AMERICAN SOVIET RELATIONS

1921-1933

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To

My Parents

Preface

This study reviews some of the factors that affected United States' relations with the Soviet Union during the period 1921-1933. A topical approach has been used in this study. At the same time, however, an attempt has been made to follow the main events in chronological order. Chapter 1 deals, by way of introduction, with the period preceding the Bolshevik revolution and the main events following it till 1920. This chapter is intended to give the reader a connective account of the main events in American-Russian relations prior to 1921. Chapter 2 contains an account of American relief given to famine-stricken Russia. Chapter 3 reviews the development of Soviet-American economic relations. The prospects of trading with Soviet Russia, the economic revolution brought about in that country by the introduction of the first Five Year Plan and American contributions to its development are dealt with in this chapter. Chapter 4 narrates the circumstances which led to the decline in Soviet-American trade after 1930.

An account of the Communist activities in the United States as directed by the Communist International is given in Chapter 5, while Chapter 6 discusses the debt issue between the United States and the Soviet Union. Chapter 7 enumerates the traditional policy of recognition of the United States and its policy toward the Soviet Union. Chapter 8 deals with the situation in the Far East as it affected America's relations with the Soviet Union. Chapter 9 reviews the circumstances that ultimately led to the U.S. recognition of the Soviet Union in 1933, and also contains an assessment of the same.

As in most analyses and interpretations of historical events, different observers might arrive at varying interpretations. Hence, it is possible that readers may disagree with the views expressed in this study. Since this study relates to America's relations with the Soviet Union, attention is focussed on forces and influences that were at work in the United States. A similar

detailed analysis of developments in the Soviet Union has not been attempted.

Both published and unpublished documents have been used in the preparation of this study. I have had the opportunity to consult documents in the National Archives of the United States and extensive use has also been made of the *General Records of the Department of State,* the *General Correspondence of the Secretary of Commerce,* and *Correspondence of the Bureau of Foreign and Domestic Commerce.* In addition, the private papers of William E. Borah, Charles E. Hughes, and Calvin Coolidge at the Library of Congress, and of Charles R. Crane at the Archive of Russian and East European History and Culture, Columbia University, New York City, have also been consulted. Of the published documents, extensive use has been made of the *Congressional Record,* Congressional *Hearings* and *Reports,* and *Papers Relating to the Foreign Relations of the United States.* Biographies, books, periodicals, and newspapers dealing with the period and the topic have also been utilized as sources of information.

For valuable advice during initial writing, I am grateful to Dr. William F. Ogburn. I am also deeply obligated to Dr. Vera Michelas Dean for the encouragement given to me in the preparation of this work, and to Dr. Phillips Bradley and Dr. M. S. Venkataramani for wise counsel in revising the manuscript. I also take this opportunity to express my gratitude to Dr. Philip E. Mosely for granting access to the Archive of Russian and East European History and Culture, Columbia University; to Mr. John O. Crane for permission to use the private papers of Charles R. Crane at the above archive; to Dr. David C. Mearns, Chief, Division of Manuscripts, Library of Congress, for permission to use the private papers of William E. Borah and Calvin Coolidge, and for securing permission for me to use the private papers of Charles E. Hughes; to Dr. E. Taylor Parks, Chief, Advisory and Review Branch, Historical Division, Department of State, for permission to use post-1929 Department of State files; and to Mr. Ernest Rubin, Chief, Eastern European Division, Department of Commerce, for making available the files covering US-USSR economic relations for the period 1921-1933.

Tarun Chandra Bose

Abbreviations

The following abbreviations have been used in this study for frequently quoted documents, private papers, and journals.

Annals	—	*Annals of the American Academy of Political and Social Science.*
ERSU	—	Economic Review of the Soviet Union.
For. Rels.	—	Department of State, *Papers Relating to the Foreign Relations of the United States.*
GPO	—	U. S. Government Printing Office.
HMSO	—	His Majesty's Stationery Office.
LN	—	League of Nations.

* * * *

NA, RG 40	—	*General Correspondence of the Secretary of Commerce,* National Archives, Record Group 40.
NA, RG 59	—	*General Records of the Department of State,* National Archives, Record Group 59.
NA, RG 84	—	*Records of the Foreign Service Posts of the Department of State,* National Archives, Record Group 84.

NA, RG 151 — *General Correspondence of the Bureau of Foreign and Domestic Commerce.* National Archives, Record Group 151.

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Borah Mss. — *Private Papers of William E. Borah,* Library of Congress.

Coolidge Mss. — *Private Papers of Calvin Coolidge,* Library of Congress.

Crane Mss — *Private Papers of Charles R. Crane,* Archive of Russian and East European History and Culture, Columbia University.

Hughes Mss. — *Private Papers of Charles E. Hughes,* Library of Congress.

Other items frequently cited have also been abbreviated; the abbreviation is noted in the first footnote in which an item appears. After the first citation of an item, each subsequent use of the same item in any single chapter has been referred back to the first citation, being identified by its footnote number.

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CHAPTER ONE

American Russian Relations 1917-1920

The abdication of Czar Nicholas II on March 15, 1917, brought an end to the Czarist regime in Russia. The United States' relations with Czarist Russia had been amicable till the middle of the 19th century. By that date, the divergences in ideology between the autocracy of the Czars and the rapidly developing American democracy had gradually begun to reveal themselves.

Czarist repression of opposition groups and the failure to improve the welfare of the masses had led a large number of Russian people to leave their country and emigrate to America. These happenings had not led to the strengthening of relations between the two countries. On the contrary, the United States' relations with Russia from the latter half of the 19th century till the end of the Czarist regime were coldly formal. The idea of a prospective partnership with Czarist Russia was a barrier to America's complete acceptance of the Allied cause during World War I. This was so even when the Kaiser's declaration of unrestricted submarine warfare at the end of January, 1917 had made American participation in the war almost inevitable. It was just at this point that Czar Nicholas II abdicated. The fall of the Czarist regime was not the result of any contrived revolution, but was rather an internal collapse from its own weight.

Provisional Government in Russia

After the Czar's abdication, a Provisional Government was set up in Russia headed by Prince George E. Lvov. The Americans regarded the establishment of the new government in the former empire of the Czars as a triumph of those princi-

ples which they had cherished since the beginning of their history. In his war message of April 2, 1917, President Wilson spoke of Russia, freed from Czarist autocracy, as "a fit partner for a League of Honor."[1] Few persons, however, displayed greater enthusiasm over the happenings in Russia than Ambassador Francis who cabled from the Russian capital on March 18, 1917.

> The six days between last Sunday and this have witnessed the most amazing revolution.....the practical realization of that principle of government which we have championed and advocated. I mean government by the consent of the governed.[2]

Ambassador Francis also requested, and obtained immediately, permission to recognize the new Russian Government on March 22. The United States thereby became the first country to recognize the Provisional Government in Russia. This recognition had a powerful influence in placing America in a position to enter the war against Germany backed by a practically unanimous public opinion. As Francis commented, "there can be no doubt that there would have been serious opposition to our allying ourselves with an absolute monarchy to make war no matter in what cause".[3]

United States' Relations with the Provisional Government

The foremost concern of the United States in her relations with the new government in Russia was to make certain of its continuance in the war against Germany. The Provisional Government agreed to reorganize the fighting front but soon realized the difficult nature of the task. The Russian people had become war-weary and desired a speedy end of the war that promised nothing but suffering and death. The Petrograd Soviet demanded that "the movement for peace, started by the Russian revolution, be brought to a conclusion by the efforts of

[1] *For. Rels. 1917. Supplement 1. The World War* (Washington, GPO, 1931) 200.

[2] *For. Rels. 1918, Russia* (Washington, GPO, 1931) I, 5-6.

[3] David R. Francis, *Russia from the American Embassy, April 1916—November 1918* (New York, Scribner's, 1922) 94.

the international proletariat,"[4] and it appealed to the "proletarians of the world"[5] to unite for this cause.

The United States realized that the only way to combat the propaganda of the Petrograd Soviet was to convince the Russian people that the kind of peace they desired could be achieved only by the defeat of Germany. For this purpose it was necessary that they should join in the vigorous pursuit of the war.

The United States also made every endeavour to strengthen the Provisional Government so as to enable her to continue the fight against the Germans. The U.S. Government was prepared to extend definite assistance to the Provisional Government in the form of military equipment and supplies and granted a loan of $100,000,000 bearing a three and one half percent interest[6] for the purchase of war materials. Inspite of this, the Provisional Government found it a stupendous task to instil enthusiasm among the Russian masses to carry on the war. This state of affairs prompted the United States to send a number of Americans to Russia in the belief that the presence of Americans would be useful either in giving inspiration and encouragement to the Provisional Government or in helping it to cope with various technical problems thought to be associated with its war effort.

The Root Mission. The first American mission to go to Russia after the establishment of the Provisional Government was the one headed by Elihu Root. It reached Petrograd in the middle of June, 1917. The purpose of the mission was to demonstrate America's sympathy for the "adherence of Russia to the principle of democracy" and to confer with the Russian government about "the best ways and means to bring about effective cooperation between the two governments in the prosecution of the war."[7]

[4]C. K. Cumming and W. W. Pettit, eds., *Russian-American Relations, March 1917—March 1920, Documents and Papers* (New York, Harcourt, Brace, 1920) 18.

[5]*Ibid.*, 19.

[6]*For. Rels.*, n. 2, 9-10. The dispatch speaks of 3 percent interest, but this seems to be a misprint. See *Ibid.*, 8.

[7]*Ibid.*, 110-111. In addition to the Root Mission, an Advisory Com-

The presence of the Root Mission in the Russian capital had, however, little effect on the course of events in Russia. The Mission moved in a circle in which its members saw only their own kind, exchanging views solely among those who already thought as they did. The burden of the many speeches that Root delivered in Russia was to drive home the thought that the degree of American support for the Provisional Government would depend strictly on the vigour of the latter's war effort.

The members of the Mission had no contact with the Russian masses, with the workers and soldiers. Hence, they remained completely unaware of the position and sentiment of the rank and file. They failed to realise that the Russian middle class which made up the Provisional Government was poorly organized and comparatively insignificant in numbers. The large masses of dissatisfied peasants and the growing and well-organized proletariat found their spokesman in the Soviets rather than in the government.

Speaking about the Root Mission, Raymond Robins said : "These men had an indoor mind which shut itself off from the contact of the masses and based its conclusions on the attitude of 7 percent of the population, to the exclusion of the other 93 percent".[8] Root, however, believed that his mission was accomplishing its purpose. When he left Russia in early July, 1917, he was apparently convinced that both the army and the government had been strengthened in morale and effectiveness. Troubles, however, flared up in Russia soon after Root left the country. A demonstration of soldiers and armed workers

mission of Railway Experts was sent under the leadership of John F. Stevens to aid the Provisional Government in working out the problems resulting from the breakdown of the country's transportation system. A number of private American organization likewise sent missions to Russia of which the most prominent was the American Red Cross Mission, initially under Dr. Frank G. Billings. Other members of the Red Cross Mission included William Boyce Thompson and Raymond Robins. Cf. George F. Kennan, *Soviet-American Relations, 1917-1920, Russia Leaves the War* (Princeton, University Press, 1956) 21.

[8]William Hard, *Raymond Robins Own Story* (New York, Harper, 1920) 6.

in Petrograd clashed with the Cossack troops. The resistance of the ultra-radical sailors from Kronstadt precipitated a street battle in which several hundred persons lost their lives. The government's forces did succeed in putting down this incipient revolt, but its prestige was badly shaken.[9]

Provisional Government under Kerensky

The Kronstadt rising caused a shift in the Council of Ministers in which Prince Lvov was replaced by the Minister of War, Alexander Kerensky. The change in government marked a moderate swing to the left since the new Premier was a member of a radical agrarian party. The reorganized Provisional Government constituted, in the eyes of foreign observers, a final answer to the menace of Bolshevism. But this view was not shared by Secretary of State Lansing who was very sceptical of Kerensky because the latter compromised too much "with the radical element of the Revolution."[10]

In the meantime, the Bolsheviks' power in Petrograd was growing day by day. Coupled with the long-standing desire for peace and the absence of any effective opposition, the growing unrest over the land question steadily provided the Bolsheviks with raw material for a new revolt. On October 8, 1917, the Provisional Government issued a statement that sounded much like a cry of despair,

> Great confusion has once more been brought into the life of our country.....waves of anarchy are sweeping over the land, the pressure of the foreign enemy is increasing, counter-revolutionary elements are raising their heads, hoping that the prolonged governmental crisis, coupled with the weariness which has seized the entire nation, will enable them to murder the freedom of the Russian people.[11]

This state of affairs in Russia, however, in no way disheartened Ambassador Francis. He was certain that the revulsion of the Russian people against the Bolsheviks would soon assert itself. Events, however, proved otherwise and on November 1, 1917, Kerensky admitted that Russia was "worn

[9]Francis, n. 3, 136.

[10]Robert Lansing, *War Memoirs* (New York, Bobbs-Merrill, 1935) 337.

[11]Cumming and Pettit, n. 4, 36-37.

out" and confessed that the future was unpredictable.[12] The Bolsheviks won a majority in the Petrograd Soviet two days later. On November 3, 1917, the State Department issued a statement which did not seem to agree with the Russian situation prevailing at that time. The statement read,

> There has been absolutely nothing in the dispatches received..... from Russia nor in information derived from any other sources whatever, to justify the impression.....that Russia is out of the actual conflict ..... Our own advices show that the Provisional Government in Petrograd is attacking with great energy the problems confronting it..... Premier Kerensky and his Government, far from yielding to discouragement, are still animated by a strong determination to organize all Russia's resources in a wholehearted resistance and carry the war to a victorious conclusion. At the same time this Government, like those of the Allies, is rendering all possible assistance.[13]

The Provisional Government was fast losing its grip and the final crisis was approaching. Though partly forewarned of the approaching crisis, Secretary Lansing was startled when he read the dispatch of November 7, 1917, from Ambassador Francis which stated in part, "Bolsheviki appear to have control of everything here. Cannot learn whereabouts of any Minister....."[14]

Assumption of Power by the Bolsheviks

Within a week after the Petrograd Soviet had overthrown the Provisional Government, Lenin and the Bolsheviks seized power. This event provoked horror and surprise everywhere.[15] The political, economic and social tenets of Bolshevism, with its avowed goal of universalism through world revolution, appeared to threaten the security of every nation. In the United States, public opinion was thoroughly bewildered. Here and there a note of fear appeared in editorial comments, and the *New York Times* concluded that "the Bolsheviks have put

[12] *Ibid.*, 40.

[13] *New York Times* (November 3, 1917).

[14] *For Refs.*, n. 2, 224.

[15] Charles R. Crane, who was a member of the Root Mission to Russia, was of the opinion that the situation in Russia after the Bolsheviks came into power was not one of revolution, but one of conquest. Charles R. Crane to President Coolidge, October 26, 1922, Crane Mss.

Russia outside the pale of civilized, recognizable government".[16] There still, however, persisted in Washington a hope that when the excited Russian masses calmed down, they would repudiate their new rulers. This belief prompted the United States to keep silent when on November 21, 1917, Leon Trotsky, the Soviet Commissar for Foreign Affairs, addressed a communication to the diplomatic corps in Petrograd announcing the formation of the Soviet Government and requesting its recognition.[17]

On November 8, 1917, the Congress of Soviets passed a decree of peace proposing "to all belligerent peoples and their Governments the immediate opening of negotiations for a just and democratic peace", by which they meant "an immediate peace without annexations (i.e. without seizure of foreign territory, without the forcible incorporation of foreign nationalities), and without indemnities."[18]

When the Allies refused to pay any heed to the proposal for peace without annexations or indemnities, the Soviets signed an armistice with Germany on December 15, 1917, preparatory to a separate peace. This created the danger that Germany, having come to terms with Russia, would concentrate all its forces on the western front. Furthermore, it was feared that the former would be able to make use of the latter's vast resources for the German war machine thereby weakening the position of the allies.

The peace negotiations which the Soviet Government carried on with the Germans at Brest-Litovsk were interrupted for ten days "to give the last opportunity to the Allied countries to take part in further negotiations".[19] Trotsky made it clear,

> If the Allied Governments in the blind stubbornness which characterizes decadent and perishing classes, once more refuse to participate in the negotiations, then the working class will be confronted with the iron

[16] *New York Times* (November 25, 1917).

[17] J. Degras, ed., *Soviet Documents on Foreign Policy* (London, Oxford University Press, 1951) I, 4.

[18] *Ibid.*, 1.

[19] Cumming and Pettit, n. 4, 61.

necessity of taking the power out of the hands of those who cannot or will not give the people peace.[20]

In the meantime, Trotsky had also published the texts of secret treaties entered into by the Czar's Government with the Allies in which the latter had agreed to divide the spoils of war. Trotsky's disclosures to the whole world of the "documentary truth about the plans forged in secret by the financiers and industrialists together with their parliamentary and diplomatic agents"[21] led to the cry that imperialist ambition alone accounted for the prolongation of hostilities.

To counteract the effect that such disclosure was likely to have upon the morale of the people, President Wilson thought it necessary to state the anti-imperialistic war aims and democratic peace requisites of America. On January 8, 1918, Wilson presented to the American Congress his Fourteen Points in which he pleaded for a just and lasting peace. He referred to Russia specifically in Point VI stating that she be given "an unhampered and unembarrassed opportunity for the independent determination of her own political development and national policy..... The treatment accorded to Russia by her sister nations in the months to come will be the acid test of their good will.....and unselfish sympathy."[22]

Wilson's words unfortunately did not have any effect upon the Soviet leaders who continued their negotiations with Germany. The Germans, however, insisted on negotiating a separate peace with the inhabitants of "German-occupied Russian territories." When Trotsky "objected vigorously" to this demand, the Germans refused to "consider the Soviet proposals." At that time there was present at Brest a delegation from the Ukrainian Rada, "empowered to negotiate independently with the Central Powers on behalf of the Ukraine." The Germans turned to "separate negotiations" with them "as a means of bringing pressure on the Bolsheviki." The Germans finally concluded a separate treaty with the Ukrainian Rada on

[20] *Ibid.*, 64.

[21] Degras, n. 17, 8.

[22] *For. Rels. 1918, Supplement 1. The World War* (Washington, G.P.O, 1933) I, 15.

February 8, 1918. Trotsky reacted by announcing that "the Soviet Government would neither continue the war nor agree to a peace on German terms."[23] The Germans retorted by renewing military operations all along the eastern front. The Soviet leaders were ultimately compelled to submit to the German terms in view of the demobilization of the Russian army and the need for internal consolidation. On March 3, 1918, they signed the Treaty of Brest-Litovsk by which Russia obtained "a peace dictated at the point of sword."[24] The treaty had still, however, to be ratified, and the Soviets at that time apprehended a Japanese invasion of Siberia in an attempt to obtain control of Vladivostok and the Eastern-Siberian Railway.[25] The United States Government had "no occasion to react officially to the unfolding of events at Brest-Litovsk." Since the United States was at war with "one of the parties to the negotiations," and since the other party happened to be "a regime" which it "had not recognized," it was not "under any obligation to concede any international validity" to the actions taken by them.[26]

After the signing of the Brest Treaty, however, some Americans, particularly Colonel Raymond Robins, head of the American Red Cross Mission in Russia, sought to persuade the United States Government to extend aid to the Bolsheviks with a view to preventing the ratification of the Treaty. Robins met Trotsky two days after the signing of the Treaty and asked him if he wanted "to prevent the Brest Peace from being ratified?" Trotsky told Robins that Lenin apprehended the renewal of German advance if the Brest peace was not ratified. But if he could get "economic cooperation and military support from the Allies," he would "refuse the Brest peace, retire, if necessary, from both Petrograd and Moscow.....re-establish the front in the Urals, and fight with allied support against the

[23]Kennan, n. 7, 366-368.
[24]Degras, n. 17, 48.
[25]Cumming and Pettit, n. 4, 81.
[26]Kennan, n. 7, 372.

Germans."[27] Later, on Robins' insistence, Trotsky prepared a written statement which read, in part, as follows :

> In case (a) the All-Russian Congress of the Soviets will refuse to ratify the peace treaty with Germany, or (b) if the German government, breaking the peace treaty, will renew the offensive in order to continue its robbers' raid, or (c) if the Soviet government will be forced by the actions of Germany to renounce the peace treaty—before or after its ratification—and to renew hostilities—
>
> In all these cases it is very important for the military and political plans of the Soviet power for replies to be given to the following questions :
>
> 1. Can the Soviet government rely on the support of the United States of North America, Great Britain, and France in its struggle against Germany?
>
> 2. What kind of support could be furnished in the nearest future, and on what conditions.....
>
> 3. What kind of support would be furnished particularly and especially by the United States?
>
> Should Japan.....attempt to seize Vladivostok and the Eastern-Siberian Railway.....what steps would be taken by the other allies, particularly and especially by the United States, to prevent a Japanese landing on our Far East.....[28]

Robins considered this statement to be significant, and upon his urging, Consul Roger C. Tredwell asked Captain Eugene Prince of the American Military Mission to "despatch the message directly to the War Department in Washington, for transmission to the State Department." The message was, however, held for clearance with Colonel James A. Ruggles, the American Military Attache, who for some reason decided "not to despatch it at that time."[29] Ruggles not only held up

[27]U.S. Senate, 65 Cong., 3 Sess., Senate Subcommittee on the Judiciary, *Hearings, Bolshevik Propaganda* (Washington, GPO, 1919) 800-801. Hereafter cited as Senate Subcommittee on Judiciary, *Hearings.*

[28]Cumming and Pettit, n. 4, 81-82.

[29]Kennan, n. 7, 499-500. The message containing Trotsky's question did not reach Washington until March 22, 1918, by which time the Brest-Litovsk Treaty had been ratified. *Ibid.*

the despatch of the message, but also he did not inform Tredwell or Robins that he had done it. Robins thus remained under the impression that the United States Government had before it Trotsky's questions, and hoped that he would receive an encouraging answer to these questions prior to the opening of the Congress of Soviets which had been postponed to meet on March 14 instead of March 12 as originally scheduled.

Wilson's Message to the Congress of Soviets. Wilson was quite unaware of the questions which Trotsky had addressed to the United States Government. He was, however, urged by some of his close associates to send a reassuring message to Russia on the eve of the meeting of the Congress of Soviets "in the hope that it might strengthen the hands of the opponents of ratification of the Brest treaty."[30] Wilson, accordingly, sent a message on March 11, 1918. He stated in part,

> May I not take advantage of the meeting of the Congress of the Soviets to express the sincere sympathy which the people of the United States feel for the Russian people..... Although the Government of the United States is unhappily not now in a position to render the direct and effective aid it would wish to render, I beg to assure the people of Russia through the Congress that it will avail itself of every opportunity to secure for Russia once more complete sovereignty and independence in her own affairs..... The whole heart of the people of the United States is with the people of Russia in the attempt to free themselves forever from autocratic government and become the masters of their own life.[31]

Wilson's message, however, evoked in the Soviet leaders "the desire to demonstrate that their ideological convictions were not so frivolous that they could be lulled into abandoning them by honeyed phrases from the other camp."[32] In answer

[30] *Ibid.*, 509. Kennan, however, points out that the aim of the message [as it appeared to him from a letter addressed to Wilson by Colonel Edward M. House] was to influence the French, British and Japanese with a view to restraining them from acquiescing to a proposed intervention in Siberia [to be undertaken by Japan, as a mandatory for the Allies, to occupy the entire Trans-Siberian Railway], and that the hope of affecting ratification of the Treaty, if it was present at all, was quite secondary. *Ibid.*, 373.

[31] *For. Rels.*, n. 2, 395.

[32] Kennan, n. 7, 512.

urged with increasing insistence that only military intervention could lead to the consolidation of the Eastern Front. This argument gained ground when a large number of German soldiers were withdrawn from the Russian Front for transfer to the Western Front. As a matter of fact, the Allies faced at that time what appeared to be a "a desperate military situation."[43] Despite this fact, there existed among the Allies two different views toward intervention in Russia. The "little interventionists" envisaged intervention in Russia as a strictly anti-German move.[44] They favoured assistance to the Red forces, the landing of small Allied units in Russia with the consent of the Soviet Government, and the evacuation of military supplies from areas exposed to German aggression. Accordingly, a small Allied contingent[45] landed at Murmansk in North Russia in March 1918, with the tacit assent of the Soviet Government which did not oppose this move as it "strongly doubted the durability of the Brest arrangements" at that time.[46] The action in the North of Russia, however, soon changed its character; from a friendly intervention it developed into hostile interference. This promoted the cause of the "big interventionists"[47] who looked upon Bolshevism as

[43]Unterberger, n. 40, 21.

[44]Louis Fischer, *The Soviets in World Affairs* (Princeton, University Press, 1961) I, 100.

[45]"The United States contributed some 5,000 troops to the [North Russian] intervention, upon assurances that they were to guard military stores and to render such aid as was acceptable to the Russian people without interference in their internal affairs." The other Allied troops, however, "co-operated with the counter-revolutionaries (Whites) against the Bolsheviks (Reds)." This led to "clashes with the Reds" in which a number of Americans lost their lives. Finally, "the American troops were withdrawn in July 1919, after having suffered more than 800 casualties" Thomas A. Bailey, *America Faces Russia, Russian American Relations from Early Times to our Day* (Ithaca, Cornell University Press, 1950) 242.

[46]George F. Kennan, *Soviet-American Relations, 1917-1920, The Decision to Intervene* (Princeton, University Press, 1958) 127. The durability of the Brest arrangements was doubted by the Soviet Government till official German-Soviet contacts were resumed in May 1918. *Ibid.*

[47]Fischer, n. 44, 100.

a menace, wished to overthrow it and set up an Eastern Front against Germany. As such, they favoured a full-fledged military intervention, in league with the anti-Bolshevik element, and directed both against the Germans and the Soviets.

The United States was averse to the idea of large-scale intervention in Russia. She was even opposed to the idea of Japan undertaking operations in Siberia "as a mandatory of the Allies."[48] Despite the opposition of the American Government, however, Japanese troops disembarked at Vladivostok on April 5, 1918,[49] ostensibly to protect Japanese life and property, after three Japanese nationals had been murdered in the city on the previous day. The British had also landed armed sailors[50] apparently "to protect the British Consulate, but in reality to ensure that any move made would be an Allied one, not an independent Japanese venture." The British Government urged the United States "to land troops and thus insure unity of action." The latter was, however, "unmoved by this appeal."[51] Inspite of its mounting hostility toward the Bolsheviks, the United States Government looked with disfavour on all projects of intervention, since Wilson felt that all such plans would be "contrary to America's democratic war aims," and would "fatally compromise the American moral position."[52] Furthermore, Wilson believed that "intervention.....would serve no serious military purpose and would antagonize the Russian people."[53]

The reluctance of the United States to intervene, however, met with increasing counter-pressure on the part of the Allies who sought to bring about a change in her attitude by seeking to convince her that the presence of American troops in Siberia was likely to moderate Japanese ambition in that direction. Furthermore, the Allies urged that the threatening activities of the Austro-German war prisoners in Siberia who, it was

[48]Unterberger, n. 40, 25.

[49]*New York Times* (April 6, 1918).

[50]*Ibid* (April 7, 1918).

[51]Unterberger, n. 40, 39.

[52]*Ibid.*, 33.

[53]Kennan, n. 46, 129.

feared, were being armed by the Bolsheviks, also necessitated intervention.[54] Allied pleas for action in Siberia continued despite the opposition of the American Government to take part in it. By the end of May 1918, however, there was a growing unanimity among American representatives in the Far East concerning intervention in Siberia. Paul S. Reinsch, American Minister at Peking, suspected that Japan was prepared "to act independently in the Far East," and fearing that "delay" might prove to be "dangerous", he urged immediate Allied action. A similar view was shared by John F. Stevens, Chairman of the Advisory Commission of Railway Experts to Russia, who called for "quick" and "effective" Allied action in Siberia.[55]

American Participation in the Intervention

In the face of persistent pressure of the Allies, the alleged menace of the Austro-German prisoners in Siberia and the apprehension of independent Japanese action, American opposition to intervention gradually weakened. By June 1918, "a new situation arose in Siberia which threatened to draw Wilson into action." The "new situation" occurred because the lives of some 70,000 Czechoslovak troops on the Russian soil who were returning by way of Vladivostok to fight with the Allies on the Western Front were endangered by attacks from released German and Austrian war prisoners whom the Bolsheviks had armed.[56] The necessity for immediate action to

[54]To ascertain the facts regarding the arming of German war prisoners by the Bolsheviks, a special mission of investigation was sent under the leadership of Captain W. B. Webster of the American Red Cross Mission in Russia, and Captain W. L. Hicks, a member of the British Mission in Moscow. They reported that the activities of the war prisoners did not endanger Allied interests. Major Walter S. Drysdale, the American Military Attache in Peking, who was also sent on a similar mission of investigation reported that the prisoners of war were armed in certain localities only. Fischer, n. 44, 103-104.

[55]Unterberger, n. 40, 49.

[56]In March 1918, a force of some 70,000 Czechoslovaks, former prisoners of war and deserters from the Austrian Army, had started to proceed across Siberia with the consent of the Bolshevik Government, expecting to depart from Russia via Vladivostok for service on the

rescue the Czechs furnished President Wilson with a moral pretext for despatching American troops to Siberia.

The danger confronting the Czechs was intimated to the United States Government in a despatch from the Supreme War Council on July 2, 1918. It appealed for immediate action to save the "gallant allies" before they were overwhelmed. It further pointed out that "Allied intervention" was essential "in order to win the war."[57]

In a memorandum of July 4, 1918, Secretary of State Robert Lansing stated that the condition of the Czechs in Siberia had introduced "a sentimental element into the question of our duty. There was now an American responsibility to aid them." It was further pointed out that "furnishing protection and assistance to the Czechoslovaks" was "a very different thing from sending an army into Siberia to restore order or to save the Russians from themselves." The memorandum also reiterated United States' intention not to interfere in the "internal affairs of Russia."[58]

Wilson concurred with Lansing's views and decided to despatch an expedition to Siberia "provided the Japanese Government [agreed] to co-operate."[59] Wilson's decision was made known to the Allied envoys in Washington in an aide-memoire

Western Front. However, after the Japanese landing in Vladivostok in April 1918, the attitude of the Soviet military authorities changed. They looked upon the Japanese move as the precursor of some full-fledged intervention, and became suspicious of the eastward movement of the Czechs. Further, as a result of misunderstandings between some of the Czech units and local Soviets, the Central Soviet Government ordered the disarming of the Czech troops strung out along the Trans-Siberian Railway route. Soviet military power, however, was too weak to accomplish this task. Hostilities between the Czechs and the Bolsheviks broke out by the end of May 1918, in Central and Western Siberia. As a result, the Czechs in Vladivostok feared for the safe exist of their brothers from the interior, and determined to rescue them from the armed German war prisoners and the Bolsheviks. At the same time, an appeal was made to the Allies for a supporting force to aid them. *Ibid.*, 54-57.

[57] *For. Rels.*, n. 2, II, 241-243.

[58] Kennan, n. 46, 395.

[59] *For. Rels.*, n. 2, II, 262.

on July 17, 1918. While officially disclaiming any intention of interfering in Russian affairs, the American Government agreed to limited action in order to support the Czechoslovaks and assist the Russian people in establishing self-government. As Wilson stated, "Military action is admissible in Russia..... only to help the Czechoslovaks consolidate their forces..... and to steady any efforts at self-government..... But..... [the United States Government] can go no further..... It is not in a position.....to take part in organized intervention .....[or] interference of any kind with the political sovereignty of Russia.....or any impairment of her territorial integrity."[60]

Wilson's decision to intervene in Siberia was, however, made "after it became evident that intervention would take place despite his opposition and probably with Japan in charge of the expedition."[61] His decision was "not determined by any interest in the revolution or in the Moscow regime."[62] He was from the beginning suspicious of Japanese intentions in Siberia and feared unilateral action by her.[63] Wilson was aware of the willingness of Britain and France to sanction Japan's lone entry into Siberia and he apprehended that it might lead to the political and military domination of Eastern Siberia by the Japanese. As a matter of fact, the necessity to watch and restrain the Japanese was, according to some commentators, the basic, though unpublicized reason for the United States' participation in the intervention.[64] In the face of com-

[60]*Ibid.*, 288-290. The other officially adduced reason for military action was the protection of war supplies in Russian ports. *Ibid.*, 328.

[61]Unterberger, n. 40, 88.

[62]Fischer, n. 44, 132.

[63]When the British Government, in January 1918, proposed that Japan be invited to occupy the Trans-Siberian Railway "as a mandatory of the Allies," Wilson strongly disapproved of the idea as he feared that it would lead to the eventual "control of the Maritime Provinces" by Japan. The Department of State later expressed the view that if the necessity for intervention arose, it was in favour of "joint military action" [rather than unilateral action by any one Power.] Unterberger, n. 40, 25-26.

[64]According to the Soviet historian Ya Ioffe, "America agreed to Japanese intervention only when it became inevitable and participated in

pelling circumstances, Wilson not only agreed to intervention, but also took the lead in inviting the Japanese to a joint intervention in Siberia.

The reaction of the American Press to the Russian problem "during the last year of the war" was, in general, "hesitant and troubled." The U.S. government found in the American press—for the most part—"only the reflections of its own dilemmas and hesitations." The press, like the government, was concerned "primarily with the winning of the war and only secondarily with Russia for its own sake—[and was] unwilling to make the problem of policy toward Russia..... a major issue of difference with the government."[65]

The American Press, however, carried the views of individuals "who enjoyed some special knowledge of Russian conditions," and these constituted "important contributions to thinking about Russian matters." One such individual was George Kennan[66] an expert on Russian affairs. Writing in the *Outlook,* he advocated "a cautious intervention in Siberia" for the purpose of saving that area from the Bolsheviks, especially since "the best part of European Russia [was] already lost." He believed that "with the aid of the Japanese and the..... patriotic Russians" the Americans could "hold Eastern Siberia."[67] The *New York Times*[68] correspondent in Russia, Harold Williams, held a similar view which was also shared by ex-President William Howard Taft. The latter, in an article in the *Philadelphia Ledger* in June 1918, called for "immediate action in Russia."[69]

it in order to control Japan's activity in Siberia." Substantially the same opinion was expressed by another Soviet historian, I. I. Mints, who stated that "Wilson's distrust of Japanese intentions in Siberia," and his fear of "unilateral Japanese action" forced him reluctantly to agree to intervention. C. E. Black, ed., *Rewriting Russian History* (New York, Praeger, 1956) 350, 376.

[65]Kennan, n. 46, 332-334.

[66]George Kennan (1848-1924) was a first cousin of George F. Kennan, the former American Ambassador to the Soviet Union, and the author of the two volumes on Soviet-American Relations, 1917-1920.

[67]*Outlook,* cited in Kennan, n. 46, 358.

[68]*New York Times,* cited in *ibid.,* 332.

[69]*Philadelphia Ledger,* cited in *ibid.,* 385.

There were, however, other individuals who doubted the advisability of intervention. The Moscow correspondent of the *Chicago Daily News*[70] Louis Edgar Brown, held this view; so also did Samuel N. Harper of the Chicago University. The latter writing anonymously in the *Christian Science Monitor* "pleaded" for "economic aid and moral support to the Russian people" rather than intervention.[71] Other periodicals like the *Nation*[72] and the *New Republic* also expressed opinions opposing military intervention in Russia. The latter, particularly, advocated Wilson's policy of "no interference in Russia's internal affairs."[73]

The opinions expressed through the American Press, however, exercised little influence on the U.S. Government's policy toward Russia, and once the decision to intervene was taken, things began to move quickly, leading to the landing of Japanese and American troops in Vladivostok on August 3, 1918. They were preceded by the British and the French. The Japanese and the Americans were supposed to have detachments of more or less equal size. By the end of 1918, however, Japanese forces had increased considerably and were taking part in the civil strife in Siberia.[74] This brought the Japanese commander into conflict with Major-General William S. Graves, commander of the American expeditionary forces who, in the execution of his orders, refused to use the American troops in support of one or another anti-Bolshevist faction.[75] Graves clearly

[70] *Chicago Daily News,* cited in *ibid.,* 332.

[71] *Christian Science Monitor,* cited in *ibid.*

[72] *Nation,* cited in *ibid.*

[73] *New Republic,* cited in *ibid.*

[74] Wilson had originally suggested the despatch of 7,000 American and 7,000 Japanese troops to Vladivostok. The Japanese Government, however, refused to agree to this arrangement. It stated that it would send a division—normally about 12,000 men—and would reserve the right to send more, if required. As a matter of fact, the Japanese turned out to have in Siberia, some 72,000 troops by the end of 1918, which was ten times the number originally envisaged by Wilson. Kennan, n. 46, 411-415.

[75] For an account of the situation in which American forces found themselves in Siberia and the problems encountered by General Graves in his dealings with the Japanese, see William S. Graves, *America's Siberian*

stated: "The United States is not at war with the Bolsheviki .....[and] the United States army is not here to fight Russia or any group or any faction in Russia."[76]

Along with the Japanese, the British and the French attempted to use the intervention for their own purposes. The British and the French were primarily interested in setting up an Eastern Front and they supported the anti-Bolshevik counter-revolutionary groups in Russia and Siberia in the hope of securing their cooperation against Germany. After the signing of the Armistice between the Allies and Germany on November 11, 1918, the need for forming an Eastern Front no longer existed. Yet the British and the French were reluctant to forsake the Russian counter-revolutionary groups. Their hatred of the principles of Bolshevism together with their belief that the Bolshevik Government was a German inspired one, induced them to continue their support of the anti-Bolsheviks even after the war was over.

The United States also retained its forces in Siberia after the signing of the Armistice, but for a different reason. They remained to prevent Japan from extending her control over North Manchuria and Eastern Siberia which, in all probability, would have fallen into the clutches of the Japanese in the event of the withdrawal of the American troops.

The Soviet Government was very bitter about United States' participation in the intervention which it considered to be inconsistent with the message contained in the sixth of Wilson's Fourteen Points as well as his message to the Congress of Soviets. In spite of this, however, the Soviet Govern-

Adventure, 1918-1920 (New York, Jonathan Cape, 1931). Graves mentions in his book that Consul-General Harris from Irkutsk sent a telegram to Colonel George H. Emerson at Omsk on July 2, 1918, stating that "he received confirmation from the Peking Legation of the intention of the United States to engage in military intervention, which had for its object hostile action against the Soviets."* This statement was later denied by Consul-General Harris in a memorandum to the Department of State.**

*Graves, *America's Siberian Adventure*, 70-71.

**Memorandum from Harris to Stimson, April 26, 1934, NA, RG 59, file E/B 861.00/11557.

[76]Unterberger, n. 40, 90.

ment, soon after the Armistice, made a plea through Maxim Litvinov to Wilson for the participation of Soviet representatives in any discussion of the Russian question at the Paris Peace Conference. The plea was addressed to Wilson because, as Litvinov stated, "most points of your peace program are included in the more extensive aspirations of the Russian workers and peasants."[77]

Wilson's Proposal

President Wilson responded to the Soviet plea immediately, and after discussion with the other Powers at the Paris Peace Conference, he presented a proposal on January 22, 1919.[78] It invited every organized group that exercised "'political authority" or "military control" anywhere in Siberia, or within the boundaries of European Russia to send representatives to the Prince's Islands, Sea of Marmora, for a free and frank exchange of views so that the desires of all groups of the Russian people might be made known and so that an agreement might be reached by means of which Russia could define its own intentions and establish a basis of cooperation with other nations.[79]

The Soviet Government at once accepted the invitation, although it had received no official notification, and expressed its willingness "to make weighty concessions"[80] for the purpose of securing peace. But the refusal of other governments on Russian territory to deal with the Bolsheviks whom they regarded as traitors, murderers and criminal usurpers, defeated the plan of a meeting.[81]

Wilson did not, however, give up all hopes of bringing about a settlement of the Russian problem. In an endeavour to obtain more information, he dispatched William C. Bullitt,

[77]Degras, n. 17, 130.

[78]*New York Times* (January 23, 1919).

[79]Cumming and Pettit, n. 4, 297-298.

[80]Degras, n. 17, 138. The Soviet Government expressed its desire to end hostilities and begin negotiations at once. Further, it offered to make territorial and economic concessions in return for peace. It also evinced a readiness to make certain concessions in regard to Russia's financial obligations. *Ibid.*

[81]Cumming and Pettit, n. 4, 305-306.

a member of the staff of the American delegation to the Paris Peace Conference, accompanied by Captain Walter Pettit of Military Intelligence and Lincoln Steffens, a well-known journalist, on a mission to Russia. The manner in which Moscow exercised its control over the areas under its occupation convinced Bullitt that "no government save a socialist government can be set up in Russia.....except by foreign bayonets, and any government so set up will fall the minute such support is withdrawn....."[82]

Soviet Proposals for Peace

On March 14, 1919 the Soviet authorities handed to Bullitt proposals for peace for submission to the Paris Peace Conference in which they expressed their willingness to negotiate with the Allies as well as their Russian opponents.[83] Bullitt was convinced of the sincerity of the proposals and returned to Paris highly enthusiastic about the prospects for peace. But by that time Wilson's enthusiasm for the solution of the Russian problem had subsided and Bullitt received a cold reception for all his Russian endeavours. In utter despondency, Bullitt resigned from the American Peace Delegation and returned to the United States.

Perhaps Bullitt's cold reception was to some extent due to the victories of anti-Bolshevik armies in April and May, 1919, under Admiral Alexander Kolchak in Siberia[84] which renewed

[82]*For. Rels., 1919, Russia* (Washington, GPO, 1937) 88.

[83]The principles on which peace was to be discussed were: (a) an armistice was to be made with all factions in Russia in full control of the territories which they occupied at that moment; (b) the economic blockade was to be raised and trade relations between Soviet Russia and Allied and Associated countries were to be re-established; (c) the Soviet Government was to have the right of unhindered transit on and the use of all ports; (d) a general amnesty was to be declared to all Russian political opponents by all factions; (e) all foreign troops were to be withdrawn from Russia and all military assistance to anti-Soviet Governments were to be ended; and (f) the financial obligations for the former Russian Empire were to be recognized by the Soviet Government. Degras, n. 17, 147-149.

[84]An All-Russian Government was formed in the autumn of 1918 by the various anti-Bolshevik elements. On November 18, 1918, however, this government was overthrown and a military dictatorship headed by

the hope for an early overthrow of the Soviet regime. As a matter of fact, Kolchak's army had, by May 1919, advanced from East Siberia to within 500 miles of Moscow. For a while, most of Siberia, large areas in the south, south-east and north, were lost to the Soviet Government. Harassed by internal revolt and starved by the Allied blockade, the Red Army retreated before the general onslaught of the Whites who were assisted with economic and financial aid as well as military supplies by the Allies, including the United States.[85]

The Red Army, however, succeeded in turning back and eventually routing the anti-Bolshevik forces in the second half of 1919. For a while, Allied hopes were raised again by the advance of the White leaders, General Denikin and General Yudenich. In October 1919, a White force under General Denikin advanced from the south to within 175 miles of Moscow, and from the west, a White detachment under General Yudenich almost captured Petrograd. But with the defeat of both these thrusts, and the capture of Omsk by the Bolsheviks in mid-November, 1919, which was followed by the collapse of the Kolchak Government, the failure of the intervention became evident and the United States, unwilling to be dragged into extended hostilities against the Bolsheviks, decided to withdraw her troops from Siberia.[86] On December 23, 1919, Secretary of State Lansing in a memorandum stated in part :

Admiral Alexander Kolchak was established at Omsk. Kolchak gradually obtained recognition from the major anti-Bolshevik factions, headed by Denikin, Yudenich and other important White leaders, as the new Russian Chief of State. Fischer, n. 44, 201-205.

[85] *For. Rels.*, n. 82, 323. The United States, however, was unable to assist the Kolchak Government with credits for military supplies as it was not recognised by her as a co-belligerent against the Central Powers. *Ibid.*, 421.

[86] According to the eminent Wilson scholar Arthur S. Link, Wilson never believed in intervention as a means of undoing the revolution. The decision to intervene, Link holds, was dictated by military and humane necessities and that American troops were sent "only in small numbers and for the briefest time possible, as if to chaperone Allied conduct in these areas." Arthur S. Link, *Wilson the Diplomatist* (Baltimore, John Hopkins Press, 1957) 117-118.

> The Kolchak Government has utterly collapsed; the armies of the Bolsheviki have advanced into Eastern Siberia..... Further the Bolshevik army is approaching the region where our soldiers are, and contact with them will lead to open hostilities..... In other words, if we do not withdraw, we shall have to wage war against the Bolsheviki.[87]

The memorandum thus indicated the real reason for withdrawing American troops—it was the fear that their continued maintenance in Siberia might lead to conflict with the Bolsheviks which the United States wanted to avoid.[88] Although the United States had aided the Kolchak Government with military supplies,[89] it did so in the hope that it would help to preserve "Russia's territorial integrity" and maintain "the open door in Siberia and Manchuria", and had no intention of directly involving itself in the civil strife between the Reds and the Whites.[90] Accordingly, American troops started leaving Siberia by way of Vladivostok in January 1920. The last American contingent left Vladivostok on April 1, 1920.[91] The final withdrawal of American troops marked the end of United States' participation in the intervention in Siberia.

