industrialists also had to be settled before there could be an agreement.²⁵ The French government knew, however, that to raise either of those issues would block a settlement since Soviet officials would press counterclaims with respect to war debts and would refuse to indemnify French industrialists or others, except through individual arrangements or concessions in the USSR. To raise war debts, noted one Quai d'Orsay official, would be to "risk encountering obstacles difficult to overcome."²⁶

The new French position coincided with a deepening impasse in Anglo-Soviet relations. By the end of 1926 the British government was on the brink of breaking relations with the USSR because of Soviet trade union meddling in the British general strike earlier in the year and Comintern assistance to the nationalist revolution in China. For all its desire to promote economic cooperation with France in Russia, the German government—no less, in fact, than the French—had to keep a weather eye cocked on London. The British policy of reconciliation of wartime enemies was contributing significantly to the improvement in Germany's economic and political position in Europe. More to the point, any further improvement would require continued British good will. Hence, when the Foreign Office hung out a storm warning, the German government reacted quickly, the more so when its informants in London reported that leading Tories had lost confidence in Foreign Secretary Chamberlain because he had gone too far in promoting Franco-German reconciliation. Stresemann instructed his ambassador in London to reassure the Foreign Office that neither Germany nor France was seeking "to reach agreements behind Britain's back."²⁷

While German policy remained sensitive to British concerns, the German government also wanted to maintain good relations with Moscow. However, there were problems. The *Auswärtiges Amt* knew that

²⁵ MAE, z-Russie/488, "Note pour M. Berthelot," Seydoux, 25 Oct. 1926; *ibid.*, Poincaré to Briand, no. 11904, 6 Nov. 1926; MF, B32013, Briand to Poincaré, no. 3040, 9 Nov. 1926; and *ibid.*, Poincaré to Anatole de Monzie, head of the French delegation, no. 12097, 13 Nov. 1926.

²⁶ MF, B32014, "Section financière, 9^e séance," 2 Mar. 1926; and MAE, z-Russie/487, Herbet, nos. 255–56, 7 Mar. 1926.

²⁷ *AzDAP*, B, I, 2, 263–64, Dufour-Feronce, no. 712, 25 Sept. 1926; *ibid.*, Horstmann to Schubert, 26 Sept. 1926; and *ibid.*, Stresemann to Dufour-Feronce, no. 563, 27 Sept. 1926.

300 million marks would not long satisfy the credit-hungry Russians, who proved the old saw that the appetite grows with the eating. In fact, the total German credit available to Soviet trade agencies was closer to 500 million marks, but German officials did not consider this sum to be excessive. "It is only a drop in the ocean," Schlesinger told a British diplomat in 1927.²⁸

What concerned the *Auswärtiges Amt* was not the amount of German credit extended to Russia, but the negative reaction of other powers to it. German officials had hoped that on the basis of the German credit guarantee, the Soviet government would find additional credits, especially in Great Britain and France. Soviet officials had no luck, however, and their German counterparts knew by the end of 1926 that the Russians would soon be back in Berlin seeking to double existing credits. But with Anglo-Soviet relations on the brink of rupture and Franco-Soviet relations worsening, the *Auswärtiges Amt* opposed further credit guarantees for Russian trade.

The circumstances were awkward because Germany claimed not to have adequate resources to pay war reparations, while at the same time offering credits to the USSR. In addition, Stresemann's economic advisors worried that Germany might be overexposed in Russia. If the Soviet government chose not to pay, what could creditors do about it? Soviet trade agencies would continue to do business on a cash basis. Nothing suggested that the Soviet government was contemplating such action, but Stresemann wanted to proceed with caution.²⁹

As expected, the Soviet government was soon back at Berlin's door; on 21 January 1927 it asked for more credits. The 300 million marks could not cover projected Russian orders. And longer terms were also needed. We would prefer ten years, said Soviet officials, but we must have at least six. The *Auswärtiges Amt* calculated that only large, long-term credit would provide the Soviet with leverage to secure credit elsewhere and to convince German firms to accept further Russian orders. Most worrisome for German officials was the Soviet trade representative's warning that the outlook for Russian exports was "unfavorable" and that the German government should not count on further increases. If Soviet trade agencies did not obtain more credit, they would buy less in Germany.³⁰

²⁸ *Documents on British Foreign Policy* (hereafter *DBFP*), 1st ser. (London, 1947–), series 1^a, 7 vols., 3:319–24, Ronald C. Lindsay, British ambassador in Berlin, to Orme Garton Sargent, head, Central department, Foreign Office, London (hereafter *FO*), 19 May 1927, enclosing "Note of a Conversation on Conditions in Russia and German-Russian Relations."

²⁹ *AzDAP*, B, II, 2, 481–84, Stresemann to Wilhelm Marx, chancellor, 30 Dec. 1926.

³⁰ *PA*, AA, Handakten Wallroth 8/35649/5265H/H.317.727–729, memorandum by Bruno Hahn, East European division, AA, 21 Jan. 1927.

All those difficulties stimulated the German desire to interest French business in promoting a more rapid development of Russian trade. In March 1927 Schlesinger again went to Paris, consulting with French government officials and representatives of French firms interested in business with Russia. The *Auswärtiges Amt*, still closely watching Franco-Soviet negotiations, had received indications that the French and Soviet governments were both desirous of a settlement, notwithstanding Briand's earlier comments to Stresemann. Robert Coulongre, then deputy director for commercial relations at the *Quai d'Orsay*, appeared to confirm that a settlement of the tsarist bonds was within reach and that the sticking point was credit. Soviet negotiators wanted large trade credits, said Coulongre, which the French government was not prepared to deliver.³¹ Schlesinger also met Eduard A. Frick, director general of the *Société financière pour le développement du commerce français avec les pays de l'Europe du Nord*, who was a lobbyist for French firms interested in the Russian trade and in Franco-German cooperation in the USSR. These companies included, inter alia, the important Loucheur and Lubersac groups, and the *Aluminium français*. Schlesinger hoped that cooperation could begin as soon as a Franco-Soviet debts settlement was concluded.³²

IV

Unbeknown to the German government, the possibility of a Franco-Soviet settlement had nearly disappeared. It was not that some French negotiators were against agreement. On the contrary, Monzie, the chief French negotiator, and several relatively junior *Quai d'Orsay* officials including Charles Alphand and Eirik Labonne, both future French ambassadors to the USSR, favored a settlement. And in Moscow, Ambassador Herbette urged a rapprochement. Poincaré was against it, however, and, as premier, he was to have the last word.³³ The *Sûreté générale*, which observed French politics as carefully as those of other countries, reported growing dissension over foreign policy between Poincaré and Briand. The reports did not identify the issues, but the French cabinet was opposed to excessive conciliation of Germany and to an early evacuation of the Rhineland.³⁴ There was also dissent inside

³¹ PA, AA 31902/6698H/H.111.997-120.000, memorandum by Schlesinger, 2 Apr. 1927.

³² *Ibid.*

³³ According to Philippe Berthelot, secretary general at the *Quai d'Orsay* (Eric Phipps, British chargé d'affaires in Paris, to J. D. Gregory, assistant under-secretary, Foreign Office, confidential, 22 Mar. 1927, N1388/47/38, Public Record Office, London (hereafter PRO), FO 371 12584).

³⁴ Paris, Archives nationales, F7 12955, "Au sujet du Ministère—autour des changes,"

the Quai d'Orsay over relations with the USSR. Alexis Léger, the political director, and Charles Corbin, the deputy director for European affairs, were, to say the least, pessimistic about concluding an agreement. France should be in no hurry to continue negotiations, Léger advised, in order to signal that it was the Soviet, not the French, who really needed a deal. Nor was he persuaded that the USSR would become a "providential buyer" of French manufactured goods.

If the USSR needed credit as badly as most experts appeared to believe, Léger observed, Soviet creditors should form a united front to impose their minimum terms. Then, the Soviet government might be persuaded to lower its demands and end its efforts to play off one country against another. Léger could think of other reasons for refusing to conclude with the USSR. The Quai d'Orsay was concerned not to offend the British or Polish governments, which would take a dim view of overly intimate Franco-Soviet relations. Comintern support for the revolutionary movement in China threatened French interests in the Far East and aggravated French right-wing opinion. And the risk of unemployment in France made it inadvisable to hand the Soviet government a diplomatic victory which would increase its prestige among the working classes, where the French Communist party was constantly at work, pursuing its *tâche dissolvante*.³⁵ Briand accepted Léger's view, advising Herbetette in April 1927 that any political agreement with the Soviet that affected the main lines of French foreign policy was quite out of the question.³⁶

Briand's instructions were no surprise: in April 1927 Great Britain and France both were alive with anti-Communist rhetoric in the press and in government circles. In February François Coty, the right-wing perfume mogul and owner of the influential *Le Figaro*, had lunch with Chamberlain in London to discuss the organization of a united front against the USSR. Chamberlain was open-minded, and Coty launched a trial balloon in *Le Figaro*. Even Briand thought the concept might have merit.³⁷ In April Albert Sarraut, the interior minister, trumpeted the alarm against Communist subversion in a widely publicized speech at Constantine, Algeria. "Le communisme, voilà l'ennemi!" he declared.

A. 148, *Sûreté générale*, 7 Jan. 1927; *ibid.*, "La situation du Cabinet," A. 400, 15 Jan. 1927; *ibid.*, "Au sujet des dissentiments au sein du Cabinet sur la politique extérieure," A. 2.361, 17 Jan. 1927; and Jacobson, *Locarno Diplomacy*, 101-4.

³⁵ MAE, z-Russie/359, 126-27, "Note pour le secrétaire général," Léger, 17 Feb. 1927; MAE, z-Russie/489, "Note de M. Corbin," 26 Feb. 1927; and Carley, "Prelude to Defeat," 169-73.

³⁶ MAE, z-Russie/359, 134-36, Briand to Herbetette, nos. 237-39, 10 Apr. 1927.

³⁷ PRO, FO 800 260, 238-48, Walford Selby, FO, to Phipps, 21 Feb. 1927; *ibid.*, 281-82, Phipps to Selby, 7 March 1927; PA, AA 29266/4562/E.158.796-801, Kurt Rieth, German chargé d'affaires in Paris, no. 624, 29 May 1927; and various papers in F5018/2/10, PRO, FO 371 12406.

