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# Losing Influence: The Changing Role of the Merchant Community of Danzig in the Timber Value Chain (1919–1939)

## Einflussverlust: Die sich wandelnde Rolle der Danziger Kaufmannschaft in der holzwirtschaftlichen Wertschöpfungskette (1919–1939)

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**Abstract:** The article highlights the changing role of the merchant community of Danzig after the establishment of the Second Republic of Poland and the Free City of Danzig. The research question is both economic and political-institutional. It tries to understand how the merchants' community reacted to a different political and institutional framework after 1918, which limited many initiatives of the economic and business actors of the Free City. While until World War I, local merchants controlled and directed the whole timber value chain, after 1918, they were just the final ring of a long chain in the hands of Polish forest owners, including the State administration. Despite their professionalism and experience, their autonomy was reduced to their long-term contacts with business partners in Great Britain.

**JEL-Codes:** N 14, N 54, N 74, N 84

**Keywords:** Interwar Danzig, Merchant Community, Timber Value Chain, Polish Forestry Administration, Danzig der Zwischenkriegszeit, Handelsgemeinschaft, Holzwertschöpfungskette, Polnische Forstverwaltung

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# 1 Danzig and the International Timber Trade: A Long-term Perspective

Danzig's role in the international commodities trade goes back several centuries.<sup>1</sup> With some profusion, the literature on Danzig has focussed on trade between the 16<sup>th</sup> and 18<sup>th</sup> centuries. As a result of its extended membership in the Hanseatic League, Danzig secured its status as an economic-commercial platform for the outflow, management, and shipment of various raw materials (wheat, rye, timber, wood, etc.) from the great plains and immense forests of Central Eastern Europe. Most of these commodities were shipped to the large consumption centres of Western Europe (especially Amsterdam, London, and Bordeaux).<sup>2</sup> Since the early 19<sup>th</sup> century, the quantity and quality of studies on Danzig's trade have decreased. In particular, the effects of Western European industrialization have been neglected. Scholars have focussed on studying the export of wheat and rye – the “mother of all trade,” to quote Milja van Tielhof.<sup>3</sup> Other studies have dealt with timber exports from the Baltic region, especially from the northern shore, but again mainly for the period ending in the first decades of the 19<sup>th</sup> century.<sup>4</sup>

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**1** In this article, the German name of the town, Danzig, will be used, instead of the contemporary Polish one, Gdansk. The latter will be used when naming the local State archives.

**2** *D. Krannhals*, *Danzig und der Weichselhandel in seiner Blütezeit vom 16. zum 17. Jahrhundert*, Leipzig 1942; *H. Samsonowicz*, *Handel zagraniczny Gdansk w II potowie XV wieku (Der Aussenhandel von Danzig in der 2. Hälfte des XV. Jhs.)*, in: *Przeg Historyczny* 47/2, 1956, pp. 283-352; *C. Biernat*, *Statystyka obrotu towarowego Gdanska w latach 1651–1815 (Die Statistik des Warenumsatzes von Danzig in den Jahren 1651–1815)*, Warszawa 1963; *M. Bogucka*, *Amsterdam and the Baltic in the First Half of the 17th Century*, in: *Economic History Review* 26/3, 1973, pp. 433-47; *Ibid.*, *The Role of Baltic Trade in European Development from the 16<sup>th</sup> to the 18<sup>th</sup> century*, in: *Journal of European Economic History* 9/1, 1980, pp. 5-20.

**3** *M. van Tielhof*, *The “Mother of all Trades”. The Baltic Grain Trade in Amsterdam from the Late 16<sup>th</sup> to Early 19<sup>th</sup> Century*, Leiden 2002; *F. Andersson/J. Ljungberg*, *Grain Market Integration in the Baltic Sea Region in the Nineteenth Century*, in: *The Journal of Economic History* 75/3, 2015, pp. 749-790.

**4** *S. Åström*, *English Timber Imports from Northern Europe in the Eighteenth Century*, in: *Scandinavian Economic History Review* 18/1, 1970, pp. 12-32; *T. Wazny/D. Eckstein*, *Der Holzhandel von Danzig/Gdańsk – Geschichte, Umfang und Reichweite*, in: *Holz als Roh- und Werkstoff* 45, 1987, pp. 509-13; *L. Tischer/H. Nordvick*, *Myth and Reality in Baltic Shipping: The Wood Trade to Britain, 1863–1908*, in: *Scandinavian Journal of Economic History* 12/1-2, 1987, pp. 99-116; *L. Vandenabeele/I. Bertels/I. Wouters*, *Baltic Shipping Marks on Nineteenth-Century Timber: Their Deciphering and a Proposal for Classifying Old Timber*, in: *Construction History* 31/2, 2016, pp. 157-175.



Exports during that period took place almost exclusively by sea. For centuries until the second half of the 19<sup>th</sup> century, when railways almost entirely connected the different parts of Europe, maritime routes were the only way to transfer commodities from Central Eastern Europe to Western Europe. Some authors have suggested that the Baltic Sea became a secondary economic and social setting after the start of the so-called *Atlantic economy*. However, the Baltic Sea region remained an important area for international trade until the end of the 19<sup>th</sup> century.<sup>5</sup>

There is a correlation between industrialization, modernization, and wood consumption. During the *long 19<sup>th</sup> century*, Great Britain was the largest consumer and importer of wood. Norway, Sweden, Russia, Finland, and today's Poland (via Danzig) were its leading suppliers. Germany was the second-largest importer and consumer of wood during this period, relying on its own extensive forests and also imported timber mainly from the Austro-Hungarian Empire (primarily via rail from the 1870s onwards) and from Poland (via canals and rail).<sup>6</sup> The timber economy of the *Vistula country* (Weichsel in German or Wisla in Polish; a territory divided until 1918 between Germany, Russia, and the Austro-Hungarian Empire) was rooted in the exploitation of the vast forests of this area and the export of timber to the heaviest consuming countries. Danzig and its timber merchants (a few dozen in the 19<sup>th</sup> century and up to World War I) acted as the organisational and financial brain of a prolonged economic value chain – of a complex mechanism starting from the distant forests of the eastern and southern parts of the *Vistula country*, including the whole basin of the Polish river. This decade-old structure, briefly outlined below, would be reorganized after World War I while the final destinations of the timber exports did not change.

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5 M. North, *The Baltic. A History*, Harvard 2016.

6 M. Endres: *Handbuch der Forstpolitik*, Berlin <sup>2</sup>1922; T. Stobart, *Timber Trade of the United Kingdom*, London 1927; E. Söderlund, *Swedish Timber Exports 1850–1950. A history of the Swedish Timber trade* edited for the Swedish Wood Exporters' Association, Stockholm 1952, pp. 131-225; I. Iriarte-Goñi/M. Ayuda, Not only subterranean forests: Wood consumption and economic development in Britain (1850–1938), in: *Ecological Economics* 77, 2012, pp. 176-184; J. Daheur, La Galicie autrichienne: colonie du bois de l'Empire allemand? (1890–1914), in: *Revue d'Allemagne et des pays de langue allemande* 48/1, 2016, pp. 25-42; *Ibid.*, La sylviculture allemande et ses "hectares fantômes" au tournant des XIXe et XXe siècles, in: *Revue Forestière française* 69/3, 2017, pp. 227-239; *Ibid.*, Productive or Extractive Periphery? Russian Poland and Timber Exports to Germany in the Late Nineteenth and Early Twentieth Centuries, in: *Global Environment* 15/1, 2022, pp. 101-147.



The organizational structure of Danzig's timber trade in the long 19<sup>th</sup> century can be summarized in the following three main points:<sup>7</sup> 1) there were large forest owners at the production level. They were assisted by the merchants (mainly of Jewish origin) in the first stage of timber marketing (a Polish proverb of the time said that every landowner had a Jewish merchant). These merchants were in direct contact with those in Danzig, who financed the operation with their means or with credit from banks in the city. This credit was used to pay an initial portion of the established fee for the timber. 2) The following step was covered by rafters that organized the transportation of timber on the Vistula River.<sup>8</sup> The operation was often very time-consuming. The river's flow rate could vary significantly during the year. In some cases, a lack of rain and snowfall could cause the water level to drop to a few dozen centimetres, making it impossible to move the logs via raft. Moreover, the numerous border crossings (two crossings were necessary if the timber came from the south, which was part of the Austro-Hungarian Empire; only one crossing was essential if it came from the Russian Empire to the German Empire, of which Danzig was part). Sometimes, there were further delays, especially when epidemics broke out (cholera in particular), which would then require an extended quarantine if not the closure of the borders. 3) Once the timber arrived in the Danzig area, the local merchants often stored it in particular areas along the river for several months. They only loaded the ships when doing so was economically worthwhile for them. The demand for wood and timber and the price dynamics of this commodity in London and the rest of Great Britain were the last and decisive factors in the functioning of the extended value chain. London was the leading timber destination since the early decades of the 19<sup>th</sup> century. The vast majority of timber leaving Danzig and the other ports of the southern shore of the Baltic was raw, as there were only a few sawmills in the *Vistula country*, including in Danzig.

