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VIII

FOREIGN TRADE IN THE USSR

by J. D. YANSON

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PUBLISHER'S ADVERTISEMENT

A GREAT NUMBER of books on Soviet Russia have come from the press during recent years—but mainly impressions of the Soviet régime by visitors to or residents in the Soviet Union. Indeed, the lack of really precise and definite information has been as noticeable as the plethora of impressions.

We accordingly requested prominent Soviet officials to prepare a series of books which would *describe* and *explain* the Soviet system and method in the various branches of economic, political, national, social, and artistic life. We have italicised the words *describe* and *explain*; for the intention is simply to tell us, for instance, *how* labour is organised, *how* the problem of nationalities is being dealt with, *how* a collective farm works, *how* commodities are distributed, *how* justice is administered, and so on.

V. G.

NOTE ON J. D. YANSON

J. D. YANSON was born in 1886 in what is now Latvia. In 1904 he joined the social-democratic party, in which he was active from 1905 to 1907.

In 1907 he was arrested by the Tsarist government and given a six-year sentence for belonging to the social-democratic party; he was then a member of the Riga Committee of the party.

In 1914 he was exiled to Siberia.

Beginning with 1917 he actively participated in the revolution in Siberia, in Irkutsk. In 1917-18 he was chairman of the Regional Executive Committee of Eastern Siberia and Commissar of foreign affairs for Siberia.

In 1920-21 he worked in "Narkomindel" (People's Commissariat for Foreign Affairs).

In 1921-22 he was Minister of Foreign Affairs of the Far-Eastern Republic.

In 1923 he became a member of the Collegium of the People's Commissariat of Foreign Trade, and in the following years was a member of the Soviet delegations for negotiations with Italy in 1923-24 (signed trade agreement with Italy); with England in 1924; with Germany in 1925.

In 1926-27 he was Trade Representative to Japan. From 1930 to 1932 he was the chairman of "Arcos" in London.

At the present time he is director of the Foreign Trade Research Institute in Moscow.

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FOREIGN TRADE IN THE
U.S.S.R.

J. D. YANSON

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CHAPTER I

FOREIGN TRADE IN THE SOVIET ECONOMIC SYSTEM

THE CHARACTER of the foreign trade of the U.S.S.R., like that of every other country, depends on the structure and development of the whole national economy. Therefore before dealing with the foreign trade of the Soviet Union, it is necessary to say on what foundations the economic system of that country is built.

SPECIAL FEATURES OF THE SOVIET ECONOMIC SYSTEM

In the Soviet Union the means of production, that is, all undertakings in industry, transport, banking and trade, as well as the land itself, belong not to individual owners, but to all who work—to the workers and peasants. The administration of these industrial, transport and commercial undertakings is carried on by special organisations adapted to the particular conditions of each undertaking. The majority of these are State organisations ; side by side with them, however, there are co-operative organisations, for example, in the field of home industry and the distribution of its products. All land belongs to the State, and the greater part of it is in the occupation of the peasantry ; but there are also

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State farms—Soviet farms—which produce various agricultural products such as grain, meat, dairy products, cotton, and so on. In recent years the majority of the peasants have changed over from individual holdings to collective farms, in which villages consisting of a hundred and even more peasant households are united, and the land is worked collectively by collectivised means of production.

A part of the product of the collectivised labour of the members of a “kolkhoz” (collective farm) is devoted to working expenses and the general needs of the kolkhoz and to meet the State tax in kind. After this the whole product of the kolkhoz is distributed among its members according to the number of work-days each of them has to his credit.

In capitalist countries all economic activity is based on the private competition of individual undertakings, trusts and financial and other associations. The aim of all these is merely the profit of each undertaking or association, which profit is obtained by the exploitation of hired labour.

In the Soviet Union there is neither private competition nor the exploitation of hired labour. The aim of the economic activity of all undertakings is to increase economic efficiency and to produce a larger quantity of goods for the use of the producers themselves. In this way it is possible to raise the material and cultural standard of living of those who work.

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THE SINGLE ECONOMIC PLAN

In the Soviet Union different undertakings or associations of undertakings do not compete with each other as hostile organisations ; on the contrary, they aim at co-operation and the co-ordination of their activity in order to assist each other by a division of labour determined by a definite economic plan.

This co-ordination and co-operation of the activity of each separate enterprise and branch of economy is possible only where there is centralised planning of the whole national economy.

One of the fundamental advantages of the Soviet system is the possibility of planning in all the basic branches of national economy, and making a co-ordinated plan for the whole economy of the Union.

In enumerating the advantages of the Soviet system as compared with the capitalist system, Stalin, the leader of the masses of the Soviet Union, pointed out in his report to the Congress of the Communist Party in the summer of 1930, that one of the advantages of Soviet economy is that :

“Industrial development is not subordinated to the principle of competition and the guarantee of capitalist profit, but is subordinated to the principle of planned control and to that of the systematic raising of the material and cultural level of the masses.”