The Red Scare in the United States

The happenings within Russia during the first few years of the Bolshevik regime produced severe repercussions in the United States. The Bolsheviks, faced with foreign intervention and civil war at the same time, resorted to desperate measures.

[87] *For. Rels., The Lansing Papers, 1914-1920* (Washington, GPO, 1940) II, 392.

[88] Perhaps it was the realisation of this fact at a later date that led the Soviet Government to waive all claims against the United States on account of her intervention in Siberia. *For. Rels. The Soviet Union, 1933-1939* (Washington, GPO, 1952) 36.

[89] Between the summer and autumn of 1919, Kolchak received from America or through Americans, arms, ammunition, clothing, boots, and other materials amounting to some $50,000,000. Reitzer, n. 41, 156.

[90] Unterberger, n. 40, 233.

[91] After the withdrawal of American troops, Japan continued her occupation of Eastern Siberia in 1920. Great Britain and France had, however, withdrawn their forces from Russia by that time. Japan's occupation persisted till 1925. Black, n. 64, 339. Also see Xemia J. Eudin and Robert C. North, *Soviet Russia and the East, 1920-1927, A Documentary Survey* (Stanford, University Press, 1957) 321.

In an effort to stamp out internal revolt, the Bolsheviks had recourse to a program of mass terror and suppressed all counter-revolutionary activities with ruthless severity. Every suspected uprising against them was crushed by wholesale arrests and executions. The program of terror, in fact, was designed to crush without mercy those who challenged the authority of the new regime.

The terroristic measures adopted by the Bolsheviks led to an intense wave of anti-Bolshevik feeling in the United States. With Lenin and Trotsky urgently calling upon the proletariat throughout the world to free themselves from capitalist control, many Americans began to fear the spread of Communism in the United States. This fear on the part of the Americans was exploited by U.S. governmental agencies which kept up a barrage of anti-Bolshevik propaganda throughout 1919. It was inspired partially, at least, by the need to justify the policy of intervention.[92]

The American Press was also filled with tales of Bolshevik atrocities.[93] Bold headlines carried the news of cruel deeds perpetrated by the Reds without any effort being made to evaluate the conditions in Russia. The July 2, 1919 issue of the *New York Times* describing the cruel massacres committed by the Reds in Siberia stated, "they shot them down in squads ..... Some of the squads rose as high as fifteen hundred. Some of them they shot in the streets, some of them they took out in the woods, and only the melting snow revealed the crime

It is true that there was substance in some of the charges. But most of the happenings were greatly exaggerated without

[92]Department of State, *Memorandum on Certain Aspects of the Bolshevik Movement in Russia* (Washington, GPO, 1919).

[93]Some observers have contended that the American Press was influenced by the U.S. Government's attitude toward the Bolsheviks. It is, however, equally possible that the U.S. Government was influenced by the American Press, and that the Press reflected the sentiments and prejudices of various interested elements or the conviction of the publishers themselves. While there might be some justification in both the arguments it would perhaps be difficult to substantiate them with any accuracy.

[94]*New York Times* (July 2, 1919).

any effort being made to realise the fact that the disorderly conditions in Russia resulted from the activities of the Bolsheviks as well as the various anti-Bolshevik groups. The *New York Times* spoke of Bolshevism as "the despotism of the socialist proletariat" that had replaced "the overthrown despotism of Czardom"[95] and described the Bolsheviks as murderers and assassins who had established "a reign of terror",[96] "a rule of force and oppression unequalled in the history of any autocracy."[97]

The hysterical nature of these attacks upon Bolshevism was largely the result of a growing fear of the spread of Red revolution to the United States. The establishment of an American Communist Party in September 1919, heightened this fear. America, however, offered an infertile ground for Communist doctrine. Despite this fact, the public saw the Bolshevik spectre in every outbreak of industrial strikes, many of which were a natural consequence of labour's post-war demand for higher wages to meet the rising cost of living. The bomb outrages attempted in May 1919, heightened the fear of the Americans who believed that foreign influences were at work in their country. Attorney General A. Mitchell Palmer undertook vigorous repressive measures. He struck at the industrial strikers with blanket injunctions, prohibited radical literature from the mails, and rounded up for deportation all undesirable aliens fomenting agitation in the United States.[98] The spirit of intolerance became fairly widespread in the country and radicals and aliens came, for a time, under especial suspicion as possible advance agents of the Russian Bolsheviks seeking to promote the cause of world revolution by spreading disaffection and strife in the United States.

[95] *Ibid* (November 27, 1917).
[96] *Ibid* (April 6, 1919).
[97] *Ibid* (May 4, 1919).
[98] L. F. Post, *The Deportation Delirium of Nineteen Twenty* (Chicago, Kerr and Co., 1923).

CHAPTER TWO

Famine Relief 1921-1923

Despite the scare caused by the Red Terror—the bloody suppression of all counter revolutionary activities by the Bolsheviks—the United States extended a helping hand to the Russian people when they were faced with a severe famine. The general feeling of revulsion against the Bolshevik regime was temporarily cast aside to save the Russian people.

Causes of the Famine

The famine that broke out in Russia in 1919 was partly the outcome of the refusal of the peasants to till the soil for a state which forced them to surrender all the surplus foodstuffs raised. The peasants had to hand over to the government at a fixed price everything that they produced in excess of their own requirements. In return, they were "entitled to receive from the government two-thirds the value of their delivered surplus in kind—cloth, oil, salt and other commodities" that they needed. The government, however, was unable to supply the wants of the peasants. The latter, therefore, refused to deliver the surplus foodstuffs to the government and either concealed them or disposed of them illegally. The government's policy, moreover, took away from the peasants the incentive to plant crops. They, therefore, reduced their area of cultivation and produced no more than was needed for bare subsistence.[1] This resulted in a reduction of grain production to a near-starvation level for the nation. Livestock raising also declined to at most 30 per cent of the pre-war level

[1]H. H. Fisher, *The Famine in Soviet Russia, 1919-1923* (New York, Macmillan, 1927) 487-488.

primarily due to lack of fodder. Some seven years of war, social turmoil, foreign intervention and blockade were capped by a severe drought in 1920-1921. The impact of this additional disaster finally brought about a tragedy that shocked human conscience. The area most affected by the drought was the south-eastern portion, particularly the section around the lower Volga—an area that was known as the 'granary of Russia'. Apart from this area, the southern part of the Ukraine was also stricken with famine.[2] "Roughly speaking the famine area represented one-twentieth part of Russia; but in that part it provided not less than one half of the Russian harvest."[3]

In the absence of adequate reserves of food and of transportation facilities to carry what was available to the famine-stricken regions, the Soviet Government was quite unable to cope with the situation. By the middle of the summer of 1921, famine was raging throughout the Volga valley and millions were threatened with death.[4]

According to various estimates, some 5,000,000 people died in the famine. Aid from abroad became urgent and it was to the United States that the Soviet authorities turned. There was no request for aid addressed to the United States Government by the Soviet Government, but Maxim Gorky, the well-known Russian author, appealed to the American people to

[2]Outside Russia nothing was known of the extent of the famine in Southern Ukraine. This may have been by design of the Soviet Government. As Fisher puts it, the Soviet Government "actively discouraged" everything that was likely to bring the foreigners "in contact with the Ukraine" to prevent them from being aware of "the Ukrainian situation." Of the two famine areas—the Volga and the Ukraine—"the Volga famine involved a greater area and more people." The Soviet Government, therefore, decided upon "focussing all efforts on the Volga" and "ignoring the Ukraine" in the belief that "since it was unlikely that there would be enough food to supply both regions, it was better to handle one job well, than to try to handle two and fail." *Ibid.*, 261, 264.

[3]*Commercial and Financial Chronicle* (July-September, 1921) 451.

[4]League of Nations, *Report on Economic Conditions in Russia with Special Reference to the Famine of 1921-22 and the State of Agriculture* (Geneva, LN, 1922) 1-4.

save the starving millions in Russia. "This appeal.....probably was [the result of] a compromise.....between the Die Hards," who were opposed to aid from the "capitalists", and "the more flexible and humane opportunists, who could see no advantage in the survival of Communism if Russia were ruined in the process." The compromise, perhaps, lay "in the manner in which the appeal was made. The Soviet Government itself did not.....ask for help," but "allowed.....Maxim Gorky to do so."[5]

Gorky's message, dated July 13, 1921, "was addressed 'to all honest people', told of the crop failure which threatened starvation to millions of Russians, and ended with the appeal, 'I ask all honest European and American people for prompt aid to the Russian people. Give bread and medicine.' "[6]

American Aid to Famine Stricken Russia

The American Relief Administration (ARA)

In reply to Gorky's appeal, the Secretary of Commerce in the Harding Cabinet and Director of European Relief during the war, Herbert Hoover, sent him a cable on July 23, 1921, clearly stating that "'to the whole American people the absolute *sine qua non* of any assistance must be the immediate release of the Americans held prisoners in Russia and adequate provision for administration." He also asked for full liberty of the relief workers to carry on their activities in Russia without Soviet interference. "Once these steps have been taken", he stated, "the American Relief Administration (ARA)..... have funds in hand by which assistance for the children and for the sick could be undertaken immediately."[7]

At the same time, Hoover guaranteed that the representatives and assistants of the ARA in Russia would not engage in any political activities. The non-political character of this message probably convinced the Russians of the sincerity of the American offer, and on July 25, 1921, Gorky announced its acceptance by the Soviet Government. The formal acceptance

[5]Fisher, n. 1, 51.
[6]*For. Rels.*, 1921 (Washington, GPO, 1936) II, 805.
[7]Fisher, n. 1, 52.

was transmitted on July 31, signed by Kamenev as Chairman of the Commission of the All-Russian Central Executive Committee for Helping the Famine-Stricken Population.[8]

The Riga Agreement

Kamenev suggested that negotiations for relief agreement be begun as soon as possible. In response to this suggestion, Walter Lyman Brown, Chief of the ARA Mission in Poland, and Maxim Litvinov met in Riga on August 10, 1921, to work out the terms of the agreement under which the ARA was to carry on its operations in Russia. There was some controversy over the principle of freedom of action of the ARA in Russia affecting the right to form local committees for the distribution of relief. Litvinov contended that "Russia was in a state of disturbance and revolt and that there were no neutrals in the country." He also contended that "the creation of organizations outside the control of the Soviet Government might result in counter-revolutionary projects under the guise of relief committees. Brown, on the other hand, emphatically declared that the ARA did not intend and would not tolerate on the part of its American representatives or its Russian Committees, any political activity whatever." He made it clear that the "sole object of the ARA was to save as many lives as possible."[9] Brown's endeavour was to prevent the ARA from being "used for political purposes by any party, either Communist or anti-Communist.[10] In the discussions, "the words 'food is a weapon' were constantly on Litvinov's lips. Recognition of the truth of this was at bottom the principal difficulty in the differences of opinion in regard to the control of relief. The Soviets had no intention of allowing food they did not control being used against them. The ARA on the other hand, was equally determined not to allow the Communists to withhold or bestow American food as punishment or reward for political activity."[11] President Harding and his Cabinet, while refraining from any official participation, were also agreed that the

[8] *Ibid.*, 53.
[9] *Ibid.*, 60.
[10] *Ibid.*, 61.
[11] *Ibid.*, 62.

ARA must have exclusive and unhampered control over the distribution of food.[12]

The difficulties were, however, finally overcome, thanks to the skill and judgment of Brown and Litvinov and the agreement was signed on August 20, 1921.[13] Litvinov expressed the hope that the meeting would be a precedent for further Russian-American negotiations. The United States Government, however, held that the agreement was solely with the ARA and was entirely non-political and in no sense represented a change in its policy towards Soviet Russia.

On September 3, 1921, Colonel William N. Haskell sailed from New York with a large staff to take charge of relief activities. Food was soon moving into Russia from Western Europe and active preparations were begun in the United States for the launching of an energetic campaign to raise funds.

American Motives

Hoover was subjected to severe attacks from the liberal circles in the United States which believed that ARA was pursuing an ulterior motive in going into Russia to succor the starving population. The liberals suspected Hoover's motives in giving relief to Russia since he was known to be a staunch enemy of Bolshevism.[14]

Hoover's remark to Secretary of State Hughes that "the relief measures will build a situation which, combined with other factors, will enable the Americans to undertake the leadership in the reconstruction of Russia when the proper moment arrives" was significant. He left no doubt as to his main concern when he said, "the hope of our commerce lies in the establishment of American firms abroad, distributing American goods under American direction; in the building of direct American financing and above all, in the installation of American technology in Russian industries". Hughes looked upon the ARA as a convenient source for obtaining information

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[12] *New York Times* (August 17, 1921).

[13] *For. Rels.*, n. 6, 817. For the text of the Riga Agreement, see Appendix 1.

[14] Fisher, n. 1, 55.

regarding Russia. "Full information will be obtained this way", he explained, "without the risk of complication through government action."[15] The Soviet leaders were not altogether unaware of these aims. It was, therefore, only natural that they were sceptical as to American motives and many hindrances were consequently thrown in the path of the ARA. It was feared that philanthropy might be used with greater effectiveness than machine guns in attaining political ends. Supplying famished people with American canned goods was considered as effective as the dispatch of occupying troops. According to the Soviet historian Rubinshtein, "the aim of the diplomacy of condensed milk" was the creation of "relief committees made up of counter-revolutionaries, anti-Soviet elements, to send to Soviet Russia a whole army of spies and undercover agents."[16]

Although this contention might be disputed, some observers were inclined to believe that American aid to famine-stricken Russia was dictated not so much by humanitarian as by other considerations which were likely to serve her interests. Although there were conflicting views about American motives, there is no doubt that there existed during that time an attitude of hostility among most Americans toward Soviet Russia. Russia's desertion of her allies at a critical time during the war had antagonised the Americans. The latter regarded the Bolsheviks with hostility because they betrayed their allies and bartered their country for German gold, but what was worse, they attacked property, religion and the sanctity of the home. This anti-Russian feeling was quickened by the Red Terror in Russia. The scare which it caused in the United States, resulting in an anti-red crusade in 1919-1921, served to intensify American hostility against the Bolsheviks.[17] The opposition of certain sections in the United

[15]Hughes to Herrick, September 2, 1921, NA, RG 59, File 861.48/1601.

[16]As quoted in Robert Paul Browder, *Origins of Soviet American Diplomacy* (Princeton, University Press, 1953) 21.

[17]Among the occurrences which left their mark on the public mind were the bomb outrages of May and June 1919; the Red Crusade led by Attorney General Palmer toward the end of 1919; the deportations in the

States to relief measures for the victims of famine in Russia was, however, not merely due to hostility against the Bolsheviks, but was based on other grounds also. At the time when the ARA was contemplating relief work in Russia, the United States itself was faced with unemployment, insolvencies, and an acute agricultural distress. All these were the result of the collapse of the European market after the end of the First World War. The number of unemployed was variously estimated to be between 3,500,000 and 5,500,000 by September 1921[18] and the price of wheat during that period had fallen from $2.15 to $1.44 a bushel. Being thus forced to sell their products at ruinously low prices and buy what they needed at high prices, the farmers were badly affected.

Besides, the winter of 1921-22 promised to bring despair, hunger, and cold to many thousands in America, for the unemployed, who had gone through the preceding winter on their savings, faced the coming months without resources. The care of these destitutes was obviously the first duty of the American people, and this was widely recognised and reflected in the press. One editor gave expression to the thought in thousands of American minds when he wrote, "If there are going to be any drives, let them be for funds to feed, clothe and shelter several million perfectly good Americans who are going to have pretty tough sledding during the coming winter unless all signs fail". Senator Stafford also opposed Russian relief measures stating that there was likely to be suffering in the United States during the winter of 1921-22 and in that event, he asked, "are we to deny relief at home and vote the people's money to the relief of those who are suffering abroad because of the bad government of their making ?"[19] But Hoover explained that the food supplies which were to be sent to Russia were "all in surplus in the United States,

'Soviet Ark' in December 1919; the expulsion of Martens, the Soviet representative in the United States in January 1921; and the deportation of more Reds in January 1921. L. F. Post, *The Deportation Delirium of Nineteen Twenty* (Chicago, Kerr & Co., 1923).

[18]U.S. Department of Commerce, *Report of the President's Conference on Unemployment* (Washington, GPO, 1927) 37.

[19]*Congressional Record*, 67 Cong., 2 Sess., 62 (1922) 456.

and without a market in any quarter of the globe..... From an economic point of view there is no loss to America in exporting these foodstuffs for relief purposes".[20] Hoover recognized that Americans would accept the idea of Russian relief only if they realized that provision was made first for their own situation. He favoured an authorization by the Congress of "about $20,000,000" for Russian relief, and believed that if this amount was used "to buy food supplies from the American farmers, the result would be beneficial not only to the Russians, but to the American farmers" in disposing of their surplus and to the "labourers as well."

He estimated that "purchases to this amount, while not in themselves a striking total, would, particularly in corn where the greatest trouble lay, sweep the market of distress, liquidate sales, and give the farmer a chance." These purchases would, moreover, "convince prospective buyers—especially foreign buyers who had been holding off—that the period of liquidation was over. They would resume purchasing, causing an increase in farm values all along the line. This increase, in turn, would be reflected in increased purchasing of manufactured articles by the farmers, which would improve the industrial situation and so contribute to the solution of the unemployment problem. The Government appropriation would thus indirectly put an end to the tragic anomaly of the farmers of one part of the world using food grain for fuel, while farmers of another part of the world were starving." "Charity both at home and abroad" would be served thereby.[21]

Congressional Appropriation for Famine Relief

A bill (H.R. 9548) was introduced on December 10, 1921, "for the relief of the distressed and starving people of Russia".[22] It was referred to the Committee on Foreign Relations and originally proposed an appropriation of $10,000,000. This was later raised to $20,000,000 at the suggestion of James P. Goodrich, a former Governor of Indiana, who had made an

[20]U.S. House of Representatives, 67 Cong., 2 Sess., House Committee on Foreign Relations, *Hearings, Russian Relief* (Washington, GPO, 1921), 39. Hereafter cited as H. Com. on For. Rel., *Hearings*.

[21]Fisher, n. 1, 145-146.

[22]*Congressional Record*, n. 19, 565.

independent survey of the famine conditions in Russia. At the hearings on Russian Relief, Goodrich stated that $20,000,000 would be "enough to meet the supreme necessities of the famine". He arrived at this estimate after an investigation made "from a comparison of statistics obtained from the commissar of agriculture at Moscow, from the commissars of the various provinces.....and from the records.....obtained in the various communes (he) visited".[23] Goodrich also proposed that 20,000,000 bushels of corn and 5,000,000 bushels of wheat be sent to Russia.[24] He believed that if the Russian peasants were furnished with enough "to enable them to plant all the ground they have sowed, ready for planting, Russia will with a normal rainfall, have a surplus of foodstuffs next year (1922)."[25] This measure for Russian relief was also supported by Samuel Gompers, President of the American Federation of Labour who felt that there was "a real dire necessity"[26] for it. He wanted, however, to be sure that the ARA would be in absolute control of the funds appropriated for "relief of the famine-stricken people of Russia" and that "it would not be taken over to help the existing regime in Russia".[27] Carl S. Vrooman, a former Assistant Secretary of the Department of Agriculture, and Ralph Synder, representing the American Farm Federation, also supported the measure from a "broad humanitarian standpoint".[28] The bill (H.R. 9548) read, in part, as follows.

That the President is hereby authorized through such agency or agencies as he may designate to purchase, transport and distribute corn, seedgrain and preserved milk for the relief of the distressed and starving people of Russia and for spring planting in areas where seed grains have been exhausted. The President is authorized to expend or cause to be expended out of the funds of the United States Grain Corporation a sum not exceeding $20,000,000, or so much thereof as may be necessary for the purpose of carrying out the provisions of this act.[29]

[23]H. Com. on For. Rel., *Hearings*, n. 20, 9-10.
[24]*Ibid.*, 7.
[25]*Ibid.*, 10.
[26]*Ibid.*, 40.
[27]*Ibid.*, 41.
[28]*Ibid.*, 47.
[29]*Congressional Record*, n. 19, 565.

The amount that was made available for the famine relief was intended to be spent in the Volga region. Thus when Carl J. Mayer, American Trade Commissioner in Vladivostock wired for $200,000 to be made available to him for the purchase of food and warm clothings for the suffering people in that area, he was informed that "the Congressional appropriation is not being used for Russian refugees anywhere, but only for Russian in the Volga Basin."[30] It may be noted that the amount of $20,000,000 appropriated by the Congress was made payable out of the funds of the United States Grain Corporation—actually from its profits. As Senator Linthicum stated,

> We are appropriating this money, it is true, but this fund is payable from the United States Grain Corporation fund.... Out of the investment (of $1,000,000,000) in the United States Grain Corporation $65,000,000 have remained as profits, and this $20,000,000 will be paid out of that $65,000,000.[31]

Thus the appropriation by the Congress for the famine-stricken people of Russia did not impose any additional direct burden upon the American taxpayer as it was paid out of the profits of an investment. There were three amendments to this bill of which the last two required that the food supplied should be transported in American vessels, and that the supplies should be purchased in the United States. From these amendments, it appears that strong pressure was brought to bear upon the Congressmen by both the farming and shipping interests and that the measures for Russian relief received their support because they stood to benefit by them. The shipping interests viewed the program as a source of emergency revenue and the farm group saw in the projected federal purchase of grain stocks a partial solution for the loss of their war-sponsored foreign markets. Obtaining immediate income was a matter of no small concern to the farmers at a time when the demand for their products had declined considerably, while the supply remained high and prospects of obtaining foreign

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[30] H. Dotterer to C. A. Mayer, January 17, 1922, NA, RG 151, File 448 Famine.

[31] *Congressional Record*, n. 19, 456.

markets were gloomy.[32] Representative Sabath speaking on Russian relief stated on December 17, 1821,

> though it may appear we are asked to give a large sum of money, it will not only come back to us a thousand-fold but will create a greater demand for our surplus products and grains that the farmer has found impossible to sell anywhere near the cost of production..... It will stimulate the export of these commodities and thus afford relief not only to the suffering farmer but to the entire Nation as well.[33]

Certain sections in the United States might have supported the Russian relief measures because they benefited by them. But what was, perhaps, the real sentiment of the American people was echoed by President Harding in his message to the Congress on December 6, 1921 when he said,

> I am sure there is room in the sympathetic thought of America for fellow human beings who are suffering and dying of starvation in Russia. A severe drought in the valley of the Volga has plunged 15,000,000 people into grievous famine..... Unless relief is afforded the loss of life will extend into many millions. America cannot be deaf to such a call as that. We do not recognize the government of Russia nor tolerate the propaganda which emanates therefrom, but we do not forget the traditions of Russian friendship. We may put aside our consideration of all international politics and fundamental differences in government. The big thing is the call of the suffering and the dying.[34]

In all, over $60,000,000 was expended in aid to the famine areas. Apart from the Congressional appropriation of $20,000,000, the United States also contributed a considerable quantity of surplus foodstuffs and medical supplies held by the War Department.[35] In response to a request by Hoover, the Chairman of the House Committee on Military Affairs introduced a joint resolution to authorize the Secretary of War to

[32] U.S. House of Representatives, 67 Cong., 2 Sess., *House Report No. 512, Relief for the Starving People of Russia* (Washington, GPO, 1922).

[33] *Congressional Record*, n. 19, 454.

[34] *Ibid.*, 39.

[35] Other organizations actively engaged in providing relief to the Russians included the American Red Cross, American Friends Service Committee and the Y.M.C.A. Herbert Hoover, *An American Epic* (Chicago, Regnery, 1961) III, 160-164.

donate supplies from the surplus war stocks of the United States Army. The supplies were not to exceed $4,000,000 in cost value and they were to be turned over to the ARA in Russia.[36] Among the supplies of the War Department declared surplus, those which were likely to be of use in Russia amounted roughly to $1,500,000 in medicines, $1,500,000 in dressings, $1,500,000 in hospital supplies, and an almost unlimited amount of surgical instruments.[37] Through the appropriation of these surplus war stocks and the support of the Red Cross, the ARA carried on a campaign against the spread of typhus, typhoid, malaria and small-pox. In this way, the spread of these diseases which were a natural accompaniment of famine, was much curtailed. The actual work of feeding the famine victims was well under way by the end of 1921 and continued without interruption throughout 1922. By the beginning of 1923, the famine was under control. The report of the ARA in January 1923 declared that the famine had been "strongly checked" and 10,000,000 people were fed and clothed through the ARA.[38] Some friction had developed between the ARA workers and the Soviet authorities leading to charges on both sides of breaking the Riga agreement;[39] but, on the whole, there was little cause for complaint.

[36] *Congressional Record,* n. 19, 1271. The supplies were used by the ARA for relief purposes in Russia.

[37] Apart from the sum contributed by the U.S. Government, $26,000,000 was raised through the various social, philanthropic, religious and service organizations in the United States, and $12,000,000 was contributed by the Soviet Government, of which $10,000,000 was paid in gold. The Treasury Department had prohibited the United States Mint and Assay Offices from accepting any gold from Soviet Russia until it had been proved that it was not of Bolshevik origin and had never been in the possession of the Bolshevik government of Russia. An exception was, however, made in the case of $10,000,000 paid by the Soviet Government in gold because it was being expended for humanitarian purposes on behalf of the whole Russian people. But it was made clear that the acceptance of this gold did not establish "a precedent for the acceptance of other lots of Russian gold" that might be brought to the United States under different circumstances. *For. Rels.,* n. 6, 825.

[38] *Current History* (October, 1922—March 1923) 883.

[39] *Ibid.* (April—September, 1923) 173.

Withdrawal of the ARA

The withdrawal of the ARA at the end of July 1923 was not due to the failure of the Soviet Government to cooperate but to the fact that the crisis had been met. There were indications that the harvest for the forthcoming year (1924) would afford a substantial surplus of food over all the internal needs of the country, thereby enabling the Government to have an export balance.[40] The Soviet Government itself had done all in its power to cope with the catastrophe, from making special efforts to collect the food tax in the unaffected regions to confiscating the treasures of the church.[41] The International Committee of the Russian Relief Funds, headed by Dr. Nansen, had up to September 1922, distributed 90,700 tons of foodstuffs and fed 734,000 children and 902,800 adults.[42] The chief credit for meeting the disaster, however, must rest with the ARA. It had furnished over 90 percent of all relief going into Russia. It had collected from all sources over $66,300,000. It had shipped 700,000 metric tons of food and its staff of 200 Americans and 80,000 Russians had saved from death by starvation over ten million people. It had expended $1,455,861 in clothing relief, and over seven and one half million people had been vaccinated or innoculated against epidemics.[43] Colonel Haskell later reported,

> Through this service America has not only saved millions of lives, but has given impulse to the spiritual and economic recovery of a great nation, and on our own behalf we have created in the assurance of goodwill from the Slav races a great inheritance for our children.[44]

In a resolution, the Soviet of People's Commissars expressed their gratitude by declaring that "the people inhabiting the Union of Soviet Socialist Republics will never forget the help given to them by the American people, through the ARA, seeing in it a pledge of the future friendship of the two

[40] *Ibid.*, 710.
[41] League of Nations, n. 4, 40-43.
[42] *Ibid.*, 103-106.
[43] *ARA Annual Report* (1923) 12.
[44] *New York Times* (August 29, 1923).

nations." In a special message to the *Chicago Tribune*, George Chicherin, Minister for Foreign Affairs of the Soviet Government also addressed the following message to the American people.

> The Russian people have very great appreciation for the great movement of human feeling on the part of the American people with reference to the suffering women and children in Russia. The gratitude which our people feel for this friendly and heartfelt attitude toward the famine victims will be a lasting tie and link between the peoples of Russia and America.[45]

Political Consequences

The immediate political consequences of the vast relief enterprise, however, were almost wholly negligible. Though directed by the Secretary of Commerce and in large part financed by Congressional appropriations, the entire project remained unofficial. Incidental contacts were established between the Soviet authorities and the American State Department. In accordance with Article 27 of the Riga agreement, providing for release of all Americans detained in Russia, a Liaison Division of the ARA was established. It acted as the agent of the State Department in dealing with the Soviet Commissariat of Foreign Affairs as to the cases of American citizens seeking reparation. These contacts, despite the hope of the Soviet Government, did not lead to further negotiations or to any modification of the American policy. Colonel Haskell, on his return to the United States, emphasized the stability of the Soviet Government and its eagerness to secure American recognition and American capital. But the Hughes-Hoover policy made it clear that all such hopes were futile. The United States had no doubt shown its friendship towards the Russian nation by coming to the help of the famine-stricken people, but for the Soviet Government, the United States had only the cold shoulder and the icy stare.

[45] *Commercial and Financial Chronicle*, n. 3, 885.

CHAPTER THREE

The Development of Soviet American Economic Relations

With the assumption of power by the Bolsheviks in November 1917, Russia's trade with the United States was considerably curtailed for a certain period. This was because all unlicensed trade with Russia was stopped by the Department of State soon after the Bolshevik revolution, and after February 1918, licenses were no longer granted without its permission. A year later, the State Department stopped entirely the issuance of export licenses.[1] The restrictions were, however, withdrawn toward the end of 1920.[2]

Trade Prospects

Owing to the Soviet monopoly of foreign trade,[3] American businessmen interested in trading with Russia had to deal directly with the Soviet Government. When they sought assurances from the State Department regarding the safety of their transactions with the Soviet Government, they were informed that although the United States Government did not consider the established authority in Russia safe enough to be accorded recognition, it had no objection to American businessmen trading with Russia if they wished to do so.[4]

[1]Mikhail V. Condoide, *Russian American Trade* (Columbus, Ohio State University, 1947) 76.

[2]*Ibid.*, 77.

[3]The Foreign Trade Monopoly was instituted under a decree passed by the Council of People's Commissars of Russian Socialist Federated Soviet Republic on April, 22, 1918, James H. Meisel and Edward S. Kozera, eds., *Materials for the Study of the Soviet System* (Ann Arbor, George Wahr, 1953) 70-72.

[4]U.S. House of Representatives, 66 Cong., 3 Sess., House Committee on Foreign Relations, *Hearings, Conditions in Russia* (Washington, GPO, 1921), 215.

Despite the unwillingness of the United States Government to establish normal relations with the Soviet Union, a substantial volume of American opinion favoured trade with the latter. This fact was borne out after the post-war recession of 1921 when labour urged trade with the Soviets as a means of relieving unemployment.[5] Thus, the West End Labour Association in a petition to the President on February 26, 1922, wrote that there were "6,000,000 working men and women in the United States asking for work and suffering because they could not find it" and demanded that "the government establish trade relations with Soviet Russia so that there may be work for American workers."[6] Similar petitions were made by numerous other labour unions all of which urged the opening of trade relations with Russia and expressed the belief that this would materially relieve the unemployment situation.[7]

The restoration of trade relations with Russia was also favoured by several Senators, foremost among them being Sanator France of Maryland and Senator Borah of Idaho. The latter was of the opinion that Soviet Russia would "prove the foundation upon which a sane free form of Government may be established."[8] Soviet Russia was also regarded as "a potential customer of American goods and a tremendously rich field for American investment."[9] In view of the pressure from various quarters, a Congressional enquiry was conducted to enquire into the feasibility of re-establishing trade with Russia. But this enquiry did not effect any change in United States policy towards the Soviet Government.[10] The latter had ardently hoped that the United States Government would realise the immense advantages which would accrue to both

[5]It should be noted, however, that the American Federation of Labour remained bitterly hostile to the Soviet regime and vigorously opposed any dealings with them. Samuel Gompers, President of A.F. of L. to Secretary of State Hughes, NA, RG 59, File 861.01/623.

[6]NA, RG 59, File 661.1115, P 81.

[7]*Ibid*, Files 661.1115, P 81/1 to 661.1115, P 81/15.

[8]*Congressional Record*, 66 Cong., 3 Sess., 60 (1921) 1868.

[9]NA, RG 59, File 861.01/991.

[10]U.S. Senate, 66 Cong., 3 Sess., Senate Committee on Foreign Relations, *Hearings, Relations with Russia* (Washington, GPO, 1921).

the countries from a restoration of commercial relations. It pleaded that "the interests of both required the removal of barriers separating them."[11] The U.S. Secretary of Commerce Herbert Hoover, however, made it clear that negotiations could be opened only after the Soviets announced the "abandonment of the present economic system."[12] He seems to have implied that negotiations for a trade agreement were futile until the Soviet Government adopted economic principles acceptable to the United States. Secretary of State Hughes expressed the same view when he stated that no discussion could take place until there was "convincing evidence" that "fundamental changes" had been affected in the economic structure of the Soviet Union.[13]

The official view was not shared by the business community in the United States, much of which favoured an immediate resumption of trade with Russia. This view was reflected in a memorandum submitted to the Senate Committee on Foreign Relations in which it was emphasized that "trade with Russia should be resumed upon the largest possible scale regardless of Communism" if it could be accomplished "with safety to the United States."[14] The eagerness of the American business community to foster trade with the Soviet Union was clearly indicated by the fact that trade between the two countries continued to increase despite the American Government's reluctance to have dealings with the Soviets.

Among those individuals who played important parts in American-Russian economic relations was Alexander Gumberg who was associated with Raymond Robins and Senator Borah in the battle for securing the recognition of Russia. Gumberg's most important work was the organization of the All-Russian Textile Syndicate in December 1923, which, though primarily intended to promote cotton trade, also handled a considerable

[11]J. Degras, ed., *Soviet Documents on Foreign Policy* (London, Oxford University Press, 1951) 1, 245.

[12]Hoover quoted in *New York Times* (March 22, 1921).

[13]*Current History* (October 1921-March 1922) 189.

[14]John Spargo, *A Memorandum of Trade with Russia* (New York, Russian Information Bureau, 1921) 3-4.

volume of other Soviet-American trade. Gumberg was aided by Reeve Schley, Vice-President of the Chase National Bank, who arranged for a loan of $2,000,000 for the setting up of the All-Russian Textile Syndicate.[15]

Amtorg Trading Corporation

The other organization which handled a considerable volume of Soviet-American trade was Amtorg Trading Corporation. It was an agency of the Soviet Commissariat of Foreign Trade in the United States and was formed by the amalgamation of the American office of Arcos, the Russian trade outlet in Britain, and the Products Exchange Corporation, an American firm incorporated in England. It was formally established on May 27, 1924. The new firm was chartered as a joint-stock company under the laws of New York. At the same time, it concluded a special license agreement with the People's Commissariat of Foreign Trade of U.S.S.R. by virtue of which it acquired the right to export and import various merchandise to and from the U.S.S.R.[16] Foreign trade being a state monopoly in the U.S.S.R., the total volume of exports and imports were subjected to the general supervision and control of the state planning organization and the government. All imports from the United States and exports to the United States were tightened to a system of licenses by the government which exercised this function through the Commissariat for Trade. Within the limitations implied by the nature of this governmental monopoly of foreign trade, the actual export and import business of the U.S.S.R. was carried on by special Corporations or Syndicates handling a definite group of commodities. To name a few of them, "Mashtrans-import" (Machine and Transport Equipment Importing Corporation), "Electroimport" (Electrical Equipment Importing Corporation), "Gormetmashimport" (Mining and Metallur-

[15]*Russian Review* (December 15, 1924) 239; also see Hans Heymann, *We Can Do Business With Russia* (Chicago, Ziff Davis, 1945) 77.

[16]NA, RG 59, File 661.1115 Amtorg Trading Corporation/15. For the text of the agreement between the People's Commissariat of Foreign Trade of the U.S.S.R. and the Amtorg Trading Corporation, see Appendix II.

gical Importing Corporation), "Rudoexport" (Ore Exporting Corporation) and "Koverkustexport" (Rug and Artisian-made goods Exporting Corporation), were some of the Corporations handling the export and import of different commodities.

Amtorg Trading Corporation conducted its business with the various exporting and importing organizations of the U.S.S.R., in so far as the purchase of goods and services in the United States for the U.S.S.R. and the sale of Soviet goods in the United States was concerned. Most of the imports from the U.S.S.R. into the United States were handled by Amtorg by means of direct purchase of such goods from the Soviet exporting organizations. In some cases only, Amtorg received goods from those organizations on consignment. In all cases of direct purchases, Amtorg bought Soviet goods on the basis of contracts either for each individual purchase or of contracts specifying price, quality, terms of payment, and delivery. Such goods purchased by Amtorg from Soviet exporting organizations were then disposed of by it in the United States in the same manner as that practiced by other wholesale importers in the United States. Purchases in the United States by Amtorg for export to U.S.S.R. were made on a commission basis. Orders received from importing organizations of the U.S.S.R. were placed by Amtorg with American firms, subject to approval of the Soviet importing organization as to the terms of payment, price and delivery.[17] Through its trading operations, Amtorg gradually inspired confidence in the American companies with which it dealt.

The New Economic Policy and Trade

In the meantime, the introduction of the New Economic Policy[18] had initiated a rapid process of recovery in Russia's foreign trade, so seriously affected during the years of civil

[17]NA, RG 40, File Amtorg Trading Corporation 90034/3.

[18]The New Economic Policy, which was introduced in March 1921, provided for a tax in kind in substitution of the forced levy upon foodstuffs and fodder as had prevailed during the period of War Communism. The peasant was allowed to dispose of his surplus grain in any way he wished after paying the tax. Private trade was legalized and private manufacturing for profit was also partially revived. In this respect the New Economic Policy constituted a shift towards capitalism. It began

war and intervention. In order to stabilize the shaken foundations of the national economy, the Soviet Union turned to the United States for such items as agricultural implements, machine tools and tractors of which it was one of the largest suppliers. The Allied American Trading Corporation (which represented the Ford Motor Company, American Tool Works, American Rolling Mills, U.S. Rubber Company, Toledo Machine and Tool Company and a number of others), did considerable business with the Soviet Union in 1923 amounting to over $2,000,000.[19] In 1923 and 1924 it was the largest exporter to Russia of automotive and electrical equipment.[20] As a result of these concerted efforts to revitalize American-Russian trade, exports to Russia which totalled $7,617,000 in 1923 and $42,103,000 in 1924, jumped to $68,906,000 in 1925. During the same period, imports into the United States also increased from $1,619,000 in 1923 and $8,168,000 in 1924 to $13,120,000 in 1925.[21]

In the absence of diplomatic relations between the United States and the Soviet Union, a *modus vivendi* was set up which permitted commercial relations between them. The American Government did not object to its citizens "doing business with the Russian people." This was stated by President Coolidge in his message to the Congress on December 6, 1923.[22] In a further pronouncement on the American policy in April 1928, Secretary of State Kellogg reiterated his government's desire not to place any obstacle in the way of the development of

as an agricultural policy to increase the supply of food by offering fresh inducements to the peasant; but it gradually developed into a commercial policy for the promotion of trade. E. H. Carr, *The Bolshevik Revolution* (London, Macmillan, 1962) II, 272.

[19]Acting Chief of Commercial Intelligence, H. W. Gruber, to the Foreign Trade Secretary, Erie Chamber of Commerce, Pennsylvania, August 16, 1924, NA, RG 151, File 448 U.S.

[20]Acting Chief of Eastern European Division, L. J. Lewery to American Trade Commissioner at Riga, Carl J. Mayer, July 23, 1924, in *ibid.*

[21]Figures taken from U.S. Department of Commerce, *Foreign Commerce and Navigation of the United States,* 1923-1925 (Washington, GPO, 1924-1926). Hereafter cited as *Foreign Commerce and Navigation.*

[22]*Congressional Record,* 68 Cong., 1 Sess., 65 (1923) 97.

trade and commerce between the two countries. At the same time, however, he made it clear that "individuals and corporations availing themselves of the opportunity to engage in such trade do so on their own responsibility and at their own risk."[23]

Obstacle to Trade

Official pronouncements notwithstanding, certain factors arising out of the United States Government's actions hindered the smooth development of trade between the two countries. Thus, the Soviet Union was handicapped with respect to the method of covering the unfavourable trade balance with the United States. The difficulty arose from the embargo imposed in 1920 upon gold of Soviet origin which was continued even after other restrictions on trade with Russia had been removed. This measure was justified on the ground that all gold in the Soviet Union had been confiscated from its rightful owners by the Soviet Government which, therefore, had no right to dispose of it. The State Department ruled that the metal would not be accepted by the United States Mint or Assay Offices without a sworn affidavit to the effect that it was not of Soviet origin and had never been in the possession of the Soviet Government.[24] The Soviet Union being a large gold producing country, and gold being a natural medium for adjusting unfavourable balance in trade, the prohibition on the importation of Soviet gold acted as an impediment to the development of trade.

Another obstacle that hindered the expansion of Soviet-American trade was the difficulty encountered by the Soviet Government in obtaining long-term credit. Long-term credits were particularly important in view of the fact that Soviet purchases in the United States consisted mostly of producer goods such as industrial and agricultural equipment, which did not yield return for some time. Saul G. Bron, Chairman of the Board of Directors of Amtorg made it clear that "only on the basis of long-term credits can Soviet-American trade fully

[23] *For. Rels. 1928* (Washington, GPO, 1943) III, 824.
[24] *For. Rels. 1920* (Washington, GPO, 1936) III, 725-727.

realize its opportunities."[25] The Bureau of Foreign and Domestic Commerce advised American firms trading with Russia that they should preferably procure "a downpayment of at least 50 percent of invoice before shipment to cover material and labour costs, leaving the gamble to apply only to profits."[26] Officially, however, there was no restriction upon the granting of long-term credits by American firms. "Bank arrangements necessary to the sale of American goods on long-term credits" were also not objected to, provided the financing did not involve the sale of securities to the public.[27] As a matter of fact, some of the larger American firms like International General Electric, International Harvester and a few others did grant sizable commercial credits to Russia for relatively long terms.[28] In relation to the total needs, however, the credits granted were insignificant. The uncertainty arising out of the absence of political relations acted as a hindrance to widespread credit grants. Beside these handicaps from which Soviet-American trade suffered, American businessmen desiring to trade with Soviet Russia had to do so without the help normally rendered by American consuls and commercial attaches in other lands.

American-Russian Chamber of Commerce

Partly to overcome this difficulty, the American-Russian Chamber of Commerce was revived in 1926, with offices in New York and Moscow and with Reeve Schley as its President. It sought to supply some of the information which a Commercial Attache would ordinarily gather and at the same time promoted Soviet-American trade relations. The Chamber had existed before the revolution, but had dwindled to nothingness after the Kerensky regime. Soon after its revival, the Chamber

[25] *ERSU* (Nos. 22-23, 1928) 366.

[26] E. C. Ropes to T. L. Gaukel, April 27, 1928, NA, RG 151, File 448, U.S.

[27] *For. Rels.*, n. 23, 825.

[28] U.S. House of Representatives, 71 Cong., 2 Sess., Special House Committee, *Hearings, Investigation of Communist Activities in the United States* (Washington, GPO, 1930) Pt. 3, 257.

drew to it the representatives of all American firms who had or wanted to have dealings with U.S.S.R. Schley's connection with the Chase National Bank and his "impeccable integrity" inspired confidence in the Chamber, which thereafter became a powerful factor in the growth of Soviet-American commerce.[29] In 1926, exports to the Soviet Union which had shown an increase during the previous two years, dropped down considerably—by about $20,000,000 from 1925 figures.[30] This decrease helped to resuscitate the American-Russian Chamber of Commerce. The prospects of trade, however, brightened in 1927. Orders to the United States increased in proportion to the general increase in Soviet foreign trade.[31] The diplomatic breach with England after the Arcos raid in May 1927[32] also resulted in the shift of many orders from English to American firms. The Soviet Government believed that a sharp increase in the volume of its purchases in the United States was likely to influence the latter toward establishing normal diplomatic relations. It did not, however, force the issue but waited for the impact of its buying on the American market to produce the desired effect and then encouraged the resulting trend toward diplomatic relations with persuasive statements.

Contract with Hugh L. Cooper & Company

Direct trade, however, was not the only aspect of Soviet-American economic relations. In 1926, the Soviet Government entered into a contract with the firm of Hugh L. Cooper of New York, for the construction of the huge Dnepropetrovsk dam on the Dnieper River for the development of hydroelectric power. Colonel Hugh L. Cooper, senior partner of the firm, had vast experience in this field. He had previously constructed hydro-

[29]Heymann, n. 15, 78.

[30]*Foreign Commerce and Navigation,* 1926 (Washington, GPO, 1927) XI.

[31]American-Russian Chamber of Commerce, *Handbook of the Soviet Union* (New York, American Russian Chamber of Commerce, 1936) 293, 352.

