Information and Uncertainty in German-Balkan Trade: A Case Study of the Leipzig Trade Fair 1920-1930

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Historians along with contemporary economists have argued that Germany established an informal empire of trade in the Balkans during the 1930s through its predominant position in the exports and imports of Yugoslavia, Romania, and Bulgaria. Yet the institutions that supported Germany’s trading predominance in the 1930s formed during the previous decade in response to severe problems affecting commerce that arose after the First World War. German merchants who traded in the Balkan states faced problems of uncertainty and found it difficult to acquire reliable information. This paper shows how one particular institution, the trade fair in Leipzig, helped overcome these issues by building up an extensive network of trade representatives across the Balkan states that relayed economic news, found reliable trade agents, and advertised for German products and Germany in general. The fair was Germany’s largest and its network of agents formed the backbone of Germany’s trading network in the Balkans during a decade when many firms were only slowly returning to the region.

Historical Context

On the eve of World War II in 1939 Greater German trade with Yugoslavia, Romania, and Bulgaria reached levels that many contemporary commentators believed were indicators of economic imperialism, or a “bloodless invasion” of Southeastern Europe. German exports to Yugoslavia, Romania, and Bulgaria amounted to 53, 56, and 71 percent, respectively, of these states’ total imports. Likewise, German imports from these three states amounted to 46, 43, and 70 percent of their total exports. [see Tables 1a and 1b] Historians and economists, like Albert Hirschman already in 1942, have frequently pointed to this situation as a classic example of trade dependency, where a large country exercises leverage over its smaller trading partners by acquiring an overwhelming share of the latter’s exports and imports. A closer look at these figures reveals that Germany’s influence was even more pronounced, as the Third Reich dominated the supply of strategically important goods like capital equipment and

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1 See Einzig, Paul. Bloodless Invasion: German Economic Penetration into Danubian States and the Balkans (London 1939).
2 Hirschman, Albert. National Power and the Structure of Foreign Trade. (Berkeley, 1945)
weapons to Southeastern Europe. Meanwhile, Germany provided the largest domestic market for Southeastern Europe’s primary exports: agricultural goods and raw materials. Grains and oil from Romania, livestock and timber along with bauxite, copper, manganese, and other heavy elements from Yugoslavia, and tobacco and oil seed crops, used for industrial lubricants, from Bulgaria. Some of these exports were luxury goods, but many others were essential to the National Socialist rearmament. Germany’s aeronautics industry, for example, imported 88 percent of Yugoslavia’s bauxite production, and the agricultural imports would help insulate the Third Reich from any repeat of the British blockade.  

Southeastern Europe, in the words of many German economic thinkers, had become an essential component of the Third Reich’s Grossraumwirtschaft, or large economic bloc, and many German political leaders and businessmen saw these three states as a colonial region, akin to British East Africa or French West Africa.

Just fifteen years earlier, however, in the first half of the 1920s German trade with Yugoslavia, Romania, and Bulgaria was plagued with severe difficulties. It was small in comparison to what it would be fifteen years later, both absolutely and relative to other countries. Italy, Austria, Czechoslovakia, and Romania, for example, all ranked higher than Germany in the percentage of Yugoslavia’s exports and imports. In 1924 German exports to Yugoslavia were just 36.4 million, its imports 29.3 million RM. In comparison in 1939 they were 131.5 million and 181.3 million RM. Wirtschaft und Statistik, 1924; Kosier, Grossdeutschland und Jugoslawien pp. ??

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3 Kosier, Ljubomir. Grossdeutschland und Jugoslawien (aus der Südslawischen Perspektive), (Berlin, 1939); See Werner Daitz in Der Vierjahresplan. Zeitschrift fuer Nationalsozialistische Wirtschaftspolitik, from Nov. 20, 1939.
4 In 1924 German exports to Yugoslavia were just 36.4 million, its imports 29.3 million RM. In comparison in 1939 they were 131.5 million and 181.3 million RM. Wirtschaft und Statistik, 1924; Kosier, Grossdeutschland und Jugoslawien pp. ??
Germany’s network of trade agents in the region had been dismantled over the course of the war, along with much of its consular system. Inflation damaged the reputation of German merchants abroad. And finally the legacy in the new Yugoslavia and the expanded Romania of Germany’s harsh occupation during the war left many of their leaders ill-disposed towards economic cooperation with the Weimar republic.

My dissertation tries to answer the question of how Germany rose from such a poor economic relationship with the Balkan states in the early and mid 1920s to such a dominating one less than a decade and a half later. Historians have addressed this question before, but few have examined the interwar time frame as a whole. Rather, most accounts focus on Germany’s economic relationship with Southeastern Europe from the Nazi rise to power in 1933 to the beginning of the Second World War. In trying to answer this question historians have presented two broad solutions, both of which are important, but both of which only partially answer the question of how Germany became the dominant trading partner of Yugoslavia, Romania, and Bulgaria. One group of economic historians, like Alan Milward, argues that Germany’s large domestic market offered a natural center of attraction for these developing economies. As the only country able and willing to buy the agricultural products from Southeastern Europe in substantial quantities, during the 1930s Germany provided these states with a solution to their agricultural crises. In Milward’s view, Germany did not exploit the Balkan states, but rather was their best market in a difficult period. This line of argument revolves around

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the developments in the terms of trade during the 1930s. At the opposite end of the spectrum lay the diplomatic historians, most notably William Grenzebach, Hans Jürgen Schröder, and David Kaiser. On the basis of detailed archival research in Germany’s Foreign Office and the Nazi Chancellorship, they argue that Germany pursued a conscious foreign policy from 1931, even before Hitler’s rise to power, of trying to make the Balkan states economically dependent as a way to gain political leverage and undermine the French Treaty system in Eastern Europe.

The story of Germany’s rise to trading predominance, however, cannot be understood without first looking back to the 1920s. It was in this decade that a host of problems arose in the aftermath of World War I that severely debilitated trade between Germany on the one hand, and Yugoslavia, Romania, and Bulgaria on the other hand. German firms had difficulty in acquiring reliable economic information and they faced an extremely high level of uncertainty when conducting transactions in the Balkan states. For Yugoslavian, Romanian, and Bulgarian merchants, Weimar’s hyperinflation led many German merchants to rapidly change their prices and even renege on deliveries, giving them an reputation for unreliability. German-Balkan trade suffered from high transaction costs. While these problems were not unique to German-Balkan trade, they were more present there than in German trade with other regions. In response to these

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problems a series of private organizations arose in the mid 1920s—trade fairs, research and academic institutes, news reporting services, and propaganda organizations—that helped German merchants overcome these difficulties. By the late 1920s they had laid the institutional basis that would enable Germany to become Southeastern Europe’s largest trading partner in the following decade.

**Synopsis**

This paper discusses the development of Germany’s trade with Yugoslavia from 1921, when a treaty re-established regular relations between these two states, to the onset of the Great Depression in Central Europe in 1930, and shows how one particular organization, the Leipzig trade fair, helped overcome the high transactions costs that hindered commercial exchange in the region. These initial problems were two-fold. First, after World War I Germany lacked a reliable and consistent supply of information about business opportunities in Yugoslavia. Second, during these years corruption, fraud, malfeasance, and differing commercial cultures introduced a high level uncertainty into German-Yugoslav trade. German merchants, whose network of agents in Southeastern Europe had been destroyed by the war, lacked the contacts and the expertise to avoid fraud when making and fulfilling contracts, nor could they effectively navigate Yugoslavia’s court system when trying to recoup their losses.

The Leipzig trade fair enabled German and Yugoslavian firms to overcome many of these issues. The fair itself offered a means of addressing the problems of trust and reputation by providing a venue for face-to-face interaction for merchants along with a commercial court of arbitration to adjudicate disputes. Just as important, it supported an
extensive network of agents across Europe, including the Balkans where German firms had very few representatives. Some thirty fair agents operated in the region from Hungary to Bulgaria, nine of which were in Yugoslavia. These agents provided a conduit for reliable economic news for German merchants, helped them operate in a foreign commercial and legal system, and frequently put them in contact with counterparties in Yugoslavia who had a reliable reputation and who were willing to act as representatives for German firms.

After showing why the topic of information, uncertainty, and transaction costs provides a useful framework for my paper, I will discuss my sources and methodology. I then lay out the fundamental problems obstructing German-Yugoslavian trade, beginning with issues of information and moving onto those of uncertainty. Following this, I show how the Leipzig trade fair and its network helped overcome these problems in ways that the German state and many German firms on their own could not. I conclude with a discussion of how effective the fair was, and how its activities may have positively affected the course of German-Balkan trade in the late 1920s.