In some capitalist countries proposals for the planning of national economy have lately been put forward ; sometimes even to the extent of drawing up

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“plans.” For example, in the U.S.A. and in Germany there is some talk of such plans. In the U.S.A. a suggestion for the necessity of maximum consumption to increase demand and to revive production is put forward. Immediately on its coming into office the German Fascist Government promised an economic plan which would meet the crisis and liquidate unemployment.

However, no stable revival of production in the U.S.A. has taken place, and after a “boom” in the summer there was a fall in economic activity in the autumn. Nor has unemployment in Fascist Germany been liquidated. This is self-evident.

The planning of national economy is impossible in any country whose economic system is based on private property, where individual enterprises are in the hands of individual owners and groups, aiming not at improving the conditions of the masses (thus causing the growth of consumption on the part of the masses), but only at increasing the profit of private undertakings, thereby restricting the wages and consequently the consumption of the masses. On the contrary, the economic system of these countries is characterised by an anarchy of production, as the stimulus for production is the desire for maximum profit ; and the means employed are the exploitation of the masses and competition among individual undertakings.

The necessity and possibility of the creation of a single economic plan in the U.S.S.R. was proved by Lenin as early as 1919, at which time the nationalisation of all industry and the centralisation of the

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economic control of the whole country in the hands of the Supreme Economic Council and of local economic councils had been completed.

In accordance with Lenin's proposal in 1920, a ten-year plan of electrification was drafted, which included the construction of thirty regional electric power stations. But in fact this plan was exceeded, as further planning increased the scope of the first plan of electrification. For the planning of national economy, the State Planning Commission was created in 1921; later on plans for each year were drawn up for the whole national economy. As is well known, during the first few years after the intervention and the civil war which had ruined the Soviet Union, all economic activity was directed to the reconstruction of such undertakings as had formerly been in operation: to the restoration of the pre-war volume of production. But even during this period of restoration—from 1921 until 1927—the national economy of the Soviet Union began to take a new direction.

INDUSTRIALISATION THE IMMEDIATE AIM

The principal task of all new construction was to transform the Soviet Union from a backward agrarian country into an industrial one. Therefore even in this period of restoration special attention was paid to the development of industry, and primarily to that of heavy industry.

By 1927 the restoration of industry had been, broadly speaking, accomplished; the total output of large-scale industry in the economic year 1926-27

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was 103·8 per cent of that of 1913. At the same time 1927 and 1928 were the first years of the new construction of the national economy of the U.S.S.R.

The year 1929 was the first year of the Five-Year Plan. The Five-Year Plan included the creation of the necessary Soviet foundations for the reconstruction of all industry, transport and agriculture. The U.S.S.R. was to be transformed from a backward agrarian country into an industrial one, technically and economically developed, with its own basis of heavy industry and engineering, these being necessary for the further rapid development of all industry, for the industrialisation of agriculture, and for the strengthening of the potential defence of the country.

Before the first Five-Year Plan, Stalin defined the problem of construction as follows :

“ We must build up our economy in such a way that our country shall not be transformed into an appendage of the world capitalist system, that it shall not be included in the whole system of capitalist development as an auxiliary undertaking. Our economy must be developed not as an auxiliary undertaking of world capitalism, but as an independent economic unit based chiefly on the home market, on the union of our industry with the peasant economy of our country.”

“ An agrarian country is a country which exports agricultural products and imports equipment, but which does not produce the equipment itself or produces it in insignificant volume. If we are held up at a stage of development, at which we are compelled to import equipment and machinery instead of

producing them ourselves, we have no security against the transformation of our country into an appendage of the capitalist system."

The Five-Year Plan was completed in four years and three months, and produced remarkable results. Gigantic works were constructed for ferrous and non-ferrous metallurgy, for chemicals, for power ; extensive mines and cracking plants, enormous engineering works, for the construction of tractors, motors, airplanes, locomotives and agricultural machinery (including combines) were also built. The production of turbines, generators and other power equipment was also developed. A new coal and metallurgical base was created and extensive production of mineral fertilisers was undertaken.

In comparison with the pre-war period, engineering increased 10 times, whereas the whole output of industry increased $3\frac{1}{2}$ times.

The U.S.S.R. has been transformed from an agrarian country into an industrial one ; this fact has strengthened the economic independence of the country ; it has become possible for the U.S.S.R. to produce the bulk of the necessary equipment by means of its own plants. Though during this period agriculture was also developing very rapidly, the ratio of the production of industry to that of agriculture has been changed in favour of the former : in 1929 the output of industry comprised 54·5 per cent and in 1933 70·4 per cent of the total output of the country ; but of the industrial output itself, in 1929 means of production comprised 48·5 per cent, and in 1933 58 per cent of the total.

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These successes in industrialisation, however, by no means mean that the Soviet Union is putting an end to business and economic relations with other countries.