[32]British Parliamentary Papers, *Russia No. 2, Documents illustrating hostile activities of the Soviet Government and the Third International against Great Britain* (Cmd. 2874, London, HMSO, 1927).

electric installations for the Missouri River Power Company in Iowa, the Toronto Power Company at Niagara Falls, and the water power project at Muscle Shoals.[33] In his opinion, the construction of the Dnepropetrovsk dam constituted "one of the most difficult, if not the most difficult engineering work of its kind....ever attempted."[34] The successful completion of this difficult project against heavy odds greatly impressed the Soviet Government and led to "the acceptance, once and for all, of American engineering standards in the Soviet Union."[35]

Concessions to Americans

The Soviet Government also granted concessions to Americans with a view to attracting foreign capital into the country. One of the first concessions was granted in 1925 to the Lena Gold-Fields Company, a British and American concern. The concession covered mines of various kinds in Siberia and the Urals, running for fifty years, and involved an investment of $11,000,000.[36] The concession was annulled in 1929.[37]

Tchiatury Concession Agreement. An important concession was granted to W. A. Harriman and Company of New York in 1925. By virtue of it, the Company obtained the sole right to exploit the mineral resources of the Tchiatury region in Russia as well as the sole right to export the manganese ores and peroxide stocks for a period of 20 years. The Harriman Company was also freed from almost all taxes (with the exception of a very few fixed in the concession contract) and was entitled to import duty-free all necessary machinery and materials for the undertaking. At the same time, Harriman was obligated, under the terms of the contract, to organize within the first three and half years an enterprise with the most modern equipment. He was also obligated to transform, in the course of five years, the narrow gauge railway line of Tchiatury into a normal line and to extend it to Poti. In Poti,

[33]Heymann, n. 15, 17.
[34]*ERSU* (Nos. 15-16, 1932) 315.
[35]Heymann, n. 15, 23.
[36]*Ibid.*, 38.
[37]*ERSU* (Nos. 14-15, 1930) 323.

he was supposed to erect an elevator with an annual capacity of two million tons. The operation required an investment by Harriman of at least $4,000,000.

During the life of the agreement, at least sixteen million tons of manganese ores and peroxide were required to be produced. The annual production was fixed at 300,000 tons in the first year, 400,000 in the second year, and 450,000 tons in the third year, and not less than 500,000 tons in the following years. Harriman was further required to pay an export fee of $3 per ton of manganese during the first three years, and $4 subsequently, and a fee of $8 per ton of peroxide in the first three years and $9 per ton thereafter.[38] The Harriman concession did not, however, prove a success. Harriman had expected to concentrate in his hands a large part of the world production of manganese which would enable his concern to secure a monopoly of the manganese supply on the American market. Harriman's hopes were based on the fact that, under normal conditions existing before World War I, the Trans-Caucasian mines were actually producing approximately 40 per cent of the total world's production of manganese.

Harriman's hopes were upset by an increase in the manganese production in Brazil and Africa, an increase stimulated by the high price of manganese which Harriman himself had been trying to maintain. Since he was compelled to lower his prices, it was necessary that he also reduce the cost of production by introducing the most modern methods of work as well as technical equipment of the most modern order. This required a far greater monetary investment than he had anticipated when he took over the exploitation of the Tchiatury concessions.[39] Harriman was also confronted with other difficulties. The Soviet Government did not permit him to purchase Soviet currency abroad and to import it into the U.S.S.R. in order to cover expenses connected with investments at the Tchiatury mines. The fact that it was necessary for Harriman to import foreign currency, exchanging it for the legal cur-

[38]Tchiatury Concession Agreement, June 12, 1925, enclosed in Coleman to Hughes, June 26, 1925, NA, RG 59, File 861.637/17.

[39]NA, RG 59, File 861.637/25.

rency at the official rate of exchange meant "an increased expenditure approximately 100 percent greater than Harriman had originally expected."[40] Furthermore, Harriman hardly succeeded in extracting the minimum quantity of manganese as had been agreed to, owing perhaps to the trouble he encountered in securing the co-operation of the labourers. He was subjected to "pressure on the part of the Trade Unions."[41] All these factors led to a negotiated abrogation of the concession agreement on August 28, 1928,[42] and Harriman received $4,450,000 as compensation for his original investment.[43] The abrogation of Harriman's concession agreement did not, however, affect the development of Soviet-American trade.

Economic Revolution in Soviet Russia and American Contributions to its Development

The Soviet Union's trade with the United States increased considerably after 1928. The principal reason for this increased trade was the huge demand for machinery and other implements arising out of the adoption of a Five Year Plan in 1928 for the industrialization and mechanization of the country.

The First Five Year Plan

The aim of the first Five Year Plan was to lay the basis for transforming a backward agricultural country into a highly industrial nation. The object was to make Soviet Russia capable of satisfying the rapidly growing demands of her population for agricultural and manufactured products. This was sought to be achieved by the development of the productive forces of the country through the exploitation of its natural resources, the building up of industries, and the development of agriculture on a higher technical level. The industrialization of the country involved the construction of new plants, the creation of new industries and the mechanization of agriculture. In other words, the Five Year Plan sought to trans-

[40] *Ibid.*, File 861.637/25.

[41] A. Yugoff, *Economic Trends in Soviet Russia* (New York, Allen & Unwin, 1930) 231.

[42] NA, RG 59, File 861.637/23.

[43] *Ibid.*, File 861.637/26.

form the economic life of the country including agriculture, to a new technical basis, the technical basis of modern large-scale production.[44] In the words of G. T. Grinko, Vice-Chairman of the State Planning Commission,

> the great task set by the Five Year Plan for the development of the productive forces of the Soviet Union through rapid industrialization and steady strengthening of the socialist elements in the national economy is that of attaining and surpassing the technical and economic level of the advanced capitalist countries, thus assuring the triumph of the socialist system in its historic contest with capitalism.[45]

The ultimate aim of the Five Year Plan was "to undermine capitalist stabilization"[46] through the development of a strong Soviet economy. Ironically enough, it sought to do so with the help of the capitalist countries, particularly the United States.

Development of Agriculture under the Five Year Plan. So far as agriculture was concerned, the government wanted to increase its production to a level where it could fully satisfy domestic needs and also provide a reasonable surplus for export. It was realised that in order to achieve an increase in production, it was necessary to do away with the small individual peasant farms and to introduce the system of collective farming which permitted the use of modern agricultural machinery and scientific methods of farming. In his report to the Fifteenth Congress of the Communist Party, Stalin enunciated this policy as follows :

> The way out is to turn the small and scattered peasant farms into large united farms based on common cultivation of the soil on the basis of a new and higher technique....with the use of agricultural machines and tractors and scientific methods of intensive agriculture.[47]

[44]Meisel and Kozera, n. 3, 177.

[45]G. T. Grinko, *The Five Year Plan of the Soviet Union* (New York, Martin Lawrence, 1930) 30.

[46]*Ibid.*

[47]Communist Party of the Soviet Union, XV Congress, 1927, *Report of the XV Congress of the Communist Party of the Soviet Union, Official Report with Decisions and Discussions* (London, Communist Party of Great Britain, 1928).

The Soviet Government's need for grain had increased as its "program of rapid industrialization got under way" since an increasing number of "industrial and construction workers" had to be fed from "government controlled supplies." But the peasants had become extremely reluctant to "grow and sell grain at the government fixed price," since other crops could be produced more advantageously.[48] Also, it was found to be "more profitable to feed grain to livestock and sell the resulting meat and diary products than to sell grain itself at the state price."[49]

Collectivization. The government sought to overcome the difficulty resulting from the reluctance of the peasants to sell grain, by collectivization of farms.[50] It meant the organization of large-scale farms based on joint utilization of land and the means of production. In justification of the programme it was argued that 25,000,000 individual farms, because of their inefficient methods and lack of capital, had not been able to raise the agricultural production of the country to the level required by the expanding industry.[51] But in the process of collectivization, the government resorted to fairly drastic measures when it encountered resistance from the kulaks or the rich peasants. The latter, on their part, disposed of as much of their moveable property as they could before being forced to join the collective farms and in many cases actually destroyed livestock rather than hand it over to the collective farms. As a result the total head of livestock was reduced to half within a space of four years.[52]

[48]The total grain supply sold shrank considerably during the 1920's being only 13.3% in 1926-1927 as against 26% before World War I. Harry Schwartz, *Russia's Soviet Economy* (New York, Prentice Hall, 1954) 111.

[49]*Ibid.*, 112.

[50]Collective farming existed even before the First Five Year Plan period, but it was of little account. Thus in November 1927, there were only 14,832 collective farms. But by June 1, 1929, after the Plan had been in operation for eight months only, the number of collective farms increased to 57,000. Cf. A. Baykov, *The Development of Soviet Economic System* (Cambridge, University Press, 1950) 191.

[51]*EERSU* (No. 5, 1920) 80.

[52]Leonard E. Hubbard, *The Economics of Soviet Agriculture* (London, Macmillan, 1939) 117.

In a very short time, the campaign of forced collectivization caused such chaos in the countryside that the government was compelled to change its method to prevent the ruin of agriculture. As a result, the principle of voluntary collectivization was introduced and those who had been forced to submit against their will were allowed to leave. In March 1930, Stalin, in a letter entitled "Dizzy with Success", sharply reproached the collectivisers for having used force against the peasants where persuasion was called for. He reminded them that "collective farms cannot be set up by force. To do so would be stupid and reactionary."[53]

Even after compulsory methods had been dropped and a return made to voluntary collectivization, however, indirect pressure continued to be exerted on the peasants to throw their holdings into the collective farm. The pressure took the form of a number of privileges given to members of the collective farms, privileges which were combined with differential taxation upon those who persisted in farming their own holdings. As a result, the peasants who had left the collective farms were only too glad to be readmitted before long. The government thus ultimately won,[54] but at a very heavy cost. It "included the loss of half the nation's livestock, much of its other agricultural capital" and a demoralization of agriculture. Besides, "as many as 5,000,000 kulak families may have been deported to Siberia and the Far North for their resistance."[55]

[53]J. Stalin, *Problems of Leninism* (Moscow, Foreign Languages Publishing House, 1940) 336; also see Meisel and Kozera, n. 3, 186.

[54]At the beginning of the campaign for "the extermination of the Kulaks" in January 1930, there were 59,400 collective farms in the U.S.S.R. When the principal stages of the "extermination" had been accomplished by March 1, 1930, there were 110,200 collective farms comprising 55% of the total peasant homesteads. When collectivization was made voluntary, the number declined to 82,300 by May 15, 1930. This decline, however, was temporary and the figure started rising again with the grant of special privileges to those who joined collective farms. By August 1, 1931, the number of collective farms increased to 224,500. In these were merged 57.9% of the peasant homesteads. This figure rose to 62.3% in May 1932. P. Malevsky-Malevitch, ed., *Russia, USSR, A Complete Handbook* (New York, William Farquhar Payson, 1933) 421, 423; Baykov, n. 50, 199.

[55]Schwartz, n. 48, 115.

Collectivization was accompanied by a program for the mechanization of agriculture which called for large numbers of tractors, trucks and farm machinery. In the absence of any domestic industry to manufacture them, the Soviet Union was compelled to turn to foreign producers. The United States with its enormous output of machinery and implements was in the best position to satisfy its demands. Apart from this, the American wheat magnate Thomas Campbell who owned the huge Campbell Farming Corporation in Montana, gave valuable suggestions to the Soviet Government in respect of increasing the production of wheat. The Soviet Government sought his help and offered him "one million acres of land for his own use and profit if he would consent to stay there and personally operate a farm, just to show the aspiring agriculturists of Russia how he did it. But he turned it down and came home after supplying the Kremlin with a thesis that covered agriculture from the Garden of Eden all the way to Montana."[56] As a result of improved methods of farming, Soviet state farms on the unplowed and endless Steppes grew from a scratch in 1928 to almost 15,000,000 furrowed acres by 1931.[57]

Industrial Development under the Five Year Plan. The main emphasis of the plan, however, was on the development of heavy industry; it was believed to be the foundation upon which a better life for all the people could be built. The ultimate goal of planning was to raise the standard of living of the common people. The development of heavy industry necessitated the importation of huge quantities of machinery and, as in the field of agriculture, so also in the field of industry, the United States was best suited to meet the demands of the Soviet Union. Saul G. Bron, Chairman of the Board of Directors of the Amtorg Trading Corporation, speaking at the luncheon of the Export Managers Club on November 27, 1928 stated,

[56]E. Angly, "Thomas Campbell—Master Farmer", *Forum* (No. 1, July, 1931) 20.

[57]*Ibid.*

It is not accidental that we look towards the United States for the necessary equipment and study the American experience. We do so not only because the United States is the richest and technically the most developed country in the world, but also because the United States whose industries have emerged upon the basis of the richest and most diverse natural resources is the only country which can satisfy the diverse needs of the Soviet industry.... Not a single European country is in a position to satisfy all the requirements of our industry.[58]

The United States had developed agricultural machinery for use over a terrain very similar to that of the grain-growing areas of the Soviet Union. She also had industrial machinery which Russia wished to install in her factories. As a matter of fact, Russia's preference for American machinery was based on the awareness that the United States possessed "the technical knowledge and the experience" necessary for the production of the kind of machinery which the Russians considered peculiarly suited to their needs. This knowledge and experience was largely lacking among European manufacturers.[59] In 1928, the International General Electric Company entered into a contract with the Amtorg Trading Corporation. By this contract, the latter agreed to purchase electrical apparatus for export to the U.S.S.R. worth $26,000,000, over a period of six years on the basis of long-term credit purchases.[60]

Soviet American Trade

The increased demand for American goods was reflected in the orders placed by Amtorg with American firms which in 1929 amounted to $94,500,000. This figure was substantially higher than that for the orders placed during the preceding year.[61] American exports to the Soviet Union at the same time showed considerable increase totalling $114,399,000 in

[58] *ERSU* (Nos. 22-23, 1928) 336.

[59] *Nation* (June 24, 1931) 669.

[60] The contract provided for the purchase on the part of the Amtorg Trading Corporation of not less than $5,000,000 or more than $10,000,000 worth of apparatus and material during the first two years. If the purchases during the first two years proved to be satisfactory, the contract was to continue for a further period of four years, involving purchases of not less than $4,000,000 annually. *ERSU* (Nos. 20-21, 1928) 348.

[61] *ERSU* (No. 6, 1930) 26-27.

1930, as compared with $64,921,000 in 1927, $74,091,000 in 1928 and $85,011,000 in 1929.[62] Imports into the United States from the Soviet Union also rose from $12,877,000 in 1927, $14,025,000 in 1928 and $22,551,000 in 1929 to $24,386,000 in 1930. As can be seen from these figures, imports lagged far behind exports. As a result, there was substantial balance of trade in favour of the United States which, in 1930, amounted to over $90,000,000.[63]

In 1930, the Soviet Union was the eighth most important foreign market of the United States as compared to seventeenth in 1929 and twentieth in 1922-26. The Soviet Union ranked twenty-sixth in the list of countries supplying the United States's imports in 1930, as compared with twenty-ninth in 1929 and thirty-fifth in 1922-26.[64] Of the various kinds of machinery purchased by the Soviet Union in the United States, agricultural implements took the first place. During 1930, the total exports of agricultural machinery from the United States amounted to $43,000,000 or 29.1 percent of the total.[65] The Soviet Union had, indeed, become the leading market for American agricultural implements. This fact was emphasized in the *Commerce Reports* of September 1, 1930, which stated in part that "the increase in export to Russia resulted chiefly from larger sales of electrical apparatus, machinery and agricultural implements."[66]

The Agricultural Implements Division of the Department of Commerce also reported "an active demand by the Soviet Administration through the Amtorg Trading Corporation of New York to several of the largest and most important tractor manufacturers (in the United States) for tractors for use in

[62] *Foreign Commerce and Navigation*, 1930 (Washington, GPO, 1931) XI-XII.

[63] *Ibid.*

[64] *Ibid.*

[65] U.S. Department of Commerce, *Monthly Summary of Foreign Commerce* (June, 1930) 129.

[66] U.S. Department of Commerce, Bureau of Foreign and Domestic Commerce, *Commerce Reports* (No. 35, September 1, 1930) III, 504. Hereafter cited as *Commerce Reports.*

Russia."[67] In 1929, the International Harvester Company supplied 5900 tractors to the Soviet Union valued at $5,900,000, while the Caterpillar Tractor Company furnished 1200 ten-ton tractors valued at $5,000,000. In 1930, the Allis Chalmers Company of Milwaukee had orders for 1850 tractors valued at $3,500,000. The total tractor shipments to Russia of all United States orders in 1930 was estimated at $30,000,000. In addition, ploughs, grain drills and other agricultural implements valued at $100,000,000 were ordered for the Soviet collective farms in 1930.[68]

For many other types of American machinery and equipment, the Soviet Union had also become one of the most important markets. In 1929, the Soviet Union was the second largest foreign customer for American construction machinery,[69] the fifth for American mining and quarrying machinery,[70] and ninth for electrical machinery and apparatus. Her purchases in this last item alone amounted to $2,021,967.[71] In 1930, the Soviet Union was the leading foreign customer for American oil drilling and refinery equipment, having taken $8,161,733 worth of oil well machinery out of a total of $23,817,270 exported from the United States that year.[72] During that year the U.S.S.R. was also the foremost foreign market for American agricultural machinery and equipment and second in industrial equipment. In 1931, it was the leading market for both industrial and agricultural machinery and an important purchaser of electrical equipment and automobiles.[73] In 1930 and 1931, the Soviet Union took about two-

[67]Note from Agricultural Implements Division to the Assistant Secretary of Commerce, September 23, 1929, NA, RG 40, File 90034/1.

[68]*Business Week* (February 15, 1930) 35.

[69]*Commerce Reports* (No. 18, May 5, 1930) 308.

[70]*Ibid.* (No. 21, May 26, 1930) 506.

[71]*Foreign Commerce and Navigation, 1929* (Washington, GPO, 1930) I, 138-129.

[72]American Russian Chamber of Commerce, *Memorandum on American Russian Trade* (New York, American Russian Chamber of Commerce, 1932) 14.

[73]*Ibid.*, 14.

thirds of all the tractors and one-half of all the combined harvesters exported by the United States during those two years.[74]

Although, in relation to the total exports of the United States, exports to Russia constituted only a tiny fragment (being only 3 percent in 1930 and 4.3 percent in 1931), there was, nevertheless, an increase in exports to that country as compared to the earlier years (1.4 percent in 1928). This was highly significant, especially after the Wall Street stock exchange crash in October 1929 that plunged the world in a severe economic depression.[75] Although the effects of this crisis were catastrophic throughout the world, the United States was the hardest hit of all with thousands of bank failures and millions thrown out of work.[76] In the wake of the depression when markets were rapidly shrinking, Soviet Russia offered the possibility of absorbing a substantial volume of machine-tool products. Under such circumstances, the Russian market acquired special significance to American economic interests as an outlet for exports at a time when markets capable of absorbing exports were rare.

The substantial effect which the Soviet orders had on certain American industries can be ascertained from the opinions expressed in the various journals and newspapers. Thus, *Business Week* of February 19, 1930 stated that "Russia, unrecognized politically by the United States....has come to the aid of depressed American industry." It further stated that "had it not been for the enormous machinery purchases, many Cleveland factories would have faced a shutdown" at a time when orders were fast decreasing.[77]

The *Boston Herald* on January 17, 1930, reported that "employment for several hundred additional men will be furnished by the Bethlehem Shipbuilding Corporation Ltd., in

[74]*Ibid.*, 15.

[75]Broadus Mitchell, *Depression Decade, From the New Era Through the New Deal* (New York, Rinehart, 1947) 28-30.

[76]Harry Gannes, "The Economic Crisis in the United States and the Drive to War", *International Press Correspondence* (No. 63, December 10, 1931) 1140-1141.

[77]*Business Week* (February 19, 1930) 35.

filling a contract possibly amounting to more than $1,000,000 to recondition thirteen steamers recently acquired by the Soviet Government."[78] The *New York Evening Post* of February 15, 1930, carried a dispatch from Chicago which stated in part, "More bright spots are visible in the business situation, particularly in the industrial line. A good sized order for tractors, agricultural implements and tools from the Russian Government is being filled...."[79] The *Wall Street Journal* of February 20, 1930, quoted an article in the *Iron Age* reviewing the situation in the machine tool industry. This quotation read in part, "In export trade, the outstanding purchases are for shipment to Russia."[80] From press reports, it appears that purchases by the Soviet Union assumed considerable importance for American machine-tool industries whose exports constituted 12 percent of the total American exports in 1929. Therefore, the Soviet Union, as one of the principal machinery markets, was far from a negligible factor in America's foreign trade. There was a general decline in American production after the depression set in. In 1930 and 1931, when business prospects were none too bright, the Soviet Union purchased 18.3 and 27.5 percent respectively of the total industrial equipment exported, and 36.3 and 66 percent respectively of all agricultural machinery shipments.[81] The large Russian purchases of agricultural machinery to a great extent helped that industry to survive at a critical stage.

Technical Assistance Contracts

Apart from the requirements of machinery and implements, the Five Year Plan also created a demand for technical assistance from American firms in various fields of industry and agriculture. This demand resulted in technical-assistance contracts between the Soviet Government and a large number of American firms—many of which played vital roles in the reconstruction of the Soviet economy. Thus, the Freyn

[78]Quoted in *ibid.*

[79]*New York Evening Post* (February 15, 1930).

[80]*Wall Street Journal* (February 20, 1930).

[81]American Russian Chamber of Commerce, *Handbook*, n. 31, 355.

Engineering Company of Chicago, Arthur G. McKee and Company of Cleveland, the United Engineering and Foundry Company, and Kooper's Construction Company of Pittsburg rendered valuable technical assistance in the building up of Russian steel centres at Stalinsk, Magnitogorsk and elsewhere. The McKee Company was responsible for the construction of the largest steel plant at Magnitogorsk with a total output of pig iron of 2,500,000 tons per year, while the Freyn Engineering Company was engaged in the designing and construction of the $50,000,000 Kuznetsk steel plant at Stalinsk with an output of 1,100,000 tons of pig iron annually. It also entered into a further contract in 1929 to participate in the preparation of plans and in the supervision of construction within five years of eighteen new metallurgical works in the Soviet Union and in the re-equipment of forty other plants which was to involve a total expenditure of $1,000,000,000.[82]

Albert Kahn Inc. of Detroit also rendered technical assistance to the Soviet Government. The major projects which it helped to construct were the Stalingrad Tractor Factory—designed to produce 40,000 tractors per year,[83] the Cheliabinsk Tractor Plant in the Ural Mountains, a truck plant known as Autostroy in Moscow, and a structural steel fabricating plant at Nizhni Tagil in the Ural mountains.[84] The firm of Stuart, James and Cooke of New York rendered assistance in the mechanization of Soviet coal mines.[85] It was also engaged in conducting an investigation of the Donetz State Coal Trust. Charles Stuart, the senior partner of the firm, who conducted the investigation, submitted a report in 1930 in which he was very critical of Soviet methods. But Stuart's report was appreciated by the Soviet authorities who went to the extent of expressing their gratitude to the firm and to Charles Stuart for having "contributed greatly towards the elimination of many difficulties which arose during the initial phase of the work."[86]

[82] *ERSU* (No. 7, 1929) 140.
[83] Heymann, n. 15, 31-36.
[84] *Ibid.*, 50.
[85] *Business Week* (November 20, 1929) 29.
[86] Heymann, n. 15, 30.

The Soviet coal industry also received technical assistance from the firm of Allen and Garcia of Chicago. In 1929 the latter entered into a contract with the Donugol Coal Trust and the Gyproshacht, the Soviet Institute for Designing of Mines, to render technical assistance in the design and construction of new coal shafts in the Donetz Basin and in Siberia. Together with Stuart, James and Cooke, the firm of Allen and Garcia assisted the Soviet coal trusts in their effort to increase the production of coal from 35,000,000 tons in 1928 to 75,000,000 tons in 1933.[87] A technical assistance contract was also concluded with the International General Electric Company on March 6, 1929, effective from July 1, 1929.[88] It provided for a broad exchange of patents as well as exchange of designing, engineering and manufacturing information between the General Electric and the Soviet State Electro-Technical Trust for a period of ten years. Further, under the terms of the contract, American engineers were to be sent to the Soviet Union "to assist the Soviet Electro-technical Trust in carrying out the plans of expansion of the electrical industry in all its phases." The engineering assistance to be rendered by the International General Electric Company involved the "construction of electrical apparatus and machinery for use in electric lighting, the generation and transmission of power and its application to industry."

Previous to this contract, the International General Electric had rendered assistance to the Leningrad Power System supplying it with first complete American 110,000 volt outdoor sub-station.[89] It was also responsible for supplying the power plant of the Dnieper Dam, and later it guided the Electrosile factory in Leningrad in building four more generators for the same dam. Besides this assistance, during the First Five Year Plan period, when rapid construction of electrical power systems took place in the U.S.S.R., the latter relied to a great extent upon the high voltage apparatus supplied by the General

[87] *ERSU* (No. 18, 1929) 302.

[88] NA, RG 59, File 661.115. General Electric Co.—State Electro-technical Trust Contract.

[89] Heymann, n. 15, 42-43.

Electric which also trained a number of Soviet engineers to run the plants and develop new projects.[90] A further agreement for technical cooperation was concluded in 1928 between the Soviet State Electro-technical Trust of Weak Current Factories and the Radio Corporation of America. The agreement provided for the exchange of patents and engineering information in regard to radio equipment. Technical assistance with reference to the manufacture of certain radio apparatus was also provided in the agreement.[91]

In 1929, the Ford Motor Company entered into a special agreement whereby it undertook to establish within four years an automobile factory at Nizhni-Novgorod capable of producing 100,000 cars and trucks annually. After the conclusion of the contract, Valery I. Meshlauk, Vice-Chairman of the Supreme Economic Council, and Saul G. Bron, Chairman of the Board of Directors of the Amtorg, made the following announcement.

> This contract is the result of the decision of the Soviet Government to build an automobile factory in the U.S.S.R. to produce 100,000 cars per annum.... The Ford Motor Company will supply us with all the plans and other technical data required in order to organize the factory and to carry on production in the most efficient manner.... The Soviet automobile works will be located at Nizhni-Novgorod on the Volga River and will produce more trucks than passenger cars....[92]

As part of the contract, the Soviet Government was required to purchase Ford Cars and parts worth $30,000,000. The contract, which was for a period of nine years, provided for technical co-operation between the Ford Motor Company and the Soviet Automobile Trust for five years after the completion of the factory at Nizhni-Novgorod.[93] In 1930, the Soviet Vsekhimprom (United Chemical Industries) concluded a contract with Westvaco Chlorine Products Inc. of West Virginia, for technical assistance in the production of liquid

[90] *Ibid.*, 47.

[91] *ERSU* (Nos. 16-17, 1928) 281.

[92] *Ibid.*, (Nos. 12-13, 1929) 230.

[93] Heymann, n. 15, 52; also see Congressional Record, 71 Cong., 1 Sess., 71 (1929) 2305.

chlorine and the manufacture in the Soviet Union of vorce chlorine cells for salt-brine electrolysis. The contract also provided for the use of the patents of the American company by the Soviet chemical industry and the sending of American engineers to the Soviet Union.[94] Another contract signed in 1930 was between the Supreme Economic Council of the Soviet Union and J. G. White Engineering Corporation of New York for consultation services of the latter in examining the designs for the Svir-River hydro-electric power plant.[95]. When completed in 1933, it ranked as the second largest hydro-electric power station in the Soviet Union, after the Dnieper River plant.

Among the other firms which provided technical assistance were the Akron Rubber Reclaiming Company in the construction of a rubber reclamation plant; Seiberling Rubber Company, in the construction of a rubber tyre plant and in planning the technological phases of rubber production at the Rubber and Asbestos Combine at Yaroslavl; Du Pont De Nemours and Company, in the construction of fertilizer factories—the latter having played an important role in the construction of the Berezniky Chemical Combine designed to produce chemical fertilizers; Lockwood Greene and Company, in the design and construction of textile plants; McDonald Engineering Company in the construction of industrial plants; Sperry Gyroscope Company in the manufacture of marine instruments; Newport News Shipbuilding and Drydock Company in the construction of turbines, and Hardy S. Ferguson and Company in the construction of paper mills.[96] It is evident from the above account that the technical assistance provided by various American firms covered a very broad field. Seen in retrospect, it appears that the successful completion of Soviet Russia's first Five Year Plan was aided to a considerable extent by American technical assistance.

[94] *EESU* (No. 5, 1930) 81.

[95] *Ibid.*, 82.

[96] *Ibid.*, 131-132; also see *Congressional Record*, n. 93, 2305.

Contracts with American Engineers and Technical Advisers

Besides the technical assistance furnished by American firms, several American engineers and technical advisers also played valuable roles in the industrialization of Soviet Russia, their talents being employed in the whole fabric of the Soviet economy. Owing to the lack of sufficient technicians in the Soviet Union, it became necessary to seek the assistance of foreign experts, mostly Americans, for the operation of the various industries. Thus 78 American engineers were engaged by the non-ferrous metals industry (Tsvetmetzoloto), and among them were a number of prominent engineers. W. A. Wood, an eminent consulting and designing engineer in the non-ferrous metals industry, was engaged as chief consulting engineer for Soviet brass and copper manufacturing plants. Frank E. Dickie, who was for a long period associated with the Aluminium Companies of America and Canada, also signed a contract with Tsvetmetzoloto to act as consulting engineer for Aluminstroy (Bureau for the Construction of Aluminium Plants). Norman L. Wimmler, another eminent engineer, was engaged by the Tsvetmetzoloto as chief consulting engineer in the prospecting, research, and mining of gold.[97]

Prominent American engineers were also engaged in other fields. Thus, W. L. Gorton, a former chief engineer of the Idaho Public Utilities Commission was engaged by the Sredazvodkhoz (Central Asiatic Water Economy) as consulting irrigation engineer. Arthur P. Davis, a former head of the U.S. Reclamation Service, was another eminent engineer engaged by the Sredazvódkhoz to serve as consultant in the irrigation projects in Central Asia and Trans-Caucasia.[98] A prominent chemical engineer of New York, Alcon Hirsch, was engaged by the United Chemical Industry of the Soviet Union (Veskhimprom) as the chief consulting engineer of the Bureau for designing chemical plants.[99]

[97] *EBSU* (No. 5, 1930) 82.

[98] *Ibid.* (No. 5, 1932) 108.

[99] *Ibid.* (No. 6, 1932) 128.

The Soviet Rubber industry also engaged a number of American rubber and asbestos specialists.[100]. Many other American engineers were also engaged by the various trusts, the sewing machine, knitting, oil, paper, tractor and other trusts.[101] Soviet trusts at the same time sent Russians to America for a period of six months to a year for training in American factories, oil fields, and mines, as well as in the techniques of farming.[102]. In this last item, the Russians were greatly helped by Thomas Campbell, the owner of the huge Campbell Farming Corporation in Montana, who undertook to teach more than two hundred Soviet experts the techniques of mechanized farming.[103] An important ramification of this training was the further rise in orders for American agricultural machinery. Also, the use of American engineering industrial units tended to increase the orders for American machinery. In fact, the first Five Year Plan of the Soviet Union had given an impetus to America's trade with the Soviet Union, and the latter provided a valuable outlet for American products at a time when markets were rapidly shrinking in the face of a world-wide depression.

[100] *Ibid.* (No. 11, 1932) 255.

[101] W. C. White, "American Big Business and Soviet Market", *Asia* (No. 11, November 1930) 799.

[102] *Ibid.*

[103] *Forum*, n. 56, 18-22.

CHAPTER FOUR

The Decline in Soviet-American Trade

The substantial increase in Soviet-American trade that took place with the introduction of the First Five Year Plan in 1928 by Soviet Russia began to decline from the beginning of 1931. During that year, United States exports to the Soviet Union amounted to only $103,717,000 as compared with $114,399,000 during the previous year.[1] Exports in 1932 and 1933 fell more drastically amounting to only $12,641,000 and $8,997,000 respectively.[2] The drastic decline in United States exports to the Soviet Union was primarily the result of the cumulative effect of difficulties which had begun to make themselves felt in the earlier years. They were mainly of two kinds. First, the lack of satisfactory facilities for financing American exports to the Soviet Union. Second, the various restrictions imposed on the importation of Soviet products into the United States.

Soviet Union's Difficulty in Obtaining Long-Term Credits

The Soviet Union found it very difficult to obtain long-term credits in the United States primarily because of the uncertainty arising out of the absence of political relations. But long-term credits were rather important for her in view of the fact that most of her purchases consisted of producer goods that did not yield immediate return. Besides, as the President of the Curtiss Wright Export Corporation and the Sperry Gyroscope Company, Thomas A. Morgan, pointed out,

[1] U.S. Department of Commerce, *Foreign Commerce and Navigation of the United States, 1931* (Washington, GPO, 1932) s3-s4.

[2] *Ibid.*, 1933 (Washington, GPO, 1934) s2.

"no nation in the history of the world has ever been able at the beginning of its industrial life to finance its own development on a cash basis."[3]

The *Wall Street Journal* commenting on the restrictions upon Russian trade stated, "...we must remember that all the world is trading...with Russia. We can refuse to do business with her because we do not like her politics, or her attitude toward religion or home. Our refusal will not affect her practices in these respects; it will merely transfer her commercial relations to other countries."[4] Senator Borah also expressed the view that "...there is no market for our goods like the market of Russia.... But out of prejudice and a spirit of intolerance we are turning it over as effectively as we can to other governments."[5]

As a matter of fact, the Soviet Union did transfer her purchases to the countries that offered her credits, particularly to Germany and Great Britain. On April 14, 1931, Germany granted credits to the Soviet Union to the extent of Rm 300,000,000 for the purchase of German products. The terms were very favourable; the period of credits varied from 14 to 29 months and the payment was guaranteed by the German Government. Under these conditions imports from Germany into the Soviet Union increased from 249,000,000, rubles in 1927-28 to 324,000,000 rubles in 1932.[6]

Trade with Great Britain also increased considerably after 1929 when the Soviet Union was included among the countries to which credits for exports could be guaranteed by the British Government under the Overseas Trade (Credit Insurance) Act of 1920. In 1931, government-guaranteed credits totalling £6,000,000 were extended to the U.S.S.R. The credits were of 24 months' duration, and the government guarantee covered 75 per cent of the amount of each transaction. As a result of these developments, imports from Great Britain increased from

[3] *EESU* (No. 7, 1932) 159.
[4] *Wall Street Journal* (July 25, 1930).
[5] Borah to Hogan, March 21, 1928, Borah Mss.
[6] American Russian Chamber of Commerce, *Handbook of the Soviet Union* (New York, American Russian Chamber of Commerce, 1936) 320-321.

47,000,000 rubles in 1927-28 to 92,000,000 rubles in 1932, during a period when British exports to other countries had declined sharply.[7]

The fact that the increase in the Soviet Union's trade with Germany and Great Britain ran almost parallel to the decline in her orders in the United States suggests that she turned away from the latter because of the more favourable conditions offered to her elsewhere. In fact, the Department of Commerce admitted that it was "only reasonable that the Soviets should prefer to buy in countries where government guarantees of credits permit them to postpone payment for goods....."[8] The same view was expressed by S. R. Bertron, Chairman of the Board of Directors of the American Russian Chamber of Commerce when he wrote, "We cannot blame the Russians for turning over their business to Europeans in preference."[9]

American Opposition to the Import of Soviet Goods

The other principal factor in the trade decline was the campaign launched against the admission of Soviet goods into the United States. Beginning in 1930, charges were frequently made to the effect that Soviet goods were the product of convict or forced labor or that they were being sold in the American market at dumping prices. In order to pay for the increasing volume of imports of such items as machineries, tractors and agricultural implements, necessitated by the introduction of the Five Year Plan, Soviet Russia was forced to expand her exports to the United States, irrespective of her domestic demand. But certain items in this increased export schedule aroused the alarm of American concerns engaged in the production of the same items. They feared that they would not be able to withstand competition with the low-priced Soviet goods. Hence, they brought pressure to bear on certain Senators and on the Treasury Department with a view to limiting and, if possible, totally excluding such imports from the Soviet Union.

[7] *Ibid.*, 322-323.

[8] Klein to McKeller, April 14, 1931, NA, RG 40, File 90034, Pt. 2.

[9] Bertron to Lamont, July 3, 1931, in *ibid.*

In this effort, they were supported by the American Federation of Labor. Together they formed an anti-Soviet group to oppose imports from Soviet Russia. Matthew Woll, Vice-President of the American Federation of Labor, declared that all Russian products should be barred on the ground that "Soviet Russia is a nation of robots, that the workers there are denied opportunity of forming their own Unions and to bargain freely, without pressure from the state, for wages and working conditions."[10] He was further opposed to Soviet imports on the ground that they were "displacing, in the American market, products of American labor far exceeding $100,000,000."[11]

American business interests affected by the low-priced Soviet goods contended that the Soviet Union enjoyed certain advantages in price-fixing that enabled her to under-sell manufacturers in other countries. It was alleged that labor costs in Soviet Russia was almost the lowest possible and the price of raw materials also exceeded by very little the cost of getting it out. Further, transportation charges were paid to a railroad subject to the all-embracing economic ownership. These factors combined together to place the Soviet Government in a position where it could compete successfully with foreign goods in their own markets and sell at less than the market price at home. As an example, American business representatives cited that Soviet coal hauled six thousand miles had sold at a price that Pennsylvania anthracite, with all the costs incidental to private ownership, could not meet.[12] They also pointed out that an energetic dumping policy could bring unemployment in capitalist countries and richly fertilize the soil for communist propaganda.

Representative Hamilton Fish asserted that "the economic system of Russia based upon confiscated lands, and almost

[10]Quoted in *Literary Digest* (No. 6, August 9, 1930) 6.

[11]U.S. House of Representatives, 71 Cong., 3 Sess., House Committee on Ways and Means, *Hearings, Prohibition of Importation of Goods Produced by Convict, Forced or Indentured Labor* (Washington, GPO, 1931) 75. Hereafter cited as House Committee on Ways and Means, *Hearings.*

[12]W. C. White, "Economics versus Politics in American Soviet Business", *Asia* (No. 12, December 1930) 851.

inexhaustible natural resources, and developed by labour approaching serfdom" was an immediate menace to American prosperity.[13] Assistant Secretary of the Treasury Lowman also expressed the same view when he stated,

> There is no longer any doubt that Russia having failed to conquer the world by propaganda, and being too poor to conquer it by force of arms, now seeks to achieve the goal of a world-wide Bolshevik State through a program of economic ruin. In that direction Russia has a patent weapon. All of the vast natural resources and industries of Russia have been seized by Soviet Government. So it starts without a single initial cost.... No American industry could compete against such a menace.[14]

A section of the American press also expressed alarm at the cheap imports from Soviet Russia. The *Washington Post* declared,

> the invasion of convict-made goods from Russia is one of the most serious menaces that has confronted American labor in recent years. It must be halted by embargoes and any other appropriate means.... Advantages gained from Soviet trade are the meanest trifle compared with the disaster that would be involved in the triumph of the Bolshevista.[15]

The New Haven Register insisted that embargo was the only way to combat the Soviets. According to it, the Soviets were "engaged in trying to destroy American industry by means of their ability to undersell the American producer because they pay no wages to workers."[16] But Louis Fischer in an article in *The Nation* pointed out that the Bolsheviks could not buy unless somebody bought from them. He was of the opinion that American industries had used excuses of dumping and forced labor to extract from a willing administration embargo regulations against Russian exports.[17] For a proper evaluation, however, it is necessary to consider the charges of dumping and convict labor made by various American industries against the Soviet Union and the action taken by the United States Government in each case. The charges were

[13] *Congressional Record*, 71 Cong., 3 Sess., 74 (1931) 63.
[14] Quoted in *Literary Digest*, n. 10, 6.
[15] *Ibid.*, 9.
[16] *Ibid.*
[17] Louis Fischer, "Recognize Russia Now", *Nation* (December 28, 1932) 634.

made particularly by the safety match, wheat, asbestos, manganese, coal and lumber industries.

Charges against Soviet Safety Matches

The charges made against imported Soviet safety matches were first, that the American match industry was being injured by the importation of safety matches from the Soviet Union and, secondly, that these safety matches were being sold at less than their fair value. In considering the first charge, it should be noted that the bulk of the domestic output of matches in the United States consisted of non-safety, strike-anywhere matches which made up seven-eighths of the total American consumption of all types of matches. On the other hand almost all the matches imported into the United States were safety matches of the strike-on-box type. The value of Soviet safety matches imported into the United States was only $141,105 in 1928 and $352,754 in 1929 as against the total value of American match imports of $2,090,468 and $3,404,525 during those two years respectively.[18] It was unlikely, therefore, that the American match industry could have been injured by the imports of Soviet matches which made up such a small portion of the total imports of matches into the United States.

The other claim against the importation of Soviet matches was that they were being sold in the United States at less than their fair value. The Anti-Dumping Act of 1921 defined the term "fair value" as the foreign market value at which wholesale quantities of the merchandise were sold for domestic consumption in the principal markets of the country of origin. When not so sold, the term "fair value" was taken to mean the foreign market value at which the merchandise was exported to countries other than the United States. This act provided for a special dumping duty which could be levied whenever it could be proved that the exporter's sale price or the purchase price was less than the foreign market value or the cost of production. The amount of duty levied was equal to the

[18] U.S. Department of Commerce, Bureau of Foreign and Domestic Commerce, *Commerce Reports* (No. 39, September 29, 1930) 810. Hereafter cited as *Commerce Reports.*

proved difference in value.[19] The American match industry contended that large imports of Russian matches at extremely low prices, as low as 35 cents per gross, tended to demoralize the price structure of the American industry. American manufacturers with costs of 50 to 60 cents a gross, could not compete with Russian prices of 35 cents a gross. Hence, they were often forced to sell below cost.[20] On May 23, 1930, the Secretary of the Treasury issued the following order.

To Collectors of Customs and Others Concerned.

After due investigation in accordance with the provisions of Section 201, Anti-Dumping Act of 1921, I find that the industry of manufacturing safety matches of the strike-on-box type in the United States is being and is likely to be injured by reason of the importation into the United States of safety matches of the strike-on-box type from the Union of Soviet Socialist Republics, and that such safety matches of the strike-on-box type are being sold and are likely to be sold in the United States at less than their value.[21]

The effect of this finding was that, in addition to the regular duty, a special anti-dumping duty was levied, increasing the appraised value by over 150 per cent. The Amtorg Trading Corporation appealed against this finding to the United States Customs Court which, on March 18, 1932, handed down a decision to the effect that the Treasury Order was wholly unwarranted. Judge McCelland, who wrote the decision, stated in part,

Not only has the Government failed to establish that there was a foreign market value for 'strike-on-box' matches in Russia such as or similar to those in issue, but it has also failed absolutely to prove that at or about the times when the matches in issue were imported into the United States, such or similar imported matches were being sold in the United States for less than their 'fair value'.... There is absolutely nothing before me which might be used as a guide in determining what Congress meant by 'fair value', neither is there anything in the record to justify the conclusion that the industry of manufacturing safety

[19]S. L. Childs, "Russia and U.S.A.," *Political Quarterly* (1931) 161; also see Anti-Dumping Act, 1921.

[20]House Committee on Ways and Means, *Hearings*, n. 11, 122.

[21]U.S. Department of Treasury, *Treasury Decisions Under Customs and Other Laws* (Washington, GPO, 1930) LVII, 774. Hereafter cited as *Treasury Decisions.*

matches in the United States was being or is likely to be injured by reason of the importation of matches of that type from Soviet Russia.[22]

In view of the fact that the American match industry did not produce the strike-on-box type which was imported from the Soviet Union, it was unlikely that the former could have been injured by the meager imports of that type of matches. Further, the Soviet matches were not sold in the United States at less than the fair value. In fact, their value was higher than that of the average of all imported matches of that type and the prices charged in the United States were as high or higher than in European countries.[23] If the American match industry was not being injured by the imports of matches from other countries, there was, perhaps, no reasonable basis for claims that it was being injured by imports of Soviet matches.

Allegations by the American Wheat Farmers

It was alleged by the American wheat farmers that the Soviet Union had brought about a fall in the price of wheat in the United States by its selling operations. The allegation was, however, not based on facts. The agricultural system of Russia was reconstructed on modern lines during the first Five Year Plan period. The reconstruction was undertaken by combining the small peasant holdings into large units through collectivization, and by the introduction of modern methods of cultivation, especially by the employment of machinery and tractors. This had greatly raised the production of Soviet agriculture and made it possible to export substantial quantities of grain.[24]

The re-entry of Russia on the world wheat market as a major exporter in 1929-30 (before the First World War, Russia was also a large exporter of grain) came when grain prices were experiencing severe declines. At that time the exports of Soviet grain were seized upon by certain interests as an alleged explanation for the drop in prices and were denounced as a hostile act. The cost of growing wheat in the Soviet

[22] *Treasury Decisions* (Washington, GPO, 1932) LXI, 693-696.

[23] *Commerce Reports*, n. 18, 812.

[24] U.S. House of Representatives, 71 Cong., 3 Sess., *House Report 2290, Investigation of Communist Propaganda* (Washington, GPO, 1931) 38. Hereafter cited as *House Report 2290*.