Khristian G. Rakovskii, the Soviet ambassador in Paris, reported to Moscow that Sarraut's speech had been approved by the French cabinet; it was evidence of the growth of anti-Soviet tendencies in France.³⁸

In May the Chamber of Deputies debated the lifting of parliamentary immunity of Communist deputies so they could be prosecuted for subversive activities. In May, too, the word "elections" began to turn up in the press and in Soviet and French calculations concerning the debt negotiations. A settlement would help the left in national elections in 1928; failure amidst an anti-Communist tumult would put the right in power. If Soviet officials had any doubts on that point, they were confirmed by French politicians and journalists.³⁹ In June and July a sinister, anti-Red poster was plastered across the seventy-nine communes of the Seine—"The Communist party is a party of assassins," it said; "Communism is the reign of crime." The poster quoted Sarraut's Constantine shibboleth and depicted a Bolshevik firing squad executing a group of innocents, ironically reminiscent of Goya's painting of Napoleon's soldiers shooting Spanish patriots.⁴⁰ As bill stickers made their rounds in Paris, Labonne warned Rakovskii that Franco-Soviet relations held "only by a thread."⁴¹ Later in the summer Communist deputies André Marty and Marcel Cachin, among others, were arrested for antimilitary propaganda among French armed forces. The right approved the arrest of these two thorns in the side of France: Marty, the notorious Black Sea mutineer in 1919 during the ill-starred French military intervention in southern Russia, and Cachin, his eloquent defender and tenacious critic of the French war against the Bolsheviks. These arrests did nothing to calm the right: Henri de Kérillis wrote a series of articles in *L'Echo de Paris* warning of the danger of an armed Communist insurrection in Paris.⁴² But all that was a mere prelude to the right-wing tumult which soon followed.

³⁸ Moscow, Arkhiv vnesheinei politiki Rossiiskoi Federatsii, fond 136, Referentura po Frantsii, delo 306, papka 117, listy 105–08 (hereafter AVPRF, f., d., l.), Rakovskii to Litvinov, no. 10, very secret, 23 Apr. 1927.

³⁹ Kommissiia po izdaniuu diplomaticheskikh dokumentov, *Dokumenty vnesheinei politiki SSSR* (hereafter *DVP*), 23 vols. (Moscow, 1958–), 10:188–91, G. Rakovskii, to Maksim M. Litvinov, deputy commissar for foreign affairs, 7 May 1927; MF, B32013, handwritten notes by Jean-Jacques Bizot, finance ministry official, 13 May 1927; PA, AA 29266/4562/E.158.796–801, Rieth, no. 624, 29 May 1927; e.g., Gustave Téry, "Agiter afin de s'en servir," *L'Œuvre*, 1 May 1927; Jean Pilot, "Distinction nécessaire," *L'Œuvre*, 27 May 1927; and AVPRF, f. 136, d. 305, p. 117, l. 55–57, "Discussions with [Alfred] Margaine, [Victor] Dalbiez, [Henri] Rollin," Rakovskii, very secret, 24 May 1927. On the increase in anti-Communist agitation in France, see Schram, "Christian Rakovskij," pt. 2, passim; Carley, "Prelude to Defeat" and "Five Kopecks for Five Kopecks," passim.

⁴⁰ *L'Echo de Paris*, 12 July 1927.

⁴¹ AVPRF, f. 136, do 306, p. 117, l. 169–72, Dnevnik: "Today I had a long conversation with Labonne," n.s. (but Rakovskii), 26 June 1927.

⁴² "L'arrestation du député Marty," *Journal des débats*, 15 Aug. 1927; and Kérillis, "Devant la menace d'insurrection . . .," *L'Echo de Paris*, 1–5 Sept. 1927.

In view of building anti-Communist agitation, it is remarkable that Monzie, head of the French delegation, and his Soviet counterpart, Rakovskii, continued to negotiate the terms of a debts settlement. Rumors circulated that an agreement was near, although the French finance ministry formally denied them.⁴³ In fact, an agreement had almost been reached. In May Rakovskii published an interview saying so, which infuriated Poincaré. Little wonder: Rakovskii said it would be France's fault if negotiations failed.⁴⁴

Rakovskii wants to win over French bondholders, Poincaré complained: the ambassador's conduct is unacceptable. He called in the owner of the anti-Red daily *Le Matin*, Maurice Bunau-Varilla, to ask him to rebut Rakovskii's claims. "A comedy that has lasted long enough," duly ran *Le Matin's* leader a few days later.⁴⁵ Incredibly, there was still movement forward, and Labonne thought an "agreement was virtually concluded on the question of debts." Monzie and a majority of his colleagues agreed to submit a draft agreement for a debts settlement to the Soviet delegation. Only the finance delegates dissented. "[Ils] me tirent dans les jambes," Monzie complained to Rakovskii. Quai d'Orsay officials drew the same conclusion: the finance ministry "was doing everything possible . . . to drag things out." If foreign commissar Chicherin—who was coming to Paris—agrees to our demands, we shall put two new obstacles in the way, noted finance official Jean-Jacques Bizot. The Soviet would have to come to terms on war debts and indemnities for dispossessed French property holders, though French officials knew very well that the Soviet would not do so. In the meantime, Franco-Soviet negotiations would be "dampened down."⁴⁶ It was an old diplomatic ruse: make unacceptable demands, and blame the other side for refusing them. Poincaré even told Chicherin in Paris that he intended to suspend negotiations; then he launched into a "rude and prolonged diatribe against the revolutionary communist policies of the Soviet government." Public opinion in France was inflamed, said

⁴³ Paris, Fondation nationale des sciences politiques (hereafter FNSP), Papiers de Monzie/2, untitled note, 11 April 1927.

⁴⁴ MF, B32013, "Une Interview de M. Rakowski, la question des dettes russes et les ouvertures de nouveaux crédits," *Paris-Soir*, 4 May 1927; and AVPRF, f. 136, d. 306, p. 117, l. 118–23, Rakovskii to Litvinov, no. 12, very secret, 6 May 1927.

⁴⁵ MF, B32013, untitled note, Bizot, 6 May 1927; *ibid.*, Poincaré to Briand, no. 4833 bis, 6 May 1927; and Stéphane Lauzanne, "Une Comédie qui a assez duré, c'est celle des négociations franco-soviétiques," *Le Matin*, 9 May 1927.

⁴⁶ MF, B32013, handwritten notes by Bizot, 13 May 1927; *ibid.*, "Rapport au Président du conseil, Ministre des Finances," no. 5338, Clément Moret, directeur du Mouvement général des Fonds, approved by Poincaré, 19 May 1927; MAE, z-Russie/489, "Négociations franco-soviétiques," Europe, n.s., 20 May 1927; and AVPRF, f. 136, d. 306, p. 117, l. 128–31, Rakovskii to Litvinov, no. 16, very secret, 20 May 1927.

Poincaré: "Matters had not yet gone as far as in England, but it could come to that."⁴⁷

Poincaré was referring to the rupture of Anglo-Soviet diplomatic relations which occurred at the end of May. In Paris the rupture prompted expressions of approval on the right. High time, said the semiofficial Paris daily *Le Temps*, France should do likewise.⁴⁸ Rakovskii complained of the unusually vicious attacks in the French press. The rupture with Great Britain had strengthened the position of "all reactionary elements" and weakened the *Cartel*.⁴⁹

In Moscow the rupture set off a "war scare." In mid-June Frick, the lobbyist for French firms, explained the difficulties to Schlesinger and said that the Anglo-Soviet rupture had created uncertainty about future business in Russia. If Franco-German and eventually British economic cooperation could not be established, Russia must be written off as an export market. Frick suggested that French firms wishing to trade in Russia should speak directly to their German counterparts. If the discussions "produced positive results," they could then look for British backing. Such cooperation might be possible, supposed Frick, because the British government was saying that it would not interfere in trade with Russia. In any case, French firms believed that large-scale business with Russia would be impossible without British support. Schlesinger submitted a report of Frick's views to Stresemann, asking him to sound out the Quai d'Orsay about its willingness to facilitate Franco-German economic discussions.⁵⁰

State Secretary Schubert declined, being aware that two days earlier Briand had flatly told Stresemann that he did not believe the Franco-Soviet negotiations would succeed. The French cabinet, and not least of all Poincaré, rejected the Soviet demand for trade credits or a loan in exchange for a debts settlement. "It's bad to negotiate with the Russians," said Briand: "Their policy is that of Penelope; they take back in the night everything they have given in the day."⁵¹ Actually, Briand had merely borrowed a Soviet image of the French and turned it around. France is like a "distant princess," Chicherin had said to French ambassador Herbette, who will permit the Soviet government

⁴⁷ AVPRF, f. 136, d. 305, p. 117, l. 64–67, "Discussion with Poincaré," very secret, n.s. (Chicherin), 24 May 1927.

⁴⁸ Bulletin du jour, "La Rupture entre Londres et Moscou," 26 May 1927, *Le Temps*; and Jacques Bardoux, "Questions extérieures: La Rupture avec la Russie," 5 June 1927, *Le Temps*.

⁴⁹ AVPRF, f. 136, d. 306, p. 117, l. 149–54, Rakovskii to Litvinov, no. 20, very secret, 17 June 1927.

⁵⁰ PA, AA, Abt. IVa Russland, Handakten, Vermittlung II, 1927/31861/6698H/H.106.647–648, memorandum by Schlesinger, 16 June 1927.

