CHAPTER 4

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 due to 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


(2) Ibid., 1933 (Washington, GPO, 1934) s2.
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, "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, partic-

(3) 7 BRSU (No. 7, 1932) 159.


(5) Borah to Hogan, March 21, 1928, Borah Mss.
cularly 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 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)


(7) Ibid., 322-323.
The fact that the increase in 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

(8) Klein to McKeller, April 14, 1931, NA, RG 40, file 90034, Pt. 2.

(9) Bertron to Lamont, July 3, 1931, in Ibid.
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.

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 Labour, 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)

(10) Quoted in 106 Literary Digest (No. 6, August 9, 1930) 6.

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 undersell 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. 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 inexhaustible natural resources, and developed by labour

approaching servitude" 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 Bolshevists. (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)

(13) 74 CR (71: 3, 1931) 63.

(14) Quoted in 106 Literary Digest (n. 10) 6.

(15) Ibid., 9.

(16) Ibid.
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 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

(17) Fischer, Louis., "Recognize Russia Now", 135 Nation (December 28, 1932) 634.
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 $141,106 in 1928 and $352,754 in 1929 as against the total value of American match imports $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 merchandises were 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

(18) Department of Commerce, Bureau of Foreign and Domestic Commerce, 3 Commerce Reports (No. 39, September, 29, 1930) 810. Hereafter cited as Commerce Reports.
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 proved difference in value. (19)

The American match industry contended that large imports of Russian matches at extremely low price, 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,

(19) Childs, S.L., "Russia and U.S.A.," 2 Political Quarterly (1931) 161; also see Anti-Dumping Act, 1921.

(20) H. Com. on Ways and Means, Hearings (n. 11) 122.

increasing the appraised value by over 150 per cent. The Amtorg Trading Corporation appealed from 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 McColland 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 matches in the United States was being or 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 meagre 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 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)

(23) 3 Commerce Reports (n. 18) 812.
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 denounced as a hostile act. The cost of growing wheat in the Soviet 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)

Thus 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 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

(25) Ibid., 44.
(26) New York Times (September 20, 1930)
had other than business motives. In a statement on September 27, 1930, Belitsky 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, and which was 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,

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)

(27) 5 ERSU (Nos. 18-19, 1930) 368.
(28) H. Rept. 2290 (n. 24) 39.
Charges made by the American Asbestos Producers

The charge of unfair competition was levelled against Soviet asbestos in 1930. The charge was made inspite 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 because of 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 substantial amount of business to the Asbestos Ltd., Inc., which fiberized and processed 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 without being fiberized and processed, 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

(29) John Marshall to Secretary of Commerce, June 12, 1931, NA, RG 40, file 90034/2.

(30) NA, RG 40, file Amtorg Trading Corporation 90034/3.
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 large quantities of them. 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.

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(31) Marshall to Secretary of Commerce, June 12, 1931 (n. 29).


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

(34) New York Times (July 26, 1930)
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 only 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 Counsel of the American Iron and Steel Institute, T.F. Doherty, "the exact opposit of what constitutes dumping." (37)

(35) 5 ERSU (n. 32) 450.

(36) Iron Age (October 9, 1930) 1026.

(37) 5 ERSU (n. 32) 450.
On February 24, 1931, the Secretary of the Treasury issued his finding, which was to the effect that 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. The embargo was sought to be imposed 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. No anthracite coal was, moreover, imported into the United States from the Soviet Union until 1929 when 113,170 tons (about 26 per cent of the total imports) entered the United States. The total production of coal that year in the United States was 608,992,000 short tons. (40) In 1930, anthracite imports from Russia totalled only 185,286 tons which constituted about one-quarter of the total anthracite imports into the United States and less than one-seventh of 1 per cent 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

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(39) H.Com. on Ways and Means, Hearings (n.11) 53.


(41) 67 New Republic (June 3, 1931) 61.

(42) 5 ERSU (n. 32) 453.
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 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 Represent-

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(43) 67 New Republic (n. 41) 61.
(44) 74 CR (n. 13) 39.
(45) 72 CR (71: 2, 1930) 8170.
(46) 74 CR (n. 13) 1437.
tative Kendall. (47) The latter stated that the main object of the 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 refused entry.

