CHARLES UNIVERSITY

FACULTY OF SOCIAL SCIENCES

Institute of Political Studies

Master's Thesis

2021 **David Fairchild**

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Economic and Political Motivations for French Direct Investment in the Czechoslovak Republic During the Interwar Period

Schneider-Creusot's Activities in the Czechoslovak Republic

Master's thesis

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Study programme: International Economics and Political Studies

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Year of the Defense: 2021

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2. I hereby declare that my thesis has not been used to gain any other academic title.
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In Prague on January 4, 2020 David Fairchild

Bibliographic Note

Fairchild, David. *Economic and Political Motivations for French Direct Investment in the Czechoslovak Republic During the Interwar Period: Schneider-Creusot's Activities in the Czechoslovak Republic*. Prague, 2021. Master's thesis. Charles University, Faculty of Social Sciences, Institute of Political Science. Supervisor Antonie Doležalová, Ph. D.

Length of the thesis: 68 pages; 19,125 words; 123,845 characters with spaces

Abstract

This study investigates the significant rates of French direct investment in the Czechoslovak Republic during the interwar years, specifically from the end of the First World War until the beginning of the Great Depression. It explores the intersection between external factors that occurred on the European continent and internal factors within the Czechoslovak Republic that drove French direct investment in the new republic during this period. This descriptive thesis uses two case studies of the French economic giant Schneider-Creusot's activities in the Czechoslovak Republic to better understand those motivations. The results from the case studies reveal that the Czechoslovak Republic offered a unique combination of economic stability, natural strategic location, and notable levels of historic productivity. These factors, coupled with the outcome of the Russian Revolution and the Treaty of Versailles, attracted high levels of French direct investment from 1918 to 1929. French foreign policy in the region was driven more heavily by economic fears and opportunities than by political ones.

Key Words

Czechoslovak Republic, France, Schneider-Creusot, foreign direct investment, interwar period

Title

Economic and Political Motivations for French Direct Investment in the Czechoslovak Republic During the Interwar Period: Schneider-Creusot's Activities in the Czechoslovak Republic.

Abstrakt

Tato studie zkoumá významnou míru přímých francouzských investic v Československé republice v meziválečném období, konkrétně od konce první světové války do počátku Velké hospodářské krize. Zkoumá průnik mezi vnějšími faktory, které se vyskytly na evropském kontinentu, a vnitřními faktory v Československé republice, které v tomto období přivedly k přímým francouzským investicím v nové republice. Tato popisná práce využívá dvě případové studie aktivit francouzského ekonomického giganta Schneider-Creusot v Československé republice k lepšímu pochopení těchto motivací. Výsledky případových studií ukazují, že Československá republika nabídla jedinečnou kombinaci ekonomické stability, přirozené strategické polohy a pozoruhodných úrovní historické produktivity. Tyto faktory spolu s výsledkem ruské revoluce a Versailleské smlouvy přitahovaly vysokou úroveň přímých francouzských investic v letech 1918 až 1929. Francouzská zahraniční politika v regionu byla tažena více ekonomickými obavami a příležitostmi než politickými.

Klíčová slova

Československá republika, Francie, Schneider-Creusot, přímé zahraniční investice, meziválečné období

Název Práce

Ekonomické a politické motivace pro přímé francouzské investice v Československé republice v meziválečném období: Schneider-Creusotova aktivita v Československé republice.

Acknowledgements

I would like to express my deep gratitude to several people. First, my advisor, Dr. Antoine Doležalová, whose support and guidance has been unparalleled. Dr. Vilém Semerák, for his insight and encouragement. Dr. Alice Teichova, for her pioneering work on economic history in Central and Eastern Europe. Lastly, my mom, for everything else.

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Chapter I: Introduction

The nationalizing movements for autonomy and self-determination produced by the First World War had dramatic impacts on Central and Eastern Europe. The newly-formed Czechoslovak Republic was one of the countries that rose from the ashes of the collapsed Austro-Hungarian Empire (see Appendix, Map 1). Born on the 28th of October 1918, the new state was multi-ethnic, democratic, and based on free market principles. At the time of its inception, the country's population of 13.6 million was composed of ethnic Czechs, Slovaks, Germans, Hungarians, Ruthenes, and Jews. The decade prior to the Great Depression was a period of political stability that was also characterized by economic success. The Bohemian lands produced approximately 70 percent of the total industrial output of the former Austro-Hungarian Empire (Doležalová 2020, p. 1; see also Pátek 2000, p. 251). The new country's flourishing economy was firmly balanced between the industrial Czech lands and the agricultural lands of Subcarpathian Ruthenia and Slovakia (Roman 2003, p. 288).

The newly-formed country found political and economic support from the only surviving power on the continent -- France. It strongly supported the Czechoslovak Republic politically at the Paris Peace Conference at Versailles in 1919. France hoped that a strong Central Europe would keep Germany from rising again, from damming the spread of Bolshevik political ideologies from taking hold in Europe, and from allowing the two former great powers from interacting (see Appendix, Map 2). Much of the literature has explored these strategic aims and France's support of treaties such as the Petit Entente (1920 - 1921), the Franco-Polish Agreement (1921), and The Treaty of Alliance and Friendship between France and Czechoslovakia (1924).

Less attention has been paid to French economic and business interests in the Czechoslovak Republic. France was heavily involved in light and heavy industries within the newborn republic. It was actively investing in everything from the mining and metallurgy industry to banking, from the production of chemicals to armament manufacturing. The interests and industry types varied, but economic giants based in Paris, such as Schneider-Creusot and Société Financière, had concentrated efforts in the Czechoslovak Republic.

1. Focus of the Thesis

This thesis assesses French business opportunities during the period and allows for a more holistic and coherent interpretation of French economic interests in Central and Eastern Europe

during the years following the First World War. It also provides important information and a new perspective on the understanding of interwar economic history in Europe.

The research in French economic performance in Central and Eastern Europe lacks strong analytic investigation. Scholars such as Teichova (1974, 1997, 2000), Průcha (1968, 1997, 2004), Patek (1995, 1996, 2000), and countless others have paved the way for this research. They have collected crucial data about the Czechoslovak Republic during the interwar period. Other important authors, such as Wandycz (1962), Albers (2017), and Bohling (2017) provide detailed accounts of French political interests and the economic situation following the war. The political motives, such as preventing the spread of Bolshevism or the reunion of the Austro-Hungarian Empire, are well-documented. Yet, the intersection between French economic motives for cooperation with the Czechoslovak Republic and external influences on the continent remains largely untouched. This research helps to fill that gap, considering the actions of France during the 1920s through a different lens. It provides a different understanding of the motives and outcomes of France's involvement in Czechoslovak businesses, adding a valid and significant contribution to the field of economic history.

The aim of this research is to study the motivations behind French direct investment in the Czechoslovak Republic in the period between the end of the First World War (1918) and the Great Depression (1929). The creation of the following research questions helped to focus the aims of the research. The objectives helped guide the research in an effort to answer the following questions.

i. What were the principal external factors on the European continent that led French businesses to invest in the Czechoslovak Republic during the 1920s?

ii. Among the newly-formed Central and Eastern European countries, what made the Czechoslovak Republic unique so that it attracted high levels of French direct investment?

iii. How did French economic interests influence its foreign policy decisions in the newly-formed Czechoslovak Republic?

By answering the questions, the thesis will:

1. Identify the events that occurred post-1914 that influenced French business interests
2. Explore French and Czechoslovak business climates during the interbellum period
3. Evaluate the types of industries and means by which French firms invested
4. Assess the intersection of external events on the European continent and French business practices and behavior during the 1920s

This thesis consists of five main chapters. Within the introductory chapter lies the first subchapter which introduces the topic, clarifies the focus of the research, and explains the specific goals and aims of the research. A literature review introduces prominent scholars in the field of economic history and political science with a focus on France or the Czechoslovak Republic during the interwar period. The following sub-chapter explains the theoretical and methodological framework, respectively. This sub-chapter also frames the definitions used in the thesis and the methodological framework explores the methods used in the research to show that they were both appropriate and well-developed. The second chapter illustrates the historical economic context and the circumstances surrounding French direct investment in the Czechoslovak Republic during the post-war period. Events such as the economic systems created by the Versailles Treaties and the geopolitical considerations of the Russian Revolution are discussed concerning French business interests. In relation to the Czechoslovak Republic, the political and social situation within the country, the need for economic cooperation with other countries, and the external problems it faced are introduced in this chapter. Lastly, the Schneider-Creusot compound is introduced and its history discussed since it was a dominant French player in the new Czechoslovak economy. Chapter three offers two in-depth case studies that provide the backbone of the research. The first case study examines Schneider-Creusot's investments in Škoda Works. The second case study also uses Schneider-Creusot, but this case surveys the investment practices within the Mining and Metallurgic Company. The fourth chapter evaluates Schneider-Creusot's performance in the Czechoslovak Republic as an example of foreign direct investment during the interwar period. The fifth and final chapter of the thesis provides a summary of the findings, offers a final analysis, and provides recommendations for future research.

2. Literature review

In this subchapter, a literature review is offered that provides an analysis of books and journal articles that address questions concerning foreign direct investment in the interwar period. Following the summary of scholars' work, gaps in the literature are acknowledged.

One of the strongest motivations to engage in this research concerning French economic interests in the Czechoslovak Republic during the 1920s is the lack of literature on the topic. Most of the currently available literature on the relations between France and the Czechoslovak Republic during the interwar focuses heavily on political motivations. The Petit Entente and other diplomatic endeavors are the central basis of study. Authors such as Boyer (2000), Fialová et al. (1996), Heimann (2011), and Holec (2000) all write about the Czechoslovak Republic during the First Republic, touching on both the economic and political aspects of the time period.

Heimann (2011, p. 48) argues that the First Republic is often viewed as the 'gold-standard' by which every other period in the country's history is measured. She contends that the interwar years showed the "Czechs' supposedly innate tendency towards democracy... [It] finally found political expression in an independent, humane, and liberal republic in which even women were given the vote, the Communist Party was allowed to take part in elections, and minority rights were protected better than anywhere else in Central Europe" (ibid., p. 48). Table 1.1 illustrates the largely positive political situation in the republic, especially compared to its newly-formed Central and Eastern-European neighbors during the 1920s. Most of the countries created after the dissolution of the Austro-Hungarian Empire experienced years of political and economic turmoil, while the Czechoslovak Republic largely escaped the chaos.

Table 1.1 Comparison of democratic institutions in post-Habsburg successor states

	AUS	**CSR**	**HUN**	**POL**	**KSCS**	**ROM**
Democratic distribution of power	Yes	Yes	No	Yes, Until 1926	Yes, Until 1929	No
Fabricated election results	No	No	Yes	Yes, After 1926	No	Yes
Class-based politics	Yes	No	Yes	Yes	Yes	Yes
Political anti-Semitism	Yes	No	Yes	Yes	Yes	Yes
Functional higher education	Yes	Yes	No	No	No	No

Source: Berger 2010, p. 394

Fialová et al. (1996) and Pátek (2000) make better strides in explaining how the economic and political motivations and situations in the country worked together. As previously mentioned, according to Pátek (2000, p. 258), by the beginning of the 1900s, the Bohemian lands were already 'industrial-agricultural'. The Bohemian lands were comparable to the Scandinavian countries and were nearly as industrialized as France and Germany. The Czechoslovak Republic was much more industrialized than its neighbors (see Table 1.2). The Czech industrial working class swelled and created a Czech bourgeoisie that rivaled its German-speaking countryman in Vienna. The end of the First World War created a plethora of opportunities for the newly-established republic of which to take advantage to ensure a strong economy and a healthy political atmosphere. The Czechoslovak Republic took drastic changes including land reforms, a complete restructuring of its currency, and a policy of 'nostrification'[1] (domestication), known as *nostrifikace* in Czech (ibid., p. 258). In fact, with the help of foreign loans, particularly from France at the end of the war, the Czechoslovak Republic was rapidly able to overcome post-war difficulties and swiftly modernize.

Table 1.2 Percent of labor force involved in agricultural, industrial, and service sectors in post-Habsburg successor states in 1920

	Agriculture	**Industry**	**Service**
Czechoslovak Republic	40.3	36.8	22.9
Hungary	58.2	19.7	22.1
Poland	76.6	9.4	14.0
Kingdom of Serbs, Croats, Slovenes	82.2	8.1	9.5
Romania	77.2	8.9	13.8

Source: Bódy & Holubec 2020, p. 68

Rounding out the material gathered for the literature review is Teichova's 1974 work, *An Economic Background to Munich: International Business and Czechoslovakia 1918 - 1938*. She gathered data regarding international business relations between the Czechoslovak Republic and

[1] This policy of nostrication "limited the entitlements of shareholders who did not take up the citizenship of newly-formed states" (Doležalová 2020, p. 14). It was to keep ownership of firms within the country and was common in the post-Habsburg states.

other European countries and the United States during the interwar period. It proved to be a landmark piece of research and a necessary starting point for the research presented here. Teichova collected hundreds of surveys, reviewed business ledgers, and compiled years of data for her book. The data is presented clearly and demonstrates how much quantified foreign business was conducted in the Czechoslovak Republic during the interwar period. However, her seminal work is nearly 50 years old and a large amount of information has become available since publication. The dissolution of the Soviet Union and the liberalization of the Czech and Slovak Republics have allowed for greater analysis. The work used in the literature review played an essential role in building the research and identifying where gaps in the material exist. The main goal of this research is to understand why French businesses invested in the Czechoslovak Republic and the economic motivations behind those investments.

3. Theoretical and Methodological Framework

The objective of this thesis is to deliver motivations for French investments in the Czechoslovak Republic during the 1920s and to describe relevant events that occurred in the interbellum period.

In essence, foreign direct investment is when an outside investor gains significant influence in the role of a company abroad (Asiamah, Ofori, & Afful 2019, p. 57). The Organization for Economic Cooperation and Development (OECD) and the International Monetary Fund (IMF) state that a foreign investor is a "resident in one economy that has acquired, either directly or indirectly, at least 10 percent of the voting power of a corporation (enterprise), or equivalent for an unincorporated enterprise, resident in another economy"[2] (OECD n.d.). While capital flows between countries are not a new phenomena, the concept and study of foreign direct investment is. Moreover, what else is new is a) the *levels* of foreign direct investment and b) the *study* of these flows. The idea that these capital flows should be tracked, measured, and studied only dates back to the end of the Second World War (Linsi 2017, p. 5).

