Hjalmar Schacht, Reza Shah, and Germany’s Presence in Iran

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In late July 1941, alarm echoed through the international press regarding the political situation in Iran. Several weeks following the German military onslaught on the Soviet Union (Operation Barbarossa) and the escalation of the Second World War, international journalists drew attention to the large numbers of Germans living in the country. Discussed as a threat to Iranian neutrality, their presence was seen as proof of the influence of Nazi Germany on the Tehran government. As the article “Germans in Iran,” published in the New York Times on July 30, 1941, stated:

Sir Reader Bullard, the British Minister in Teheran, has drawn the attention of the Government of Iran, in their own interests, to the large
number of Germans now in Iranian territory and the risk that they may compromise the neutrality of Iran by action against British and Allied interests. The Iranian Government have taken to look into the matter. It is hoped that they will arrange for the departure of Germans who give no satisfactory reasons for their presence in the country.¹

For this group of people, seen as a Nazi fifth column and as evidence of Hitler’s world-expansionist intentions, deportation was recommended.² However, as this article will argue, the German colony in Iran was not an outpost of National Socialism. Its presence was not driven solely by National Socialist plans, as the press seemed to imply. Nor was the German-Iranian relationship a simple matter. Germans had arrived in Iran for decades, for different reasons and at different times. Those living in Iran in the 1930s were a diverse group, made up of highly-educated professionals and government experts, but also of migrants and refugees from Germany, elsewhere in Europe, and the Soviet Union. Their political perspectives were as varied as their ethnic and religious backgrounds. Many had arrived in the 1920s, drawn by the promise of employment in large-scale German industrial projects. In the 1930s these experts and employees were joined by hundreds of ethnically-German Soviet citizens (called Russian-Germans or Russlanddeutsche) who sought refuge in Iran from Stalinist persecution. A growing number of German-Jewish refugees from Nazism, fleeing the National Socialist regime, also arrived in Tehran in the 1930s.³

The presence of this diverse group of people rested on the complicated political and economic relationship between Germany and Iran. While the

²As Rouhollah Ramazani writes, both the Russians and British sent missives in July and August “to the government of Iran demanding the expulsion of many Germans. Iran, however, rejected the Allied demands.” see Rouhollah Ramazani, The Foreign Policy of Iran (Charlottesville, VA, 1966), 291. An older literature uncritically supported claims made by the international press. See the section “The German Fifth Column in Iran,” in George Lenczowski, Russian and the West in Iran, 1918–1948: A Study in Big-Power Rivalry (Ithaca, NY, 1949), 162ff.
Nazis did pursue specific economic plans in the country, “the German policy of penetrating Iran predated the advent of the Nazis to power” as Rouhollah Ramazani has written.\(^4\) The economic relationship between the two countries was older still, stemming from mid-nineteenth-century commercial treaties and long-distance trade projects. As will be argued here, during the interwar period (1919–1939/41), the developing relationship between Germany and Iran was not solely driven by one or the other of the states. It was determined neither by the rise of the Nazi state nor by the establishment of Iranian authoritarianism under Reza Shah. Rather, it took its shape from the interaction \textit{between} the two states, and from the interrelationship between their respective national economic interests as these shifted and changed, buffeted by the global economic turmoil of the 1930s. 

This article analyzes the German presence in Iran in the period up to the Allied invasion of August 1941, the abdication of Reza Shah, the occupation of the country and the cancellation of German influence. It focuses primarily on the economic and political relationships during the interwar period, highlighting the interaction between the plans of Hitler’s regime on the one hand and the policies of Reza Shah on the other. \(^5\) It focuses on the central importance of “third powers” as factors in Iranian policymaking, a position held at alternate times in the twentieth century by the United States and Germany. From the late 1920s onward Germany held this “third power” position; one could say that she had striven for such a position since the turn of the century. In the 1920s the Iranian state began to invite German experts to serve as consultants to the government. After 1928 German companies

\(^4\)Ramazani, \textit{Foreign Policy of Iran}, 279.

built Iran’s roads, railways, and air-transport network, and German science influenced agricultural policies. At the instigation of Reza Shah, Germany’s largest firms became deeply involved in the country’s industrialization as suppliers of machinery, technology, and capital.

Nazi involvement in Iran after 1934 drove the relationship to new heights, and by the late 1930s Germany’s economic relationship with Iran was highly developed. While National Socialist political policy in the greater Middle East has been characterized as “hesitant . . . contradictory . . . [and] on the whole not very effective,” in the words of historian Andreas Hillgruber, the Nazis pursued direct involvement with regard to the states of the so-called “northern tier”: Iran, Turkey, and Afghanistan. These states bordering on the Soviet Union “occupied a special place in the main part of the European stage of Hitler’s program, the expansion in the east.” From the mid 1930s onward they also occupied a particular place in the vision of Reich Economics Minister Hjalmar Schacht and his conceptualization of a global economic order. By the late 1930s, the states of the “northern tier” were for Germany sites of intensive economic intervention. Her premier industrial firms—IG Farben, Ferrostaal, Krupp, AEG, Siemens, Lufthansa, and Hochtief—pursued projects in Iran; the Nazi Party operated a branch in Tehran, and National Socialist dignitaries, such as Schacht and the head of the Hitler Youth Baldur von Schirach, paid state visits to Reza Shah in 1936 and 1937. The president of the Majlis, Hassan Esfandiari, paid an official visit to Berlin in 1937. By 1940–41 the relationship was at its height, with Germany enjoying the position of Iran’s “foremost trade partner.” The statistics are striking. In 1941 German imports to Iran made up 47.87% of the national total with Iranian exports to Germany standing at 42.09%. Economically Germany had become for Iran a partner of considerable importance.

Looking at this peak period of interaction, questions arise as to continuities and ruptures in the relationship between the two states. What was specific to the

7Dann, The Great Powers in the Middle East, 275. See also Yair Hirschfeld, “The Northern Tier in European Politics during the 1920s and 1930s: Prelude to Cold War,” in Dann, ed., The Great Powers in the Middle East, 317–32.
8Ramazani, Foreign Policy of Iran, 283–84.
9Older studies answered this question in various
Nazi economic relationship with Iran? What were the older German-Persian economic foundations upon which Hitler’s regime built and expanded? Did ideological connections primarily shape the relationship in the 1930s, or did national economic interests— as exercised by each side— dominate? Much has been written about ideological sympathies between the two regimes— on a shared desire for authoritarianism combined with racial ideologies of Aryanness— which are thought to have created a political bond between like-minded dictatorships. Politics and ideology, however, could divide as well as unify, and German and Iranian Aryan ideals differed as much as they harmonized. After providing background on German-Iranian relations, this article will argue the economic side, asking two questions: First, why did Iran become a site of National Socialist economic concentration in the mid-1930s? Second, how did Schacht’s plan for the global outreach of the Nazi economy speak to the Iranian desire for national modernization? As works on Nazi Germany are often Eurocentric, and Iranian works err on the side of emphasizing national parameters, the story of the coming together of Schacht and Reza Shah is not often told. It will be focused on in the following pages.

ways. Lenczowski in *Russia and the West in Iran* emphasized a steady rise in German power from the turn of the century through the 1930s; Hirschfeld’s, *Deutschland und Iran*, and particularly his “German Policy Towards Iran, Continuity and Change From Weimar to Hitler, 1919–1939,” in Jehuda Wallach, ed., *Germany and the Middle East 1835-1939* (Tel Aviv, 1975), saw the relationship as jagged, with Nazi influence in Iran declining below that exercised by the Weimar Republic. Lenczowski does not separate the Weimar Republic from the Nazi regime, seeing a continuum of German power in Iran, whereas Hirschfeld analyzes them as distinct periods with different outcomes.