⁵¹ *AzDAP*, B, V, 513–18, memorandum by Stresemann, Geneva, 14 June 1927.

to offer her gifts, "but who refuses obstinately to acknowledge them."⁵² Undoubtedly both sides were playing hard to get, though the French were harder, because as Briand told Stresemann, public opinion had turned wildly against French Communism with Interior Minister Sarraut directing the charge. Like Stresemann, Briand would have been quite satisfied to crush Communists at home and negotiate with those in Russia. But he could not do it in the midst of anti-Communist agitation in France. Under the circumstances, German officials considered it inopportune for Stresemann to approach Briand. Only if the French made the first move should Germany respond. Rather than proceed at Geneva, as originally intended, German officials decided to wait for the French government to take the initiative.⁵³

The German government had to wait for three months, while the French sorted out their own negotiations with the Soviet. Unbeknown to them and to the increasing consternation of Poincaré and his officials, Monzie and Rakovskii continued to negotiate. This was in spite of Poincaré's formal instructions to Monzie that he refuse to acknowledge new Soviet concessions and that he reemphasize to Rakovskii that there could be no settlement without agreement on war debts and confiscated property. The whole matter has been turned over to Poincaré, Berthelot told Rakovskii, and he links everything together.⁵⁴ Poincaré's policy was just that of the "distant princess."

"Don't break off, don't conclude, drag out negotiations," was Rakovskii's description of Poincaré's position. "Negotiations are at a dead end," he said.⁵⁵ Not quite. Monzie had other ideas and made a fresh offer to Rakovskii barely ten days after receiving Poincaré's instructions. In reply to the Soviet request for \$225 million in credits repayable in ten to fifteen years, Monzie counteroffered with \$60 million, repayable in five years. France was sharply constrained in the credit it could offer to the USSR, Monzie argued, but the Soviet government needed credit and would not abandon that quid pro quo. How then could an agreement be achieved? Monzie returned to Seydoux's earlier concept of an "economic circuit" whereby Franco-Soviet trade would increase, by means of credits, which would allow the Soviet government to obtain increased foreign exchange necessary to pay French bondholders. The \$60 million in credit advanced by Monzie would be equal

⁵² MAE, z-Russie/358, 118–30, Herbette, no. 123, 3 July 1925.

⁵³ PA, AA, Wirtschaft IV Russland, Handel 11 F/94669/K.428.106, file entry by Karl Ritter, director of economic negotiations at the Auswärtiges Amt, 16 June 1927.

⁵⁴ MF, B32013, Poincaré to Monzie, no. 7035, 9 July 1927; and AVPRF, f. 136, d. 306, p. 117, l. 200–09, Rakovskii to Chicherin, no. 26, very secret, 22 July 1927.

⁵⁵ AVPRF, f. 136, d. 306, p. 117, l. 138–42, Rakovskii to Litvinov, no. 18, very secret, 3 June 1927; and *ibid.*, l. 143–48, Rakovskii to Litvinov, no. 19, very secret, 10 June 1927.

to what the Soviet would pay out to France over five years. And Monzie proposed credit guarantees for Soviet commercial paper very similar to the British scheme extended to the USSR in 1929 by the minority Labour government. It's making the best of a bad situation, said Monzie: "But the facts are there. The Russian debt has gone unpaid for ten years; it will remain unpaid for a long time to come if we confine ourselves to the sterile attitudes of negation and indignation."⁵⁶ Better *part* of an actual loaf than a *whole* hypothetical one, Monzie said in effect.

Monzie and Labonne discussed the proposals with Rakovskii on 23 July over the course of a two-hour conversation. According to a Quai d'Orsay note, Monzie advised Rakovskii that the proposals were the maximum French concession, that the French government's acceptance even of this proposal was "highly problematic," and that "it would be very desirable for the USSR to give immediately its formal approval [to the proposal], failing which we fear a rapid rupture of Franco-Soviet relations."⁵⁷ Rakovskii's account of the meeting was somewhat different. He told Monzie and Labonne that the French credits were "ludicrously inadequate."

The French replied that their proposals could be expanded later by larger financial operations, but not now: any allusion to such intentions in "the present mood of hostility" to the USSR in France, would provoke a "storm of protest." When Rakovskii asked if the credits would be tied to war debts and expropriated property, "Monzie and Labonne declared that they will take on themselves the elimination of such links." Little wonder the French negotiators declined to put their proposals to Rakovskii on paper; they would have to come from the Soviet side.⁵⁸

Monzie hoped, so Labonne informed Herbetette, that when Rakovskii returned from consultations in Moscow in August, he could give unambiguous approval to the French credit proposal, which was the only way to overcome opposition in Paris. Briand may have hoped for that also, since Monzie's offer could surely not have been made without his tacit consent. That being the case, Briand was still holding ajar the door of negotiations with the Soviet, defying Poincaré in the bargain and being rather less than completely informative with Stresemann in June.

"The future is uncertain," Labonne wrote to Herbetette on 3 Au-

⁵⁶ MF, B32013, "Des conditions effectives du règlement de la dette russe," n.s., but probably drafted by Labonne and approved by Monzie, 18 July 1927.

⁵⁷ MAE, Z-Russie/490, untitled MAE note, n.s., "vu par M. Berthelot," 20 July 1927.

⁵⁸ DVP, X, 343-44, Rakovskii to Chicherin, 24 July 1927.

gust: “. . . approaching elections will scarcely permit a resolution of the problem after 1 January [1928].”⁵⁹ Earlier, Labonne had offered a more pessimistic view to Rakovskii: the right’s growing hostility to the USSR is caused by Communist propaganda, Comintern subversion, and the 1928 elections. Poincaré wants to take from the *Cartel*’s hands its sole trump in foreign policy. To prove to voters the bankruptcy of the left, Poincaré will delay any Soviet agreement.⁶⁰ Internal political considerations notwithstanding, the French government could not free itself from negotiations with the USSR. It was like getting tar off dirty hands. Labonne advised Herbette that Monzie’s proposal for credits had been given to Poincaré. We have not yet heard the reaction, Labonne said: “If it should be as negative as the mood of the *bureaux* of the rue de Rivoli [i.e., the finance ministry], we will be in desperate straits.”⁶¹

Labonne must have liked to indulge in understatement. Victor Dalbiez, the deputy head of the French delegation, went behind Monzie’s back to recommend to Poincaré that the French policy of *ni rompre, ni négocier* be abandoned. The Soviet government could well accept Monzie’s last proposals, compelling the French delegation to negotiate credits, “but with increasing difficulties . . . because of the mistrust of industrial, commercial, and financial circles.” We will be dragged into interminable negotiations,” said Dalbiez, “which would have no chance of succeeding and which would arouse British susceptibilities.” Dalbiez recommended breaking off negotiations because organizing credits for Soviet trade would be impossible. The Russians were the needy ones—let them make further concessions to obtain Western cooperation.⁶²

“In other words,” minuted Bizot, “we should never have started negotiations.” Although Bizot stopped short of opposing Dalbiez’s strategy, he thought it would be risky since the Soviet could attempt to put off on France the responsibility for the failure of the conference.⁶³ Finance officials continued to stick to the policy of the “distant princess,” pointing out that Monzie’s proposal made no reference to war or private debts, which if raised, “would probably . . . lead to the failure of the negotiations.” If the French government wished to subsidize French exports, it would be better to develop trade relations with

⁵⁹ FNSP, Papiers de Monzie/II, Labonne to Herbette, 3 Aug. 1927.

⁶⁰ AVPRF, f. 136, d. 306, p. 117, l. 169–72, “Dnevnik,” n.s. (but Rakovskii), 26 June 1927; and *ibid.*, l. 173–81, Rakovskii to Chicherin, no. 24, very secret, n.d. (received 16 July 1927).

⁶¹ Labonne to Herbette, 3 Aug. 1927, cited above.

⁶² MF, B32013, “Note sur l’attitude à adopter pour la suite des pourparlers franco-soviétiques,” Dalbiez, 19 July 1927, with minutes by Bizot.

⁶³ *Ibid.*; and MF, B32013, “Note pour Monsieur le Directeur du Mouvement général des Fonds,” Bizot, 23 July 1927.

countries that were “more economically and politically reliable than Russia.” If the USSR wants credit, it has only to change its policies in a way that will inspire lenders’ confidence.⁶⁴

The pullulating maneuvering inside the French government increased when Rakovskii returned to Paris on 17 August. He immediately saw Monzie and Labonne, advising them that the Soviet government was dissatisfied not only with the French credit proposal, but also with the Soviet delegation’s concessions on debts. Rakovskii said he had instructions to accept the French position on debts only in exchange for acceptance of the Soviet position of \$120 million in credits. “This is our last offer,” said Rakovskii.⁶⁵

It was a good negotiating position, but Monzie and Labonne held to theirs, saying it was “the only possibility in the present circumstances.” It’s “the maximum of the maximum.” We can promote our proposal only with the greatest difficulty. Poincaré “dreams of just one thing, in what manner he can break up the conference, but Monzie—relying on the ministry of foreign affairs, in particular Briand, and threatening resignation—calculates on advancing his own scheme.” Monzie and Labonne pleaded with Rakovskii not to put his new proposals in writing. They would only offer Poincaré the pretext he wanted to rupture the negotiations.⁶⁶

Rakovskii did not think the French offer was final, though in fact it was lapsed, Poincaré having pulled Monzie’s credits off the table. Incredibly, Monzie and Labonne still tried to finesse an agreement. Their persistence to that end was equal only to their audacity—or folly—in thinking they could achieve an agreement in the teeth of Poincaré and his officials’ determined opposition. It was like Don Quixote and Sancho Panza tilting at windmills.

In fact, Rakovskii’s return to Paris aroused fear in the finance ministry that the Soviet would make new concessions. Bizot even accused Monzie of “clandestine démarches” with the Soviet ambassador. We could find ourselves, he complained, faced with a *fait accompli*. This was precisely Monzie’s strategy. Finance strategy was to keep talking to Labonne in order to “moderate Monzie.”⁶⁷

Finance officials could have worried less. Rakovskii made what

⁶⁴ MF, 32013, “Note pour le Président du Conseil, Ministre des Finances,” no. 7993, 8 Aug. 1927, signed by Moret, approved by Poincaré.

⁶⁵ DVP, X, 365–66, Rakovskii to Narkomindel (Commissariat for foreign affairs), 19 Aug. 1927; see also Labonne’s retrospective account in MAE, z-Russie/490/MF B32013, “Négociations franco-soviétiques depuis le mois de juillet 1927,” 29 Sept. 1927.

⁶⁶ AVPRF, f. 136, d. 306, p. 117, l. 210–17, Rakovskii to Chicherin, no. 28, very secret, 20 Aug. 1927; and *ibid.*, l. 218–24, Rakovskii to Chicherin, no. 29, very secret, 23 Aug. 1927.