Methodology and Sources

Why focus on questions of information, uncertainty, and transaction costs? Historians, whether they are from the economic school like Milward or the diplomatic school like Grenzebach, Schröder, and Kaiser have employed a common set of variables to explain the development of Germany’s trade with Southeastern Europe in the interwar period. These explanations center around the state. The trade treaties Germany concluded first with Romania and Hungary in 1931, and with Yugoslavia in 1934, lowered tariffs,
reduced quotas, and granted preferential treatment for certain commodities. The bilateral currency agreements concluded between Germany and each Balkan country beginning in 1934 allowed these states to circumvent their shortage of foreign currency. These narratives look at the flow of trade and argue that when the state removed these obstacles, market exchange between Germany and the Balkan states would naturally improve. The state, in different capacities, was the primary actor that facilitated trade. Even when historians shift focus to the Weimar period, trade treaties and state negotiations for potential customs union still occupy center stage.8

These explanations are certainly valuable, particularly because the state’s involvement in economic life grew continually throughout the 1930s across Central Europe. But a study of the state, along with broader economic indicators, is not enough. What these historians neglect are the more basic issues that enable commercial exchange to succeed. How do buyers find sellers? How do exporters and importers find business opportunities in a foreign land? International trade has historically been characterized by problems of information, uncertainty, and high transaction costs.9 Merchants buying or selling goods in foreign markets need to cope with issues of distance and time and must operate between different legal codes, languages, and cultures. It costs time and money to acquire reliable news from a distance and evaluate local business opportunities, and it requires a high level of trust to contract with others where no common legal code exists or where each party comes from a different commercial culture. During the 1920s and

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1930s, differences in language, customs, culture, and legal practices were barriers to commercial exchange that could not be overcome by trade treaties, bilateral currency agreements, and diplomatic negotiations alone.

Economists, political scientists, and sociologists have all offered different methods to understand the topic of market exchange through the study of institutions.10 Two approaches in particular provide a useful conceptual framework to understand how an institution like the Leipzig trade fair could manage the problems associated with international trade. In his studies on the Maghribi Traders’ Coalition, Avner Greif demonstrates how commercial networks or coalitions, which share the same culture and operate on the basis of reputation, can balance out asymmetrical information, build higher levels of trust, help enforce contracts, and thereby reduce transaction costs.11 Using a much different approach, the sociologist Mark Granovetter argues that market transactions are embedded in social and cultural relationships. He illustrates how “concrete personal relations” and networks are central to “generating trust and discouraging malfeasance.”12 Although the object of their studies differ, Greif and Granovetter both emphasize that commerce cannot function smoothly where there is a high level of fraud and a low level of trust, where reliable information is difficult to find, and where personal contacts or networks do not exist or have been broken apart.

Many historians frequently assume these principals to be a given and consequently do not properly thematize them. In the context of Germany’s interwar

10 For an overview see Peter Hall and Rosemary C. R. Taylor, “Political Science and the Three New Institutionalisms,” in Political Studies (Dec. 1996), XLIV No. 3. 936-57.
foreign trade policy in general, and with Southeastern Europe in particular, these issues have not been discussed. This paper will extend the narrative of Milward, Grenzebach, Schröder, and Kaiser not only in time to the 1920s, but also in scope to discuss the institutions that supported trade across borders.

Questions of information and uncertainty are difficult to approach in economic history. Grief employs game theory to show how the Maghribi coalition provided incentives that circumvented the classical principal-agent problem. But he bases his study on a qualitative reading of the sources, showing how networks and personal contacts generate reputation effects that enabled a tight community of merchants to conduct transactions over great distances in time and space.

Like Greif, I use a qualitative approach here. There are three basic sources for this study. First, Germany’s Foreign Office and its Economics Ministry maintained detailed records of foreign trade throughout this period. German consuls, legates, and ambassadors sent regular reports to the foreign office in Berlin, in which they recorded information on general trade conditions, complaints by firms, reports on study trips made to the region, and assessments that provide a snapshot of Germany’s economic relationship with their host country. Through these reports, along with the many complaints registered about issues of information and uncertainty by firms operating in the Balkans, these provide evidence for a set of problems not previously addressed by historians. Second, this paper draws on numerous published trade journals, both national and regional, that reported on the economic conditions in the Balkan states, including *Das Nachrichtenblatt für Ausfuhr und Einfuhr*, *Deutscher Wirtschaftsdienst*, *Industrie und Handel*, *Sächsische Industrie*, and *Ruhr und Rhein*. Germany did not have a reliable and steady flow of economic news...
from Yugoslavia, or a journal specifically devoted to Southeastern Europe until 1929. A few journals, however, like *Sächsische Industrie* maintained correspondents in Belgrade that recorded the economic conditions as well as complaints by regionally-based firms. Third, the Foreign Office files contain an large amount of correspondence with a single institution in Southeastern Europe: the Leipzig trade fair. This paper draws on Saxony’s state archives in Dresden and Leipzig, which contain a detailed record of correspondence from the fair’s agents in Belgrade, Zagreb, Ljubljana, and other Yugoslavian cities. These archives also house published reports detailing how the Leipzig trade fair functioned in general as an institution for collecting and distributing economic information, finding reliable trade representatives for German firms, and lowering transaction costs through other methods. By using these three different types of sources, this paper is able to cross check the problems that merchants experienced during the 1920s. All three sources point to issues of information and uncertainty as major problems in German-Balkan trade that have hitherto been neglected in the historiography.

*Problems with German-Yugoslavian Trade – Information*

Before 1914 German merchants acquired their economic news and their information about business opportunities primarily from four different sources. First, larger firms might have agents in Serbia and the provinces of Austria-Hungary that would become part of Yugoslavia after 1918. Second, German consulates in the region provided news about economic conditions and answered inquiries regarding business opportunities. Third, a few German banks owned minority shares in financial institutions in Serbia, and provided German import-export merchants not only with credit, but also
with information. Fourth, and perhaps most common for smaller firms, intermediaries in Vienna and Budapest—Austrian and Hungarian merchants and banks—supplied information and frequently functioned as middlemen for firms that could not afford their own agent in region.\(^\text{13}\) Yet all of these conduits for acquiring reliable economic information broke down to varying degrees following the First World War.

In 1920 the Germany’s legate in Belgrade reported that “our commerce is also aggravated by scarce information about the local circumstances. As a result of the difficult travel conditions scores of German profiteers are coming to Belgrade, but very few legitimate merchants. It is difficult to conduct proper business here through correspondence alone.”\(^\text{14}\) Travel conditions slowly improved, but reports from the consuls in Belgrade and Zagreb consistently highlighted the difficulty of acquiring reliable information. A Foreign Office report circulated in 1926 to request parliamentary funding for an economic news reporting system describes the situation in greater detail. After the war, the report recounts, the task of collecting economic news had gained new importance “because Germany’s economic circles were often still not in the position to support their own representatives abroad, and therefore are relying more than before the war on news coverage from our foreign missions. … Many of the sources from which our commerce and industry could draw their information before the war are still closed to them today.” The report concludes that “a constant and close contact with foreign countries” was essential for Germany’s exporters, since the war had broken apart

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\(^{14}\) BA, R901, 54163 Trade with Yugoslavia, film 40724, German Legate in Belgrade to Berlin Foreign Office from Oct. 2, 1920.
historical trade contacts. Research by business historians illustrate how it took much of the decade for Germany’s larger firms, like Siemens, AEG, and the new combine IG Farben, to reconstitute or create anew their own sales networks in Central and Southeastern Europe “from scratch after the war.”