Pre-war Russia was an agrarian country, which had a comparatively insignificant heavy industry (particularly in engineering). It was compelled to import the means of production from other countries which were highly developed industrially ; as a result of this, Russia occupied the position of an economically subordinated country ; the dependence of the old Russia on world economy was the dependence of subordination and subjection, which, in turn, retarded the industrial and economic development of Russia.

Having laid its new industrial foundation, the Soviet Union has freed itself from dependence and subordination. The Soviet Union in the growth of its industry has overtaken and is surpassing the leading industrial countries. In the range and volume of its development, a development to which no limit can be set, the U.S.S.R. with its immense area—on sixth of the earth—and its varied natural and economic resources, ranks among the greatest and most powerful nations. And finally, by its new order which has established new relations between the different factors of production, has abolished the exploitation of the poor by the rich, and has made the workers the masters of their labour, the U.S.S.R. has opened up such possibilities for the further development of the efficiency of labour and for the growth of the productive forces of the country as have never been known in the world.

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RAISING THE STANDARD OF LIVING

In the U.S.S.R. poverty, hunger and unemployment have been abolished ; in their place new conditions of labour, and the rule of those who work in all branches of the industrial development and life of the country, have been established.

Many millions of the masses, who formerly suffered in poverty and oppression, have become the leaders and creators of a new life, the principal problem of which is to re-build and raise the whole standard of life of every worker ; to satisfy all his material, cultural and daily needs.

For the solving of this problem, for the transformation of all the millions of the workers and peasants of that formerly backward, impoverished agrarian country into well educated and well-to-do members of a socialist society, and at the same time the transformation of all the peasants into prosperous members of kolkhozes, very great constructional work and an unlimited growth of production in all branches of industry is absolutely necessary. It is this growth of production which was provided for by the first Five-Year Plan as well as by the second.

We can safely say that the home market of the U.S.S.R., i.e., the needs of its population, is practically unlimited. To meet their most urgent needs and raise their standard of life the workers and peasants of the U.S.S.R. will make ever-increasing and more complicated demands on industry, and their demands will in turn make possible new developments in production.

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THE FUNCTION OF SOVIET FOREIGN TRADE

Soviet foreign trade in its principles, tasks and aims differs widely from the trade of capitalist countries. In all capitalist countries, the main stimulus for foreign trade is the wish and necessity to export that surplus of production which cannot be sold in the home market. The struggle for markets for the possibility of export, is the main motive that determines the international policy of capitalist countries, resulting in mutual competition and economic and armed conflicts leading up to war. The U.S.S.R. takes no part in this struggle for markets. Its industry and agriculture provide a constantly increasing home market.

Nevertheless the U.S.S.R. participates in foreign trade, but acting on different motives and with different aims ; it has to import many things ; it requires machines that are not produced in the country, it requires raw material and manufactured goods, which either are not produced in the country at all or are produced in an insignificant quantity. As it is necessary to pay for the imported goods, the U.S.S.R. exports a corresponding part of its products thus covering the payments for the imported articles.

But the U.S.S.R. does not compete in pumping gold and currency from other countries into its financial system, as is the practice of capitalist countries, thus leading to financial war and currency limitations that hamper foreign trade. As it can renew its resources from the country itself (the production of gold) the U.S.S.R. is thus enabled to use

the whole of its exports to pay for the imported articles. All the debts of the U.S.S.R. are paid punctually to the countries where orders were placed ; i.e., payments for imports are always made as they fall due.

The total of Soviet debts abroad is comparatively small, it amounts, as Stalin pointed out in his recent interview with Duranty, the correspondent of the *New York Times*, to a little more than 450 million roubles. Thus the total Soviet debt constitutes, at present, only two-thirds of the value of Soviet exports during these last years of crisis, when owing to limitations imposed by the capitalist countries these exports were considerably reduced.

The ability of the Soviets to pay, and their readiness to do so, no longer arouse doubts even in the most inveterate enemies of the U.S.S.R. Between the first and the second (the ability to pay and the readiness to pay) there is no difference, for as Stalin has pointed out "we do not undertake obligations that we cannot fulfil." The Soviet ability to pay is best proved by the fact that for the last two years (which, as we have already mentioned, have been years of a certain curtailment of Soviet exports, from limitations introduced by the capitalist countries) the U.S.S.R. has fulfilled all its obligations most punctually, and paid off about one milliard roubles.

The U.S.S.R. has created a solid industrial foundation and has been transformed from an agrarian into an industrial country, which in its turn has produced an unprecedented improvement in agriculture and has developed at an unprecedented

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rate the productive forces of the country. The U.S.S.R. has an unlimited home market and possibilities of extending production to meet the demands of the home market. It does not compete for markets, and therefore is not drawn into international conflicts resulting from such competition. It exports only to cover the sums required to pay for its imports. The U.S.S.R. is in fact becoming an independent country, not subjected either politically or economically to other countries.