⁶⁷ MF, B32013, “Reçu la visite de M. Labonne,” Bizot, 19 July 1927.

proved to be a fatal gaffe by signing a Trotskyist opposition declaration in Moscow on 10 August stating that the Soviet government should encourage desertion among Western armies waging war on the USSR.⁶⁸ French anti-Communists—and those opposed to a Franco-Soviet agreement—pounced on Rakovskii's signature with the avidity of hungry predators. Rakovskii went to see the political director of the Quai d'Orsay, Jean de Beaumarchais, the day after his return to Paris. Rakovskii said he had further propositions to make to the French government, but Beaumarchais replied frigidly, wanting instead to discuss Rakovskii's endorsement of military desertion. The French government, he warned, would lodge a protest in Moscow. To this observation, "Rakovskii affected great astonishment," recorded Beaumarchais, saying that his signature on the opposition statement of 10 August had nothing to do with France. After Rakovskii outlined the new Soviet proposals, including a nonaggression pact, Beaumarchais commented that the Soviet government would do better to call a halt to Communist propaganda in France.⁶⁹

Rakovskii's meeting with Beaumarchais was a mistake, Labonne advised Monzie. The Soviet proposals "were immediately transmitted to the other side of the water [i.e., the Seine, to the rue de Rivoli]. You can imagine the effect." I told Rakovskii "sans détour," said Labonne, that his maneuver could paralyze negotiations. "After this berating," Labonne asked about the Soviet response to Monzie's July proposal: "Have you at least finished equivocating . . . ?" Rakovskii's reply was "still ambiguous."

"Perfect," replied Labonne, "you put us at ease and remove a long spine from our foot." Speaking in veiled terms, Labonne told Monzie that his July proposal had been sabotaged by Poincaré and his officials. The council of ministers was worked up and indignant. Politics, said Labonne, had "devoured" the negotiations.⁷⁰ Monzie replied to Labonne that he was still optimistic. Rakovskii wants to see me, wrote Monzie, and he wondered whether Rakovskii would accept his July proposals: "But if he agrees, is not my position extraordinary? To fear a yes from my interlocutor."⁷¹

The last act of the Franco-Soviet negotiations played itself out in September. At the end of August Chicherin disavowed Rakovskii's

⁶⁸ Reported by Herbette, nos. 462 and 466, 10 Aug. 1927 (MAE, z-Russie/359, 172-73).

⁶⁹ MF, B32013/MAE, z-Russie/359, 192-93, "Visite de M. Rakowsky," Beaumarchais, 19 Aug. 1927; and AVPRF, f. 136, d. 306, p. 117, l. 210-17, Rakovskii to Chicherin, no. 28, very secret, 20 Aug. 1927.

⁷⁰ FNSP, Papiers de Monzie/II, Labonne to Monzie, 28 Aug. 1927; and AVPRF, f. 136, d. 306, p. 117, l. 228-34, Rakovskii to Chicherin, no. 30, very secret, 24 Aug. 1927.

⁷¹ FNSP, Papiers de Monzie/II, Monzie to Labonne, 29 Aug. 1927.

endorsement of the Soviet opposition's declaration of 10 August. Herbette, who made his last recommendation for a moderate course, noted that Rakovskii's signature was not so bad. Let's accept the Soviet disavowal and get on with negotiations, he said.⁷² Briand was disposed to follow such reasonable advice, but could not hold the position. On 23 August there were violent street demonstrations in Paris after the execution in the United States of anarchists Sacco and Vanzetti. On 4 September began a right-wing press campaign aimed at the expulsion of Rakovskii and the breaking of diplomatic relations with the USSR. The "camarade-ambassador" has been caught dead to rights messing about in French affairs: throw him out, said the right-wing press and close the "red embassy" on the rue de Grenelle!⁷³

In early September 1927, Briand went to Geneva to participate in the meetings of the League Council. As usual, Briand saw the Germans—in the event, Schubert—to survey the general world situation, including relations with the USSR. "It is very difficult to get along with the Russians," commented Schubert. I could "sing the same song," replied Briand with a laugh. They both agreed, however, that in spite of difficulties, they should maintain relations with the USSR and not boycott or encircle it, which would be "absurd." Briand said he was seeking a *modus vivendi* with the Soviet government and asked "what business [German firms] were doing with Russia." Schubert explained the \$300-million credit provided to the Soviet government.

"[O]bviously [the Russians] need more credit . . .," said Schubert: "Russia is . . . always in need of credit." Nevertheless, the state secretary thought business was developing "very satisfactorily," though he doubted that German firms were "of a mind to assume further risks in Russia." Schubert also took care to touch on another cornerstone of German policy regarding the power struggle underway in Russia between "very radical" and "somewhat more moderate elements." It was not just a German interest to strengthen the moderate elements in the USSR, but the interest of Europe in general. To that end, we need, said Schubert, "a certain *modus vivendi* with the Russians." Naturally, Briand "agreed completely."⁷⁴

Briand did not say everything to Schubert, though he said rather more than usual. He did not, for example, mention his disagreement with Poincaré over policy towards the USSR, though in Moscow Chicherin calculated that Briand was "seeking the political middle . . .

72 MAE, z-Russie/360, 3–5, Herbette, no. 535, 2 Sept. 1927.

73 See, e.g., *L'Echo de Paris*, *Le Figaro*, *Le Journal des débats*, *Le Matin*, *Le Temps*, Sept.–Oct. 1927.

74 PA, AA, Buro Reichsminister, Frankreich 11/28242/2406/D.505.496–505, memorandum by Schubert, Geneva, 13 Sept. 1927.

tacking first to the right . . . then to the left.”⁷⁵ Earlier in the year, in loose talk to Rakovskii, Monzie put it somewhat differently: “You know Briand, he changes his language according to whom he is speaking. To you he will talk about friendship with Russia; in the corridors of the Chamber of Deputies, he will whisper that he has proof of Soviet millions, which have been given for propaganda in France.”⁷⁶

At the end of August Briand had thought that Chicherin’s disavowal of Rakovskii’s gaffe had closed the incident. But after Briand left for Geneva, the French cabinet decided to ask for Rakovskii’s recall. Briand heard about it through the press and threatened to resign. “It is impossible for me to believe,” said Briand, “that the foreign relations of France can be influenced by press campaigns and decided under such pressure.” A Quai d’Orsay official told Leopold von Hoesch, the German ambassador in Paris, that Briand thought Franco-Soviet relations had “not been conducted properly”; they had been hijacked, in effect, by the press, campaigning against Communist subversion in France.⁷⁷ Poincaré tried to conciliate Briand on the matter of the press leak, but on the main issue, Rakovskii’s recall, he was adamant.⁷⁸ It was time to break up the Monzie-Rakovskii combination: Rakovskii would be sent home—and Monzie also.

Monzie, who was on holiday, heard the rumors of Rakovskii’s recall and publicly disagreed with Poincaré, endorsing Rakovskii and implicitly threatening to publish “the possibilities of an agreement which in principle had been achieved.”⁷⁹ Publicity of that nature was exactly what finance officials preferred to avoid, but which now erupted. Press communiqués on the state of negotiations flew back and forth: Maksim M. Litvinov, the deputy commissar for foreign affairs, said the two sides were close to agreement on debts; the French disingenuously denied it. We are up against a Jesuit’s guile, said Rakovskii. The Soviet ambassador went to Monzie’s flat to get an explanation. Monzie could only offer lame excuses, and Rakovskii angrily accused him of deceit. “I think at one point,” Rakovskii wrote, “that all the neighbors . . . gathered [outside the door] to listen to our quarrel.”⁸⁰

⁷⁵ *AzDAP*, B, VII, 46–48, Ulrich von Brockdorff-Rantzau, German ambassador in Moscow, no. 1162, 7 Oct. 1927.

⁷⁶ *AVPRF*, f. 136, d. 306, p. 117, l. 61–63, “Conversation with de Monzie, 22 January 1927,” very secret, n.s. (but Rakovskii).

⁷⁷ According to Paul Bargeton, chief, Service d’information et de la presse, Quai d’Orsay (*AzDAP*, B, VI, 459–61, Hoesch, no. 999, 17 Sept. 1927).

⁷⁸ *MAE*, z-Russie/360, 31–34, Briand (Geneva) to Poincaré, nos. 15–18, 10 Sept. 1927; *ibid.*, 38, Poincaré to Briand, no. 12, 10 Sept. 1927; and *ibid.*, 45, Poincaré to Briand, no. 18, 12 Sept. 1927.

⁷⁹ “M. de Monzie nous dit . . .,” *L’Avenir*, 12 Sept. 1927 (*MAE*, z-Russie/360, 48).

⁸⁰ *AVPRF*, f. 136, d. 306, p. 117, l. 235–40, Rakovskii to Litvinov, no. 33, 24 Sept. 1927; and *MF*, B32013, “Tél de M. de Monzie,” Bizot, 23 Sept. 1927.

Amidst the growing tumult and the shrill calls for Rakovskii's expulsion and the rupture of Franco-Soviet relations, came the last Soviet offer to settle the Russian debt in exchange for credits. On 23 September the Soviet embassy handed over a letter agreeing, *inter alia*, to pay sixty million gold francs for sixty-one years to France, with a most-favored-nation clause, should the Soviet government offer better terms to other states. In exchange it asked for \$120 million in commercial credits for French manufactured goods over six years. To show good faith, the Soviet government was prepared to make an initial payment of thirty million gold francs, in trust, until conclusion of an agreement on credits.⁸¹ Incredibly, this was Labonne's idea, but Bizot did not like it. "It was to put a knife to the throat of the government," he noted: "Fortunately, Litvinov will not march."⁸² But Litvinov *did* "march," increasing the French government's discomfiture. Developments are shaping up, wrote Bizot, into a "moral disaster": "The Soviets will publish that they are negotiating credits. . . . We are going to find ourselves faced immediately with this refusal [to continue negotiations]."⁸³ The expulsion of Rakovskii, of course, offered the way out, and in late September, the French government officially requested his recall. As Bizot put it trenchantly, "If Rakovskii is recalled = the business will be settled."⁸⁴

The finance ministry was not prepared to endorse, organize, or guarantee commercial credits to the USSR under any circumstances, even if finance officials considered Soviet offers for a debt settlement to be acceptable. Moreover, the mere discussion of "'credits' . . . will not fail to have a very considerable [favorable] influence on the domestic and international situation of the USSR." In view of the range of potential embarrassments to the government, Poincaré and his officials stuck to the traditional finance ministry line: the "distant princess" would accept no partial deals and would offer no credits to the USSR.⁸⁵ And just to make sure that Monzie could not "dig up" another *fait accompli*, he was forbidden to make any further written communications to the head of the Soviet delegation.⁸⁶ "The entire affair," observed Chicherin, "will end as in all tragedy, as vaudeville."⁸⁷ It was vaudeville,

⁸¹ MF, B32013/DVP, X, 384–90, Rakovskii to Monzie, no. 302, confidential, 21 Sept. 1927.