While German firms were slow to reconstruct their networks, the process did not proceed much smoother for Germany’s consular system, which now carried much of the burden for collecting and disseminating information about economic conditions and sales opportunities. Within Europe, Germany managed to re-open the majority of its embassies, legations, and full consulates by 1926. Yet this belies a deeper problem. Before 1914, Germany’s 141 full consulates were supplemented by 614 consular agents, of which only half had been re-established by 1926. These positions were usually staffed by honorary officials who were commercially engaged in the resident country. After the war it proved extremely difficult in the former hostile countries, including the newly-formed Yugoslavia, to fill these positions with experienced people since so many of Germany’s overseas agents never returned to their prewar positions. The availability of personnel with a genuine understanding of the local economic conditions was extremely

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15 PAAA, Handelsabteilung, Foreign news service and the promotion of foreign trade, 106582, Confidential report about establishing a Foreign service for the promotion of German foreign trade, from 1926.
16 Schröter. Harm. “Europe in the Strategies of Germany’s Electrical Engineering and Chemical Trusts,” in Berghahn (ed.) Informal Empire, pp. 41-42; See also Balderston, German Economic Crisis, pp. 95; IG Farben, for instance, established a news reporting system in Southeastern Europe between 1929 and 1934, prior to which they relied largely on local agent firms or Austrian banks for their news and representation. Schröter, Verena. “The IG Farbenindustrie AG in Central and South-East Europe, 1926-1938” in Teichova and Cottrell (ed.) International Business, pp. 141-144.
17 Germany’s network of diplomatic representation abroad consisted of a hierarchy of missions: at the highest level were embassies (Botschaften) in Constantinople; followed by legations (Gesandtschaften) in Belgrade, Bucharest, Budapest, Sofia, and Vienna; general consulates (Generalkonsulate); consulates (Konsulate) in Zagreb, Temesvar; and finally honorary officials (Wahlkonsulate) who generally saw their affiliation with the German Foreign Office as a way to compliment and improve their standing in the local business community. Beyond Europe the situation was much worse: of the 95 prewar, extra-European legations or consulates by 1926 only 50 had been re-opened.
18 PAAA, Handelsabteilung, Foreign news service and the promotion of foreign trade, 106582, Confidential report about establishing a Foreign service for the promotion of German foreign trade, from 1926.
limited, and the Foreign Office turned increasingly to local businessmen who often did not speak German at all: of the 340 consular agents in operation in 1926, 145 of them were staffed by non-Germans.\(^\text{19}\)

Moreover, coordination between the various consular agencies was disorganized and in many instances they operated without the oversight of a general consulate or embassy. According to a confidential report from the Foreign Office in 1926, “under such circumstances there can be no discussion at all about reliable and objective economic news coverage and information distribution, upon which the domestic economy can build their export and import business.” In more and more instances the Foreign Office tried to transform these honorary consular agencies into paid representatives when the funding was available, yet the financial means was largely absent.\(^\text{20}\) Until 1926 the Foreign Office devoted merely 50,000 RM annually to their news collection services. Berlin made an effort in 1927 to expand this budget to 500,000 RM, but the Foreign Office admitted that even this would be insufficient to properly fund the consular network that German industry required. Consequently, many German legations lacked the resources to effectively gather economic information. Only the largest missions possessed a library with the newspapers, journals, statistical yearbooks, and export handbooks that would enable their officials to paint a clear picture of the economic structure and development of the local country.\(^\text{21}\)

Up through 1927-28 the foreign office transmitted the economic news collected from its consular network to the German economy through a multi-layered series of

\(^\text{19}\) PAAA, Handelsabteilung, Foreign news service and the promotion of foreign trade, 106582, Confidential report about establishing a Foreign service for the promotion of German foreign trade, from 1926.

\(^\text{20}\) Ibid.

\(^\text{21}\) Ibid.
journals to which firms and industrial associations subscribed. Three agencies each produced their own publications, but by the mid 1920s they began to collaborate on a single, economic weekly journal, *Das Nachrichtenblatt für Ausfuhr und Einfuhr*. While this system drew information from a wide variety of sources, the most important was the Foreign Office’s missions. Yet this complicated news reporting system remained in a constant state of flux until 1927-1928 and never met the expectations of German industry. Weimar’s leading industrial associations, like the Foreign Trade Association, the Imperial Federation of German Industry, and the Association for Chambers of Commerce and Industry, all seriously questioned whether direct state involvement in news collecting was effective, arguing that the consular offices were not sufficiently versed in business practices and that their reports lost costly time winding their way through the numerous layers of the administration.

While Germany’s economic news reporting system suffered from a scarcity of resources, personnel, and expertise in general, the problem was particularly acute in Southeastern Europe. First and foremost, unlike other areas, until 1929 there were no journals dedicated to economic news from this region. German merchants had to rely on the general overview provided by *Das Nachrichtenblatt für Ausfuhr und Einfuhr*, or other regional news organs like *Sächsiche Industrie*, which, as many contemporaries attested, proved to be inadequate to the task at hand. Moreover, Germany did not establish chambers of commerce, an alternative organ for disseminating economic news, in

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22 PAAA, Handelsabteilung, Foreign news service and the promotion of foreign trade, 106365, Report about the official economic and news reporting information service from Feb. 28, 1929, Reichsrat Nr. 33.
Yugoslavia until 1933. The Foreign Office’s small budget for news collection meant that their consulates in Southeastern Europe had to operate with minimal financial resources. The legation in Belgrade was too understaffed to respond to the numerous inquiries for export-related information, and frequently had to point them towards other sources.

When the Foreign Office was able to collect useful economic information, because the distribution system was so layered there was no guarantee it would reach those firms that could use it. The experience of Brothers Eberhardt illustrates the general dysfunction of this system. In the late spring of 1924 after the stabilization of Germany’s currency, Brothers Eberhardt, a manufacturer of agricultural machinery and equipment from Ulm, registered serious complaints with the Foreign Office. After a journey of several months through the Balkans to assess the region’s economic conditions, Rudolf Eberhardt returned deeply dismayed by what he saw: the creeping domination of the region’s sales and capital markets by Britain, France, and Italy. As a merchant whose livelihood depended on sales to the Balkans, and one who relied on the information provided by the Foreign Office, the Industrie- und Handelszeitung, and the Deutscher Wirtschaftsdienst, he claimed that these sources had left him entirely unaware of how dire the situation had become before taking his trip. Nor could he imagine that the “any other [German] industry interested in the Balkans” could possibly be any better informed than

26 PAAA, Handelsabteilung, 89278 Romanian sales opportunities, Bucharest Legate to the Firm Birnstiel & CO from April 9, 1926; BA, R901, 54160 Foreign Trade with the Balkans, Brothers Eberhardt firm to the Berlin Foreign Office from June 1, 1924; BA, R901, 54226 representatives of German firms in Yugoslavia, film 41401, Chamber of commerce in Leipzig to German legation in Belgrade from Aug. 14, 1926.
he was by relying solely on the official material and without taking a comparable study trip. According to Eberhardt, the local German consulates actually knew that Germany’s economic position and reputation were deteriorating. Their reports, however, simply filled the “filing cabinets” of the Foreign Office in Berlin, “without being furnished to German industrial and commercial enterprises that could utilize them.”\(^{27}\) In response to the Foreign Office’s mild reply, which suggested Eberhardt consult the usual organs of news dissemination, Eberhardt pointed out that these were entirely inadequate. Neither Eberhardt’s industrial association, nor the *Industrie- und Handelszeitung*, nor the local branch office in Stuttgart had supplied any useful information.

The problem illustrated by Brothers Eberhardt was not an isolated example. By many accounts Germany’s multi-tiered system of economic news reporting was characterized by disorganization, “inconsistency and fragmentation” on a national level, and Eberhardt’s grievances resonated with what the Foreign Office itself recorded.\(^{28}\) When firms did receive information they were generally satisfied with the depth of insight. They complained, however, that the extent of coverage was too small and failed to meet their expectations.\(^{29}\)

Another potential source of economic information from Southeastern Europe, German banks or their subsidiaries, simply did not exist. Germany’s banking presence in Southeastern Europe before 1914 was minimal to begin with. The Deutsche Bank and the Dresdner Bank both had offices in Bucharest, and the Dresdner Bank had a subsidiary in

\(^{27}\) BA, R901, 54160 Foreign Trade with the Balkans, Brothers Eberhardt firm to Berlin Foreign Office from May 10, 1924.

\(^{28}\) PAAA, Handelsabteilung, Foreign news service and the promotion of foreign trade, 106582, Confidential report about establishing a Foreign service for the promotion of German foreign trade, from 1926.