This independence is being achieved as a result of an intense growth of productive forces and a tremendous construction of industry and agriculture. We see the reverse in capitalist countries. There we see economic decay, a curtailment of production, a declining standard of living for the masses, all this being the result of the capitalist system of production. In connection with this we see a constant unavoidable fall in the demands of the home market, desperate attempts to capture foreign markets and feverish preparation for a war for new markets. Under these conditions the speeches about autarchy in this or that capitalist country, such as the dreams of the German Fascists, are only an attempt to conceal the blind alley into which the country has entered from an economic standpoint, or to mask the aggressive tendencies of its foreign policy.

The attempts to carry out autarchy have in fact only led to a further accentuation of the world crisis. Compared with these countries, the U.S.S.R. is in fact an independent country. But this independence, as we have already pointed out, does not mean

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an absence of trade between the U.S.S.R. and other countries. The international trade of the U.S.S.R. has been carried on during the whole period of its existence, and will continue and develop in the future.

NO LIMIT TO SOVIET REQUIREMENTS

As we have already mentioned, the Soviet Union has an unlimited possibility of developing all branches of industry and an equally boundless possibility of raising the standards of consumption. It is evident that the fulfilment of the demands for machines, raw material and consumption goods will be partly covered by imports from other countries.

For some years, as we shall see later, the character of the imported goods has been changing ; some items have been superseded by others, the import of one kind of machine by the import of another—for instance, instead of continuing to import tractors we soon imported machines for making tractors, and later on lathes and machines for making these machines.

In the future there will always be changes in the character of imports, but imports will at no stage be unnecessary. In the U.S.S.R. there is a tremendous growth in the production of its own industries, but to meet all the constantly growing demands both of industry and of the consumers there still remains the necessity for imports.

In spite of its own industries, the Soviet Union is still importing a considerable quantity of ferrous and non-ferrous metals and chemicals, as well as different

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kinds of machines. Moreover there are articles the import of which will grow along with the demand for them. Thus we may say that with the growth of home industries the import trade of the U.S.S.R. will be extended rather than restricted.

Its scale will be conditioned in the main by the amount of export from the U.S.S.R., as the Soviet Union must obtain the means with which to pay for the imports even when the goods are imported on credit.

The volume of exports does not depend on the U.S.S.R. only, but in a greater degree on the buying countries. Up to the present the main articles of Soviet export have been raw materials, oil, timber, furs, grain and butter. The quantity of articles exported constitutes a comparatively small percentage of total production, and their amount could be increased. But unfortunately the purchasing countries, acting under the influence of groups in these countries competing with the U.S.S.R., have created obstacles for Soviet exports, and conducted campaigns against imports from the Soviet Union. Such a campaign against Soviet exports, with the aim of limiting or excluding Soviet goods from the market, is in fact a campaign against Soviet trade in general, i.e., against Soviet imports and Soviet orders abroad. For the U.S.S.R. the chief means of meeting the payments on imports is, as we have already mentioned, the export and sale of goods abroad, and therefore the growth of imports must be accompanied by the growth of exports.

The countries trading with the U.S.S.R. must

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take this into consideration. We have said already that Soviet orders will go on growing, but whether they will be placed in one country or another will depend on the possibilities of Soviet exports to those countries, as well as on the character of the credit granted for Soviet orders.

The foreign trade of the U.S.S.R. is carried on under the system of State Monopoly. The part played in Soviet economy by the monopoly of foreign trade is very important and requires detailed explanation.

THE STATE MONOPOLY OF FOREIGN TRADE

The State monopoly of foreign trade was introduced by a decree signed by Lenin and Stalin in April of 1918. The monopoly of foreign trade gave to the Soviet State a powerful instrument for the complete regulation of all foreign trade, which could be used in the interests of the main economic plan. The monopoly of foreign trade is a means of protecting Soviet economy from undesired economic interference by surrounding countries. On the other hand, the monopoly of foreign trade is of great assistance in the socialist construction of the Soviet Union. During the whole existence of the monopoly a campaign against it has been carried on by certain sections in capitalist countries. This campaign was particularly strong during the first years of its operation. We can easily imagine what would have become of Soviet economy if the monopoly of foreign trade had not existed. "Free trade" for Soviet Russia, just emerged from the imperialist war and

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intervention, surrounded by hostile countries with systems built on principles opposed to the economic system of the U.S.S.R.—such freedom would in fact have meant a pillage of Soviet Russia. “Free imports and exports” in the early days of Soviet Russia would undoubtedly have meant a predatory export from the U.S.S.R. of all kinds of valuables, currency, gold and also goods. The export resources of the country would thus have been wasted.

In the autumn of 1927, in an interview with a foreign workers’ delegation, Stalin pointed out “that for the workers, the abolition of the monopoly of foreign trade would mean a refusal to industrialise the country, to build new factories and plants and to enlarge the old ones. That would mean an inundation of the U.S.S.R. with goods from capitalist countries, a decrease in industry because of its relative weakness, an increase of unemployment, a decline in the standard of living of the masses, a weakening of the economic and political positions.