10 Lenczowski’s *Russia and the West in Iran*, focuses primarily on politics, while Ramazani’s *Foreign Policy of Iran* highlights the economic relationship. The essays in Jehuda Wallach, ed., *Germany the Middle East* and Uriel Dann, ed., *The Great Powers in the Middle East* emphasize both political and economic developments. The description by Yair Hirschfeld of an “Ueberein- andergriffen der deutschen politischen und wirtschaftliche Ziele im Iran” (*Deutschland und Iran*, 166) is apposite. While experts on Iranian foreign policy, such as Rouhallah Ramazani, see the relationship as driven by economic interests, scholars of National Socialism, by contrast, state that political considerations had taken the upper hand by the late 1930s. In the words of Andreas Hillgruber, under National Socialism “the German interest in Iran was less economic than political, in the sense of influencing Iran in the direction of an anti-Soviet orientation.” (Hillgruber, “Third Reich and the Near and Middle East,” 279). In general the economic story is avoided.

11 On different understandings of Aryan history in Germany and Iran, see Jennifer Jenkins, “Excavating Zarathustra: Ernst Herzfeld’s Archaeological History of Iran,” *Iranian Studies* 35:1 (January 2012), 1–27.

12 Synthetic works on Nazi foreign policy often contain only brief treatments of the Middle
From the turn of the twentieth century and the building of the Baghdad Railway, Iran held a particular place in Germany’s imperial imagination. Seen as the eastern frontier of a projected Eurasian economic sphere, by 1912 plans for Iran were part of Germany’s desire for “world power.” Yet the initial foundations of the German-Iranian relationship were older and more modest. A Prussian treaty of commerce and friendship in 1857 inaugurated modern diplomatic contact between the two states. Prussian commercial missions travelled to Iran in 1857 and 1860, and a second treaty of friendship, navigation, and commerce was signed in Bushehr. Petersburg between the new German nation state and Iran in 1873 during Nasir al-Din Shah’s first tour of Europe. In an effort to promote increased economic activity, Germany opened consulates in Tehran and Bushehr in 1885. The Qajar Shahs were keenly interested in possible German involvement, and Nasir al-Din Shah requested military protection and financial support to stave off the predatory interests of Great Britain and Russia. This was not forthcoming. Privileging stable Russian relations, the German Chancellor Otto von Bismarck decided against direct action in Iran; however, this did not stop representatives from industry, banking, and business from pursuing private interests. Colonial publicists liked to claim that economic expansion into the Near East was vital to the growth of Germany as an imperial power. As the Pan German journalist Paul Dehn wrote in the Deutsche Kolonialzeitung in 1885, economic expansion was something that “the German state of the future . . . must consider [as] one of its permanent objectives . . . Germany and Central Europe (Mitteleuropa) must establish themselves in the Near,


The 1885 account from F. C. Andreas and F. Stolze, Die Handelsverhältnisse Persiens, mit besonderer Berücksichtigung der deutschen Interessen (Gotha, 1885), detailed the commercial possibilities that Iran offered to Germany. It was published to celebrate the opening of the Tehran Consulate.
Middle and Far East . . . before other countries, Russia from the north, England from the south . . . take the East for themselves.”¹⁵ In the 1890s Marschall von Bieberstein, Germany’s ambassador to the Ottoman Empire, proposed economic expansion as a suitable extension of German power into the Middle East. Bieberstein, known as the “chief architect” of Germany’s Near Eastern policies, was the moving spirit behind the Baghdad Railway agreements of 1898 and 1903. In his view, “countries whose economic structure offered opportunities to German industry,” such as the Ottoman Empire and Iran, “should be bound closely to Germany.”¹⁶ The railway promoted such a multifaceted policy of economic penetration.¹⁷

In contrast to the flurry of German activity in the Ottoman Empire, her presence in Iran developed slowly. By 1906 the ships of the Hamburg-America Line, one of the country’s largest companies, provided service to Persian Gulf ports, which set off angry exchanges with British firms.¹⁸ By 1906 trade interests combined with political connections, as Germany became a supporter of Iran’s nationalist politicians. Between 1906 and 1910 German diplomats and bankers worked together with prominent constitutionalists to establish a national bank.¹⁹ While unsuccessful, the project forged ties between nationalists on both sides. In 1907, and stemming from Germany’s involvement as a diplomatic arbitrator in the Persian-Turkish boundary dispute (settled in 1914 by an international commission), a German school was established in Tehran. To its 300 Persian students, the

¹⁵As quoted in Martin, German-Persian Diplomatic Relations, 38. According to Martin, Dehn wrote this article on the occasion of the establishment of the German Consulate in Tehran. Dehn wrote extensively on Germany’s imperial competition with Britain. His Weltpolitische Neubildungen (Berlin, 1905) covers naval competition and trade with China and elsewhere in East Asia; his Von deutscher Kolonial- und Weltpolitik (Berlin, 1907) details strategies of imperial expansion in the non-European world from the cotton trade to railroad building.

¹⁶Martin, German-Persian Diplomatic Relations, 57.

¹⁷Edward Meade Earle, Turkey, the Great Powers and the Bagdad Railway: A Study in Imperialism (New York, 1924).