Different countries and periods of time experienced varying levels of capital flows. However, economic historians note that foreign direct investment really began to flourish in the beginning

[2] "A direct investor could be classified to any sector of the economy and could be any of the following: (i) an individual; (ii) a group of related individuals; (iii) an incorporated or unincorporated enterprise; (iv) a public or private enterprise; (v) a group of related enterprises; (vi) a government body; (vii) an estate, trust or other societal organisation; or (viii) any combination of the above" (OECD n.d.).

of the twentieth century. The first three decades of the century saw rises in foreign direct investment, the levels plummeting after the Great Depression, and a return to pre-war levels during the 1980s (de Velde 2006, p. 2). Twomey (2000; see Table 1.3) provides data for several developed countries at the start of the First World War throughout the following decades of the century. One is able to glean from Table 1.3 below, that foreign direct investment was quite influential for developed European countries during the first three decades of the last century. For France, the main focus of this research, almost a quarter of its gross domestic product (GDP) was attributed to foreign direct investment during the first quarter of the century. France's economic strength was bolstered by significant levels of foreign direct investment.

Table 1.3 Outward stock as a percent of GDP in Western European countries in the 1900s

	1913/14	**1930s**	**1970/71**	**1980**	**1995**
France	23	10	5		25
Germany	11	5	3	4	10
Netherlands	82	28		35	47
Great Britain	49	18	17	15	2

Source: Twomey 2000

However, the concept and understanding of foreign direct investment from today's point of view is not completely applicable to the setting of interwar Europe. Economist te Velde (2006, p. 35) explains that the "the determinants of FDI have changed over time". Moreover, there were many specific policies taken by wealthy investors in the past when there were more armed conflicts. One must not forget about the turbulent political and economic setting on the continent during the interwar period. In the modern-day European Union, it is almost strictly good business opportunities that drive foreign direct investment. The influences of geopolitics have largely disappeared from the economic sphere of the union. However, during the 1920s, this was not true. Politics and economics were largely viewed as a zero-sum game (Pearson n.d., p. 43). It was not in France's geopolitical or economic interests to invest in Germany or Austria, or even possible in many of Russia's industries. Even small relative gains for one of these countries could mean large relative losses for France.

To characterize the methodological framework, the thesis uses descriptive case studies and draws heavily on primary and secondary source materials. It is an attempt to understand the primary motivations for France to invest in the Czechoslovak Republic during the 1920s. The aim is to understand this phenomenon by using two case studies. Each case was analyzed to find and present the themes that arose from within the case. After reviewing both cases on an individual level, an analysis is presented that combines the themes that run through both case studies and measures the successfulness of French direct investment during the time. "One of the primary strengths of employing the case study as a research strategy pertains to its ability to provide an in-depth analysis of a particular context… The looser format of case studies allows researchers to understand vast and complex issues" (Stjelja 2013, p. 5). Moreover, according to Kohn (1997, p. 3), case studies are helpful when one is searching to answer the 'how' and the 'why' questions of a situation that occurred in real life. The ability to collect and examine detailed data is particularly suited to economic history.

The two case studies chosen involve Škoda Works and the Mining and Metallurgic Company. It was necessary, for the purpose of the study, that there was heavy French involvement in the industry under review. There is sufficient information about *how* monetarily involved French investors were at the time (e.g. ledger books, sale orders), but there is noticeably less emphasis on *why* they were so heavily engaged.

Second, these two case studies examined industries that made up a significant portion of the Czechoslovak economy and a percentage of its workforce during the 1920s. For the purpose of this research, it was necessary that the chosen industries were not obscure or country-specific industries. It was important that the other countries in the region were still competitive in producing similar goods or services to those offered by Czechoslovak firms. For example, Great Britain was a large coal producer and British firms actively competed with the Mining and Metallurgic Company in the Czechoslovak Republic. The same can be said for Russian armament firms competing with Škoda Works. If other countries were capable of producing these goods as well[3], why was there so much interest in the Czechoslovak Republic? Finally, both firms were involved in heavy industry. It is important that the case studies are similar, but not identical, so the themes gathered are justified and accurate.

[3] This is not to imply that France did not have interest in British coal or Russian weapons. Rather, it is to emphasize that the markets at the time were highly competitive.

Data was collected from books, journals, archives, and government sources. The original concept was to first explore the historical economic situation in the Czechoslovak Republic and France during the interwar period. However, upon further review, the focus was narrowed down to just the time between the end of the First World War, November 1918, and the Wall Street Crash in the autumn of 1929. For reasons of simplicity, this paper refers to this time as the '1920s', though it includes events from 1918 and 1919 as well. The decision to end the study in 1929 is due to the effect of the Stock Market Crash and the Great Depression on the political, social, and economic landscape of Europe. The two decades during the interwar are too dissimilar for any fair or accurate general analysis to be undertaken in this thesis. Constraints due to the length and scope of the study would not have permitted a more extensive survey. Therefore, the original concept was slightly modified**,** and subsequently the cases now solely consider Schneider-Creusot investments in the Czechoslovak Republic during the 1920s and the motives behind those specific investments.

Second, each case study was viewed through the lens of the events that were happening at that time. Economics does not happen in a vacuum and it is essential to take into consideration that external events influence business decisions and vice-versa. Each case study was reviewed individually and independently. After both case studies were scrutinized, a final analysis was presented. This analysis is to better understand the themes that arose from the findings.

The largest limitation was the restricted access to resources due to the extenuating circumstances of COVID-19. This narrowed the number of first-hand accounts that were available for review. First-hand accounts, such as private journals, messages, tables, etc. were used whenever possible and the records attainable. Once the resources based on primary accounts were exhausted, secondary literature was gathered to supplement the research. Using both primary and secondary literature was the most effective option for continuing the research and answering the proposed questions.

Chapter II: Historical Context

As mentioned in the previous chapter, it is important to set the foundation of the case studies. The case studies are thorough and specific, and delve into a detailed analysis. However, a brief introduction of the post-war situation in both France and the Czechoslovak Republic is helpful to orient the reader and provide a context to the research beforehand. The following passages frame the circumstances that are investigated in the research: what were the political and economic climates in both the Czechoslovak Republic and France in the 1920s? The historical context plays a role in the findings, and therefore it is crucial that a brief overview of the political, economic, and historical circumstances are explained from the outset.

1. Creation of the Czechoslovak Republic

The Czechoslovak Republic was born on the 28th of October 1918, rising from the ruins of the multinational and multi-ethnic Austro-Hungarian Empire (see Appendix, Map 3). The empire was created by the Compromise of 1867 between the Austrian Habsburg Monarchy and the Hungarian Monarchy (Garber & Spencer 1994, p. 1). These powers were politically and economically autonomous, then merged to create a vast empire in the center of the European continent. The Bohemian lands were a part of the Austrian Empire while Upper Hungary[4] was a part of the Hungarian Monarchy. The Austro-Hungarian Empire would last 51 years, until the end of the First World War and the subsequent creation of the first Czechoslovak Republic.

Instead of attempting to reunite the Austro-Hungarian Empire, the Allied and Associated victors decided it would be advantageous to ensure the complete and total dissolution of the dual monarchy. "The Allied Powers chose to replace it with a series of modern, liberal, democratic states of roughly equal size. This was supposed to ensure stability in the region by curbing German and Magyar influence, appeasing the nationalist aspiration of the Slav majority, and align Central Europe with the Entente [Allied] Powers, especially France" (Heimann 2011, p. 51). While the war ended on the 11th of November 1918, the peace conference held in Versailles did not begin until over two months later on the 18th of January 1919.

The borders of the new country were established by the large peace treaties signed between the Allied Powers and the Axis Powers at the end of the First World War. The Treaty of Versailles,

[4] Before the creation of the Czechoslovak state in 1918, the 'Czech' lands were known as the Bohemian Lands and the 'Slovak' lands were known as Upper Hungary.

between Germany and the Allies, was signed on the 20th of January 1920. The Treaty of St. Germain, which officially ended the war between Austria and the Allies, was signed several months earlier on the 10th of September 1919. Finally, the Treaty of Trianon, signed between the Kingdom of Hungary and the Allies, was ratified on the 4th of June 1920. These treaties created new borders that would provide the outline of the new Czechoslovak Republic (Fialová et al. 1996, p. 264). The cornerstones of these treaties, and the subsequent claims for Czechoslovak autonomy, were: national self-determination, historical development, and economic self-sufficiency (Pátek 2000, p. 248).

However, the Czecho-Slovak delegation was granted special privileges that were not granted to other countries. The delegation was allowed to present its case for political and economic autonomy and ask for more physical land from the 'Council of Ten'. This council consisted of ten premiers and foreign ministers from the five main Allied countries: the United States, France, Great Britain, Italy, and Japan. (Heimann 2011, p. 56; see also Nicolson 1933, pp. iii-xix). The Commission on Czech-Slovak Affairs deliberated for two weeks and made recommendations to the Council concerning where the new country's borders should be. The Czechoslovak Republic's new borders were approved on the 4th of April 1919, largely due to the strong support from French leadership (Heimann 2011, p. 58). In fact, Heimann (ibid., p. 60) writes that the Czecho-Slovak delegation was given special privileges regarding its borders for two key reasons. "In part because [reason one] 'Czecho-Slovakia' had already been accorded the status of a friendly, Allied state… but above all because [reason two] the existence of a Slav state bang in the middle of ethnic German territory was central to the Franco-British vision of how postwar Central Europe should be reorganized". It was important for the victorious European Allied Powers that a powerful German state should not rise again.

The destruction of the Habsburg Monarchy and the Ottoman and Prussian Empires saw the creation of new states and the rebirth of former ones in Central and Eastern Europe (see Appendix, Map 4). The newly-formed Czechoslovak Republic included three distinct historical regions: the Czech Lands (Bohemia, Moravia, Silesia), the Slovak Lands, and Ruthenia. Ruthenia, a narrow territory south of the Carpathian Mountains, which historically belonged to the Hungarian Empire, became 'Subcarpathian Ruthenia', becoming the easternmost part of the new Republic (Pátek 2000, p. 248). While the historic Kingdom of Serbia, once a part of the Dual Monarchy, combined Serbia, Croatia, Slovenia, Voivodina, Bosnia-Herzegovina,

Montenegro, and Macedonia to create the aptly named the 'Kingdom of Serbs, Croats, and Slovenes' (Heimann 2011, p. 51). The state of Poland was reborn from the collapse of the Austrian, Russian, and Prussian Empires. The Romanian state achieved unity, as it was previously under the influence of both the Austro-Hungarian and Ottoman Empires.

The Czechoslovak Republic offered a more welcoming environment for investment after the war than most of the other newly-formed countries in Central and Eastern Europe. It achieved currency stabilization before its neighbors and never experienced extreme rates of inflation like Austria or Poland. "The currency in circulation when the republic was born was the old Austrian krone, greatly depreciated... providing the state with a firm financial base. The economy achieved a healthy balance between the industrial strength of Bohemia and the agricultural and timber resources of Slovakia and Ruthenia" (Roman 2003, p. 288). In fact, when the separation of currency began in February 1919, over 31 percent of the Austro-Hungarian krone remained in circulation within the Czechoslovak border, while Austria only held 21 percent and Hungary 18 percent. The remaining 30 percent was circulating in the Kingdom of Serbs, Croats, and Slovenes, Romania, Poland, and Italy (Garber & Spencer 1994, pp. 13, 19). The highest percentage of currency was located in the Czechoslovak Republic, exhibiting the influence of Prague's financial circles.

Since the Bohemian lands were the most economically advanced territory of the former Austro-Hungarian Empire (see Table 2.1), many Viennese banks played a large role in the development of the country's financial institutions. The financial systems and institutions were welcoming to foreign investment since Bohemia was the economic center. Even though over 230 firms went through the nostrification process (Doležalová 2020, p. 14) during the decade following the war, the creation of these new, local firms created a renewed interest in the region and provided fresh opportunities for investment (Resch 2010, p. 339).

Table 2.1 Levels of industrialization per capita in 1910 within the country's interwar borders (Great Britain = 100)

	CSR	**HUN**	**POL**	**KSCS**	**ROM**
1910	52.1	29.9	30.1	7.6	6.2

Source: Łazor & Murgescu 2020, p. 335

The new republic was not without problems. Doležalová (2020, p. 16) argues that while the policy of nostrification was well-intentioned, it had negative unintended consequences. The goal of the policy was to find companies that were productive and to remove traditional German or Austrian influence. Once the companies were headquartered in the Czechoslovak Republic, ownership would be replaced by Czechoslovak entrepreneurs. However, Doležalová notes (ibid., p. 17) there was a lack of suitable capital and weak entrepreneurial confidence. Moreover, the removal of German and Austrian capital created a vacuum. There was a sudden influx of capital flows from France, Great Britain, and the Netherlands.

The damages caused by nostrification were exacerbated by the policy of *národnostní poměry. Národnostní poměry*, translated as nationality ratios/quotas/conditions, meant that certain management positions were required to be held by ethnic Czechs or Slovaks, not by Austrians or Germans. Perhaps the biggest problem for the emerging country was the lack of qualified personnel in many industries, which was essentially a vestige from the monarchy. Boyer (2000, p. 271) explains that the "administrative, technical, and economic know-how [of] these technicians, engineers, leading managers, and directors was of immense strategic importance in the economy of the Republic. Some were Czechoslovak citizens, but many were Austrian citizens or immigrants from the Reich". This proved to be an issue for the new country when it pursued its policy of nostrification. With the demand to remove Austrian and German political and financial influence from the country, to claim further autonomy, many qualified people were forced to leave. There was a gap in knowledge and know-how within the Czechoslovak Republic after the policy was implemented. This was a gap that businessmen from Allied countries had the opportunity to fill.