\(^{29}\) PAAA, Handelsabteilung, Foreign news service and the promotion of foreign trade, 106582, Confidential report about establishing a Foreign service for the promotion of German foreign trade, from 1926; see also BA, R901, 54160 Foreign Trade with the Balkans, exchange of letters between Brothers’ Eberhardt and the Berlin Foreign Office from June 1 and June 17, 1924.
Sofia, while Berliner Handelgesellschaft had interests in Serbia. Yet these did not survive the war or they were nationalized by the new governments of Bulgaria, Romania, and Yugoslavia after 1918. These banks were either unable or reluctant to establish branches in states of Southeastern Europe because they feared having their assets confiscated or losing money to credit-unworthy partners.30

Before the war the largest foreign banking presence in what would become Yugoslavia were Austrian Banks, which German firms had used as intermediaries. Although the eight major Viennese banks experienced an extensive internationalization of their ownership after 1918, they remained deeply involved in Southeastern Europe. In contrast to the other methods of acquiring information, after the war German firms came to rely even more on Viennese banks to function as middlemen and also as sources of information.31 In addition to Viennese banks, Austrian firms also continued their mediating role. According to Dr. Schmidlein, Weimar’s consul in Belgrade who authored a detailed report on the condition of Germany’s business in Yugoslavia in 1927, immediately after World War I many German firms worked through Viennese agents in both Yugoslavia and Romania. Other reports from industrial journals, like the Sächsische Industrie, which had its own agent in Belgrade, confirm Schmidlein’s report, and even

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30 The Romanian company Agricola, for example, hoped to acquire credit from the Deutsche Bank to fund the import of German goods. The Deutschebank was reluctant to extend such credit precisely because of the complicated transactions required to insure itself against confiscation of its credit under article 18. PAAA, Handelsabteilung, 89461 Participation of German and foreign capital in Romania, 1922.03.04. See also Tonch, Hans. Wirtschaft und Politik auf dem Balkan: Untersuchungen zu den deutsch-rumänischen Beziehungen in der Weimarer Republik unter besonderer Berücksichtigung der Weltwirtschaftskrise (Frankfurt 1984), pp. 54.

Siemens and IG Farben conducted most of their export business through subsidiary 
subsidiaries based in Vienna.32

_Problems with German-Yugoslavian Trade – Uncertainty_

The problem of acquiring reliable and detailed economic information for German 
merchants exacerbated another problem, the issue of uncertainty. Yugoslavian border 
authorities frequently mistreated German merchants or targeted them with additional 
fees, Yugoslavian firms often mishandled contracts and reneged on their payments, and 
the Yugoslavian court system proved extremely difficult to navigate. Throughout the 
middle of the 1920s German complaints about profiteering, corruption, and bribery 
among Yugoslavian merchants and officials abounded.33

German merchants frequently reported that Yugoslavian state authorities 
manipulated customs payments or demanded bribes at the border. Although Germany and 
Yugoslavia negotiated a provisional trade treaty in 1921, this regulated only the most 
important aspects of inter-state commerce, and left wide latitude for how customs agents 
dealt with importers and exporters. In 1922 a Foreign Office report estimated that such 
bribes routinely amounted to 50 percent of the already large, 30 percent toll applied to

32 BA, R901, 43085 Economic relations with Yugoslavia, Report from Dr. Schmidtlein on the condition of 
Germany’s business in Yugoslavia in response to the Enquete Ausschuss, circulated by Belgrade legate 
Franz Olshausen to the Foreign Office in Berlin, from April 21, 1927; BA, R901, 54163, film 40724, Trade 
with Yugoslavia, report from Belgrade legate to Berlin Foreign Office from Oct. 2, 1920; such was the case 
for Deutsche Werke A.G. in Berlin, which worked in Yugoslavia through the International Export and 
Import A.G. in Vienna. BA, R901, 54226 Representatives of German firms in Yugoslavia, film 41406, 
German legate in Vienna to Berlin AA from Dec. 18, 1923; Schröter, Harm. “Siemens and Central and 
South-East Europe between the two world wars” in Alice Teichova and P.L. Cottrell (ed.) _International 
33 BA, R901, 54160 Foreign trade with the Balkans, Report from branch office for foreign trade in 
Nuremberg to Berlin Foreign Office from April 20, 1922. BA, R901, 54223 trade with Yugoslavia, film 
41368, report from chamber of commerce in Munich from Jan. 12, 1926.
German goods.\textsuperscript{34} As in other Balkan states, only Yugoslavian merchants could bring goods into their countries without risking the possibility of being charged arbitrary fees or bribes.\textsuperscript{35} Some of the largest German firms bypassed these problems by employing their own Yugoslavian representatives, yet the majority of German exporters either lacked the connections or were too small to maintain local agents.\textsuperscript{36}

To compound this problem, for outsiders the Yugoslavian legal system appeared complicated and riddled with corruption. It was extremely difficult for German merchants to extract payment from their debtors whenever locals reneged on their contract. Although article 9 of the German-Yugoslavian trade treaty of 1921 permitted German merchants to take their claims before Yugoslavian courts to extract payment from their debtors, according to the Zagreb consul, “here the legal process does not lead to that goal.” The number of Yugoslavian judges was too small and their pay too poor for them to be either able or willing to process trials quickly. As a rule, cases where foreigners tried to extract credit due to them lasted at least a year, often dragging out for two or three before a verdict would be reached.\textsuperscript{37} When a foreign creditor finally received the right of enforcement, the local merchant-debtor could often delay the collection process for another year or two. The German consulate in Zagreb and the majority of the local

\textsuperscript{34} BA, R901, 54160 Foreign trade with the Balkans, Branch office for foreign trade in Nuremburg to the Berlin Foreign Office from April 20, 1922.

\textsuperscript{35} BA, R901, 54163 Trade with Yugoslavia, film 40724, German Legate in Belgrade to Berlin Foreign Office from Oct. 2, 1920, pp. 63; PAAA, Handelsabteilung, 89209 Romanian trade relations with Germany, Commissioner for foreign currency to the Berlin Foreign Office from Nov. 30, 1923; see also the numerous complaints about the Yugoslavian tariff and border control from 1925 and 1926 in BA, R901, 54223 Trade Propaganda, film 41368 trade with Yugoslavia, pages 35-62.

\textsuperscript{36} It is unclear from the sources whether or not this problem was peculiar to Germany.

\textsuperscript{37} BA, R901, 54164 Trade with Yugoslavia, film 40725 German consul in Zagreb to Berlin Foreign Office from Feb. 12, 1923.
banks found this situation to be “unbearable for trade and business development.” By 1923 most local banks in Zagreb and many local merchants had concluded an unofficial agreement to submit their complaints to a court of arbitration comprised of the Zagreb bourse and leaders from the local business community. Yet even this was not a full proof way of receiving payments, and the consulate advised German firms to exercise particular caution when making contracts with state administrations, or merchants connected with state administrations, since they were notorious for making tardy payments. Moreover, German merchants often did not command serbo-croatian, were unable to find reliable lawyers, and were in general unfamiliar with the court system.

In an economic climate where it was uncommon for a firm or individual to renege on their contract, a slow, complicated, or corrupt court might not have been a large problem. In Yugoslavia, however, this was not the case. As the Deutscher Wirtschaftdienst pointed out in 1926, firms that were unfamiliar with the local Yugoslavian economy had frequently been burned by making deals with “credit unworthy” local businesses. They highly recommended that to avoid such losses German traders, unless dealing with trusted agents in Yugoslavia, should request payment in advance of making any deliveries. The Foreign Office, the Foreign Trade Association, and the Association of Saxon Industrialists echoed these remarks in their

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38 BA, R901, 54164 Trade with Yugoslavia, film 40725 German consul in Zagreb to Berlin Foreign Office from Feb. 12, 1923; During the bankruptcy of the Kroatisch-Slavonische Landwirtschaftliche Verein the German consulate in Belgrade reported on the difficulties that the slow and expensive Yugoslavian court system was posing for German exporters and importers. BA, R901, 54164, Trade with Yugoslavia, film 40725, Zagreb Consul to Berlin Foreign Office from Nov. 6, 1925, pp. 230.

39 These would typically resolve disputes within 3-4 weeks. BA, R901, 54164 Trade with Yugoslavia, film 40725 Nov. 6, 1923.11.06.

40 BA, R901, 54164 Trade with Yugoslavia, film 40725 German consul in Zagreb to Berlin Foreign Office from Feb. 12, 1923.