“For peasants this would mean the transformation of our country from an independent one into a semi-colonial one with an impoverished peasantry. Speaking of workers and peasants I must say, that a demand to abolish the monopoly of foreign trade would produce laughter and hostility.”

The above statement of Stalin shows what a predominant part is played by the monopoly of foreign trade in the economic system of the U.S.S.R. and what the abolition or absence of it would mean. The Soviet Union cannot contemplate its existence without this monopoly, and has repeatedly strengthened it.

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The monopoly of foreign trade consists first in the fact that both the exports and the imports of the Soviet Union are carried out either by the State itself or under its control. All the organisations which deal with exports and imports (there are many of them, and we will speak of them later) receive their licences from a State department—the People's Commissariat for Foreign Trade. Thus the State is actually able to regulate all foreign trade according to its plans and the needs of the country.

PLANNED TRADE IMPOSSIBLE WITHOUT THE STATE MONOPOLY

Such a possibility of regulating foreign trade is absolutely necessary for carrying on foreign trade on a definite plan—according to the needs of the country. The planning of foreign trade is carried out by the Commissariat for Foreign Trade, which prepares each year the export and import plan, the strict observance of which is guaranteed by the system of licences for imports and exports, their actual fulfilment being checked up every month and quarter.

The plan for foreign trade takes into consideration first of all the proposed amount of goods to be exported and imported over a definite period of time, as well as the proposed payments in foreign currency, that is, payments for imports. The planning of the total amount of commodities for exchange is highly necessary for regulating and securing payment for orders placed abroad. It is thus possible for the U.S.S.R. to increase or restrict its imports in

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such meetings went to the Soviet trade agencies, showed the resolutions passed and urged on them the necessity of a further reduction in prices. It is quite obvious that such campaigns against Soviet exports were supported by the competitors of the Soviet Union in the export of timber, grain, butter and so on. If we consider the history of the campaigns against the Soviet Union, we see that the fiercest attacks were directed against those articles (timber, grain, butter and oil) in which the Soviet Union has serious competitors. The U.S.S.R. has victoriously carried out the fight for the monopoly of foreign trade without yielding a single position.

In 1927 Stalin characterised it in the following way : " I know that the capitalists of the West have more than once knocked their heads against the wall of the monopoly of foreign trade. It is well known that the monopoly of foreign trade is the shield and joy of our young socialist country. But have the capitalists achieved any success in the liquidation of the monopoly of foreign trade ? Is it difficult to understand, that as long as the Soviet power exists, the monopoly of foreign trade will exist and prosper in spite of all ? "

The monopoly of foreign trade has existed in the Soviet Union undisturbed for sixteen years. We shall show later how it has changed and developed during that period. At present we must deal with the present stage of foreign trade.

The year 1932 was the last year of the first Five-Year Plan, which was fulfilled in four years and three months. The year 1933 was the first year of

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the second Five-Year Plan. The first Five-Year Plan was the period of building new giants of industry, of creating a new industrial foundation ; the second Five-Year Plan will be a period of further construction, of "acclimatising" the undertakings already built and giving them a sound organisation. In connection with this the yearly increase of the industrial output will be lower for the second Five-Year Plan than for the first ; for the first Five-Year Plan this growth was from 21-22 per cent a year, for the second, from 13-14 per cent. In connection with this the tasks of foreign trade during the second Five-Year Plan will be somewhat different. A. P. Rosenholz, the People's Commissar for Foreign Trade, on April 23, 1933, thus outlined the prospects of foreign trade for the future :

"During the exceptionally rapid construction under the first Five-Year Plan, on account of the fact that in the past it was practically impossible to produce in sufficient quantities the necessary semi-manufactured goods and equipment in the Soviet Union itself, we were obliged, in a number of cases, to buy the necessary means of production in capitalist countries, sometimes under very unprofitable conditions ; we had not seldom to agree to comparatively short credits and put up with considerable overpayment for the credits granted, and these were very often based on artificially raised prices.

"This was the position during the period which is past. At present we have a different situation. In general we have no such pressing necessity for imports, we are not so dependent on foreign markets.

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“Now our hands are free ; we can increase or decrease our imports both in relation to the tenders of our foreign customers for our orders, and in connection with the political and trade relations with the countries where these orders will be placed. In our foreign trade in the second Five-Year Plan we shall not increase our imports without a considerable change in credits and the financial conditions of our orders, without longer terms for credits, without a change in the form of the credits themselves, without changing them from goods credits to money credits, with a special clause for purchases in the countries where those credits are granted. We shall not agree to an increase of imports without the removal of the former overpayments that took place, either openly, or concealed in the form of an extraordinary percentage for the credits granted. We shall take into consideration the conditions for our exports to one country or another and the presence of normal trade and political conditions with the Soviet Union.

“If all these conditions are realised we can enlarge our purchases to such a considerable extent that they will be an important factor in the economy of the countries trading with us. In the absence of these conditions, our imports will naturally be limited.”