Union had gone down considerably as a result of collectivization of farms and their cultivation with improved machineries. It was, therefore, feared that "Russian wheat produced at from 10 to 20 cents per bushel" would affect American producers in the world market.[25]

In a telegram addressed to the President of the Chicago Board of Trade on September 19, 1930, Secretary of Agriculture Hyde charged that the All-Russian Textile Syndicate, acting for a Soviet grain exporting organization, had contributed to the fall in the price of wheat. He alleged that the price decline resulted from short-selling by the Textile Syndicate of some 7,765,000 bushels on the Chicago grain exchange.[26] The Vice-President of the Textile Syndicate, Belitzky, admitted short sales of wheat on three consecutive days in September, but denied that the transaction had other than business motives. In a statement on September 27, 1930, Belitzky stated in part,

> On September 9, 1930, the All-Russian Textile Syndicate received instructions from one of its clients abroad to sell wheat futures in Chicago to the extent of 210,000 metric tons, as a hedge against its client's wheat to be sold in Europe. These instructions were carried out by the All-Russian Textile Syndicate on the ninth, tenth and eleventh of September 1930, the total amount of these sales was 7,765,000 bushels. This transaction was a hedging operation, identical with hundreds of such operations carried on every day by the wheat dealers of the world in the exchanges of Chicago, Liverpool, Winnipeg, etc. Short sales of wheat on an exchange for the purpose of hedging do not contemplate importation of the commodity, but rather covering by future purchases on that exchange when the wheat hedged against has been sold abroad.[27]

This normal transaction which was a species of price insurance and aimed at eliminating the risk of price fluctuations, a common practice in grain trade, was made the occasion for a violent campaign against Soviet Foreign Trade. But all informed observers who had an opportunity to look into the facts admitted that the operations were entirely legitimate. Thus the House Committee which investigated this matter stated in its report,

[25] *Ibid.*, 44.
[26] *New York Times* (September 20, 1930).
[27] *EERSU* (Nos. 18-19, 1930) 368.

According to the testimony of the officials of the Chicago Board of Trade, these transactions in wheat by the All-Russian Textile Syndicate constituted legitimate hedging. Based on the testimony presented, the Committee is of the opinion that these transactions were made with no intent by the Soviet Government to depress the price of wheat.[28]

Charges made by the American Asbestos Producers

The charge of unfair competition was levelled against Soviet asbestos in 1930. The charge was made in spite of the fact that import of Soviet asbestos into the United States that year constituted only 2.1 per cent of the latter's total imports of asbestos. In December 1930, a complaint was made to the Tariff Commission by two American producers of asbestos charging that unfair methods of competition were employed in the importation and sale of asbestos from the U.S.S.R. On March 30, 1931, the Tariff Commission instituted an investigation of Soviet asbestos and on April 22, the Treasury Department excluded from entry Soviet asbestos until the completion of the investigation, except under bond.

As a result of this order by the Treasury Department and the Tariff Commission, the importation of asbestos from the U.S.S.R. into the United States in 1931 was practically stopped. Only three shipments of Soviet asbestos arrived in May and July 1931 and were admitted under bond. Because of this, however, they could not be sold in the United States. Permission was, therefore, requested to allow the asbestos under bond to be processed and fiberized for re-exportation. It was pointed out in this connexion that no American industry would be "interfered with" or affected by the processing and fiberizing of the asbestos received from Russia.[29]

The Amtorg Trading Corporation had outstanding contracts with foreign countries to furnish a substantial amount of shingle fibre. It desired to re-export the exact fibre which was imported under bond after it had been fiberized and mixed. This did not interfere or compete with any American firm engaged in the asbestos industry. On the other hand, it provided a substantial amount of business to the Asbestos Ltd.,

[28] *House Report 2290*, n. 24, 39.

[29] John Marshall to Secretary of Commerce, June 12, 1931, NA, RG 40, File 90034/2.

Inc., which was to fiberize and process the Soviet asbestos. Despite this fact, permission to re-export fiberized and processed asbestos was refused by the Treasury Department. As a result of it, the Soviet asbestos which had arrived in May and July 1931, had to be re-exported in its original state, thereby causing considerable loss to the importer.[30] The economic effect of the virtual embargo upon Soviet asbestos, aside from the losses caused to American importers, was to reduce the sources of supply of imported asbestos for the American market. This reduction occurred without any increase in the ratio covered by domestic production which did not exceed 3 per cent of the total consumption of asbestos in the United States.[31]

Charges against Soviet Manganese

Soviet manganese, in common with other major Soviet imports into the United States, did not escape the charge of dumping. Owing to the availability of high grade manganese ores at favourable prices in the Soviet Union, the United States started importing them in large quantities. In 1929 the import of Soviet manganese amounted to nearly half the total American imports of manganese and accounted for 38 per cent of the total manganese exports of the Soviet Union.[32] In fact, the United States had been one of the chief importers of Soviet manganese ores since 1925.[33] During the same period the United States accounted for one-half of the total steel output of the world and the U.S.S.R. for over two-fifths of the world's manganese production. In view of this fact, it appears that the import of Soviet manganese into the United States was in line with the trend of world production and of trade in manganese.

But economic considerations seemed to have borne little weight with the American manganese interests which

[30]NA, RG 40, File Amtorg Trading Corporation 90034/3.

[31]Marshall to Secretary of Commerce, June 12, 1931, n. 29.

[32]*EESU* (Nos. 22-23, 1930) 449; also see A.A. Santalov and Louis Segal, eds., *Soviet Union Year Book*, 1930 (London, Allen and Unwin, 1931) 303.

[33]American Russian Chamber of Commerce, *Handbook*, n. 6, 140.

clamoured for an embargo on Soviet manganese. Finally, in the second half of 1930, the American Manganese Producers Association petitioned the Secretary of Treasury under the Anti-Dumping Act of 1921, to suspend the sale of manganese ore imported from the Soviet Union. In the meantime an investigation was to be undertaken to determine the additional duty that was to be levied on import of Soviet manganese ore. This levy was to be made on account of the fact that Soviet manganese ore was freely offered and sold in the United States at less than its fair market value and at less than the indicated cost of production in Russia. It was contended that the Soviet Union was able to under-sell its competitors because its manganese ores were "produced by cheap conscript labor and virtually the only expenditure involved was the cost of foreign bottoms for bringing the ore."[34]

The imports of Soviet manganese did not, however, injure the American industry. This was shown by the fact that in 1921 and 1922, when practically no Soviet manganese was imported, American producers supplied only about 3 per cent of the total consumption. On the other hand, in 1924-29, when imports of Soviet manganese reached substantial proportions, the share furnished by American industry increased to about 9 per cent of the total consumption.[35] Further, the fact that Soviet manganese ores were not being sold in the United States at a price lower than the world market price was proved at a hearing held in September 1930. Price quotations from different parts of the world were put in evidence at that hearing. It appeared from the evidence that the Soviet manganese ores were sold in the United States at a higher price than in Europe. Thus a German periodical in 1930 quoted the price of washed Caucasian manganese ore at 24 cents per unit while an American steel magazine quoted the price of the same ore at 26 to 28 cents.[36] It was evident, therefore, that the Soviet manganese did not sell in the United States at a lower price than abroad and, as such, was not dumped. In fact, the condition that actually existed was, in the words of the Tariff

[34] *New York Times* (July 26, 1930).
[35] *ERSU*, n. 32, 450.
[36] *Iron Age* (October 9, 1930) 1026.

Counsel of the American Iron and Steel Institute, T. F. Doherty, "the exact opposite of what constitutes dumping."[37]

On February 24, 1931, the Secretary of the Treasury issued his finding, which was to the effect than an embargo on manganese from the Soviet Union would not be justified. He stated in part,

> Upon complaint of the American Manganese Producers' Association investigation has been made of allegations that manganese ore produced in the Soviet Republic of Georgia, U.S.S.R., has been and is being dumped on the United States market, contrary to the provisions of the Anti-Dumping Act of 1921. After an extended investigation and careful consideration of all the evidence presented by and on behalf of the parties in interest, I have reached the conclusion that a finding of dumping with respect to manganese ore imported from the Soviet Republic of Georgia, U.S.S.R., is not justified and must decline to issue such a finding.[38]

Charges against Soviet Anthracite Coal

Next in the list of items charged with dumping was Soviet anthracite coal. In April 1930, the Anthracite Institute, the Anthracite Co-operative Association and the United Mine Workers of America petitioned the Secretary of the Treasury for an embargo on Soviet anthracite coal under the provisions of the Anti-Dumping Act of 1921. The contentions of the above named organizations were first, Soviet anthracite coal was produced by involuntary or even forced labor. Second, the ships engaged in its transportation were subsidized by the Soviet Government. As a result Soviet coal could be sold in the United States at several dollars a ton less than the coal mined in Pennsylvania. Actually, however, Soviet anthracite was sold at a somewhat higher price than the American anthracite coal.[39] The reason for this lay in the chemical composition of the former which made it more suitable to meet certain demands of the market. Moreover, no anthracite coal was imported into the United States from the Soviet Union until 1929 when 113,170 tons (about 26 percent of the total imports) entered the United States. The total production of coal that year in the United States was 608,992,000 short

[37] *ERSU*, n. 32, 450.
[38] *Treasury Decisions* (Washington, GPO, 1931) LIX, 457.
[39] House Committee on Ways and Means, *Hearings*, n. 11, 53.

tons.[40] In 1930, anthracite imports from Russia totalled only 185,285 tons which constituted about one-quarter of the total anthracite imports into the United States and less than one-seventh of 1 percent of the total American anthracite production.[41] Furthermore, the import of Soviet coal had not displaced American coal, since the total amount of American imports remained about the same after its importation started.[42] The New Republic sarcastically commented,

> If the American anthracite monopoly, which for so many years held the householder at its mercy, cannot now withstand the importation of less than 200,000 tons of coal from the Donetz Basin, it must be in a bad way. Such competition is really too trivial to deserve a moment's consideration, whether as producers we fear it, or as consumers we welcome it.[43]

By 1930, when the charge of dumping Soviet anthracite had proved to be without foundation, the interested parties shifted the charge to that of convict or forced labor. On December 2, 1930, Senator Oddie of Nevada introduced a bill in the Senate (S. 4828) "prohibiting the importation of any article from the Union of Soviet Socialist Republics"[44] Another bill (H.R. 12061) was introduced in the House of Representatives by Representative Brumm which sought to prohibit the importation of anthracite

> mined, produced or manufactured wholly or in part by convict labor, by conscript labor, or indentured labor, or by any other form of labor which was exacted from any person under the menace of a penalty for its non-performance and for which the worker does not offer himself voluntarily.[45]

A similar bill (H.R. 15607) was introduced by Representative Williamson,[46] and another (H.R. 15617) by Representative Kendall.[47] The latter stated that the main object of the

[40] U.S. Department of Commerce, *Statistical Abstract of the United States. 1930* (Washington, GPO, 1930) 770.
[41] *New Republic* (June 3, 1931) 61.
[42] *ERSU*, n. 32, 453.
[43] *New Republic*, n. 41, 61.
[44] *Congressional Record*, n. 13, 39.
[45] *Ibid.*, 71 Cong., 2 Sess., 72 (1930) 8170.
[46] *Ibid.*, n. 13, 1437.
[47] *Ibid.*, 5672.

bill introduced by him was "simply to protect American labor from goods manufactured by forced labor in foreign countries, so that our [American] labor may not be put in unjust competition with goods manufactured by forced labor".[48] Actually, however, this bill was drawn "with a view to exclude....coal produced in Russia"[49] from coming to the United States.

Charges made by the American Lumber Industry

Restrictions were also sought to be imposed upon the imports of Soviet lumber and pulpwood. In the case of lumber, the charge as originally made was based on Section 307 of the Tariff Act of 1930 which prohibited the importation of "all goods, wares, articles and merchandise mined, produced or manufactured wholly or in part in any foreign country, by convict labor or/and forced labor or/and indentured labor."[50] The action to exclude Soviet lumber was first taken in July 1930 when two ship loads of lumber of Soviet origin were denied entry on the ground that convict labor had been used in cutting and loading the lumber.[51] The Amtorg Trading Corporation, the importer of the lumber, protested to the Secretary of the Treasury against this action which it characterized as unwarranted. It denied that convict labor had been employed in either cutting or loading the lumber and claimed that workers in lumber camps were employed under voluntary agreement.[52] On the other hand, Matthew Woll, Vice-President of the American Federation of Labor was of the firm opinion that the whole Soviet system was based "upon convict, forced or indentured labor" and, therefore, everything that came from Russia ought to be barred.[53] The charge of convict labor was then made the subject of a public hearing. In this hearing Arthur C. Dutton of the A. C. Dutton Lumber Corporation of Poughkeepsie submitted an affidavit stating in part,

[48]House Committee on Ways and Means, *Hearings*, n. 11, 49.

[49]*Ibid.*, 51.

[50]U.S. Senate, 71 Cong., 2 Sess., *Senate Document No. 166* (Washington. GPO, 1930) 112. Hereafter cited as *Senate Document 166.*

[51]*Treasury Decisions*, n. 38, 348.

[52]House Committee on Ways and Means, *Hearings*, n. 11, 34.

[53]*New Republic* (August 6, 1930) 329.

I have personally been to Russia three times in the past three consecutive years and to the best of my knowledge and belief convict labor is not used. This is confirmed by my observation of the interest that the workers took in trying to improve their products; also by the statements which I received at random from very many whom I questioned in regard to their conditions of work; further by the fact that I saw no signs of convict guards or restrictions at any of the plants.[54]

Spencer Williams, Moscow representative of the American-Russian Chamber of Commerce, who made an extensive survey of the labour conditions in northern lumber regions of the U.S.S.R. also expressed the same opinion when he stated,

I have made visits to sawmills...of the Trust 'Severoles' which organization is entrusted in the sawing of timber for export from the northern region of the U.S.S.R., these mills being located in the vicinity of the town of Archangel....I was able to converse freely with such workers as I chose to pick out....I was told by the workers with whom I talked that they were free to leave their employment when they saw fit, at six days notice, [and] that they were paid wages on a piecework basis....At none of the places visited did I observe any sign or appearance whatever of the existence of convict or forced labor, and as a result of my observations, I am convinced that convict or forced labor is not employed in the production, preparation, rafting or loading of lumber in the northern region of U.S.S.R.[55]

This view was further corroborated by an American efficiency engineer P. M. Volyn, who was in charge of lumber operations for the Northern Lumber Trust in the northern region of Russia. Volyn had the opportunity to visit various camps and to examine labor conditions and declared that in no place had he come across compulsory labor in any form.[56] In fact, there was hardly any evidence to prove that convict labor was used. Upon the conclusion of the hearing, a treasury ruling was issued revoking the exclusion order and instructing the collector of customs to release the detained shipments.[57]

This did not, however, discourage the interested parties who then raised the cry of dumping. Matthew Woll asserted that "a million American workers would be thrown out of work permanently unless steps were taken to stop the dumping of

[54] *ERSU*, n. 32, 455.
[55] *Ibid.* (Nos. 13-14, 1932) 306.
[56] *Ibid.* (No. 5, 1931) 104.
[57] *Congressional Record*, n. 13, 4695.

Soviet goods."[58] But the *New Republic* questioned the validity of Woll's assertion by asking how American workmen could gain jobs by stopping trade with a country which bought five times more from the United States than what it sold her. It enquired, "are American workers solely employed in making articles which can be imported, but not at all in making articles which can be exported?"[59] As a matter of fact the charge of dumping Soviet lumber did not appear to be convincing in view of the small quantity imported into the United States. Prior to 1929, Soviet timber exports to the United States amounted to less than 1 per cent of her total timber exports; in 1929 it was only 1.6 per cent, and even in 1930 when the maximum quantity was imported from the Soviet Union, it constituted only 5 per cent of the total Soviet timber export in that year.[60]

Besides, the small quantity of Soviet lumber that came into the United States was virtually of a non-competitive nature as far as the American lumber industry was concerned.[61] The only Soviet lumber imported was spruce of which there was an increasing shortage in the United States. Its production in the United States fell from 1,047,000,000 board feet in 1913 to 572,000,000 board feet in 1928.[62] Soviet spruce, moreover, far from being sold at less than the domestic price or its fair value, was actually sold at a higher price than the American spruce because of its better quality.[63] This fact was admitted by an official in the Lumber Division of the Department of Commerce when he wrote, "The Russian softwoods are equal and in many respects preferred to the Swedish and Finnish softwoods even at a higher price."[64] The same

[58] *Political Quarterly*, n. 19, 160.

[59] *New Republic*, n. 53, 329.

[60] *EESU*, n. 55, 304-305.

[61] Santalov and Segal, n. 32, 300.

[62] U.S. Department of Commerce, *Commerce Year Book 1930* (Washington, GPO, 1931) 335.

[63] House Committee on Ways and Means, *Hearings*, n. 11, 53.

[64] Selfridge to Klein, November 4, 1929, NA, RG 40, File 90034/6.

view was corroborated by the Chief of the Lumber Division in a letter to the New York Lumber Trade Association on April 18, 1930. He stated in part,

> There is no better lumber in Europe than Russian pine or spruce.... It has surprised us that this lumber has brought such relatively high prices in this country. In fact, quality for quality, I believe that more money has been paid for Russian lumber than for corresponding species from Eastern Canada. I do not believe that this Russian lumber comes into direct competition with the majority of American woods. We are importing large quantities of spruce from Canada, and from our point of view, we do not see that it makes much difference which country this spruce comes from, so long as it is imported. I am frank to say that the Russian lumber is superior both in quality and manufacture, to much of the Canadian spruce imported so far.[65]

From the above statements, it appears that Soviet lumber did not compete with American lumber. It was also not sold at dumping prices.

Charges made by the American Pulpwood Manufacturers

As in the case of Soviet lumber, restrictions were also sought to be imposed on the importation of Soviet pulpwood. The United States, however, needed far more pulpwood for newsprint, papers of various kinds, and manufactured articles, than she could supply herself. Only 45 per cent of the pulpwood required was produced in the United States and 55 per cent had to be imported from abroad.[66] In 1929, Soviet pulpwood was first imported into the United States as trial cargoes. The quality of this pulpwood proved to be highly satisfactory. Agreements were then entered into between prominent American firms and Soviet exporting organizations with the result that in 1930, pulpwood worth $1,500,000 was imported from the Soviet Union. But this constituted only 9.28 per cent of the total import of pulpwood during that year. In 1931 and 1932, only 6.55 per cent and 8.66 per cent respectively of the total import of woodpulp came from the Soviet Union.[67]

[65] *ERSU*, n. 32, 451.

[66] American-Russian Chamber of Commerce, *Memorandum on American Russian Trade* (New York, American-Russian Chamber of Commerce, 1923) 20.

[67] U.S. Department of Commerce, *Commerce Year Book, 1932* (Washington, GPO, 1933).

Notwithstanding the fact that the import of Soviet pulpwood greatly benefited the American paper industry owing to the shortage of American domestic supply of pulpwood, demands were made by certain lumber interests that an embargo be imposed upon imports of Soviet pulpwood on the alleged ground that such imports were injuring the American lumber industry and that the Soviet pulpwood was produced by convict labor. On July 25, 1930, Assistant Secretary of the Treasury Lowman announced that an embargo had been imposed on imports of pulpwood from the Soviet Union. The embargo was placed pending decision as to whether it was the product of convict labor within the meaning of Section 307 of the Tariff Act.[68] In accordance with this decision, two ships that arrived loaded with Soviet pulpwood—a British ship, the Grelisle and a Norwegian ship, the Christian Bors—were barred entry by customs officials on July 28, 1930. After a hearing, however, the charges were declared to be unsubstantiated. The embargo was then lifted on the ground that the evidence adduced had failed to establish the fact that Soviet pulpwood had been produced by convict labor.[69]

In regard to the effect of the import of Soviet pulpwood on American industry and labor, George Sisson, President of the Racquette River Paper Company, in a testimony at the pulpwood hearing stated in part,

> It is a well known fact that the manufacturers of paper in the United States are dependent on pulpwood from outside sources.... In connection with manufacturing our paper, we use Russian pulpwood because it has a harder and closer fibre. It also has a longer fibre, and in that respect it is much better than pulpwood from the Adirondacks, Northern New England and Eastern Canada, which has been our source of supply up to the present time. The cost of this pulpwood from Russia is more than we have to pay here for Canadian pulpwood, and the contracts into which we entered prescribed a higher price than we have been paying for Canadian pulpwood.... The buying of this pulpwood is not displacing the work of one single American laborer. There is no such pulpwood that could be purchased anywhere in the United States.[70]

[68] *Senate Document 166*, n. 50, 112.
[69] *FRSU*, n. 32, 452.
[70] *Ibid.*

This view was reiterated by John E. Hinman, Vice-President of the International Paper Company when he stated,

> The pulpwood...imported from Russian is not displacing American wood...[our mills] were transferred to Canada because we cannot import the woodpulp. Ninety per cent of the wood in Canada is non-exportable because the land is owned by the government which requires the wood to be manufactured in Canada into paper.[71]

Secretary of Commerce Lamont in a letter to Secretary of Labor Doak expressed the same opinion when he wrote that,

> Unless the paper mills in New York State can get pulpwood either from Russia or Canada, the mills will have to shut down or move to some other country...there is no other satisfactory supply of pulpwood available at this time, so that the bringing in of this [Russian] wood is not taking labor away from American workmen.[72]

From the above statements, it appears that the import of Soviet pulpwood, far from injuring American labor or industry, supplied an essential raw material for a major American industry. At the same time, it increased the opportunities for the employment of American labor.

Evaluation of Dumping and Convict Labour Charges

For a proper evaluation, the charge of dumping levelled against Soviet products needs to be examined carefully. Dumping involves the selling of goods in foreign markets at a price lower than that prevailing in the home market. This device may be resorted to for various purposes. Producers sometimes dump their products on foreign markets in order to prevent a fall of prices within the country. In the case of the Soviet Union, however, the reason was different. The Soviet economy was centrally coordinated and controlled. The prices within the country were not, therefore, subject to any competitive conditions.[73] There was, moreover, a pressing domestic

[71] *Ibid.*

[72] Lamont to Doak, July 1, 1931, NA, RG 40, File 90034, Pt. 1.

[73] The monopoly of foreign trade enabled the Soviet Government to insulate its domestic price system from prices prevailing in world markets. The prices at which the Soviet Union bought or sold goods abroad did not necessarily have any close relationship to the prices of the same commodities in the Soviet Union itself. In advancing its economic interests abroad, the Soviet Government was able to back them with all its political

demand for most of the items exported from the Soviet Union which were made under compelling circumstances. Soviet Union's exports were intended to enable her "to secure a given amount of currency to pay for indispensable imports",[74] like machinery and equipment which were vitally needed for the reconstruction of her economy.[75] This fact was admitted by a Congressional Committee which stated in its report that,

> in order to obtain the foreign exchange with which to pay for the necessary machinery, equipment and technical assistance called for by this [five year plan] development, the Soviet Government has been forced to export large quantities of commodities which were greatly needed at home.... They have apparently assembled their salable products and sold them wherever they could at whatever price they could obtain. Lacking credit abroad, this seems to have been their only recourse.[76]

An observer of the Soviet economic condition also expressed the opinion that,

> The exports from the Soviet Union...are made almost wholly for the purpose of buying goods abroad, for which there is a very pressing need, and which cannot be produced in sufficiently large quantities in the Soviet Union. If the need for these goods were not so pressing, almost all Soviet exports could be advantageously consumed at home. Certainly,

and economic might, giving it substantial advantages over individual foreign enterprises. Harry Schwartz, *Russia's Soviet Economy* (New York, Prentice Hall, 1954) 576.

[74]Max Beloff, *The Foreign Policy of Soviet Russia, 1929-1936* (London, Oxford University Press, 1947) I, 31.

[75]The forced disposal of Soviet exports at low prices was determined not only by the need of selling export goods in order to obtain foreign currency, but was also due to the way in which Soviet foreign trade was organized in those days. Goods were exported and stored in the warehouses of the corresponding Trade Delegations according to plans made in respect of every country. Sale plans, however, had to be suddenly altered and adapted to the rapidly deteriorating conditions of sale created by the world-wide depression which started following the Wall Street stock-exchange crash in October 1929. Consequently, it became necessary to clear stocks accumulated in the Trade Delegation warehouses at most unprofitable prices, not with the purpose of 'dumping', but for exchange, organizational and technical reasons. A. Baykov, *The Development of the Soviet Economic System* (Cambridge, University Press, 1950) 266.

[76]*House Report 2290*, n. 24, 94-95.

the export of Soviet products has no connection with any difficulties of marketing these products in the Soviet Union.[77]

The effect of this situation on foreign trade was that imports played the leading role in the Soviet Union and exports served only as a means of fulfilling the import program.[78] Hence, every effort was made to secure the highest possible returns for the available exports in order to make it possible to purchase the maximum quantity of imported products. As the Soviet Commissar for Foreign Affairs, Litvinov, stated in 1931,

> We are not in the least interested in the fall of prices on the world markets, because then our income from our export trade would correspondingly sink, and it is from this income that we must meet the costs which accrue to us from the machinery imports which we need for the development of our industry and the carrying out of our Five Year Plan.[79]

To pay for imports, however, Soviet Russia sometimes had to sell abroad at any price offered. She did so not from a conscious desire to sell cheaply, but from the necessity of finding a market, any market for Soviet goods. The Soviet Union had to sell in order to be able to pay for her imports. It was a buyer's market. Hence, under the circumstances, if it was necessary to lower the price to obtain a large market, that device was accepted as a necessary sacrifice. In general, Soviet products imported into the United States did not compete with American industries. This was because they were made up mostly of raw materials or semi-manufactured materials which the American industries had to import from abroad. Most of the products which Russia supplied, more-

[77] *Economic Journal of the Royal Economic Society* (September, 1930) 428.

[78] The primary objective of Soviet foreign trade was to expand exports in order to pay for imports necessary to promote the country's industrialization for the purpose of making her economically self-sufficient. The purpose of Soviet foreign trade [at that time] was, according to some observers, a trade-to-abolish-the-necessity-of-trade which led certain foreign governments to have misgivings about encouraging their manufacturers to develop a dependence on such trade.

[79] *International Press Correspondence* (No. 26, May 21, 1931) 478.

over, were of advantage to the American industries on the basis of either distinctive quality or lack of domestic supply.[80]

The charge of dumping had a detrimental effect on Soviet-American trade. Over and above this, the agitation against forced labor resulted in Soviet goods being subjected to prolonged administrative investigations, with the burden cast upon the importer of establishing that certain merchandise was not mined, produced or manufactured by convict labor.[81] This tended to create an atmosphere of uncertainty and risk which had an adverse effect on trade. Col. Cooper, who was responsible for the construction of the vast Dnepropetrovsk dam in Russia, had pointed out this fact at a Congressional hearing.[82] American importers of Soviet merchandise were loath to extend their old agreements or to enter into new ones. This reluctance was due to the uncertainty that some ruling, such as was made possible by Section 307 of the Tariff Act of 1930,[83] would not for a longer or shorter period of time tie up the commodities for which the American importers had contracted. Along with the decline in American imports from the Soviet Union, there was also a shrinkage in Russian orders in the United States. As Col. Cooper stated, "The Russians are human beings...and if we say to them 'we like to do business with you, but we will not buy anything from you,' you must know that they will tell us to move out."[84]

Reactions to Decline in Trade

Press Comments

The concern felt in the United States at the decline of American exports to the Soviet Union was revealed in the press comments. Thus the *New York World* warned, "By closing this important export outlet we shall increase existing unemployment and thereby encourage Communist propaganda

[80]Cecil A. James, "Reciprocal Trade with the Soviet Union", *Annals* (July, 1933) 238.

[81]*Congressional Record*, n. 13, 5678.

[82]House Committee on Ways and Means, *Hearings*, n. 11, 104.

[83]*Senate Document 166*, n. 50, 112.

[84]House Committee on Ways and Means, *Hearings*, n. 11, 104.

—the very thing which a proposed embargo is supposed to prevent". The *Baltimore Sun* pointed out that the loss of the Russian market would kill a trade "that kept thousands of American workmen employed."[85] The *New York Times* quoted the *Economic Life* as blaming the decline in Soviet-American trade to the "loss of common sense" by the American Government.[86]

Reactions of the American Business Community

A portion of the American business community also felt concerned at the prospect of the loss of the Russian market. This was reflected in a letter dated July 1, 1931, addressed to the Secretary of Commerce by S. R. Bertron, Chairman of the Board of Directors of the American-Russian Chamber of Commerce. The letter stated in part,

> [The Russians] are inclined to withdraw all business from America in so far as is possible.... They have purchased here during the last year more than $150,000,000 worth of American goods.... This has been a mighty good thing during these hard times for our laborers and merchants.... Since our recent Tariff Bill went into effect, the whole of Europe is endeavouring to secure the Russian business...and they are offering excellent credits backed by their governments, so that...we stand to lose the better part, if not the entire Russian exports.[87]

The necessity of establishing diplomatic relations with Soviet Russia was urged by the Vice-President of the General Motors on the ground of deriving full advantage from trade with that country. He stated that,

> Russia, particularly in her primary products, is in a position to furnish us some things we need, and which she is in a better position to give us than we are able to supply ourselves. On the other hand, we have many things, particularly in our manufactured articles, which she needs and which we are in the best position to supply. Obviously then, the situation is solved to the best effect when we set up with Russia to trade in these things.... The real danger arises out of our present inclination to shut our eyes to the economics of the situation.[88]

[85]Quoted in *Literary Digest*, n. 10, 7.

[86]*New York Times* (August 3, 1930) 2.

[87]Bertron to Lamont, July 1, 1931, NA, RG 40, File 90034, Pt. 1.

[88]*ERSU* (No. 10, 1931) 223.

The great possibilities for American industry in Russian trade were also emphasized by other business leaders who urged the necessity of reaching some sort of arrangement with Russia. The President of the Curtiss-Wright Export Corporation and the Sperry Gyroscope Company, Thomas A. Morgan, stated that "from a purely business viewpoint, Russia should be considered one of our most important customers and one with whom we should be on the most friendly terms."[89] The President of the Cowham Engineering Company, John L. Senior, pointed out that the Middle West of the United States had benefited to the extent of two hundred million dollars since the inception of the Soviet-American trade relations and expressed the belief that "under certain circumstances trade with Russia could run to from half a billion to a billion dollars a year."[90] Col. Cooper in a letter to President Hoover in 1931, dwelt upon the necessity of removing the obstacles upon trade with Soviet Russia. He stated in part,

> No sustaining market for the existing surplus agricultural and industrial products will ever be found except where it is based on natural resources, developed according to natural economic laws. The greatest readily available undeveloped natural resources in the world...are located within the boundaries of Soviet Russia. The most promising agency that exists in the world today, therefore, to supply the force that is needed to break down the economic jam...blocking world trade channels is Soviet Russia and its enormously valuable undeveloped natural resources. If these resources are reasonably well developed, it will create an early buying power that can scarcely be measured in terms of world benefit. No such remedy for world depression can be found elsewhere.[91]

In another letter to Secretary of Commerce Lamont, Col. Cooper emphasized the marked success of American machinery and equipment which were in heavy demand in Russia in preference to any other make. He further pointed out the fact that at a time when the United States was confronted with a shrinking world market, there existed in the Soviet Union "the greatest potential buying power anywhere available

[89] *ERSU* (No. 7, 1932) 158.
[90] *Ibid.* (No. 8, 1932) 175.
[91] Cooper to President Hoover, June 20, 1931, NA, RG 40, File 90034.

in the world."[92] He felt that American business had immeasurable potentialities in Russia, but at the same time he warned that if American businessmen were to obtain their fair share of the "great potential and rapidly expanding market for machinery and engineering" the United States would have to give more serious consideration to the matter than she had given before. "By neglecting this opportunity [she] may force the Russians to turn to Europe despite their very keen preference for American assistance."[93] A section of the American business community regarded their government's policy of discouraging credits to Russia while loaning large amounts to European countries, as being partially responsible for the decline of Soviet orders in the United States. Thus the President of the Sundstrand Machine Tool Co., in a letter addressed to President Hoover wrote,

> We have not hesitated as private bankers or even as a Government to loan large sums of money to Europe and especially to Germany, which funds have been used by this latter country to build up their industrial equipment and unquestionably in a large measure has been used by them to extend credits to Russia, the Government guaranteeing a certain percentage of the order and thus enabling the equipment builder in Germany...to accept four and five hundred million dollars worth of orders on long term credits for machine tool equipment and the like from Russia. If some means of credit had been set up for the use of the equipment manufacturer in this country so that he could finance credits to Russia...instead of loaning so much capital to Europe...this might have been wiser a move and...helped the employment situation here.[94]

Substantially the same opinion was expressed by the President of the Barnes Drill Co., in a letter to President Hoover on January 13, 1932. He wrote in part,

> While Congress has seen fit to make a very substantial loan to Germany, Germany in turn has loaned an equal amount of $400,000,000 to Russia and is getting practically all of the machine tool business during the last six months; thus, indirectly the United States is financing the Russian program, and we are the goats.[95]

[92]Cooper to Secretary of Commerce Lamont, June 23, 1931 in *ibid.*

[93]*EESU* (No. 23, 1931) 538-539.

[94]Hugoh Olson to President Hoover, January 16, 1932, NA, RG 151, File 448 U.S.

[95]President of Barnes Drill Co. to President Hoover, January 13, 1932, NA, RG 59, File ADT 661.1115/520.

This view was corroborated by the President of the Consolidated Machine Tool Corporation in a letter to Secretary Stimson on February 10, 1932, in which he stated in part,

> If America can risk its capital in Germany and Germany can risk the same capital in Russia, and the German Government guarantees a considerable portion of these credits to Russia,—isn't it time such credit was established in America so that Russia can buy in America the machinery it wants in preference to the German and English machinery.... By neglecting these opportunities for American business in Russia and thus turning the business over to Europe, America is allowing European manufacturers to become so thoroughly established in Russia that there will be little opportunity for business later, when America wakes up to the great possibilities of the Russian market.[96]

Reaction of Senators

Members of the Senate also advocated a re-examination of Russian-American relations in the interest of trade. Senator Wheeler of Montana in an article in the *Washington Herald* pointed out that "recognition of Soviets" would open vast trade to the United States and this would help to solve the unemployment question. At the same time, he also pointed out the possibility of Germany and Great Britain securing the major part of the Soviet trade, unless the United States altered its policy towards Russia.[97] Senator Bronson Cutting of New Mexico emphasized the "folly of ignoring...one great potential customer", a customer who needed exactly those things which the United States was in a position to supply.[98] Senator Hiram Johnson of California also pointed out the foolishness of not taking advantage of the Soviet market. "There are", he said, "billions of dollars worth of future orders for American workers to fill, and in these times it is simply economic idiocy for America, by its policies, to preclude Americans from trade and commerce which so readily could be obtained."[99]

[96]President of Consolidated Machine Tool Corporation to Secretary of State Stimson, February 10, 1932, NA, RG 59, File A/WJ 661.1115/522.

[97]*Washington Herald* (October 5, 1930), quoted in *Congressional Record*, n. 13, 4673-4674.

[98]"These Senators Say Yes", *Nation* (May 18, 1932) 566.

[99]*Ibid.*

Senator Borah of Idaho expressed the opinion that Russia offered *"the greatest potential market in the world,"*[100] for American goods. Instead of taking advantage of this market, Borah felt that the American Government was doing everything possible to break down trade with Russia by agitation and attacks and Treasury regulations. All these acts were calculated to interfere with and embarrass trade with Russia at a time when, above all things, the United States needed foreign markets. Borah pointed out that the Russian market could be obtained "under any reasonable policy" and that the great number of unemployed people in the United States "ought to encourage [the American Government] to seek foreign markets wherever they may be found."[101] In their enthusiasm, the Senators exaggerated the potential importance of the Russian trade. The Soviet Union never became the greatest market of the United States in all the years that followed. The importance of the Senatorial pronouncements lay in the momentum they gave to the normalization of relations between the two countries and the establishment of diplomatic relations.

Reaction of Other Individuals

Several other individuals also emphasized the importance of the Russian market. Foremost among them was Thomas Campbell, the wheat magnate of Montana, who believed that "business with Russia" could be "effective in getting rid of the depression more promptly than any other possible foreign trade." He stated that the Russians paid their bills promptly and met every commitment abroad on scheduled time. "If you apply the same credit rules to Russia that the banker applies to an individual client who asks for credit," Campbell argued, "they are entitled to the credits they ask for before placing orders."[102]

[100]Borah to J. D. Carr, April 11, 1931, Borah Mss. While it is possible to argue that Senator Borah and others of similar opinion held exaggerated views regarding Russia's potentialities as a market for the attainment of certain immediate objectives, it is also possible that they sincerely believed in what they stated.

[101]*Congressional Record*, n. 13, 7346.

[102]E. Angly, "Thomas Campbell—Master Farmer," *Forum* (No. 1, July, 1931) 22.

As a matter of fact, Russia had established an enviable record of meeting all her foreign obligations promptly. In an era of unparalleled world-wide upheaval, when moratoria, defaults and bankruptcies were the order of the day in many a heretofore prosperous country, Soviet Russia had not asked for any commercial quarter from her foreign creditors. She had not resorted to "extensions or standstill agreements" either, but had simply "arranged to have American dollars in the bank when her notes fall due."[103] The President of the Fouke Fur Co., corroborated this fact in a letter to the Assistant Secretary of Commerce stating that "they [the Russians] have met all their obligations with us in time."[104] The same view was expressed by the President of the Farm Tools Inc., in a letter to Senator Fess of Ohio in August 1932. He stated in part,

> In the past three years we have had two fair sized orders [from the Russians] and we have not upto this moment had cause to question their integrity or criticize their business methods one iota. Every single detail in connection with these orders has been carried out as agreed and payments have been made with scrupulous accuracy and promptness.[105]

In fact, there was not a single instance of default or extension of payment on the part of the Soviet Government. Most of the nations that experienced difficulties in meeting their external obligations pleaded catastrophic declines in commodity and raw material prices as justification for debt postponement. But Soviet Russia never pointed to reduced export revenue when bills for imports fell due. She met her dues despite the fact that her principal exports consisted of commodities like "wheat, lumber, oil, furs and food products, the prices of which fell to 50 percent and in some cases to 25 percent of their 1929 levels."[106] The Detroit News in an editorial on September 21, 1933, stated in part that,

[103]Miles M. Sherover, "American and the Russian Market", *Current History* (September, 1933) 676.

[104]Fouke to Klein, November 12, 1931, NA, RG 40, File 90034, Pt. 2.

[105]C. A. Hines to Senator S. D. Fess, August 15, 1932, NA, RG 151, File 448 U.S.

[106]*Current History*, n. 103, 676.

from a purely business standpoint, recognition of Russia would be greatly to our advantage, because we are the greatest creditor country in the world and need employment for our capital. Russia needs a multitude of things that we can produce.... American business methods are admired in Russia...and once introduced on a large scale, American products will have a continuing and increasing market, as Russia grows more prosperous.[107]

Reaction of Opposing Groups and Individuals

There were some groups and individuals in the United States who were vehemently opposed to any change in their government's policy towards the Soviet Union. Forefront in the opposition was the American Coalition of Patriotic Societies which adopted a resolution on February 18, 1931, stating in part that if the Soviet Union was allowed to trade with United States, she might be

for three or four years a good customer, but she will, through this very machinery, be growing into our [America's] most dangerous competitor and when she has attained her industrial growth, she will become more than a competitor since she is bound by her fundamental political principles to become a military aggressor.[108]

The American Federation of Labor was also opposed to the recognition of the Soviet Government irrespective of trade advantages. Its president, William Green, made this clear in February 1933, when he said,

In these days of widespread unemployment it might appear that labor would be the greatest beneficiary of an increased and enlarged foreign market for American goods. In some respects this would be true, but in the matter of trade with Soviet Russia, American labor would be called upon to surrender vital American principles and American traditions in exchange for an opportunity to market a small percentage of increase in American products...that cost is too great... labor will not compromise ...until the Soviet Government ceased its Communist activities in our own land and until it disavowed its declared purpose made through the Third International, to promote world revolution and to force the acceptance of the Communist philosophy through force.[109]

[107] *Detroit News* (September 21, 1933).

[108] *Congressional Record*, n. 13, 7273-7274.

[109] *American Federation of Labor Weekly News Service* (February 4, 1933).

On another occasion Green declared,

> Labor holds that the preservation of the principles of self government, the right to live unmolested, without the threat and menace of world revolutions, is of greater value than the creation of material wealth or the enjoyment of profits gained through the sale of goods to a foreign nation.[110]

The National Civic Federation was also opposed to the establishment of relations with the Soviet Government "until that regime ceased its subversive activities [in the United States]...compensated American nationals for confiscated property and proved itself fit to associate with civilized nations." The Federation denounced the pressure exerted by the manufacturing, commercial and financial interests in urging the President to recognize the Soviet regime. It believed that such a step would "endanger the industrial peace and the social and political order [in the United States] by admitting agents of the Soviet regime, clothed with diplomatic immunity", who were "committed to the proposition of unduly interfering with [American] orderly processes and relationships with the ultimate purpose in mind of overthrowing the [American] Government."[111] Representative Hamilton Fish was also among the staunch opponents of recognition of Soviet Russia. He contended that the bait of Soviet trade that was dangled before the American manufacturers did not have any value as the United States was doing a substantially larger volume of trade with Russia [in 1930] than she did during the Czarist regime [in 1912-13]. Fish believed that Russia desired diplomatic relations with the United States "not for purposes of trade, but because it would increase its prestige, help to stabilize its government, and discourage opposition from within and without, and permit it to intensify its revolutionary propaganda throughout the world."[112]

Another prominent figure who was opposed to the resumption of relations with Russia was Father Edmund A. Walsh,

[110] *Ibid.* (April 22, 1933).

[111] Acting President of the National Civic Federation to President elect Roosevelt, November 11, 1932, NA, RG 59, File 861.01/1874.

[112] *Congressional Record*, n. 13, 63.

Vice-President of the Georgetown University and a well-known Catholic educator. Emphasizing the international character of Communism, he pointed out that the radically different ideologies of government and ethics in the United States and the Soviet Union made any reconciliation between the two impossible. He believed that the Bolshevik revolution had brought about "a revolution not only in the political form of government within Russia, but...a complete transformation of all existing society." In a testimony at a hearing he stated, "This group of revolutionaries [the Bolsheviks] are...determined ...to blot out, lock, stock and barrel, every form of civilization...."[113] Father Walsh also challenged the trade argument in favour of recognition of the Soviet Union. He contended,

> Without recognition our merchants have been doing a thriving business with Soviet Russia, much in excess of most if indeed not all the recognizing powers; and it has been noted that the balance of trade has dropped sharply once the flower of recognition has been plucked. In the copious light of precedent and experience it would seem to be folly to scrap the illumination of a searchlight and go groping over the same road by the flickering flame of a two-penny candle.[114]

Despite the opposition of some groups and individuals, however, trade with Russia was favoured, as noted earlier, by a substantial volume of American opinion. The depression had affected America's trade and, in the face of shrinking markets, the American business community could ill afford to lose the trade with Soviet Russia which was in a position to absorb a substantial quantity of American machineries and manufctured products for its requirements under the first Five Year Plan. It was not till the Democratic Administration came to office in 1933, however, that the folly of ignoring "the greatest potential market in the world"[115] for American goods was realized and steps were taken to normalize relations with the Soviet Union.

[113]U.S. House of Representatives, 71 Cong., 2 Sess., Special House Committee, *Hearings, Investigation of Communist Activities in the United States* (Washington, GPO, 1930) Pt. 1, 6.

[114]Edmund A. Walsh, *The Last Stand* (Boston, Little Brown, 1931) 305.

[115]Borah to Carr, n. 100.

CHAPTER FIVE

The Communist International and Communist Activities in the United States

The Communist International was formed in 1919 under the inspiration of Lenin and other Bolshevik leaders. According to Lenin's thesis, the general mission of the Communist International was to "draw together the proletariat and the toiling masses of all nations and countries for a joint revolutionary struggle which will lead to the overthrow of landowners and bourgeoisie...."[1] The Communist International was regarded as "the concentrated will of the world revolutionary proletariat,"[2] and its ultimate aim was "to replace world capitalist economy by a world system of communism."[3]

The Communist International and the Doctrine of World Revolution

World revolution was the leading doctrine of the Communist International and it advocated the conquest of power by the proletariat by the "violent overthrow of bourgeois power."[4] The aim of the Communist International as to world revolution was revealed in a resolution adopted at the Fourth Congress in 1922. The resolution stated that "the proletarian revolution" could never be "completely victorious within one

[1]Final draft of Lenin's thesis adopted at the Second Congress of the Communist International, July-August 1920. Cf. Xemia J. Eudin and Robert C. North, eds., *Soviet Russia and the East, 1920-1927: A Documentary Survey* (Stanford, University Press, 1957) 64.

[2]W.H. Chamberlin, ed., *Blueprint for World Conquest* (Chicago, Human Events, 1946) 128.

[3]Communist International, Sixth Congress, 1928, *The Program of the Communist International* (London, Modern Books, 1929) 64.