This study examines the changes in this structured timber trade process due to the different territorial configurations that resulted from the end of the First World War, with the creation of an independent Poland and, by the decision of the victorious powers and the League of Nations, the creation of the Free City of Danzig. This political entity could not be considered a state, even though it possessed certain prerogatives (e.g., a constitution, parliament, government, tax

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<sup>7</sup> For a more in-depth analysis, see *L. Segreto*, International timber trade, merchants, and the business organisation of the sector: The role of Danzig and the southern ports of the Baltic Sea (1823–1913), in: *Business History*, 2023, DOI: 10.1080/00076791.2023.2222669.

<sup>8</sup> *J. Daheur*, Le flottage du bois sur la Vistule au XIX<sup>e</sup> siècle. Contraintes sur les pratiques et aléas du milieu, in: *Cahiers du monde russe* 60/1, 2019, pp. 175-210.



system, currency, etc.); however, at the same time, it did not have many of the other characteristics associated with a state. The city's foreign policy was in the hands of Poland. Warsaw established its trade tariffs. Access to the international capital market was subject to approval by the Polish government and the League of Nations. Last, but not least, the Free City did not have a military structure and only had a local police force.<sup>9</sup> This article tries to understand to what extent and how Danzig's timber value chain was reorganized in light of the city's political-institutional context changes. Moreover, it investigates which old and new actors were part of its reorganisation.

The article then analyses Poland's new foreign economic policy and its consequences for the city and port of Danzig and its primary exported goods, including timber. The following section covers the initiatives of the Polish government as the new owner of the most extensive forests in the country. The following section deals with the changes that occurred in the supply of Polish timber and how this affected the relative position of Danzig in international trade. The final section examines changes in the timber merchant community in Danzig and the rest of the country during the inter-war years.

The sources used are diverse. At the State Archives in Gdansk, one can find documents of a legal-economic nature that offer insight into the changes that took place in commercial companies. The most important sources concern the transformations of the firms from private companies into limited liability or joint-stock companies. Several government documents on the timber trade in the Free City of Danzig are also available. At the same time, those of the Chamber of Commerce and the Merchants' Guild (later the Merchants' Association) have been almost entirely lost. In this respect, the Geheimes Staatsarchiv Preußischer Kulturbesitz in Berlin offers additional but minimal information in the series of documents of the Ministry for Trade and Commercial Activities (Ministerium für Handel und Gewerbe). The historical archives of the French Foreign Ministry in la Courneuve, those of the Foreign Office at the National Archives in London, and those of the League of Nations in Geneva also had some limited sources available.

Excellent secondary sources are specialised trade journals such as the weekly *Timber Trades Journal* and German-language trade journals (*Danziger Holzmarkt*, *Internationaler Holzmarkt*, and *Holzexporteur*), which unfortunately are not available for the entire period, along with a large number of books on the economy of the Free City of Danzig as well as the grey literature at the Deutsche Nationalbibliothek in Leipzig. Only a few issues of the *Danziger Wirtschaftszeitung*, the weekly newspaper containing much quantitative and qualitative information

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<sup>9</sup> J. Brown Mason, *The Danzig Dilemma. A Study in Peacemaking by Compromise*, Stanford 1946.



about the amount and the prices of the exported commodities, have survived in some Polish libraries; they are accessible via the Pomeranian Digital Library.

## 2 The Ports of Danzig and Gdynia amid Polish Foreign Policy and Interwar Economic Needs

Poland's creation as an independent state in 1918 produced numerous changes in the region's economic sphere. The new country's economy was primarily based on agriculture, forestry, and mining resources. A few industrial activities were concentrated in Silesia (where the coal mines were located), in the west of the country (in Lodz, the so-called Polish Manchester, which had been home to the largest textile companies since the 19<sup>th</sup> century), and in the capital, Warsaw. The most common industries were those related to sugar production from beet, some mechanical enterprises, and several sawmills.<sup>10</sup>

The new country's structural weaknesses prompted the government to make some strategic choices that also affected the economic fortunes of Danzig and its merchants, including, first and foremost, those related to timber exports. From Warsaw's perspective, the country's large agricultural sector – particularly its grain production – had to meet domestic rather than foreign demands. Consequently, the share of grain in Poland's total exports fell compared to the pre-World War I period.<sup>11</sup>

Poland's industrial and manufacturing structure did not permit the country to reach a level of exports that could produce a surplus in the trade balance. Exported goods were vital for the government to raise the financial resources necessary to buy foreign goods, including armaments, which were not produced in Poland. In 1923, the *Timber Trades Journal* reported, for example, that expenses in armaments by the Polish government would amount to 709 million zloty, while

<sup>10</sup> J. Skodlarski, *Zarys historii gospodarczej Polski*, Warszawa 2005; Z. Przyrembel, *Historia Cukrownictwa w Polsce*, Warszawa 1927; B. Mikulek, *Przemysł cukrowniczy ziem południowo-wschodnich Rzeczypospolitej Polskiej w latach 1929–1939*, in: *Annales Universitatis Mariae Curie-Skłodowska, Sectio F, Humaniora*, 31, 1976, pp. 209-231; I. Popławska/S. Muthesius, *Poland's Manchester: 19<sup>th</sup>-Century Industrial and Domestic Architecture in Lodz*, in: *Journal of the Society of Architectural Historians* 45/2, 1986, pp. 148-16; S. Cavallucci, *Ricchezza e dannazione. L'affaire del carbone nell'alta Slesia polacca 1919–1939*, Milano 2013.

<sup>11</sup> B. Jendrzewski, *The evolving economic importance of Polish forests between 1918 and 1945*, in: *Rural History* 33, 2022, pp. 94-95; J. Rothschild, *East Central Europe between the Two World Wars*, Seattle 1974, pp. 51-54.



the revenue of the Ministry of Finance did not exceed 691 million zloty.<sup>12</sup> Considering the characteristics of the Polish economy, coal and timber exports became the only products from which the Polish government could reasonably hope to obtain the necessary financial resources. The newly independent Poland appeared more than ever as a genuine “commodities factory.”<sup>13</sup>

Given that these exports immediately assumed a strategic role, it was no less relevant to determine which infrastructure should send coal and timber to international markets. Traditionally, the leading destinations for timber exported from Danzig were Great Britain, France, Belgium, and the Netherlands, while for coal, they were France and the Scandinavian countries. To reach these destinations, however, most exported products had to be shipped by sea rather than by rail. Having a well-functioning port on the Baltic coast was mandatory for enabling these overseas exports.

Until the mid-1920s, Poland could rely only on the port of Danzig. However, after the Free City of Danzig’s creation this port was the source of constant political-diplomatic tensions between the city and the Warsaw government during the interwar period.<sup>14</sup> At the same time, however, ever since the publication of Wilson’s Fourteen Points in 1918, it had been clear that Poland was supposed to have an outlet to the sea. It is no coincidence that one of the early Polish government’s most symbolic acts was the so-called marriage to the sea ceremony, held in February 1920 in the village of Puck, some fifty kilometres north of Danzig, that had substantial political significance.<sup>15</sup>

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**12** *Anon.*, Polish Troubles, in: *The Timber Trades Journal*, 2.7.1923, p. 6.

**13** *A. Teichova*, *Studies in the Interwar European Economy*, Abigdon-New York 1997; *D. Aldcroft*, *Studies in the Interwar European Economy*, Abigdon-New York 2006.

**14** *T. Rudolph*, *Die Rechtslage im Danzig-polnischen Gdingenkonflikt*, Danzig 1931; *E. Goss*, *Die Entwicklung des Außenhandels der Häfen Danzig und Gdingen, ein Wirtschaftskampf um den Güterumschlag*, Frankfurt/M. 1935; *Polish Research Centre (Ed.)*, *Poland and Danzig*, London 1939; the most recent literature is in Polish: *J. Czechowski*, *Gdynia i Wolme Miasto Gdansk w politycznej, gospodarczej i kulturalnej perspektywie II Rzeczpolita* [Gdynia and the Free City of Danzig in political, economic and cultural perspective of the Second Polish Republic], *Slupsk* 2018; or in Italian: *L. Segreto*, *La Città Libera di Danzica: compromesso ragionevole o scommessa impossibile?* in: *Passato e Presente* 114, 2021, pp. 83-103.