41 BA, R901, 54164 Trade with Yugoslavia, film 40725 German consul in Zagreb to Berlin Foreign Office from Nov. 6, 1925.

42 BA, R901, 54226 Representatives of German Firms in Yugoslavia, film 41404, bulletin about commercial exchange with Yugoslavia from Jan. 9, 1926.
own reports.\textsuperscript{43} It was in this context that German charges of “oriental sloppiness” and Backsheesh among Balkan traders surfaced, and organizations like the Foreign Trade Association warned their members to trade in Southeastern Europe at their own risk.\textsuperscript{44} These observers reported that the real instances of fraud and malfeasance, the difficulty with the court system, and the misunderstanding of credit practices introduced a severe “lack of trust” that had a “sickening” effect on exchange between the merchants communities of these two states.\textsuperscript{45}

\textit{The Leipzig Trade Fair}

How did the Leipzig trade fair help overcome these problems of information and uncertainty? The Leipzig fair itself was Europe’s largest during a period that saw a renaissance of trade fairs across the continent. New model fairs—where merchants brought models or exhibitions for display rather than their actual products—arose in London, Maastricht, Paris, Lyon, Milan, Zagreb, along with many German cities. In 1928 Leipzig attracted over 10,000 official exhibitors to its spring fair and 8,000 to its fall fair, each of which would last a week to ten days. In comparison Europe’s next largest fair in Paris numbered some 7,000 exhibitors total.\textsuperscript{46} By 1928 the spring fair attracted 185,000

\textsuperscript{43} \textit{Sächsische Industrie}, article from Feb. 12, 1927; BA, R901, 43085 Economic relations with Yugoslavia, Report from Dr. Schmidtlein on the condition of Germany’s business in Yugoslavia from April 21, 1927; For Romania, see PAAA, Handelsabteilung, 89209 Romanian trade relations with Germany, German Legate in Bucharest to Berlin Foreign Office from May 2, 1925; ibid, Lawyer Wolfgang Heine to Commissioner for foreign currency from Dec. 12, 1923.

\textsuperscript{44} PAAA, Handelsabteilung, 89209 Romanian trade relations with German, memorandum from AHV circulated by Bucharest Legate to Berlin Foreign Office from May 2, 1925.05.02.

\textsuperscript{45} BA, R901, 54232 Leipzig trade fair, film 41484, comments from Yugoslavia’s trade representative in Munich circulated by the branch office of foreign trade in Munich to the Berlin Foreign Office from Feb. 4, 1922; BA, R901, 43085 Economic relations with Yugoslavia, Report from Dr. Schmidtlein on the condition of Germany’s business in Yugoslavia from April 21, 1927.

registered buyers, some 29,500 of which came from abroad, 25 times as many as Germany’s other fairs combined.47 Although the fair could not solve all of the issues discussed above, like the problem of providing long-term credit to importers, it helped sellers locate buyers, it provided a reliable source of economic news for participant firms, and it reduced uncertainty for merchants conducting business in Yugoslavia. There were five different methods by which the institution of the fair accomplished this.

First, the fair provided a venue for German merchants to make personal and commercial connections with foreign traders and a place for the latter to display and market their goods. The fair geared itself towards smaller firms and the majority of its participants were classified as small and medium-sized businesses.48 These companies and family enterprises were often unable to support their own agents abroad, and instead used the fair as their main source for foreign contacts and sales.49 Indeed, the fair placed an extremely high value on attracting foreign merchants since it defined its purpose, to a large extent, to be the promotion of German exports. It is difficult to measure the exact amount of German exports that can be attributed to the fair. In 1927 Germany’s Institute for Economic Research (Institut für Konjunkturforschung - IfK) estimated that between 31 and 34 percent of all sales at the fair were export-related. This lay well above the

47 Saxon State Archiv in Leipzig - Sächsische Staatsarchiv Leipzig (SSAL), LMA, DS, 905 “Die Entwicklung der Leipziger MEesse und ihre Bedeutung für die Volkswirtschaft.”
48 Firms with 1-4 employees were counted as small, firms with 5-49 were counted as large, firms above 50 were considered large. Statistisches Jahrbuch für den Freistaat Sachsen, 1929 pp. 80-81; PAAA, Sonderreferat Wirtschaft, 117904 Fairs and Markets - Leipzig, Business report for 1931 from Dec. 31, 1931.
average for German firms, which in 1928 the IfK estimated to be 19 percent.\textsuperscript{50} From the same survey, the IfK initially estimated that between $\frac{1}{2}$ and 1 billion RM worth of export orders were made at the Leipzig’s fairs annually. And by the fair offices’ own estimate, it accounted for roughly 40 percent of Germany’s exports of finished goods.\textsuperscript{51} Yet these figures are probably exaggerated, a more conservative estimate drawn from later studies conducted by the IfK, the fair, and the Institute for Economic Monitoring (\textit{Institut für Wirtschaftsbeobachtung}) in Nuremburg suggests that the total export trade connected with the fair amounted to roughly 175 million RM annually.\textsuperscript{52} In comparison, total German exports for 1927 were 10 billion RM; approximately 1.75 percent of all German exports went through the fair.

This high volume of trade and the large number of foreign participants made the fair attractive for merchants from Yugoslavia because it offered them one of their only opportunities to market goods to a German as well as an international audience.\textsuperscript{53} Between 1925 and 1931 the number of official business participants from Yugoslavia more than doubled, rising from 200 to 498 (149 percent increase). [See Table 4] This rate

\textsuperscript{50} Quoted in SSAL, LMA, DS, 248, pp. 92. This refers to the \textit{Vierteljahreshefte zur Konjunkturforschung}, III. Vol. 1928, issue 3, pp. 42.


\textsuperscript{52} From 1928-1930 the fair conducted regular surveys, the results of which indicate a lower figure for its export business. These surveys concluded that in the late 1920s total direct sales amounted to roughly 220 million RM per year at the spring fair and 80-90 RM at the fall fair. But according to the a study conducted in 1930 by the Institute for Economic Monitoring in Nuremburg, only 57 percent of the business connected with the Leipzig fair was completed directly at the fair itself, 43 percent were “indirect” sales, or orders made after the fair that were still attributable to contacts made in Leipzig. If the fair’s direct sales, spring and fall combined, averaged 300 million RM annually, total sales attributable to the fair would have run in the neighborhood of 525 million RM. Using the IfK’s estimate that roughly one-third of all sales at the fair were exports, then the fair’s total export-related business would have been roughly 173.25 million RM. For some discussion of the difficulty of estimating total export sales, see SSAL, LMA, DS, 900 Messen und Weltwirtschaft, pp. 21; SSAL, LMA, DS, 908; Saxon State Archiv in Dresden – Sächsische Staatsarchiv Dresden (SSAD), Auswärtigen Angelegenheiten 10717, 7843 Leipzig Trade Fair, Saxon Legate in Berlin to Dresden Foreign Office from March 3, 1931; see also SSAL, LMA, DS, 911 report by Institut für Konjunkturforschung; See the report about these polls in SSAL, LMA, GA, 247, pp. 95, 101, 133; SSAL, LMA, GA, 248; SSAL, LMA, GA, 247, pp. 97.

\textsuperscript{53} The fairs in Zagreb and Ljubljana had a much smaller international presence.
of increase was larger than that of foreign participants in general, which rose from 17,200 to 27,486 (60 percent increase). Moreover, the technical fair, first pioneered in 1918, housed some of Germany’s largest exhibition spaces where firms like AEG, Siemens, and Krupp, along with a host of smaller producers, displayed Germany’s new technical advances and capital equipment, from machine tools to automobiles. This portion of the fair proved to be the most attractive for Yugoslavian import merchants, where they saw an opportunity to purchase the advanced machinery, farm equipment, and specialized machine tools that were too expensive or impossible to produce domestically. These were the very sectors—iron and steel products, non-electrical machinery, and electrical machinery—among Yugoslavia’s imports from Germany that expanded the most rapidly in the 1920s. [See Table 5] Already in 1926, before Germany’s dramatic expansion of non-electrical machinery and electrical machinery exports, Germany supplied Yugoslavia with 1/3 and ¼ of these goods respectively.

In these years the fair’s main agent in Belgrade, Hans Schuster, also helped organize five official exhibitions from Yugoslavia. These were “calling cards for the economy of a country,” which were intended to display its “economic capabilities.” The Yugoslavian exhibitions consisted mostly of tobacco products, fine carpet wares and other artisanal and textile specialties along with a variety of agricultural goods and other raw materials.