[4]*Ibid.*, 186.

single country, but it must win the victory internationally as the world revolution."[5] It was, however, realized that the international proletarian revolution could not occur simultaneously all over the world. At first, it could hope to be "victorious in a few or even in one single capitalist country." But it was believed that every such proletarian victory would broaden "the basis of world revolution."[6]

Relation of the Soviet Government to the Communist International

In the early days of the Bolshevik regime, there was no attempt to conceal the direct connection of the Soviet Government apparatus with the Communist International. In those days, the Bolshevik leaders were doubtful as to the length of time they could retain power in Russia. They believed that the period they could maintain themselves in power would not be long unless the revolutionary proletariat in the countries of the West came to their aid and promptly seized power in their own countries. Thus, it was not surprising that, in December 1917, only a few weeks after the Bolsheviks came into power, Lenin and Trotsky signed a decree placing "two million roubles for the needs of the revolutionary internationalist movement at the disposal of the foreign representatives of the Commissariat for Foreign Affairs."[7] Stirring calls to international revolution emanated from the Soviet Commissariat for Foreign Affairs itself. For openly engaging in subversive activities the official representatives of the Soviet Government were indeed expelled from England and elsewhere. After these events, a noticeable tendency developed on the part of the Soviet leaders to shift to the Communist International responsibility for the conduct of revolutionary propaganda. An effort was made to convince the western world of the separation of the Communist Inter-

[5]Communist International, Fourth Congress, 1922, *Resolutions and Theses of the Fourth Congress of the Communist International* (London, Communist Party of Great Britain, 1922) 22.

[6]Chamberlin, n. 2, 184.

[7]*Collection of Laws and Orders* (1917) No. 8; also see *Gazette of the Temporary Workers and Peasants Government* (No. 31, December 13, 1917).

national from the Soviet Government.[8] In an editorial on this point, the *Pravda* wrote,

> The Soviet Union is a state, and is not responsible for any other organization, just as one or the other government is not responsible for every step...taken by organizations domiciled on the territory of the given country. In the United States, for instance, there exists the Ku-Klux Klan organization...But we do not identify that organization with the Department of State of the United States, we do not negotiate with that organization...neither do we, on the other hand, demand its expulsion.[9]

In actual fact, however, the Communist International continued to be closely connected with the Soviet Government since the Communist Party of Russia which controlled the Soviet Government was a member of the Communist International.[10] Although the control of the Communist International was nominally placed in the hands of an Executive Committee on which were Communists from various countries, the Russian Communist Party members, from the very beginning, exercised the controlling influence. As a leading Communist writer stated, "The Third International is the child of the Russian Communist Party..." In our hands is the Executive Committee of the Third International."[11] Stalin also alluded to the Party's control of the Communist International when he stated, "Our party...is the vanguard of the Communist International."[12] As a matter of fact, the Central

[8] *Memoranda on Problems Pertaining to Russian-American Relations*, No. 4, October 20, 1933, NA, RG 59, File 811.OOD/1608. Hereafter cited as *Memoranda on Russian-American Relations*. No. 4.

[9] *Pravda* (August 2, 1925), translation enclosed in Coleman to Hughes, August 6, 1925, NA, RG 59, File 861.00/10776.

[10] The many decrees which were promulgated jointly over the signatures of responsible officers of the Soviet Government and the Communist Party left no doubt as to the organic union of the two. Skinner (Riga) to Stimson, September 10, 1932, NA, RG 59, File 861.01/1795.

[11] Report of Karl Radek on Third International, April 2, 1920, quoted in U. S. Senate, 68 Cong., 1 Sess., Senate Committee on Foreign Relations, Subcommittee on Senate Res. 50, *Hearings* (Washington, GPO, 1924) 179. Hereafter cited as Senate Committee on Foreign Relations, *Hearings*.

[12] Stalin's speech at the Ninth Congress of the Communist Party as quoted in *Memoranda on Russian-American Relations*, n. 8, No. 4.

Committee of the Russian Communist Party charged itself with nearly all the work of the Executive Committee of the Communist International. The close relationship between the Soviet Government and the Communist International was further revealed in a statement by Zinoviev in 1922. He stated in part,

> From our communist viewpoint it is perfectly clear that the Communist International is of the greatest importance for Soviet Russia and vice-versa. It would be laughable to question...who is the subject and who is the object. The Republic and the International are the foundation and the roof of the building. One belongs to the other.[13]

Kalinin expressed the same view when at a speech before the All-Russian Central Executive Committee in 1922, he stated that,

> The laborers and the peasant masses of the Soviet Republic...understand that their daily material interests are closely bound up with the success of the international revolutionary movement....On this side the very close bond between the Soviet Republic and the Communist International is not subject to doubt.[14]

Elucidating on the same point, Steklov stated,

> The mutual solidarity of the Soviet Republic and the Communist International is an accomplished fact. In the same degree as the existence and the stability of Soviet Russia are of importance to the Third International, the development and strengthening of the Communist International is of importance to Soviet Russia.[15]

The Soviet Government and the Communist International had an interlocking directorate by which a close relationship between the two was maintained. As Clara Zetkin wrote,

> Many leading Soviet officials are represented on the Central Executive of the Communist International. By this means it has been possible to ensure identity of aim and policy in the national sphere controlled by the Soviet Government and in the international sphere directed by the Communist International.[16]

The Communist International primarily engaged in those activities which could not be carried on under the flag of the Soviets. For instance, the Soviet Government found it difficult

[13]Quoted in *ibid.*

[14]*Izvestia* (November 7, 1922), quoted in Senate Committee on Foreign Relations, *Hearings*, n. 11, 200.

[15]Quoted in *ibid.*, 201.

[16]Quoted in NA. RG 59, File 861.01/1101.

to negotiate with a country and spread propaganda there at the same time. In such cases, the propaganda work was carried on through the Communist International.[17]

Communist Activities in the United States

Communist activities in the United States began with the formation of the Communist Party of America which held its first convention in Chicago on September 1, 1919. At this convention, a manifesto was drawn up. It stated in part,

> The Communist International alone conducts the struggle of the proletariat for its emancipation. The Communist Party of America is its American section....Communism does not propose to 'capture' the bourgeois parliamentary state, but to conquer and destroy it....The Communist Party is the conscious expression of the class struggle of the workers against capitalism. Its aim is to direct this struggle to the conquest of political power, the overthrow of capitalism, and the destruction of the bourgeois state.

Regarding the manner in which the conquest of power was to be achieved, the manifesto stated,

> The parliamentary processes...are to be discarded...and other means adopted for overthrowing the Government of the United States... by the mass power of the proletariat. Political mass strikes are a vital factor in developing this mass power, preparing the working class for the conquest of capitalism. The power of the proletariat lies fundamentally in its control of the industrial process. The mobilizing of this control against capitalism means the initial form of the revolutionary mass action that will conquer the power of the state.[19]...The Communist Party will systematically...prepare the workers for armed insurrection as the only means of overthrowing the capitalist state.[20]

Thus the aim of the Communist Party of America was to overthrow the Government of the United States. The party formed the American section of the Communist International. A resolution passed by the American Communist Party in 1922 confirmed this fact. The resolution read as follows,

[17] *Russki Golos* (April 9, 1924), enclosure in Hanson to Hughes, April 17, 1924, NA, RG 59, File 861.01/805.

[18] Senate Committee on Foreign Relations, *Hearings*, n. 11, 249.

[19] *Ibid.*, 239.

[20] *Ibid.*, 251.

Resolved by the national convention of the Communist Party of America in session assembled that we accept the conditions for unity as proposed by the special representative of the Executive Committee of the Communist International. We declare our whole hearted desire to work within the Communist movement of this country on the basis of Communist discipline as demanded from us by the Comintern [Communist International].[21]

Tasks Assigned to the American Communist Party

The tasks assigned by the Communist International to the American Communist Party were regarded as exceedingly important because the former considered the United States as the most powerful capitalist country. At a meeting of the American Commission of the Third International held in Moscow on May 6, 1929, Stalin stated in part,

The American Communist Party is one of those few Communist parties in the world upon which history has conferred a task of decisive character from the viewpoint of the world revolutionary movement.... The crisis of world capitalism is developing at an increased speed and is bound to extend also to American capitalism....It is necessary that the American Communist Party should be capable of meeting the moment of crisis, fully equipped to take direction of future class wars in the United States.[22]

The basic task assigned to the American Communist Party was to work for the "overthrow of the North American bourgeoisie."[23] This was to be achieved, eventually, by means of a

[21]*Ibid.*, 302.

[22]As quoted in U. S. House of Representatives, 71 Cong., 2 Sess., Special House Committee, *Hearings, Investigation of Communist Propaganda* (Washington, GPO, 1930) Pt. 1, 112. Hereafter cited as Special House Committee, *Hearings.*

[23]The American Communist Party was looked upon by a large number of Americans as a conspiratorial group whose actual operation and administration was conducted by highly placed people in Moscow and which had as its aim the forcible overthrow of the American political system. This was resented by the Americans as representing an improper activity on the part of one government towards the political life of another, and a refusal "to adhere to the principle that a government is obligated to respect the right of other states to live their life in the manner which commends itself to them." *Memoranda of the Department of State*, April 1, 1925, NA, RG 59, File 861.01/1176.

"general political strike and an armed revolt of the proletariat."[24] It was not to confine itself only to propaganda, but "to utilize every avenue...for agitation and organization of the proletariat."[25] "The American Communist Party", said the Communist International, "must make use of all current events (oppression in the factory, unemployment, police brutality, oppression of negro workers and foreign born, corruption in government) in order to expose the whole system and mobilize the masses in the struggle against capitalism."[26]

At a meeting of the Enlarged Executive Committee of the Communist International Zinoviev declared that the American Communist Party must recognize that it was necessary "to fuse the national sections of the Party into a real United Party."[27] The new basic unit was to be the shop nucleus or cell, comprising all of the Communists who worked in some particular shop, mine, factory or other place of employment. The object of the reorganization on a shop nucleus basis was to strengthen the activities of the party among the industrial workers and facilitate the control of the party over non-party workers. Instructions were also issued to the Communist Party of America calling upon it to capture the unions of the American Federation of Labor. In this connection, it was stated,

> Every communist must be a union member; a communist faction must be built up in every union; [and] the officials of every union must be exposed. Arouse the masses to take up strikes and wage movements and then skilfully utilize such movement for political ends.[28]

[24]Letter from the Executive Committee of the Communist International to the Central Committee of the American Communist Party, *Communist International* (Nos. 11-12, June-July, 1920) 2495-2500.

[25]Communist International, 3rd Congress, 1921, *Decisions of the Third Congress of the Communist International* (London, Communist Party of Great Britain, 1921) 39.

[26]Letter from the Executive Committee of the Communist International to the Central Committee of the American Communist Party, January 21, 1931, *Communist* (No. 2, February, 1931) 153.

[27]Quoted in Department of State, *Memorandum on Communist Activities in the United States,* enclosed in Secretary of State to Coleman (Riga), March 11, 1926, Records of the American Legation, Riga, 1926, NA, RG 84. Hereafter cited as *Memoranda on Communist Activities.*

[28]Quoted in NA, RG 59, File 861.01/1192.

A member of the Congressional Committee that investigated the activities of the Communists in the United States believed that under the program of the Communist Party, the American Communists were being urged "to bore from within, in the labor organizations, in the schools, in the army and in the navy of the United States, and in the factories, to the end that when the day comes for the revolution of the people, they may be ready and in key positions."[29] Where owing to repressive legislation, agitation became impossible, they were urged "to carry on...agitation illegally."[30]

Means Employed by the Communist International in Pursuing its Aims in the United States

The Communist International exercised its control over the American Communists in two ways. First, directly by means of various sorts with its American section, the American Communist Party. Second, indirectly by means of contacts of various sorts between the international subsidiary organizations of the Communist International and their American sections. The Red International of Labor Unions, International Labor Defence, International Workers' Order, were some of the international subsidiary organizations of the Communist International, while the Trade Union Educational League, Trade Unity League and the Workers' Party formed their American sections.

Direct Contacts. Direct contacts between the Communist International and the American Communist Party were maintained in a number of ways. One way was by visits to the United States of representatives of the Communist International. In this connection, the constitution of the Communist International provided,

> 22. The E.C.C.I. [Executive Committee of the Communist International] and its Presidium have the right to send their representatives to the various Sections of the Communist International. Such representatives receive their instructions from the E.C.C.I., or from its Presidium, and are responsible to them for their activities. Representatives of the

[29]Special House Committee, *Hearings*, n. 22, Pt. 4, 298.

[30]Chamberlain, n. 2, 67.

E.C.C.I. have the right to participate in meetings of the Central Party bodies as well as of the local organizations of the Section to which they are sent....[31]

Another means by which direct contact was maintained was through financial connection between the Communist International and the American Communist Party. The Constitution of the Communist International provided in this respect,

33. The Sections of the Comintern must regularly pay affiliation dues to the Executive Committee of the Communist International, the amount of such dues to be determined by the E.C.C.I.[32]

Stalin, in a statement in 1927, said that the American Communist Party pays an "affiliation fee to the Comintern." He added that "on the other hand, the Comintern, being the central body of the International Communist movement renders assistance to the Communist Party of America whenever it thinks necessary."[33] Visits of representatives of the American Communist Party to Moscow or elsewhere for attending sessions of organs of the Communist International provided yet another means of contact. Thus ten delegates from the United States attended the Fifth Congress of the Communist International in 1924.[34] Contact was also maintained by the assignment of American Communists to Moscow for training in agitation and propaganda work. Discussions of, and decisions with respect to, questions concerning the Communist movement in the United States and the American Communist Party at sessions of organs of the Communist International at Moscow also helped to maintain close connection. In a resolution adopted in 1924 by the Executive Committee of the Communist International, the following was included in regard to the action to be taken by the American section of the Communist Party:

1. More intensive work in the trade unions and the organized formulation of our influence over them [Communist factions].

[31]Donald H. Bishop, ed., *Soviet Foreign Relations: Documents and Readings* (Syracuse, University Press, 1952) 167.

[32]*Ibid.*, 169.

[33]Quoted in *Memoranda on Russian-American Relations*, n. 8, No. 4.

[34]Memoranda on Communist Activities, n. 27.

2. The fusion of all national groups of the Party into a genuinely unified Party.

3. More attention to the matter of the organization of American workmen.

4. More attention to agitation on the ground of the daily burdens of the life of the workers.[35]

Another means by which direct contact was maintained was through written orders from the Communist International to the American Communist Party, and resolutions adopted by the Communist International as instructions to that Party. On this point, the constitution of the Communist International provided that "the E.C.C.I. and its Presidium...have the right to send instructions to the various Sections of the Communist International."[36] Published material of a theoretical nature sent by the Communist International and its agencies to the United States with the object of fixing and controlling communist thought in the United States was still another means of maintaining contact. The Communist International disseminated its propaganda largely through the columns of its official press organs, the *Communist International* and the *International Press Correspondence.*

Indirect Contacts. The Communist International exercised control over the American Communist movement through indirect contacts as well. These were maintained by means of contacts of various sorts between the international subsidiary organizations of the Communist International and their respective American sections. Indirect contacts took the same form as did the direct contacts between the Communist International and the American Communist Party. At the same time, however, the international subsidiary organizations of the Communist International exercised strict supervision over their American counterparts. The detailed direction of the activities of the Soviet agencies in the United States such as the Workers' Party, the Trade Union Educational League was evidenced in the meetings of the controlling Soviet organizations in Moscow. These meetings were called from time to time to supervise and

[35] *Daily Worker* (May 20, 1925).

[36] Bishop, n. 31, 167.

direct the activities of their subordinate organs in the United States and elsewhere. Thus at the Third Congress of the Red International of Labor Unions in 1924, a resolution was adopted on the program of activity of the Trade Union Educational League in the United States. It gave detailed directions for the work to be carried on in the American labor movement.[37]

Apart from the control thus exercised, officials of the various international subsidiary organizations of the Communist International visited the United States to supervise the workings of their American counterparts. At the same time, representatives of the American sections of the international subsidiary organizations also visited Moscow. Thus, in 1931 an American Workers Delegation visited the Soviet Union, and, in company with similar delegations from Western European countries, it participated in numerous meetings there and exchanged greetings with Soviet workers. The American Counsellor at the Legation in Riga reported that "the...objective of the visit was to further the Soviet campaign to discredit the social and economic system of the United States." Advantage was to be taken of the "economic depression with its attendant ills to discredit American capitalism as inevitably unfair to the worker."[38]

Charges of Subversive Propaganda

According to a State Department memorandum,

> Communist propaganda consisted of the forming, subsidizing, directing and controlling by the Moscow Communists of a strongly disciplined group of Communists in each country whose purpose was to bring about the development of conditions within each country which would be favourable to a revolutionary, armed coup d'etat under Communist leadership and the resultant establishment of a Communist government.[39]

There were a number of cases in which the Soviet Union was accused of carrying on subversive propaganda in other countries; i.e., propaganda designed to overthrow the government in those countries, or to discredit various men in public life. Perhaps the most noted of these were those connected

[37] *Memoranda on Communist Activities*, n. 27.
[38] Felix Cole to Stimson, June 5, 1931, NA, RG 59, File 711.61/218.
[39] *Memoranda on Russian-American Relations*, n. 8. No. 4.

with the so-called Zinoviev letter[40] and the Arcos raid in Great Britain[41], and the charge that Amtorg Trading Corporation, the Soviet trade agency in the United States, was a centre of revolutionary activity.

Whalen Charges against the Amtorg Trading Corporation

On May 2, 1930, Police Commissioner Grover A. Whalen of New York City, released to the press reproduction of photostatic copies of a number of letters. These letters purported to represent a conspiratorial interchange between certain employees and officers of Amtorg Trading Corporation and one 'Feodor' of the Third International. The Whalen charges were, perhaps, the most specific charge of propaganda made against the Soviet agency in the United States. P. A. Bogdanov, Chairman of Amtorg, immediately branded the letters as forgeries and, in a communication to Whalen, asked for an investigation of the documents. But Whalen refused to have an investigation on the ground that a criminal investigation, which was then being conducted by the Police Department into the criminal activities of certain Communistic groups, had not been completed.[42] Whalen also refused to disclose the source of the Communist documents when he appeared before the House Committee on Immigration and Naturalization to explain the charges.[43] The investigation

[40]Zinoviev letter of October 24, 1924, inciting the British Communist Party to revolution, was denied by the Soviet Government which called the letter a forgery. William P. and Zelda K. Coates, *A History of Anglo Soviet Relations* (London, Lawrence & Wishart, 1943) 181-197.

[41]On May 12, 1927, the business office of Arcos, the official Soviet commercial agency in London, was raided by a large force from Scotland Yard on the ground that the Soviet commercial agency was carrying on revolutionary activity and was connected with the theft of an important document from the War Office. Nothing was, however, found, and even a white paper issued on May 25, did not disclose and evidence of revolutionary activity by the Third International against Great Britain. British Parliamentary Papers, *"Russia No. 2", Documents Illustrating the Hostile Activities of the Soviet Government and the Third International against Great Britain* (Cmd. 2874, London, HMSO, 1927).

[42]Special House Committee, *Hearings*, n. 22, Pt. 3, 117; also see *New York Times* (May 3, 1930) 1. For the text of the letters exchanged between P.A. Bogdanov and Grover A. Whalen see Appendix V.

[43]*New York Times* (May 4, 1930) 28.

refused by Whalen was made by other persons. A reporter for the *New York Graphic* located a printer in New York who had printed the letterheads used in the letters purported to have come from Moscow with instructions for Amtorg from the Third International. The printer said that a man had come and given an order for 500 letterheads, and that he had set them up; that the man came and got two proof copies, and never appeared again for the order.

From the statement of the printer it appeared that the letters were forgeries and did not come from Moscow at all. The managing editor of *The Graphic* reported to Whalen what had been found, and even went to his house the day he went to Washington to appear before the Committee on Immigration and Naturalization. Whalen was requested by the editor to compare the letters he had seized with the proofs obtained from the printer. Whalen, however, refused to comply with this request. Not having been listened to, the editor took the matter to La Guardia, a member of the House from New York City, who made a statement in the House on May 12, 1930. La Guardia stated,

> I have in my hand the letterhead printed on East Tenth Street, New York City, an exact replica of the letterheads on which these mysterious letters or documents appeared. On the back of it there is a statement from the printer. I read:
>
> 'I printed this about four months ago, submitted two copies as a proof, but the man did not come back for the order.
>
> (Signed) M. Wagner, Printer.'
>
> In other words, they ordered 500, I think. They paid something on account there and got proof copies the same as the copies I hold in my hand. If you will compare this letterhead with the photostatic copies which were given out to the press by the New York Police, you will find certain printing characteristics which are identical. In fact, the one is a photostatic copy of the other. For instance, the dropping of a comma in the ditto mark; the falling of a dot in the line. There is no question that the photostatic copies which were given to the press by Mr. Whalen and exhibited by him to our Committee on Immigration were exact reproductions of the letterheads which I have in mind, and which were printed in New York City and not in Moscow.[44]

Amtorg further pointed out that what was purported to be the signature of an Amtorg man, as having received the docu-

[44] *Congressional Record*, 71 Cong., 2 Sess., 72 (1930) 8770.

ment personally in Moscow, was dated on a day when that man was at Stettin. The stamps in his passport verified this fact. It was also asserted that the letters had been written by emigres who used the old spelling, not the simplified spelling the Soviet had introduced. Further, the same misspelling of a word occurred in a letter purported to have been written by an Amtorg man, and in one purporting to have been written to him. The House of Representatives appointed a committee, of which Hamilton Fish was chairman, to investigate the activities and propaganda of the Communists in the United States. This committee investigated the affairs of Amtorg and called some of its officers to testify. In testimony before the Fish Committee on July 22, 1930, P.A. Bogdanov denied completely the authenticity of the Whalen documents. Further, he threatened to curtail or even to discontinue Soviet purchases in the United States unless the Amtorg Trading Corporation was cleared of the charges made in the Whalen documents. He stated,

> We assert that the accusations against Amtorg are absolutely without foundation. Nevertheless, the very fact of the charges against the Corporation having been widely circulated could not fail to make its position a difficult one and to hinder it in its work. We assert that the further development and even the continuance of Soviet-American trade, will be an almost impossible task unless the accusations against the Company are thoroughly investigated by your committee and, as we confidently expect them to be, found to be baseless.[45]

Bogdanov's assertion seems to have been justified for the Committee in its report stated, "We find that the testimony failed to establish the genuineness of the so-called Whalen documents."[46] Matthew Woll, Vice President of the American Federation of Labor had alleged that Amtorg acted either as a channel for the distribution of funds for political propaganda or that it provided those funds out of its own income.[47] But Amtorg denied these allegations stating that there was not a shadow on its record and that it conducted all its financial opera-

[45]Special House Committee, *Hearings*, n. 22, Pt. 3, 128.

[46]U.S. House of Representatives, 71 Cong., 3 Sess., *House Report No. 2290. Investigation of Communist Propaganda* (Washington, GPO, 1931) 50.

[47]Special House Committee, *Hearings*, n. 22, Pt. 3, 26.

tions through leading American banks. Woll also warned American business interests to avoid dealing with the Amtorg Trading Corporation for fear of creating a Frankestein which eventually would destroy those who sought Soviet business.[48] Amtorg, however, decried Woll's warnings in view of the fact that he had himself sought to establish business relations with Amtorg in his capacity of President of the Union Labor Life Insurance Company. On May 5, 1930, three days after the publication of the "Whalen documents", Woll had addressed a letter to Mr. Grafpen. The latter was alleged in "the documents" to be the authorized agent of the Communist International in the United States. Despite the alleged fact, Woll had written to him soliciting the insurance business of Amtorg and of its important officials.[49]

The Soviet Government maintained that neither it nor any of its agents had engaged in subversive activities within the borders of the United States nor against its institutions. In this connection, Stalin stated the following in an interview with Thomas Campbell on January 28, 1929.

> With regard to propaganda, I must declare in the most categorical way that none of the representatives of the Soviet Government has the right to interfere, either directly or indirectly in the internal affairs of the country in which he happens to be. In this respect the most rigid and strict instructions have been given to the entire personnel employed in Soviet institutions in the United States...If any of our employees should violate these strict instructions with regard to non-interference, that employee would be immediately recalled and punished. Certainly we cannot be responsible for the actions of persons not known to us and not subject to our orders.[50]

The Soviet Government, in other words, refused to accept responsibilities for propaganda carried on by the Third International. The United States, however, considered both the Soviet Government and the Third International as creatures of the central organization of the Communist Party.[51] Hence the

[48]U.S. House of Representatives, 71 Cong., 3 Sess., House Committee on Ways and Means, *Hearings, Embargo on Soviet Products* (Washington, GPO, 1931) 75.

[49]*EESU* (No. 14-15, 1930) 294. For the text of the letter see Appendix VI.

[50]*Bolshevik* (No. 22, November 30, 1932) 14-15.

[51]NA, RG 59, File 861.01/1592.

plea of the Soviet Government that it was not responsible for the activities of the Third International was regarded as untenable.

Congressional Opinions

Senator Robinson of Indiana was strongly opposed to the establishment of normal relations with Soviet Russia. He believed that recognition carried with it an acknowledgement of the right of the Communist Party to carry on its activities destructive of American ideals and purposes as expressed by the principles of the Third International. He further believed that while the Soviet Government's activities were dangerous to the peace and welfare of the United States, "they would be infinitely worse if conducted under the official cloak of American recognition."[52] He suspected that the representatives of the Communist International were engaged all over the United States in creating dissension and dissatisfaction among the people. In a speech in the Senate on April 12, 1933, he stated,

> I refuse to lend my sanction to a partnership with a group of conspirators who openly avow that one of their chief objectives is the destruction of the government under which I live, and to which I owe my allegiance.[53]

Senator Borah of Idaho was, however, of the opinion that Soviet propaganda could be dealt with much more effectively when the United States had her representatives in Moscow and the Soviets had their representatives in Washington assuming that good faith was behind them upon their part. In a speech in the Senate in April 1933, Borah stated that,

> the fear as to the effect of Soviet propaganda in the United States is based on the supposition that the intelligence, character and patriotism of the people of the United States are matters of grave doubt.

Borah considered this to be untrue for he believed that,

> the people of the United States are perfectly capable of reading, reflecting and thinking over the different propositions which are presented to the world in different ways and of determining for themselves what is wise and what is not....[54]

[52] *Congressional Record*, 73 Cong., 1 Sess., 77 (1933) 1539.
[53] *Ibid.*, 1541.
[54] *Ibid.*, 1543.

Senator Pittman of Nevada was satisfied that the United States Government was built upon a foundation that could not be shaken by the principles of Communism.[55] Senator Wheeler of Montana was convinced that no thoughtful American who was familiar with the history of his country "would be very much alarmed by the idea that this [United States] government could or would be overthrown by reason of the spread of Communist propaganda."[56] Senator Cutting of New Mexico expressed the same view when he stated,

> Those who believe that a few agents of the Third International can come into this country and overthrow our government by subversive writing and talking seem to show a remarkable lack of faith in the good sense of the American people....'Revolutions are not carried in suitcases,' said Radek. 'Revolutions cannot be imported, they grow.' If revolution should ever come to this country, it will be because of our own failure to meet conditions. It will have no relation whatever to foreign propaganda.[57]

Senator Cutting's statement was basically true. The mere fact that the Communist Party of America formed the American section of the Communist International could not constitute a threat to the United States so long as the American people, in general, remained loyal to their country. In this respect, Senator Borah expressed the opinion that Soviet propaganda did not have "the slightest effect upon the thought and purpose of the people of the United States or their loyalty to the [United States] Government."[58] Perhaps, Borah was correct in his opinion, for the American people had sufficient faith in their own institutions not to be carried away everytime "a soap box hero" made a speech or published a pamphlet inciting them against their government.[59] Despite Borah's conviction, however, the world revolutionary aims of the Communist International and its direction, supervision, controlling and financing of Communist activities in the United States, constituted one of the

[55]Key Pittman, "The United States and Russia: Obstacles to Recognition of the Present Regime," *Annals* (July, 1926) 132.

[56]*Congressional Record*, 71 Cong., 3 Sess., 74 (1931) 4674.

[57]*Ibid.*, 4006.

[58]*Ibid.*, n. 52, 1943.

[59]*Current History* (April-September, 1930) 1072.

principal obstacles in the way of the establishment of normal relations with the Soviet Union.

The other grounds on which recognition was withheld were the repudiation by the Soviet Government of the Kerensky debt owed to the United States and the confiscation of the property of American nationals in Russia.

CHAPTER SIX

The Debt Issue

Among the generally accepted principles governing the conduct of States is the duty of a State to respect the rights of citizens of other states which have been acquired within its jurisdiction in accordance with its laws. It is also considered the duty of a government to honour the financial obligations contracted by a state under preceding governments. The Soviet Government violated these principles when it confiscated the property of American nationals in Russia and repudiated the contractual obligations of Russia. The policy of confiscation and repudiation constituted an important barrier in the way of the establishment of normal relations with the United States.

American Claims against Soviet Russia

American claims against Soviet Russia fell into three broad categories. First, the claim of the Government of the United States arising out of its holdings of Russian Government obligations. Second, the claim of American nationals arising out of their holdings of Russian Government securities floated in the United States. Third, claims of American concerns and nationals of a private character arising out of the ownership of property in Russia or of Russian securities not included in the above two classes. It also included claims arising out of damages sustained to property rights and interests as a result of measures of the Russian Government. Following American recognition of the Provisional Government on March 22, 1917, the American Ambassador in Russia, Francis, recommended that a loan be given to Russia. The entire proceeds were to be spent in the United States for the purchase of war materials. The purpose of the loans was to enable Russia to continue to fight against the Germans. This was made clear by the Assistant Secretary of State Leffingwell when he spoke of "the stu-

pendous importance to the United States of supporting the Russian Government which was keeping a large part of the German army on the Eastern Front."[1]

Credits Granted to Russia

After an enquiry into "the determination and ability of the Russian Government to carry on the war"[2] if financial aid was forthcoming, Secretary of State Lansing informed Ambassador Francis on May 17, 1917, that the United States Treasury had established a $100,000,000 credit on behalf of Russia under the War Loan Acts.[3] Further credits of $225,000,000 were granted to Russia between July and October 1917, bringing the total credit extended to Russia to $325,000,000.[4] Cash advances made against these credits by November 1917, when credits were discontinued, totalled $192,601,297.37.[5]

Russian Obligations held by the United States

Against the credits granted, the Treasury Department held obligations of the Russian Government amounting to $187,729,750.00.[6] In addition it received as custodian from the Secretary of War, a Russian obligation dated August 8, 1919, for $406,082.30, on account of the sale of surplus war supplies.[7] The Treasury also received from the American Relief Administration on account of relief, Russian obligation dated July 1, 1919, for $4,465,465.07.[8] The total of these amounts which was $192,601,297.37, constituted the principal of the so-called Kerensky debt to the United States.[9]

[1]U. S. House of Representatives, 66 Cong., 1 Sess., House Committee on Expenditure, *Hearings, Russian Bonds* (Washington, GPO, 1919) 85. Hereafter cited as House Committee on Expenditure, *Hearings.*

[2]*For. Rels. 1918, Russia* (Washington, GPO, 1932) III, 3.

[3]*Ibid.*, 9-10.

[4]*Ibid.*, 22-25.

[5]House Committee on Expenditure, *Hearings,* n. 1, 17.

[6]U. S. Senate, 67 Cong., 2 Sess., *Senate Document No. 86 Loans to Foreign Governments* (Washington, GPO, 1922) 175.

[7]U. S. Department of Treasury, *Annual Report of the Secretary of Treasury, 1920* (Washington, GPO, 1921) 66.

[8]*Ibid.*

[9]*Ibid., 1932* (Washington, GPO, 1933) 436.

Claims of Private American Banks

Besides the claims of the U.S. Government, there were also claims arising out of the funds advanced to the Russian Government by private American banks. Prior to the entry of the United States into the World War, the Russian Government had obtained funds in the United States through private banking operations to the amount of $86,000,000. They included the following.[10]

(a) Russian Treasury notes worth $11,000,000.00 bearing an interest of five per cent and maturing in April 1927, purchased by the National City Bank in April 1916.

(b) A three year credit for $50,000,000.00 bearing an interest of six and half percent, granted to the Imperial Russian Government by a syndicate of New York banks on June 18, 1916.

(c) A five year loan for $25,000,000.00 bearing an interest of five and half percent, granted to the Imperial Russian Government by a syndicate of New York banks on November 18, 1916.

Claims of American Concerns and Nationals

Finally, there were the claims of American concerns and nationals arising out of the confiscation of their private property by the Soviet Government. The real and personal property of American concerns and nationals in Russia was, for the most part, nationalized or confiscated. This confiscated property included the physical assets of some thirteen important American companies domiciled in Russia.[11] It also included the property of American nationals residing in and carrying on individual business enterprises in that country, and property in Russia of American concerns and nationals not domiciled in that country.

[10] *Ibid.*, n. 7, 352.

[11] The names of the American companies were as follows: The Singer Manufacturing Company and its Russian subsidiary, Kompanija Singer; the International Harvester Company; the National City Bank of New York; the New York Life Insurance Company; the Equitable Life Assurance Society; the International General Electric Company; the Vacuum Oil Company of New York; the Guaranty Trust Company of New York; the Otis Elevator Company; J. Black Company; Babcock and Wilson Corporation; the American Trade and Industrial Corporation and the Russian-American Rato Corporation. *Memoranda on Problems Pertaining to Russian-American Relations*, No. 3, October 3, 1933, NA, RG 59, File 461.11/1981½.

Bank deposits of American concerns and nationals were also confiscated. Claims against the Soviet Government on account of confiscation and nationalization consisted of the following.[12]

Properties and assets of American concerns and real and personal property of individuals confiscated by Soviet authorities	$ 115,141,931.03
Bank deposits confiscated	209,825,348.82
Debt of the Russian Government to Private concerns	2,667,281.14
Miscellaneous Claims	9,057,210.04
	$ 336,391,771,03

In addition to the losses sustained by the confiscation of the assets of important American companies domiciled in Russia, losses were also sustained by American manufacturers who shipped goods to Russia. The losses resulted from the nationalization of the Russian banks in which the American manufacturers often deposited the payments received by them in Russia. Some of the manufacturers suffered loss because they could not collect on their drafts. American banks dealing in Russian bills also had their Russian deposits nationalized or could not collect on the bills. Rouble deposits in Russian banks by American concerns and nationals were very large because restrictions on foreign exchange transactions, even before the advent of the Soviet regime, made it extremely difficult to transfer funds to the United States. These deposits were later nationalized and constituted an important proportion of American private claims against Russia.[13] On January 21, 1918, the Soviet Government issued a decree whereby all of Russia's past financial obligations were summarily cancelled, both those owing to foreign governments and those owing to foreign nationals.

The decree stated,

(1) All state loans concluded by the governments of the Russian landowners and Russian bourgeoisie, enumerated in a special list...are annulled (cancelled) as from December 1, 1917.

(2) In the same manner are annulled all guarantees given by the said government on loans for different undertakings and institutions.

[12] *For. Rels. The Soviet Union 1933-1939* (Washington, GPO, 1952) 11.

[13] *Ibid.*, 11.

(3) Absolutely and without any exception all foreign loans are annulled.[14]

As a result of this decree, a huge foreign indebtedness was sloughed off. The confiscation of the property of foreign nationals was part of the general Communist program of the nationalization of all property. But when revolutionary ardour had been somewhat cooled by the sober realities of economic reconstruction and the desirability of encouraging foreign trade and investment became manifest, the authorities in Moscow expressed their readiness to abandon their extreme position.

Soviet Efforts toward the Settlement of American Claims

Chicherin's Note

On October 28, 1921, the Soviet Commissar for Foreign Affairs, Chicherin, addressed a communication to the British, French, American, Italian, and Japanese Governments, declaring his firm conviction that "no people is bound to pay the price of chains fastened upon it for centuries." He, however, also stated that,

> in its unshakable determination to arrive at an entire agreement with the other powers, the Russian Government is inclined to make several essential and highly important concessions in regard to this question. It will thus meet the wishes of the numerous small holders of Russian bonds, for whom the recognition of the Czarist debt is a matter of vital importance. For these reasons the Russian Government declares itself ready to recognize the obligations towards other states and their citizens which arise from state loans concluded by the Czarist Government before 1914 with the express proviso that there shall be special conditions and facilities which will enable it to carry out this undertaking.[15]

These conditions included recognition of Russia by the powers, and the cessation of hostility to the Soviet Government. Chicherin proposed an international conference to deal with these questions "to consider the claims of powers against Russia and of Russia against the powers",[16] and to lay the foundation for a lasting peace. This suggestion was accepted and

[14] *For. Rels.*, n. 2, 32.

[15] J. Degras, ed., *Soviet Documents on Foreign Policy* (London, Oxford University Press, 1951) I, 271.

[16] *Ibid.*, 272.

on January 6, 1922, the Supreme Allied Council meeting at Cannes adopted a resolution calling for an economic and financial conference to which Russia and the defeated powers were to be invited.

Genoa Conference

The conference met at Genoa on April 10, 1922. The conditions upon which the Soviet Government was prepared to recognize Russia's public debt were first clearly set forth at this conference. Chicherin declared that his government was ready to accept liability for past obligations with the exception of war debts provided that the damages caused to Russia by the Allied intervention and blockade were recognized.[17] Against the claims of other governments against Russia totalling $13,000,000,000, Chicherin presented counterclaims aggregating $60,000,000,000, which the Soviet Government was prepared to scale down to $25,000,000,000. In connection with their counterclaims against the United States, the Soviet Government cited the Alabama case and drew an analogy between it and American aid to White Russian forces in North Russia during Allied intervention.[18] The counterclaims of the Russian Government, in fact, and in natural justice, were based on a much more equitable foundation because "the assistance to the rebels during the Civil War in Russia was given quite intentionally, and from govern-

[17]It may be noted that the Soviet Union later waived all claims "arising out of activities of military forces of the United States in Siberia...subsequent to January 1, 1918." Maxim Litvinov to President Franklin D. Roosevelt, November 16, 1933. *For Rels.*, n. 12, 36.

[18]In the Alabama case, the United States had brought claims against Great Britain for depredations on American commerce committed by the Alabama and other confederate vessels during the Civil War. The United States contended that Great Britain had not performed its duties as a neutral by failing to prevent the fitting out in, and the departure of these vessels from British ports and the use of such ports as bases of operations. By the Treaty of Washington of May 8, 1871, the British Government agreed to an expression of regret for the escape of the Alabama and other vessels from British ports and for the depredations caused by them, and to reference of the controversy to an arbitral tribunal. This tribunal on September 14, 1872, awarded the United States $15,500,000, which was duly paid. In this case, the British Government

mental sources."[18a] Referring to the charge against Russia that she had not paid her debts to the United States, a former Governor of New York (Smith) wrote,

> It turns out that we sold considerable material to the Kerensky Government on the supposition, which proved to be a poor guess, that Kerensky would last....The amount involved is not great. It is true also that private property of American citizens was taken by the Soviet Government after the revolution. So was all other private property. As against this, we must not forget that we maintained armies in Russia and Siberia which did considerable damage and cost the natives much money, at a time when we were not at war with Russia, and had no possible excuses under international law for keeping troops on her territory. In any adjustment, this army invasion must be balanced against whatever Russia owes us.[19]

Senator Brookhart of Iowa expressed the same opinion when, in a letter to Rev. John H. Hopkins, he wrote,

> ...the countries that hold [Czarist] obligations sent armies into Russia unlawfully against the Soviet Union. These armies assisted the counter-revolutionists and the damages they wrought is much more than all the debts of the Czar and Kerensky combined. Under international law our country and the others are all liable for these debts.[20]

The nearest approach to an agreement on the debt issue was the Soviet offer to recognize Russia's debts if they were scaled down. Other conditions were *de jure* recognition and adequate financial assistance to Soviet Russia to enable her to meet her obligations. The Soviet delegates at the Genoa Conference also expressed the willingness of the Soviet Government to restore to foreign nationals the use of their seized property wherever it would be possible to do so without seriously contravening Soviet social and economic policies. It expressed its willingness to lease such property to its former owners. The

was not accused of being financially responsible for the fitting out of the ship or of having willingly assisted it in any way. It was a case of negligence only, and yet the British Government had to pay a substantial amount in damages. Pitt Cobbet, *Leading Cases on International Law* (London, Sweet & Maxwell, 1924) II, 451-455.

[18a]W.P. Coates, *Russia's Counterclaims* (London, n. d.) 42.

[19]*New Outlook*, April 1933, quoted in *Congressional Record*, 73 Cong., 1 Sess., 77 (1933) 1545.

[20]Senator Smith W. Brookhart to Rev. John H. Hopkins, August 21, 1933, NA, RG 59, File E/TFV 861.01/1944.

Soviet delegates added that the Soviet regime would also be willing to satisfy by friendly agreement with the former proprietors, such claims of foreign ex-owners as it recognized to be just.[21] The Soviet Government was evidently prepared to bargain for a settlement and to abandon in some measure its policies of confiscation and repudiation in return for a foreign loan and for Allied recognition of its counterclaims.

The Allied Governments stated their position in final form in a memorandum submitted to the Russian delegation on May 3, 1922. In it, the Allied governments offered to reduce their immediate claims on condition that Russia renounced all counterclaims and recognized its obligation to fulfil all financial engagements which it or its predecessors had contracted with foreign nationals. Russia was also required to "reduce or compensate all foreign interests for loss or damage caused to them" by the confiscation of their property.[22] Chicherin's reply of May 11 to these proposals ended all hope of a settlement. Without credits for Russian economic reconstruction and the recognition of Russian counterclaims, all discussions were futile. Chicherin asserted it as a principle that "governments and systems that spring from revolution are not bound to respect the obligations of fallen governments."[23] He pointed to the French and other revolutions and the proclamation of the French Convention of December 22, 1792, that "the sovereignty of peoples is not bound by treaties of tyrants." In accordance with this declaration, revolutionary France not only tore up the political treaties of the former regime with foreign countries, but also repudiated her national debt. Chicherin, however, stated that his government was prepared to "accept liability for the payment of public debts provided that the damages caused to Russia by the Allied intervention and blockade be recognized." But he made it clear that the war debts could never be paid, for "Russia, having

[21]NA, RG 59, File 861.01/1773.

[22]British Parliamentary Papers, *Memorandum sent to the Russian Delegation May 3, 1922* (Cmd. 1657, London, HMSO, 1922).

[23]British Parliamentary Papers, *Papers Relating to International Economic Conference, Genoa, April-May 1922* (Cmd. 1667, London, HMSO, 1922) 38-47.

withdrawn from the war without participating in the division of its advantages, could not assume its costs."[24]

Soviet Government's Difficulties in Meeting Obligations

The Soviet Government's adherence to this position was perhaps as much the result of practical difficulties in the way of meeting its obligations as to the theoretical considerations upon which the policy of repudiation was originally based. It was generally agreed that it was economically impossible for Russia, at that stage, to discharge her debts even if she wished to honour them.[25] The Soviet Government was quite aware of this difficulty and hence insisted upon extensive loans for the rapid reconstruction of Russia's shattered economic life. Without such reconstruction, past obligations could not be met, and until they were met, or at least recognized, loans were not forthcoming. It was this vicious circle that doomed the Genoa Conference to failure.

A high Soviet official once stated to a correspondent of the *New York Times* that,

> the Soviet Government on more than one occasion has expressed its willingness to enter into negotiations for funding the old Russian debts provided that its creditors agreed to take into consideration Russia's losses and sacrifices in the Great War....The United States Government has shown in its discussions...with the debt-funding commissions of various European states that it is prepared to accept the principle of the debtor's capacity to pay....The Soviet Government therefore feels justified in hoping that the United States will show the same spirit towards Russia.[26]

The Soviet leaders took the position that nothing could be achieved by acknowledging responsibility for debts which they were physically incapable of paying. The American Govern-

[24] *Ibid.* In this connection, it may be pointed out that Russia was not alone in her refusal to honour her obligations to the United States. With her in the camp of repudiation stood all United States' European Allies. As the *Nation* wrote editorially, "France, Italy and other debtors to the United States have been more canny; they said they could not pay. But the result is the same." *Nation* (January 2, 1924) 118.

[25] L. Pasvolsky and H.G. Moulton, *Russian Debts and Russian Reconstruction* (New York, Macmillan, 1924) 155.

[26] *New York Times* (August 4, 1926) 1.

ment, on the other hand, insisted that past obligations had to be recognized as evidence of good faith. Russia's capacity to pay could be considered in subsequent negotiations to fix the terms of payment. Until an obligation was acknowledged and willingness to pay was manifested, no negotiation was desirable or possible. In a note addressed to President Coolidge on December 16, 1923, Chicherin declared that his government was fully prepared to negotiate for the settlement of all questions of claims "provided that such a settlement is based on the principle of reciprocity."[27] This suggestion, however, brought forth a sharp rebuff from Secretary of State Hughes who stated in reply,

> ...If the Soviet authorities are ready to repeal their decree repudiating Russia's obligations to this country and appropriately recognise them, they can do so. It requires no conference or negotiations to accomplish these results, which can and should be achieved at Moscow as evidence of good faith.[28]

Stekloff, editor of *Izvestia,* explained that Hughes' haughty refusal of Chicherin's offer was due to the "hopelessness of making out a case against Russia's counterclaims."[29] In December 1925, Chicherin again expressed his government's willingness to discuss the debt question stating that,

> the Soviet Government is still ready, as it declared when President Coolidge took office, to examine without prejudice all questions in dispute...including the question of loans granted to Kerensky.[30]

Early in 1926, Litvinov also expressed the willingness of the Soviet Government to commence negotiations with the United States for the settlement of the debt question.[31] In August 1926, this proposal began to assume more definite form, apparently as a consequence of the Soviet Government's urgent need of more liberal terms of credit for the financing of Russian-American trade.[32] It was indicated semi-officially that the Soviet authorities were prepared to send a debt-funding commis-

[27]Degras, n. 15, 418.
[28]*For. Rels. 1923* (Washington, GPO, 1938) II, 788.
[29]*New York Times* (January 5, 1924) 2.
[30]J. Degras, ed., *Soviet Documents on Foreign Policy* (London, Oxford University Press, 1952) II, 79.
[31]*Ibid.,* 111.
[32]*Wall Street Journal* (August 9, 1926).

sion to the United States as soon as assurances could be had that it would be received.[33] The Soviet Government, for the first time, sought to make a distinction between the Kerensky debt and the remainder of the war debt, which was contracted by the Czar's government with Great Britain and France. The Soviet Government was prepared to recognize the Kerensky debt to the United States[34] even though most of the money had been spent by Bakhmeteff for purposes inimical to Soviet interests.[35] On May 25, 1927, the American Ambassador to Berlin reported an interview which took place in Moscow between an American citizen, Mr. Felix Warburg, and a prominent member of the Communist Party of the Soviet Union, A.I. Rykov.