**15** General Józef Haller von Hallemburg, newly appointed commander of the Pomeranian front and in charge of occupying German Pomerania a few days before the signing of the Treaty of Versailles, was the protagonist of the so-called marriage with the sea. In February 1920, he received two melted platinum rings from Polish families in Danzig when he stopped briefly at the central station to avoid tensions with the city’s population. One of the two rings was thrown into the sea by the officer. See: [https://en.wikipedia.org/wiki/Poland%27s\\_Wedding\\_to\\_the\\_Sea](https://en.wikipedia.org/wiki/Poland%27s_Wedding_to_the_Sea), 4.6.2024.



Anticipating the difficulties arising from Danzig's new political and legal status, the Polish government already decided in 1919 to build an alternative port. After scrapping plans to establish a new river port at the Vistula River in Tczew, Gdynia, a small village about 20 kilometers west of Danzig, emerged as the best location. Due to the political-military agreements of 1921, which had given rise to the Franco-Polish Alliance, French observers framed Gdynia as strategically important for both the French and Polish navies.<sup>16</sup> The French initiative was part of a larger plan to turn Poland into a sort of protectorate, if not a colony, as recent studies suggest.<sup>17</sup> In the interwar years, direct investments in Poland were essential to French foreign economic policy and the French business community. This strategy's central element was reaching important agreements for Silesian coal. Still, it included many other sectors, from a big state loan to more specific initiatives, including some for the Polish forests. As we will see below, in many cases, French direct investment would be linked to Polish timber exports in the following years.

After many organizational and financial problems between 1920 and 1922, the construction of the port of Gdynia accelerated after mid-1923 when the French government turned it into a state priority for Poland and France.<sup>18</sup> Between October 1923 and May 1924, this complex project of building a new Polish port involved the two governments at various levels. The Franco-Polish agreement also included the establishment of an industrial consortium whose members would be French companies with leading technical and financial capacities. Most importantly, however, the new company had the financial backing of the two governments to guarantee payments. The new contract was planned in several tranches according to the level of progress, with one tranche every two years up to 1932. However, the agreement required that Poland agree that 30 of the 400 million French francs in credits obtained in 1921 should be spent to buy French armaments for the Polish army. Most importantly for this study, there

**16** I. Davion, Comment exister au centre de l'Europe? Les relations stratégiques franco-polonaises entre 1918 et 1939, in: *Revue Historique des Armées* 260, 2010, pp. 54-64.

**17** J. Łazor, Colonial expansion or vital assistance? French capital and interwar Poland, in: *Nierówności Społeczne a Wzrost Gospodarczy* 57, 2019, pp. 279-287.

**18** C. Laforest, La stratégie française et la Pologne (1919–1939). Aspects économiques et implications politiques, in: *Histoire, économie et société* 22/3, 2003, pp. 395-411; J. Łazor, French Capital, Gdynia, and the Position of Polish Coal on International Markets in the Interwar Period, in: *D. Castillo Hidalgo/C. Honorato (Eds.), Fueling the World Economy*, Cham 2023, pp. 99-121.





was a specific guarantee, based on income from exploiting state forests up to 1935, for credit reimbursement.<sup>19</sup>

Meanwhile, Danzig remained the most crucial port for Poland's export trade until the early 1930s. The level of trade took a few years to surpass that of the pre-World War I period. In 1912, the trade volume had been 2.5 million tons; only in 1925 were those figures exceeded by reaching 2.7 million tons. Interestingly, after the opening of the Gdynia port in 1925, there was no backlash for the port of Danzig for several years, as British diplomats had predicted.<sup>20</sup>

**Tab. 1:** Commercial traffic of the ports of Danzig and Gdynia, 1923–1933 (in tons).

Year	Danzig	Gdynia
1923	1,171,792	–
1924	2,374,556	10,67
1925	2,722,748	55,571
1926	6,300,559	404,561
1927	7,697,614	898,094
1928	8,615,632	1,95,770
1929	8,559,651	2,822,02
1930	8,213,094	3,625,748
1931	8,330,000	5,300,114
1932	5,476,052	5,194,288
1933	5,152,975	6,105,866

Source: *Ministerium f. Industrie u. Handel*, *Der Hafen von Gdynia*, Gdynia 1936, p. 34.

It must be specified that from the early 1930s onwards, the port of Gdynia became the only one used for Polish coal exports. In fact, in those years, the gov-

**19** Contract between the two parts, 24.7.1924 in: Archives Historiques du Ministère des Affaires Étrangères (AHMAE), La Courneuve, 106CPCOM 260. The Polish historiography's complete reconstruction of this story is the work written by R. Mielczarek, *Budowa ports handlowego w Gdyni w latach 1924–1939*, Gdansk 2001. (The book is based just on Polish archives and secondary literature). On the economic and military agreement, see *Laforest*, *La stratégie française et la Pologne*. The threat of external aggression pushed the government in the interwar period to allot an average of 35 percent of the State's budget to military expenses, see: *P. Stachura*, *Poland 1918–1945. An Interpretive and Documentary History of the Second Republic*, Abingdon 2004, p. 47.

**20** British Ambassador in Warsaw to Foreign Office, 9.4.1924, in: National Archives, London, FO 688/15, 11325013.



ernment decided to build a direct railway line from the Silesian coalfields to Gdynia with the help of French capital and technology. Danzig remained by far the main port for timber shipments to foreign markets until 1939 – despite difficulties and changes that will be analysed in the following sections.

### 3 The Polish State and the Forest Resources

After 1918, the Polish government gained direct control of an essential portion of the timber economy: the forests that had previously personally belonged to the Russian Tsar in eastern Poland. Their management was put under the control of the Polish Forestry Administration. Yet, for many years, the country's economic weakness and its urgent need for financial resources, which only timber and coal exports could offer, pushed the government to find quick solutions that prevented Warsaw's complete control of the timber value chain. This opened the doors to foreign investors, mainly French and British firms. Only in the 1930s did the Polish Forestry Administration establish a trading company to maintain control of the whole value chain. It soon became quite clear that the will and interests of the government in Warsaw strongly influenced the timber value chain that previously had had its brains in Danzig. Relations between officials of the new state replaced the previous networks between the Tsar's administration and local merchants.

Indeed, the end of the war changed the country's forest ownership structure in many ways. According to a Soviet source quoted by the *Timber Trades Journal*, about 67 percent of Poland's forest area was located in provincial districts formerly belonging to the Russian Empire.<sup>21</sup> In the early 1930s, the Polish government owned more than 2.8 million hectares out of 8.9 million hectares of Polish forests, equivalent to 31.7 percent of the country's forest area and 23 percent of the country's surface.<sup>22</sup> Private ownership of forests was highly concentrated among a small number of estate owners: about 1,600 persons, i.e., 0.3 percent of all private forest owners, controlled more than 60 percent of the private forests, each owning an average surface of over 500 hectares.

<sup>21</sup> Anon., The position of Poland, in: *The Timber Trades Journal*, 8.3.1924, p. 848.

<sup>22</sup> Comte Cr. Ostrowski, Président du Conseil Supérieur des Associations des Bois en Pologne, sur la situation du marché du bois, en Pologne, 18.04.1932 (League of Nations Document E/Bois/5), in Archives of the League of Nations, Geneva (ALN), Official Document Collection; Bois; Rapport présenté par M. Dolezal, 1.10.1929 (League of Nations Document No. E.519), p. 67.



The vast majority of these forests consisted of softwoods, mainly conifers, while the remaining 15 percent was hardwood. Almost 69 percent of the forest areas were covered by redwood (pine) and nearly 16 percent by whitewood (spruce and fir trees) – both of these being softwoods. In comparison, the remainder was covered by oak (4.3 percent), alder (3.3 percent), and smaller percentages of other types of trees. The geographic distribution of the different kinds of wood also influenced its export: German imports consisted of whitewood, while redwood predominated British (and other Western European) imports. Oak forests were located in Galicia and Volhynia and the eastern part of the country; redwood was found almost everywhere, but it largely prevailed in the east of the provinces and districts that formerly belonged to Russia. In the early 1920s, logging in Polish forests amounted to about 27 million cubic meters of roundwood, of which about 5 million were exported.<sup>23</sup>

The distribution of sawmills in the country was very unbalanced. This was a symptom of the country's poor and unorganized economic and industrial development before 1914. Most Polish exports, especially those from the country's southern areas, had been logs and roundwood. Many improvements were a direct consequence of the occupation by German troops during the war. The Białowieża forest, one of the most renowned in Europe, which is today divided between Poland and Belarus, had been exploited by the Germans who had installed as many as 23 sawmills and established 150 kilometres of a railroad network, as well as administrative buildings and housing for workers. This new infrastructure remained in use after the war under the Polish State administration.<sup>24</sup>

In 1923, a study by a French company estimated that approximately 1,200 mechanical sawmills were scattered around the country, equipped with about 1,900 different kinds of machines.<sup>25</sup> About half of the machines were located in the area formerly belonging to Germany, particularly in the neighborhood of Bydgoszcz (Bromberg until 1918).<sup>26</sup> The areas most renowned for their forests, the

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**23** Söderlund, *Swedish Timber Exports 1850–1950*, p. 144; S. Zajac, The economic, financial and legal situation of private estates in Poland during the interwar period, in: *Leśne Prace Badawcze* 74/2, 2013, p. 137.