¹⁸Martin, German-Persian Diplomatic Relations, 204–05. Martin claimed that the movement of the HAPAG into the Persian Gulf “touched off a freight war between the Hamburg-Amerika Linie and the British Lynch and Strick interests.” Martin, German-Persian Diplomatic Relations, 107note 50, citing Kurt Himer, Geschichte der Hamburg-Amerika Linie (1927).

scientific laboratories, technical education, and sporting facilities powerfully expressed what it meant to be “German” and “modern.” Persian graduates of the school went to work in the upper reaches of the civil service and, as engineers and technicians, in the construction of Iran’s railroad network in the 1920s.20

By 1914 a proposed branch of the Baghdad Railway extended to Khanaqin, then a Persian border town, and German economic involvement had begun in earnest. Its largest firms engaged in Persian Gulf shipping, transporting material and machinery for the building of the Baghdad Railway; smaller firms moved goods along Black Sea steamer routes. The German Levant Line did a good business in Black Sea shipping, with dried fruits, nuts, silk, cotton, carpets, and machinery moved overland from Trabzon to Tabriz.21 Firms in Tabriz likewise reached out to Hamburg, Germany’s second-largest city and an important port. German firms supplied agricultural machinery to local landowners in Tabriz and Isfahan and began the mechanization of Persian textiles and carpets for the European and North American markets.22

On the cultural front, German missionaries established institutions in the countryside around Tabriz, their area of activity extending from Khoi in the north to Savojbolagh (Mahabad) in the south. In 1896 the German Orient Mission began its work in western Iran with the region’s many Persian-Christian communities: Armenians, Assyrians, Chaldeans, Nestorians, Lutherans, and others.23

20 On the German school, see Christl Catanzaro, “German Cultural Influence in Persia,” Encyclopedia Iranica, vol. 10, 564-567.

21 According to Charles Issawi, “By 1890 Trabzon was being served by ten lines; 517 steamers, aggregating 530,000 tons entered the harbour. . . . In 1900 487 steamers totalling 522,000 tons, and 6,600 sailing ships, totalling 26,000 tons entered the port.” See his “The Tabriz-Trabzon Trade, 1830–1900: Rise and Decline of a Route,” International Journal of Middle East Studies, 1:1 (January 1970), 18–27, here 21.


23 These communities became lightning rods for Great Power conflict. See PA AA Berlin, Deutsche Gesandtschaft Täbris, Box 1: Deutsches Konsulat Täbris to Prinz von Reuss/DGT (Deutsche Gesandtschaft Tehran), May 10, 1914; Litten to Reuss, June 2, 1914. They were destroyed during the fighting and the Ottoman genocide of the region’s Christians during the First World War. See David Gaunt, Massacres, Resistance, Protectors: Muslim- Christian Relations in Eastern Anatolia During World War I (Piscataway, 2006).
In the years before 1914 the majority of Germans who went to Iran were driven by economic motives, from the more extravagant ones involving oil, antiquities, textiles and the mechanization of carpet weaving, to the modest ambition to start a small trading business. Germany opened a consulate in Tabriz in 1914 to support commerce and trade, and the Berlin carpet manufacturing firm PETAG built a factory in the city. The First World War, the Bolshevik Revolution, and the establishment of British power over Iran in 1919 destroyed these developing economic networks. During the war itself, however, the political ties between Germany and Iran gained in weight and importance. Viewing Iranian nationalists as potential agents for Germany’s expansionist plans, the Foreign Office in Berlin strongly supported the claims of Persian Democrats during the First World War. Starting in the fall of 1914 money and personnel flowed from Berlin to Iran to further nationalist attempts to liberate Iran from Russian and British control. Diplomatic and military support was provided for Suleiman Mirza and the Committee of National Defence in their flight to Qom and Kermanshah. On the political side, prominent Persian constitutionalists, such as Seyyed Hasan Taqizadeh, were brought to Berlin and organized by the German Foreign Office into a “Persian Committee.” They worked for the liberation of Iran and the defence of Iranian national sovereignty, publishing their political discussions in the journal *Kaveh*. On the business side, the German-Persian Society was founded in Berlin in January 1918 to connect German industrial and political elites to Iranian nationalist politicians. The society aimed to expand German commerce in Iran following the Treaty of Brest-Litovsk and the capture of Russian territory. Germany’s defeat in the fall of 1918, the signing of the Treaty of Versailles, and the ascension of British power over Iran had a drastic effect on these plans. The British disseminated a “Black List” in 1919 containing the names of 73 Germans, who were tarred as “spies” and “foreign agents” and forbidden to enter the country. These diplomats, government officials, businessmen, Orientalist scholars, and members of the military—all of

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whom had been active in Iran, the Ottoman Empire, and the Caucasus before 1918—were banned from entering Iran for a period of ten years.26

After the war German interests in Iran would be placed on a different footing. Through connections to Reza Shah Pahlevi and the politicians of his cabinet, Germany gradually came to occupy a central place in nationalist plans to modernize the country.27 Reza Shah’s desire to build up the state bureaucracy, to modernize the transport network and to centralize the banking system, as well as the continued antipathy toward Great Britain and Russia, opened the way for the action of third powers in Iran, namely the United States and Germany. In an effort to distance from British plans, in 1921 the government of Reza Khan “appealed to the United States for loans and advisers.” An American mission under the direction of oil expert Arthur Millspaugh arrived in 1922. The mission worked on various forms of trade and financial reform through which “finances and taxation were rationalized and centralized.”28 However, its main function was to smooth relations with the British. Millspaugh, with his ties to Standard Oil, was able to work out an agreement with the Anglo-Persian Oil Company that was acceptable to both Iranian and British interests.

In tandem with the rise in American influence, many Iranian politicians continued to hold strong ties to Germany. This was particularly true for Taqizadeh and the Kaveh group who had spent the war in Berlin.29 Following the war Taqizadeh found places for the sons of prominent Persian politicians at


27Information on Germany is often absent from studies of Iranian industrialization. Its role is often mentioned but not discussed in depth. For a recent account that omits Germany, see Afshin Marashi, Nationalizing Iran: Culture, Power and the State, 1870–1940 (Seattle and London, 2008).


29See Tim Epkenhans, Die iranische Moderne im Exil (Berlin, 2000) and Ramazani, Foreign Policy of Iran, 278.
German schools and universities.\textsuperscript{30} In the early 1920s, and contemporaneously with the outreach to the United States, the Iranian government sent a flurry of proposals in Germany’s direction: projects for oil exploitation along the Caspian Sea, forestry management on the Caspian coast, and the building of a Tabriz-Tehran railway. They received no response.\textsuperscript{31} Given Germany’s profound political instability following the Treaty of Versailles, its poverty after the war, and the fear of international repercussions should its actions be interpreted as a revival of imperial ambition, the Weimar government rejected all overtures from Tehran. Yet, as Yair Hirschfeld has written, this hesitation had its own good effects. Germany’s slow approach to Iran worked to diminish British distrust, which reopened the possibility of limited forms of German involvement. Reza Khan’s overriding interest in modernizing the Iranian military revived German-Iranian relations in the summer of 1922. Military connections provided the first level of exchange. In 1923 a shipment of German arms was dispatched to Iran, but this was not a new order. Rather, it was the belated arrival of a contract that predated the war. New orders came from Isma’il Khan, a representative of Reza Khan’s War Ministry, who visited Germany in the summer of 1922. Khan purchased munitions, including the naval vessel \textit{Pahlavi}. German firms recommenced shipping goods to Iran via Volga trading routes and the Caspian port of Anzali; regular shipping between Hamburg, Bremen, and Persian Gulf ports resumed in 1924.\textsuperscript{32}

By 1923 British antagonism had subsided sufficiently to allow the revival of official relations between Berlin and Tehran. Germany’s Consulate in Tehran was re-opened; German diplomats called for the abolition of the Black List, and plans for economic involvement were restarted. In a sign of the importance accorded to Tehran, the Weimar government appointed Count Friedrich Werner von der Schulenburg as its Minister. An expert on Russia/Soviet Union and the Caucasus with strong connections to the military, business, and the foreign policy establishments, Schulenburg was a skilled representative of German national interests and the right man to restart the

\textsuperscript{30}See PA AA Berlin, R 19017: \textit{Ausbildung von Persern in Deutschland: A29644}, report from Taqizadeh to Foreign Office in Berlin, November 11, 1919.