> So far as American debts are concerned he [Rykov] declared that the Soviet Government stood ready to arrange for their payment. Mr. Warburg enquired how far back the Government would take account of Russian obligations and Rykov replied that they would recognize those of the Kerensky Government.[36]

The Soviet Government was likewise prepared to discuss compensation and adjustment for property with American investors. It recognized "in principle that it is liable to pay compensation to private persons who have supplied goods or services to Russia for which they have not been paid"[37] when it signed the Trade Agreement with Great Britain in March 1921. The Soviet Government was equally willing to recognize the claims of American citizens and firms. It wished, however, to discharge its obligation of compensating private claimants in an indirect manner such as the grant of a concession or through the payment of excess interest on credit contracts. At an informal meeting, the Soviet Military Attache in Tokyo discreetly intima-

[33] *New York Times* (August 4, 1926).

[34] It may be noted in this connection that the Russian debt to the United States constituted an infinitesimal sum as compared with the debts which Russia owed to most of the European countries which had recognized her government. Congressional Record, 71 Cong., 3 Sess., 74 (1931) 4006.

[35] *Chicago Daily News* (August 17, 1926).

[36] *Memoranda on Problems pertaining to Russian-American Relations*, No. 1, October 20, 1933, NA, RG 59, File 800.51 W89 USSR 13½.

[37] Quoted in *ibid.*, No. 3, NA, RG 59, File 461.11/198½.

ted to his American counterpart the Soviet viewpoint on the debt issue. He was reported to have stated,

> The Soviets would be glad to pay the small debts owed to America, but that would necessitate the recognition of debts elsewhere, the total of which is very large. [Hence] instead of recognizing those debts, the Soviets would be glad to arrange something else that would be the equivalent of paying the debts.[38]

The American Ambassador in Japan, Joseph Grew, seemed to have realized the Soviet position when he reported,

> It [Soviet Russia] is able, but cannot agree to repay old Russian debts owing to American citizens because to repay one set of debts would make it necessary to repay all....[Instead] the Soviets are willing to give economic favours and to grant concession in return for the cancellation of old debts.[39]

The Soviet Government did make headway in this respect when it settled the claim of the International General Electric Company (approx. $1,843,543) through the payment of high rates of interest for credits on a contract signed on October 9, 1928. By it, the Soviet Government agreed to purchase electrical apparatus worth $25,000,000 from the International General Electric and the latter agreed to extend long-term credits. The interest rate on the credit acceptances was placed sufficiently high at 9¼ per cent,[40] so that the excess over the normal rate might, by the termination of the contract, compensate the Company for its claim against the Soviet Government. As a matter of fact, the Soviet Union was not at all disinclined to repay the debts owed to the United States, particularly if recognition could be gained thereby. But it was apprehensive that this might compel it to recognize the debts owed to other countries as well.

As Litvinov stated, "...it is not a matter of the amount. The thing is that, if we recognize the debts to America, other governments will demand of us the payment of debts."[41] Fur-

[38]McIlroy to Smith, February 23, 1933, NA, RG 59, File 861.01/1853.

[39]Grew to Stimson, March 9, 1933, NA, RG 59, File 761.94/595.

[40]*Memoranda on Problems pertaining to Russian-American Relations*, n. 11, No. 3.

[41]*Memoranda on Problems Pertaining to Russian-American Relations*, No. 8, November 3, 1933, NA, RG 59, File 861.44 Litvinov/15.

thermore, it must be remembered that the freedom of action of the Soviet Government to compensate the American property owners for their losses was seriously hampered by treaty commitments to the European Powers. Under the terms of some of these treaty commitments, the Soviet Government could not meet the American claims on terms more favourable than those it was prepared to grant to other governments. Thus in the Treaty of Rapallo, which the Soviet Union concluded with Germany on April 16, 1922, it was stated in Art. II,

> Germany renounces all claims resulting from the enforcement of the laws and measures of the Soviet Republic as it has affected German nationals or their private rights or the rights of the German State itself, as well as claims resulting from measures taken by the Soviet Republic or its authorities in any other way against subjects of the German State or their private rights, provided that the Soviet Republic shall not satisfy similar claims made by any third state.[42]

It was precisely owing to these restrictions that the Soviet Government sought to satisfy the claims of the International General Electric in an indirect manner by the payment of excess interest rates on credit contracts. The debt issue, however, remained unsolved despite the Soviet Government's desire to settle the claims indirectly. It was not until President Roosevelt, in October 1933, invited Michael Kalinin, President of the All-Russian Central Executive Committee, to send a Soviet representative to the United States to discuss with him all questions outstanding between the two countries, and Litvinov's arrival in Washington in November 1933, for this purpose, that the debt issue was finally begun to be thrashed out.

[42]League of Nations, *Treaty Series* (Geneva, LN, 1922) XIX, 251.

CHAPTER SEVEN

Recognition Policy of the United States

It has been the practice of the United States Government to require the fulfilment of certain conditions by new governments as a prerequisite to recognition. Before the beginning of the nineteenth century, however, the first Secretary of State, Jefferson, declared it to be in accord with American principles to acknowledge any government to be rightful which was formed by the will of the nation, substantially declared.

Traditional Recognition Policy

In recognizing the Republican Government of France in 1793, Jefferson formulated the principle of de facto recognition of a new government.[1] He stated,

> We surely cannot deny to any nation that right whereon our own government is founded. Everyone may govern itself according to whatever form it pleases and change these forms at its own will, and it may transact its business with foreign nations through whichever organ it thinks proper, whatever king, convention, assembly, committee, president or anything else it may choose. The will of the nation is the only thing essential to be regarded.[2]

[1]De facto recognition of a state or government takes place when, in the view of the recognizing state, the new authority, though actually independent and wielding effective power in the territory under its control, has not acquired sufficient stability or does not yet indicate a willingness or ability to fulfil international obligations. De jure recognition, on the other hand, is accorded when the new authorities are securely in power and in a position to assume the obligations of a government. H. Lauterpacht, ed., *Oppenheim's International Law* (New York, Longman's Green, 1955) I, 135-136.

[2]N. Schachner, *Thomas Jefferson, A Biography* (New York, Thomas Yoseloff, 1957) 483.

Jefferson's declaration was restated by Henry Clay when presenting his argument in 1818 for the recognition of the new states of Latin America which had revolted from Spain,

> Whatever form of government any society of people adopts, whomever they acknowledge as their sovereign, we consider that government, or that sovereignty as the one to be acknowledged by us....As soon as stability and order are maintained, no matter by whom, we have always considered and ought to consider the actual as the true government.[3]

Similarly, after the United States recognized the Government of the Second French Republic, Secretary of State Buchanan declared on March 31, 1848,

> In its intercourse with foreign nations, the Government of the United States has, from its origin, always recognised de facto governments. We recognize the right of all nations to create and reform their political institutions, according to their own will and pleasure. We do not go behind the existing government to involve ourselves in the question of legitimacy. It is sufficient for us to know that a government exists, capable of maintaining itself; and then its recognition on our part inevitably follows.[4]

Four years later, when it was again necessary for the United States to state its policy towards the French government, Danial Webster, Secretary of State under President Fillmore, expressed the same view,

> From President Washington's time down to the present day it has been a principle, always acknowledged by the United States, that every nation possesses a right to govern itself according to its own will, to change institutions at discretion, and to transact its business through whatever agents it may think proper to employ. This cardinal point in our policy has been strongly illustrated by recognizing the many forms of political power which have been successively adopted by France in the series of revolutions with which that country has been visited.[5]

The policy stated above was adhered to by the United States until the Civil War. It underwent a change, however, with the British recognition of the Confederate State as a belligerent in 1861. Secretary Seward then took the view that a revolutionary

[3]Daniel Mallory, *Life and Speeches of Henry Clay* (Philadelphia, Carey & Hart, 1942) I, 391.

[4]John B. Moore, *Digest of International Law* (Washington, GPO, 1906) I, 124.

[5]*Ibid.*, 126.

government in a republican state ought not to be recognized by the United States if it secured power by force of arms in defiance of the existing constitution and contrary to the will of the people. This position was a departure from the policy followed till that time, since it made formal legitimacy a criterion of recognition.[6]

The Seward interpretation, however, was described by Secretary Stimson in 1931 as really an exception from a "substantially uniform" policy, an exception due to the exigencies of warfare. Secretary Stimson said in this regard,

> The practice of this country as to the recognition of new governments has been substantially uniform from the days of the administration of Secretary of State Jefferson in 1792 to the days of Secretary of State Bryan in 1913. There were certain slight departures from this policy during the Civil War, but they were manifestly due to the exigencies of warfare and were abandoned immediately afterwards. This general policy, as thus observed, was to base the act of recognition not upon the question of the constitutional legitimacy of the new government, but upon its de facto capacity to fulfil its obligations as a member of the family of nations. This country recognized the right of other nations to regulate their own internal affairs of government and disclaimed any attempt to base its recognition upon the correctness of their constitutional action.[7]

A sharp departure from the traditional policy of de facto recognition was made by President Wilson in 1913, however, in refusing to recognize President Huerta of Mexico. The latter had secured his office through the assassination of his predecessor, Madero. Although the de facto character of his control was unquestioned, his rule, in the opinion of President Wilson, was created by force. As such, it was a violation of that constitutional government which the United States intended to uphold upon the American continent. President Wilson stated on March 12, 1913,

[6]Charles C. Hyde, *International Law* (Boston, Little Brown, 1951) I, 162. Seward declared in an instruction to the American Minister in Peru, Hovey, on March 8, 1868: "The policy of the United States is settled upon the principle that revolutions in republican states ought not to be accepted until the people have adopted them by organic law..." U.S. Department of State, *Diplomatic Correspondence of the United States*, 1868, II, 630, as quoted in *ibid.*

[7]U.S. Department of State, *The United States and the other American Republics* by Henry L. Stimson (Washington, GPO, 1931) 6.

We hold...that just government rests always upon the consent of the governed and that there can be no freedom without order based upon law and upon the public conscience and approval. We shall look to make these principles the basis of mutual intercourse, respect and helpfulness between our sister republics and ourselves.[8]

Three years later President Wilson formulated in the clearest possible terms the policy of testing governments to be recognized.

So long as the power of recognition rests with me, the Government of the United States will refuse to extend the hand of welcome to any one who obtains power in a sister republic by treachery and violence.[9]

On this same theory, as formulated and practised by President Wilson, the United States refused to recognize several revolutionary governments, notably the Tinoco Government of Costa Rica in 1917. Secretary Lansing in a note to Mr. Hale, Minister to Costa Rica, expressed the conclusion that "no government except such as may be elected legally and established according to the constitution shall be entitled to recognition."[10]

Similar communications were addressed to some other Latin American republics.[11] The same policy was also applied when, in the summer of 1920, Secretary of State Colby made clear the grounds which forbade American recognition of the Soviet regime functioning in Russia.[12] Wilson's policy of withholding recognition from a government that was not elected legally and established according to the constitution was, however, not followed rigidly when United States accorded recognition to the Provincial Government of Russia in 1917. In this instance the official spokesman of the United States characterized the revolution that produced the abdication of the Czar and the establishment of the Provisional Government as the practical realization of that principle of government which the United States had advocated.

[8] *For. Rels. 1913* (Washington, GPO, 1920) 7.

[9] Quoted in C.E. Martins, "Some Observations on the Recognition of Russia," *Proceedings of the Institute of World Affairs*, XI (1933) 27.

[10] *For. Rels.* (Washington, GPO, 1926) 307.

[11] Lansing to Gonzales, Minister to Cuba, February 13, 1917, in *ibid.*, 356.

[12] *For. Rels. 1920* (Washington, GPO, 1936) III, 463-468.

Two days after the abdication of Nicholas II, following the revolutionary outbreak among both the workers and the troops, United States Ambassador Francis cabled to Washington,

> I request respectfully that you promptly give me authority to recognize the Provisional Government as recognition is desirable from every viewpoint. The revolution is the practical realization of that principle of government which we have championed and advocated. I mean government by the consent of the governed. Our recognition will have a stupendous moral effect, especially if given first.[13]

It was given first. On March 22, 1917, the Provisional Government was formally recognized by the United States, a few hours in advance of similar action by other great powers. War exigencies perhaps accounted for the hasty recognition of the Provisional Government. Russia's attitude toward the war and the part she would or might play in concert with the Allies was perhaps the determining consideration. It is nevertheless interesting to note that in this case, a few days was sufficient to convince the United States of the stability of the new government, and its capacity to fulfil international obligations.

Recognition Policy toward the Soviet Union

President Wilson's pronouncement on the Soviet regime reflected the belief that the storm would pass and that the Russian people would return to the Allied cause. In his message to the Congress on January 8, 1918, he stressed the United States' desire to help the Russian people toward liberty. Point six of the historic Fourteen Points again expressed the aspiration that Russia might achieve "an unhampered opportunity for the independent determination of her own political development and national policy...under institutions of her own choosing."[14] Perhaps it is not possible to dissociate Wilson's attitude toward Russia from the effect of the war exigency, the attempts to stave off a separate peace between Germany and Russia, the conflicting currents caused by the Allied intervention and the association of the United States with it. It is, nevertheless, clear

[13] *For. Rels. 1918, Russia* (Washington, GPO, 1931) I, 6.

[14] Ray Stannard Baker and William E. Dodd, eds., *War and Peace, Presidential Messages, Addresses and Public Papers (1917-1924) by Woodrow Wilson* (New York, Harper, 1927) I, 159.

that the Wilson doctrine toward the Soviet Government arose from a conviction that the Russian people were not represented by the Soviet regime.[15] It was believed that the Soviet Government, having no mandate from the people, was bound, in righteousness, to fall. Recognition presumably was not withheld on the ground that the Soviet Government resulted from revolution. That was also true of the Provisional Government which the United States hastened to recognize. The reason was that, while Wilson believed the revolution that produced the Provisional Government represented the will of the Russian people, he did not think the same of the revolution that produced the Soviet Government.

One of the first formal crystallizations of the official attitude of the United States toward the Soviet Government occurred in a letter written by Secretary of State Lansing on October 27, 1919, to Henry Cabot Lodge, Chairman of the Senate Committee on Foreign Relations. The letter stated in part,

> Since the overthrow of the autocracy in March, 1917 the Department of State has studied developments in Russia with the sympathy that America has traditionally shown toward all movements for political and social betterment. The study which has been made of the Bolshevik movement...shows conclusively that the purpose of the Bolsheviks is to subvert the existing principles of government and society the world over, including those countries in which democratic institutions are already established. They have built up a political machine which, by the concentration of power in the hands of a few and the ruthlessness of its methods, suggests the Asiatic despotism of the early Czars. The results of their exercise of power...have been demoralization, civil war and economic collapse.[16]

Less than a year later, on August 10, 1920, Secretary of State Colby made the formal, and more extended, exposition of the position of the United States in note addressed to Baron d' Avezzano, the Italian Ambassador in Washington. He stated in part,

> The present rulers of Russia do not rule by the will or consent of any considerable portion of the Russian people....It is not possible for

[15] *New York Times* (September 6, 1919).

[16] Quoted in American Foundation, Committee on American Russian Relations, *The United States and Soviet Union* (New York, American Foundation, 1933) 33.

the Government of the United States to recognize the present rulers of Russia as a government with which the relations common to friendly governments can be maintained. This conviction has nothing to do with any particular political or social structure which the Russian people themselves may see fit to embrace. It rests upon a wholly different set of facts. These facts...have convinced the Government of the United States, against its will, that the existing regime in Russia is based upon the negation of every principle of honour and good faith and every usage and convention underlying the whole structure of international law; the negation, in short, of every principle upon which it is possible to base harmonious and trustful relations, whether of nations or individuals....In the view of this government, there cannot be any common ground upon which it can stand with a power whose conceptions of international relations are so entirely alien to its own, so utterly repugnant to its moral sense. There can be no mutual confidence and trust and no respect even, if pledges are to be given and agreements made with a cynical repudiation of their obligations already in the mind of one of their parties. We cannot recognize, hold official relations with, or give friendly reception to the agents of a government which is determined and bound to conspire against our institutions, whose diplomats will be the agitators of dangerous revolts, whose spokesmen say that they sign agreements with no intention of keeping them.[17]

Attitude of the Harding Administration

President Harding's election in 1920 led the Soviet Government to hope that the new administration might prove more favourable to recognition. On March 21, 1921, Maxim Litvinov, then Soviet representative in Estonia, transmitted an appeal from Michael Kalinin, President of the All-Russian Central Executive Committee, to the new American Administration to reestablish business relations and remove the wall existing between the two peoples. It emphasized "the immediate advantage which will accrue to both Republics by the restoration of commercial relations."[18]

This appeal met with no encouragement from the United States and Herbert Hoover, the newly appointed Secretary of Commerce, took the initiative and answered Litvinov's suggestion. "The question of trade with Russia", he said, "is far more a political question than an economic one so long as Russia is

[17] *For. Rels.*, n. 12, 463-468.

[18] J. Degras, ed., *Soviet Documents on Foreign Policy* (London, Oxford University Press, 1951) I, 245.

under the control of the Bolsheviki. Under their economic system, no matter how much they moderate it in name, there can be no real return to production in Russia, and, therefore, Russia will have no considerable commodities to export and, consequently, no great ability to obtain imports.... That requires the abandonment of their present economic system."[19]

The Bolsheviks might have resented this propaganda of a high American official for the overthrow of the Soviet regime. Before they could give vent to any such sentiments, however, they received the reply of Secretary of State Hughes dated March 25, 1921, sent through the American Consul at Reval. He echoed Hoover: "In existing circumstances there is no assurance for the development of trade", he declared. "Only in the productivity of Russia ... is there any hope for the Russian people", and Russia was not productive and could not be productive without "the safety of life, the recognition of firm guarantees of private property, the sanctity of contracts, and the rights of free labor." Continuing, Hughes stated that until there was "convincing evidence" that "fundamental changes involving due regard for the protection of persons and property and the establishment of conditions essential to the maintenance of commerce" had taken place, it [the American Government] was "unable to perceive" that there was "any proper basis for considering trade relations."[20] The implication in the statements of Hoover and Hughes seems to have been that recognition and negotiation of a trade agreement were futile until the Soviet Government adopted the economic principles accepted in the United States. This point of view was explained at great length by Secretary Hughes in a letter to Samuel Gompers, replying to an inquiry of March 15, 1921, requesting information regarding trade prospects. The Secretary of State asserted that Russia's economic condition made trade impossible.

> In fact the devastation of industry in Russia has been so complete, the poverty of the country is so acute, the people are so hungry and the demand for commodities is so great that at present Russia represents a gigantic economic vacuum and no evidence exists that the unfortunate

[19]Quoted in *New Republic* (June 3, 1931) 62.
[20]*Current History* (October, 1921-March, 1922) 189.

situation above described is likely to be alleviated so long as the present political and economic system continues.[21]

The primary object of the American Government in its attitude toward Russia was apparently to bring about the economic rehabilitation of that country. But that goal could not be achieved so long as Russia remained in the control of a regime dedicated to unworkable economic principles. Diplomatic recognition, it was felt in official quarters, would encourage the continuation of that regime. Nevertheless, certain forces were working quietly and patiently in favour of recognition. Public institutions, public spirited men like Raymond Robins and persons in official positions like Senator Borah, had expressed themselves in print and on the platform in favour of the establishment of diplomatic relations with Soviet Russia.

On May 15, 1922, Senator Borah introduced Senate Resolution 293 which stated the "the Senate of the United States favours the recognition of the present Soviet Government of Russia."[22] Borah argued that the only sensible course to pursue toward Russia was "to recognize the de facto government" that had ruled the country for five years. This did not necessitate accepting "the standards of the Soviet Government with reference to political questions." Borah felt that if Russia was recognized, the United States would have "a much better opportunity to deal with her and to bring about a modification of the terms of her government in business and commercial affairs." He also entertained the belief that recognition of the Soviet Government would enable the United States to do business with the former "upon lines of perfect commercial safety and security."[23] Robins believed that Russia offered the greatest possible field for commercial enterprise and the investment of capital. As such, he saw no reason why the United States should not take advantage of this opportunity irrespective of the form of government that existed in Russia. Further, Robins believed that cooperation between Russia and America

[21] *For. Rels. 1921* (Washington, GPO, 1936) II, 769.

[22] *Congressional Record,* 67 Cong., 2 Sess., 62 (1922) 6945.

[23] *Ibid.,* 6947-6948.

was essential in the interest of peace.[24] This view was shared by Senator Borah,[25] who, along with Robins, formed a group which played a crucial role in the movement for recognition.

A slight modification in the United States policy seemed apparent when, in August 1922, Mr. Houghton, the United States Ambassador in Germany, acting under State Department instructions,[26] initiated conversations with Leonid Krassin and George Chicherin, the Soviet Commissars of Trade and Foreign Affairs respectively. This was done with a view to finding out the attitude of the Soviet authorities to a proposal for sending an American technical commission to study the economic situation in the Soviet Union and report to the American government. It was hoped that this would provide "trustworthy information for American businessmen."[27] The Bolsheviks offered to accept the American proposal provided a similar Soviet commission was allowed to investigate economic conditions in the United States. The United States refused to agree to this proposal and hence the negotiations ended inconclusively.[28] In the meanwhile, Secretary Hughes' hostility to the Soviet regime had not abated. In March 1923, replying to an appeal from the Women's International League for Peace and Freedom, which stated that changed conditions in Russia made American policy no longer applicable, he clarified the considerations underlying the official position.

> Not only do we not desire to interfere with the internal concerns of Russia, not only do we recognize the right of the Russian people to develop their own institutions, but such interference would be futile. The salvation of Russia cannot be contrived outside and injected. Russia's hope lies in Russia's action.[29]

Diplomatic recognition could have no influence on trade which depended upon economic factors. Trade was likely to remain insignificant as long as the essential bases of producti-

[24]Raymond Robins, "United States Recognition of Russia Essential to World Peace and Stabilization," *Annals* (July, 1926) 100.

[25]Borah to Robins, December 20, 1923. Borah Mss.

[26]*For. Rels. 1922* (Washington, GPO, 1938) II, 826.

[27]*Ibid.*, 827.

[28]*New York Times* (August 22, 1922).

[29]*For. Rels. 1923* (Washington, GPO, 1938) II, 755.

vity in Russia were lacking. Hughes recognized the distinction between economic and political question.

> The fundamental question in the recognition of a government is whether it shows stability and a disposition to discharge international obligations. Stability of course is important; stability is essential.... What, however, would avail mere stability if it were stability in the prosecution of a policy of repudiation and confiscation? In the case of Russia we have a very easy test of fundamental importance, and that is of good faith in the discharge of international obligations....Of what avail is it to speak of assurances, if valid obligations are repudiated and property is confiscated?[30]

Hughes then referred to the Soviet annulment of Russia's debts as a blow at sincerity and good faith without which amicable international relations were impossible. In closing, he dwelt upon the international revolutionary propaganda emanating from Moscow as a fatal obstacle in the way of recognition. He stated,

> Not only would it be a mistaken policy to give encouragement to repudiation and confiscation, but it is also important to remember that there should be no encouragement to those efforts of the Soviet authorities to visit upon other peoples the disasters that have overwhelmed the Russian people...the world we desire is a world not threatened with the destructive propaganda of the Soviet authorities, and one in which there will be good faith and the recognition of obligations and a sound basis of international intercourse.[31]

In July 1923, Secretary Hughes reiterated the same views in a letter addressed to Samuel Gompers, President of the American Federation of Labor. Gompers, traditionally opposed to dealings with the Soviet regime, had, without reserve, expressed his own view of it in a letter to Secretary Hughes and invited him to give his opinion.[32] In reply, Hughes stated in part,

> We are not concerned with the question of the legitimacy of a government as judged by former European standards. We recognize the right of revolution and we do not attempt to determine the internal concerns of other states....Recognition is an invitation to intercourse. It is accompanied on the part of the new government by the clearly implied or express promise to fulfil the obligations of intercourse. These

[30] *Ibid.*, 756-757.
[31] *Ibid.*, 757-758.
[32] *Ibid.*, 758-760.

obligations include, among other things, the protection of the persons and property of the citizens of one country lawfully pursuing their business in the territory of the other and abstention from hostile propaganda by one country in the territory of the other. In the case of the existing regime in Russia, there has not only been the tyrannical procedure...which has caused the question of the submission or acquiescence of the Russian people to remain an open one, but also a repudiation of the obligations inherent in international intercourse and a defiance of the principles upon which alone it can be conducted.[33]

A close examination of the statements of Hughes reveals that they were based on two main considerations. First, that Russia had a right to any form of government she pleased and the United States assumed no right to pass judgement upon it. Second, that the form, philosophy and practice of the Soviet Government was such as to make untenable formal relations between the United States and the Soviet Union. Hughes' statements also contained the implicit assumption that the Soviet Government was not slated for permanence. The first admission from official sources that the Soviet Government was likely to continue was made by President Harding. It was contained in an address which he prepared for delivery at San Francisco in the summer of 1923, but did not deliver because of his mortal illness. Touching upon Russian recognition, he admitted,

> No one much questions the continuation of the present government.... International good faith forbids any sort of sanction of the Bolshevist policy....If the revolutionary order is the way to higher attainment and greater human happiness, Russia will command our ultimate sanction.[34]

Attitude of the Coolidge Administration

Calvin Coolidge, who became the President after Harding's death in August 1923, made a reference to Russia in his first message to the Congress on December 6, 1923. By that time, the internal economic conditions of Russia had started to improve. The Soviet Government adopted a less intransigent attitude towards capitalism. The New Economic Policy was putting Russia back on her feet. Referring to these conditions, President Coolidge noted "encouraging evidence of Russia's

[33] *Ibid.*, 761-762.
[34] *New York Times* (August 1, 1923) 2.

returning to the ancient ways of society." His message to the Congress inspired new hopes in Moscow. He said,

> Our government offers no objection to the carrying on of commerce by our citizens with the people of Russia. Our government does not propose, however, to enter into relations with another regime which refuses to recognize the sanctity of international obligations. I do not propose to barter away for the privilege of trade any of the cherished rights of humanity. I do not propose to make merchandise of any American principles. These rights and principles must go wherever the sanctions of our government go. But while the favour of America is not for sale, I am willing to make very large concessions for the purpose of rescuing the people of Russia.[35]

Coolidge then listed the prerequisites to any reconsideration of America's Russian policy,

> Whenever there appears any disposition to compensate our citizens who were despoiled, and to recognize that debt contracted with our government, not by the Czar, but by the newly formed Republic of Russia; whenever the active spirit of enmity to our institutions is abated, whenever there appear words meet for repentence; our country ought to be the first to go to the economic and moral rescue of Russia....We hope the time is near at hand when we can act.[36]

This statement obviously held out a definite promise, and, encouraged by Coolidge's statement, the Soviet Commissar for Foreign Affairs, Chicherin, telegraphed a message to him on December 16, 1923 stating that,

> Having read your message to Congress, the Soviet Government, sincerely anxious to establish at last firm friendship with the people and Government of the United States, informs you of its complete readiness to discuss with your government all the questions referred to in your message, these negotiations to be based on the principle of mutual non-intervention in the internal affairs of the other side. The Soviet Government will continue to abide fast by this principle, on the understanding that the American Government in its part will do the same. As to the financial claims referred to in your message, the Soviet Government is quite ready to enter into negotiations for their settlement provided, of course, that such a settlement is based on the principle of reciprocity.... The Soviet Government is ready to do all in its power, so far as the dignity and interests of its country permit, to bring about the desired end of renewal of friendship with the United States of America.[37]

[35] *Congressional Record*, 68 Cong., 1 Sess., 65 (1924) 97.
[36] *Ibid.*, 97.
[37] Degras, n. 18, 418.

This rather conciliatory declaration raised the possibility of negotiation between Moscow and Washington. Hughes, however, felt that "without indications that the Soviet regime was ready to modify its conduct", any attempt at "negotiation would be futile." "Preparing a terse statement to this effect, he took it to President Coolidge for approval."[38] Coolidge was himself willing to issue the statement, but Hughes felt it would not be wise "to expose" the President "to the criticisms that would rain upon him if he made the statement public." The Secretary of State regarded it to be "part of his job to shield the President, whenever possible, from brickbats aimed at the foreign policy they were pursuing."[39] He, therefore, took it upon himself to issue a curt statement on December 18, 1923, informing Chicherin that the United States was

> ...not proposing to barter away its principles. If the Soviet authorities are ready to restore the confiscated property of American citizens or make effective compensation, they can do so. If the Soviet authorities are ready to repeal their decree repudiating Russia's obligations to this country and appropriately recognize them, they can do so. It requires no conference or negotiations to accomplish these results which can and should be achieved at Moscow as evidence of good faith....Most serious is the continued propaganda to overthrow the institutions of this country. This government can enter into no negotiations until these efforts directed from Moscow are abandoned.[40]

This blunt reply of Hughes was regarded by Borah as "exceedingly unfortunate"[41] since Chicherin had declared his willingness to take up the question of debts, claims and of propaganda for adjustment and settlement. Hughes' reply to Chicherin, however, evoked editorial applause in a number of American newspapers including the *Boston Transcript, New York Times, New York Evening Post and Washington Post.*[42]

Although there was some inconsistency between the statements of Coolidge and Hughes, it appears that the former was aware of the contents of Hughes' statement to Chicherin. It

[38]Merlo J. Pusey, *Charles Evans Hughes* (New York, Macmillan, 1951) II, 528.

[39]*Ibid.*

[40]*For. Rels.*, n. 29, 788.

[41]Borah to Raymond Robins, December 20, 1923, Borah Mss.

[42]*Literary Digest* (January 5, 1924) 10.

also appears that Coolidge had expressed his approval of the statement before it was officially released.[43] When Jerome Davis, an eminent educationist, in a letter to President Coolidge pointed out the "serious inconsistency" between his address to Congress about Russia and the note of Secretary Hughes to Chicherin,[44] an effort was made to cover up the inconsistency. It was stated in reply that even though "the proposals ... were in somewhat different terms...after all, they serve to present the three elements in this matter which the American Government regards as essential."[45] No mention was made of the Soviet reply.

Hughes reply to Chicherin aroused a new interest among the members of the Congress in the Russian policy of the Administration and the proponents of Soviet recognition were determined to fight the issue to some decision. On December 11, 1923, Senator Borah introduced in the Senate a resolution (S. Res. 50) declaring that "the Senate of the United States favours the recognition of the present Soviet Government of Russia."[46] Hughes was still determined to prevent recognition, and in a letter to President Coolidge he pointed out that "negotiations between the United States and Russia ... could merely result in a sort of deadlock, for any claims that we would have would be met by counterclaims and the discussion would be used by the Soviet authorities for political purposes."[47] In his efforts to prevent recognition of the Soviet Government, Hughes had the support of certain business and financial quarters in addition to that given by the top leadership of the American Federation of Labor. He was, therefore, well prepared to maintain his position. His chief spokesman in the Senate was Henry Cabot Lodge of Massachusetts who, speaking against S. Res. 50, is recorded as stating in part,

> The so-called Russian Soviet Republic should not be recognized by the United States because the Russian Government, directly or indirectly,

[43]Pusey, n. 38, 528.

[44]Jerome Davis to Coolidge, December 22, 1923, Coolidge Mss.

[45]Secretary to the President to Jerome Davis, January 19, 1924, in *ibid.*

[46]*Congressional Record*, n. 35, 228.

[47]Hughes to Coolidge, December 26, 1923, Hughes Mss.

in one form or another, was endeavouring to cause disorder and dissension among the American people, and was advocating actions and agitations which, if successful, would result ultimately in the radical alteration and perhaps the destruction of our present form of constitutional government, their immediate purpose being to get possession of the labor unions of the United States.

After a careful analysis of the structure, extent, and nature of the Soviet organs, the record continues,

the Russian Communist Party and the so-called Soviet Government were controlled and dominated by a small group known as the political bureau, that the Russian Communist Party founded and controlled the Communist International, and that the so-called Soviet Government, the Third International and the Russian Communist Party were interdependent organizations and movements. The doctrines presented by the representatives of Russia were not in accord with the beliefs and principles of the American people, and that it was not time to accord official recognition and approval to a government whose representatives would come among us and, under the diplomatic shield, break up our own labor organizations, attack American laws and American freedom, and kindle the flames of riot and disorder throughout our country. He described the Soviet Government as an active and insidious enemy working under our flag against all the beliefs and institutions which Americans hold most precious.[48]

On December 19, 1923, the State Department published the text of certain instructions alleged to have been sent by Gregory Zinoviev, head of the Third International, to the Workers Party of America. After giving specific instructions for the handling of revolutionary organizations, the latter expressed satisfaction with the work of the Workers' Party, and expressed the hope that the "party will step by step conquer (embrace) the proletarian forces of America and in the not distant future raise the red flag over the White House."[49] The Soviet Government, however, disclaimed any responsibility for acts of the Third International which, it contended, was alone responsible for the propaganda complained of by the United States.[50] The State Department on December 19, 1923, charged that "the Communist International, with its headquarters at Moscow is the organ of the Communist Party for international propaganda", and that,

[48] *Congressional Record*, n. 35, 592-614.
[49] *For. Rels.*, n. 29, 790.
[50] *New York Times* (October 27, 1924).

"the Soviet regime in Russia is the organ of the Communist Party for the Government of Russia.[51] It also made public a statement from *Izvestia,* official organ of the Soviet Government, written by M. Steklov, the editor, to the effect that, "the close organic and spiritual connection between the Soviet Republic and the Communist International cannot be doubted. And even if this connection had not been admitted many times by both sides, it would be clear to everybody as an established fact... the connection is not merely of a spiritual but also of a material and palpable character ... the Communist International ... is spiritually and materially connected with Soviet Russia."[52]

The United States Government thus seemed to be convinced that the Soviet Government was definitely connected with the revolutionary propaganda which was being fostered in the United States. Even in a Congressional hearing, the State Department rested its case almost entirely upon the propaganda argument. On this occasion, it presented a voluminous mass of detailed evidence regarding the control and direction of subversive activities in the United States from Moscow.[53] The hearing as well as the discussions in the Congress were, however, abruptly terminated before any action could be taken by the revelation of a scandal within the Harding Cabinet—the disclosure of Attorney-General Harry M. Daugherty's sudden wealth. This revelation diverted all attention from the problem of Russian relations. Borah had to choose between the use of his influence to drive Daugherty from office or to continue the drive for recognition, and he chose the former.[54] The first great opportunity thus slipped away and a rapprochement with Russia had to await the inevitable action of time and circumstances.

During second half of 1924, however, there occurred a flurry of interest in the recognition question, and this brought about

[51] *For. Rels.,* n. 29, 788.

[52] *Ibid.,* 790-791.

[53] U.S. Senate, 68 Cong., 1 Sess., Senate Committee on Foreign Relations, Subcommittee on Senate Res. 50, *Hearings* (Washington, GPO, 1924) 230.

[54] Borah demanded Daugherty's resignation. It was secured after bitter exchanges in which the Republican Party supported the Attorney-General to the limit. *New York Times* (February 25, 1924).

a special overture from Coolidge that led to further talks through the winter of 1924 and spring of 1925. But the President refused to make a definite commitment and the plan never progressed beyond speculation. Borah was momentarily encouraged by the resignation of Hughes in January 1925, and made a move for a new campaign. But in the end, he was reduced to making speeches in the Senate which proved to be quite ineffective in bringing about any modification in the government's policy. Though Frank B. Kellogg, the new Secretary of State, had by no means the power wielded by Hughes, the State Department was flatly opposed to any change in policy. Kellogg lost no time in making it clear that there would be no modification in the government's attitude until the Soviet authorities had met the conditions laid down.[55]

Throughout 1925 and 1926 the policy of the United States which had crystallized in the preceding years remained the same. The pronouncements of Secretary Hughes continued to represent the attitude of the American government. The extensive development of Russian-American commerce stirred new interest in the problem, but left the State Department and the President unmoved from the position of 1923.[56] Russia and the United States had reached an impasse from which no escape then seemed possible. The first extended pronouncement by Secretary of State Kellogg on Russian-American relations on April 14, 1923, was really a reaffirmation of the policy pursued by Hughes.

> ...It is the conviction of the Government of the United States that relations on a basis usual between friendly nations cannot be established with a governmental entity which is the agency of a group who hold it as their mission to bring about the overthrow of the existing political, economic and social order throughout the world and who regulate their conduct towards other nations accordingly. The experiences of various European Governments which have recognized and entered into relations with the Soviet regime have demonstrated conclusively the wisdom of the policy to which the Government of the United States has consistently adhered....Current developments demonstrate the continued persistence at Moscow of a dominating world revolutionary purpose and the practical manifestation of this purpose in such ways as render impossible the establishment of normal relations with the Soviet Government. The

[55] *New York Times* (April 21, 1925).
[56] *Ibid* (June 25, 1926).

present rulers of Russia, while seeking to direct the evolution of Russia along political, economic and social lines in such manner, as to make it an effective 'base of the world revolution', continue to carry on, through the Communist International and other organizations with headquarters at Moscow, within the borders of other nations, including the United States, extensive and carefully planned operations for the purpose of ultimately bringing about the overthrow of the existing order in such nations....The Government of the United States does not propose to acquiesce in such interference by entering into relations with the Soviet Government. In the view of the Government of the United States, a desire and a disposition on the part of the present rulers of Russia to comply with accepted principles governing international relations is an essential prerequisite to the establishment of a sound basis of intercourse between the two countries....No results beneficial to the people of the United States or indeed to the people of Russia would be attained by entering into relations with the present regime in Russia so long as the present rulers of Russia have not abandoned these avowed aims and known purposes which are inconsistent with international friendship.[57]

Secretary Kellogg's declaration held out no hope of an early change of policy and the tradition of non-recognition was reaffirmed without qualification. Nor was the American policy modified by the Soviet Government's adherence in August 1928, to the Anti-War Pact sponsored by Mr. Kellogg and later called the Kellogg-Briand Pact. Secretary Kellogg told a Senate Committee in December 1928, that 'the adhering to a multilateral treaty that has been agreed to by other people is never a recognition of the country. ... We have four multilateral treaties to which Russia is a party, and nobody ever claimed that one of them was a recognition of the Russian regime at all."[58] The Secretary then explained that there could be no recognition without the intention to recognize.

Litvinov concurred with this view. "We are", he told the Central Executive Committee in Moscow on December 10, 1928, "little interested in the purely legal question which is at present being discussed in the United States as to whether our signing of an international pact jointly with the American Government constitutes recognition."[59] The Soviet Government, in other words, had no desire for recognition without the establishment

[57] *For. Rels. 1928* (Washington, GPO, 1943) III, 822-825.

[58] U.S. Senate, 70 Cong., 2 Sess., Senate Committee on Foreign Relations, *Hearings* (Washington, GPO, 1928) Pt. 1, 25-26.

[59] *Soviet Union Review* (January, 1929) 5.

of diplomatic relations. Litvinov made this clear when he stated,

> Recognition may be of importance as the creation of a legal basis when it is accompanied by an exchange of representatives and by the establishment of that official intercourse which is absolutely necessary for regular maintenance and development of both political and economic relations.[60]

American Policy toward Russia during the Hoover Administration

The attitude of the American Government toward Russia remained unchanged during the Hoover Administration. Henry L. Stimson, who replaced Kellogg as Secretary of State, declared, in December 1930, that the United States would not recognize the Soviet Government until the latter "acknowledges its debts, guarantees proper compensation for American property confiscated in Russia, and ceases to agitate for the overthrow of the American Government by revolution."[61] But an anomalous situation arose when the United States hastened to remind the Soviet Government, in a note forwarded through the French Ambassador in Moscow, of its obligations under the Kellogg Pact when it clashed with China over the Chinese Eastern Railway. This note aroused the anger of the Soviet Government which declared on December 3, 1929, that Stimson's warning could not be considered as a friendly act. It also expressed amazement that the United States, which had not recognized the Soviet Union, deemed it possible to approach "with advice and instructions."[62]

Although this rebuke did not bring about any change in the State Department's policy, the Far Eastern crisis which began in September 1931, with Japan's invasion of Manchuria, focussed attention on the problems created by the United States' refusal to recognize the Soviet Government. But it was not until President Franklin Roosevelt came to office in 1933 that a change in United States' policy towards the Soviet Union occurred.

[60] *Ibid.*

[61] *New York Times* (December 7, 1930).

[62] J. Degras, ed., *Soviet Documents on Foreign Policy* (London, Oxford University Press, 1952) II, 407-408.

CHAPTER EIGHT

American Russian Relations in the Far East

In regard to the Far East, the United States was interested in seeing that no one nation achieved superiority over the others so as to upset the balance of power in that area. Such a development could constitute a danger to America's trade in the Far East as well as to the security of her western shores.

The Soviet Union also regarded peace and security in the Far East to be a matter of paramount importance. But Japan's ambitions in the Far East and her growing power posed a constant menace to the Soviet Union. Under the circumstances, the United States assumed the role of a disinterested partisan of the rights and interests of the Asiatic states against any potential aggressor that threatened the balance of power in the Far East.

Impasse in the Far East

Japan appeared to be upsetting the balance of power in the Far East when, in the beginning of 1920, she extended her occupation deeper into Siberia after the American troops had been withdrawn from that area. The United States held that there was no justification for the continued Japanese occupation of territories in the Russian Far East and hence demanded their immediate withdrawal. A diplomatic struggle ensued over this issue in which the United States sought to uphold the integrity and independence of Russia.

Japan's Policy in Siberia

In an official Japanese communication to the State Department on April 3, 1920, the close geographical proximity between Japan and Siberia and the danger to the Japanese residents on the Russian mainland arising from the Bolshevik menace, were put forth as reasons for the continued presence of Japanese

forces in Siberia. At the same time, it was pointed out that Japan did not entertain any political ambition towards Russia and would withdraw her forces from Siberia as soon as political conditions settled down there and the safety of the lives and property of the Japanese residents were assured.[1] Japan, however, did not live up to her promise. Using as a pretext an alleged massacre of seven hundred Japanese subjects by Bolshevik guerrillas in Nikolaievsk, Japan occupied northern Sakhalin of which Nikolaievsk was the capital city. At this, Bainbridge Colby, then United States Secretary of State, dispatched a note to the Japanese Government in which he stressed "the right of the Russian people to work out their destiny," protested against any "encroachment upon Russian territory in the time of Russia's helplessness" and stated in conclusion that the United States Government could not "recognize the occupation of Sakhalin by any non-Russian authority."[2] This note, however, did not bring about any modification in the Japanese decision to retain control of Sakhalin. In a memorandum to the State Department, the Japanese Ambassador, Shidhera, made it clear that the Japanese Government felt it necessary to take suitable measures in Sakhalin for upholding the dignity of the nation.[3] The Japanese Government, in fact, intended to retain northern Sakhalin as a guaranty for the payment of an indemnity for the Nikolaievsk massacre.

American Reaction

The United States looked upon the establishment of the Soviet Government in Russia as a deplorable calamity. Yet she was still opposed to Japan's acquisition of Russian territory, even if it was intended to check the Bolshevik contagion. The basic dictates of America's Far Eastern policy demanded that Japan's move towards the acquisition of new territories be halted whenever possible. Hence, the United States sought to uphold Russian rights in Siberia despite its persistent refusal to recognize the existence of the Soviet Government. In other

[1] *For. Rels. 1920* (Washington, GPO, 1936) III, 505-506.

[2] *Ibid.*, 518-519.

[3] *Ibid.*, 516.

words, Washington's antipathy towards communism was made subservient, at least for the time being, to its policy in the Far East.