**24** Anon., The timber trade of Poland, in: *The Timber Trades Journal*, 20.6.1925, pp. 1976-1977; see: T. Sunseri, Exploiting the "Urwald": German Post-Colonial Forestry in Poland and Central Africa, 1900–1960, in: *Past & Present* 214, 2012, pp. 318-320; T. Bohn/A. Dalhouski/M. Krzoska, *Wisent-Wildnis und Welterbe. Geschichte des polnisch-weißrussischen Nationalparks von Białowieża*, Köln 2017, pp. 62-143.

**25** Document of the Société française d'informations, 26.2.1924, in: AHMEA, *Europe 1918-1929-Danzig*, 30.

**26** Anon., Developments in Poland, in: *The Timber Trades Journal*, 19.5.1926, p. 39.



eastern part of the country, needed better equipment that could have been more efficient and needed significant repair and technical modernization. Most new sawmills were built by the State Forest Administration, which was interested in improving the timber sector's industrial infrastructure.<sup>27</sup> By the end of the 1920s, the government had approximately 1,510 sawmills and 3,353 mechanical saws.

The State Forestry Administration actively initiated efforts to promote the sale of Polish timber abroad. As early as November 1919, the Polish government, through its embassy in London, informed timber importers and potential investors in Britain (for nearly a century, the most crucial outlet for timber exports from Danzig) that there was a vast supply of timber that could be of interest to the British market. It also specified that any negotiations regarding the sale of such wood would have to be held in Warsaw.<sup>28</sup>

However, after the signing of the economic-financial agreement between Poland and France in 1924, the guarantees for the reimbursement included in the contract (the earnings from the exploitation of the State forests would have been transferred to France in case of failing to pay one of the installments) led the Polish government to focus even more heavily on timber exports. Warsaw devised a strategy offering the best guarantees for achieving that goal. In fact, among the weaknesses of the Polish economic system at the time, the difficulty was in ensuring the efficient exploitation of forests. Doing so depended on investment in equipment and infrastructure that would financially burden the export program and postpone its full implementation over time. For this reason, between 1923 and 1924, the Polish government entered into a series of negotiations with foreign companies that would help to ensure the optimal exploitation of state forests.

The first contact with American companies in 1922 did not produce anything concrete.<sup>29</sup> Meanwhile, French timber importers, aware of the terms of the upcom-

**27** Anon., Poland – Timber Resources – Sugar – Exchanges, in: *The Economist*, 26.2.1921; *U.S. Department of Commerce, Bureau of Foreign and Domestic Commerce, Markets for Sawmill and Woodworking Machinery in Central and Eastern Europe*, Washington 1930, pp. 21-22; A. Pachelska, *Przemiany techniczne i technologiczne w przemyśle drzewnym na ziemiach polskich w latach 1870–1939*, Warszawa 2003, p. 112. On the history of the Polish State Forestry Administration: A. Majachrowska, *The History of the State Forests and Forestry in Poland*, in: K. Oosthoek/R. Hölzl (Eds.), *Managing Northern Europe's Forests. Histories from the Age of Improvement to the Age of Ecology*, New York 2018, pp. 332-335. The destruction of the Forestry Administration's archives during World War II hinders further research.

**28** Anon., *Timber from Poland*, in: *The Economist*, 19.11.1919.

**29** *Société Générale des Bois Coloniaux to Direction Générale des Affaires Commerciales du Ministère des Affaires Etrangères*, 19.4.1923 in: AHMAE, *Europe 1918–1929-Danzig*, 30.



ing Franco-Polish agreement, hoped that it would facilitate their direct involvement in the exploitation of Polish state forests. In April 1923, a group of industrialists and financial investors proposed to the French government to push the Polish government to assign them the project of exploiting the state forests in the region around Toruń. The plan, which could have counted on the support of the *Syndicat de Compensation française et polonaise* (an organization that was supposed to manage economic relations following the agreement that the French would provide financing to Poland), called for the creation of a particular company that was supposed to become part of the *Société Générale des bois coloniales*. British financial circles were also believed to be involved in this project. In the following weeks, the project was finalized, highlighting that the financial resources for the company – provisionally named *Société Forestière et Commerciale de la Baltique* – were essentially to come from Britain. Indeed, 60 percent of the capital would be subscribed by English financial circles, 25 percent by French interests, and the remainder by unspecified Polish interests.<sup>30</sup>

However, some puzzlement arose at the Ministry of Finance in Paris, where it was known that, according to the Franco-Polish agreement, Polish state forests did not represent a pledge of French credit. Only the returns on forest exploitation constituted a security on Polish debt, as was outlined in the previous section. The ministry did not assume the Polish government would allow foreign interests to exploit Polish forests. If anything, some pressure needed to be put on the relevant parties to reach an agreement whereby the forest products would be sold to a French company, which could then establish a direct relationship with the French treasury until the sums due by Poland were fully recovered.<sup>31</sup> Confirmation that the Polish government had no intention to hand over the rights of exploitation of its forests to foreign companies came a few months later.<sup>32</sup>

The situation changed within less than a year because Poland's financial and monetary situation deteriorated. Already in 1923, the government issued a regulation that required exporters to hand over to the Treasury 50 percent of the foreign currencies earned from exports; this amount was then reimbursed in zloty. However, this measure was not sufficient. In early 1924, Warsaw opened up the possibility of foreign exploitation of some of the main state forests (in Białowieża, Grodno, and Slomin. The combined area of these forests was about half a million

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**30** Ministry of Finance to Ministry of Foreign Affairs 26.4.1923, in: *Ibid.*

**31** Ministry of Finance to Ministry of Foreign Affairs, 3.5.1923, in: *Ibid.*

**32** Ministry of Foreign Affairs to M. Mauss, CEO of the Compagnie Générale des Bois Coloniaux, 9.7.1923, in: *Ibid.*



hectares).<sup>33</sup> Several American, Austrian, French, Dutch, and British groups competed for the concession. In April 1924, the British group – *The Century Trust Ltd.* – emerged on top. Final negotiations took place in Warsaw between the Minister of Agriculture, Stanislaw Janicki, and Sir James Calder, timber merchant and former Timber Controller at the Timber Department Supply of the Board of Trade during the First World War. Despite opposition from Jan Miklaszewski, director of the Forestry Department of the Ministry of Agriculture and State Property and often considered the founding father of Polish forestry, the negotiations led to a ten-year agreement. Initially, it looked as if the British group would have to guarantee the Polish government an advance of £1 million. When Warsaw found other sources to cover that expense, the British only had to deposit £50,000 as security.<sup>34</sup>

To carry out the arrangement, the *Century Trust* formed a special company, the *International Timber Corporation*, with an initial capital of £1 million with 50 percent subscribed. The *Anglo-Latvian Timber and Trading Company* was also to participate. The arrangement stipulated that the British company would take control of four sawmills in the specified forest areas. The contract also included the construction of about 210 kilometres of narrow-gauge railway lines. All personnel employed were to be Polish. The Warsaw government – estimating that it would collect between £2.5 and £3 million (or 170 to 215 million French francs, almost half of the French funding obtained in 1921) over the ten years of the agreement – could purchase a certain amount of timber at market price.<sup>35</sup>

The owners of the *Century Trust* put an English manager at the head of the company. The headquarters were located in the former Tsar's palace in Białowieża, which had been suitably renovated. The Polish ex-general Stanislaw Bulak-Balachowicz (a veteran of the Great War, the Russian Civil War, the Estonian Civil War for Independence, and the Polish-Soviet War) managed the relationship with the Polish workforce. He organized the business as if he were still in the military. Very quickly the number of employees, attracted by the higher-than-average salaries, reached several thousand. Many of them were former soldiers, commonly called the *Balakhovici* since they had been part of the various regiments led by the General. Many were recruited from the poorest regions of Poland. However, the company was unsatisfied with their performance. The French ambassador in Warsaw, Jules Laroche, wrote to the Ministry of Foreign

33 Anon., Poland. Restrictions on the export of timber, in: *The Timber Trades Journal*, 7.7.1923; Anon., The position in Poland, in: *Ibid.*, 8.3.1924.