\textsuperscript{31}Yair Hirschfeld, “German Policy Toward Iran, Continuity and Change From Weimar to Hitler, 1919–1939,” in Wallach, ed., \textit{Germany and the Middle East}, 118–120.

\textsuperscript{32}Hirschfeld, \textit{Deutschland und Iran}, 42–43; Ramazani, \textit{Foreign Policy of Iran}, 280–81.
German-Iranian relationship. During his time as Minister (1923–31), he worked closely with Reza Shah’s ministers, skillfully tracking between the Soviets and the British to open a space for German companies to enter the country. Following his appointment, the German technical school was reopened. In tandem with Reza Khan’s military modernization, in 1924 the engineer Georg Hartmann arrived in Tehran as Director of the National Arsenal. Assigned responsibility for its Bushehr branch, Hartmann was also contracted to build a modern weapons factory. In 1924 the German civil aviation firm Junkers sold two airplanes to the fledging Iranian Air Force and began to develop the national aviation framework. By 1927 Junkers held the “monopoly of postal and passenger air services,” and established a network with planes traversing the country, taking goods and passengers from Kermanshah to Mashhad and from Anzali to Bushehr.33

The increased level of interaction between Germany and Iran was supported by both Great Britain and the Soviet Union. “Both the new regime in Iran and the Soviet Union on its northern border were eager to draw Germany into economic involvement with Iran,” as Jehuda Wallach has written.34 The same was true of Britain, in which silence on involvement with Germany signalled its approval. The “non-imperialistic image” that Germany projected in the 1920s, and the conviction that it pursued solely economic plans in the region, opened the door to greater contributions. As a result, between 1927 and 1931—during an important conjuncture for the Iranian economy—Germany began to replace the United States as “the Shah’s favourite third power.”35 Reza Shah’s rising suspicion of the American financial adviser Millspaugh, who was thought to be colluding secretly with British interests, led to the dismissal of the US mission. Millspaugh was speedily replaced by the German financial advisers Boetzkes and Schneewind. After dismissing Millspaugh, Reza Shah broke the grip of the capitulations in 1928 and opened the economy to increased international competition. New trade agreements

33Examples are from Hirschfeld, Deutschland und Iran, 42–43; Hirschfeld, “German Policy toward Iran,” 130; and Ramazani, Foreign Policy of Iran, 280–81.
35Ramazani, Foreign Policy of Iran, 277.
were negotiated and signed, including three treaties with Germany between 1928 and 1930. These created a new legal framework for the upsurge in contracts awarded to German firms.36

Following Millspaugh’s dismissal, German experts were invited to Iran in increasing numbers. As Schülenburg’s successor Wipert von Blücher wrote, Reza Shah carefully chose his invited experts from countries seen as politically “harmless.” By the late 1920s many such consultants hailed from Germany.37 Diplomats in Berlin began to write deliriously about the possibility of Germany achieving a new “monopoly position” in the region.38 “Persia is rich in oil and minerals,” stated a Berlin report. “It generates large amounts of agricultural goods—grains, rice, cotton, dried fruits, opium, silk, wool, hides. . . . Large contracts will be handed out in the near future: the building of the national railroad, the creation of an iron industry, the construction of electrical plants, exploitation of the Caspian Sea fisheries and the like.”39 These words rang true, as projects came thick and fast with top positions awarded to German companies: the Bank i Melli was founded in 1927 under the German director Kurt Lindenblatt; the munitions firm of Fritz Wehner established connections in the country; German firms constructed sugar refineries, electricity stations, and textile factories. In 1928 the Iranian government signed a contract with a German-Scandinavian consortium for the building of the northern section of the Trans-Iranian Railway. Large numbers of German employees travelled to Iran. Engineers working for Philipp Holzmann & Co., Julius Berger Tiefbau AG, and Siemens Bauunion began work on the Trans-Iranian Railway in

36In 1928 a new trade treaty granted Germany “most favored nation status.” This was followed by a Treaty of Friendship in 1929 and a 1930 agreement on “patents, trademarks, trade names and designs.” Ramazani, Foreign Policy of Iran, 282.

37As Blücher (German Minister to Iran, 1931–35) wrote, it was Iranian policy “to choose its foreign consultants only from countries seen as harmless.” Zeitwende in Iran (Biberach, 1949), 219. He commented in his official diary that Reza Shah also preferred to choose consultants from several countries so as not to be dependent on one.

38Details on the economic plans envisioned by Germany can be found in PA AA Berlin, R 78105: “Gesprächsstoff für den Herrn Reichsaussenminister bei dem morgigen Frühstück in der Persischen Gesandtschaft,” (talking points for a meeting between Foreign Minister Gustav Stresemann and the Iranian Consulate), April 16, 1928; Hirschfeld, Deutschland und Iran, 64–75.

39Report from the Foreign Ministry in Berlin, 1927, quoted in Hirschfeld, Deutschland und Iran, 64.
the summer of 1928, and an engineering bureau was established in Tehran.\textsuperscript{40} In 1929 the Iranian government sent thirty Persian students to Germany to study “railway administration.”\textsuperscript{41}

Modernizing German administrators arrived in Tehran as consultants to government ministries. As summarized by Legation Secretary Meyer, in 1928 “a German geologist and a surveyor came to assess the country’s mineral wealth. An expert in steel production, a chemist . . . and an expert to serve as director of the newly-founded Persian National Bank [arrived] . . . a German expert has been proposed to direct the archaeological exploration of the country, as well as a German financial advisor and a [national] financial inspector.” As he summed up, “the participation of German forces in the building and modernization of the country is happily increasing.”\textsuperscript{42} Schulenburg commented that by the late 1920s “it appears to have been possible to once again secure a respected position for Germany in Persia.”\textsuperscript{43} Flattering newspaper articles on Iran appeared in German newspapers. The Prime Minister Mehdi Khan Hedayat, under whose tenure many of these projects appeared, was vocal about his pro-German sympathies. These stemmed from his own experiences with Germany during the First World War.