The Czechoslovak Republic was among the top 10 percent exporting producers of metals during the interwar period. In fact, it was ninth overall in the world and seventh in Europe (ibid., p. 65). While it ranked seventh in Europe for exporting finished metal products, it ranked first among countries that had recently gained independence. This is a testament to not only the natural wealth of the Czechoslovak mines, but also to the capacity of the production of the mines. The output produced by the Czechoslovak mines far exceeded the demand in the domestic market. Large amounts of both raw and processed materials were exported. Resch (2010, p. 339) notes that exports from the mining and industrial industries provided the country a

trade surplus. Nearly 25 percent of the population worked in the metal or metallurgy industry. Of the 70 mining or metallurgy companies in the Czechoslovak Republic, 53 percent had some sort of foreign direct investment. There was 1,160,858,000 Kč (Czechoslovak koruna) worth of foreign capital in the mining and metallurgy industry, and of that 1.161 billion Kč, French investments accounted for 175 million Kč (Teichova 1974, p. 62), or 15 percent of the total.

It is clear that foreign investment was significant in the industry. In fact, foreign investment in the mining and metallurgy industries accounted for 36 percent of total foreign investment in the Czechoslovak Republic during this period (ibid., p. 49). There are two distinct reasons why foreign investment, particularly French, was so considerable in these industries. First, it was a substantial sector in the Czechoslovak economy in the period after the First World War. Many Czechoslovak citizens earned their living through employment in the mines. The second reason, and this is particular, though not explicit to the French, is that the extraction and production of metals were heavily tied to the production of weapons and arms. As Case Study 1 explores, Schneider-Creusot was interested in the Czechoslovak Republic's Škoda Works for economic reasons. Škoda Works provided Schneider excellent opportunities to expand his weapons empire into the rest of Eastern Europe. Mining and metals were necessary for the production of weapons and it was in his company's interest to invest in both industries.

2. France After the War

Interwar France experienced severe highs and lows. The effects of the First World War had been devastating to the country. Almost 1.5 million French soldiers died in the war from a population of only 40 million (Araud 2015). Large swathes of agriculture and forests had been destroyed during the conflict. Immediately after the war ended, the economy was in shambles. Much of the nation's infrastructure, including railways, factories, and hospitals had been razed. A majority of public opinion was negative towards Germany for the perceived creation of the war and there was a strong desire for reparations.

Economically, France suffered from the war. However, it found itself on much steadier footing than its peers. Germany and Austria, both former empires, were reduced to shells of their former selves. Their empires had been dismantled and their overseas territories had been taken. Most of the newly-formed states, created from the collapse of the former empires, were attempting to create new currencies and develop monetary and fiscal policies, all while tackling rampant

inflation and constructing functioning governments. France, on the other hand, was genuinely the only pre-war power that remained on the continent. In fact, by 1924, France had managed to recover its prewar economic levels (Bernard et al. 2020; see also Liesner 1989, p. 177) proving that it was able to rebound rather swiftly. France still had its overseas colonies in Asia and Africa, providing it with resources and markets, thus giving it an advantage over many of its neighbors. It is clear though, French businessmen sought to expand their power and cement the rebirth of a powerful France.

Unfortunately for France, too much had changed both politically and economically to return to a situation where France held the strongest position in Europe. Eichengreen (2019, p. 7) argues that the economic world had changed too much "between prewar institutions and postwar circumstances". Between 1914 and 1919, the financial order changed immeasurably and Europe had become economically interdependent. Therefore, it was impossible for France to completely dismantle the world economic system. Instead, French Prime Minister George Clemenceau and his team would have to alter the system where France would be the victor and would reign supreme on the continent. France seized the opportunity provided in the spring of 1919 at Versailles to forge a new system where it could reap benefits from the victory.

What put France in a notoriously difficult position after the war was its dependence on imported coal. France had only enough coal to meet two-thirds of its domestic demand. Of the 60,000,000 metric tons of coal the country required, it could only produce 40,000,000 (Notz 1918, p. 585). It was particularly dangerous since most of France's coal mines were nestled in the northern border with Belgium. Germany had managed to invade France and stop coal production in the country within the first few months of the war (ibid., p. 585) and had been crippled by its lack of coal for half a decade. It wanted both military security and economic freedom from Germany during the 1920s. In turn, France's need for coal became a fundamental part of French policy at Versailles.

For all the peace and lasting-stability the supporters of the Versailles Treaties proclaimed they would create, they ironically created the opposite. However, the French delegation, and particularly Clemenceau, did not pretend that peace was his ultimate goal. In Keynes seminal work, *The Economic Consequences of the Peace*, published only months after the signing of the Treaty in 1919, he writes the "main economic lines of the Treaty represent an intellectual idea, it

is the idea of France and of Clemenceau" (1919, p. 15). The main idea was the destruction of the German state. He labels Clemenceau the ultimate architect of the Treaty and that he put the most extreme measures forward, all in the guise of a 'deserved punishment'. Instead, Clemenceau wanted to ensure that Germany would never again be a threat to French security.

The unification of Prussian states into a singular power in 1871 was not forgotten by French leadership. Before the Franco-Prussian War in 1870, France and Germany had similar populations. France's wealth and economic development, though, were far superior to that of its neighbor's. However, the 50 years after Prussian unification saw the development of a powerful, industrialized country in the center of Europe (see Table 2.2). Suddenly, Germany's wealth and development far exceeded that of France's. France hoped that it could effectively turn back the clock, and reset the system that was in existence before 1871. The goal of the Versailles Treaty, at least for France, was to weaken Germany's economic system and prevent it from rising again as a military power. This led French businesses to focus on its interests in the newly-formed countries between Germany and Russia. The Czechoslovak Republic, Poland, Kingdom of Serbs, Croats, and Slovenes, and Romania all offered opportunities for quick and relatively easy foreign investment. France would have trading partners with similar political interests -- guaranteeing that the Prussian and Austro-Hungarian Empires would never again become powerful.

Table 2.2 French and German GDP per capita from 1850 to 1910 (in 1990 Geary-Khamis dollars)

	1850	**1860**	**1870**	**1880**	**1890**	**1900**	**1910**
France	1,597	1,892	1,876	2,210	2,376	2,876	2,965
Germany	1,428	1,639	1,839	1,991	2,428	2,950	3,348

Source: Maddison 2006, pp. 436, 438, 440

3. History of Schneider-Creusot

In 1782, a foundry was established in the Le Creusot region of France, some 300 kilometers southeast of Paris, under the patronage of King Louis XVI. Furnaces using coal, instead of wood, were used for the first time the same year (Parrott-Sheffer 2020). Less than three decades later, in 1805, Joseph Eugène Schneider was born in the Lorraine region of France. Later known as Eugène Schneider by his peers and employees, he became one of the great French industrialists

of the nineteenth century. He started working in a French banking firm and became the head of the Bazeilles Ironworks by 1830. In 1836, Schneider purchased the bankrupt foundries and metalworking factories in Le Creusot (Creusot Montceau Tourisme n.d.). Soon after, Schneider-Creusot became one of the powerful manufacturing firms of the nineteenth century.

The birth of the locomotive provided a boom to the mining and metallurgy industries. This helped spark the company's financial success. Schneider-Creusot was able to produce weapons, boats, trains, and armor plates. Eugène Schneider later became engaged in French national politics and his two sons took over the company (Bhutia 2020). While under the leadership of his sons, the company remained prosperous throughout the end of the century. The two sons later became involved in politics and the firm was subsequently headed by his grandson, Charles Prosper Eugène Schneider[5]. Eugène Schneider continued to manage the family firm during the First World War "when it manufactured armour plate, aircraft, and other war material" (Bhutia 2020). The company's continued production of armaments during the First World War proved to be wildly successful. In 1919, the company began to expand its influence through the European Industrial and Financial Union (EIFU). Through this financial union, Schneider-Creusot began to expand into Germany, the Czechoslovak Republic, and the rest of Eastern Europe (Schneider Electric 2020). The creation of the EIFU issued in a new era of prosperity for the firm.

The area of Těšín[6] was historically a part of the Bohemian lands but a majority of the population was Polish, which meant both countries laid claim to it following the collapse of the Austro-Hungarian Empire. Těšín was rich in coal deposits, had a strong industrial center, and a strategic location. It acted as a railway junction, linking Bohumín, Bohemia, to Cracow, Poland, and Košice in the far east of Upper Hungary (Buttin 2005, p. 63). French representatives at the conference, many from Eugène Schneider's bank, L'Union Européenne Industrielle et Financière, wanted Těšín to belong to the Czechoslovak Republic. At the Spa Conference[7] in July 1920, the French and British delegations sided with the Czechoslovak Republic over Poland. The historical city center would remain in Polish territory, while the coal mines and the Bohumín-Cracow-Košice railway station would both belong to the Czechoslovak Republic. The

[5] For reasons of simplicity, Charles Prosper Eugène Schneider is referred to simply as Eugène Schneider in this text.
[6] It was known as 'Teschen' during the Austro-Hungarian Empire. For reasons of continuity, it will be referred to as Těšín.
[7] The main focus of the Spa Protocol was to discuss reparations between Germany and the Allied Powers. Germany was expected to give at least 2,000,000 tons of coal per month to France for at least six months (Protocol 1922, p. 205). The conflict of Těšín was of secondary importance. Coal was clearly a necessity and priority for the French government at the time.

iron works plants would also remain in the territory belonging to the Czechoslovak Republic. Ultimately, Poland gained a territory of 1,000 kilometers^2 with a population of 143,000. The Czechoslovak Republic obtained a territory of 1,300 kilometers^2 with a population of 284,000 (Buttin 2005, p. 65). The agreement was signed by all parties on the 31st of July 1920. It was the first step of many where Eastern European politics were influenced by French business interests.

Eugène Schneider also made several large investments in Russia after the Russo-Japanese War (1904 - 1905). In 1912, Schneider-Creusot purchased the Nevsky Shipyard on Lake Ladoga, along with the Putilov Machine Manufacturing Company, for 7 million roubles (Goldstein 1980, p. 563). The port was heavily used and in a pivotal location. By 1917, just before the outbreak of the revolution, approximately 17,000 people were employed in the Nevsky Shipyard (Breyer 1992, p. 144). The Putilov Company was the largest privately-owned armament enterprise in tsarist Russia (Grant 2007, pp. 192, 223; the same 2018, p. 32). In 1911 and 1912, with the backing of Schneider-Creusot, the Russian Company for Manufacturing Shells and Munitions was able to open a shipbuilding factory in Revel, Russia (modern-day Tallinn, Estonia). Soon after, Schneider-Creusot gained complete control of the Russian Company and formally renamed it the Russian Baltic Shipbuilding Company (Bovykin 1959, p. 93). However, plans for continued expansion were cut dramatically short due to the First World War and the Russian Revolution. By 1918, heavy industry in Bolshevik Russia had become completely nationalized and foreign firms had been forcibly removed (Nevsky Shipyard 2020).

Chapter III: Case Studies

1. Case Study: Schneider-Creusot and Škoda Works

Introduction

The first case study analyzes French business interests in the Czechoslovak arms and weapons industry during the 1920s. The French firm Schneider-Creusot, a large arms and weapons manufacturer, became highly interested in the Czechoslovak firm Škoda Works. This case study tracks the development of the Škoda Works firm, the motivations for Schneider's interest in Škoda Works, and the outcome for both firms. The following case study considers topics including the collapse of the Russian Empire, the desire for France to expand into new markets, and France's goal to outmaneuver Germany in Eastern Europe. The relationship between Schneider-Creusot and Škoda Works also allows for a brief analysis of French business interests influencing French foreign policy in the period directly following the First World War. This relationship is an ideal case study to understand and analyze the economic climate of French firms in the Czechoslovak Republic during the 1920s.

Background on the Škoda Works Firm

In 1859, Count Christian Waldstein relocated his firm, which specialized in agricultural equipment, from Starý Plzenec to Plzeň. Plzeň, at that time, was part of the Kingdom of Bohemia, which belonged to the Habsburg Monarchy. Škoda Works, in Czech known as *Škodovy závody*, was officially created by engineer Emil Škoda in Plzeň in 1869, when he purchased the firm from Waldstein. Škoda Works continued manufacturing agricultural tools and making upgrades to existing equipment (Škoda 2020), when in 1884 as the political situation in Europe became more turbulent, Škoda developed a modern steel plant. The steel plant, completed in 1886, was crucial for the production of superior weapons. Beginning in 1886, machine guns were produced in the Škoda plant, and the creation of an arms department soon followed in 1890 (ibid.). By the end of the nineteenth century, the company had become one of the biggest suppliers of arms in all of Europe, had manufactured over 1,000 steam engines, and had switched from a privately-owned company to a joint-stock company.

Austria-Hungary was one of the world's largest arms manufacturers and Bohemia was the economic center of the empire. To put it in perspective, 70 percent of the empire's heavy

industry was located in Bohemia (Pike 2013). Škoda Works became the Austro-Hungarian Empire's largest manufacturer of weapons, producing arms for the Empire's army and navy. In fact, it developed a monopoly for supplying weapons to the entire Austro-Hungarian armed forces by 1902 (Škoda 2020). Škoda Works streamlined its production models and were able to not only supply arms for the entire empire, but also produce a substantial number of exports that were shipped to governments across Europe (Pike 2013).

However, the firm did not merely produce just arms for the Austro-Hungarian Empire. Škoda Works produced everything from steam engines to food industry equipment, from equipment for ships in ports to steam turbines. In fact, the first steam turbines were funded by French investment (Škoda 2020). It was the first instance of French direct investment in Škoda Works. The relationship between French businesses and Škoda Works would only become stronger and deeper over the subsequent decades before the Second World War.

The complete collapse and dissolution of the Austro-Hungarian Empire in 1918 spelled certain death for the company. Leaders from around the world called for complete disarmament, there were high rates of political and economic instability across Europe, and traditional markets had collapsed. Škoda Works was owed about 500 million Kč by the Habsburg military administration, and had also spent another 400 million Kč expanding operations during the First World War. Therefore, in 1918, Škoda Works was sitting on a debt totaling over 900 million Kč (Karlický 1999, p. 633). This debt does not include general operating costs, nor can it take into account the dire economic situation Škoda Works faced in 1918. For reference, in 1925, seven years later, (the first year numbers were available to me), Škoda Works earned profits only totaling 700 million Kč (ibid., p. 598). This 900 million Kč debt almost crushed Škoda Works and the firm needed outside support to stay afloat.