34 Anon., Polish Timber. A British contract, in: *Ibid.*, 26.4.1924;

35 Anon., The Polish Timber Deal, in: *Ibid.*, 5.5.1924.



Affairs in Paris: “A certain mistrust of Polish labour had led the English company to employ a workforce made up mainly of Russians and Jews”. The company leadership and their personnel strategy obviously had provoked some tension with the local population.<sup>36</sup>

*The Century Trust*, called *Centura* by the locals, initiated unlimited exploitation. It cleared entire areas and always chose to use clear-cutting to achieve the goal of cutting 4 million cubic meters of timber in the forests covered by the agreement. The agreement did not stipulate reforestation or clearing the used areas of the wooden residues.

The timber market conditions in Poland and England changed dramatically during the concession years. In 1926–27, timber prices in Poland began to rise due to increased exports to Germany, as seen below, while in England, prices were falling. Since the basis for determining the cost of timber purchased from the forest was set at the port of London, a situation occurred whereby state forests obtained a price of 50-70 zloty per cubic meter of timber in sales made through other intermediaries, while the company paid the government only 15-30 zloty per cubic meter.<sup>37</sup>

In September 1928, while the concession ownership had changed (the *Anglo-European Timber Company Ltd* had acquired the majority of *Centura's* shares), the economic situation of the firm began to worsen quickly. As soon as the company's profits declined, labour standards also deteriorated. Wages fell due to increasing transportation costs to Memel (the newly designated port for shipping timber to Britain); moreover, the company's workers were not insured. Therefore, strikes and disruptions in forest exploitation began. *Centura's* economic situation provoked strong criticism in public opinion. In 1929, after the company had exported more than 2.5 million cubic meters of primarily valuable timber to England, the Warsaw government agreed to pay the penalty to break the agreement five years pre-term.<sup>38</sup>

After unsuccessfully attempting to set up a joint venture by contacting British companies, the unhappy conclusion of *Centura* finally prompted the Polish authorities to embark on a different strategy. The new approach cut off the Danzig merchants and Polish private operators. In 1930, the State Forestry Administration

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<sup>36</sup> French ambassador to Ministry of Foreign Affairs, 1.12.1926, in: AHMAE, Europe 1918–1929, Danzig 30.

<sup>37</sup> Anon., A Polish timber concession. Revisions of the Century Trust's Contract with Warsaw Government, in: *The Timber Trades Journal*, 23.10.1926, p. 1251.

<sup>38</sup> Anon., Polish timber trade. British interests withdraw from big scheme, in: *Ibid.*, 7.9.1929, p. 834; K. Richter, Fragmentation in East Central Europe: Poland and the Baltics, 1915–1929, Oxford 2020, pp. 181-183.



established its own company for foreign timber sales. The new company, named *Polska Agencja Drzewna* (Polish Timber Agency or *Paged Timber Company*), which achieved steady improvements in annual results.<sup>39</sup> Cut timber was sent by rail to the port of Gdynia and not to the port of Danzig. This decision shows the difficulties and numerous changes the city's merchant community faced between the wars. In addition, confirming a gradual modernization of the activities of the entire sector, the State Forestry Administration also adopted an effective marketing strategy, creating a brand named *L. Eague P.* to help it achieve greater recognition for providing superior timber.<sup>40</sup> It is now time to examine how Danzig's timber merchants reacted to the abovementioned changes.

## 4 The Merchants of Danzig and the New Timber Market

Taking up trade activities after establishing the Free City of Danzig was not straightforward, as organizational problems were to be solved. First, the relationship with Polish forest areas now implied an agreement with the Polish merchants, whose number had increased both in the production areas and in Danzig itself after the war. Second, modernization of operations in the production areas meant a more significant inflow of timber to Danzig via rail transport. By the early 1920s, only 10 to 20 percent of the timber had arrived in Danzig by floating on the Vistula River; the rest had arrived by rail.<sup>41</sup>

In the early 1920s, the lack of wagons and a policy of high rail tariffs adopted by the Polish government was problematic for the city's merchants in no small measure. Many shipments were moved to Königsberg because the Prussian railroad rates were lower.<sup>42</sup> Despite the instability of the Polish zloty until the mid-1920s, substantial improvement occurred from 1924, when the government reduced railroad fares by about 10 percent. However, the Polish government always kept the option of using the Königsberg port open, partly because of the fare issue but mainly because it provided a shorter distance between the eastern forests and the port of embarkation.<sup>43</sup>

<sup>39</sup> Anon., Der Holzhafen in Gdynia, in: *Internationaler Holzmarkt*, 4.1.1936.

<sup>40</sup> Anon., Polish State Forests. Excellent results of the year's operations, in: *The Timber Trades Journal*, 16.10.1937, p. 169.

<sup>41</sup> Anon., Danzig, in: *The Timber Trades Journal*, 18.6.1924, pp. 233-234; *H. Goldberg*, Le port de Danzig. Son développement après le Traité de Versailles, Anverse date of pbl. unknown, p. 102.

<sup>42</sup> Anon., Freie Stadt Danzig. Vom Danziger Holzmarkt, in: *Der Holzmarkt*, 1.3.1924 and 8.3.1924.

<sup>43</sup> Anon., Danzig. Die Ausfuhr des polnischen Holz durch Königsberg, in: *Ibid.*, 29.6.1926.





Until 1914, the timber market in the area that became Poland in 1918 was controlled by the large German timber importer groups or by the merchants in Danzig.<sup>44</sup> With the creation of the new state, there was a flourishing of new Polish enterprises (about twenty in 1919–1920 alone), whose sole objective was to try to sell the most significant possible quantities of goods regardless of the quality of the products being exported. Indeed, while this situation was harmful to the Danzig merchants and the other merchants in the rest of the country, it was a response to actual demand, especially in Germany. Fourth-quality timber (where many defects, like splits, knotholes, and similar issues are visible) was used in the shipyards to address needs related to war reparations. In particular, German mining companies, traditionally significant timber consumers, were involved in great production efforts for the reparation payments.<sup>45</sup>

Some Danzig merchants ran for cover, forming a company that could withstand the new competition better. In 1920, the *Syndikat der Holzindustriellen Danzig-Pommerellen* was formed, which was a limited liability company headed by Julius Salomon Jewelowski, who in the 1920s would become a member of the Senate (the government) of the Free City of Danzig on behalf of the Liberal Party. Moreover, many private companies in Danzig were transformed into limited liability companies and sometimes joint-stock companies. This showed that increasing competition had prompted merchants to adopt more financially sound strategies. Compared to the few dozen companies that existed in Danzig between the end of the 19<sup>th</sup> century and 1914, the number of firms (specialized companies, forwarding agents, agents, and branches of foreign companies) in the timber trade in 1929 had risen to 118, of which 67 were still private companies, 35 were limited liability companies, and 15 were joint stock companies.<sup>46</sup> Analyzing the records of the Danzig District Court, we can see that many of the existing joint stock companies had formerly been limited liability companies.<sup>47</sup> In other cases, the new limited liability companies were initiatives that brought together several merchants who had previously operated sole proprietorships.<sup>48</sup>

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<sup>44</sup> J. Daheur, *Le parc à bois de l'Allemagne. Course aux ressources et hégémonie commerciale dans le bassin de la Vistula et de la Warta (1840–1914)*, Unpublished dissertation, University of Strasbourg, 2016.

<sup>45</sup> Anon., *Memel, Königsberg, Danzig, and district*, in: *The Timber Trades Journal*, 30.2.5.1922; Anon., *Danzig wood Exchange*, in: *Ibid.*, 22.3.1924; Anon., *Export of timber from Poland*, in: *Ibid.*, 6.4.1924.

<sup>46</sup> *Internationaler Holzmarkt*, *Holzexport- und Import-Adressbuch der Nachfolgestaaten und Mitteleuropas*, Wien 1929.

<sup>47</sup> Records of Danzig District Court, Gdansk State Archives, 98/9551.

<sup>48</sup> *Ibid.*, 97/8918 and 98/8692.



This new, much more competitive setting was not the only difference between the interwar years and the period before 1914. Many new merchants had little experience and did not belong to a lineage that might have operated for decades if not centuries. Especially the Polish merchants who settled in Danzig after 1918 caused problems that threatened to ruin the mercantile reputation of the town. British merchants harshly criticized this situation, referring to the “activities of inexperienced and sometimes too unscrupulous shippers,” as the *Timber Trades Journal* reported.<sup>49</sup> Many of the new merchants were small forest owners who, wishing to eliminate the Danzig intermediaries, improvised positions for themselves as merchants. The British also called them “irresponsible and casual shippers.”<sup>50</sup> Given such statements, it would take time for the Danzig merchants to regain the trust of their British customers lost by so-called adventurers, who often aimed at achieving immediate profit by mixing high and low-quality timbers in one cargo. Yet, the same journal also added that not the entire lot of Danzig merchants should be condemned.