In his speech Rosengolz brought out the fundamental fact that the first Five-Year Plan will have made the U.S.S.R. independent of capitalist countries.

But this does not mean that the U.S.S.R. must limit its foreign trade. The U.S.S.R. acquires more freedom, a larger field of manœuvre for its foreign

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trade. Its needs in imports, as we have already mentioned, are unlimited. In absolute figures the programme of construction of the second Five-Year Plan will be no smaller than that of the first. For this new construction we shall need machines, just as we needed them for the first plan ; during the second Five-Year Plan we shall have new kinds of construction and therefore need new kinds of imports. Imports to the Soviet Union may be considerably increased under suitable conditions if longer credits are granted, together with the possibility of increasing Soviet exports.

FUTURE PROSPECTS OF SOVIET FOREIGN TRADE

What are the prospects of Soviet foreign trade ? In his speech at the World Economic Conference, Litvinov answered this question in the following way : " Thanks to the successful accomplishment of the first Five-Year Plan, we have an ample opportunity of developing new construction, independently of foreign imports ; nevertheless, my Government has no intention of cutting itself off from the outer world by economic barriers and retiring into its own economic shell. In distinction from other countries, we, with a great increase of our own output, do not aspire to autarchy and do not resist an advantageous import of foreign goods." And further : " As a rule the Soviet Government plans its imports in strict accordance with the possibilities of export and conditions for credits. The Soviet delegation means those conditions such as long-term credits, normal

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conditions for Soviet exports, etc., factors favourable for the development of these plans. . . .”

Answering Duranty's questions about the possible amount of Soviet-American trade, Stalin said : “What Litvinov said in London still holds good. We form the greatest market in the world, and we are ready to order and pay for a very large amount of goods. But we need favourable conditions for credits, and moreover we must be sure that we shall be able to pay. We cannot import without ourselves exporting because we do not want to place orders without being certain of paying for them punctually.”

Soviet trade in the near future will be regulated on the principles defined by Stalin, Litvinov and Rosengolz. The Soviet Union has not the slightest intention of breaking off its trade relations with the capitalist world. It is even interested in extending those trade relations, and has the greatest possibilities in the world of enlarging its foreign trade. Imports to the Soviet Union may be considerably increased beyond the present plans of import. But for this we need “favourable conditions for credits, and moreover we must be sure that we shall be able to pay.”

Thus, to sum up, the increase of the Soviet Union's imports depends upon the capitalist countries, it depends on the conditions granted to Soviet trade in connection both with the terms of the credits granted, and the acceptance of exports as a means to pay off these credits.

In the field of economics the U.S.S.R. is strictly following the principles of its peaceful policy. The

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principle of a peaceful existence side-by-side of the capitalist and socialist systems at any given time, proclaimed by the Soviet representatives at the Genoa Conference in 1922, is firmly followed by the Soviets in their trade policy. The U.S.S.R. is against any kind of economic aggression, any kind of economic attack, against discrimination, against any limitation of trade directed against one country. But if such aggression is directed against the Soviet Union, if Soviet trade is subject anywhere to special restrictions, the Soviet Union will not hesitate to apply counter-measures and reply to such restrictions by corresponding ones. The countries that are limiting Soviet exports must know that *their* exports to the Soviet Union will be subjected to serious restrictions or even complete interruption.

At present the U.S.S.R. has become the best customer. There is not a single country in the world that meets its obligations so promptly as does the U.S.S.R. During the whole period of its existence the U.S.S.R. has not once failed to meet an obligation, and that always as it fell due. At present all countries are limiting their payments abroad and postponing not only State obligations but also private debts ; the acceptance of an important order from a foreign customer involves a number of financial and currency operations to secure payment for the order, and in the last analysis gives no complete assurance that final payments will be made.

Payments for the orders of the U.S.S.R. are fully provided for ; they are assured by the fact that the foreign trade of the Soviet Union is carried on by

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the State itself. The foreign press sometimes tries to make calculations about the inability of the U.S.S.R. to pay its obligations. But these calculations have always proved to be brazen lies of the capitalists. When the biggest firms in the world went bankrupt, when whole States underwent a financial crisis and refused to meet their obligations, the U.S.S.R. not only met its obligations punctually, but in 1932 and 1933 reduced its debts to foreign firms by one milliard gold roubles, approximately.

The best guarantee that in future the U.S.S.R. will remain an excellent customer and that its obligations will always be met punctually is the enormous natural resources of the Soviet Union, particularly the gold mines, which are capable of a production of 100 million gold roubles ; the creation of a wide industrial basis, the reorganisation of agriculture and a rapid growth in its production, all of which give political and economic strength to the U.S.S.R. The strengthening of Soviet economy makes it possible to increase the trade of foreign firms with the U.S.S.R.

The extension of this trade will largely depend on foreign countries, on how favourable the conditions are which they have to offer for Soviet exports and imports.

CHAPTER II

THE STRUCTURE OF SOVIET FOREIGN TRADE

WE HAVE REVIEWED the general principles and foundations of Soviet foreign trade ; now we come to the development, character, volume, and composition of that trade.