The Far Eastern Republic

The Soviet Government was aware that because of its military weakness, it could not wage a war against Japan. The eastern region of Siberia was under the occupation of the Japanese army which was also in a position to expand its occupation further to the west. With its weak army, the Soviet Government could not have fought against the Japanese forces successfully and hence it avoided direct contact. Instead, it resolved upon creating in Siberia a buffer state which would serve as a means of separating the Japanese forces from Soviet Russia. The buffer state was sought to be made formally independent with a democratic constitution. It was hoped that its democratic constitution would serve to attract the sympathy of the United States, and Tokyo, too, would support it out of the belief that "Japan could control and direct the infant state as a bulwark against Bolshevism."[4] In May 1920, the United States was informed of the organization of the Far Eastern Government at Chita with Alexander M. Krasnoshchekov as premier. On May 14, 1920, the Soviet Government officially recognized the Far Eastern Republic and appointed a diplomatic envoy. The Far Eastern Republic also opened a legation in Moscow. The United States, however, did not recognize the Far Eastern Republic. The absence of mutual representation in Russia and America served to hinder the solution of problems in the Far East in which both states professed a direct interest. One such problem which illustrated the disadvantages arising from the absence of diplomatic relations was the Chinese Eastern Railroad.

The Chinese Eastern Railroad

Built on Chinese soil, contiguous to the Japanese sphere of influence in Manchuria, the Chinese Eastern Railroad had a strategic importance. It was the only direct and speedy means of transportation between Russia's center and the great port of

[4] *Ibid.*, 548.

Vladivostok on the eastern seaboard of Russia. Taking advantage of the collapse of Russian strength in the Far East in 1919 and 1920, on October 2, 1920, China announced its decision to "assume provisionally ... supreme control" over the railroad pending agreement with a "Russian Government that may be recognized by China."[5] The Soviet Government also issued a statement declaring its willingness to negotiate a special treaty in regard to the Chinese Eastern Railway. Washington tried to counteract this by trying to impress upon Chinese officialdom "the questionable validity of any agreement" concluded between the Soviet Government and China concerning the Chinese Eastern Railway.[6] This attitude received added emphasis because the Washington Conference, then in session, had on its agenda for discussion the status of Siberia and the Chinese Eastern Railway.

The Soviet Government had already voiced its displeasure at being omitted from the Washington Conference.[7] On December 8, 1921, Chicherin sent a formal protest "against the examination by the Washington Conference of the question of the Chinese Eastern Railways" which concerned China and Russia exclusively. The two nations were then negotiating the conditions for the return of the railroad by Moscow to Peking, the note averred and, as soon as the latter had "furnished certain guarantees", the transfer would take place. For these reasons the Soviet Government felt compelled "to protest against any decision which may be taken by the Washington Conference in violation of Russian rights."[8] The protest notwithstanding, the Washington Conference adopted a resolution of February 3, 1922, that "better protection be given to the Chinese Eastern Railway and the persons engaged in its operation and use", and also adopted a reservation by which the Powers "reserved the right to insist ... upon the responsibility of China for perfor-

[5]*For. Rels. 1920* (Washington, GPO, 1935) I, 713.

[6]Secretary of State Hughes to American Minister in China Schurman, December 24, 1921, NA, RG 59, File 793.94/1194.

[7]*For. Rels. 1921* (Washington, GPO, 1936) I, 41-43.

[8]J. Degras, ed., *Soviet Documents on Foreign Policy* (London, Oxford University Press, 1951) I, 283.

mance or non-performance of the obligations towards the foreign stock holders, bond holders, and creditors of the Chinese Eastern Railway."[9]

On October 31, 1922, the State Department presented a note to the Chinese Government reserving "to itself all rights ... with respect to advances in money and material made by it in aid of the Chinese Eastern Railway", and also expressed its "continued interest in the efficient operation of the railway and its maintenance as a free avenue of commerce open to the citizens of all countries without favour or discrimination."[10] The Soviet Government at once repudiated the American claim by insisting that Moscow alone had the right to interfere with the Chinese Eastern Railway, on the ground that Russian funds had built it and it comprised Russian property. It was also claimed that even if Russia should vest her title in the Chinese people, her interests in the Chinese Eastern Railway would still continue as it was a portion of the Great Siberian Railway and joined different parts of the Soviet territory. The United States Government, understandably, was apprehensive for the future of the Chinese Eastern Railway. This fear was aggravated by the signing of a treaty on May 31, 1934, between the Soviet Union and China to the effect that the future of the Chinese Eastern Railway would be determined by themselves to the exclusion of "any third party or parties,"[11] thus assuring the Soviet Government substantial influence in the affairs of the Chinese Eastern Railway. On September 20, 1924, the Soviet Government signed an agreement with the Manchurian Government of Chang Tso-lin which included terms of settlement similar to those embodied in the May 31, 1924, treaty with China.[12]

Infuriated over the Sino-Soviet agreement, Secretary Hughes on July 11, 1924, made a direct financial claim on the Chinese Eastern of $4,177,820.06; this being the sum advanced "for the purpose of saving the Railway from breakdown and deterioration at a time when its operations were ... conducted

[9]*For. Rels. 1922* (Washington, GPO, 1938) I, 883.

[10]*Ibid.*, 926.

[11]Chinese-Soviet Treaty of May 31, 1924, in H.G.W. Woodhead, ed., *China Year Book, 1924* (Chicago, University Press, 1925) 1192-1200.

[12]*For. Rels. 1924* (Washington, GPO. 1939) I, 509.

at a loss." "That debt", wrote Hughes, "was among the obligations" of the Chinese Government which it could not divest itself by devolving its trusteeship for the Railway "upon another party."[13] Washington's displeasure over the Sino-Soviet agreements brought forth sharp comments from the Soviet envoy in China. He stated that Washington's non-recognition policy toward the Soviet Government was directly traceable to the alleged evil influence of the latter over the Chinese Government. He was, however, convinced that no "honest and reasonable" American supported the "short sighted Russian policy" pursued by Secretary of State Hughes. In conclusion he stated that the Soviet Government had "outlived many governments" and would "without injury to itself" outlive Hughes and other American leaders who were then responsible for the shaping of the American policy.[14]

Washington and the Dairen Conferences

In July 1921, President Harding invited the Great Powers to take part in the Washington Conference for the discussion of controversial problems affecting the Pacific area, including Japanese occupation of Russian and Chinese territories. Soon after, the Japanese Government hastened to invite the Far Eastern Republic, which it had recognized on July 15, 1920, to a special conference at Dairen for the settlement of all questions outstanding between them. Japan hoped by this means to exclude the discussion of its Siberian policy at the impending Washington Conference.[15] Ignatius Yourin, the President of a special Far Eastern Republic Mission to Peking met the American Chargé d'Affaires at Peking before the beginning of the Dairen Conference. In the course of their conversations, Yourin informed the American Chargé that the "form of negotiations" between Tokyo and Chita was "dependent upon American interest in them," and that the Far Eastern Republic would have

[13] *Ibid.*, 505.

[14] *Ibid.*, 502.

[15] Far Eastern Republic, *Japanese Intervention in the Russian Far East* (Washington, GPO, 1922) 89-91.

to concede more if the United States did not take "such interest."[16]

The evacuation of Japanese troops from the territory of the Russian Far East was a major issue at the Dairen Conference. The Japanese delegates endeavoured to evade a definite pledge concerning the issue and insisted that a general treaty be signed prior to any discussion of the problem regarding the evacuation. They also advanced claims of great importance which, were they to be accepted, would have given Japan a privileged position in the Russian Far East.[17] The delegates of the Far Eastern Republic in refusing to accept the Japanese claims expected help from the Washington Conference. Mr. Skvirsky, acting chairman of a commercial delegation of the Far Eastern Republic to the United States stated in this connection that "his government...would appreciate very highly any pressure" which the United States might find it possible to bring "to bear upon Japan in order to induce her to relinquish Sakhalin."[18]

The Far Eastern Republic contended that both Nikolaievsk and Sakhalin were part of its territory which the Japanese were unlawfully occupying. It was willing to discuss the question of an indemnity, but refused to comply with the Japanese demand that it accept full responsibility for the Nikolaievsk massacre as a basis of negotiations, since it was perpetrated by irregular partisans and was not without strong provocation. It regarded the entire Japanese policy as motivated by a desire for territorial aggrandizement at the expense of Russia.[19] In regard to Asia, the decision of the United States to hold the Washington Conference represented an endeavour to implement its Far Eastern policy of maintaining the balance of power. The American

[16]*For. Rels. 1921* (Washington, GPO, 1936) II, 713.

[17]The claims advanced by Japan included the right of navigation upon the Sungari and Amur rivers. She also demanded the destruction of all Pacific coast fortifications by the Far Eastern Republic and assurances that the latter would not allow a communistic form of government within its borders. *For. Rels. 1922* (Washington, GPO, 1938) II, 843.

[18]*Ibid.*, 857.

[19]*New York Times* (December 15, 1921) 4.

Government, through its sponsorship of this conference, hoped to gain a moral advantage by posing as the upholder of the rights and interests of Asiatic states against any potential aggressor. The outcome of this policy was that the United States emerged as the defender of Russian sovereignty in the Far East. The motivating factor behind the policy, however, was not the concern for Russia, but for the Open-Door and the balance of power which were threatened by Japan's aggressive policy.

Publicly, the United States proclaimed its intention to protect Russian interests. Despite this fact, Moscow did not refrain from expressing its displeasure at its exclusion from the Washington Conference. Perhaps the major source of Russia's indignation was that the conferees were still anticipating the forcible overthrow of the Communist regime. Chicherin, the Soviet Commissar for Foreign Affairs, referred to the declaration of the powers that they would "reserve the matter of inviting eventually a new Russian Government, which should replace the present one", and made it clear that the Russian Government could in no case agree to other powers taking upon themselves the right to speak for it. Chicherin also challenged the legal power of the conference to discuss questions which affected the rights of Russia without consulting its government and for that reason reserved "freedom of action in all circumstances."[20] Although Soviet Russia was not invited to participate, the Far Eastern Republic hoped that its representatives might be officially received at Washington and given an opportunity to press for a solution of the Siberian question. The United States had already, in April 1921, sent an investigating commission to Chita, headed by Major W. J. Davis and James F. Abbott, Commercial Attache, which returned with a favourable report on the new state.[21] Besides, Tokyo's efforts in the meantime to force China to accept Japanese predominance in Siberia prior to the date set for the conference made Secretary of State Hughes worried. Repeated warnings from American representatives in the Far East convinced him that the only way to counter Japa-

[20]Chicherin to the Governments of the United States, China, France, Great Britain, Italy and Japan, July 1921. *For. Rels.*, n. 7, 41-43.

[21]*New York Times* (April 27, 1921) 4.

nese pressure on China was by strengthening ties with the Far Eastern Republic. Hence, although recognition was not given, the Far Eastern Republic was permitted to send unofficial trade representatives to Washington.

The Washington Conference did not prove fruitful for Japan. On many issues she lost the support even of her ally, Great Britain, and was forced to yield on the limitation of naval armaments and the evacuation of Chinese territory. She was also compelled to give a pledge to evacuate the Russian soil. As a result, when Japan and the Far Eastern Republic resumed negotiations at Dairen after the conclusion of the Washington Conference, the Russian delegates felt stronger than before and were much less inclined to make concessions then they had been at the outset. As a matter of fact, they refused to agree to the terms proposed by Japan and the conference was dissolved on April 15, 1922.[22] Following this unsuccessful conference, the Far Eastern Republic appealed to the United States Government and Washington once more pressed Tokyo for final action. This brought forth a prompt response.

The Withdrawal of Japanese Troops from Siberia

On June 24, 1922, the Japanese Chargé d'Affaires at Washington acting under instructions from the Japanese Government, informed the Secretary of State that "the Japanese Government have decided to withdraw all Japanese troops from the Maritime Province of Siberia by the end of October 1922."[23] This pledge, however, did not apply to Sakhalin island. The State Department followed up the Japanese announcement of its intended withdrawal from Siberia with a note. It not only approved Tokyo's contemplated action but emphasized the continuing concern with which Washington regarded Japanese occupation of Sakhalin. "By no inference", Ambassador Warren was told "should there be any surrender of the position of our Government in this regard."[24]

A conference was summoned in September 1922, at Chang Chung, Manchuria to settle the outstanding issue, but without

[22] *For. Rels.*, n. 17, 852.
[23] *Ibid.*, 853.
[24] *Ibid.*, 854.

any fruitful result. Count Uchida, the Japanese Foreign Minister, however, stated clearly that the failure of the conference meant "no change in our policy of withdrawing our troops from Siberia. ... As for Sakhalin, our retirement from the northern or Russian half of the island will take place ... as soon as the Nikolaievsk affair has been settled. The Japanese Government has no territorial design whatever in this or any other connection."[25] True to their word, the Japanese evacuated from the mainland without delay. On October 25, the last Japanese troops departed from Vladivostock and the forces of the Far Eastern Republic entered the city. A few days later, the National Assembly of the Far East decided that the Far Eastern Republic, having served its major purpose, should be dissolved. The fiction of "real independence" was discarded. By a decree of the Soviet regime dated November 15, 1922, the territories of the Far Eastern Republic was annexed to the R.S.F.S.R.[26] Two and a half years later, on May 1, 1925, following Japanese recognition of the Soviet Government and the negotiation of agreements settling outstanding difficulties, the Japanese army finally evacuated northern Sakhalin. It thereby gave up its last foothold on Siberian territory,[27] and Russian territorial integrity in the Far East was restored. With the termination of all foreign intervention and occupation of Russian territory, the principle of maintaining Russian territorial integrity became obsolete. Thereafter, relations between Moscow and Washington took a turn for the worse. America's antipathy towards communism, coupled with the recurrent friction of Washington and Moscow in China, removed any possibility of American-Soviet cooperation in the Far East for another decade.

Rupture in Sino-Soviet Relations

The signing of an agreement between the Soviet Government and the Manchurian Government of Chang Tso-lin on September 24, 1924,[28] on matters connected with the Chinese Eastern Rail-

[25]*Ibid.*, 858-859.

[26]NA, RG 59, File 861.00/11256 A.

[27]Xemia J. Eudin and Robert C. North, *Soviet Russia and the East, 1920-1927, A Documentary Survey* (Stanford, University Press, 1957) 321.

[28]*For. Rels.*, n. 12, 509.

way, was regarded by the Peking Government as a "great affront." The latter contended that "it was against international practice to enter into an agreement with a local regime without the previous consent of the central authorities."[29] This contention was ignored by the Soviets who believed that the Peking Government was not likely to last long. The presumption seemed to be correct for the Peking Government was soon overthrown by Feng Yu-hsiang who, "with the support of Chang Tso-lin set up a new provisional government" which was "sympathetically disposed toward Soviet Russia."[30] With the establishment of the Nationalist Government in China in 1927, however, relations with the Soviet Government deteriorated, ending with the closing of the Soviet embassy at Peking on April 17, 1927.[31] This resulted partly from the overplaying of the Soviet hand in China and partly from the desire of the Nationalists to rid China of all foreign limitations on its sovereignty, including those exacted by Russia.

The severance of relations between Moscow and Peking brought about a strong reaction in Manchuria. Its governor, Chang Tso-lin, realizing the strategic and vulnerable position of the country, was eager to co-operate with the newly established Nationalist regime in China. This augmented the resistance of both the governments to alleged Russian efforts to dominate the Chinese Eastern Railway. The two events that formally led to the Sino-Soviet dispute were the raid on the Soviet consu-

[29]Henry Wei, *China and Soviet Russia* (New York, Van Nostrand, 1956) 56.

[30]*Ibid.*

[31]Soviet influence in China rapidly waned in the course of the intense civil war in the country in the first half of 1927. The activities and intentions of the Soviets came to be suspected and on April 6, 1927, the Chinese authorities made a thorough search of the Soviet Military Attache's office in Peking. This action provoked a sharp protest from the Soviet Government which demanded the return of all documents seized from that office. The Chinese Government rejected the demand which was followed by the withdrawal of the Soviet Chargé d'Affaires and his entire staff from Peking. "The firm attitude" of the Chinese Government "was caused by the nature of the seizures" made during the search which included "many Russian documents of a highly subversive character...calling for the establishment of a Communist regime in China." *Ibid.*, 67-69.

late in Harbin on May 27, 1929, by Chinese representatives; and the seizure of the Chinese Eastern Railway on July 10, 1929, by the Manchurian Government.

American Attitude toward the Sino-Soviet Dispute

The policy of the American Government toward the Sino-Soviet dispute was determined by two main considerations. First, the Chinese raid on the Soviet consulate was looked upon by the State Department as an indication of China's desire to shake off every treaty fetter imposed by the West. It was feared that China might attempt to overthrow forcibly all foreign interests in the country and thereby threaten the extra-territorial rights which the United States enjoyed there. The prospect was disquieting and hence, the United States was deeply concerned about the outcome of the Sino-Soviet dispute. The second consideration that determined American policy was the possible effect of the dispute on the Kellogg-Briand Pact of 1928 to which both the Soviet Union and China were signatories.

The first reaction of the American Government to the Sino-Soviet dispute was one of aloofness. The seriousness of the situation, however, soon compelled the State Department to change its attitude. On July 18, 1929, Secretary of State Stimson urged peace on the Soviet and Chinese Governments, reminding them of their obligations under the Kellogg Pact. In response, both the governments indicated their willingness to abide by the stipulations of the Kellogg Pact provided no warlike acts were committed by the other.[32] Despite peaceful assurances, however, war clouds began to gather over Manchuria. Stimson, therefore, made another attempt to solve the dispute on July 25, 1929, by suggesting that Russia and China "in the exercise of their own sovereign action" create conciliation machinery through which "a full and impartial investigation of facts" could be undertaken. Pending such an investigation, Stimson proposed that the Chinese Eastern Railway be operated under the direction of neutrals.[33]

Stimson's efforts, however, ended in failure primarily because of the Soviet distrust of American motives. The Soviets

[32] *For. Rels. 1929* (Washington, GPO, 1943) II, 228-231.
[33] *Ibid.*, 243.

believed that Stimson's plan constituted an attempt at internationalization of the Chinese Eastern Railway under the neutral chairmanship of an American national.[34] Besides, both China and Russia wished to reach a settlement by direct negotiations without the interference of a third power. Unfortunately, they were unable to find a common ground even for exploratory conversations, and the situation on the Soviet-Chinese frontier rapidly worsened. Fighting soon began, and on August 19, the Soviet Government protested through Germany, which was protecting Russian interests in China, against eight armed raids undertaken by Chinese troops on Soviet territory between July 18 and August 18. The Soviet Government warned China that its patience would be exhausted if Chinese forces continued its intrusion into Soviet territory.

The admonitions, however, remained unheeded. As a result, tension along the Sino-Soviet border continued to mount and soon led to armed clashes. This led to efforts by the Big Powers to freeze the status quo pending further negotiations. But the efforts were without effect because of China's evasion of her obligations under the terms of the 1924 treaty with the Soviet Union in regard to the Chinese Eastern Railway. Stimson was disappointed and unwilling to take further action. He advised the Chinese Government to this effect when it enquired on November 21 whether Washington was going to do anything about conditions in Eastern Asia. Yet within a short time after so advising, Stimson became very active in finding a solution to the Sino-Soviet dispute. The reason for this abrupt change in attitude was a report that Japan was exerting its influence to effect a settlement of the Sino-Soviet dispute,[35] thereby assuming the role of a mediator. The American attitude in this respect was motivated perhaps not solely by an abstract concern for peace, but at least partially by a desire to forestall the Japanese efforts. Perhaps it also desired, at the same time, to gain whatever prestige that might accrue from a solution of the controversy.

[34] Schurman to Stimson, August 10, 1929, NA, RG 59, File 861.01/1502.

[35] *For. Rels.*, n. 32, 355-356.

Stimson's Note to China and the Soviet Union. Stimson first advised Tokyo that a new appeal seemed necessary and then, on December 2, 1929, sent a note directly to the Chinese Government and, by way of France, to the Soviet Union. This communication expressed American concern over the Manchurian crisis. It also recalled the initial American effort to draw Sino-Soviet attention to the obligations of the Kellogg-Briand Pact signatories, and voiced the hope that they would "refrain or desist from measures of hostility" and find a peaceful solution to their conflict.[36] Moscow regarded the Stimson note as unwarranted and hostile. The Red Army had acted in self-defence in order to repel Chinese raids, Litvinov declared in an angry reply to Stimson, and Washington had acted just when Mukden had agreed to several conditions which foreshadowed a prompt and final adjustment. The Stimson note, therefore, according to Litvinov, could not but be considered an unjustifiable pressure on the negotiation and could not be taken as a "friendly act." Further, he asserted that the Paris Pact did not give any single state or group of states the function of protector of the Pact. In conclusion, he stated that the Soviet Government could not help expressing its "astonishment" that the Government of the United States, which at its own desire had no official relations with the Soviet, found it possible to approach the Soviet Government with "advice and instructions."[37] But Stimson expressed the view that between co-signatories of the Pact of Paris, it could never be thought unfriendly if one nation called to the attention of another its obligations under the Pact when there was a danger to peace. This view was immediately attacked by the Soviet press as an "attempt by means of overt interference to frustrate the beginning of a settlement of the Soviet-Chinese conflict",[38] since Moscow and Mukden were then engaged in direct negotiations. In an editorial on December 4, 1929, *Izvestia* charged that the action of the United States was not prompted

[36] *Ibid.*, 366-368.

[37] J. Degras, ed., *Soviet Documents on Foreign Policy* (London, Oxford University Press, 1952) II, 407-408; also see *Memoranda on Problems Pertaining to Russian-American Relations*, No. 8, November 3, 1933, NA, RG 59, File 861.44 Litvinov/15.

[38] Quoted in *For. Rels.*, n. 32, 402.

by any desire to prevent the violation of the obligations of the Kellogg Pact but for the purpose "in conjunction with the Nanking Government ... of exercising pressure upon the negotiations between the USSR and Mukden at a moment when these negotiations were already presenting the possibility of a genuine and speedy settlement of the conflict."[39]

One effect of Russian resentment over what it considered as uncalled-for American encroachment, and American displeasure over what it regarded as unwarranted Russian language was that it deepened the mutual antagonism of both countries and neutralized for a time the desire of each to exchange representatives. The Far Eastern situation, however, soon took a turn that brought about a change in the attitude of both the United States and the Soviet Union. The event that brought about this change was Japan's attack on Manchuria.

The Manchurian Crisis

On September 18, 1931, the Japanese army, taking advantage of an explosion on the South Manchuria Railway caused by the Chinese nationalists, invaded Manchuria, occupied Mukden and, in course of a few months, extended their control over a large area. With the knowledge that the powers were preoccupied with domestic troubles due to worldwide depression and that Soviet Russia was in no position to take action, the higher military authorities of Japan concluded that "it was their opportunity to act in Manchuria and push Japan's strategic boundary further west in preparation for the clash with Soviet Russia which they considered inevitable."[40] This was because Japan was afraid of Bolshevism and felt that "it must drive Bolshevism out of Asia."[41]

[39] *Izvestia* (December 4, 1929), quoted in *ibid.*, 403.

[40] Johnson (China) to Stimson, January 13, 1932, NA, RG 59, File 793.94/3473.

[41] Joseph C. Grew, *Ten Years in Japan* (New York, Simon & Schuster, 1944) 68. Karl Radek, however, appeared to think that Japanese seizure of Manchuria was aimed at preventing "the spread of American economic power there", as well as to restore the "economic balance" in the Far East which, according to him, was upset by the industrialization of the Siberian region by the Soviet Union. See Karl Radek, "The War in the Far East : A Soviet View", *Foreign Affairs* (July, 1932) 549.

In fact, the Mukden incident was intended to serve as a pretext for the Japanese aggressive designs and in the light of subsequent Japanese actions, the incident itself "diminished to such small proportions as strongly to suggest its actual non-existence."[42] When the news became known in Washington that Japanese and Chinese troops had clashed along the line of the South Manchuria Railway a few miles north of Mukden, there was some initial worry and concern but no alarm. It was only after the American Minister in China, Johnson, had telegraphed his conviction that "the steps taken by Japan must fall within any definition of war, and that the signatories of the Kellogg Pact[43] stood at the bar of the nations of the East to answer for their sincerity",[44] that the United States became aware of the gravity of the problem. There was no doubt left as to Japanese aggressive intent when, in course of a few weeks after the Mukden incident, they occupied territories all along the line of the South Manchurian Railway. They also spread out into Chinese areas far beyond the borders of the railway zone.

Soviet Concern at Japan's Aggressive Action

Japan's aggressive action gave the Soviet Government every reason to be concerned about the security of its Far Eastern provinces contiguous to Manchuria. Being reluctant, however, to engage itself in war, it followed a policy of cautious restraint in its relations with Japan to avoid offering the latter any excuse for an attack on Siberia.[45] This policy of the Soviet Government was also dictated by its deep distrust of America's attitude toward Japan, which, it felt, afforded no hope for support if it became involved in a struggle with Japan. The Soviet Government's fear was, perhaps, not without basis, particularly at the initial stages of the Manchurian conflict, in

[42]Henry L. Stimson, *The Far Eastern Crisis* (New York, Harper, 1936) 32.

[43]The signatories of the Kellogg-Briand Pact of 1928, which included Japan, had agreed to renounce war as an instrument of national policy. H. Lauterpacht, ed., *Oppenheim's International Law* (New York, Longmans Green, 1952) II, 178-179.

[44]*For. Rels. Japan, 1931-1941* (Washington, GPO, 1943) I, 5.

[45]Wilson (Switzerland) to Stimson, October 12, 1932, NA, RG 59, File 761.93/1473.

view of the fact that President Hoover was in sympathy with Japan. He candidly revealed the degree to which he sympathized when he advised the cabinet of his views.

> There is something on Japan. Suppose Japan had come out boldly and said: 'Half her [China's] area is Bolshevist and co-operating with Russia...Manchuria...is in a state of anarchy...with Bolshevist Russia to the north and a possible Bolshevist China on our flank, our independence is in jeopardy. Either the signatories of the Nine-Power Pact[46] must join with us to restore order in China or we must do it as an act of self-preservation...America certainly would not join in such a proposal and we could not raise much objection.[47]

The United States and the League's Action in Regard to Manchuria

The United States cooperated with the League of Nations in an effort to investigate the Manchurian affair.[48] Later, she even moved unilaterally to declare the Japanese action an infraction of the Nine Power Agreement. Nevertheless, at no time did she show any intention of engaging in hostilities or of taking material measures against Japan. In fact, a few days after the outbreak of the Manchurian conflict, when Norman Davis[49] telephoned Secretary Stimson from Geneva on September 23, 1931, telling him, "never in my entire life have I seen a situation [the Manchurian hostilities]...so loaded with dynamite,"[50] Stimson preferred to overlook the danger and to pursue a policy of caution and watchful waiting. It appears that Stimson's policy of caution was dictated by his desire "not to inflame the passions

[46]The Nine Power Treaty signed at the Washington Conference in 1922 committed the signatories to respect the sovereignty and territorial integrity of China. Raymond L. Buell, *The Washington Conference* (New York, Appleton, 1922).

[47]W.S. Meyers, *The Foreign Policies of Herbert Hoover, 1929-1933* (New York, Scribner's, 1940) 157-158.

[48]General Frank McCoy represented the United States in the Lytton Commission which investigated the Manchurian affair. Sara R. Smith, *The Manchurian Crisis 1931-1932. A Tragedy in International Relations* (New York, Columbia University Press, 1948) 231.

[49]Norman Davis was the American member of the organizing commission for the World Economic Conference held in 1933.

[50]*For. Rels. 1931* (Washington, GPO, 1946) III, 43.

of the Japanese people."[51] The American Government at that time was completely preoccupied in trying to improve the rapidly deteriorating economic situation at home, and was in no mood to undertake upon itself the task of preserving peace in the Far East.

Stimson sent an American delegate, Prentiss Gilbert, the American Consul-General at Geneva, to attend the Council of the League of Nations when it met in mid-October 1931 to discuss the Manchurian crisis. The object was to have an American delegate at the Council meetings in case there arose any discussion of the Kellogg-Briand Pact.[52] But Gilbert's presence at the Council sessions led to rumours that the United States had joined the League of Nations and that any action taken by the Council would receive the complete support of the United States. This led Stimson to ponder over the usefulness of American representation at the Council and although he did not recall Gilbert, the latter was advised to keep quiet at the Council meetings.

The presence of the American representative at the Council meetings had been little more than a gesture, abandoned as soon as it began to appear inconvenient and embarrassing. The Council then went on, under its own power, to pass a resolution, calling for withdrawal of Japanese from the Chinese territory. Later, when the League found that the Japanese had no intention of withdrawing, it decided on December 10, 1931, to send out to the Far East a commission of investigation. The result was the appointment of the Lytton Commission. While Stimson was glad at the decision of the League to send a commission of enquiry, he was doubtful if the Japanese army would remain stationary while the investigation went on. His fears soon proved to be true for, on December 23, 1931, the Japanese army marched into South Manchuria and occupied the important town of Chinchow, thereby revealing its expansionist designs. Stimson then realized that the three and a half months of past American policy had proved futile and he sought some effective measures against Japan without having recourse to war. He

[51] Stimson, n. 42, 37.

[52] *For. Rels.*, n. 50, 154.

thought that formal refusal to recognize aggression in Manchuria might prove effective.[53]

Stimson's Note to China and Japan. On January 7, 1932, Stimson sent identical notes to both China and Japan which stated in part,

> ...in view of the present situation and of its own rights and obligations therein, the American Government deems it to be its duty to notify both the Imperial Japanese Government and the Government of the Chinese Republic that it cannot admit the legality of any situation de facto nor does it intend to recognize any treaty or agreement entered into between those Governments, or agents thereof, which may impair the treaty rights of the United States or its citizens in China, including those which relate to the sovereignty, the independence or the territorial and administrative integrity of the Republic of China, nor to the international policy relative to China, commonly known as the open door policy; and that it does not intend to recognize any situation, treaty or agreement which may be brought about by means contrary to the covenants and obligations of the Pact of Paris of August 27, 1928, to which Treaty both China and Japan, as well as the United States are parties.[54]

The Soviet Government did not consider Stimson's note an effective measure against Japan. It had expected that the United States as the originator of the Kellogg Pact would adopt firm measures to force Japan to comply with her obligations under the Pact. But when events proved otherwise, the Soviet Government found cause for resentment against the United States. The former had not forgotten the promptness with which the latter had reminded both itself and China of their obligations as signatories to the Kellogg Pact during the Sino-Soviet dispute in 1929. Moscow believed that the "surprising forbearance shown by the United States towards Japan" was due to the former's hostility towards the Soviet Union.[55] The Soviet press expressed the opinion that "the advance of Japanese troops into Manchuria" was looked upon with favour by the United States as it helped to "encircle Soviet Union and provoke

[53]In his book *Far Eastern Crisis*, Stimson says that he suggested something along this line to his assistants as far back as November 9, 1931. Stimson, n. 42, 93.

[54]*For. Rels.*, n. 44, 76.

[55]Brodie (Helsingfors) to Stimson, November 28, 1931, NA, RG 59, File 711.61/234.

it into an armed conflict..."[56] In fact, the Soviet leaders feared that an actual attack upon them might take the form of an anti-communist movement and be condoned if not joined by the western powers, including the United States.[57] This was, however, pure fanciful thinking on the part of the Soviet leaders. The United States was unwilling either to be drawn into a war with Japan or to undertake the financial burden of economic sanctions at a time when she was hard hit by the depression.

Stimson's Stand. All that Stimson was prepared to do was to invoke the Kellogg Pact as a warning against a future act of war, but not in such a way as to indicate that war had already taken place. As he explained to Prentiss Gilbert in a trans-Atlantic telephone conversation on October 13, 1931, "You see if those people [i.e. members of the League Council] say that an act of war has already taken place it would open the whole question of sanctions, with which we have nothing to do."[58] Later in another trans-Atlantic telephone conversation with Ambassador Dawes[59] on November 19, 1931, Stimson said, "we do not intend to get into war with Japan."[60] Though Stimson never contemplated the use of sanctions against Japan he wanted to "reply on the unconscious effect of American military and economic strength, letting the Japanese fear this because they would not be told we [Americans] would not use it against them."[61] But Stimson was mistaken in this for there was a realization in the diplomatic circles in Washington that "both Japan and China had made up their minds that neither [the United States] nor the nations of Europe would fight."[62] This

[56]Enclosure in *ibid.*

[57]*Pravda* (August 1, 1932), translation enclosed in Cole (Riga) to Stimson, August 8, 1932, NA, RG 59, File 861.01/1744.

[58]*For. Rels.*, n. 50, 179.

[59]The American Ambassador in London, Dawes, was ordered on November 10, 1931, to proceed to Paris to keep in touch with the League leaders when the League Council met for the second time on November 16, 1931, to discuss the Manchurian issue. Dawes was, however, instructed not to take part in the meetings of the Council. *Ibid.*, n. 44, 41-44.

[60]*Ibid.*, n. 50, 497.

[61]H. L. Stimson and McGeorge Bundy, *On Active Service in Peace and War* (New York, Hutchinson, 1948) 245.

[62]*For. Rels. 1932* (Washington, GPO, 1948) III, 374.

view seems to have been confirmed by Ambassador Grew's report on June 13, 1932, that Japan was aware of "the practical impossibility ... of compelling [her] by force of arms to relinquish its grip in Manchuria."[63] This awareness perhaps encouraged the Japanese in their aggressive designs and thereby contributed to the Soviet conviction of American duplicity.

Soviet Desire for a Rapprochement with the United States to Counteract Japan

Despite its scorn for the United States, the Soviet Union, however, could not ignore the former's potential strength as a Pacific power. With ambitious Japan lying at her next door, the Soviet Union realized that American recognition would substantially contribute to her security in the Far East. Hence she began to display a heightened interest in a rapprochement with the United States.

An evidence of this desire could be found in the accounts of interviews toward the end of 1931 between the Soviet envoy to Lithuania, and the American Chargé there. The Soviet envoy told the American Chargé of Russian disappointment that the absence of relations between the two countries prevented cooperation in denouncing Japan for her aggressive act. The Soviet envoy also expressed the view that Japan would not be content only with Manchuria, but would endeavour to bring the whole of East under her control and the first step in this direction was likely to be the seizure of the Philippines. If this eventuality took place, he pointed out that Japan was likely to be successful as America was handicapped by the lack of any bases from which to prosecute a war against Japan effectively. The only way for American to avoid war with Japan, according to the Soviet envoy, was for the former to form a protective alliance with the Soviet Union. He gave expression to this view when, in February 1932, he stated that "the most salutary thing that could happen in the Far East right now was for Russia and the United States to join in a common pressure upon Japan."[64]

[63] *Ibid.*, IV, 76.

[64] Fullerton to Stimson, February 26, 1932, NA, RG 59, File 760 N. 00/23.

Moscow believed that if normal relations had existed between the U.S.S.R. and the United States, the Japanese would not have dared to attack Manchuria. In the words of Litvinov, there was little doubt but that the "commencement of the troubles in the Far East" was due to the fact that "not all states situated on the shores of the Pacific Ocean have been maintaining diplomatic relations with one another. Only when all states maintain relations with one another will it be possible to speak seriously of international co-operation in the cause of peace."[65] Being next door to Japan, the Soviet Union was susceptible to an attack from her. It was believed that "having set a firm foothold in Manchuria, Japan was likely to turn toward setting foot in Siberia and providing itself with a practically unlimited outlet for its surplus population."[66] The Soviet Union was acutely aware of this possibility, and this awareness propelled Moscow in making strenuous efforts for seeking the United States' guarantee against further Japanese expansion.

Attitude of the United States toward the Soviet Union

The United States was eager to maintain the balance of power in Asia and hence could not completely overlook the menance to Russia in the spread of aggression. On February 23, 1932, Secretary of State Stimson in a letter[67] to Senator Borah referred to the Nine Power Treaty of 1922. By this treaty the signatories, including Japan, agreed to respect the sovereignty and territorial independence of China. Stimson expressed the view that if one of the signatories [implying Japan] "chose to break down one of the Washington Treaties" other nations might feel themselves released from some of those treaties which were as important to her as the Nine Power Treaty was to the United States. Stimson seems to have implied a threat that further Japanese conquests in the Far East might compromise the American promise at the Washington Conference in

[65]Degras, n. 37, 551.

[66]Memorandum by Dr. B. Akzin, NA, RG 59, File E/DEW 861.01/1923.

[67]For the text of Stimson's letter to Borah, see *For. Rels.*, n. 44, 83-87.

1922.[68] This letter was really intended for five unnamed addressees. Stimson hoped it would give encouragement to China, enlighten the American public, suggest to the League the line of action it might take in the future, remind the British that they were cosignatory to the Nine Power Treaty, and finally warn Japan of the danger of violating the Nine-Power Treaty.[69] But Japan was then strongly entrenched in Manchuria and nothing short of a war could dislodge her. The only choice left to Washington and Moscow was, therefore, to arrange "to cope with an expanded Japan."[70]

Early in 1932, Senators Joseph Robinson and Key Pittman argued for the resumption of relations with the Soviet Union. They believed that it would pave the way for fruitful cooperation in stemming Japanese aggressive designs in the Far East. Similarly Senator Hiram Johnson stated that "some move in the direction of normal relationships with Russia ... would do far more to remove perils from the Far East ... than any other single act."[71] By July 1932, Ambassador Grew noted that relations between Russia and Japan were none too happy. If the latter "foresee an eventual clash as inevitable", Grew cabled Stimson, "it is quite possible that they may intend to strike

[68]At the Washington Conference in 1922, the United States, Great Britain and Japan had agreed upon the ratio of 5:5:3 respectively in regard to their naval forces; further, the first two powers had agreed not to erect additional fortifications in their Far Eastern possessions. In his book *Far Eastern Crisis*, Stimson wrote: "The willingness of the American Government to surrender its commanding lead in battleship construction and to leave its position at Guam and in the Philippines without further fortifications was predicated, among other things, the self denying covenants contained in the Nine Power Treaty which assured the nations of the world not only of equal opportunity for their Far Eastern trade, but also against the military aggrandizement of any other power at the expense of China. One cannot discuss the possibility of modifying or abrogating those provisions of the Nine Power Treaty without considering at the same time other promises upon which they are really dependent." Stimson, n. 42, 171.

[69]For an analysis of the letter, see Arnold J. Toynbee, ed., *Survey of International Affairs*, 1932 (London, Oxford University Press, 1933) 548-551.

[70]Louis Fischer, "Recognize Russia Now", *Nation* (December 28, 1932) 633.

[71]"These Senators Say Yes", *Nation* (May 18, 1932) 566.

before Soviet Russia gets stronger—and the time element is all in favour of [Russia] ... Therefore, while I do not consider war imminent, I do believe that the situation is potentially dangerous and bears careful watching."[72] In a dispatch of August 13, 1932, Grew again stated that the Japanese "military machine ...has been built for war, feels prepared for war."[73] Later, in February 1933, he warned the Department of State, "we must bear in mind that a considerable section of the public and the army [in Japan], influenced by military propaganda, believes that eventual war between either the United States or Russia, or both, and Japan is inevitable."[74] From the above reports it appears that the American Government perceived in the Manchurian conflict and in the possible danger of Japanese military invasion of the Soviet Union, a threat to American interests in the Far East.

The Soviet Government had repeatedly stressed this danger, being aware of its own vulnerable position and eager to obtain American recognition. It had entertained the belief that the United States would not be a mere spectator while Japan gained more territory and influence in China since she had vital interests in Eastern markets and raw materials.[75] In some quarters it was even believed that "the United States was considering the recognition of Russia because of its fear at Japan's growing importance."[76] Actually, however, the United States was not contemplating any modification of her policy. In a letter to Senator Borah, Secretary Stimson explained that this was because of the fact that, in regard to the Far East, the United States was making a fight for the "integrity of international obligations", and this was to be achieved by "pacific means." Stimson then pointed out that,

> if under these circumstances...we recognized Russia in disregard of her very bad reputation respecting international obligations and in disregard of our previous emphasis upon that aspect of her history, the whole

[72]Grew, n. 41, 95.
[73]*Ibid.*, 64-5.
[74]*Ibid.*, 77.
[75]*Bolshevik* (March 31, 1932) 42-55.
[76]Conversation between Polish and American Ambassadors in Turkey, enclosed in Sherill to Stimson, July 19, 1932, NA, RG 59, File 711.61/256.

world, and particularly Japan, would jump to the conclusion that our action had been dictated solely by political expediency and as a manoeuver to bring forceful pressure upon Japan...I felt that the loss of moral standing would be so important that we could not afford to take the risk of it. However innocent our motives might be, they would certainly be misunderstood by the world at large and particularly by Japan and that misunderstanding would destroy much of the influence of moral pressure which we have been endeavouring to exert.[77]

The Department of State in a memorandum in July 1932 had also stated that "Japan would regard recognition of Russia by the United [at this time] as evidence that America's efforts spring from a selfish motive, namely, American intention to keep Japan a comparatively weak power..." It was also pointed out that this might precipitate the Japanese military into "further warlike activities to anticipate cooperative action on the part of Soviet Russia and the United States, which they would assume to be the natural consequence of recognition."[78] The Hoover Administration, in fact, remained firmly opposed to a rapprochement with the Soviet Union. However, in the general election in November 1932, the American people voted against the Republican party and swept into the Presidential office the Democratic Governor of New York, Frankin D. Roosevelt. Roosevelt's pronouncements on American-Russian relations had been rather limited, but there was reason to believe that he did not rule out the possibility of the establishment of normal relations with the Soviet Union. While the Japanese were "somewhat worried"[79] over this possibility, the Soviet Government eagerly awaited developments under the new Administration.

[77]*For. Rels. 1933* (Washington, GPO, 1949) II, 778-779.

[78]Memorandum of the Department of State, July 11, 1932, NA, RG 59, File 861.01/1788½.

[79]Grew to Hull, March 6, 1933, NA, RG 59, File 861.01/1859.

CHAPTER NINE
Reconciliation

From the beginning of his Administration, President Franklin D. Roosevelt was bent upon putting an end to the anomalous situation which had existed between the Soviet Union and the United States for over a decade and a half. He was confirmed in the belief that there was no longer any justification for the two great nations to be without normal relations. As a first step toward a rapprochement President Roosevelt, on May 16, 1933, addressed an invitation to the Soviet Union along with 53 other governments to attend a World Economic Conference at London in June of that year.[1] It was the first direct communication between the United States and the Soviet Government since the Bolshevik Revolution and was, therefore, looked upon by many observers as an encouraging move toward a reconciliation.[2]

President Roosevelt subsequently invited President Kalinin on October 10, 1933,[3] to send a Soviet representative to Washington for the purpose of discussing with him all questions outstanding between the two countries. This was greeted as a manifestation of the importance of the Far Eastern situation in precipitating recognition. Kalinin's reply to Roosevelt on October 17, 1933, seemed to substantiate this assertion. The former stated that the absence of diplomatic relations had "an unfavourable effect not only on the interests of the two states concerned, but also on the general international situation, increasing the element of disquiet ... and encouraging forces tending to dis-

[1]Franklin D. Roosevelt, *The Public Papers and Addresses of Franklin D. Roosevelt* (New York, Random House, 1939) II, 185-191.

[2]While Litvinov was in London as Chief of the Russian delegation to the World Economic Conference, he took the opportunity to prepare a basis for negotiations with the United States. Arthur Upham Pope, *Maxim Litvinov* (New York, Fischer, 1943) 286-287.

[3]*For. Rels. The Soviet Union, 1933-1939* (Washington, GPO, 1952) 17.

turb [world] peace."[4] The exact degree to which the Far Eastern crisis entered into the United States decision to recognize the Soviet Union has, however, remained unknown. During President Roosevelt's conversations with Maxim Litvinov—the Soviet representative designated by President Kalinin—"there were no stenographers present and no reports made."[5]

Recognition of the Soviet Union

In order that the United States might derive from the recognition of the Soviet Government the benefits which normally follow with the recognition of a foreign government, President Roosevelt wanted to clear away the obstacles which had been hampering relations between the two countries. With this end in view he sought and obtained from the Soviet representative, assurances in writing, that the Soviet Government would "refrain from interfering in any manner in the internal affairs of the United States"; that it and all of the organizations directly or indirectly under its control would "refrain from any act, overt or covert, liable in any way whatsoever to injure the tranquillity, prosperity, order or security of the whole or any part of the United States"; and that it would "not ... permit the formation or residence on Soviet territory of any organization or group ...having as its aim the overthrow...or the bringing about by force of a change in the political or social order of the ... United States."[6] President Roosevelt also asked for complete assurance that U.S. nationals in Russia shall enjoy "the same freedom of conscience and religious liberty which they enjoy at home."[7] Litvinov agreed to this immediately.[8] He also agreed that the "nationals of the United States shall be granted rights with reference to legal protection which shall not be less favourable than those enjoyed in the Union of Soviet Socialist Republics by nationals of the nation most favoured in this respect."[9]

[4] *Ibid.*, 18.

[5] U. S. Department of State, *Recognition of the Union of Soviet Socialist Republics*, Radio Address by Robert Walton Moore, Assistant Secretary of State, November 22, 1933 (Washington, GPO, 1934) 5.

[6] *For. Rels.*, n. 3, 28.

[7] *Ibid.*, 29.

[8] *Ibid.*, 31-32.

[9] *Ibid.*, 33.