The desire to get into business quickly was at the root of this negative assessment shared by the serious merchant community in Danzig. Indeed, agreements were often made to send timber to England when it was unavailable in the city. Usually, delays were due to financial difficulties. Despite the increase in the number of existing banks in Danzig compared to the pre-war period, branches of German lending institutions were reluctant to offer credit to traders in the industry. Even local banks preferred to avoid committing to the industry if possible. The sector was considered too risky and relatively demanding of credit. Too many aspects of the activity escaped the predictive power of reasonable forecasts. Merchants went as far as to ask their English customers for advances of up to 50 to 60 percent of the value of the cargo. But when the goods did not arrive on time, this led to further criticism.<sup>51</sup>

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49 *Anon.*, Danzig interests in the English market, in: *The Timber Trades Journal*, 30.1.1926, p. 315.

50 *Ibid.*

51 *Anon.*, Danzig timber exports, in: *Ibid.*, 27.3.1926, p. 242. The problem of credit being supplied to the industry concerned not only Danzig but the whole of Poland. Few banks were willing to offer their support. Among foreign banks, only the British Overseas Bank was particularly active. The absence of stable contacts with the banking system also created problems in London, where few Polish exporters had contacts in the banking world for credit acceptance. This situation, according to the British, favored German companies that intervened with their emissaries at the places of production, choosing the best goods locally and thus making huge profits, see: *Anon.*, The future of Polish timber, in: *Ibid.*, 11.5.1927.



A similar problem arose with sawn timber. Thanks to the opening of new sawmills in and around Danzig during the 1920s, sawn timber gradually assumed greater importance since it had higher added value. The prices at which it could be sold made it competitive with Swedish and Finnish-sawn timber. Again, the haste and inexperience of some merchants caused problems because the wood was sent too fresh. This led to the spread of fungi (spores) that gave the wood a blue coloration a few weeks after it arrived in England.<sup>52</sup>

By 1923, such business ethics threatened to severely damage the overall reputation of the Danzig merchants, capable of ruining a long tradition and long-established business network. A group of firms and entrepreneurs in the sector decided to counter the problems by establishing a Wood Exchange, the *Holzbörse*.<sup>53</sup> Two years later, in November 1925, the Association of Timber Exporters of Danzig (*Verein Danziger Holzexporteure*) came to life. Its founders were seven merchants, but the group reached 22 members quickly. Precisely to avoid situations such as those mentioned above, the Association wrote a letter to the *Timber Trades Journal* in 1927 requesting the publication of the complete list of enterprises that were members of that organization. They claimed to be “the best-known Danzig exporters,” taking on the task of “strengthening the reputation of the Danzig wood exporters abroad.”<sup>54</sup>

The port authorities tried, in turn, to offer significant support to the timber trade. Timber remained the main export item (both in volume and value) from the port of Danzig, especially after 1930, when the Polish government had decided to focus coal exports in Gdynia and, at first, difficulties with the Polish railroad system had to be resolved. Before the war, the network was built according to a different logic that responded to the interests of the three great powers sharing Poland. Russian Poland had a rail system directed toward the heart of the Russian Empire, of which the southern part, Galicia, faced Vienna, and the Prussian rail system converged toward Berlin. Later, port authorities of Danzig focussed on expanding the timber loading areas (nearly two million square meters of timber warehouses), making them the largest in Europe.<sup>55</sup>

The steady growth of exports, especially to Britain, peaked in 1927 despite the severe difficulties the long British strike produced in 1926.<sup>56</sup> However, fierce

<sup>52</sup> Anon., Danzig wood shipped too fresh, in: *Ibid.*, 23.8.1927.

<sup>53</sup> Anon., Danziger Holzbörse und Holzexport, in: *Danziger Holzmarkt*, 6.4.1923, p. 1.

<sup>54</sup> Anon., Danzig wood exporters, in: *The Timber Trades Journal*, 16.4.1927, p. 183.

<sup>55</sup> Anon., The port of Danzig. Accommodation for at least 2,000,000 tons of timber a year, in: *Ibid.*, 11.5.1927.

<sup>56</sup> Anon., Danzig, in: *Internationaler Holzmarkt*, 3.6.1926.



competition between merchants who were members of the *Verein Danziger Holz-exporteure* and those who were not caused prices to increase sharply in 1928, eventually discouraging British importers from making purchases in Danzig. The difference between the prices that could be obtained in England and those that had to be paid to Polish timber producers was a problem between 1927 and 1928.<sup>57</sup> Another factor explains the decrease of 24 percent in value in 1928 compared to the year before: in 1927, the Soviet timber exports started accelerating. The effects were immediate, with a reduction of shipments by 50 percent.<sup>58</sup> In a few years, the Soviet Union again became the largest exporter of softwoods to Great Britain, as Russia had been before the Great War.<sup>59</sup>

The decline in exports to Great Britain prompted Polish timber merchants and forest owners to look for alternatives. Partial solutions were found in exports to Belgium and Holland.<sup>60</sup> Shifting trade towards Germany, a destination considered a natural outlet for many Polish exporters, did not provide anticipated advantages, given that for a large part of the 1920s, a trade war between Germany and Poland (mixed with the political issues concerning the German minority in Silesia) damaged the dynamics of exports overall.<sup>61</sup> While the Germans were prepared to pay higher prices due to the difficulties of the German economy in the late 1920s, payments were often deferred over time and ended up being less than the initial sum promised.<sup>62</sup> The trade agreement for timber between the Polish and German governments, signed in 1928, set in motion some critical processes. Some merchants decided to move from Danzig to Königsberg or even to the capitals of the two countries, Warsaw and Berlin. They thought they could better develop their business in these cities, mainly because of the demand that came from the German construction sector.<sup>63</sup> However, redirecting the trajectory of exports to Germany could jeopardize relations with British business partners.<sup>64</sup>

<sup>57</sup> *Ibid.*, 10.5.1928.

<sup>58</sup> *Anon.*, Timber trade position at glance, in: *Timber Trades Journal*, 21.5.1927, p. 1550.

<sup>59</sup> *Anon.*, The trade as viewed from London. How the softwood market has fared, *Ibid.*, 22.6.1932, pp. 45-46.

<sup>60</sup> *Anon.*, Danzig, in: *Internationaler Holzmarkt*, 19.1.1928.

<sup>61</sup> *J. Misala*, Polish-German Trade in the Interwar Period (1919–39) and after 1989, in: *Russian & East European Finance and Trade* 31/4, 1995, pp. 74-93; *S. Cavallucci*, *Ricchezza e dannazione*.

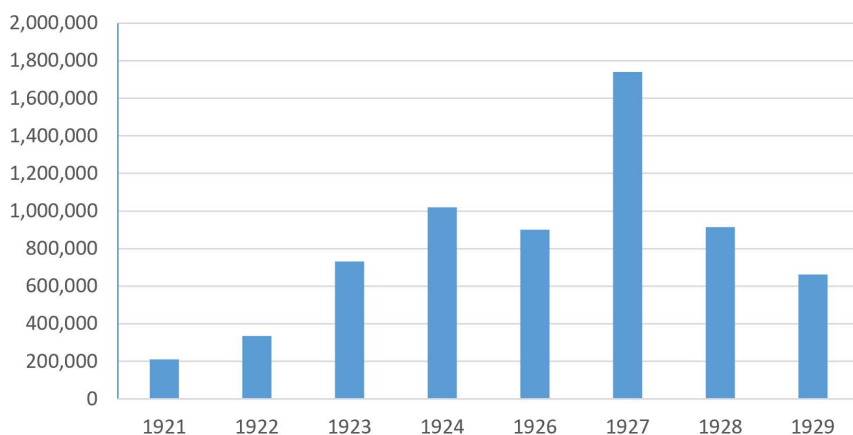
<sup>62</sup> *Anon.*, Polish Exports and Danzig trade, in: *The Timber Trades Journal*, 12.6.1929, pp. 65-66; *Anon.*, The position in Poland, in: *Ibid.*, 22.6.1929, p. 884.

<sup>63</sup> *Anon.*, Holzmarkt in Polen. Nach dem Deutsch-polnischen Holzhandel Provisorium, in: *Internationaler Holzmarkt*, 26.4.1928; *Anon.*, Das neue Deutsch-polnische Holzabkommen, in: *Ibid.*, 24.1.1929; *Anon.*, The position at Danzig, in: *The Timber Trades Journal*, 8.3.1930, p. 176.