⁸² MF, B32013, untitled, handwritten note by Bizot, concerning a meeting with Labonne, 21 Sept. 1927.

⁸³ MF, B32013, "Téléph. Labonne," Bizot, 22 Sept. 1927; and *ibid.*, "Tél. Labonne," Bizot, 24 Sept. 1927.

⁸⁴ MF, B32013/MAE, Z-Russie/360, 141–43, Briand to Herbette, nos. 472–76, 25 Sept. 1927.

⁸⁵ MF, B32013, "Note pour le Président du Conseil," Moret, approved by Poincaré, 24 Sept. 1927; *ibid.*, "Note pour le Président du Conseil, Ministre des Finances," Moret, 29 Sept. 1927; and *ibid.*, "Note pour Monsieur le Président du Conseil," no. 9719, Moret, approved by Poincaré, 6 Oct. 1927.

⁸⁶ MF, B32013, "M. Moret," Cabinet du ministre, signature illegible, 11 Oct. 1927.

⁸⁷ Brockdorff-Rantzau, no. 1162, 7 Oct. 1927, cited above.

but it ended quietly when Rakovskii left Paris unceremoniously by car early on a Sunday morning in the middle of October. "Bon voyage," taunted the right-wing press.⁸⁸

V

When Briand returned to Geneva at the end of September, the fate of Franco-Soviet negotiations was sealed. Briand was in a somber mood when he met Stresemann. French relations with the USSR were bad, affirmed Briand: Rakovskii's position was "shattered," and he would have to leave France. But Briand did not intend to break off relations with Moscow. "It would be an error to introduce a new element of instability in European politics," he remarked, and I hope to negotiate a nonaggression pact with Russia. Briand suggested that their governments could cooperate to that end, and he was "ready to keep [German officials] regularly informed about the negotiations." Stresemann was agreeable: "in Moscow they are inclined to play us off against one another. . . . We should oppose this tactic."⁸⁹

The Briand-Stresemann discussion was by no means a formal agreement to cooperate. The Germans wanted to talk about economic cooperation in Russia while Briand kept to political generalities, which, at least for the moment, did not divide them. The German government had a clear economic objective and a willingness to extend further trade credits to the USSR, while the French, being opposed to credits or a partial settlement with Moscow, were not sure how Franco-German economic cooperation in Russia might develop.

The German government's interest in securing French cooperation for its own scheme can be seen in two meetings between Stresemann and Pierre Jacquin de Margerie, the French ambassador in Berlin, during October–November 1927. On 17 October Stresemann tried to entice Margerie by alluding to United States business interest in Russian trade. We should take advantage of the opportunity, suggested Stresemann, to get in closer contact with the Americans. Margerie replied obliquely that Briand agreed with Stresemann that they should avoid a break with the USSR and encourage the Soviet, through Franco-German cooperation, to pursue "reasonable policies."⁹⁰ However, like Briand, Margerie stuck to political generalities; Stresemann wanted to discuss economic specifics.

A month later, Stresemann returned to the subject, finally get-

⁸⁸ E.g., *L'Echo de Paris* and *Le Matin*, 17 Oct. 1927.

⁸⁹ *AzDAP*, B, VI, 505–6, memorandum by Hans Redlhammer, legation counsellor, Geneva, 26 Sept. 1927.

⁹⁰ *AzDAP*, B, VII, 87–89, memorandum by Stresemann, 17 Oct. 1927.

ting French attention on the need for *economic* cooperation. According to Margerie, Stresemann said that if further credits were extended to the USSR, doing so should be a joint venture of the principal Western powers interested in the Russian trade. Stresemann added that banks in the United States were prepared to advance the money to Germany to maintain its credit policy toward the USSR. Briand reported Margerie's conversation to the commerce minister, Maurice Bokanowski, and asked him to consider the German proposal. The idea was worth studying, commented Briand, even if French credits to the Soviet government are impossible in the present circumstances. In the meantime, we should consider limited agreements between French and German firms operating in the Russian market; they could serve as a starting point for discussions on "modest, but practical . . . Franco-German economic collaboration."⁹¹ German business is interested, but on what basis, asked Briand, can it operate?

The French government now turned to that question. Although credit for Russian trade had bedeviled the French since the beginning of the Franco-Soviet conference, it became more urgent as Franco-Soviet trade increased. As trade increased, so did the trade imbalance in favor of the USSR. Herbette suggested that the Soviet trade surpluses were paying for Comintern propaganda and that they should therefore be reduced.⁹² But to do so meant increasing Soviet purchasing in France, which the Soviet would not do without acceptable terms of credit. In October Herbette debated the issue with Anastas I. Mikoian, commissar for external and internal trade, who held implacably to the Soviet line. Herbette refused to enter into the debate: "I've come to ask for orders, not to offer money!" The ambassador's obtuse retort was a mark of French frustration, and it was this frustration which prompted interest in Paris in Franco-German cooperation.⁹³ French commerce ministry officials broached the subject with German industrialists, who had already shown their interest in stopping what they saw as Soviet trade blackmail.⁹⁴ The Russian market was big enough, commented one commerce ministry official, to accommodate both German and French firms. Since we have common problems, why not try to find common solutions.⁹⁵

⁹¹ MAE, RC, Russie/2059/MF, B32025, Briand to Maurice Bokanowski, minister of commerce, no. 3487; and elsewhere, 22 Nov. 1927.

⁹² MAE, RC, Russie/2059, Herbette, no. 564, 12 July 1927.

⁹³ MAE, RC, Russie/2059, Herbette, no. 678, 29 Oct. 1927.

⁹⁴ MAE, RC, Russie/2059, François de Chevilly, president, Office commercial français pour la Russie, commerce ministry, to Bokanowski, 4 Nov. 1927.

⁹⁵ MF, B30215, J. Hainglaise, director, Office national du Commerce extérieur, commerce ministry, to Briand, no. 217, 29 Nov. 1927.

In November–December 1927 a number of meetings took place between French commerce ministry officials or go-betweens and German industrialists. Initial discussions were positive: cooperation might begin with private industry contacts; formal agreements could come later.⁹⁶ Briand agreed to the contacts, but specified that they should remain strictly economic and should not stray into discussions about common political interests between France, Germany, and Russia.⁹⁷

A familiar name also cropped up in the continuing discussions. In December 1927 Monzie made an unexpected, unsanctioned visit to Germany, providing no report of his conversations to the Quai d'Orsay. Monzie began to retail a patently untrue story that as soon as a new Soviet ambassador took up his post in Paris, the French government would ratify an economic agreement with the USSR. In late November "several major French figures" had passed this story to Otto Wolff, a leading German industrialist, who was interested in both the Russian market and closer ties with French business. Monzie anticipated, so Wolff heard, that a Franco-Soviet agreement would be followed by increased French business in Russia, resulting in Franco-German competition for Soviet orders. If the two were not careful, Soviet trade agencies would play one off against the other. Monzie wanted to discuss possible remedies, in particular the creation of a Franco-German export credit bank to underwrite Soviet trade. Wolff inquired if Monzie also wanted him to arrange a personal meeting with Stresemann.

Not a good idea, Monzie replied: Briand "reserved for himself alone" the right to speak with Stresemann and would take offense if others attempted to do so. Instead he asked that Wolff organize a meeting with German businessmen and officials interested in commercial cooperation in Russia. The Auswärtiges Amt thought it best not to be represented at the meeting, but urged the economics ministry to have an official present.⁹⁸

While Monzie worked on the Germans, his Sancho Panza, Labonne, went to the rue de Rivoli to see Bizot. Finance ministry officials had regarded Labonne as a way to moderate Monzie; now it seemed Monzie wanted to use his amanuensis in the opposite way. Labonne told Bizot that the \$60 million in French credits might after all be acceptable to the Soviet government. Why not "reflect" a little on the position, said Labonne, before the new Soviet ambassador comes to

⁹⁶ MAE, RC, Russie/2059, "Note pour Monsieur Coulondre," RC, n.s., 14 Dec. 1927, and encl.; and *ibid.*, "Note pour Monsieur Coulondre," RC, n.s., 22 Dec. 1927, and encls.

⁹⁷ MAE, RC, Russie/2059, Briand to Hainglaise, no. 1846, 17 Dec. 1927.

⁹⁸ Potsdam, Bundesarchiv/RWM 19630/438–440, Auswärtiges Amt to Reichswirtschaftsministerium, 26 Nov. 1927.