The administrators, financial experts, and engineers were not the only Germans entering the country in the late 1920s. Starting in the summer of 1928, groups of refugees began to arrive, first from the Soviet Union. Following the onset of Stalinist collectivization, German Russians (the name given to people of German ethnicity living in the Soviet Union as Soviet citizens) fled to Iran in increasing numbers. In the 1930s hundreds travelled to Mashhad and Tabriz before continuing to Tehran.\textsuperscript{44} They came from villages in the Caucasus, from the Don and Volga regions, and as far

\textsuperscript{40}PA AA Berlin, DGT, Box 25, File 1: Letter and list to the German Consulate from the Konsortium für Bauausführungen in Persien (Julius Berger-Konsortium, Berlin; Siemens-Bauunion GmbH Berlin; Philipp Holzmann AG, Frankfurt a M), November 20, 1928.
\textsuperscript{41}Hirschfeld, “German Policy toward Iran,” 131.
\textsuperscript{42}PA AA Berlin, DGT, Box 23, File 3: Report from Consulate Secretary Meyer, 1928.
\textsuperscript{43}Blücher, \textit{Zeitenwende}, 152.
\textsuperscript{44}See the material in PA AA Berlin, DGT, Boxes 17–20 on “Deutsche Kolonisten.”
north as Volhynia in the borderland between Poland and Ukraine. In many cases their arrival in Iran was the latest in a chain of forced movements and relocations.\textsuperscript{45} With temporary German papers assigned to them by Minister Schulenburg, many refugees found work on the Trans-Iranian Railway.\textsuperscript{46} With the engineers at the top of this labor pyramid and the ethnic German refugees at the bottom, Germany contributed to Iranian industrialization in multiple ways by the start of the 1930s.\textsuperscript{47}

When Hitler came to power in 1933 an estimated 590 Germans lived in Iran, half of them in Tehran, half spread over the rest of the country.\textsuperscript{48} The community grew by several hundred in the 1930s, swelled by the new arrivals from the Soviet Union. While informal German influence was on the rise in the early 1930s, official relations reached their lowest point. Political difficulties abruptly ended the flourishing economic relationship. Reaching its height in 1930, the German-Iranian partnership was over by 1932; the political relationship between the two countries was to remain fragile and divisive for years to come. Angered by a row of critical articles in the German press published by left-wing journalists and young Persian communists in Berlin and Munich, Reza Shah turned on his favorite nation. Furious at what he saw as the Weimar government’s unwillingness to censor the press and its refusal to honor his demand to deport the Persian journalists, he decided to remove Germany as the third power. German influence was to be abolished. As a result, the official political relationship between the two countries broke down entirely in 1932. Contracts with German firms were not renewed.\textsuperscript{49} Railway

\textsuperscript{45}Peter Gatrell, \textit{A Whole Empire Walking: Refugees in Russia during World War I} (Bloomington, Indiana, 2005).
\textsuperscript{46}They came from areas that had witnessed severe disturbance and population movements as the targets of Russian state deportation policies during World War One. For example, the family of David Flegel before arriving in Iran had moved to Marienbrunn from Kulm in Bessarabia. The farmer Reinhold Litz brought his family to Mashhad in June 1933. He and his wife were born in the Kuban area; their two children were born in Stavropol. They were sent out of Tehran in 1934, with the law ‘clearing’ the cities and made their way to Saliabad, where Reinhold Litz worked for the Trans-Iranian railroad. PA AA Berlin, DGT, Box 19, File 4; Franke to DGT, June 7, 1933; Franke to DGT, June 28, 1933; Box 19, File 5: Handwritten list, ca. April 1934.
\textsuperscript{47}See Jenkins, “Experts, Migrants, Refugees.”
\textsuperscript{48}PA AA Berlin, DGT, Box 23, File 4: Wipert von Blücher to AA Berlin, July 22, 1933.
\textsuperscript{49}See the documents in PA AA Berlin R 78111 for examples.
construction was awarded to the Scandinavian consortium Kampsax. German experts and administrators were dismissed and deported. The German Director of the Bank Melli, Kurt Lindenblatt, was arrested and tried for corruption. Court Minister Abdolhossein Timurtasch, who had many close relationships to German officials, was imprisoned.

Although Reza Shah later expressed admiration for Hitler’s leadership—particularly in contrast to the Weimar Republic, which he detested—the rise to power of the National Socialists initially had no effect on the frosty relationship. Against historical scholarship that has seen ideological sympathy as the catalyst bringing Adolf Hitler and Reza Shah together, it is clear that a shared ideology played no role in the relationship between the two states in the early 1930s. Hitler’s appointment as German Chancellor in January 1933 changed nothing. Rather, as Nazi gangs attacked Persian men in German streets for alleged racial and political crimes, the relationship between Germany and Iran notably worsened. Aryan brotherhood was not in evidence. A row of brutal beatings of Persian civilians by Hitler’s SA (Brownshirts) horrified Foreign Minister Foroughi, and the Iranian Legation in Berlin sharply condemned the acts. On the geopolitical level, early Nazi foreign policy showed no interest in Iran; there was little mention of the Middle East in Mein Kampf. After Hitler’s appointment, Reza Shah’s government continued to turn away from Germany, awarding industrial contracts to international competitors. The contracts for Junkers aircraft, for example, went to British firms.

In 1934 as state interests began to shift, the situation began to change. Nazi organizations—the Foreign Policy Office of the Nazi Party headed by Hitler’s chief ideologue Alfred Rosenberg and the Propaganda Ministry of Josef Goebbels—spurred a “renewal of German interest in Iran.” A slight thaw appeared in the Iranian position toward Germany. Rosenberg extolled

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50 Hirschfeld, “German Policy toward Iran,” 125; Hirschfeld, Deutschland und Iran, 139. See also PA AA Berlin R 78112: Telegram from Loehrs/Prussian Ministry of the Interior to the Foreign Office, May 17, 1933, on the deportation of a suspected Iranian communist, whose apartment was broken into and belongings searched.


the Aryanism of ancient Iran in his racial history, and as the main speaker for “the Nazi crusade against Russia” he envisioned a role for modern Iran in an emerging global constellation. This concentrated on developing “a block of Balkan and Asiatic states under German tutelage, including Iran, whose main task would be to encircle the Soviet Union.” Hitler himself spoke on containing the Soviet Union “by building a dyke against the Russian flood.” Via a charm offensive fuelled by glowing press articles in German newspapers on Iran and Aryanism, Hitler’s Berlin began to reach out politically toward Tehran. Such political, cultural, and journalistic initiatives began to forge a new relationship between the two countries, one in which Nazi political influence played a definite role. Goebbels’s Propaganda Ministry financially supported the publication of the Tehran journal *Iran i Bastan*, with its positive views of National Socialism and Iranian fascism on the march. A group of prominent German orientalists, supported by the Foreign Office, attended the Ferdowsi Celebration in 1934 and presented Reza Shah with a memorable gift.