To save the company from complete liquidation, in 1919, the president of Škoda Works, Joseph Šimonek, reached out to domestic banks, and in particular, the Živnostenská Banka (Živnobanka) for financial support. Živnobanka offered Šimonek a loan worth 25 million Kč (Grant 2018, p. 24). While generous, this would have only covered 1/36th of the total debts. Instead, in the early months of 1919, the firm turned to Schneider-Creusot and their backer, Banque de l'Union Parisienne (BUP) (ibid., 24). By partnering with the French steel and iron magnet, Schneider-Creusot, Škoda Works was able to survive the economic chaos experienced in Europe after the war. For assisting Škoda Works with the loans, Schneider took a 72 percent

majority of the joint-stock company (Teichova 1974, p. 195). "The company's new management quickly sought branches that would fill the gap left by limited arms production" (Škoda 2020). In fact, Škoda Works not only survived relatively unscathed but became one of the most influential and extensive industrial firms in Europe.

By the end of the 1920s, Škoda Works had a ship-building division producing military vessels, liners, and cargo ships (ibid.). It exported steam locomotives to countries such as Romania, China, and Colombia. It created an engineering plant in Plzeň that grew to rival those found in Western Europe. It continued to absorb competitors, such as Zbrojovka Brno (Czechoslovak Arms Factory of Brno) and Omnipol (defense and aerospace equipment). It also purchased coal and iron mines from the basin regions of Most, Kladno, and Plzeň (ibid.). In 1925, the firm procured the automotive factory 'Laurin & Klement' in Mladá Boleslav, producing automobiles under the brand 'Škoda Auto'. Apart from producing ships, cars and trucks, and steam engines, the company also produced "power equipment, transformers, tractors, tanks, bridge structures, cranes, locomotives, traction engines, machine tools, diesel engines, cigarette packaging machines, power plants, sugar refineries, breweries, and distilleries both at home and abroad" (ibid.). Škoda Works proved that it was versatile, capable, and prepared to expand.

Schneider's Plans for Škoda Works

The Bolshevik takeover of Russia had long-standing political and economic consequences in Europe. Politically, the French government was interested in reducing the spread of Bolshevism in Europe. Czech business circles and the French foreign office thought, correctly, that keeping Czechslovak armament production and heavy industry in the hands of private owners and banks would keep it safe from socialization. Businessmen in both countries were anxious since there were movements within the Czechoslovak Republic to socialize such industries (Teichova 1974, p. 198). The French government thought, incorrectly, that it would be able to use Schneider-Creusot as part of its grand strategy to help stop the spread of socialized heavy industry. However, Schneider hoped to enter the Bolshevik market and wanted to recuperate his losses. In fact, within the higher echelons of French business circles, even as late as 1921, it was believed that the turbulent Bolshevik regime would collapse upon itself (Grant 2018, p. 33) and would create a political and financial vacuum.

In March 1920, some six months after Schneider-Creusot took control of Škoda Works, Schneider decided to use the Czechoslovak Republic as the new base for launching operations into Russia. He hoped his company would be able to resume operations and programs that had existed prior to the outbreak of civil war and subsequent collapse of the Russian Empire. Furthermore, Schneider was, not so secretly, hoping to expand in central and southern Russia. "As late as October 1921, Schneider considered Škoda Works as the best means of industrial reconstruction in Russia, and this [Škoda] a launching pad for Schneider back into Russia as well as facilitating the opening of markets in Eastern Europe" (ibid., p. 33). It is clear from the timing that Schneider's original motivation for the purchase of Škoda Works was heavily influenced by its desire to penetrate the lost Russian markets. But, once it became more apparent that the Bolshevik regime was not going to implode, Schneider decided to continue using Škoda Works as a base for operations to create a different plan of attack for making up the lost markets.

The first step Schneider took was to seize control of the Czechoslovak domestic market. While the population and physical territorial size of the Czechoslovak Republic was nowhere comparable to that of Russia, it was still a significant market over which to take control. While a majority of European countries were engaged in disarmament by choice, such as France, or by mandate, such as Germany, the Czechoslovak Republic was not. In fact, the biggest purchaser of weapons from Škoda Works was the Czechoslovak government. The government and the Ministry of Defense accounted for one-third of the total placed orders (ibid., p. 33). This was likely due to a heightened sense of vulnerability from existing in a chaotic and dangerous geographic neighborhood. Therefore, the Czechoslovak government purchased heavily from Škoda Works after the collapse of the Austro-Hungarian Empire. With the financial backing from the domestic government, the leaders of the Czechoslovak Republic envisioned a situation where they would have complete military autonomy and would be self-sufficient when it came to armament production. It was essential that the country's self-defense industry was completely independent of external reliance. While the Russian, Prussian, and Austro-Hungarian Empires had fallen, they were still in the recent memory of Czechoslovak leaders. Moreover, geographically, the ashes of the empires still remained uncomfortably close. If a domestic firm, such as Škoda Works, was capable of producing enough products to be exported (and it turns out it was), it was an added bonus for the state to invest heavily in the firm. The fact that Škoda

Works' most important and largest customer during the interwar period was the Czechoslovak government suggests that the free market and politics were heavily intertwined during this time.

It is not a stretch to conclude that if Schneider-Creusot had an interest in courting a specific government's favor, it was probably not the French's, but rather Masaryk's Czechoslovak Republic's. It is not to imply that Schneider ignored French domestic politics or international aims. But, for Schneider to gain almost complete control of the Czechoslovak Republic's market, his company would need to play by the rules to which the Czechoslovak government prescribed. This goes at almost complete odds with what much of the literature implies; the French government practically forced Schneider into a business marriage with Škoda Works and was pulling the strings behind the scenes. But rather, in an astute business move to take over the booming defense industry in the Czechoslovak Republic, Schneider chose to meet the needs and demands of that domestic government. First and foremost, Schneider was making decisions that benefited his company, and if the outcome aligned with French strategic aims in Eastern Europe, it was purely an unintended consequence.

Expanding Schneider's European Influence Through Škoda Works

Schneider originally hoped to use the Czechoslovak market to account for some of the losses he took with the chaos of the Russian market. But the firm would also use the Czechoslovak Republic as a place to launch the second of its two-pronged initiative: to gain access to the markets in Central and Eastern Europe. In particular, Schneider-Creusot showed interest in countries from where it had previously been excluded. It could have been because the country did not exist, because it was in a previous power's sphere of influence, or because a market competitor had a monopoly. Using the opportunities presented by the widespread political upheaval that occurred at the end of the First World War, Schneider-Creusot seized control of the opportunities to carve out a place for itself in these brand new markets.

Schneider's gamble on the new Czechoslovak market paid off handsomely, continuing his original goal of extending his empire further east. Schneider-Creusot and Škoda Works, working together, were able to enter into the Baltics, Poland, the Kingdom of Serbs, Croats, and Slovenes, and Romania. The following passages explore the varying successes that Škoda Works had when engaging in these new markets. While not every market was as wildly successful as Schneider's

entrance into the Czechoslovak Republic, each was, by all measurable standards, a long-term positive investment for the firm.

The French government politically and economically supported Poland during the interwar period. Poland, even more than the Czechoslovak Republic, was a significant component in France's grand strategy to keep Bolshevism out of Europe and to support a barrier between Russia and Germany. Making sure that Poland had easy access to armaments was one of the French government's plans to ensure that its policies did not falter. What better way for firms to earn large profits and the Polish military to be armed to the teeth than to sell them weapons through Škoda Works. France and Poland had signed military and economic cooperation agreements in June 1922. Section 8 of this agreement stipulated that Poland had to purchase war materials directly from French-owned firms, a requirement that included Škoda Works. By the spring of 1923, Poland, using a loan from France, began purchasing arms directly from Schneider-Creusot and Škoda Works (Wandycz 1962, p. 217).

Much of Poland's weaponry and factories had been destroyed during the war. Essentially, the country and its industrial infrastructure had been reduced to rubble forcing it to rebuild its weapon's arsenal and military infrastructure. Poland, like the Czechoslovak Republic, existed in a dangerous neighborhood surrounded by historic enemies. These factors motivated the Polish government to increase its military budget. The following year, in 1924, Poland's military budget accounted for 38.6 percent of its total national budget (Grant 2018, 35). Considering that almost 40 percent of the budget went directly to the military, Schneider's investments in both France and the Czechoslovak Republic were poised to reap large benefits.

The Polish government's solution was to agree to the French demands and stock up on weaponry. Poland ordered large artillery pieces, field and machine guns, and shells. In 1928 alone, Starachowice Works, the state-owned armaments manufacturing firm, signed a 300 million Kč order for Howitzer guns to be purchased from Škoda Works over a nine-year period (Foreign Office 371/11005). Using Škoda Works as a base for operations proved wildly successful for Schneider. Due to the geographic locations of the Czechoslovak Republic and Poland, Schneider's firm was able to cut down on transport costs.

Even better for the firm, it was able to completely avoid passing through Germany or Austria. During the 1920s, France was still conscious of Germany as both an industrial competitor and historic enemy. Communications from Germany, Škoda Works, and France all note these

concerns. For example, a director's report from Škoda Works in 1926 states that "again our most dangerous competitor [Germany] on the world market raises his head" (PA-ZVIL 1926). The Czechoslovak Republic and the remaining countries of Eastern Europe were part of a larger struggle for dominance between France and Germany. Both France and the Czechoslovak Republic had a desire to keep Central and Eastern Europe out of reach of the fallen power. These new markets proved to be financially bountiful and using the Czechoslovak Republic as an operational base was cost-efficient. Moreover, it avoided disputes or tariffs with France's territorial enemies (for further reading see Carley 1980).

Moreover, the location of the Czechoslovak Republic, located in the middle of Europe, provided access to far more markets than France could. To the north, lay Poland and the newly-formed Baltics, and to the south, lay the Kingdom of Serbs, Croats, and Slovenes and Romania. Škoda Works scored a contract with the Lithuanian government for 1,500 automatic rifles (FO 371/13271), and, in 1927, Schneider-Creusot received orders from Poland and the Kingdom of Serbs, Croats, and Slovenes for torpedoes and Škoda Works' anti-aircraft guns. These two orders amounted to an invoice totaling 486 million Kč (SA 187AQ027–02, 22). Lastly, in 1931, Poland ordered 220 pieces of artillery from Škoda Works. This order amounted to over 670 million Kč (ibid., p. 45) for the Schneider-Škoda alliance. It is clear that both parties were heavily invested in maintaining their relationship as both benefited tremendously. Throughout the 1920s, the markets for armaments flourished and French businesses profited handsomely. "The French Foreign Ministry felt confident that Škoda remained firmly under French control financially and administratively. After all, as of January 1930, Schneider still held 55 percent of Škoda's shares" (Grant 2018, p. 46). Acting as the central nucleus, France maintained control over Škoda Works, and the firm's tentacles spread in the weapons markets throughout Eastern Europe.

Schneider at Odds with the French Foreign Ministry

The next passages reveal that Schneider's interest lay outside those of the French government during the interwar. In the autumn of 1931, during the height of the Great Depression, the Romanian government defaulted on its payments to Škoda Works. This default exceeded Škoda Works' capacity to recover and it needed immediate liquid capital. If it did not receive a prompt influx of capital, it would be forced to lay off 3,000 employees, which accounted for 10 percent

of its total workforce. It was obviously not in the interest of Schneider, Škoda Works, or the Czechoslovak government to let this occur. The board of Škoda Works asked the domestic government for financial assistance to carry the company through the crisis. The Czechoslovak government used a loan, ironically provided to them by the French government, to purchase shares of Škoda Works. This allowed for the expansion of stocks and for the immediate flooding of capital to the firm (Grant 2018, p. 50; see also Segal 1987, pp. 255, 263, 276). With the creation and subsequent purchasing of shares, the Czechoslovak government gained a larger stakeholder position in the Škoda Works firm, giving them more direct power. The French government, on the other hand, had wanted Schneider to remain in complete control of the firm, and theoretically, steer the company to protect its interests abroad.

However, Eugène Schneider ignored the French Foreign Ministry's directives and allowed for the Czechoslovak government to have a larger controlling stake in the company. But why would Schneider disregard his home government in favor of appeasing the Czechoslovak government? Simply put, he did not want to bite the hand that fed him. The Czechoslovak Ministry of Defense was the largest purchaser of arms from Škoda Works. It would not make sense for Schneider to anger his firm's most important customer. This episode continues to reframe the conversation about French business dealings in the Czechoslovak Republic. It becomes increasingly apparent that what motivated Schneider and his company was not France's foreign policy interest, but rather which partnerships would be the most economically beneficial to build his empire.

Analysis of French Investment in Škoda Works

Traditionally, historians viewed French business motivations and subsequent investments as a natural continuation of the home government's political motivations. In this specific case, at first glance, it appears that it was an almost hostile takeover of a Czechoslovak company by a more powerful, wealthy French firm with the backing of the French government. Historians tend to view the situation as an opportunity for the French government to lay military foundations in Central and Eastern Europe. The post-war French government hoped that a strong relationship between Schneider-Creusot and Škoda Works would blossom. It saw the Czechoslovak Republic as a good starting point for its military goals and grand-scale strategy since it had supported the country diplomatically during the post-war conferences for independence. The Czechoslovak Republic could act as a buffer from Bolshevik Russia while preventing the return of the great

Prussian and Austro-Hungarian Empires. While the French government was correct that the Czechoslovak Republic could act as a strong jumping-off point, it would apply mostly to monetary goals and not political ones. The French government would also soon learn that Schneider-Creusot and Škoda Works, though the relationship was strained at times, would choose paths that gave economic priority to each other, rather than political priority to either's respective home government.