Paris. Foreign firms could cooperate with their French counterparts to organize credits for Russian trade.⁹⁹

“*Attention*,” warned Bizot, “we are seeing a repetition of the coup of last July–August.” In any event, he added, “it would appear inconvenient to abandon, before the elections, our present silence.” We should stick to the position of no deal until all debts are settled. “Time is working for us, by teaching the Soviets that without an extraordinary effort on their part, they will not find a penny in the French market.”¹⁰⁰ Labonne returned to the charge, but Bizot demurred: “the question of credits cannot in any circumstances be considered before the elections.”¹⁰¹

Monzie, who must have heard from Labonne, did not appear to be discouraged and went ahead with his meetings in Berlin. Shortly afterward, Erhard Deutelmoser, a representative of Otto Wolff, reported to the *Auswärtiges Amt* that the two sides wanted to cooperate: “Both said they were prepared to consider common methods and principles to avoid harmful competition . . . , to finance business of both countries in common, and to divide the available orders on a parity basis.” Deutelmoser asked for assurances that the *Auswärtiges Amt* would approve such cooperation and wanted to know “which French economic groups . . . stood behind Monzie.” Herbert von Dirksen, then chief of the eastern European division of the *Auswärtiges Amt*, replied that the government would “warmly welcome this type of cooperation in Russia,” but that it knew nothing of Monzie’s business connections.¹⁰²

German officials soon learned that Monzie had no important business backing and that he had lost his political influence. The problem became painfully obvious when first Monzie and then Wolff tried to obtain political support for their proposed cooperation in the USSR. On 7 January 1928 Monzie unveiled some of his ideas in a speech to French businessmen, in which he noted that any sizable French credits for the USSR would require agreement with Germany.¹⁰³ Monzie’s comments provoked a nasty response from the Soviet government and no support in France.¹⁰⁴ Wolff did not publicize his position, but instead asked the *Auswärtiges Amt* to take the initiative to open talks with the

⁹⁹ MF, B32013, untitled note by Bizot, 26 Nov. 1927; and *ibid.*, Labonne to Bizot, 1 Dec. 1927.

¹⁰⁰ MF, B32013, Bizot to Charles Farnier, director, *Mouvement général des Fonds*, 1 Dec. 1927; and *ibid.*, Bizot to Labonne, 2 Dec. 1927.

¹⁰¹ MF, B32013, note by Bizot, 20 Dec. 1927.

¹⁰² *AzDAP*, B, VII, 560–61, Dirksen to Hoesch, 23 Dec. 1927.

¹⁰³ PA, AA 31881/6698H/H.109.359–360, Wertheimer (wire service, Paris), no. 6624, 8 Jan. 1928.

¹⁰⁴ PA, AA 31881/6698H/H.109.357, radio telegram (German embassy, Moscow), no. 23, 11 Jan. 1928, reporting *Izvestiia* of the same date.

French government. Germany should act quickly, he said, because he had reason to believe that Monzie had cleared his speech with Poincaré, who himself favored cooperation with Germany in Russia.¹⁰⁵

Wolff's request caused Schubert to take personal charge of the dossier, thinking perhaps that discussions were on the brink of indiscretion. Schubert declined Wolff's request for direct government intervention, pointing to the "very negative official stance" taken in Moscow as well as to the "alarm" it would create in Britain. This did not mean that he was backing away from seeking French cooperation, only that it "must not in any circumstances be brought about through official German initiative." Schubert sent instructions to that effect to Ambassador Hoesch in Paris, but he also advised that if the French took the initiative, Hoesch should determine if they were prepared to guarantee credits for Russian trade.¹⁰⁶

In a long, well-informed letter at the end of January 1928, Hoesch doused the interest Monzie had kindled in Berlin. He dismissed Monzie's claims about the possibility of a Franco-Soviet agreement and discounted his reputation inside the French government. The proposed settlement with the USSR was only a recommendation from Monzie's delegation and had no official standing. In fact, there was little likelihood that the French government would conclude any agreement with Moscow. Monzie was in bad odor, Hoesch reported, because of his intervention in the Rakovskii affair and his "butting heads" with the overwhelming anti-Bolshevik majority of Poincaré's center-right coalition. The idea that Monzie had Poincaré's backing was risible: "the father" of French financial confidence was "absolutely opposed" to any credit to Russia for a settlement of tsarist debts.

When Hoesch asked Briand if he knew about Monzie's talks in Berlin, the French foreign minister avoided a direct response, but reaffirmed his "full agreement with the aim of Franco-German economic cooperation in Russia." Briand commented that Monzie's conversations were "unlikely to lead to any kind of results."

He's a lawyer, said Briand, who "talks a lot," but he cannot be "taken seriously." And he "has absolutely nothing to do with economic activity. Absolutely no one stands behind him." If German firms want to negotiate with their French counterparts, they should do so directly. "Forget Monzie" was Briand's obvious message. Monzie understood and offered to resign a now hollow post; Panza-Labonne was sent off to

¹⁰⁵ *AzDAP*, B, VIII, 99–100, Dirksen to Hoesch, 27 Jan. 1928.

¹⁰⁶ *AzDAP*, B, VIII, 97–99, Schubert to Hoesch, unnumbered letter, 27 Jan. 1928.

Morocco.¹⁰⁷ There were worse fates. Stalin banished Rakovskii to Astrakhan, before condemning him to the Gulag.

The new Soviet ambassador in Paris, Valerien S. Dovgalevskii, confirmed Hoesch's conclusions, if the latter had any remaining doubts. "The present moment," said Dovgalevskii, "was extraordinarily unfavorable for the successful conclusion" of negotiations. Public opinion was in high dudgeon about the "revolutionary poison spewing from Russia." Everyone here, reported Hoesch, was gearing up for parliamentary elections in which Poincaré's *Union nationale* intended to use "the communist danger and the fight against the Moscow plague" to down the *Cartel des gauches*. Under the circumstances, Hoesch thought it "premature" to make any preparations for Franco-German cooperation in the USSR. It was the wrong time to ask, Hoesch said: the French might eventually respond positively, but "without some kind of practical venture to suggest," the idea would go nowhere. Meanwhile, "Wolff or others should engage French economic circles, as suggested by Briand, to determine if there is anything going in terms of possible cooperation in Russia."¹⁰⁸

Briand apparently knew little or nothing about Monzie's activities, but Quai d'Orsay officials who looked into them, concluded that Monzie and Étienne Clémentel, a former commerce minister and a representative of French business interests, had taken the initiative to start discussions with German industrialists without bothering to inform the French embassy in Berlin. Monzie belatedly explained his ideas to the Quai d'Orsay, but by then Briand had already spoken to Hoesch.¹⁰⁹

In view of Monzie's continuing activities, Briand must have decided to hear directly from Otto Wolff. Sometime in February, Briand invited him to Paris for a talk. Before leaving Berlin, Wolff called on Stresemann and subsequently reported that "the Reichsminister . . . was in full agreement with him."¹¹⁰ Together with Richard von Kühlmann, a major German industrialist and former state secretary at the *Auswärtiges Amt*, Wolff lunched on 23 February with Briand, Berthelot, and Clémentel. No German embassy officials were present, but Wolff and Kühlmann immediately reported their conversation to the German chargé Rieth and later to Dirksen in Berlin. Wolff presented his proposals for Franco-German cooperation in Russia, repeating what

107 MAE, z-Russie/490, Monzie to Berthelot (?), 21 Mar. 1928.

108 AzDAP, B, VIII, 121–26, Hoesch to Dirksen, 31 Jan. 1928.

109 MAE, RC, Russie/2059, "Note pour Monsieur Coulondre, Direction des Affaires politiques, 4 Feb. 1928"; and *ibid.*, Monzie to Briand, 15 Feb. 1928.

110 PA, AA 28933/4484H/E.097.088–089, memorandum by Dirksen, 25 Feb. 1928.

he had said earlier to Monzie and asking if the delay in a Franco-Soviet agreement would also delay Franco-German discussions.

No, replied Briand. Wolff then put the question which Schubert had posed a month before: Would the French government offer guaranteed credits for business in Russia? Berthelot reportedly answered "affirmatively," but both he and Briand warned, with surprising candor, that "it would be necessary to expect further difficulties from Poincaré." They believed the difficulties could be overcome, and were "thinking of a form of state guarantee which would not require the cooperation of parliament." The two sides discussed the formation of a Franco-German committee to explore the possibilities. The French suggested, *inter alia*, Clémentel, François de Wendel, an important industrialist close to Poincaré, and Charles Sergent, president of the Banque de l'Union parisienne and Petrofina and a former finance ministry official. The Germans advanced the names of Wolff, Hans von Raumer, a leading industrialist and former minister of economics, and Felix Deutsch, the chairman of the board of German General Electric, among others.

Briand was careful to disassociate himself from British policy. He wanted to draw the Russians slowly back into the European economic system: "First one had to hold out only a few kernels as if to a starving bird, and not give them too much to eat which might ruin their stomach." Wolff and Kühlmann informed the chargé Rieth that they were "very satisfied" with their meeting and believed that "Briand and Berthelot were serious about wanting the proposal to succeed." The French account of this meeting was consistent with the German, but, significantly, said little about credit for the USSR.¹¹¹

Rieth was not optimistic about the prospects of cooperation. Sounding rather like Bizot, he reported that nothing would happen before the French elections "with all of the heavy anti-Communist emphasis of the government parties." And it remained to be seen if Poincaré's opposition to credits would continue. Still, he noted that the "presence of Wendel, who has great influence with Poincaré, on the [Franco-German] committee should have a favorable effect."¹¹²

The *Auswärtiges Amt* showed equal caution, perhaps in part because Ulrich von Brockdorff-Rantzau, the German ambassador in Moscow, reported that the idea of Franco-German cooperation in Russian business was "entirely unwanted" in Moscow and could only "create

¹¹¹ *Ibid.*; also *AzDAP*, B, VIII, 236–38, Rieth, no. 209, 23 Feb. 1928; and MAE, RC, Russie/2059, MAE, note, RC, n.s., 2 Mar. 1928.