However, this project had its limits. While it created new connections, it could not entirely heal the volatile political relationship between the two states. It could also not drive state policy; this was particularly true on the Iranian side. The real motor of the German-Iranian relationship—in the 1930s as before—centered on the mutual interaction of state economic initiatives. Caught in the depths of the worldwide economic depression, both Germany and Iran saw a definite role for the other in their respective modernized economic plans. Germany’s goal to revive its industrial economy—which had a particular thirst for raw materials and need for export markets—fashioned a particular sort of outreach toward Tehran that suited the technological needs of Reza Shah’s government. The relationship functioned through a new mechanism of exchange, namely bilateral trade agreements and a form of highly complicated barter (which functioned due to the crisis faced by both

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54 Hirschfeld, “German Policy toward Iran,” 125.
55 Adolf Hitler in his Tischgespräche, as quoted in Dallin, *German Rule*, 9.
56 See Hirschfeld, *Deutschland und Iran*. 
Germany and Iran in terms of their foreign currency reserves). The driving force of this “New Plan” was Reich Economics Minister Hjalmar Schacht, who became “the central German personality promoting German interests in Iran.”  

Schacht was the only high Nazi official with a systematic plan for the expansion of German influence into the Middle East. Born in northern Germany in 1877, he was an unorthodox central banker. He served as Currency Commissioner during the German postwar inflation and was director of the German Central Bank during the economically turbulent Weimar Republic, a position he resigned from in 1930. A strong and vocal supporter of Hitler’s rise to power, he resumed his position as Director of the Central Bank following Hitler’s appointment as Chancellor. In August 1934 he took on a new ministerial portfolio, as Hitler appointed him Reich Economics Minister.

Schacht’s outreach toward Iran was one piece of his larger plan to build a Nazi global economic order. This worked on several fronts. Schacht wished to centralize German industry behind the state, to forge tight bonds between industrial interests and the Nazi Party, and to establish a new system of global trade exchange based in clearing agreements and bilateral trade treaties with modernizing economies. The new connections would furnish Germany with the raw materials it needed for its factories as well as providing the necessary markets for the export of its technology and industrial goods. The German-Turkish Economic Agreement of August 1933, which arranged for the import of raw materials from Turkey to be paid for through the export of German industrial materials, showed what Schacht had in mind. Commonly referred to as a program of economic autarky, Schacht’s bilateral treaties were more complicated; they aimed to detach the German economy from its previous trade partners (the United States and Great Britain) while creating new webs of connections with the economies of Latin America, Southeastern Europe, and the Middle East. Rather than pure autarky, the agreements were in the words of one historian “a selective policy of disengagement directed above all against the United States, the British empire and, to a lesser degree,
France.” These plans found an interested audience in Iran, for they matched Reza Shah’s project of restructuring Iran’s national trade network, including the Oil Agreement of 1933 and the attempt to economically disengage from the Soviet Union, Iran’s largest trading partner. Schacht’s program gave Reza Shah the opening he needed. “In Iran a strong drive toward economic autarky has long been clear,” wrote von Blücher; “the current Shah is the driving force behind this trend.” Ramazani concurred, stating that in 1933 “the Shah made economic self-sufficiency by means of rapid industrialization a cherished objective of his government. German capital and technical knowledge were sought to further that goal.” Schacht put the matter clearly to the assembled guests at an official dinner in Tehran in 1936: “The fact that Germany produces everything that Iran needs and has an interest in its raw materials brings our countries to the realization that, for the benefit of both, a path must be found that simplifies the trading of goods and the modalities of payment.”

The Clearing Payments Agreement of 1935, signed by the two countries on October 30, provided the administrative mechanisms for the exchange. It opened the way for millions of marks worth of purchases of German industrial goods to be paid for through equally extensive orders of raw materials from Iran—copper, cotton, nickel, wool, seeds, fruits, hides, skins, rice, wool, and much else besides. In a move that satisfied both sides, each country paid in their own currency, thus easing foreign currency difficulties. Iranian raw materials were paid for in Germany with German marks; the appropriate amounts were then sent to Iran via a system of financial transfers. This plan squared the circle of Germany’s hunger for raw materials with its inability to pay in foreign currency, while opening to Iran the desired exports of German industrial technology in an affordable fashion. The central banking system of each country played a vital role in their reconfigured relationship. In Iran its lynchpin was the Bank Melli, which had been established in 1927 under a German director. No longer under German auspices after 1932, the Bank—

59 Hirschfeld, *Deutschland und Iran*, 150.
60 PA AA Berlin: Wipert von Blücher Papers, Persisches Tagebuch, October 27, 1931.
61 Ramazani, *Foreign Policy of Iran*, 284.
62 PA AA Berlin DGT Box 28 III 11 d: Speech by Hjalmar Schacht, November, 1936.
led in 1935 by General Amir-Khosravi, a trusted associate of Reza Shah—continued to employ German directors and maintained its ties to Germany.

Shortly preceding the signing of the Clearing Payments Agreement, an industrial organization was founded in Germany to facilitate this emerging system of exchange. On October 26, 1935, Germany’s largest industrial companies founded the “Iran Consortium.” At its center were huge coal and steel conglomerates, together with munitions firms and construction companies:—F. Krupp, Gutehoffnungshutte, the Vereinigte Stahlwerke (Germany’s largest steel conglomerate), M.A.N., Stahlunionexport, Otto Wolff, and the Machinenfabriken Esslingen. The Iran Consortium was led by Herr Leese of the Essen firm Ferrostaal. Leese, and his colleague Willy Jaeger—a longtime resident of Tehran—had personal connections to Finance Minister Ali Akbar Davar and to General Amir-Khosravi at the Bank Melli. The relationship between Leese, Jaeger, and Davar functioned so well that the German Minister in Tehran, Hans Smend, and the Legation Secretary Wilhelm Melchers, commented caustically that business often flowed faster through Leese’s and Jaeger’s contacts than through the official channels of the German Legation. Melchers never tired of complaining against this breach of protocol, but the personal relationship between Leese and Davar was a central factor in developing the new economic arrangements. As research has shown, the agreements were not geared only toward the satisfaction of Nazi aims but contained items beneficial to developing industrial economies. In other words, by signing up to the new system Iranian officials were pursuing a policy of national self-interest. The response from the Iranian side, Davar’s actions in particular, illustrated this approval. As Smend wrote, from Davar’s decisions it looked as he “had clearly decided to place the lion’s share of Iran’s planned industrialization in German hands.”