When Škoda Works was originally rescued by Schneider in 1919, it became a corporation and a majority of the ownership was placed directly into Schneider's hands. In fact, Schneider's acquisition of Škoda Works came in the form of a general business meeting at the end of September that year. Schneider and his team bought 325,000 of the available 450,000 shares of Škoda Works, accounting for a strong majority of 72 percent. Moreover, Schneider created a board of directors with nine men where three were French and six were Czech (Grant 2018, p. 28; see also Diestler 2010, p. 19; Segal 1987, p. 105; Teichova 1974, p. 195). From the very start of the Schneider-Škoda relationship, it was apparent that the relationship would be driven by French business interests. Schneider and company controlled almost three-quarters majority of the stock options and made up a third of the board of directors. Schneider-Creusot became so involved with Škoda Works because it was a company ripe for picking.

Conclusion

Viewing French economic activity through the lens of Schneider's interest in Škoda Works, one is able to draw several important conclusions. First, by the end of the 1910s, foreign colonies, by and large, were already under the thumb of a European power. Therefore, it was almost impossible that France could expand its colonial empire in the traditional sense. Russia had provided a market to sell goods and provided large opportunities for investment. However, the Russian Revolution turned this on its head and forced France to look for other options. The effects of the revolution had a seismic impact on French business. In turn, France was looking at countries on the European continent that could replace the Russian markets lost by the Russian Revolution. France saw the Czechoslovak Republic as a way to recuperate some of these losses. While no means the same size as Russia, the Czechoslovak Republic provided other benefits. For example, Schneider knew that Masaryk's government was heavily interested in maintaining its independence and it planned to ensure that independence through heavy armament. The number

one purchaser of Škoda Works' goods was the Czechoslovak government. The Czechoslovak Republic was the most economically developed of the newly-formed states and had the capacity to import from and export to France, an incentive Schneider would be foolish to ignore.

Second, the Czechoslovak Republic acted as an ideal starting point for Schneider-Creusot, and French firms in general, to penetrate the Eastern European markets. These newly-formed countries acted as potential buyers that had previously been out of reach. French business circles saw the Czechoslovak Republic as not only a place to sell products, but also as a way to claim easy access to new markets. Moving products from the Czechoslovak Republic to Poland and the Baltics, or to the Kingdom of Serbs, Croats, and Slovenes and Romania, was much easier than moving them directly from France. Economically, it made sense to take advantage of the geographic position of the Czechoslovak Republic. French business circles, until the mid-1920s, still hoped that the Bolshevik regime would collapse. Having a position in Eastern Europe gave French domestic firms a better chance to attack new markets when they became available.

Finally, there existed both an economic and geopolitical motivation as well. Even after the end of the First World War, German firms acted as competitors to French firms, such as Schneider-Creusot, and were historical enemies of France. Using the Czechoslovak Republic, French firms avoided moving goods through Germany or Austria. France was able to gain footholds in Eastern European markets, which prevented other Western European countries, such as Germany or Great Britain, from doing the same. Schneider's interest in Škoda Works is an ideal case study of French motivations in the Czechoslovak Republic during the 1920s. One can conclude that Schneider-Creusot played a large role in the development of Škoda Works during the decade, as did French investment in the Czechoslovak Republic.

2. Case Study: Schneider-Creusot and the Mining and Metallurgic Company

Introduction

The second case study analyzes the mining and metallurgy industry of the Czechoslovak Republic during the 1920s. The industry was essential to the country, with as many as two in ten people employed within the industry (Maiwald 1934, p. 8). Mining and metallurgy played a vital role in the production of armaments, which was a cornerstone for the new republic's political and economic life. As with Škoda Works, Schneider-Creusot was heavily involved within the industry. The reasons why French firms, such as Schneider-Creusot, were so interested in

developing and investing in these industries and firms are multi-layered. The first reason was for economic and military security. The French were in a vulnerable position after the First World War and their need for coal from friendly countries forced them into the Czech lands. This led to the second motivation, a desire to remove Austria, Germany, and Hungary, the traditional occupying powers, from their controlling positions. Historically, these powers had almost exclusive control of the Bohemian lands and Upper Hungary. Finally, French investors hoped to propel other business gains by advancing into markets that lay in the territories east of the Czechoslovak Republic. France desperately needed the mines to grow economically and defend itself and Czechoslovak businesses were happy to oblige to those needs and desires.

The Big Three

There were three large mining and metal production firms in the Czechoslovak Republic during the interwar period. Commonly referred to as the 'Big Three', these mining companies were the giants in Czechoslovak mines. They were the Mining and Metallurgic Company in Třinec, the Vítkovice Mining and Foundry Works in Ostrava, and the Prague Iron Company in Kladno. Records (Günter 1936, p. 220) from Vienna indicate that these three firms controlled a majority of the production and were by far some of the most influential firms in the Czechoslovak Republic during the interbellum period. The three firms produced 98 percent of the pig iron, 69 percent of the steel, and over 71 percent of all finished products in the Czechoslovak Republic. After the war, they continued to expand their domestic empires by absorbing smaller firms and essentially creating a cartel system. The Big Three systematically obtained more firms, especially those held by Austro-Hungarian investors, such as the Hungarian Hornád Iron Works in Krompachy, Upper Hungary (Stočes 1931, p. 44). The Big Three created a cartel named the Selling Agency of the United Czechoslovak Iron Works (Günter 1936, p. 220). Between 1921, the year the cartel was founded, and 1931, between 90.34 percent and 94.49 percent of all metal and metallic products in the Czechoslovak Republic were produced by these three firms (ibid., p. 221). The level of control granted by this cartel arrangement in both the economic and political spheres had reverberating effects domestically and abroad.

The Vítkovice Mining and Foundry Works was largely controlled by Western European firms within London's banks, while the Prague Iron Company was heavily influenced by its backers in Berlin and Düssledorf. The Mining and Metallurgic Company was backed by banks in Prague,

Vienna, and Budapest, but none of these banks had a controlling share or even held a strong influence. In fact, the most important player in the firm was French -- Schneider-Creusot, with an influential 44.45 percent control of the shares. In the interest of this research, the former two giants of the metal industry will be ignored. Instead, this case study will focus solely on the Mining and Metallurgic Company in relation to French investment, with a heavy focus on Schneider-Creusot's influence, role, and objectives.

The Mining and Metallurgic Company is an exemplary case study to understand all the nuances and complexities of the interwar period and how politics and economics were so intertwined after the fall of the great empires. The Mining and Metallurgic Company sat in the Ostrava-Karviná basin, with the main foundry nestled in the mountains of Třinec. Located just ten kilometers south of the Czechoslovak-Polish bordertown of Český Těšín[8], the mines had belonged to the great banks of Vienna prior to the war (Stočes 1931, pp. 23, 66). The firm was largely owned by the von Habsburg family and the Österreichische Boden-Credit-Anstalt, both of Vienna and run by Georg Günter of the latter. The primary coal mine and factory were located in Těšín, a town that was historically part of the Bohemian lands.

The Czechoslovak policy of nostrification concluded that the headquarters of operations must be in Prague, the capital of the new country. The policy sought to move as much ownership as possible from foreign hands directly into the hands of Czechoslovak nationals (Olsovský et al. 1961, p. 34). This put Czechoslovak firms and large banks in a position to reap the rewards of this new, strict government policy. The Živnobanka, the country's largest bank, aimed to wrestle control from the Viennese banks. The Mining and Metallurgic Company was a valuable asset to the Anstalt Bank and the Živnobanka was anxious to be at the helm of the company. However, before the Živnobanka could take control of the Mining and Metallurgic Company, two looming issues had to be resolved.

Schneider Seizes Control

Between the uncertainty of how the Těšín territory would be divided between the Czechoslovak Republic and Poland and fears over nostrification and socialization, the Viennese

[8] Teschen in German. It was called Teschen during the period of the Austro-Hungarian Empire. For purposes of continuity, it will be referred to as Český Těšín or simply Těšín.

banks and investors sought to sell their ownership of the shares in the Mining and Metallurgic Company. However, as was the case with Škoda Works, there was not enough financial capital within the new country to purchase a majority shareholder position from Vienna. Again, as was the case with Škoda Works, Schneider-Creusot not only had the capital to purchase the Austrian shares but also the interest to claim a stake in the company. "The Czech Živnobanka became the junior partner of the biggest French iron and steel combine, Schneider et. Cie [Creusot]" (Teichova 1974, p. 99). Živnobanka was grateful for the French support so it could remove the shackles of control of the former empire from its productive business circles.

In the spring of 1920, several months before the Spa Protocol was signed, Schneider-Creusot's administration was dispatched to Vienna to meet with the Anstalt Bank representatives to discuss the shares of the Mining and Metallurgic Company. Fournier, the director of the Schneider-Creusot Paris office, met with Günter, the general director of the Anstalt Bank. According to Günter's notes, negotiations concluded rather quickly. He expressed, with correct foresight, that the steel, iron, and metal production industries would be most profitable if they belonged to the Czechoslovak territory, with a heavy hand of foreign investment to act as an appropriate guide (Günter 1936, p. 219; see also Stočes 1931, p. 53; Valenta 1961, p. 294). After the meetings in Vienna, almost 50 percent of the Mining and Metallurgic Company shares were transferred. Suddenly, the firm belonged to Schneider-Creusot. The Živnobanka was able to purchase shares worth 15 percent of the total value. So, while Eugène Schneider did not have complete control of the company as he did with Škoda Works, Schneider-Creusot and Živnobanka were able to forge a partnership to act as a majority opinion. This was partly due to the fact that the bank's director, Jaroslav Preiss, was indebted to Schneider-Creusot for removing Austrian and German influence in Czechoslovak heavy industry (Pavlicek 2013). So while the Anstalt Bank clung to its 25 percent ownership of the Mining and Metallurgic Company, their influence had waned considerably. French business interests had taken an important first step in removing the Austro-Hungarian power and influence from their new business interest.

The Removal of the (Former) Great Powers

French businesses had an interest to penetrate the Czechoslovak Republic and remove any remnants of Austrian, Hungarian, or German influence. As analyzed in the previous case study, the loss of the Russian market had devastating effects for European businesses. Suddenly, large

potential markets for imports and exports vanished. The Czechoslovak Republic provided a considerably more stable environment for business than its neighbors. However, the territory traditionally fell into the banking spheres of Vienna, Berlin, and Dresden (James 1984, p. 69). French banks and investors seized an opportunity that had not previously been available, let alone attainable -- to support Central and Eastern European countries with their goals for political and economic autonomy.

Teichova (1974, p. 102) writes that French investors and Czechoslovak businessmen used "aspirations for national liberation of the peoples of southeast Europe and the conditions of the peace treaties to their own advantage. In the case of the Mining and Metallurgic Company, the Czechoslovak government applied paragraph 297 of the Versailles Treaty, which gave it the right to liquidate the capital participation of German citizens in railways, mines, foundries, and spas". French banks began to systematically remove German banks and investors from ownership positions throughout the new state. By November 1924, the last remnants of German investment had been removed from the Mining and Metallurgic Company and the adjacent railway in Bohumín (ibid., p. 102). The foundry and the means of transportation lay completely in the hands of a French firm.

Schneider-Creusot took advantage of the situation provided by the Treaties of Versailles, Trianon, and Saint Germain to systematically remove (former) competitors from the mining and metal production industries in the Czechoslovak Republic. Since German capital was liquidated from many industries in the Czechoslovak Republic, such as mines and railways, opportunities arose for French businessmen to plant their own seeds of investment. Once Eugène Schneider had control of the Mining and Metallurgic Company, he owned one of the Big Three mining firms in the new country allowing him greater leverage in the industry. It must not be forgotten that Schneider had taken over complete control of Škoda Works only several months prior to his success within the mining industry. He owned some of the largest, wealthiest, and most important firms in the newly-created state.

As with Škoda Works, Schneider-Creusot purchased competing firms and would either close down the production facility or absorb the quotas. These actions helped solidify Schneider's position of power in the Big Three mining cartel. Under Schneider's direction, the company purchased the Union steel plate plant in Bratislava. Union, owned by both Hungarians and Germans, ceased further production during the 1920s (PA-TŽ-BH 1927; see also Stočes 1931, p.

44). The company continued its expansion by purchasing the Hungarian company, Rimamurány-Salgótarján. The factory sat along the Hordád River in the eastern lands of Slovakia (ibid.; see also DZAP 13756). The Mining and Metallurgic Company even worked with its British-backed competitor, Vítkovice Mining and Foundry Works, to buy out a factory that distilled tar. The factory, owned by a German chemical giant Julius Rütgers, provided mining corporations access to cheaper ways to coke their coal[9] (ibid.). These actions reflect a determined effort to remove Austrian, Hungarian, and German influence from the Czechoslovak Republic.

The nail in the coffin for German investment in mining by French business was the purchase of the Coburg Mining and Metallurgic Company. The factory, owned by the German group Mannesmann, was located in Bratislava. During the early part of the 1920s, the Mining and Metallurgic Company had "already acquired Coburg's production quotas" (Teichova 1974, p. 115). By the end of the decade, the transfer of the administration's rights to the Mining and Metallurgic Company began. Schneider, through his company, had removed the (former) powers of Central Europe from another branch of Czechoslovak industry. The systematic purchasing of competition allowed for Schneider-Creusot, and France as a whole, to take their next step towards their end goal -- expansion through Eastern Europe.

Expansion into Eastern Europe

French investments in heavy industry looked eastward towards Poland, the Kingdom of Serbs, Croats, and Slovenes, and Romania. Eugène Schneider, using his company as a base for operations, exploited all opportunities to reap benefits from untapped markets while supervising the rather infamous 'Comité des forges' (Foundry Committee). The committee was an organization run by French steel and iron barons from 1846 until 1940 and its goal was to push the baron's agenda in the French government. It helped finance propaganda, elections, politicians, and campaigns, and created narratives in the French national press (Bernstein 1978, p. 495; see also Macgregor & Docherty 2014). Schneider no doubt used his connections and influence to push his own political and economic interests eastward under the guise of general

[9] "Coking coal, also known as metallurgical coal, is used to create coke, one of the key irreplaceable inputs for the production of steel. Coke is produced by heating coking coals in a coke oven in a reducing atmosphere. As the temperature of the coal increases, it becomes plastic, fusing together before resolidifying into coke particles. This is known as the caking process. The quality of the resultant coke is determined by the qualities of the coking coals used, as well as the coke plant operating conditions" (Aspire Mining Limited n.d.).