¹¹² Rieth, no. 209, 23 Feb. 1928, cited above.

difficulties" with the Soviet government. "From the standpoint of our policy toward the Soviet Union," he said, "I would be very pleased . . . if Germany would refrain from an official initiative . . . and leave it up to the French government."¹¹³ Dirksen took this line in replying to Rieth on 25 February.¹¹⁴

When Hoesch returned from leave in early March, he asked Briand about the meeting with Kühlmann and Wolff. Briand reaffirmed his support for Franco-German cooperation and again stressed the need for German business people to talk to their French counterparts. Hoesch also asked about French credit guarantees. Briand replied evasively, prompting the German ambassador to conclude that "Briand probably still has nothing in mind."¹¹⁵ "Honey, Honey!" Litvinov had commented earlier to the German ambassador in Moscow: "Briand cannot say anything unfriendly."¹¹⁶

Litvinov and Hoesch were both right. On 5 March Briand sent instructions to the commerce ministry, indicating that any agreements with the Germans would have to be strictly private and that no formal French delegation should be organized.¹¹⁷ Briand's instructions were brief and without explanation, but an earlier, "cancelled" draft revealed the position. The Quai d'Orsay feared that broader, official negotiations would fail because of the difficulties of conciliating too many industrial and commercial interests and because of Soviet hostility.¹¹⁸

The position in Berlin was similar. Dirksen wrote to Hoesch on 6 March, saying he too felt that the French and Russians were still far apart on a debts settlement. Without a settlement, French firms would be unable to obtain credits for business in Russia. "It is valuable for us to know," said Dirksen, "that in our economic negotiations with the Russians, we have our back free." It goes without saying that we should maintain "great reserve" in discussing the credit question, not simply because of the "embryonic state of these discussions," but also because of the possible impact on the Russians, "who smell behind all such negotiations the creation of a unified economic front against Soviet Russia." But this was not an overwhelming obstacle. The Russians need credit so badly, Dirksen observed maliciously, "that they will grasp at any financial possibility held out to them, even if it is

¹¹³ PA, AA 28933/4484H/E.097.086-087, Brockdorff-Rantzau, no. 172, 22 Feb. 1928.

¹¹⁴ *AzDAP*, B, VIII, 238, n. 4, Dirksen to Rieth, no. 195, 25 Feb. 1928.

¹¹⁵ PA, AA 28933/4484H/E.097.097, Hoesch, no. 259, 3 Mar. 1928.

¹¹⁶ PA, AA R.29269/4562H/E.159.406-408, Brockdorff-Rantzau, no. 1390, 19 Dec. 1927.

¹¹⁷ MAE, RC, Russie/2059, Briand to Hainglaise, no. 358, 5 Mar. 1928.

¹¹⁸ MAE, RC, Russie/2059, Briand to Hainglaise, "annulé," 2 Mar. 1928.

offered" by a Franco-German company. They will resist price-fixing, but not a Franco-German bank offering credit for Soviet orders: "Behind this façade we can later form a joint company for the provision of manufactures." Wolff was moving in the right direction and might succeed with the support of Briand and Berthelot. Matters were well in hand, thought Dirksen: "we can await further developments."¹¹⁹ In the middle of March Poincaré went to a meeting with Briand and Clémentel to talk to Wolff and Deutsch. The premier agreed that private contacts could continue "until the elections," then Clémentel would take charge and commerce ministry officials would participate also.¹²⁰

But it did not happen. Poincaré must have disliked Briand's fishing in forbidden waters, because he had already taken steps to kill off any further talk of credits for the USSR. On 2 March the premier ordered Briand to support an action in the United States by the Banque de France to seize Soviet gold being shipped there as collateral for orders with United States manufacturers.¹²¹

In 1918 the Soviet government had confiscated 52 million francs in gold ingots and coin deposited in the Russian state bank in Petrograd.¹²² Fourteen thousand three hundred fifty-five kilograms of gold weighed heavily on the Banque de France and offered a suitable and symbolic pretext for Poincaré to attempt to seize the "stolen" specie being shipped to New York. The Soviet government took umbrage.

It's "the beginning of economic war," accused Chicherin. Herbette denied it, but Chicherin was not persuaded. The act was politically inspired, he said.¹²³ The United States State Department investigated and found that the French government had not touched previous Soviet gold sent to France, which seemed to prove Chicherin right. Dovgalevskii went to the Quai d'Orsay to lodge a protest, but Berthelot blamed it on the finance ministry. "Read Poincaré," Dovgalevskii commented.¹²⁴

The consequences of the "finance ministry's" action were predict-

¹¹⁹ *AzDAP*, B, VIII, 296-98, Dirksen to Hoesch, 6 Mar. 1928.

¹²⁰ MAE, RC/Russie/2060, "Note pour Monsieur Coulondre," RC, n.s., 3 Apr. 1928; and *DVP*, XI, 281, Dovgalevskii to Narkomindel, 23 Apr. 1928.

¹²¹ MAE, z-Russie/483, 37, Poincaré to Briand, no. 58/50, 2 Mar. 1928; see also Carley, "Five Kopecks for Five Kopecks," 26-27.

¹²² MAE, z-Russie/483, 176-9, "Note remise au service russe le 13 avril 1928 par M. Favre-Gilly du secrétariat général de la Banque de France."

¹²³ "Memorandum of conversation with the French Ambassador [Paul Claudel] on Mar. 5, 1928," by William Castle, assistant secretary of state, Washington, D. C., National Archives (hereafter NA), Record Group (hereafter RG) 59, Microfilm (hereafter M)-316, reel 123, 861.51/2224; *DVP*, XI, 155-56, Chicherin to Dovgalevskii, 12 Mar. 1928; and MAE, z-Russie/483, 47-53, Herbette, nos. 292-98, 11 Mar. 1928.

¹²⁴ NA, RG 59, M-316, reel 123, 861.51/2194, Castle to Alphonse Gaulin, American consul general in Paris, no. 2682, 17 Mar. 1928; *ibid.*, 851.61/2211, Gaulin, no. 812, 12 Apr. 1928; and *DVP*, XI, 156-58, "Record of a conversation . . . with . . . Berthelot," Dovgalevskii, 13 Mar. 1928.

able. It made angry headlines in the Moscow press. According to the United States embassy in Berlin, a Soviet official said that his government would probably suspend further negotiations with the French, though this was what Poincaré wanted. Briand put it politely when he told Dovgalevskii that Poincaré was too busy to “snatch” a little time for Soviet business.¹²⁵ All the same, the premier did manage to “snatch” a little. A Quai d’Orsay official explained the strategy to the United States ambassador in Paris: the French government never intended to respond to Rakovskii’s proposals, “until after the elections.” And then the French government would say only that the last Soviet proposals were unsatisfactory, though the Soviet government could advance others, if it “care[s] to make them.”¹²⁶ France still played the “distant princess.” Dovgalevskii objected to Berthelot, who promised “to think matters over.” He eventually did, raising questions about the wisdom of French policy.¹²⁷ But Poincaré did not listen, and Franco-Soviet relations failed to improve, even though the *Union nationale* won the parliamentary elections in April 1928. Afterwards, the suit brought by the Banque de France was forgotten—except by the bank—and it failed in the United States courts in March 1929.¹²⁸

Poincaré would not have been disposed to listen to Berthelot’s advice, in any event, having presided vengefully over his temporary disgrace from the diplomatic service in 1922. More than that, Poincaré worried about Communist agitation: the Russians were stirring it up everywhere. The “civilized states,” he told a Reichstag deputy, should act together in a kind of “moral amalgamation” to stop it. But on that point Berthelot had the last word. “Concerted action in Moscow” against Communist propaganda would be useless, he observed, and Herbette was so advised.¹²⁹

VI

The more modest concept of Franco-German cooperation was not completely forgotten, though it was temporarily until the summer of 1928.

¹²⁵ MAE, z-Russie/483, 69–72, Herbette, nos. 309–11, 16 Mar. 1928; PA, AA 31880/6698H/H.109.300–301, Brockdorff-Rantzau, no. 274, 16 Mar. 1928; NA, RG 59, M-316, reel 124, 851.51-Germany/2, Jacob G. Schurman, United States ambassador in Berlin, no. 3352, confidential, 27 Mar. 1928; AzDAP, B, VIII, 490–91, Hoesch, no. A.898, 13 Apr. 1928; and DVP, XI, 127–30, “Record of a conversation . . . with . . . Briand,” Dovgalevskii, 29 Feb. 1928.

¹²⁶ NA, RG 59, M-316, reel 123, 861.51/2209, Myron T. Herrick, United States ambassador in Paris, no. 8507, 13 Apr. 1928.

¹²⁷ DVP, XI, 184–86, “Record of a conversation . . . with . . . Berthelot,” Dovgalevskii, 21 Mar. 1928; and MAE, z-Russie/483, 198, Berthelot’s minute on MAE note, n.s., 11 May 1928.

¹²⁸ MAE, z-Russie/483, 217–18, 220, Claudel, no. 137, 23 Mar. 1929.

¹²⁹ AzDAP, B, IX, 214–18, memorandum by Schubert, 23 June 1928; MAE, z-Russie/1173,

The Germans themselves dropped the subject, having broken off trade talks with Soviet officials in mid-March because of the arrest of three German engineers in the Shakhty region of the north Caucasus on various charges of sabotage and "wrecking." A show trial followed, and the Shakhty "affair" temporarily soured German-Soviet trade relations.¹³⁰ Ironically, the suspension of negotiations occurred at about the same time that Wolff and Deutsch had their last meeting with the French.

The Germans showed renewed interest in cooperation with the French during the summer. Schlesinger, who was about to leave for Moscow to consider the position in the wake of the Shakhty affair, went to see Ambassador Margerie in early July. Expecting Soviet authorities to ask for further credits, Schlesinger renewed his queries about French cooperation. The German government, explained Margerie, "although without any forbearance for Bolshevism, undoubtedly did not indulge in overweening, unproductive idealism and is sensitive to practical realities." Germany's position in the Russian market was too important "to burn the bridges" to Moscow. Would the French government, asked Margerie, take a similar position?¹³¹ The question is "difficult to envisage," replied Briand: French policy is still to refuse credits without a settlement of debts. The French government was not indifferent to German queries; Briand instructed Margerie to remain discreetly informed of German policy.¹³²

French unwillingness to cooperate did not stop German banks and manufacturers from organizing in August 1928 the *Russlandausschuss der deutschen Wirtschaft* to promote trade with the USSR.¹³³ German-Soviet trade negotiations resumed in November 1928, after the imprisoned German engineers in the Shakhty affair had been released. Margerie duly advised the Quai d'Orsay, commenting that the German government was worried about increasing United States competition in the Russian market. German foreign ministry officials still alluded to their interest in Franco-German cooperation, but appeared to hint at a possible turn to the United States, in view of French reticence.¹³⁴

If the Germans, as Margerie suspected, were trying to lure the

88-89, Berthelot's minute on MAE note, Europe, 25 Aug. 1928; and *ibid.*, 104, Briand to Herbet, no. 581, 31 Aug. 1928.