In 1936 Schacht’s economic outreach toward Iran received the official backing of the German Foreign Office and picked up speed. Leese traveled

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64PA AA Berlin, DGT Box 45: Smend to AA Berlin, “Verlandungen Leeses,” Tel. 1777/II, June 20, 1936.

65Hirschfeld, *Deutschland und Iran*, 166.
to Tehran and signed contracts with Davar. One such contract from March 1936 provided the system with a foundation. It set out Iranian orders for 80 million marks worth of German industrial goods over a four-year period. In Berlin one month later, Schacht’s Economics Ministry, the Foreign Office and Goebbels’s Propaganda Ministry created another organization—the German-Iranian Chamber of Commerce—to strengthen the partnership.\textsuperscript{66}

In the wake of these plans, the Iranian government extended an official invitation for Schacht to visit Tehran. Traveling from Ankara, where he had been in consultation with Atatürk and his government, Schacht arrived in Iran on November 20, 1936, with his colleagues Ministerial Director Felix Wohlthat and Ministerial Advisor Baron von Mahs. At the airport he was met by a row of prominent officials, both Iranian and German: Finance Minister Davar, head of the Bank Melli Amir-Khosravi, head of the European Section of the Foreign Ministry Mr. Ansari, diplomats from the German Legation, Consul Bohn from Tabriz, representatives of German industrial companies, and the head of the Tehran Nazi Party, a Russian German from the Caucasus, Dr. Siems.\textsuperscript{67} That evening Davar hosted an elegant dinner at the Club Iran, introducing Schacht to the President of the Majles, Hassan Esfandiari, and to cabinet ministers and directors of the Bank Melli.

The five-day visit took on tremendous importance in light of the contracts, agreements, and associations that preceded and followed it. Generally known for his cold and imperious manner, Schacht was a surprising hit with his hosts in Tehran, where he proved himself capable of charm. “The news of the invitation from the imperial Iranian government provided me with the greatest possible pleasure,” he told his hosts. He continued by saying:

I can assure you, Excellency, that I received this honorable task with even greater pleasure as it has long been my wish to visit this country—which can look back on an ancient history of great depth while simultaneously, under the leadership of a man of extraordinary ability, take an unparalleled leap forward in the space of a few years. The will to awaken the national strength of the people, and to place it

\textsuperscript{66}Hirschfeld, Deutschand und Iran, 169. \textsuperscript{67}Details on Schacht’s visit are noted in a report by Legation Secretary Wilhelm Melchers. See PA AA Berlin DGT Box 28 III 11 d: Telegram 3738, Melchers to AA Berlin, November 30, 1936.
in the service of common progress, is something our two nations have
in common.⁶⁸

Davar is reported to have responded in the friendliest of manners saying
that “the conclusion of the trade agreement showed very positive results and
further strengthened our mutual friendly relations.”⁶⁹

While the fraught negotiations around Schacht’s visit highlighted the
continued fragility of the political relationship between Berlin and Tehran,
the visit itself provided a wealth of opportunities for German-Iranian
business. Guest lists drawn up by the German Legation revealed the intensity
of the desired economic outreach. Representatives from Ferrostaal, AEG,
Hochtief, IG Farben, Krupp, Siemens, Sofitec, F. Unduetsch & Co, and Otto
Wolff—all leading companies with directors resident in Tehran—gathered
to greet Schacht at the airport, were invited to the dinners given by Davar
and Foreign Minister Sami‘i, and consulted with Schacht and Wohltat on the
details of the Clearing Payments Agreement and the Leese-Davar contract.
Impressive hospitality came from the Iranian state. Schacht and his entourage
stayed in the Abyas Palace, the first non-royal visitors to do so. Following
Davar’s opening-night dinner, Sami‘i hosted a second formal dinner and
Amir-Khosravi a third.⁷⁰ The gatherings brought together the Iranian
Cabinet with the German representatives. Justice Minister Ahmad Matine-
Daftary was present, as was Mr. Vassighi, the head of the Trade Department.
One obvious and notable absence was the Shah himself, who left Tehran
as Schacht arrived. Not present at the dinners and discussions, he made the
German Economics Minister come to him. This Schacht did, travelling ten
hours to Rasht for an official audience. As it happens, the German officials
had to meet the Shah in their travelling clothes, for the car carrying luggage
had broken down on the way.⁷¹ While unplanned, this incident underscored
the Shah’s desire to stand above his visitors, to be seen as the equal or better

⁶⁸Speech by Hjalmar Schacht, a draft of
which is can be found in PAAA DGT Box 28
III 11 d.
⁶⁹PA AA Berlin, DGT Box 28 III 11d: “Iran:
Eine Erklärung Dr. Schachts,” Irak Post, No-
vember 25, 1936.
⁷⁰PA AA Berlin DGT Box 28 III 11 d: Tele-
gram 3738, Melchers to AA Berlin, Novem-
ber 30, 1936.
⁷¹Ibid.
of his guests and as the powerful ruler of an independent state. He was to be a partner to German economic initiatives rather than a servant of them. “Reza Shah was pro German and pro Nazi,” as Homa Katouzian clearly stated, but he did not wish to be a puppet of the Nazi state. The symbolism of this was marked during the visit.

At the center of discussion was an economic plan, which had been drafted by Schacht’s colleague Felix Wohltat, and given to Davar. “Germany is prepared,” it stated, “to further develop the exchange of goods with Iran on the basis of the contracts of 1935/36.” First, the amount of Iranian exports to Germany was to be expanded from 80 million over four years to 50 million marks in a single year (1937). In exchange, German firms would receive contracts for industrial facilities and infrastructure in Iran. Many projects were listed: the building of refineries and storage facilities for the oil industry, constructing a network of medical clinics and a new Tehran hospital, aiding in the modernization of agriculture and in the implementation of large-scale irrigation in Khuzistan, the building of ports and harbors, and the expansion of the road-, rail-, and air-transport networks. As Hirschfeld summarized, “To make so large an increase (of more than 100%) of Iranian supplies possible, the Germans would provide the Iranians with the machinery, the capital and the manpower to achieve the necessary increase in production.”