<sup>64</sup> *Anon.*, Der Seewärtige Holzexport Danzigs im Jahre 1912, 1913 und 1922–23 ausgeführt, in: *Danziger Holzmarkt*, 25.5.1924; German consul in Danzig to Ministerium für Handel und Ge-



The efforts in Danzig to modernize the timber industry (with the establishment of sawmills, the restructuring of the port, the transformation of the legal forms of the companies, etc.) yielded some excellent results in growing exports (see Fig. 1). The benefits of good trade relations with Britain were partly in the sums made available at very reasonable interest rates by British traders for modernization and efficiency improvements in the industry in Danzig (for instance, for establishing sawmills). When considering only the timber exported from the Baltic ports of Danzig and Gdynia, the predominant destination for wood continued to be England. Therefore, the dynamics depicted in the following figure reflect the situation that was highlighted so far.



**Fig. 1:** Timber exports from the port of Danzig, 1921–1929 (in tons). Source: *K. Peiser, Danzig Shipping and Foreign Trade, Danzig 1930, p. 27.*

These exports were higher than those achieved between 1875 and 1912. During that period, timber exports exceeded 300,000 tons only twice (in 1885 and 1886), remaining otherwise always between 250,000 tons and 300,000 tons, a level surpassed as early as 1922.<sup>65</sup> Growth was robust until 1927, when a record level (1,740,365 tons) would never be equalled again. In the 1930s, the average export volume was just over 835,000 tons. Most Danzig timber exports (never less than

werbe, 4.11.1927, in: Geheimes Staatsarchiv Preußischer Kulturbesitz, Berlin, I. HA., Rep. 120, C XIII 5, Nr. 32, Bd. 6.

<sup>65</sup> *Segreto*, International timber trade.



60 to 65 percent) continued to be directed to Great Britain despite the problems of 1928 described above.<sup>66</sup>

The situation is different if one considers timber exports from all of Poland, not just from Danzig, during the same decade. Despite the long trade war with Germany, this country was the main destination of Polish timber exports.<sup>67</sup>

**Tab. 2:** Main destinations of Polish timber exports, 1922–1929 (in tons).

Year	Great Britain	Germany	Netherlands	Belgium	France
1922	234.95	1,469.37	5,358	69.16	64.06
1923	406.21	1,846.00	81.13	68.78	73.41
1924	409.28	824.73	77.71	154.48	84.83
1925	531.70	2,019.60	134.9	113.10	68.00
1926	847.17	2,659.55	n.a.	n.a.	n.a.
1927	1,154.72	3,934.38	n.a.	n.a.	n.a.
1928	528.72	3,337.38	n.a.	n.a.	n.a.
1929	284.21	1,483.58	n.a.	n.a.	n.a.

Note: Table 2 is not complete for many destinations. Some data may show discrepancies in a year-by-year comparison with exports from Danzig. Different reports (port authorities on the one hand and the Polish Ministry of Finance on the other) may partly explain these discrepancies. Source: *Rocznik statystyki Rzeczypospolitej Polskiej*, *Annuaire statistique de la République Polonaise*, 1923–1930, Warszawa 1930, p. 168.

Danzig occupied a position equal to a share of total timber exports that varied, depending on the year, between 20 and 30 percent of the Polish total. In the 1920s, the remaining share was exported by rail. As for Gdynia, at least until 1931, its competitive capabilities were minimal, given its primary focus on coal.<sup>68</sup>

The situation during the 1930s was influenced by the difficulties in revitalizing the economy after the Great Depression. To revive exports, hit like all the other sectors by the contraction of economic activity in 1930–31, a delegation of

<sup>66</sup> K. Peisert, *Danzig's Shipping and Foreign Trade*, Danzig 1930, p. 28; Goldberg, *Le port de Danzig*, p. 102.

<sup>67</sup> H. Mau, *Die polnische Holzwirtschaft, das Deutsche-Polnische Holzabkommen und der Danziger Holzexport*, in: *Danziger Wirtschaftszeitung*, 2.12.1927, pp. 1002-1004.

<sup>68</sup> Anon., *Danziger Situationsbericht*, in: *Holzexporteur*, 20.7.1931, p. 12; Anon., *Zur Statistik des Europäischen Holzverkehrs 1912–1929*, in: *Internationaler Holzmarkt*, 31.7.1931.



Danzig merchants travelled to Britain in February 1931.<sup>69</sup> However, the Polish timber industry, not just the one in Danzig, was trying to make its voice heard in an increasingly complex international economic environment. Further meetings took place in Warsaw with representatives of timber production (above all, the State Forestry Administration) and Polish exporters. The result was the creation of an exporter's union (formed by private operators and with no state participation) that would enjoy exemption from export taxes, which had increased significantly since March 1931.<sup>70</sup> The union was the first step toward forming a national cartel responsible for ensuring the quality of exported timber and setting the minimum price for exports.<sup>71</sup>

However, this was only the first step toward a much larger project. In June 1931, an international conference was organized in Warsaw by timber exporters from Poland, Estonia, Finland, Norway, Sweden, Latvia, and the Soviet Union.<sup>72</sup> While in Danzig, merchants had to operate under increasingly difficult conditions,<sup>73</sup> especially after the suspension of the gold standard by the British government and the devaluation of the pound in September 1931; now, the Polish government and the Polish Association of Timber Merchants were joining the international conferences that discussed timber production and trade. The situation that arose in 1931 shows the bifurcation between the interests of the Danzig merchants and those of Polish merchants and manufacturers.

In October 1931, the situation became critical with the closure of many bank branches in Danzig. It caused enormous difficulties for merchants in making payments of all kinds, including their employees' wages. Many contracts also had to be revised because they had been signed in pounds, which had been heavily devalued.<sup>74</sup> The Danzig merchants experienced tough years full of un-

<sup>69</sup> *Anon.*, Visits from Danzig exporters, in: *The Timber Trades Journal*, 28.2.1931, p. 570.

<sup>70</sup> *Anon.*, Problem eines Holzsyndikates in Polen, in: *Internationaler Holzmarkt*, 22.1.1931; *Anon.*, Die Polnische Syndicatsgründung gescheitert, in: *Holzexporteur*, 25.1.1931, p. 2.

<sup>71</sup> *Anon.*, Important movement in Poland, in: *The Timber Trades Journal*, 18.7.1931, p. 113.

<sup>72</sup> *Anon.*, Die Holzkonferenz in Warschau, in: *Holzexporteur*, 16.6.1931, p. 9; *Anon.*, Big international conference at Warsaw, in: *The Timber Trades Journal*, 27.6.1931, p. 861. The process that led to the establishment of the international timber cartel has been studied by *E. Kuorelahti*, *The Political Economy of International Commodity Cartel. An Economic History of the European Timber Trade in the 1930s*, London 2021.

<sup>73</sup> *Anon.*, Zur Generalversammlung des Vereins Danziger Holzexporteur, in: *Holzexporteur*, 10.3.1031, p. 1.

<sup>74</sup> *Anon.*, Danzig shippers and their contracts, in: *The Timber Trades Journal*, 10.10.1931; *Anon.*, Danzig shippers, Critical times and heavy blows suffered, *Ibid.*, 31.10.1931. A case concerning a sterling contract was discussed by the Danzig court, which ruled in favor of the English merchant and not the Danzig merchant. The judges said: "In essence, the fact that he had



certainties. While increasing the exports to Germany, from which they had largely been cut off, the timber merchants of the Free City tried to remedy the situation by creating new contacts and offering timber exporters from Czechoslovakia, Romania, and even the Soviet Union discounted railroad fares to the port of Danzig. However, neither measure could reverse the situation: by 1931, the entire industry experienced an international crisis and remained in crisis for almost three years.<sup>75</sup>

The situation began to improve only in 1934, partly due to measures aimed at standardizing specific procedures and ensuring more excellent uniformity in the quality of exported Polish timber. Danzig regained momentum, although the danger of new difficulties was always lurking (for instance, the devaluation of the zloty) despite the growing development of timber exports from Gdynia, which had been inaugurated by a large contract for a Dutch wholesaler in 1931.<sup>76</sup>

Danzig remained important when it came to the export via sea. Even those private forest owners who tried to avoid the intermediation of Danzig merchants did not significantly reduce the port's role.<sup>77</sup> Such was also the case with the export institution *Kompanya Exportowa (Export Company)*, established by the Polish government in 1935. The *Export Company* was in charge of directly exporting timber from both the State forests and a more extensive private forest in an area near Vilnius (which at the time was part of Poland) that belonged to the Sapieha family (one of Poland's wealthiest and most influential aristocratic families) without the intermediation of the merchants of the Free City. In proportion to the total movement of goods in and out of the port, timber exports from Danzig took on even greater importance in the 1930s despite trade from the rival port of Gdynia.<sup>78</sup>

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quoted the lumber in pounds did not mean that the value was itself stable". See: *Anon.*, The Danzig court case. Ruling on a contract on pound sterling basis, in: *Ibid.*, 11.2.1933.