French interest. The following text explores the different capacities in which Schneider's team was able to explore markets in Eastern Europe and the Balkans.

Schneider-Creusot controlled 45 percent of the shares of the Mining and Metallurgic Company. From that, one can split the company down into three distinct subsections: companies that belonged to the Big Three cartel and remained within the Czechoslovak Republic, companies within the Czechoslovak Republic with heavy investment from the Mining and Metallurgic Company, and companies outside of the Czechoslovak Republic that still had heavy investment from the Mining and Metallurgic Company. This first subsection explores companies within the boundaries of the Czechoslovak Republic that belonged to the Big Three cartel. Schneider-Creusot had shares in companies ranging from 25 percent of the Selling Agency of the United Czechoslovak Iron Works up to 100 percent control of the Sales Association for Chains and Wire Products. For example, in 1923, the agency bought the Bohumín wire mill and subsequently modernized it. The company turned the mill into one of the most productive wire mills in Europe where it soon gained hegemony in the wire production industry (Stočes 1931, p. 41). The Mining and Metallurgic Company held large accounts in many different heavy industry venues including building, transport, and chemical industries. It also controlled 30 percent of the Czechoslovak Factories for Nitrogen Products and 15 percent of the Czechoslovak Oder Shipping Company, both in Prague. It held 100 percent of the Steel Housing Company shares in Bratislava (Teichova 1974, p. 94). It held shares in companies to varying degrees, but none less than 15 percent. All firms were useful in the continued development of mining and metallurgy.

The firm successfully purchased shares of companies of the successor states -- Poland, Hungary, Romania, Bulgaria, and the Kingdom of Serbs, Croats, and Slovenes (ibid., p. 95). Schneider expanded his financial empire through holdings and purchasing of shares in large mining and metallurgy firms, but he also expanded his influence on a much more personal level. Eugène Schneider took advantage of opportunities to take directorship positions in companies within several Western European countries. He was the head of the Schneider-Creusot combine in Paris. He acted as the president of two of the most influential Parisian banks during the interwar period, L'Union Européenne Industrielle et Financière and the Crédit Lyonnais. He held two more presidential positions in mining firms in Luxembourg and Brussels, and was the Vice President of The Aciéries Réunies de Burbach-Eich-Dudelange (ARBED), a steel and iron production company also in Luxembourg (ibid., p. 104). Control of some of the wealthiest and

most influential investment centers meant that he had unprecedented access and decision-making abilities. With the banking centers of Berlin and Vienna in complete disarray, Paris effectively became the most important financial center on the continent.

The only leadership positions Eugène Schneider took outside of France and its immediate geographic neighbors were in the Czechoslovak Republic. He became the Vice President of Škoda Works in 1919 and the President of the Mining and Metallurgic Company in 1921. Of his seven chief leadership roles, two were in the Czechoslovak Republic. Škoda Works alone had operations in 19[10]* different countries around the world and Schneider did not take leadership positions in any of them (PA-ZVIL 1926). This surely indicates that he valued the new country and thought of it as crucial for his empire.

Schneider did not rely solely on himself for his goal of total economic domination of the continent. He installed Aimée Lepercq as his second in command in the general director position of L'Union Européenne Industrielle et Financière. The bank, one of France's leading financial institutions at the time, was an indispensable agent for the company's expansion abroad (Tille n.d.). Lepercq held powerful representative positions in no less than 15 large firms in nine countries including a role in a powerful bank in Budapest, an acting president position in a magnesite factory in Vienna, and on the board of multiple chemical firms in Paris. Moreover, according to the memoirs of Tille (n.d.), the assistant director of Živnobanka (Kalabis 2018), Leprecq was notorious for his scathing opinions of the German people, falling in line with French economic and political policy.

Schneider took a holistic approach to expanding his empire. He recognized that Eastern Europe was competitive and rich in natural resources, while most of the financial wealth remained in the west. This offered opportunities for profitable investment. Schneider and Lepercq were able to mold a perfect economic environment that strengthened and solidified French financial and political power on the continent.

Analysis of French Investment in the Mining and Metallurgic Company

Much of the literature on the interwar period analyzes the political motivations for French policies in Central and Eastern Europe. However, upon closer review, it appears that economics

[10] Afghanistan, Argentina, Austria, Brazil, the British Empire [Great Britain, India, Singapore, South Africa], Bulgaria, France, Germany, Hungary, Italy, Iran, the Kingdom of Serbs, Croats, and Slovenes, Morocco, the Netherlands, Poland, Romania, Sweden, Turkey, the United States (Teichova 1974, p. 200)
* The British Empire is considered one entity for historical purposes.

heavily influenced policy decisions. Foreign firms realized the opportunity to make large scale investments to restructure the industry. As the Czechoslovak Republic engaged in the process of nationalization and nostrification, it shifted away from Austrian and German investment and influence. Other countries, such as Great Britain and France, recognized opportunities to take control of situations that would overwhelmingly benefit them. The Czechoslovak Republic provided a buffer between Russia and Germany and as a starting point for expansion into the eastern and southeastern regions of the European continent.

In 1918, Notz (p. 567) wrote that "coal will unquestionably become one of the most vital factors in determining industrial expansion and the growth of international trade". Schneider's keen sense of business acumen predicted such a development, and, in 1920, his firm seized control of the Mining and Metallurgic Company. French business gained a large portion of a productive industry in the Czechoslovak Republic, which aided in the prevention of the socialization of heavy industry and kept out Austro-German influence.

Conclusion

When reviewing French investment in the Czechoslovak mining and metallurgy industry during the 1920s, it is imperative to remember the events in the years that immediately preceded French actions. The First World War had disrupted every economy, political regime, and even a general sense of normalcy. France realized how vulnerable it was by not having a sufficient supply of coal to function. The collapse of Tsarist Russia and the potential rebirth of a strong Germany motivated France to search for coal elsewhere. The new republic was capable of keeping Bolshevism out of Europe and creating a military and economic ring around Germany.

This led to the second reason why France was so interested in the Czechoslovak mining and metallurgy industry. French businessmen, such as Schneider and Leprecq, wanted to disrupt the status quo regarding the powers of Central Europe and Eastern European natural resources. Berlin and Vienna, and to a lesser extent Budapest, had controlled the financial sectors and access to these resources for the previous several centuries. The collapse of the Prussian Empire and the Habsburg Monarchy provided France an opportunity to lay claims to these previously unavailable markets and resources.

A foot in the Czechoslovak Republic made it easier for France to project power and gain new markets in Poland, the Kingdom of Serbs, Croats, and Slovenes, and Romania. As the leader of

the Comité des forges, Schneider-Creusot heavily influenced French economic policy during the interwar. The committee pushed for a stronger influence in Eastern Europe where they gained rapid success. Schneider and Lepercq held roles as directors, presidents, and vice presidents in mining and metallurgy firms across the continent. Their influence spread from top-level firms from Budapest to Paris, from Brussels to Zagreb, spanning the entirety of the continent.

It is imperative that the situation of Poland is not overlooked. While it is not nearly as explicit as some of the other reasons for French involvement in the Czechoslovak Republic, such as a steady foothold in Central Europe, it is no less valid. Poland, though rich in resources such as coal and cooper, was unstable. After the First World War, Polish Chief of State Piłsudski quarrelled with all of his neighbors' leaders, provoked the Bolsheviks into a war, and desired to reinstate Poland as a great power (Carley 1980, p. 410). Poland's actions and goals were completely at odds with French plans for economic and foreign policy. France needed the newly-formed states to work together to form a barrier between Germany and Russia. It did not want a country in the east trying to become a power and antagonizing its neighbors. In sum, the Czechoslovak Republic proved to be more safe and stable, a guarantee that France wanted after the chaos experienced in the previous decade.

Chapter IV: Analysis

It is imperative that the goals, motivations, and final outcomes for the French government, the Czechoslovak government, and French businesses, using Schneider-Creusot as the control, are analyzed individually and as a cohesive unit. Each of these actors pursued different strategies and followed separate agendas during the interwar period. This final analysis answers the three research questions presented in the introduction of the thesis and provides a specific analysis of Schneider-Creusot.

i: What were the principal external factors on the European continent that led French businesses to invest in the Czechoslovak Republic during the 1920s?

First, for both the governments of the Czechoslovak Republic and France, there was deep-seated fear concerning the complete socialization of heavy industry. For the French government, the spread of Bolshevism could only bring ill to an already tumultuous Europe. Extremist parties in France, on both sides of the political spectrum, brought chaos to the country during the interwar years. Parties across the aisle continued to destabilize the government, and in turn, the economy of the country (for further reading see Kalman & Kennedy 2014; Millington 2018). For French businesses, the socialization of heavy industry and the loss of important investments in foreign countries (again) could be fatal. Eugène Schneider lost millions of francs in Russia with the socialization of ports and mines. The same fears concerning socialization can be seen within Czechoslovak business and banking circles inside the Masaryk government. The industrial circles in Prague believed that the best way to remain free from the oncoming threat of socialization within heavy industry was if France invested heavily in the country (Teichova 1974, p. 198). These fears within France and the Czechoslovak Republic reflect the very real political realities of the time. The spread of Bolshevism, civil unrest, and violence were all valid fears for the governments and sat on the doorstep of Eastern European countries. French investment was an effective and sufficient guarantee for Masaryk's government that heavy industry would not be socialized. The Russian Revolution cannot be ignored because it played a heavy role in the decisions of Schneider-Creusot to invest heavily in Czechoslovak companies.

Second, it is critical to consider France's colonial legacy. France was a vast colonial empire during the interwar period, with colonies in Africa, Asia, and the Pacific. This empire made

France very wealthy and allowed it to exert economic and political power. The Treaty of Versailles' Article 22 (1919, p. 55) stripped Germany of all its overseas colonies and Articles 119 and 120 stated that none of these colonial possessions would ever be returned (ibid., p. 107). France took parts of German Kamerun[11] and Togoland[12], while the rest of the territories were split among Great Britain, Portugal, and Belgium. Of the 12.5 million people who were a part of the German Empire, over 4 million, 33 percent, became part of the French overseas territories overnight (Marriott 1948, p. 413). The Czechoslovak Republic, with a population of 13.6 million (Roman 2003, p. 292), offered a population almost 3.5 times that of the African territories it gained from the disintegration of the Prussian Empire. The Czechoslovak Republic was geographically closer and more developed than Kamerun or Togoland. Central and Eastern Europe acted as a similar geopolitical region for wealthy Western European countries to exploit. The difference was that in Central and Eastern Europe, France remained the biggest power after the war. While the Czechoslovak Republic was by no means a colony, it was another territory for France to expand its influence and build wealth. France filled another regional vacuum that became available with the defeat of Germany allowing it to achieve its political aims through economic superiority. It did not have the financial capacity nor the interest to engage in another armed conflict. By preventing Germany from developing its economy, France would prevent it from developing its military capabilities.

Third, the rise of multinational corporations at the beginning of the twentieth century and the start of a globalized economy is another external factor that shaped the economic decisions of French businesses. An analysis of the implications of Eugène Schneider's controlling stake of Škoda Works illustrates the impact of the evolving global economy. The largest purchaser of arms from the firm was the Czechoslovak Ministry of Defense. As noted, the Czechoslovak Republic purchased a majority of its weapons from the Škoda Works firm. In return, a third of Škoda Works' total output went directly to the Czechoslovak army (Grant 2018, p. 33). That indicates that the arms industry, an industry the new republic's government deemed *essential*, was owned by a foreign investor. At its very infancy, the Czechoslovak Republic was truly at the mercy of Eugène Schneider and the Schneider-Creusot firm.

[11] German Kamerun is the modern-day Republic of Cameroon. It included parts of modern-day Gabon, the Congo, the Central African Republic, Chad, and Nigeria (Ngoh 1979, p. 1).
[12] Togoland is modern-day Togo and Ghana (Lotha 2020).

The line between nationality and allegiance on one side, and easy, lucrative profits on the other became blurred. Multinational corporations were responsible to investors, not their home governments. This point was driven home by Schneider's decision to expand stock options for the Czechoslovak government to purchase the available shares in 1931 (Grant 2018, p. 50; see also Segal 1987, pp. 255, 263, 276). Suddenly, the Czechoslovak government had a larger stake in the company while Schneider had a smaller one, but it saved the company from a severe financial crisis during the height of the Great Depression. Schneider was loyal to the government that best benefitted his company.

However, the caveat remains that if another conflict arose that put the Czechoslovak Republic and France at odds with each other, the Czechoslovak Republic would be in a precarious position. The company that provided it with weapons, trucks, and other tools necessary for state survival was owned by a French citizen. The Czechoslovak Republic, only having recently earned its independence, put itself in a truly vulnerable position after the war. Masaryk's government did not have a choice about Škoda Works being owned by a foreign firm. When pursuing its policy of nostrification, it removed all vestiges of Austro-Prussian influence within the company. It was trying to establish itself as an autonomous power, but did not have the financial capital for complete independence, hence, the French capital flow. The situation within Škoda Works demonstrates the vulnerability of the new republic in the interwar period.

ii: Among the newly-formed Central and Eastern European countries, what made the Czechoslovak Republic unique so that it attracted high levels of French direct investment?

In terms of French direct investment, the best country to compare the Czechoslovak Republic to during the interwar period is Poland. France had strong political interest in and went to great lengths to support the Czechoslovak Republic and Poland diplomatically after the First World War. It has been established in this paper, and by many leading historians and political scientists, that the French and British governments had no desire for the former empires to interact, collaborate, or rise again. Poland, the Czechoslovak Republic, Romania, and the Kingdom of Serbs, Croats, and Slovenes were designed to create a wall between the East and the West.