¹³⁰ Jacobson, *Soviet Union*, 242-44.

¹³¹ MF, B32025, Margerie, no. 717, confidential, 6 July 1928.

¹³² MAE, RC, Russie/2060, Briand to Margerie, no. 1359, 31 July 1928; *ibid.*, Poincaré to Briand, no. 7593, 17 Aug. 1928; and *ibid.*, Briand to Margerie, no. 1589, 12 Sept. 1928.

¹³³ See Hans Jürgen Perrey, *Der Russlandausschuss der deutschen Wirtschaft: Die deutsch-sowjetischen Wirtschaftsbeziehungen der Zwischen-Kriegszeit* (Munich, 1985); and Jacobson, *Soviet Union*, 251.

¹³⁴ MAE, z-Russie/513, 61-62, Margerie, no. 1078, 19 Nov. 1928.

French, it did not work. Quai d'Orsay officials recommended against any response to German queries. Absence of a debts settlement blocked cooperation in the extension of credits, but even a common trade policy with respect to pricing would be unwise in the absence of greater information about German-Soviet relations. German partisans of an "Eastern policy" might use such attempted cooperation to arouse Soviet hostility to a capitalist bloc and to solidify "a Soviet-German alliance against the Western powers."¹³⁵

Although a new German-Soviet agreement was concluded in January 1929, German officials remained interested in cooperation with France in the Russian market. In mid-February 1929 Otto Wolff, who had been back to Paris, informed the *Auswärtiges Amt* that Clémentel had called on him and said that the French government was again interested in renewing discussions.¹³⁶ Clémentel appears to have been acting independently, but German foreign ministry officials were not sure and wanted to reexamine the question. Oskar Trautmann, the new head of the east European division at the *Auswärtiges Amt*, raised the matter with Dirksen, who had become German ambassador in Moscow. Trautmann wondered whether cooperation with the Western powers "would only serve to make [German] relations with Russia even more difficult."¹³⁷

In March 1929 Trautmann organized a meeting with Dirksen, back in Berlin, Schlesinger and Bernhard von Bülow, director of the West European division, among other officials. Everyone agreed that a German initiative would be useless since French relations with Russia were "particularly bad." They were so bad, in fact, that the issue should not be raised with the French, "even on an unofficial basis," because if the Russians learned of it, they would suspect a plan for their "economic encirclement." Cooperation would have to wait until the French became less anti-Soviet. In the meantime, the question should be left in private hands. Schlesinger agreed, though he did not like to write off so much time and effort to entice French firms into cooperation in Russia.

Bülow was pessimistic and warned that the French would hold Germany responsible for any economic losses they suffered in Russia. Even if French industrialists wanted to cooperate with their German counterparts, they would certainly come under "serious attack from politicians in both countries." In fact, German-French relations were so bad at the moment, because of disagreements over reparations, that

¹³⁵ MAE, z-Russie/362, 120-21, "Note pour le ministre," Europe, n.s., 6 Dec. 1928.

¹³⁶ *AzDAP*, B, XI, 292 fn. 1, Wolff to Schlesinger, 13 Feb. 1929.

¹³⁷ *AzDAP*, B, XI, 292 fn. 1, Trautmann to Dirksen, 2 Mar. 1929.

cooperation in Russia, "far from leading to improved relations[,] could easily contribute to their worsening." As usual, Dirksen was more optimistic: Russian credit needs are "so great" that the Soviet government would take credit "no matter where it came from." Just approach them in the right way, with the right offer. In the end, it was decided to advise Wolff that the *Auswärtiges Amt* would have to wait until ever-continuing reparations negotiations in Paris were concluded. Then, the discussion of economic cooperation in Russia could resume.¹³⁸

VII

There was no resumption: French and German objectives in the USSR had overlapped, but not coincided. The Poincaré view of Franco-German cooperation in the USSR was basically negative and anti-Soviet. The German view was more positive. German firms wanted to trade in the USSR and as this desire coincided with almost all desiderata of its foreign policy, the German government was prepared to offer credit guarantees. French firms wanted to trade in Russia also, but the French government under Poincaré was adamantly opposed to credit, no matter how much Monzie and Labonne, tacitly supported by Briand, sought to make it part of a Franco-Soviet agreement. Anti-Communism in France was intense, as German officials, among others, noted, and Poincaré used it to defeat the *Cartel des gauches* in the April 1928 elections. Anti-Communism was also on the rise in Germany, but hatred of Versailles was the far stronger emotion. Monzie saw Franco-German cooperation as a means of getting around the credit blockade in France. Poincaré and his officials considered cooperation with Germany only as a means of controlling prices with Soviet trade agencies and, in general, of forcing the USSR to trade on Western terms. If Soviet agencies wanted credit, they would have to secure it with their export revenues generated in France. That would eliminate the Soviet trade surplus and deny foreign exchange for Soviet "propaganda" in France and elsewhere.

The German government followed the Franco-Soviet negotiations closely and hoped for their success, though it had nothing to do with altruism. A Franco-Soviet debts settlement would entail French credits for Russian trade and could trigger Franco-German competition in the Russian market. Cooperation was essential to control it. While seeking to promote a limited French interest in the Russian market,

¹³⁸ *AzDAP*, B, XI, 292-94, memorandum by Karl Dienstmann, east European division, AA, 22 Mar. 1929.

the Germans did not want the French to achieve a dominant, or even genuinely independent, role there, merely one closely allied with their own. In promoting cooperation with France, the *Auswärtiges Amt* also sought to protect German business interests in Russia, not so much from the Soviet government as from the consequences of a credit embargo—formal or otherwise—which Great Britain might wish to maintain over the USSR. If only German firms traded with the Soviet, the British government could use sterner measures than if it also had to attack French commerce.

But then why did the German government nearly always insist on the French taking the initiative in discussing cooperation in Russia? Primarily it wanted deniability. If information leaked, the Germans could deny that they were responsible for the discussions. It's a French idea, they could say. In so doing, they would also avoid being a target either for French politicians, fearing German economic and political penetration of Russia, or for the British government, which would take umbrage at any hint that Germany sought to form a common front against Great Britain in Russia.

The French did not want the responsibility any more than the Germans. "After you, Alphonse" was thus the Gallic response, since the French were just as wary of offending the British government. And neither the French nor the Germans wanted to excite Soviet fears of capitalist encirclement. Such excitement could have adverse political and economic consequences. The publicity around Monzie's discussions in Germany showed how easily the Soviet government became suspicious, though in this case it misinterpreted his motives. Ironically, Poincaré and his officials were just as suspicious of Monzie—for the opposite reasons.

Nevertheless, German officials Schlesinger and Dirksen, who were most involved with the question, believed that Franco-German cooperation could be made tolerable to the Russians. The need for credit was too great to permit the Soviet government to turn down the right package. The real question was whether the package could be made acceptable to Poincaré. The German idea was blocked in Paris before it ever reached Moscow. Poincaré had no interest in the German proposition; it could lead to electoral defeat in 1928. And why should France finance a German-led enterprise?

In Berlin the question thus returned to where it had begun: Soviet-German relations still pivoted on the German determination to escape from the consequences of defeat in the Great War. German officials were unwilling to throw over the USSR for France or any other Western power. *Russia!* was too important. The German government remained

convinced that the road out of Versailles led directly through Moscow, and what a fitting, satisfying twist of fate, from the German point of view, to have the intended destination include a profitable detour through Paris.

German offers of economic cooperation with France in Russia were a poisoned cup intended to help Germany destroy the Versailles system. The French government refused to accept it, but for the wrong reasons. Herbette, in his more lucid moments, and he had many, would have seen the danger. Until August 1927, he strongly encouraged a Franco-Soviet rapprochement to enhance future French security against Germany. But the line in Paris was that Herbette had been "Bolshevized"; he was "bewitched by the Bolsheviks." Ambassador Brockdorff-Rantzau considered Herbette a mere minion of Moscow.¹³⁹ In fact, Herbette was pro-French and had his eyes focused, rightly as it turned out, on future French security against Germany. But he could not hold out against the jibes of being a Soviet soft-touch in the anti-Communist delirium which affected France in 1927. After Herbette returned to Moscow from leave in July 1927 "he was a changed man," according to Litvinov: "His tone has become absolutely insulting." At the slightest "convenient or inconvenient opportunity . . . he threatens to pack his bags." The volte-face seemed so sudden that the deputy commissar was prompted to ask in apparent bewilderment what had happened to the previously sympathetic ambassador.¹⁴⁰ Litvinov, an often cynical but well-informed diplomat, should have known better than to ask.

Herbette was taking his lead from Paris. Poincaré and his finance ministry officials killed a deal with the USSR which a few years later looked "not . . . altogether unfavorable" to the British Treasury and to future ambassadors in Moscow, Alphand and Coulondre.¹⁴¹ In politics, long-term objectives are often sacrificed to short-term goals, as was the case in the failure of the Franco-Soviet conference. Herbette's eyes were on French security; those of the French right on the Reds in Moscow and the 1928 elections. Whereas in France anti-Communism was not only principled, but practical politics, in Germany, the principle got in the way of a practical foreign policy aimed at the destruction of

¹³⁹ AVPRF, f. 136, d. 306, p. 117, l. 173–81, Rakovskii to Chicherin, no. 23, 2 July 1927; and PA, AA 29266/4562/E.158.793–95, Brockdorff-Rantzau, no. 605, 27 Apr. 1927.

¹⁴⁰ AVPRF, f. 136, d. 304, p. 117, l. 30–33, Litvinov to Rakovskii, no. 3499, secret, 24 Sept. 1927.

¹⁴¹ N1041/53/38, PRO, FO 371 19456, S. D. Waley, Treasury, to Laurence Collier, head of the Northern Department, Foreign Office, 28 Feb. 1935; and Carley, "Five Kopecks for Five Kopecks," 46–47.

Versailles. The German government did not allow itself to be distracted by anti-Red shibboleths, at least not until the Nazi leader Hitler intentionally employed them to beguile and disarm the West. The French, who feared Germany, but not enough, confused Red for the greater danger and frittered away the gains of victory won at so great a cost.