The foreign trade of the U.S.S.R. gives a vivid reflection of the changes that have taken place and are still taking place in the whole economy of the land of the Soviets ; with the reorganisation of the Soviet Union we see a reorganisation of its foreign trade. In the changes in foreign trade we can clearly distinguish the period of revolution, civil war and intervention. To understand the whole structure of Soviet foreign trade, it is necessary to throw some light on the character of the trade of pre-revolutionary Russia, to compare the foreign trade of those days with the trade of the last few years.

THE PRE-WAR FOREIGN TRADE OF TSARIST RUSSIA

During the last decade of last century Tsarist Russia exported goods to the value of 600-800 million gold roubles yearly, and imported goods to the value of 400-600 million roubles (ten gold roubles being a little more than a pound sterling) thus showing

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a "favourable" balance of 150-200 million roubles every year.

In the beginning of the twentieth century there was a considerable growth in Russia's foreign trade. In 1904-1908 it reached an average annual total of 1,046 million roubles for exports and 770 million roubles for imports. In the years immediately before the war there was a further considerable growth. In the period 1909-1913 the average annual totals were 1,501 million roubles for exports and 1,140 million roubles for imports, thus giving on the average a "favourable" annual balance of 361 million roubles. This growth in the foreign trade of old Russia may certainly be considered very rapid ; it almost doubled during a decade.

Such an increase of foreign trade by no means signified an increase in the prosperity of the country. On the contrary, Tsarist Russia increased its exports while there was a constant decline in the standard of living of the population. The increasing "favourable" balance was intended to cover the interest on the growing volume of loans, but it was far from adequate for this. These loans were negotiated chiefly for the maintenance of the Tsarist military and police forces. Lacking any other means to cover payments for these loans, the Tsarist government made every effort to stimulate its exports at the expense of the starving population. "We shan't eat our fill, but we'll export," was the slogan in those days.

In order to compare this with the last few years of Soviet foreign trade, it is necessary to take the most characteristic years for the trade of Tsarist

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Russia, i.e., the period from 1909-1913. As we have seen, exports during that period amounted on the average to 1,501 million roubles, and imports to 1,140 million roubles. An analysis of the exported articles shows the following :

1. Agricultural products (wheat, barley, rye, and other cereals, tobacco, flax, etc.)—784 million roubles.
2. Animal products (leather, wool, eggs, butter)—251 million roubles.
3. Products of fishing and hunting (furs, undressed and dressed, fish, caviar)—16 million roubles.

These three groups constitute the group of agricultural exports, which amounted to 1,051 million roubles.

4. Timber and products of wood distillation—148 million roubles.
5. Sugar, spirits, bran, oil and cotton cake—144 million roubles.
6. Products of mining industry (ore, oil, petrol, oil products, etc.)—55 million roubles.
7. Other branches of industry—103 million roubles.

The last four groups constitute the group of industrial exports, which amounted to 451 million roubles.

Exports in the pre-war years were two-thirds agricultural, including live stock and hunting products, and less than one-third industrial products.

The main group in agricultural exports was

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cereals—wheat was exported to an average annual value of 293 million roubles, barley 176 million roubles, oats 57 million roubles, rye 34 million roubles, the total value of cereal exports amounting to 626 million roubles.

Thus 40 per cent of the total exports of Tsarist Russia were grain exports. This large export of grain coincided with a series of bad harvests and an insufficiency of bread, both in the village and town. Tsarist Russia did not “interfere” with questions of the home market, and took no interest in the prosperity of the peasantry. While the small farmers were living in poverty and whole villages and districts were starving, wheat and other grains went abroad in immense quantities from the big estates of landlords in the same districts.

In addition to cereals, other foodstuffs were of considerable importance in agricultural exports: the value of eggs and butter exported amounted on the average to 140 million roubles per year. Furs, caviar, fish and fish products played a comparatively insignificant part; furs for instance were exported only to the value of 7 million roubles a year, owing to the inadequate organisation of the hunting industry.

In the group of industrial exports, the main articles were timber, 148 million roubles; sugar, 40 million roubles; oil and cotton-seed cakes, 35 million roubles; bran, 30 million roubles; and mineral oil products, 37 million roubles yearly.

Timber and oil, which are of such importance in the exports of the U.S.S.R., formed at that time

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a very insignificant percentage of total exports. Tsarist Russia could not invest the sums required to increase the output of oil and timber by-products.

The analysis of imports into Tsarist Russia in 1909-1913 gives us the following average annual figures for the main groups of imported goods :

1. Foodstuffs, 206 million roubles.
2. Livestock and animal products, 92 million roubles.
3. Timber and wood articles and plants, 42 million roubles.
4. Building material of mineral origin and mineral by-products, 21 million roubles.
5. Mineral fuels, asphalt, tar and other products (including rubber), 97 million roubles.
6. Chemical products, 59 million roubles.
7. Ore, metals and iron-ware (including machines and equipment), 244 million roubles.
8. Electrotechnical and scientific instruments, 25 million roubles.
9. Stationery, 31 million roubles.
10. Yarn, textile goods, rags (including both wool and cotton), 248 million roubles.
11. Miscellaneous, 24 million roubles.