Before a thorough comparison of the Czechoslovak Republic and Poland is provided as it relates to French investments, it is important that Romania and the Kingdom of Serbs, Croats, and Slovenes are briefly discussed. Romania and the Kingdom of Serbs, Croats, and Slovenes

experienced high rates of unemployment (Łazor & Murgescu 2020, p. 327) and inflation (ibid., p. 327; see also Garber & Spencer 1994, p. 28; Nötel 1986, p. 202). Both countries were more remote in terms of their position to the economic center of Europe than the Czechoslovak Republic or Poland. They might not have had the border disputes that Poland had (discussed below), but they remained outside the economic core of Europe. These new countries were not as economically developed as the Czechoslovak Republic (Bódy & Holubec 2020, p. 93), further lessening French interest. By the mid- to late-1920s, both countries, as well as Poland, had become authoritarian regimes (Roman 2003, p. 299). The fact that strongmen ruled these countries likely only deterred further French investment. The Czechoslovak Republic, on the other hand, continued to receive capital flows from France and Great Britain. If the Great Depression had not occurred, the country would have likely remained a democratic beacon in Eastern Europe (ibid., p. 299).

Geographically too, the Czechoslovak Republic offered benefits that no other country offered. As seen by Škoda Works and the Mining and Metallurgic Company, the country proved to be a perfect starting point for companies hoping to expand their influence eastward. Through Škoda Works, Schneider-Creusot established outposts in Poland, Romania, and the Kingdom of Serbs, Croats, and Slovenes. Eugène Schneider based his operations in Prague since it was stable, but also central. The company utilized the railways that had been built at the turn of the century to ship armaments to the north and south. Škoda Works created many lucrative partnerships with the neighboring governments of the newly-established states. The new country, wedged in the heartland of the continent, provided French firms a strategic location in which to base operations.

In terms of geographic size, the Czechoslovak Republic was much smaller than Poland. Its size was more comparable to that of Austria or Hungary, while Poland's size was more comparable to Romania or the Kingdom of Serbs, Croats, and Slovenes. In terms of population, the Czechoslovak Republic had 13.6 million people, while Poland had 25.6 million (Stefaniak n.d.). It is unlikely that the smaller territory or population of the Czechoslovak Republic created more interest economically. Moreover, if Poland separated Russia and Germany, the two biggest threats to French national security, why did France invest so much more heavily in the Czechoslovak Republic? What made the new republic so unique for investment if politics was *not* the primary motivation?

First, it is easiest to see the stark differences of industrialization and development of the interwar Czechoslovak Republic and Poland when they are paired side by side. Bohemia was already a society based equally on industry and agriculture at the start of the twentieth century. Its levels of development were comparable to that of Scandinavia and not terribly far behind Germany or France (Fialová et al. 1996, p. 268; see also Pátek 2000, p. 258). In Poland in 1919, only 15 percent of the total working population was employed in the industrial sector (Biskupski 2016, p. 93). In the Czechoslovak Republic, the number hovered around 34 percent, more than double the rates of Polish industrial employment. That gap only widened when one compares just the Bohemian lands, where a large ethnically-German population resided. The lands that were historically German tended to be most developed and 44 percent of the population worked in an industrial capacity (Bódy & Holubec 2020, p. 94; see also Pátek 2000, p. 255).

In Poland, the rates of the population engaged in the industrial sector did not improve significantly by 1930, while in the Czechoslovak Republic significant advances were made during the same period of time. By 1930, 42 percent of the Czechoslovak population was engaged in industry, while in Poland it was only 17 percent[13]. The Czechoslovak Republic saw an increase of 8 percent and Poland saw an increase of only 2 percent during the same decade. This enforces the theory that industrious, productive countries invite more foreign investment which, in turn, creates stronger economies. Łazor and Murgescu (2020, p. 372) state "it [foreign direct investment] is generally assumed to have a positive effect on the economy, both as an additional input and through efficiency spillovers (technology and managerial technique transfers)". In short, foreign direct investment is positive for countries since it builds better economies. This was clearly the case with the Czechoslovak Republic during the interwar years. Companies in mining, textiles, and chemicals were established and a large percent of the population worked in those industries, which attracted foreign investment and developed a stronger economy.

Second, Poland's precarious financial position after the First World War "would be further strained by border wars with the Ukrainians, Czechs and Lithuanians as well as a series of clashes with Germany over Upper Silesia. Most important, however, was the major struggle with Soviet Russia of 1919-21" (Biskupski 2016, p. 93). Poland was engaged in several armed conflicts immediately after its independence. Armed conflict of any kind makes investors weary.

[13] In the Kingdom of Serbs, Croats, and Slovenes it was only 11 percent and just 7 percent in Romania. It is clear how much more advanced Czechoslovak industry was compared to its eastern and southern neighbors.

The Czechoslovak Republic, in comparison, led initiatives for closer regional integration with the other newly-formed nations. Early in the summer of 1921, the Czechoslovak Republic led the initiative to create the Petite Entente. Beneš hoped to bring closer military, political, and economic cooperation between Romania, the Kingdom of Serbs, Croats, and Slovenes, and the Czechoslovak Republic. Regional economic integration was attractive to French investors. Masaryk's government showed investors that it was not interested in potential conflicts with neighbors that would disrupt production and business. Rather, the government sought closer ties for a position of strength and security in a historically turbulent neighborhood.

Third, Poland experienced staggering rates of hyperinflation during the first decade after independence. The new state had three distinct economic systems and no less than five currencies in circulation (Stefaniak n.d.), while fighting several territorial conflicts. To finance these conflicts, the Polish government printed more money. Between 1918 and 1919, the supply of money increased 519 percent. Between 1919 and 1920, it increased by an additional 929 percent. By 1923, it had increased 12 million percent over the 1918 levels (Trenkler & Wolf 2005, p. 202). Wolf (2010, p. 348) explains that "initial gains from seigniorage and the devaluation of the budget deficit were quickly wiped out by the costs of hyperinflation, namely the flight of capital". Łazor and Murgescu (2020, p. 327) elaborate that "hyperinflation damaged production and destroyed savings, threatening social order" in Poland. These periods of inflation led to high rates of unemployment, which further disrupted the economy. It was not until the autumn of 1927 that the currency was stabilized under the right-ring authoritarian leader Piłsudski (Wolf 2010, p. 348). Romania and the Kingdom of Serbs, Croats, and Slovenes experienced similarly high levels of inflation.

The Czechoslovak Republic on the other hand escaped the trap of hyperinflation relatively unscathed. The first Minister of Finance, Alois Rašín, separated the currency from the Austro-Hungarian krone quickly and stabilized the currency with a higher purchasing power (Tůmova 2016, p. 25). While there were severe effects from the austerity measures, Czechoslovak citizens did not suffer the same consequences as Poland, Austria, or Germany. Instead, Rašín's policies of revaluation stabilized the currency and attracted more foreign investment. This was an experience during the first half of the 1920s that was unique to the Czechoslovak Republic.

Fourth, Biskupski (2016, p. 93) explains that Poland suffered extensively during the First World War, acting as a military theater between the Allied and Axis Powers for the duration of the war. Almost 90 percent of the country had been in the theater of war, while a third experienced prolonged and severe fighting. Over 40 percent of the infrastructure had been razed, much of it industrial. All of that destruction, Łazor & Murgescu (2020, p. 327) argue, took a heavy toll on the economies of the countries where the fighting took place. Moreover, the length of the activities, especially in Poland, which was engaged in border wars until 1921, caused further stagnation within the economy. Biskupski (2016, p. 93) further elaborates that "raw materials for the metallurgical, textile, and machine industries had been removed by the occupiers [German and Russian]". While Poland had experienced nothing short of a nightmare, the Kingdom of Serbs, Croats, and Slovenes experienced the worst of the destruction brought about by the war. A third of the population was dead and infrastructure was essentially destroyed. In essence, what brought direct investment from France into the Czechoslovak Republic had all been but decimated in the other parts of Central and Eastern Europe.

Škoda Works, for example, was able to produce weapons for the Axis Powers throughout the war and remained largely unaffected (structurally) by the conflict. It continued producing immediately after the war with the help of French investment and remained an industrial giant in Europe. Czechoslovak infrastructure was not destroyed during the war and as a result, French investments were productive. In comparison to the rest of Eastern Europe, there were suitable opportunities for foreign investment in the Czechoslovak Republic.

When viewing the interwar Czechoslovak Republic from the perspective of a French investor, such as Eugène Schneider, it becomes increasingly clear that the new state was unique for several reasons. First, it was geographically part of the economic 'core' of Europe. The Kingdom of Serbs, Croats, and Slovenes and Romania were outside of this core of activity that fell along the lines of Paris-Berlin-Vienna. Belgrade and Bucharest fell on the periphery and there was also little investment historically from Vienna in the peripheral cities of its empire (Kuzmany 2011, p. 68). Neither Romania nor the Kingdom of Serbs, Croats, and Slovenes were situated in a buffer-zone position, further limiting French political interest in these countries.

If politics was the biggest driving factor for French interest in Eastern Europe, as authors have argued, would not Poland have had closer economic ties to France than the Czechoslovak

Republic? France would, theoretically, want and need to support Poland whatever the cost. Yet, the Czechoslovak Republic had rates of industrialization two to three times that of its northern neighbor and a more stable economy. Poland was busy struggling with border wars and hyperinflation. The Czechoslovak Republic was spared much of the destruction of the First World War, a luxury that was not awarded to its neighbors. Its location, economic stability, and stable infrastructure made it unique among the newly-formed states of Central and Eastern Europe. These factors generated interest from firms such as Schneider-Creusot.

iii: How did French economic interests influence its foreign policy decisions in the newly-formed Czechoslovak Republic?

This thesis has extensively explored France's desire to supersede Germany's economy and ensure it did not become powerful again. Preventing German economic growth was the most viable option to prevent the development of German military capacity after the First World War. This section illuminates how the cases support the theory that economics drove foreign policy.

Diplomatically, France supported the Czechoslovak Republic on the global stage. Masaryk and Beneš formed allies for Czechoslovak independence and autonomy at the Paris Peace Conference. The delegation was awarded special privileges at the conference, such as requests regarding border delineation. These boundaries had lasting effects on trade routes, natural resource ownership, and infrastructure. In 1921, several years after the Versailles Treaties were signed, France once again supported the Czechoslovak initiative to develop the Petit Entente and provide arms to the members of the alliance, Romania and the Kingdom of Serbs, Croats and Slovenes. "The Czechoslovak state thus actively encouraged Škoda to become the 'Arsenal of the Little Entente'" (Grant 2018, 32). France also gave Poland loans to purchase weapons, on the condition the weapons were produced by a French-owned firm. France offered security to the vulnerable countries in the region through the French-owned company Škoda Works. Moreover, in January 1924, the two countries signed the Treaty of Alliance and Friendship between France and Czechoslovakia in Paris. The treaty states that the countries support each other's security interests, especially against Hungary or Germany (Governments of France and Czechoslovakia 1924). There were already high capital flows from France to the Czechoslovak Republic by 1924 and French businessmen were insistent that the government protect its interests abroad.

The second example of French economic interests dictating political ones features the Czechoslovak Republic, Poland, and the Mining and Metallurgic Company. Politically, France and Poland were quite close and the two signed the Franco-Polish agreement in 1921. The treaty stipulated that they would come to each other's aid in case of an armed conflict and would work as a cohesive unit in the League of Nations (Governments of France and Poland 1921). Yet, with the border war in Český Těšín between the Czechoslovak Republic and Poland, France sided with the former. The Czechoslovak Republic was awarded additional territory and population, rich coal mines, and a strategic railroad. Both countries desired to be France's main ally in the region since it meant more security and regional influence. However, Brandes (1990, p. 480) explains that when the countries were competing, Poland could offer its superior army while the Czechoslovak Republic could offer a stable, fruitful economy and democracy. In the end, France chose to pursue a tighter relationship with the Czechoslovak Republic than Poland. Moreover, Brandes (ibid., p. 481) argues, "France's reluctance to invest in Poland's industry, strengthen its military capacities, and buy its agricultural products" had long term negative consequences for the region. The balance of power was destabilized by France's drive for economic supremacy.

Nonetheless, it is clear that French foreign policy was driven primarily by economics during the interwar. In 1920, Schneider-Creusot purchased controlling stakes in the Mining and Metallurgic Company which fell in the disputed Český Těšín territory. It cannot be mere coincidence that several months later France and the other Allied governments decided that the territory should belong to the Czechoslovak Republic. The priority given to businesses does not diminish the importance of the ensuing security treaties signed between the three countries throughout the 1920s and 1930s. Rather, it highlights the importance of economics in French foreign policy immediately after the war.

Using Schneider-Creusot as a model, French direct investment in the Czechoslovak Republic was successful. Schneider-Creusot had a long, successful engagement with the Czechoslovak Republic during the interwar years. The firm profited immensely and Schneider-Creusot was able to build a truly global empire. Even with business dealings across the world, the firm's largest interest and activities were located in Central-Eastern Europe. From its base in the Czechoslovak Republic, it was able to recover losses from the Russian markets and simultaneously expand throughout the region. Both the French and Czechoslovak governments

benefitted from the economic development created by the capital flows. The high levels of investment in the Czechoslovak Republic prevented the socialization of heavy industry. The region was safe from prolonged conflict during the 1920s as well. Finally, Austrian, Hungarian, and German influence in the region waned as a result of the intense Franco-Czechoslovak economic cooperation. Since neither economics nor politics occur in a vacuum, it is impossible to know the fate of Central and Eastern Europe if the Great Depression had not occured. However, French investment in the Czechoslovak Republic during the 1920s allowed all participating parties to achieve their goals to various degrees.

Chapter V: Conclusion

The conclusion summarizes the goals of the thesis, how and what was analyzed, and the final results. A short summary of the two case studies involving Schneider-Creusot and a review of French investment motivations are offered. Next, recommendations for future research are suggested. These recommendations will specifically aid the knowledge of interwar European direct investment in the Czechoslovak Republic. In closing, a final contribution of knowledge is provided for evaluation.