The repudiation of the Kerensky debt and the confiscation of property of the American nationals had been another obstacle in the way of resuming normal relations with the Soviet Government. No final settlement was, however, reached in this respect. Litvinov expressed the willingness of the Soviet Government to pay to the United States on account of the Kerensky debt or otherwise "a sum of not less than $75,000,000 in the form of a percentage above the ordinary rate of interest on a loan to be granted to it by the Government of the United States or its nationals."[10] Litvinov was personally inclined to advise his government to raise the sum to $100,000,000 but Roosevelt made it clear that the Congress was unlikely to accept a sum less than $150,000,000. Litvinov considered this sum to be excessive, but he agreed to remain in Washington after resumption of relations to discuss with the United States Government officials the exact sum between the limits of $75,000,000 and $150,000,000 to be paid by the Soviet Government. Recognition was formally granted to the Soviet Government on November 16, 1933, after discussions and exchange of letters, lasting for over a week between President Roosevelt and Maxim Litvinov. The long sought-after goal of recognition by the United States was thus finally realized by the Soviet Union.

Soviet Reaction

The Soviet Union hailed recognition as an acknowledgment by the United States that it could no longer be ignored in the affairs of the world community. An *Izvestia* editorial stated that the extraordinary growth of the productive powers of the Soviet Union had "compelled" the United States to wonder whether it could get along without economic relations with such a great and growing power. It also stated that, in view of the common interest of both the powers in maintaining peace in Asia, "the United States could not continue its former policy of a refusal to establish normal relations with the U.S.S.R. without causing the greatest injury to itself and to the cause of peace."[11]

[10] *Ibid.*, 27.

[11] *Izvestia* (November 20, 1933), quoted in *ibid.*, 43-45.

American Press Comments

The American press, in general, commented favourably upon the rapprochement with the Soviet Union. The *Christian Science Monitor* regarded it as preferable to non-recognition even if future relations did not prove to be as rewarding as some advocates hoped.[12] The *New York Times* which had previously expressed its doubts as to the efficacy of recognition alone as a panacea for Soviet-American trade,[13] was hopeful that contact with America might in some way aid the people of Russia.[14] The liberal American journals also expressed satisfaction at the recognition of the Soviet Union by the United States. Stressing upon the international significance of the rapprochement between the two countries, the *New Republic* expressed the opinion that the further isolation of Germany and Japan would be a factor in promoting peace.[15] The *Nation* believed that a united policy in the Far East by the Soviet Union and the United States would help to change the whole course of Japanese imperialism.[16]

Japanese Reaction

Japanese official circles regarded American recognition of the Soviet Union as having been guided by purely commercial motives[17] and appeared quite unperturbed at the Soviet-American rapprochement. Inspite of the calm attitude expressed in official quarters, there was, nevertheless, a perceptible undertone of uneasiness which was given expression by the Japanese press. Thus the *Hokkai Times* stated,

> the desire for improved trade relations [between the United States and the Soviet Union] is but the outward reason for their rapprochement of which the real aim is to bring pressure to bear on Japan which both of them regard as potential enemy.[18]

[12] *Christian Science Monitor* (November 21, 1933).
[13] *New York Times* (March 21, 1933).
[14] *Ibid.* (November 19, 1933).
[15] *New Republic* (November 29, 1933) 61.
[16] *Nation* (November 29, 1933) 607.
[17] Grew to Hull, December 11, 1933, NA, RG 59, File 711.61/645.
[18] *Hokkai Times* as quoted in Grew to Hull, December 1, 1933, NA, RG 59, File 711.61/445.

Chinese Press Comments

Other foreign newspapers for the most part, also interpreted the rapprochement as a counter weight to Japanese aggression in the Far East. An editorial in the Chinese paper *Jih Pao* maintained that "the principal reason for the extension of recognition to Soviet Russia by the United States is the American desire to check Japan's move in the Far East."[19] Likewise, the *Shanghai Evening Post and Mercury* wrote editorially on November 20, 1933, "Japan constitutes today the great menace to peace in the Far-East, and she cannot but find in American recognition of Moscow a tremendous deterring factor ... in indulging in aggressive actions in territories contiguous to the U.S.S.R."[20]

European Press Comments

Expressing the same view, the Norwegian paper *Morgenbladet* wrote, "... it is not Soviet Russia's strength and power which has brought the Americans to take this step [of recognizing her], but simply the fact that America believes it has use for the Soviet Union ... to retard Japan's expansion in the East."[21] The Dutch paper *Vaderland* also expressed the belief that Washington's policy in recognizing Russia was inspired by Japan's expansionist designs and that the former endeavoured "by diplomatic pressure and by isolating Japan as far as possible to bring that country to a policy of moderation."[22]

An Assessment of U.S. Recognition of the Soviet Union

In retrospect, it appears that the policy of non-recognition of the Soviet Government, which the United States pursued for 16 years prior to 1933, was based on the proposition that Com-

[19]Editorial in *Jih Pao* (November 20, 1933), translation enclosed in Adams (Hankow) to Hull, November 25, 1933, NA, RG 59, File 711.61/453.

[20]Editorial in *Shanghai Evening Post and Mercury* (November 20, 1933), enclosure in Cunningham (Shanghai) to Hull, November 25, 1933, NA, RG 59, File 711.61/444.

[21]*Morgenbladet* (November 21, 1933), translation enclosed in Benjamin Thaw (Oslo) to Hull, December 8, 1933, NA, RG 59, File 711.61/448.

[22]*Vaderland* (November 12, 1933), translation enclosed in Swenson (Hague) to Hull, November 22, 1933, NA, RG 59, File 711.61/413.

munism was a dangerous menace to the United States. It was therefore to be discouraged and suppressed. This policy, however, did not result in the disappearance of the Communist regime in Russia. As a matter of fact, non-recognition by the United States hardly affected the position of the Communist regime[23] which, before long, established itself as a stable government in Russia, and was recognized by the principal European powers within a decade after it was set up. But it took the United States over a decade and a half to realize the futility of attempting to ignore a government which had proved its stability.

Recognition of the Soviet Government by the United States in 1933 put an end to an anomalous situation arising out of the fact that the ambassador of the extinct Provisional Government was regarded by the American courts as the only lawful agent of the Russian State in all suits involving Russian interests in the United States. Rights and claims of the Kerensky regime were sustained even after its complete eviction from the Russian borders. Thus in the case of the Russian Government v. Lehigh Valley Railroad Company,[24] the extinct Provisional Government, through its ambassador in the United States, Boris Bakhmeteff, was allowed to recover damages for property of the Imperial Russian Government lost in a bomb explosion in 1916. This happened while the property was in the custody of the Lehigh Valley Railroad Company as a common carrier. The railroad denied the right of the Russian Government to sue in American courts for the reason that there was no Russian Government, and that the recognized regime was clearly not a functioning one at home. But the court decided that where the representative of a recognized regime showed unmistakable evidence of his official reception, and where recognition continued or had not been withdrawn, the government could sue through its legal representative. In this case, the court was following the course

[23]American Foundation, *Confidential Memorandum Presenting Views on the Question of Recognizing the Soviet Union* (New York, American Foundation, 1933) 127.

[24]H. W. Briggs, ed., *The Law of Nations: Cases, Documents and Notes* (New York, Crofts, 1953) 194-197.

of the executive on the principle that the judiciary accepts the views of the executive department of the government on all controversial questions of foreign relations.[25] The court had no discretion to take account of the changed conditions independently of the position of the executive. But the point was that an extinct government was allowed by the American court to recover damages through an ambassador who had no sovereign or foreign office to which he was responsible. On the other hand, the Soviet Government, being unrecognized, had no legal status and could not bring suits in American courts. In 1921, it attempted in the court of New York to compel one Cibrario, with whom it had contracted for the purchase of motion picture supplies, to account for the money which it had given to him. But the court refused to allow the Soviet Government to sue, holding that,

> The test of the right of a foreign sovereign to sue in our courts is its recognition by our own government...the plaintiff never having been recognized as a sovereignty by the executive or legislative branches of the United States Government, has no capacity to sue in the courts of this state.[26]

The Soviet Government thus had no status in the American courts and the latter, bound by the decisions of the executive in matters of foreign policy, found it difficult to deal with realities. The recognition of the Soviet Government in 1933 by the Democratic Administration under President Roosevelt put an end to this abnormal state of affairs. Some observers believed that the recognition of the Soviet Union by the United States had been primarily dictated by "economic factors."[27] On several occasions

[25]For an exposition of this principle see Quincy Wright, "The Control of the Foreign Relations of the United States: The Relative Rights, Duties, and Responsibilities of the President, the Senate and the House, and of the Judiciary in theory and practice," *Proceedings of the American Philosophical Society*, XL (1921) 220-225.

[26]Briggs, n. 24, 150-154.

[27]Editorial in *La Prensa* (November 18, 1933), translation enclosed in Magnuson (Bogota) to Hull, November 22, 1933. NA, RG 59, File E/DEW 711.61/402; *Economicheskaya Zhizn* (November 20, 1933), translation enclosed in Cole (Riga) to Hull, December 1, 1933, NA, RG 59, File E/DEW 711.61/433. While economic consideration was, perhaps, one of the reasons for recognition, it is a matter of opinion whether or not it was the primary reason.

eminent American businessmen, senators and congressmen had spoken of Russia as potentially one of the best markets in the world for American goods. The Russians also looked upon the United States as their model for industrial development and preferred American machinery and equipment to those of other countries. The impact of American technology upon Russia's economic life was far-reaching. Indirectly, the United States exerted a profound influence through Russia's adoption of American machinery and mass production technology in industry. Russia's economic life was also directly influenced by American engineers and business experts who were engaged to advise and to guide the construction of various economic enterprises.

The program of intensive industrialization and the reorganization of agriculture in the Soviet Union during the period of the first Five Year Plan, opened up a large new market for American firms engaged in the production of industrial and electrical equipment, agricultural machinery, and transportation equipment. But owing to the difficulty which Soviet Russia encountered in obtaining long-term credits in the United States, at times she had to turn to other countries for machinery and equipments which the American manufacturers were also in a position to supply. The latter felt that more business would have been placed with them if only Soviet Russia was granted adequate long-term credits. The question of granting credits, however, was bound up with the question of recognition. The non-availability of credits to Soviet Russia was primarily due to the risk and uncertainty involved in any transaction with her in the absence of formal relations. The United States Government made a distinction between recognition and trade and did not object to American businessmen trading with Russia in non-strategic materials at their own risk. Secretary of State Kellogg made this point clear in April 1928 when he stated that,

> individuals and corporations availing themselves of the opportunity to engage in...trade [with Russia] do so on their own responsibility and at their own risk.[28]

The State Department's view that trade could be carried on with the Soviet Government without recognition necessarily

[28] *For. Rels. 1928* (Washington, GPO, 1943) III, 824.

following it, however, militated against the small American businessmen. While it did not keep out of Russia those who had the means to go there and procure business, it militated against the man of ordinary means. In the absence of consuls and other representatives of the American Government, small American businessmen were severely handicapped in trading with Russia.

Inspite of the absence of normal relations with the Soviet Union, the United States did have a substantial volume of trade with the former, starting more or less from the late twenties till 1931. That had done service as an argument to show that recognition was unnecessary. But with the economic crisis resulting from the depression and the sharp decline in trade due to various factors, recognition of the Soviet Government was urged by various groups in the United States. Pressure groups representing the commercially-starved American business community, emphasized the value of the Soviet market which was in a position to absorb a substantial quantity of American machineries and manufactured products at a time when markets were becoming scarce. The catastrophic decline in American exports to Russia after 1931 itself provided an unanswerable argument for formalized trade relations. Russia had progressed a long way since Herbert Hoover, as Secretary of Commerce, stated in March 1921 that,

> under their [Russia's] economic system...there can be no real return to production...and therefore Russia will have no considerable commodities to export and, consequently, no great ability to obtain imports.[29]

By the thirties, Russia had become an important market for machinery and implements and was of special value to the American machine-tool industries during the years of depression. It was, however, urged upon by those opposed to the recognition of the Soviet Union that "the United States should be careful not to be deceived by the pressure of special interests or by fallacious expectations of profit based upon interested propaganda."[30] The abandonment by Moscow of its world revolutionary aims and of the direction and supervision of Communist activities in the United States was considered essential for the

[29]Quoted in *New Republic* (June 3, 1931) 62.
[30]American Foundation, n. 32, 80.

establishment of harmonious relations with the Soviet Government.[31]

The Soviet Union, however, was not considered as a potential threat to the security of the United States although the United States was apprehensive of subversive activities on the part of Russia. That perhaps explains why the United States Government did not discourage American firms from concluding technical assistance contracts with the Soviet Government nor oppose the action of individual American businessmen or engineers going to Russia. German militarism in Europe and Japanese aggression in the Far East during the early thirties had caused concern to the United States. She was too pre-occupied with them to consider the possibility of Russia becoming a threat to her by the strengthening of its economy with the aid of American technical help.

The attitude of a large number of Americans toward the Soviet Union had, moreover, by 1933, become conciliatory due to several factors. By that date many American observers considered the Soviet Union to be a peaceful member of the community of nations. For more than a decade it had not committed any act of aggression. The conclusion of a non-aggression pact between the Soviet Union and Lithuania in 1926,[32] and with its other immediate European neighbours such as Poland, Rumania, Latvia and Estonia in 1929,[33] convinced the American people of the Soviet Union's desire for peace. Also, American fears of the Communist menace were lulled to some extent by Stalin's policy of socialism in one country which implied an abandonment of world revolutionary aims, at least temporarily.[34] This soft-pedalling of revolutionary activity combined with Soviet Russia's increasingly evidenced desire to be accepted as a member of the world community, tended to dispel the fears of the Communist threat within the United States. Besides, the Soviet Union's desire for peaceful co-existence of both the capi-

[31] *Memorandum of the Department of State*, July 27, 1933, NA, RG 59, File E/DEW 711.61/287¾.

[32] *League of Nations Treaty Series* (Geneva, LN, 1926) LX, 145.

[33] *Ibid* (Geneva, LN, 1929) LXXXIX, 369.

[34] J. Stalin, *Problems of Leninism* (Moscow, Foreign Languages Publishing House, 1940) 159-160.

talist and socialist systems led to hopes that Russia might be dealt with in the same way as other countries.

Even before according recognition, the United States had been gradually entering into relations with Soviet Russia through joint participation in international conferences and negotiations and through joint signatures on international obligations. Thus, the United States was a co-signatory with the Soviet Government of the Kellogg Pact[35] which itself was an admission of the fact that it was qualified to speak for the Russian people and sign treaties for them. Since the United States had, moreover, participated with the representatives of the Soviet Government at a number of international conferences,[36] there was hardly any plausible reason for the former not to have recognized the latter (earlier than 1933) and reaped the benefits that would have accrued therefrom. Senator Borah expressed this sentiment when he stated,

> at every gathering where men meet to solve the world's problems, there is Russia. We cannot avoid taking her into consideration. Why not therefore meet her as one of the family of nations.[37]

The Soviet Union on its part, had desired recognition by the United States ever since its establishment in 1917. But after Japan's aggression in Manchuria, there was a note of urgency in Soviet Union's desire for achieving a rapprochement with the United States. The Soviet Union feared further aggrandizement on the part of Japan in the direction of her

[35]John Bassett Moore, an eminent authority on international law expressed the opinion that the United States had recognized the Soviet Government by their mutual adherence to the Kellogg Pact. John Bassett Moore, *Candor and Commonsense, An Address Before the Association of the Bar of the City of New York, December 4, 1930* (New York, New York City Bar Association, 1930) 13.

[36]The World Economic Conferences at Geneva in May 1927 and at London in June 1933, and the Disarmament Conference at Geneva in February 1932, were some of the International Conferences in which the United States participated with the Soviet Union. Max Beloff, *The Foreign Policy of Soviet Russia* (London, Oxford University Press, 1947) 1, 6, 49, 53; also see League of Nations, *Records of the Conference for the Limitation of Armaments* (Geneva, LN, 1932); Dena Frank Fleming, *The United States and World Organizations, 1920-1933* (New York, Columbia University Press, 1938) 287.

[37]*Congressional Record*, 73 Cong., 1 Sess., 77 (1933) 1545.

Maritime Provinces in the Far East and believed that recognition by the United States would prevent any such eventuality.

Although Japanese designs in the Far East were not conceived as threats to America's national security, yet the latter was vitally interested in maintaining the balance of power in the Far East as well as in upholding the "Open Door" principle. The existence of a crisis which threatened this historic principle of United States' Far Eastern Policy no doubt exerted some influence on the reversal of Washington's policy toward Moscow. But perhaps, it was not the decisive reason for, by 1933, the United States had become convinced on other than political grounds, of the folly of its non-recognition policy. No vital American interest stood endangered by the establishment of diplomatic relations with the Soviet Union. Communism was not regarded as a threat within the United States, nor was the risk of Soviet propaganda in the United States so great as to endanger American institutions. The Soviet Union had given proof of her desire for peace and had also given expression to her wish to be accepted as a member of the world community. These considerations had convinced President Franklin Roosevelt of the obsoleteness, and more especially of the commercial disadvantages of continued non-recognition of the Soviet Union. The latter had acquired special importance during the depression in view of shrinking markets. As a realist, Roosevelt, therefore, decided upon recognition of the Soviet Union and put it through in a forthright and rapid manner. This episode was in conformity with the Jeffersonian principle of basing recognition upon the de facto capacity of a government to fulfil its obligations as a member of the family of nations. Roosevelt's decision to recognize Russia was thus in line with the traditional policy of recognition that had been followed by the United States.

Appendices

APPENDIX I

The Riga Agreement between the American Relief Administration and the Russian Socialist Federative Soviet Republic*

WHEREAS a famine condition exists in parts of Russia, and

WHEREAS Mr. Maxim Gorky, with the knowledge of the Russian Socialist Federative Soviet Republic, has appealed through Mr. Hoover to the American people for assistance to the starving and sick people, more particularly the children, of the famine stricken parts of Russia, and

WHEREAS Mr. Hoover and the American people have read with great sympathy this appeal on the part of the Russian people in their distress and are desirous, solely for humanitarian reasons, of coming to their assistance, and

WHEREAS Mr. Hoover, in his reply to Mr. Gorky, has suggested that supplementary relief might be brought by the American Relief Administration to upto a million children in Russia.

THEREFORE it is agreed between the American Relief Administration, an unofficial volunteer American charitable organization under the chairmanship of Mr. Herbert Hoover, hereinafter called the A.R.A., and the Russian Socialist Federative Soviet Republic hereinafter called the Soviet authorities.

That the A.R.A. will extend such assistance to the Russian people as is within its power, subject to the acceptance and fulfillment of the following conditions on the part of the Soviet authorities who hereby declare that there is need of this assistance on the part of the A.R.A.

**For. Rels. 1921,* (Washington, GPO, 1936) II, 813-817.

The Soviet Authorities agree :

1. That the A.R.A. may bring into Russia such personnel as the A.R.A. finds necessary in the carrying out of its work and the Soviet Authorities guarantee them full liberty and protection while in Russia. Non-Americans and Americans who have been detained in Soviet Russia since 1917 will be admitted on approval by the Soviet authorities.

2. That they will, on demand by the A.R.A., immediately extend all facilities for the entry into and exit from Russia of the personnel mentioned in (1) and while such personnel are in Russia the Soviet authorities shall accord them full liberty to come and go and move about Russia on official business and shall provide them with all necessary papers such as safe conducts, laissez passer, et cetera, to facilitate their travel.

3. That in securing Russian and other personnel the A.R.A. shall have complete freedom as to selection and the Soviet authorities will, on request, assist the A.R.A. in securing the same.

4. That on delivery of the A.R.A. of its relief supplies at the Russian ports of Petrograd, Murmansk, Archangel, Novorossisk, or other Russian ports as mutually agreed upon, or the nearest practicable available ports in adjacent countries, decision to lie with the A.R.A., the Soviet Authorities will bear all further costs such as discharge, handling, loading and transportation to interior base points in the areas where the A.R.A. may operate. Should demurrage or storage occur at above ports mutually agreed upon as satisfactory, such demurrage and storage is for the account of the Soviet Authorities. For purposes of this agreement the ports of Riga, Reval, Libau, Hango and Helsingfors are also considered satisfactory ports. Notice of at least five days will be given to Soviet representatives at respective ports in case the Soviet Authorities are expected to take c.i.f. delivery.

5. That they will at their own expense supply the necessary storage at interior base points mentioned in paragraph (4) and handling and transportation from same to all such other interior points as the A.R.A. may designate.

6. That in all above storage and movement of relief supplies they will give the A.R.A. the same priority over all other traffic as the Soviet Authorities give their own relief supplies, and on demand of the A.R.A. will furnish adequate guards and convoys.

7. That they will give free import, re-export and guarantee freedom from requisition to all A.R.A. supplies of whatever nature. The A.R.A. will repay the Soviet authorities for expenses incurred by them on re-exported supplies.

8. That the relief supplies are intended for children and the sick, as designated by the A.R.A. in accordance with paragraph (24), and remain the property of the A.R.A. until actually consumed by these children and the sick, and are to be distributed in the name of the A.R.A.

9. That no individual receiving A.R.A. rations shall be deprived of such local supplies as are given to the rest of the population.

10. That they will guarantee and take every step to insure that relief supplies belonging to the A.R.A. will not go to the general adult population nor to the Army, Navy or Government employees, but only to such persons as designated in paragraphs (8) and (24).

11. That Soviet Authorities undertake to reimburse the A.R.A. in dollars at c.i.f. cost or replace in kind any misused relief supplies.

12. That the A.R.A. shall be allowed to set up the necessary organizations for carrying out its relief work free from governmental or other interference. The Control and Local Soviet Authorities have the right of representation thereon.

13. That the Soviet Authorities will provide :

(a) The necessary premises for kitchens, dispensaries, and, in as far as possible, hospitals.

(b) The necessary fuel and, when available, cooking, distributing and feeding equipment for the same.

(c) The total cost of local relief administration, food preparation, distribution, etc., themselves or in

conjunction with local authorities. Mode of payment to be arranged at a later date.

(d) On demand of the A.R.A. such local medical personnel and assistance, satisfactory to the A.R.A., as are needed to efficiently administer its relief.

(e) Without cost railway, motor, water or other transportation for movement of relief supplies and of such personnel as may be necessary to efficiently control relief operations. The Soviet authorities will for the duration of the A.R.A. operations assign to the A.R.A. for the sole use of its personnel, and transport free of cost, such railway carriages as the A.R.A. may reasonably request.

14. In localities where the A.R.A. may be operating and where epidemics are raging, the A.R.A. shall be empowered by the Soviet Authorities to take such steps as may be necessary towards the improvement of sanitary conditions, protection of water supply, etc.

15. That they will supply free of charge the necessary offices, garages, store-rooms, etc., for the transaction of the A.R.A. business and when available heat, light and water for same. Further that they will place at the disposal of the A.R.A. adequate residential quarters for the A.R.A. personnel in all localities where the A.R.A. may be operating. All such above premises to be free from seizure and requisition. Examination of above premises will not be made except with knowledge and in presence of the chief of the A.R.A. operations in Russia or his representative and except in case of flagrant delit when examiner will be held responsible in case examination is unwarranted.

16. That they will give the A.R.A. complete freedom and priority without cost in the use of existing radio, telegraph, telephone, cable, post and couriers in Russia and will provide the A.R.A., when available and subject to the consent of competent authorities, with private telegraph and telephone wires and maintenance free of cost.

17. To accord the A.R.A. and its American representatives and its couriers the customary diplomatic privileges as to passing the frontiers.

18. To supply the A.R.A. free of cost with the necessary gasoline and oil to operate its motor transportation and to transport such motor transportation by rail or otherwise as may be necessary.

19. To furnish at the request of the competent A.R.A. Authorities all A.R.A. personnel, together with their impediments and supplies, free transportation in Russia.

20. To permit the A.R.A. to import and re-export free of duty and requisition such commissary, transport and office supplies as are necessary for its personnel and administration.

21. That they will acquaint the Russian people with the aims and methods of the relief work of the A.R.A. in order to facilitate the rapid development of its efficiency and will assist and facilitate in supplying the American people with reliable and non-political information of the existing conditions and the progress of the relief work as an aid in developing financial support in America.

22. That they will bear all expenses of the relief operations other than

(a) Cost of relief supplies at port (See paragraph 4.)

(b) Direct expenses of American control and supervision of relief work in Russia with exception as above. In general they will give the A.R.A. all assistance in their power toward the carrying out of its humanitarian relief operations.

The A.R.A. agrees:

23. Within the limits of its resources and facilities to supply, as rapidly as suitable organization can be effected food, clothing and medical relief to the sick and particularly to the children within the age limits as decided upon by the A.R.A.

24. That its relief distribution will be to the children and

sick without regard to race, religion or social or political status.

25. That its personnel in Russia will confine themselves strictly to the administration of relief and will engage in no political or commercial activity whatever. In view of paragraph (1) and the freedom of American personnel in Russia from personal search, arrest and detention, any personnel contravening this will be withdrawn or discharged on the request of the Central Soviet Authorities. The Central Soviet Authorities will submit to the Chief Officer of the A.R.A. the reasons for this request and the evidence in their possession.

26. That it will carry on its operation where it finds its relief can be administered most efficiently and to secure best results. Its principal object is to bring relief to the famine stricken areas of the Volga.

27. That it will import no alcohol in its relief supplies and will permit customs inspection of the imported relief supplies at points to be mutually agreed upon.

The Soviet Authorities having previously agreed as to the absolute sine qua non of any assistance on the part of the American people, to release all Americans detained in Russia and to facilitate the departure from Russia of all Americans so desiring, the A.R.A. reserves to itself the right to suspend temporarily or terminate all of its relief work in Russia in case of failure on the part of the Soviet Authorities to fully comply with this primary condition or with any condition set forth in the above agreement. The Soviet Authorities equally reserve the right of cancelling this agreement in case of non-fulfilment of any of the above clauses on the part of the A.R.A.

Made in Riga, August Twentieth, Nineteen Hundred and Twenty-one.

On behalf of Council of Peoples Commissaries of the Russian Socialist Federative Soviet Republic.

(Signed) MAXIM LITVINOV,
Assistant Peoples Commissary for Foreign Affairs

(Signed) WALTER LYMAN BROWN
On behalf of the American Relief Administration Director for Europe.

APPENDIX II

Agreement Between the People's Commissariat of Foreign Trade of the Union of Soviet Socialist Republics and the Amtorg Trading Corporation.*

U.S.S.R.
Peoples Commissariat
of Foreign Trade.
November 28, 1924
Moscow
Ilyinka 14.

The People's Commissariat of Foreign Trade of the Union of Soviet Socialist Republics, as represented by the Acting People's Commissar of Foreign Trade, Moisei Ilyitch Frumkin, hereinafter called NKVT, as party of the first part, and the American firm acting under the name of Amtorg Trading Corporation, as represented by its Chairman of the Board of Directors, Isaya Yakovlevitch Hoorgin, as party of the second part, have entered into the following agreement, to wit:

To carry out the rights accorded to Amtorg by the resolution of the Chief Concessions Committee of the Council of People's Commissars of the Union of Soviet Socialist Republics, passed on June 26, 1924, the NKVT undertakes to furnish Amtorg, commencing July 1st, nineteen hundred and twenty four;

(a) Licenses for the export of all kinds of released for export raw materials, semi-finished products and manufactured goods prepared and purchased and accepted on commission by Amtorg for the purpose of selling these in North and South America.

(b) Licenses for the import into the Union of S.S.R. from North and South America for the sale of the domestic markets of the Union of all kinds of raw materials, semi-

*NA, RG 59, File 661.1115 Amtorg Trading Corporation/15.

finished products and manufactured goods, machines, etc., permitted to be imported into the U.S.S.R.

2

In consideration of the privileges granted by the NKVT to Amtorg in accordance with this Agreement, Amtorg undertakes to pay to NKVT an annual remuneration based on the net profits realized by Amtorg from operations connected with the carrying out of this agreement, to wit:

(a) If the net profits realized by Amtorg during any one fiscal year will not exceed one thousand U.S. dollars, Amtorg undertakes to pay to NKVT out of this net profit for the given fiscal year fifty (50) percent;

(b) But if the amount of net profits realized by Amtorg during any one fiscal year will exceed one hundred thousand U.S. dollars, then Amtorg undertakes to pay NKVT sixty (60) percent of the total amount of net profits realized by Amtorg during that fiscal year.

3

All accounting with NKVT, in accordance with par. 2 hereof, Amtorg is to effect in Moscow, in dollars, within a month after Amtorg draws up its balance sheet for the given fiscal year.

4

Any disputes arising out of this Agreement between NKVT and Amtorg are to be settled in the courts in Moscow.

5

The original Agreement is kept in the files of NKVT in U.S.S.R., and a certified copy is handed to Amtorg.

6

The addresses for communication between the parties are as follows:

1. NKVT—Moscow, Ilyinka 14.
2. Amtorg—Moscow, Kuznetski Most 14.

People's Commissariat for Foreign Trade	Amtorg Trading Corporation,
Acting Peoples Commissar	Chairman of the Board of Director
(Frumkin)	(Hoorgin)

This is a true copy: Stamp of Amtorg Trading Corporation Main Office in U.S.S.R.

(Signed) Office Manager

APPENDIX III

TABLE 1

Total Foreign Trade of the United States, and the Amount and Percentage of the total with the USSR, 1921-1933*

	Foreign Trade of the United States (Thousands of Dollars)		Trade with the U.S.S.R. (Thousands of Dollars)			
			Amount of trade		Percent of U.S. Total	
Years	Exports	Imports	Exports	Imports	Exports	Imports
1921	4,485,031	2,509,148	15,584	1,311	0.3	0.1
1922	3,831,777	3,112,747	29,896	964	0.8	@
1923	4,167,493	3,792,066	7,617	1,619	0.2	@
1924	4,590,984	3,609,963	42,103	8,168	0.9	0.2
1925	4,909,848	4,226,589	68,906	13,120	1.4	0.3
1926	4,808,660	4,430,088	49,906	14,122	1.0	0.3
1927	4,865,375	4,104,742	64,921	12,877	1.3	0.3
1928	5,128,357	4,091,444	74,091	14,025	1.4	0.3
1929	5,240,995	4,399,361	84,011	22,551	1.6	0.5
1930	3,843,181	3,060,308	114,399	24,336	3.0	0.8
1931	2,424,389	2,090,635	103,717	13,206	4.3	0.6
1932	1,611,016	1,322,774	12,641	9,736	0.8	0.7
1933	1,674,994	1,449,559	9,997	12,114	0.5	0.8

*U.S. Department of Commerce, *Foreign Commerce and Navigation of the United States*, 1921-1933 (Washington, GPO, 1922-1934). Hereafter cited as *Foreign Commerce and Navigation.*

@ Less than 0.1 of one percent.

TABLE 2

Principal Exports from the United States to Russia* (in Dollars)

	1928	1929	1930	1931
Gum Rosin	335,327	1,646,441	—	—
Cotton-unmanufactured	44,536,918	30,505,583	7,340,616	—
Binder Twine	729,955	—	—	273,568
Wool Rags	500,014	—	—	—
Silk Manufacturers	—	155,171	—	—
Abrasives	140,770	—	59,407	203,658
Tinplate, terne plate etc.	109,383	557,996	274,623	278
Structural iron and steel	47,058	622,086	540,643	158,547
Tubular products and fittings	121,893	562,660	415,999	51,437
Wire and Manufactures	114,697	191,047	119,227	13,556
Tools	183,658	157,467	705,511	304,631
Other iron and Steel manufactures	141,218	336,585	313,904	101,384
Refined copper	2,739,550	3,316,049	1,640,698	820,506
Other metals and manufactures	26,010	111,144	201,423	120,188
Electric generators and parts	127,770	71,235	545,753	2,297,075
Transforming apparatus	207,984	214,661	1,143,896	741,887
Transmisson and distribution apparatus	195,794	405,090	945,942	964,693

*All figures based on U.S. Customs Statistics as shown in *Foreign Commerce and Navigation* 1928-1931.

TABLE 2—(Contd.)

	1928	1929	1930	1931
Stationery motors	233,139	305,411	—	—
Starting and controlling equipment for industrial motors	108,618	118,112	—	—
Radio apparatus	6,633	415,929	16,727	48,608
Railway signals and switches	—	154,269	—	—
Other starting, lighting and ignition equipment ..	75,858	366,077	281,814	150,178
Other electrical machinery and apparatus	61,785	302,409	220,534	468,057
Steam engines and parts	119,004	83,042	645,375	1,534,880
Internal combustion engines	10,879	20,192	1,554,969	1,562,368
Internal Combustion engines, parts and accessories ..	378,389	782,675	203,985	191,493
Construction and conveying machinery	1,901,642	1,869,044	3,792,320	3,667,840
Mining and quarry machinery	1,287,328	1,266,090	2,334,292	2,305,626
Well and refinery machinery	1,114,210	2,571,451	8,400,541	1,867,428
Pumping Equipment Lathes	239,264	268,584	618,779	459,250
Lathes	287,464	365,425	2,459,784	2,644,418
Milling machines	119,242	481,412	1,682,098	2,833,277
Drilling machines	125,175	227,355	1,055,063	2,013,603
Metal Grinding machines	225,467	305,777	1,402,886	2,774,545
Foreign machinery	44,371	411,744	958,540	2,690,514

TABLE 2—(Contd.)

	1928	1929	1930	1931
Vertical boring and chucking machines	—	—	248,292	625,771
Foundry and molding equipment	11,624	201,658	2,066,205	1,692,325
Other power driven metal-working machinery and parts	189,189	240,143	1,398,586	1,433,591
Portable metal-working machines and parts ..	34,713	119,183	—	—
Other metal-working machinery and parts	175,575	66,855	411,478	1,763,314
Textile machinery	296,074	453,644	231,033	117,511
Sewing machines and parts	144,517	386,177	306,869	23,582
Bakery machinery and parts	276,915	3,215	37,699	—
Paper and pulp mill machinery	—	390,715	507,905	62,451
Wood-working machinery	269,361	261,912	270,799	75,308
Refrigerating equipment	345,661	268,573	127,752	770
Ball and roller bearing parts	43,259	742,606	1,320,806	542,482
Planers and sharpners	27,181	53,661	353,016	504,788
Sheet and plate metal-working machinery	35,181	89,431	1,429,405	2,995,005
Air compressors	387,697	571,903	809,714	188,944
Other industrial machinery and parts	665,618	1,943,289	5,203,731	2,305,425
Accounting and calculating machines	324,641	423,469	74,155	141,627
Typewriters	146,357	208,146	86,540	34,113
Horse and Power plows	328,359	468,160	1,390,488	431,213

TABLE 2—(Contd.)

	1928	1929	1930	1931
Harrows	72,485	253,609	114,164	3,222
Other cultivating implements and parts	278,816	337,322	402,772	434,142
Grain harvesters and hinders	209,650	542,615	311,426	44,982
Combines	6,140	700,791	1,911,794	5,588,395
Other harvesting implements and parts	59,577	109,460	479,536	682,987
Wheel tractors	2,988,552	11,414,488	22,738,349	23,531,273
Tracklaying tractors	1,075,801	3,231,570	7,345,862	2,033,690
Tracklaying tractors less tracks	5,724	679,651	543,577	—
Tractor parts and accessories	2,011,817	2,543,606	5,288,558	3,773,624
Other agricultural machinery, implements and parts ..	197,286	241,537	392,256	310,562
Motor trucks, buses and Chassis, except electric ..	396,597	1,039,905	1,569,689	1,127,968
Automobile cars and Chassis, except electric ..	332,247	1,394,937	870,255	127,359
Automobile parts for assembly	2,024	337,847	2,038,544	8,617,175
Automobile service appliances	74,579	206,593	513,981	532,296
Automobile parts for replacement	177,289	479,615	1,307,077	1,706,884
Aircraft parts and accessories	155,313	244,740	337,987	226,336

TABLE 2—(Contd.)

	1928	1929	1930	1931
Internal-combustion marine engines, except Diesel ..	180,712	348,045	63,362	845,134
Railway freight cars	207,333	62,000	62,000	551,517
Other vehicles and parts	78,222	224,390	128,231	49,404
Other industrial chemicals	57,517	80,943	200,344	169,350
Scientific and professional instruments, apparatus and supplies	357,945	433,982	988,147	691,732

TABLE 3

Principal Imports Into the United States from Rus sia (In Dollars)**

	1928	1929	1930	1931
Crab meat, sauce and paste	—	—	854,127	523,899
Sausage casings	2,306,753	2,822,855	3,574,368	599,262
Other fish, fresh and frozen	180,655	346,672	654,912	617,611
Cavior and other fish roe	795,110	674,450	655,031	326,555

**Figures based on U.S. Customs Statistics as shown in *Foreign Commerce and Navigation* for the respective years indicated..

TABLE 3—(Contd.)

	1928	1929	1930	1931
Ermine	174,570	253,371	190,714	8,315
Fox, other than silver or Kack (undressed)	373,188	1,375,275	1,556,570	116,093
Fitch (undressed)	245,659	537,841	85,385	270,964
Kolinski (undressed)	56,527	337,377	204,521	—
Lamb, kid, sheep and goat skin furs (undressed) ..	388,490	961,629	401,121	89,855
Marmot (undressed)	454,334	322,315	305,553	—
Squirrel (undressed)	899,290	301,323	785,126	105,990
Other furs (undressed)	296,518	653,847	76,156	65,049
Dog and goat skins (dressed)	39,518	262,570	649,294	439,741
Bones, hoofs and horns, unmanufactured	180,042	475,716	358,074	—
Bristles, sorted, bunched or prepared	988,156	618,274	1,129,353	468,953
Mushrooms	284,026	160,587	31,101	246,120
Candy and chewing gum	21,217	45,037	164,875	171,308
Licorice root	344,123	869,240	427,392	443,424
Clover seeds	305,566	38,708	—	—
Flax, unmanufactured	214,784	174,724	437,737	—
Wool carpets and rugs	107,180	153,390	30,791	204,238
Hair and manufactures	40,459	71,248	100,869	273,033
Silk, unmanufactured	7,056	8,122	12,879	453,036

TABLE 3—(Contd.)

	1928	1929	1930	1931
Sawed boards and lumber	449,669	770,496	1,544,222	288,022
Pulpwood	—	101,213	1,580,404	744,414
Rags for paper stock	132,277	413,495	865,303	80,307
Anthracite coal	—	737,176	1,232,416	1,611,084
Asbestos, unmanufactured	—	111,290	660,559	139,694
Iron ore and concentrates	—	—	136,228	571,290
Manganese Ore	3,067,259	5,452,366	2,445,871	1,896,538
Chrome Ore or Chromite	—	—	238,494	292,094
Platinum, grains, ingots, etc.	192,799	301,646	527,295	215,897
Platinum metals and native combinations	237,573	589,680	101,293	78,341
Works of Art, 100 years old	3,432	482,148	30,392	70,224
Matches	141,105	352,754	233,354	—

APPENDIX IV

The Concessions Policy of the Soviet Government*

The Soviet Union possessed enormous natural resources, but owing to the lack of the requisite free capital, it was unable to develop them as rapidly as was desired. It was felt that the process of development could be infinitely speeded up by the investment of foreign capital in Soviet industry and transport, and is the working of the natural resources of the Union. It was with this aim in view that the U.S.S.R. embarked on its concessionary policy.

The economic and judiciary conditions on which concessions were granted were based on the decree of the Council of People's Commissaries of November 23, 1920. The main features of this statute were the following: The Government guaranteed that the property invested by a concessionaire in an undertaking within the territory of the Soviet Union would not be subject to nationalization, confiscation or requisition. The concessionaire had the right to hire manual workers and employees within the Union, subject to the provisions of the Labor Code or some special agreements laying down definite labour conditions. The Government undertook to make no alteration in the terms of concessionary agreements by order or decree without the consent of the concessionaire. The concessionaire was to import technical equipment from abroad.

Concessions were granted for varying periods of time, in accordance with their character. For big industrial concessions the period was from 30 to 50 years. The question of full compensation for risk and for capital invested in a concessionary enterprise was also taken into consideration.

When a concession was granted on lease, a concessionary agreement was drawn up between the foreign firm concerned and the Soviet Government, setting forth all the conditions. In matters which were not specifically stipulated in the agreement the concessionaire enjoyed all the rights and became

*A. A. Santalov and Louis Segal, eds., *Soviet Union Year Book*, 1930 (London, Allen and Unwin, 1931) 188-195.

answerable to the common law of the Soviet Union, and was subject to all the rules and regulations in force, unless any given rule or regulation had been specifically waived in the terms of the agreement.

The concessionaire was under obligation to carry out a definite minimum programme of output. This was very important for the U.S.S.R. for the following reasons. Firstly, the agreement necessitated handing over to the concessionaire actual wealth, such as land, forests, minerals, buildings, going concerns, and the State, therefore, had to be assured that these would not be allowed to remain idle, but would be properly utilized by the concessionaire. Secondly, the concessionary enterprise formed part of a plan for the whole of the national economy, and the State planning organizations had to take the output of the concessionary enterprises into account. Hence, it was necessary to know that the stipulated quantity of goods would approximately be produced.

The U.S.S.R. attached special importance to concessions connected with transport facilities—the building of railways, harbours, canals and the laying of oil conduits, the establishment of refrigerating plants and cranes—as well as to concessions connected with municipal services.

All concessions of this type were divided into two categories: (1) Construction, pure and simple; (2) Construction, coupled with exploitation. In the first instance, the concessionaire supplied the capital required for the enterprise on a credit basis. He was responsible for the building or construction of the concern, which, when completed, was handed over to the Government, and the concessionaire received an agreed proportion of the profit from the exploitation of the concern, as well as interest on the capital invested.

APPENDIX V/

Letter Addressed to the Commissioner of Police Grover A. Whalen by the Chairman of the Amtorg Trading Corporation, Peter A. Bogdanov*

May 2, 1930

Hon. Gover A. Whalen,
Commissioner of Police,
Police Headquarters, New York City.

Dear Sir: The afternoon newspaper contain a statement issued to you, together with photostatic copies of a letter which purports to have been written under the letterhead of the Amtorg Trading Corporation, and of letters alleged to have been received by officers of this Corporation from Moscow. Such documents, seen by me for the first time in this afternoon's newspapers, I confidently assert to be absolute forgeries.

On behalf of this corporation, I ask that a thorough investigation be made of the said documents. In such investigation this organization will afford every assistance.

The activities of the Amtorg Trading Corporation since its formation in 1924 have always been purely commercial. Since its incorporation it has been the principal organization in this country serving as a medium for trade between the United States and the Soviet Union. Such trade for the calendar year 1929 transacted through the Amtorg and affiliated organizations was in excess of $ 150,000,000. This trade has been carried on with numerous American firms, and during the six years of the corporation's existence a very substantial credit position has been built up. The publication in the press of your statement and of the photostatic copies of what we insist to be forged documents may cause substantial damage to us and to the numerous American firms with which we are doing business by its effect upon such trade.

In all fairness, we feel that we are entitled to have determined the authenticity of these documents which were given by

*U.S. House of Representatives, 71 Cong., 2 Sess., Special House Committee, *Hearings, Investigation of Communist Activities in the United States* (Washington, GPO, 1930) Pt. 3, 117.

you to the press without any opportunity on our part to examine them.

In view of the wide publicity given to these documents and for the purpose of counteracting the damage we have already suffered, we request prompt action on your part.

We are sending a copy of this letter to the press at the same time we send it to you.

Very truly yours,
Peter A. Bogdanov,
Chairman, Board of Directors, Amtorg
Trading Corporation

Reply to Bogdanov's letter by Whalen

May 3, 1930.

Mr. Peter A. Bogdanov,
Amtorg Trading Corporation,
261 Fifth Avenue, New York City, N.Y.

Dear Sir : The request which you made in your communication of May 2 cannot be complied with because of the fact that a criminal investigation now being conducted by the police department into the criminal activities of certain communistic groups in this city has not been completed.

The disorder and violence which has occurred in many trades and industries in which certain communistic groups have been involved, resulting in death and injury to persons as well as destruction of property, makes it the duty of the police department to safeguard the evidence already gathered until such time as its investigation is closed.

Very truly yours,

Grover A. Whalen
Police Commissioner.

APPENDIX VI

Letter Addressed to T.G. Grafpen, Secretary and Treasurer of the Amtorg Trading Corporation, by Matthew Woll, Vice President of the American Federation of Labour, soliciting insurance business for the Union Labor Life Insurance Company*

May 5, 1930

Mr. T. G. Grafpen, Sec. & Treas.
Amtorg Trading Corporation,
261 Fifth Avenue,
New York City.
My dear Mr. Grafpen:

This will introduce Mr. P. J. Duffy, General Agent for the Union Labor Life Insurance Company, one of the important social developments of the American Federation of Labour and especially designed to arouse the wage earners as to the necessity of life insurance.

As a prominent figure in the business world, I ask that you permit Mr. Duffy to discuss the matter with you and although your insurance needs may be well covered, we would appreciate having you as a policy holder in our Company and to that extent aid us in the great service we have undertaken.

The Union Labor Insurance Company is an old line legal reserve life insurance company operating under the Insurance Laws of the State of New York. The Company has the endorsement and approval of leaders of business and finance as well as that of many prominent executives of other life insurance companies.

Your consideration of our proposition as presented by Mr. Duffy will be personally appreciated by

Yours very sincerely,

(Signed) Matthew Woll.

**ERSU* (No. 14-15, 1930) 294.

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