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54 SSAL, LMA, GA, 146, Articles translated from Croatian into German by the Messeamt’s business offices in Belgrade, pp. 79-80.
55 Dittrich, Erich. Südosteuropa und die Reichsmesse Leipzig (Stuttgart/Berlin 1941).
56 SSAL, LMA, GA, 146, Messeamt to the Ministry for Trade and Industry in Belgrade from June 2, 1926; SSA Leipzig, LMA, GA, 146 correspondence between Schuster and the Messamt; Dittrich, Südosteuropa und die Reichsmesse Leipzig.
Second, the fair’s agents improved how economic information flowed in both directions between Germany and Yugoslavia. In 1925-26 the fair founded a new business office in Belgrade, which coordinated the activities of all the fair’s agents in Southeastern Europe. Under the management of this office the trade fair’s agents in Yugoslavia collected and analyzed information about local market conditions, like prices, relative demand, and even fashion or taste in clothing and other goods. Germany’s foreign consular service, in contrast, focused only on the general economic structure of local countries and paid less attention to export opportunities for specific industrial branches.

The Messeamt argued that sectoral-level information could be better collected by its own agents, who had extensive local experience and connections. The fair’s business office in Belgrade would collect information about sales opportunities from its agents in Skoplje, Sarajevo, Split, Zagreb, Maribor, Ljubljana, Osijek, and Novi Sad. It would send this to the head offices in Leipzig, where the fair had established 18 subcommittees (Fachausschüsse), each of which cooperated with a particular branch of Germany’s finished goods industries. The fair’s offices would pass this information along through the subcommittees directly to the relevant German industries, or would publish it in their weekly journal Wirtschafts- und Export Zeitung.

The task of collecting information was especially difficult in Yugoslavia, where it took several years after the war for Belgrade’s Ministry of Trade to establish a “functioning statistical service” that could provide reliable macro-economic information.

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57 SSAL, LMA, DS, 913; See also Paul Voss on “Das Problem der Exportförderung,” who saw the one of the Messamt’s primary tasks to lie in finding good “information about exports and schooling for exporters.” SSAL, LMA, DS, 902.
58 In comparison, the Messamt’s budget for their work in Italy in 1926 was 31,000 RM SSAL, LMA, DS, 906; SSAL, LMA, GA, 1000, from the Messamt to Dr. Borota, their new agent in Novisad from April 29, 1925.
59 SSAL, LMA, DS, 905, “Die Entwicklung der Leipziger Messe und ihre Bedeutung für die Volkswirtschaft” by Paul Voss, pp. 4.
Consequently, Hans Schuster founded a new institution specifically devoted to collecting information about the local economy. This German-Yugoslavian Committee on Industry and Trade (Deutsch-Yugoslavische Wirtschaftsauschuss) was a collaborative effort to pool information between the trade fair, some of Germany’s leading industrial associations, and the Leipzig chamber of commerce on the German side, and the Central Association of Yugoslavian Industrialists, the offices for trade in Belgrade, and the chambers of commerce in Ljubljana, Ossijek, and Belgrade on the Yugoslavian side.61

To provide information about Germany products to Yugoslavian merchants, the fair’s agents pursued a wide variety of advertising. The head offices gave their agents wide latitude to select the methods, thereby hoping “to design its advertising efforts according to the distinct culture, habits, and economic conditions of its target people.”62 In 1926 Schuster’s office in Belgrade had a budget of 45,100 RM, which increased to 70,600 RM in the coming years, to advertise with methods that ranged from showing promotional films about the fair, about German technology, and about specific German industrial sectors, to radio and newspaper ads. This advertising focused first and foremost on the fair itself as a venue for Yugoslavian merchants to find German and other international business contacts. Second behind that, it promoted Germany’s high quality

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61 BA, R901, 54232 Leipzig Trade Fair, film 41488, Belgrade legate to Berlin Foreign Office from Aug. 21, 1926 and from March 8, 1927; BA R901, 43085 Economic relations with Yugoslavia, Economics Ministry to the Berlin Foreign Office from April 27, 1927; The Zagreb chamber of commerce rejected his plans because of their federalist inclinations and their fear of being subordinated to Belgrade. BA, R901, 54232 Leipzig Trade Fair, film 41488, Belgrade legate to Berlin Foreign Office, March 8, 1927; BA, R901, 54232 Leipzig Trade Fair, film 41488, German legate in Belgrade to Berlin Foreign Office from Aug. 21, 1926, pp. 202 and from March 8, 1927, pp. 219; On the RdI’s contract to use the Messamt’s information offices see SSAL, LMA, DS, 903, “Probleme der Export-Förderung; on the purposes of the information offices see SSAL, LMA, DS, 908, “Aus der Praxis der Exportpropaganda”.
62 SSAL, LMA, DS, 908 “Aus der Praxis der Exportpropaganda”. 
manufactured goods and capital equipment, especially through films that showcased German technology.63

Third, the fair’s agents helped find importers in Yugoslavia with reliable reputations who would be willing to act as agents for German exporters. Such a service was not easy for German merchants to find, as the Belgrade consul remarked in 1927. “In this question of representatives there is still a considerable difficulty in the fact that in Yugoslavia there are naturally not as many good agents as would be necessary for Germany’s wide variety of brand-name products to find their own representatives.”64 According the Dr. Walbeck, the German consul in Zagreb,

The knowledge of how to do business here cannot be acquired by the mere operation of a single transaction … rather it is necessary to have a trusted representative who lives in the country, keeps his head offices abreast of the various business fluctuations, and remains in continual contact with the clientele. For most German firms it is too costly to maintain such a representative. They prefer to place orders in the country when visiting it in peace or to leave this overwriting to any agent they find, who often only looks after the interest of his own commission, not the execution of the business at hand.65

Walbeck was alluding to the principal-agent problem. As he and others reported, it was not uncommon for German merchants new to the Yugoslavian market to have their payments delayed substantially, or in the worst cases even go missing.66 Since the

63 SSAL, LMA, DS, 908 “Aus der Praxis der Exportpropaganda”; In comparison, the fair distributed 40-50,000 in English and over 100,000 of these in French for each fair.
64 BA, R901, 54164 Trade with Yugoslavia, film 40725, Zagreb Consul to Berlin Foreign Office from Nov. 6, 1925; BA, R901, 43085 Economic relations with Yugoslavia, Report from Dr. Schmidtlein on the condition of Germany’s business in Yugoslavia from April 21, 1927.
65 BA, R901, 54164 Trade with Yugoslavia, film 40725, Report from Zagreb consul circulated by Belgrade legate to Berlin Foreign Office from June 22, 1925.
66 According to complaints in Sächsische Industrie, Saxon exporters who delivered goods to Southeastern Europe sometimes found that their would-be purchasers refused to pay for or accept them. The goods would be left standing at the border or in warehouses, and the Saxon firm would have to scramble to find a new buyer, more often than not, one who offered a lower price. Sächsische Industrie from Feb. 12, 1927,
majority of Germany’s firms were not large enough to directly employ their own sales force, like Siemens or IG Farben, they contracted with local Yugoslavian merchants to act as their dealers. To avoid fraud, German traders commonly request recommendations from their consuls for trustworthy agents. The consuls were willing to comply, but having limited budgets and being understaffed they were unable to respond to every inquiry. Instead they frequently passed these requests on to agents from the Leipzig trade fair.67 Milan Lujanovitz, for example, the director of the fair’s Belgrade business offices after 1928, frequently advised German merchants about prospective agents. As a Belgrade Serb with connections to the Economics Ministry, the Yugoslavian national chamber of commerce, and as a director of one of Belgrade’s largest banks, he had numerous contacts in Belgrade, which through his office as agent of the trade fair he could communicate to Germans.

Fourth, the fair offered recourse to an informal court of arbitration in Leipzig, and its agents provided advice and assistance to German merchants trying to navigate the legal system in Yugoslavia. In a typical case, after placing orders with a glass and mirror factory in Fürth March 1922, a Sarajevo firm Moise I. Katan complained that the German firm reneged on its contract and never made the agreed-upon deliveries. After repeated attempts to redress the situation by post, Katan filed a complaint with the German mission in Sarajevo and the chamber of commerce in Nuremberg. Following a long delay

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67 The archival trade files are filled with such requests. See for example BA, R901, 54226 representatives of German firms in Yugoslavia, film 41404 letters from May 27 and July 19, 1922; BA, R901, 54226 representatives of German firms in Yugoslavia, film 41406, letter from July 20, 1927; BA, R901, 54164 Trade with Yugoslavia, film 40725, confidential Bulletin for trade with the Kingdom of Serbs, Croats, and Slovenes from 1926, pp. 254; PAAA, Handelsabteilung, 89276 Romanian sales opportunities in Germany, letter from Feb. 21, 1923; PAAA, Handelsabteilung, 89209 Romanian trade relations with Germany, Bucharest legate to Berlin Foreign Office from April 1, 1927.
the German firm eventually replied, explaining that it was unable to deliver the wares since it had never received them from its own supplier in the first place. With prompting from Germany’s economics ministry, they resolved the issue at the next spring fair in Leipzig.68 For the Yugoslavian court system itself, Schuster, Lujanovitz, and the fair’s other agents made it a priority to work with Germany’s consulates to find experienced local lawyers willing to assist German exporters with their legal issues. In this way the fair’s network functioned as a supplement to Germany’s consular system.