Clearly the plans were ambitious, and both sides aimed high. On the last night of the visit Schacht was awarded the highest Iranian honor—the Order of Homayoun—by Foreign Minister Sami’i. Wohltat and von Mahs received lesser tributes. As Reza Shah had told Schacht in their brief meeting in Rasht, “he counted on German participation in the country’s rapid further

73Hirschfeld in “German Policy toward Iran” interprets the “Aide Memoire” as outlining Germany’s “demands.” However, given the unrealistic scope of the items listed, and the fact that most of them did not come to pass, the document appears to tally up aspirations rather than demands.
75Hirschfeld, *Deutschland und Iran*, 169. There were similarities in this plan to projects pursued by Nazi Germany across the “northern tier” states. In Afghanistan, there was a heightened drive to finance the military, police, and road construction, and in Turkey defence contracting took a prominent place.
However, a number of the projects outlined in the “Aide Memoire” would not come to pass. Plans to irrigate Khuzistan failed early; others ran into practical difficulties. Yet the vision behind the plan—and the mutual interaction at its center—provided a strong foundation for further economic involvement. As Minister Smend wrote to his colleague in Berlin, State Secretary Dieckhoff, the visit had been a smashing success, with great future possibilities, particularly in the coming together of Schacht and Reza Shah. As he wrote, “I see the main accomplishment of Dr. Schacht’s trip in the establishing of a personal relationship and a kind of trust between the absolute ruler of Iran and the head of the German Economics Ministry.” Auspiciously, the visit strengthened Germany’s “systematic offensive to capture the Iranian market.” As Smend continued, “the president of the Reichsbank [Schacht] succeeded in his various discussions with the leading personalities to persuade them that working together with Germany—in light of the complementary character of their economic structures—will prove to be the best type of business for Iran in the long run. This created an atmosphere that opened the best possibilities for the expansion of our volume of trade with Iran.”

Much could flow from this. Noting the economic foundation of the relationship, Smend also pointed to its political effects. He characterized the attention paid to Iran’s national sovereignty as one of the most powerful results of Schacht’s visit. It had boosted national pride in Tehran and had “done a great deal of good for [Iran’s] national vanity, as one felt that one had been placed in the company of the Great Powers.” This was central to its effectiveness. As Smend declared, “one registered the news with pride and satisfaction that the renewed sovereignty of the [Iranian] nation could make it possible, without paying particular attention to the grumbling of Russia and England, to officially receive a leading German politician and to bestow honors upon him.”

Following Schacht’s visit the German-Iranian relationship surged ahead. Iran’s foreign consulates received special reports on the events; articles praising Iranian

76PA AA Berlin DGT Box 28 III 11d: Telegram 3738, Melchers to AA Berlin, December 1, 1936.
77PA AA Berlin, Wilhelm Melchers Papers: Telegram Nr. 70, Smend/Tehran to State Secretary Dieckhoff/ Berlin, January 8, 1937.
78Ibid.
industrial development appeared in German newspapers. “Iran is Striving Forward,” proclaimed an article in the *Berlin Lokalanzeiger*; “Iran’s Economy is Growing: Germany as Trade Partner” stated the *Bremer Nachrichten*. The National Socialist Party newspaper, the *Völkischer Beobachter*, published an article with the title “Iran: A State on a New Foundation,” and the *Hamburger Fremdenblatt* chimed in with “The Ascent of Iran: Rising Under Its Own Power.” Cultural and political connections rode atop the economic projects. Films of the 1936 Berlin Olympics were sent to Tehran for viewing by sport and youth associations. State visits were exchanged, with Majles President Esfandiari traveling to Berlin in 1937 and the head of the Hitler Youth, Baldur von Schirach, visiting Tehran in the same year. Schirach, viewing hundreds of Iranian boys marching in military formation, reported that “he was convinced of the modern character of Iranian youth policy.” On the cultural front, Nazi architects designed buildings in Tehran; the architect Fritz Höger was invited to design the new stock exchange, and the firm of Philipp Holtzmann built the central train station in Tehran with its infamous swastika ceiling decorations.

Ironically, as the economic relationship between Germany and Iran bore fruit in the late 1930s, Schacht’s career was on the wane inside of the Nazi hierarchy. In November 1937, one year after his visit to Tehran, Schacht resigned as Reich Economics Minister. In January 1939 he lost his position as Director of the Central Bank. Both were due to his growing reputation inside the Nazi system as an internationalist who cared more about overseas trade with developing countries than about German rearmament. Since 1936 Schacht had clashed repeatedly with Hermann Göring on the goals of the rearmament program and the substance of the Four-Year Plan. The growing enmity between Schacht and Göring, Hitler’s second-in-command, and later with Hitler himself, ended the banker’s career in Nazi Germany. He would return to Iran after the war under vastly different circumstances.

On August 25, 1941, Iran was invaded by the military forces of Great Britain and the Soviet Union, and Reza Shah abdicated his throne on September 15

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79 PA AA Berlin DGT Box 28 III 11d: Telegram from Goebbels’ Propaganda Ministry to DGT Tehran, December 3, 1936.

80 PA AA Berlin DGT Box 27: *Völkischer Beobachter*, December 8, 1937.
in favor of his son. Explained by British sources as an action designed to protect Iranian neutrality, it was in fact an act of war. Germany’s diplomatic and economic relationship with Iran was terminated. German residents in the country were placed in internment camps. German companies were closed, their finances turned over to the Swedish government for liquidation. On the day of the invasion the British Minister in Tehran, Sir Reader Bullard, visited Prime Minister Ali Mansur. Bullard gave the Prime Minister a statement that declared the Germans in Iran to be the reason for the attack. He defined them as a “fifth column” bent on a Nazi coup d’état and pointed to the supposed reluctance of the Iranian government to remove them. However, as research has shown, Bullard’s explanation can be seen as a pretext for the invasion rather than its cause. The great majority of Germans in Iran were in the country as professionals, as workers, or as refugees. As Nikolay Kozhanov has argued in a recent article, and to which Bullard’s letters attest, the Iranian government had agreed to remove the Germans but had not moved rapidly enough.

Bullard’s account of the reasons for the invasion of 1941 are part and parcel of the persistent misreading of the relationship between Germany and Iran as a political relationship of fascist allies rather than as an economic relationship focused on trade and national modernization inside of a newly ordered global system. The enduring strength of German-Iranian economic relations would be attested to following the war’s end. In the early 1950s Hjalmar Schacht, acquitted by the International Military Tribunal at Nuremberg in October 1946, returned to Iran in the early 1950s at the invitation of Prime Minister Mohammad Mossadegh. In the early 1950s Schacht served as an economic consultant to Mossadegh, and to governments in Egypt, Indonesia,

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82 This is the assessment of an excellent recent article by Nikolay A. Kozhanov, “The Pretexts and Reasons for the Allied Invasion of Iran in 1941,” Iranian Studies, 45:4 (July 2012), 479–97.

83 Kozhanov, “The Pretexts and Reasons for the Allied Invasion of Iran in 1941,” 485. Kozhanov summarizes on p. 485 the numbers of Germans in Iran given by the British Command in India (between 2000 and 3000), by German Minister Wipert von Blücher (2000), by British diplomat Sir Clairmont Skrine (3000 residents and 4000 German tourists on short-term visas) and the official Iranian newspaper Etalaat, which gave the smaller number of 690.
India, the Philippines, Peru, and others on issues of national industrial development, currency stability, natural resources, and international finance. The connections he forged in the 1930s with anticolonial politicians on how to position their emerging economies in the networks of the global economy revived and influenced politics and economics in the postwar period.