(47) Ibid., 5672.
(48) H.Com. on Ways and Means, Hearings (n. 11) 49.
(49) Ibid., 51.
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,

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)

(51) 59 Treas. Dec. (n. 38) 348.
(52) H. Com. on Ways and Means, Hearings. (n. 11) 34.
(53) 63 New Republic (August 6, 1930) 329.
(54) 5 ERSU (n. 32) 455.
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 piece-work 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 treas-

(55) 7 ERSU (Nos. 13-14, 1932) 306.
(56) 6 ERSU (No. 5, 1931) 104.
ury ruling was issued revoking the exclusion order and instructing the collector of customs to release the detain-
ed 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 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

(57) 74 CR (n. 13) 4695.
(58) 2 Political Quarterly (n. 19) 160.
(59) 63 New Republic (n. 53) 329.
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 into the United States was spruce of which there was an increasing shortage in the latter. 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 view was corroborated by the Chief of the Lumber Division in a letter to the New York Lumber Trade

(60) 7 BRSU (n. 55) 304-305.
(61) Santalov and Segal (n. 32) 300.
(62) Department of Commerce, 1 Commerce Year Book 1930 (Washington, GPO, 1931) 335.
(63) H. Com. on Ways and Means, Hearings (n.11) 53.
(64) Selfridge to Klein, November 4, 1929, NA, RG 40, file 90034/6.
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 pulp-

(65) 5 ERUSU (n. 32) 451.

wood 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)

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)


(68) Sen. Doc. 166 (n. 50) 112.
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)

(69) 5 KRSU (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 Russia 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 statement, 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 levied against Soviet products needs to be examined carefully.

(71) Ibid.
(72) Lamont to Doak, July 1, 1931, NA, RG 40, file 90034, Pt. 1.
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 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 machineries and equipments which were vitally

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

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

(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. Cf. Baykov, A., *The Development of the Soviet Economic System* (Cambridge, Cambridge University Press, 1950) 266.

(76) H. Rept. 2280 (n. 24) 94-95.
consumed at home. Certainly, 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)

(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) 11 International Press Correspondence (No. 26, May 21, 1931) 478.
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, moreover, were of advantage to the American industries on the basis either of distinctive quality or the lack of domestic supply. (80)

The charge of dumping had reacted to the detriment of Soviet-American trade. Over and above this, the agitation against forced labor resulted in Soviet goods being subject-ed to prolonged administrative investigations, with the burden cast upon the importer of establishing that certain merchandise was not mined, produced or manufactured by

(80) James, Cecil A., "Reciprocal Trade with the Soviet Union", 168 Annals (July 1933) 238.
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 Dneprpetrovsk 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 also took place 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)

(81) 74 CR (n.13) 5678.
(82) H. Com. on Ways and Means, Hearings (n. 11) 104.
(83) S. Rep. Doc. 166 (n. 50) 112.
(84) H. Com. on Ways and Means, Hearings (n. 11) 104.
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 - 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 commonsense" by the American Government. (86)

Reaction 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.

(85) Quoted in 106 Literary Digest (n. 10) 7.
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)

The great possibilities for American industry in Russian trade was 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,

(87) Bertron to Lemont, July 1, 1931, NA, RG 40, file 90034, Pt. 1.

(88) 6 ERUS (No. 10, 1931) 223.
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)

(89) 7 ERUS (No. 7, 1932) 158.
(90) 7 ERUS (No. 8, 1932) 175.
(91) Cooper to President Hoover, June 20, 1931, NA, RG 40, file 90034.
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 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

(92) Cooper to Secretary of Commerce Lamont, June 23, 1931 in Ibid.

(93) 6 ERSU (No. 23, 1931) 538-539.
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)

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

(94) Hugo 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.
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 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)

(96) President of Consolidated Machine Tool Corporation to Secretary of State Stimson, February 10, 1932, NA, RG 59, file A/WS 661.1116/522.

(97) Washington Herald, October 5, 1930, quoted in 74 CR (n. 13) 4673-4674.

(98) "These Senators say Yes", 134 Nation (May 18, 1932) 566.
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)

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)

(99) Ibid.

(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) 74 CR (n. 13) 7346.
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)

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 fell due.\(^{103}\) The President of the Fouke Fur Co., corroborated this fact in a letter to the Assistant Secretary of Commerce stating that "they \(\text{from the Russians}\) 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 \(\text{from the Russians}\) and we have not up to 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 the fact dues despite that her principal exports consisted of commodities like wheat, lumber, oil furs and food products, the prices of which fell to 50 per cent and in some cases to 25 per cent of their 1929 levels." \(^{106}\)

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\(^{103}\) Sherover, Miles M., "America and the Russian Market", 38 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.

\(^{106}\) 38 Current History (n. 103) 676.
The Detroit News in an editorial on September 21, 1933 stated in part that,

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. It stated 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

(107) Detroit News (September 21, 1933)
(108) 74 CR (n. 13) 7273-7274.
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)

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

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

(110) Ibid (April 22, 1933).
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, Vice President of the Georgetown University and a well known

(111) Acting President of the National Civic Federation to President elect Roosevelt, November 11, 1932, NA, RG 59, file 861.01/1974.

(112) 74 CR (n. 13) 63.
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 of 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


(114) Walsh, Edmund A., The Last Stand (Boston, Little Brown, 1931) 305.
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 manufactured products for its requirements under the first Five Year Plan. It was not till the Democratic Administra-
tion 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.

(115) Borah to Carr (n.100).