Conclusion

France was interested in the Czechoslovak Republic during the interwar period for political and economic reasons. As seen by the demands made at the Paris Peace Conference at Versailles, one of France's most pressing interwar goals was to prevent Germany from becoming a political or economic power again. In a direct attempt to hobble the German economy, France and the Low Countries forced Germany to relinquish some of its coal and processed steel to them without payment. Subsequently, with a weak economy, Germany would not become a threat to French military or economic security. France also hoped that a permanently-handicapped Germany would allow it to return to its superior position on the continent, a position it held at the start of the previous century. However, directly crippling Germany was only half of France's economic concern. French businessmen were also reeling from their losses after the Russian Revolution in Russia several years prior. These two monumental events guided French economic policy. Since there was no space to expand colonial power in Africa, it had to search for new territories. This consequently sparked a desire to create strong relationships with Central and Eastern European countries. Therein lies the problem France faced: most of the countries did not offer solid opportunities for investment, save one, the Czechoslovak Republic. With its democratic institutions and a stable free market, the Czechoslovak Republic offered an ideal political and economic environment during the years directly after the First World War.

Tracing the actions and activities of French investment through Schneider-Creusot offers a clear example of why the Czechoslovak Republic proved to be the ideal partner for French firms. Through Schneider-Creusot's ownership of Škoda Works, the firm was able to recuperate many losses from the socialization of Russia's heavy industry. Schneider was also able to break into new markets in Eastern European countries. The Austro-Hungarian successor states, such as

Poland and Romania, offered profitable business opportunities, but did not provide the level of stability that the Czechoslovak Republic did. The new republic needed foreign capital to remove Austrian and Prussian influence and power -- a role France was eager to fill. More importantly, by entering into the Czechoslovak market, French firms were able to outmaneuver Germany in the region and keep it from strengthening its economy.

The second case study investigates Schneider's large stake in the Czechoslovak Mining and Metallurgic Company. This case builds upon the conclusions drawn from Škoda Works, but reflects on several of France's internal anxieties as well. France was reliant on imported coal and was immobilized during the First World War. The Czechoslovak Republic could provide France with some of the coal it needed to remedy the situation. Since the Mining and Metallurgic Company was owned by a French firm, the domestic government felt more secure. It hoped the company could be used to influence events abroad, a hope it had with Škoda Works. French firms, once again, invested in heavy industry largely due to the looming threat of socialization. Business circles in both countries believed that the best way to prevent socialization was to have robust, productive industries. With the Mining and Metallurgic Company, as with Škoda Works, France put itself in a position to disrupt the former Central European powers and expand into new markets. Eugène Schneider was able to gain influential or controlling positions in mining and metallurgy firms in 19 countries, including Hungary, Romania, and the Kingdom of Serbs, Croats, and Slovenes. Additionally, Schneider-Creusot's heavy investment in the Mining and Metallurgic Company shows that while Poland may have had more natural coal deposits than the Czechoslovak Republic, its instability proved to be detrimental to its economic capacity and attractiveness to foreign firms. Poland was repeatedly chosen in this thesis as a prime counterexample since its physical location and geopolitical role during the period made it more influential than the other newly-created states from the dissolved Austro-Hungarian Empire.

In conclusion, this research demonstrates that external factors played a significant role in France's foreign policy during the interwar period. Economic considerations were fully explored and it is clear that economics drove much of France's foreign policy following the war. The Czechoslovak Republic and France experienced a mutually beneficial and supportive relationship in the 1920s. Eugène Schneider played a commanding role in interwar Central-Eastern European politics and Schneider-Creusot's influence was extensive.

Recommendations

After the completion of this study, two gaps in the research became evident. To remedy the first gap, an analysis of British direct investment in the Czechoslovak Republic during the interwar period would benefit the field of economic history. As briefly discussed in this thesis, British foreign policy actively tried to avoid political entanglements abroad during the interwar period. The British delegation at Versailles did not hold the same anti-German sentiments their French counterparts did, nor was the British delegation as naive and isolationist as the American one. The British were more pragmatic and neutral than their allies following the war. Hence, the British invested heavily in several Czechoslovak industries, including the chemical and mining industries, solely for financial reasons. It would be valuable to gauge the success of British investment in the republic at the time, and if those investments influenced British foreign policy.

Second, a continued analysis of French investment in the Czechoslovak Republic during the 1930s would create a more holistic understanding of foreign direct investment during the interwar period. Particularly, the analysis should focus on the period after stabilization from the Great Depression but before the German annexation of the Sudetenland in 1938. The political, economic, and social differences in Europe between the two decades of the interwar period are vast. Politically in the 1920s, France was only fearful of a potentially powerful Germany and was hopeful that the Bolshevik regime would collapse. By the 1930s, its fear of a powerful Germany had manifested and Bolshevik Russia had become a potential threat as well. Economically, the Great Depression shook the foundations of the globalized economy and the faith that was placed in it. The subsequent rise of extremist parties across Europe played a significant role in the economic landscape of the continent. Therefore, it would be advantageous to analyze French investment during the 1930s to compare the rates and types of investment, France's goals, and the final outcomes between the two decades.

Contribution to Knowledge

The aim of this project was to better understand why France invested so heavily in the Czechoslovak Republic during the 1920s. The focus on the intersection between historical external factors and economic motivations as an incentive for capital flows from Western Europe to Central and Eastern Europe has largely been overlooked. Instead, most of the focus has been on solely quantifying levels of foreign direct investment. Additionally, it aimed to offer a

perspective that French investment and support for the new country was not just political, but primarily driven by economics. This thesis is successful as it accomplished its stated goals. Drawing on material from archives, libraries, and journals, the thesis exhibits that the Czechoslovak Republic was an economic oasis in Central and Eastern Europe during the interwar years, and subsequently attracted French direct investment. A genuine contribution has been made to the field of economic history, particularly in relation to interwar Europe.

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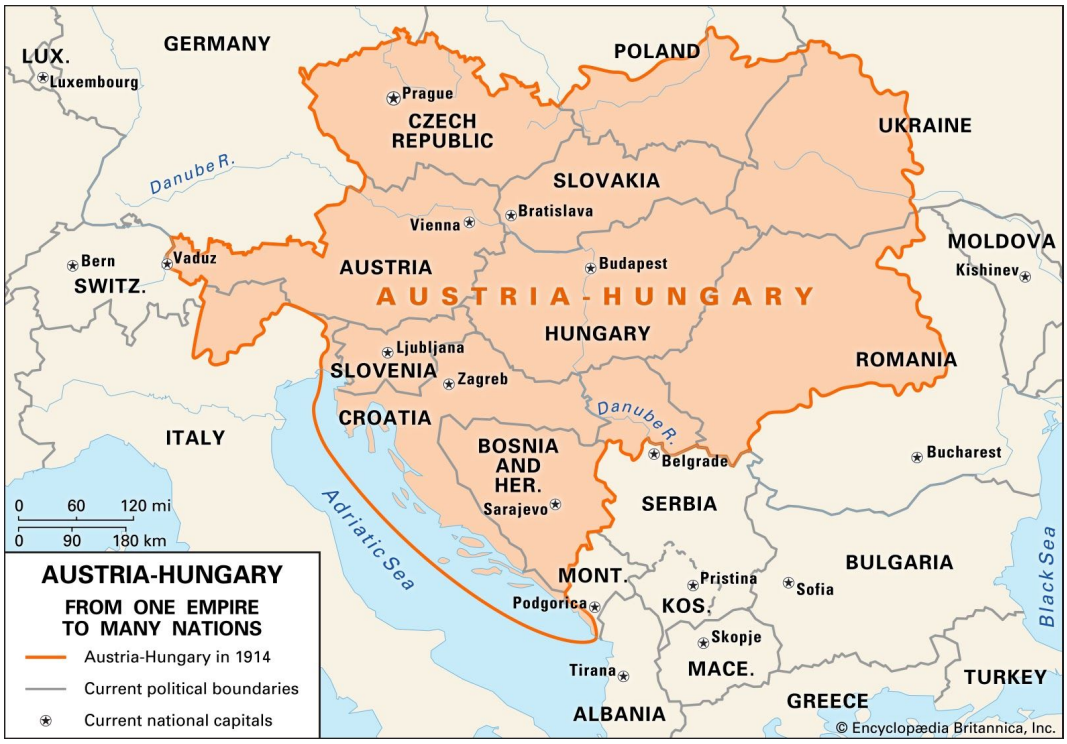
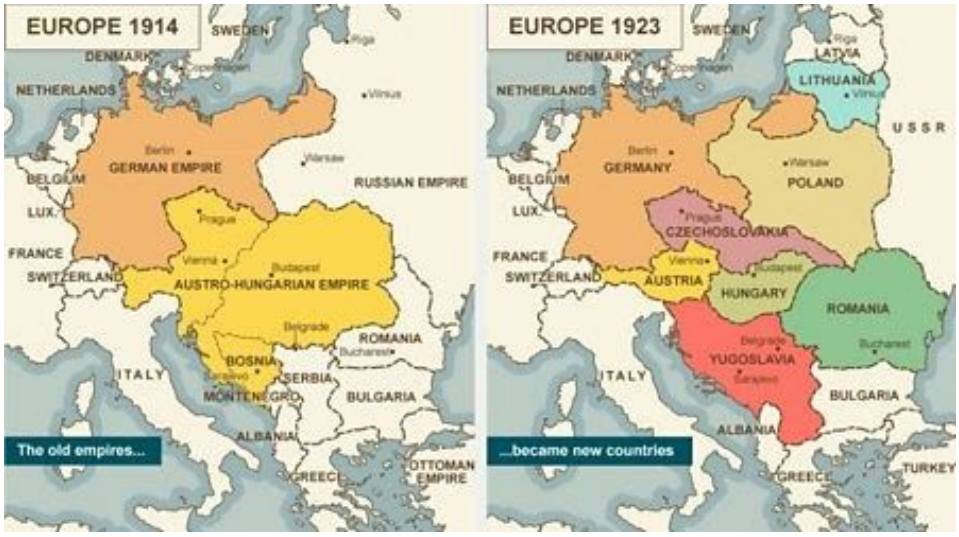
Appendix: Maps

Map 1 Post-Habsburg successor states within the Austro-Hungarian Empire



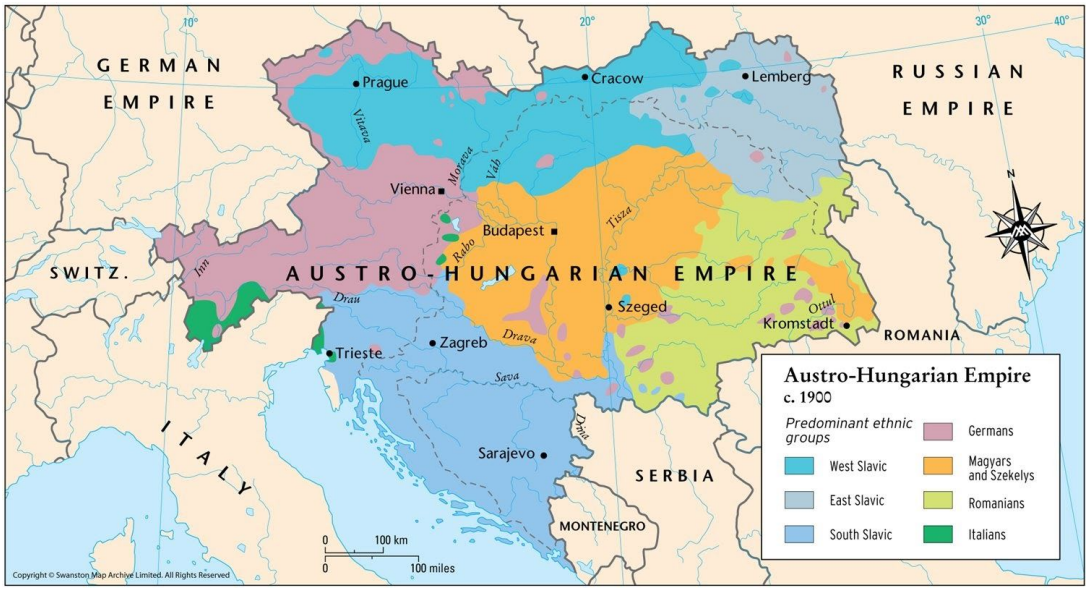
(Sinha 2013)

Map 2 Central-Eastern Europe before and after the First World War



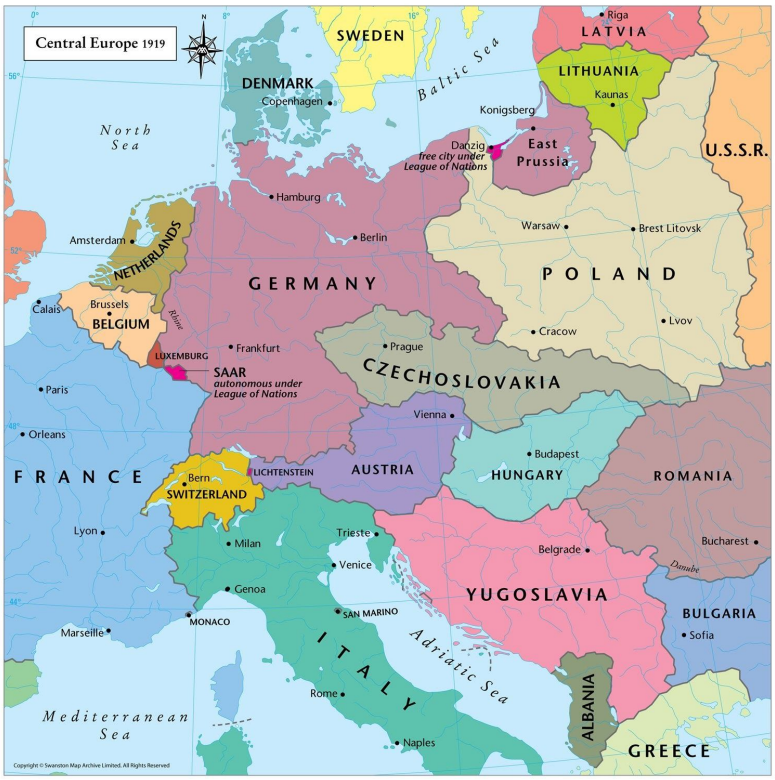
(BBC Teach 2020)

Map 3 Ethnic groups within the Austro-Hungarian Empire in 1900



(Map Archive n.d. [1])

Map 4 Central-Eastern Europe in 1919



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