Finally, the fair also helped organize and fund study trips for merchants to and from Yugoslavia and helped lower the cost of participating in the fair. The agents in Maribor and Novi Sad, for instance, cooperated with the Political Association of Germans in Slovenia to organize a collective trip of Slovenian Germans to visit Leipzig in 1927.69 According to the association, only a very small proportion of these merchants “knew their German motherland and understood its business life there through their own experience.” Other accounts reinforce the observation that German merchants in Slovenia relied almost exclusively on Yugoslavian rather than German agents.70 To remedy this the association organized a study trip of thirty German merchants and artisans to visit the spring fair.71 By obtaining and distributing travel visas, arranging group travel and rail discounts, negotiating a reduced fair entry fee, and getting a contribution from the

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68 BA, R901, 54164 Trade with Yugoslavia, Film 40725 reports from Dec. 15, 1922, Jan. 5, Jan. 25, and Jan. 29, 1923.
69 SSAL, LMA, GA, 1000, pp. 154.
70 BA, R8043, 978 Yugoslavia, Dr. Carl Georg Bruns to councilor Krahmer-Möllenberg from Nov. 2, 1926.
71 BA, R8043, 978 Yugoslavia, Hubert Kolletnig of Marburg to councilor Krahmer-Möllenberg from Feb. 24, 1927; ibid Mathies to the Economics Ministry from from Oct. 20, 1926.
Yugoslavian legation, the Maribor representative reduced the financial burden of visiting the fair well below what it normally would cost.\footnote{72}

\textit{The Effectiveness of the Trade Fair}

It is difficult to reach a quantitative conclusion about the true effectiveness of the Leipzig trade fair in improving Germany’s trade with Yugoslavia during the 1920s. Qualitatively, however, the fair provided several services that were found wanting during the 1920s, namely, the provision of economic information, the cultivation of reliable commercial contacts, and help in resolving commercial or legal disputes. The fair plugged a substantial hole in Germany’s system of economic news reporting, as its 18 subcommittees were able to pass information directly to the relevant industrial associations. Moreover, it generated a substantial advertising presence in Yugoslavia through techniques ranging from film and radio, to newspapers and posters. Alongside Germany’s consular service, the fair provided Germany with its most extensive network of agents willing to assist German merchants. Although some larger combines, IG Farben in particular, had formed their own sales force in Southeastern Europe by the end of the 1920s, for the vast majority of Germany’s exporters it was impossible to support such a presence, and they relied instead on local agents with whom they had a history, or those referred by the consular service and the Leipzig fair.\footnote{73} The fair, moreover, offered a

\footnote{72}{Although this idea for a study trip found strong vocal support from the German legate in Belgrade, neither the foreign office nor the RWM were able to support the trip financially, and it is difficult to ascertain from the sources whether such a trip eventually occurred or not. BA, R8043, 978 Yugoslavia, pp. 217-20.}

venue for face-to-face exchange, provided a commercial court of arbitration, and helped
German firms with the legal system in Yugoslavia.

All of these activities lowered the uncertainty that had disrupted German-
Yugoslavian trade in the first half of the 1920s. Commentary from Germany’s foreign
consuls as well as from Yugoslavia’s press indicates that the fair had a strong positive
effect on German-Yugoslavian trade. Germany’s consul from Zagreb, Dr. Walbeck,
called the activities of the new business offices in Belgrade “enlightening”,
“informative”, and “trailblazing”, and he worked closely with them throughout the 1920s
to ensure its effectiveness.74 Moreover, for the merchants of Yugoslavia the fair offered a
way to tap into Germany’s large domestic market, make their wares available to an
international clientele, and gain access to new capital equipment and technology.

These are all qualitative measures. Quantitatively, however, some evidence
suggests that the standard history of Germany’s trade, narrated from the perspective of
treaties, is incomplete. Most tellingly is the fact that Germany’s major trade agreement
with Yugoslavia, which many historian’s point to as the pivotal moment which the
legacies of World War I in the past, was not concluded until the very end of 1927.75
German imports from and exports to Yugoslavia, however, saw their largest jump two
years earlier, from 1925 to 1926, the moment when the fair opened its business office in
Belgrade and began to coordinate news reporting and advertising across Southeastern
Europe. Yugoslavian trade in general slumped in 1927, but that could have been due to
the political conflict with Italy over Albania. In 1928 the treaty certainly helped German

74 BA, R901, 54232 Film 41488 1925.10.23 Walbeck’s report to Berlin;
75 Hopfner, Südosteuropapolitik.
exports, but did not substantially raise the level of imports from Yugoslavia. [See Table 6]

Furthermore, German exports to Yugoslavia of finished goods, capital equipment in particular, increased rapidly over the course of the 1920s. These were the very products that the fair’s directors expended the most effort on promoting, through the technical exhibition, and the products for which the fair’s agents advertised the most aggressively in Yugoslavia. A final indicator of the fair’s relevance and effectiveness is the level of participation by Yugoslavian merchants, which grew substantially faster than the average rate of participation by other countries throughout the interwar period, more than doubling during the second half of the 1920s, and then more than tripling again between 1930 and 1939. [See Table 4]

The Leipzig fair continued its work during and after the Great Depression. German-Balkan trade in general suffered a serious decline from 1931 to 1933 as the agricultural crisis in Southeastern Europe deepened, banking crises swept through Central and Southeastern Europe, and protectionist interests in Germany, Yugoslavia and elsewhere lobbied for higher tariffs. But when recovery started in 1933 the Leipzig fair became even more important as a conduit for German-Balkan connections than it was before 1929. Yugoslavia sent more official exhibitions of its products to Germany in the 1930s than it did in the previous decade.76 Yugoslavian participation recovered quicker than the rest of Europe, and surpassed its pre-Depression level by 1936. [See Table 4] All of this paralleled Germany’s greater orientation towards the states of Southeastern Europe in the late 1930s. By 1939 Southeastern Europe as a whole constituted 14 percent of total foreign participants at the fair compared with 7 percent in 1929, while

76 Dittrich. Reichsmesse.
Southeastern Europe counted for roughly 10 percent of Germany’s trade in comparison with only 4 percent in 1929.\textsuperscript{77} The fair continued to provide detailed information, find representatives, and promote Germany’s capital goods. Yet it picked up even more functions, both helping the small firms in Germany and the Balkans navigate the complicated foreign currency regulations put in place through the bilateral currency agreements. Moreover, with the introduction of Herman Göring’s Four-Year Plan it became a propaganda center where the National Socialists could display their technical achievements in the quest for ersatz products. The fair remained, however, one of the most important institutions that enabled Germany’s trade dominance in Southeastern Europe in 1930s by building the foundation for this in previous decade.