<sup>75</sup> *Anon.*, Die Holzwirtschaft in der Krise, in: *Holzexporteur*, 1.8.1931, p. 1. The Soviet timber exports from Danzig had a value superior to 1 million US Dollars in 1927–28 and in 1928–29, see: *Anon.*, Belegung der Handelsbeziehung zwischen Danzig und der Sowiet-Union, in: *Danzig Hafen und Handel*, 5.5.1929, pp. 3-4.

<sup>76</sup> *Anon.*, Polnische Holzexport über Gdingen, in: *Internationaler Holzmarkt*, 11.10.1930; *Anon.*, Poland and Danzig, in: *The Timber Trades Journal*, 22.7.1939.

<sup>77</sup> Statistiques relatives au commerce international du bois tendre scié et raboté au cours de la période 1928–1932, préparées par le soins du Comité permanent international du Bois (C.I.B.) 2, *Importations*, 1934, p. 37.

<sup>78</sup> *Anon.*, Der Holzexport belebt den Hafenverkehr Danzigs, in: *Internationaler Holzmarkt*, 6.2.1937.





Tab. 3: Polish wood exports, 1931–1938 (in tons).

Year	from Danzig	from Gdynia	Total Polish wood exports
1931	968,803	26,800	1,808,000
1932	560,898	88,000	1,035,000
1933	754,000	207,000	1,706,000
1934	921,000	182,000	1,985,000
1935	719,000	228,000	1,753,000
1936	850,000	303,000	1,679,000
1937	972,000	235,000	1,693,000
1938	762,000	370,000	1,688,000

Source: *Anon.*, Poland and Danzig. The part played by the Free City in Polish trade and the timber industry, in: *The Timber Trades Journal*, 22.6.1939, p. 255.

However, the Danzig merchants were utterly excluded from an important project: the discussions around policies about the timber industry, particularly regarding establishing an international cartel. First initiatives had been taken as early as 1926, and the basis for the cartel was established in 1929.<sup>79</sup> In October of that year, the Economic Committee of the League of Nations accepted a report on the situation of the timber industry in Europe submitted by one of its members, that initiated a series of further studies. The paper formed the basis of an international timber conference in Geneva in 1932.<sup>80</sup>

The challenges facing the world economy and the global timber industry prompted governments and major players in the international timber trade to pass a series of agreements to regulate production. The *European Timber Exporters' Convention* (ETEC) was set up in Copenhagen in November 1935 at the end of a meeting with representatives of timber export associations from Finland, Sweden, the Soviet Union, Poland, Yugoslavia, Czechoslovakia, Austria, and the *Comité permanent international de la production, de l'industrie et du commerce du bois* (C.I.B.), a body created in 1932 under the auspices of the League of Nations.<sup>81</sup> Indeed, the League of Nations and the International Chamber of Commerce were instrumental in the initiatives that led to the formation of numerous international cartels, known as International Commodity Agreements. Within this

<sup>79</sup> *Anon.*, Wer ist "Weltkartell"? Systematisch lancierte Meldungen. Visitenkarten Höfl. Erbeten, in: *Internationaler Holzmarkt*, 23.9.1926; *Anon.*, Kartellbildung in Holzwirtschaft, in: *Ibid.*, 20.10.1926.

<sup>80</sup> *Kuorelahti*, *The Political Economy of International Cartels*, pp. 61-64.

<sup>81</sup> *Ibid.*, pp. 101-103; for the C.I.B., *Ibid.*, pp. 64 and 80.



new economic context, it was clear that only the governments and the official national timber associations could have a word. This was the case for the Polish government and the National Timber Association. The Free City of Danzig was not a State, and the local timber merchants were just merchants, not admitted to discuss issues concerning the shares of European timber production and commerce given to the European Timber Exporters' Convention member states.

## 5 Conclusions: From being the Mastermind to being the Operating Arm

The trajectory of Danzig's mercantile world, on which the city had built its fortunes over centuries, underwent significant structural changes during the interwar period. This article explored the new characteristics of the Danzig business community, especially in the timber sector, which, along with coal, had become strategically important for the new state of Poland. Indeed, the export of these two commodities for the Polish balance of trade and balance of payments was significant, as the analysis above has demonstrated.

From the point of view of Danzig's timber merchants, this situation might have appeared optimistic. In reality, however, the new political and institutional configuration of the area, along with the emergence of a new state, Poland, and the formation of an administrative entity that did not have all the prerogatives of a state, the Free City of Danzig, represented a decisive downsizing of the role the merchants had played and the power they had enjoyed for centuries. Having been the organizational, commercial, and financial brain of a long chain that geographically united the entire basin of the Vistula River and its tributaries, the function of the timber merchants was relegated to that of mere organizers and, in some ways, pure executors of the final segment of a long value chain.

With the birth of Poland, the new state received a massive slice of the region's forest heritage. Not surprisingly, the country's early challenges and the urgent need for find financial resources pushed the state administration to assume a more significant role in managing and enhancing the value of the forests. The state's needs passed through different stages, as illustrated in this article. This evolution included a major concession made to an English company and the establishment of a company, *Centura*, that took over the direct management of a large part of the organizational and commercial processes. In this respect, the first conclusion of this study is how a robust political will could profoundly change an entire industry's economic, managerial, and commercial characteristics. Indeed, until 1914, the Russian Empire owned the main forests of what would



later become Poland. Still, due to bad organization and/or disinterest, it let the supply chain be controlled and organized by the Danzig merchants.

However, the new constellation with Poland as an emerging and tightly managed nation-state could not have occurred without the cooperation and professionalism of the timber merchants in Danzig. The port maintained a prominent position in the Baltic timber trade and expanded that trade, particularly in the 1920s. After the crisis of 1929, everything became more difficult. Nevertheless, the city's supremacy was never seriously challenged as the largest outlet market for Polish timber. Germany proved to be a problem. This happened first because of the protracted trade war with Poland in the 1920s and then also because of the severe difficulties of the German economy in the first years of the 1930s.

The British market remained important as a destination for timber leaving the Baltic ports of Danzig, Gdynia, Königsberg, and Memel. The latter two became more competitive than before World War I for organizational and economic reasons, such as their denser rail network for transport to ports from certain production areas. Nevertheless, the level of exports from these two ports in the 1920s was never more than 10 percent of timber exports from Danzig.<sup>82</sup>

After 1918, the share of roundwood exports from Poland decreased while that of sawn timber grew, sawn timber being a commodity provided by the numerous mills that sprung up in and around Danzig. Additionally, the share of timber arriving in Danzig (and later in Gdynia) by rail also increased, reaching up to two-thirds of the total amount of all exported goods in 1933–34. However, its dependence on the British market made Danzig's sawn wood industry sensitive to fluctuations in international competition, leading it to prevail only when prices of sawn wood in Sweden and Finland were too high for British outlet markets.

Another new characteristic of the timber trade post-1918 was the emergence of the international softwood cartel of the major European producers. Like for other cartels that arose in the late 1920s and early 1930s, the presence of the state, either directly or as a facilitator for the producers, was decisive. The literature has shown how socio-political aspects were often at least on par with economic factors when determining the formation of a cartel. In the case of the interwar softwood cartel, the dimension of national interests was powerful when establishing this economic institutional actor.

In the context of the Polish timber trade, two considerations marked the uniqueness of this period: 1) Danzig was not recognized as a state by the international community; 2) the focus of the *European Timber Exporters' Convention* was to restrict the timber quantities placed on the international market – and not the

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<sup>82</sup> K. Wockensoth, *Danzig als Handelshafen seit Errichtung der Freien Stadt, Danzig 1930*, p. 41.



marketing or price of timber. Both factors represent the change in the timber trade setting after the end of World War I. Paradoxically, until 1914, the Danzig merchant community had controlled the value chain despite having to interact with public and private actors from three different states (Prussia, Russia, and Austria-Hungary). The information asymmetries (product knowledge, organizational skills, availability of financial resources, links to international markets) on which it had built its abilities and even economic fortunes gave the merchants a competitive advantage over any other player within the vast territory where they operated.

In the new post-1918 circumstances, the relationship between the production areas and Danzig had been torn apart. Public and private producers had taken over some of the functions that had previously been part of the value chain coordinated by the merchants, delegating to the latter only specific, essential, but limited functions that significantly diminished their power and role. For centuries, they had been the masterminds of a vast and complex economic, social, commercial, and financial framework. Now, they were simply the operating arm of strategies and mechanisms decided in Warsaw and by the new owners of the country's major forests.

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## Bionote

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