\textsuperscript{77} Berend, Ivan and Gyorgy Ranki. \textit{Economic Development in East-Central Europe in the 19\textsuperscript{th} and 20\textsuperscript{th} Centuries} (New York, 1974).
## Table Appendix

### Table 1a
German, British, and French Shares of Balkan Trade  
(in percentages)

<table>
<thead>
<tr>
<th></th>
<th>1937</th>
<th>1938</th>
<th>1939</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Yugoslavian Exports</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>German share</td>
<td>21.7</td>
<td>42</td>
<td>45.9</td>
</tr>
<tr>
<td>British share</td>
<td>7.4</td>
<td>9.6</td>
<td></td>
</tr>
<tr>
<td>French share</td>
<td>5.4</td>
<td>1.5</td>
<td></td>
</tr>
<tr>
<td><strong>Yugoslavian Imports</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>German share</td>
<td>32.4</td>
<td>39.4</td>
<td>53.2</td>
</tr>
<tr>
<td>British share</td>
<td>7.8</td>
<td>8.7</td>
<td></td>
</tr>
<tr>
<td>French share</td>
<td>1.7</td>
<td>2.9</td>
<td></td>
</tr>
<tr>
<td><strong>Romanian Exports</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>German share</td>
<td>19.2</td>
<td>26.5</td>
<td>43.1</td>
</tr>
<tr>
<td>British share</td>
<td>8.8</td>
<td>11.1</td>
<td></td>
</tr>
<tr>
<td>French share</td>
<td>5.7</td>
<td>4.7</td>
<td></td>
</tr>
<tr>
<td><strong>Romanian Imports</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>German share</td>
<td>28.9</td>
<td>36.8</td>
<td>56.1</td>
</tr>
<tr>
<td>British share</td>
<td>9.4</td>
<td>8.1</td>
<td></td>
</tr>
<tr>
<td>French share</td>
<td>6.1</td>
<td>7.7</td>
<td></td>
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### Table 1b
Volume of German Trade with the Romania and Yugoslavia in 1933 and 1939  
(In Reichsmarks)

<table>
<thead>
<tr>
<th>Country</th>
<th>Imports from Germany</th>
<th>Exports to Germany</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1933</td>
<td>1939</td>
</tr>
<tr>
<td>Yugoslavia</td>
<td>33.5</td>
<td>131.5</td>
</tr>
<tr>
<td>Romania</td>
<td>46.1</td>
<td>209.5</td>
</tr>
</tbody>
</table>

Source: David Kaiser, *Economic Diplomacy*
### Table 2
Percentage of Germany's Total Imports of Particular Commodities from Southeastern Europe (Bulgaria, Hungary, Romania, and Yugoslavia)

<table>
<thead>
<tr>
<th>Import Product</th>
<th>1929</th>
<th>1937</th>
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</thead>
<tbody>
<tr>
<td>Wheat</td>
<td>2.4</td>
<td>36.9</td>
</tr>
<tr>
<td>Barley</td>
<td>37.4</td>
<td>80.5</td>
</tr>
<tr>
<td>Corn</td>
<td>6.8</td>
<td>32.9</td>
</tr>
<tr>
<td>Eggs</td>
<td>17.3</td>
<td>24.3</td>
</tr>
<tr>
<td>Meat/Meat products</td>
<td>7</td>
<td>35</td>
</tr>
<tr>
<td>Timber</td>
<td>24.5</td>
<td>35</td>
</tr>
<tr>
<td>Bauxite</td>
<td>37.2</td>
<td>62.1</td>
</tr>
<tr>
<td>Lead ore</td>
<td>2.9</td>
<td>28.9</td>
</tr>
<tr>
<td>Copper and copper alloys</td>
<td>3.3</td>
<td>5.6</td>
</tr>
</tbody>
</table>

Source: Antonin Basch, *The Danube Basin and the German Economic Sphere*

### Table 3
Percentage of Yugoslavian trade going to various countries in 1926

<table>
<thead>
<tr>
<th>Country</th>
<th>Exports</th>
<th>Imports</th>
</tr>
</thead>
<tbody>
<tr>
<td>Italy</td>
<td>25.1</td>
<td>20</td>
</tr>
<tr>
<td>Austria</td>
<td>20.6</td>
<td>18.7</td>
</tr>
<tr>
<td>Czechoslovakia</td>
<td>12</td>
<td>13.8</td>
</tr>
<tr>
<td>Romania</td>
<td>10</td>
<td>12</td>
</tr>
<tr>
<td>Germany</td>
<td>9.3</td>
<td>5.8</td>
</tr>
</tbody>
</table>

Source: Ljubomir Kosier, *Grossdeutschland und Jugoslawien*
Table 4
Participants at the Spring Fair in Leipzig
(in numbers of registered merchants)

<table>
<thead>
<tr>
<th>Year</th>
<th>Yugoslavian Participants</th>
<th>Total Foreign Participants</th>
<th>Yugoslavian merchants/ Total foreign merchants</th>
</tr>
</thead>
<tbody>
<tr>
<td>1924</td>
<td>120</td>
<td>13500</td>
<td>0.89%</td>
</tr>
<tr>
<td>1925</td>
<td>200</td>
<td>17200</td>
<td>1.16%</td>
</tr>
<tr>
<td>1926</td>
<td>280</td>
<td>19610</td>
<td>1.43%</td>
</tr>
<tr>
<td>1927</td>
<td>370</td>
<td>23130</td>
<td>1.60%</td>
</tr>
<tr>
<td>1928</td>
<td>460</td>
<td>29590</td>
<td>1.55%</td>
</tr>
<tr>
<td>1929</td>
<td>460</td>
<td>28660</td>
<td>1.61%</td>
</tr>
<tr>
<td>1931</td>
<td>498</td>
<td>27486</td>
<td>1.81%</td>
</tr>
<tr>
<td>1932</td>
<td>401</td>
<td>16385</td>
<td>2.45%</td>
</tr>
<tr>
<td>1933</td>
<td>216</td>
<td>15523</td>
<td>1.39%</td>
</tr>
<tr>
<td>1934</td>
<td>223</td>
<td>16366</td>
<td>1.36%</td>
</tr>
<tr>
<td>1935</td>
<td>393</td>
<td>21725</td>
<td>1.81%</td>
</tr>
<tr>
<td>1936</td>
<td>587</td>
<td>24751</td>
<td>2.37%</td>
</tr>
<tr>
<td>1937</td>
<td>1174</td>
<td>31684</td>
<td>3.71%</td>
</tr>
<tr>
<td>1938</td>
<td>1154</td>
<td>33182</td>
<td>3.48%</td>
</tr>
<tr>
<td>1939</td>
<td>1311</td>
<td>29925</td>
<td>4.38%</td>
</tr>
</tbody>
</table>

Source: Yearly Business Reports for the Leipzig Trade Fair, from SSAL, LMA, Druckschriften
TABLE 5
Yugoslavian Imports from Germany by Sector
(in millions of RM)

<table>
<thead>
<tr>
<th>Import Product</th>
<th>1926</th>
<th>1928</th>
<th>1929</th>
<th>1930</th>
<th>1931</th>
</tr>
</thead>
<tbody>
<tr>
<td>Iron wares</td>
<td>11.3</td>
<td>22.2</td>
<td>38.3</td>
<td>35.7</td>
<td>20.2</td>
</tr>
<tr>
<td>Textiles</td>
<td>12.3</td>
<td>14.5</td>
<td>15.1</td>
<td>14.7</td>
<td>9.8</td>
</tr>
<tr>
<td>Dyes and Chemicals</td>
<td>6.9</td>
<td>9.8</td>
<td>10.3</td>
<td>9.4</td>
<td>7.3</td>
</tr>
<tr>
<td>Non-electrical machinery</td>
<td>9.5</td>
<td>20.3</td>
<td>25.4</td>
<td>37.7</td>
<td>15.1</td>
</tr>
<tr>
<td>Electrical machinery</td>
<td>2.6</td>
<td>7.1</td>
<td>6.2</td>
<td>5.9</td>
<td>7.3</td>
</tr>
<tr>
<td>Non-iron metal wares</td>
<td>3.4</td>
<td>5</td>
<td>6.6</td>
<td>4.8</td>
<td>4.7</td>
</tr>
<tr>
<td>Total imports from Germany</td>
<td>81.4</td>
<td>117.6</td>
<td>152.6</td>
<td>172.1</td>
<td>95.1</td>
</tr>
</tbody>
</table>

Source: *Wirtschaft und Statistik* (omits figures for 1925 and 1927)

Table 6
German trade with Yugoslavia
(in millions of Reichsmarks)

<table>
<thead>
<tr>
<th></th>
<th>1924</th>
<th>1926</th>
<th>1927</th>
<th>1928</th>
<th>1929</th>
<th>1930</th>
</tr>
</thead>
<tbody>
<tr>
<td>Imports from</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yugoslavia</td>
<td>29.3</td>
<td>81</td>
<td>72.3</td>
<td>66.6</td>
<td>60.9</td>
<td>74.8</td>
</tr>
<tr>
<td>Exports to</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yugoslavia</td>
<td>36.4</td>
<td>81.4</td>
<td>68.1</td>
<td>117.6</td>
<td>152.6</td>
<td>172.1</td>
</tr>
</tbody>
</table>

Source: *Wirtschaft und Statistik* (omits figures for 1925)