Of the total value of imports each year—1,140 million roubles—219,000 roubles, i.e., 20 per cent, consisted of machines and factory equipment. Raw materials, especially those used in light industry, also constituted about one-fifth of the annual imports in the pre-war period. The main separate items were :

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Cotton	110 million roubles.
Wool	52 million roubles.
Rubber	33 million roubles.
Tanning materials	7 million roubles.

Thus the analysis of pre-war imports shows: one-fifth machinery and equipment; one-fifth raw materials for light industry; and three-fifths finished goods and articles of consumption.

These proportions in the chief groups of imports corresponded to the economic condition of the country. The equipment and machines were imported for the industry which at that time existed in Russia (mostly light industry, with a small proportion of heavy industry). A large-scale development of industry was not considered, but only a replacement of old equipment by new, and an insignificant enlargement of the existing factories.

Chief attention was paid to light industry, and as Tsarist Russia lacked the necessary raw materials (cotton, wool, etc.), they had to be imported from abroad. Such a low level of home industry necessitated a considerable import of finished goods and articles of consumption.

Because of these peculiarities, i.e., the intensified export of agricultural products and the import of articles of consumption, foreign trade in the pre-war period was considerably larger than the foreign trade of the U.S.S.R. during the last few years. At the same time, as we have already mentioned, the main items of export were foodstuffs (grain, butter, eggs, etc.) with which Tsarist Russia provided all the

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markets of Western Europe. But at that time there were no campaigns against Russian goods or Russian dumping, or campaigns against the conditions of labour in Tsarist Russia. At that time there was a free and unlimited export of grain out of Russia, while in a number of districts the peasants were starving from hunger and bad crops. But the politicians and the press of Europe never advised people not to buy Russian grain.

THE CHANGES CAUSED BY THE WAR

The World War broke up the international economic relations of Tsarist Russia as well as of other countries. At the same time it changed the whole character of the foreign trade of Tsarist Russia.

The years of war give us the following figures of exports and imports. If we take the year 1915, when exports amounted to the sum of 401 million roubles, we see that the main items of export remained grain and agricultural products—about 32 per cent of the total export. Next come live stock and animal products, about 27 per cent ; eggs, butter and dairy products forming about 20 per cent of the whole export.

Thus we see that even during the war period, Russia did not stop her export of foodstuffs, in spite of the fact that hunger and starvation increased in the country. In 1916 the total value of exports was 502 million roubles ; grain exports amounted to 106 million roubles. In 1917 there was a considerable decrease of total exports, including grain, which was exported to the value of only 9 million roubles.

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Nor did the exports of other articles amount to large sums :

	Million roubles
Timber and wood manufactures	30
Flax	5·8
Tobacco leaves	6·7
Oil and oil products	2·1

Total exports amounted to only 467 million roubles.

Imports during the war years continued on a large scale, and changed in character ; in 1915 the first place was occupied by metals and metal ware. These items amounted in value to 313 million roubles, or 27·5 per cent (including pig-iron, iron, copper : 148 million roubles, or 13 per cent of total imports). They were imported for military purposes.

The second place is occupied by textiles, mostly raw cotton and manufactured cloth ; they were intended for the supply of the army. We find the same kind of imports in 1917. The main items of import in that year were : metals, 145 million roubles ; footwear, 86 million roubles ; tin and steel-ware, 70 million roubles ; automobiles, 73 million roubles ; machines and metal ware, 71 million roubles ; stationery, 84 million roubles ; then come foodstuffs and all kinds of articles of consumption. It is very characteristic that the import of cotton and wool had considerably decreased, owing to the military occupation of Poland, with its considerable textile industry. Besides this, the destructive effects of war affected the output of factories in Central Russia, which were not able to produce the former

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amount of textiles, even using imported raw materials.

THE EFFECTS OF THE REVOLUTION

The November revolution of 1917 and the coming to power of the Soviets did not of course bring an increase in foreign trade. Then came the civil war, and war on all the borders of Russia, a war with the Russian counter-revolution which was supported by all the capitalist countries and backed by a joint intervention of all the world Powers and the blockade of Soviet Russia. The years following the November revolution may be considered as a period during which foreign Powers deliberately smashed by force the foreign trade of Soviet Russia. Even after the civil war and intervention, trade relations with Russia remained broken.

The years 1918-1922 were years of boycott and blockade of Soviet Russia. During those years Soviet foreign trade was almost non-existent. In 1919 Soviet foreign trade was almost at zero, as can be seen from the following table (in million roubles, at 1913 prices) :

	<i>1918</i>	<i>1919</i>	<i>1920</i>	<i>1921</i>	<i>1922</i>
Export	8.1	0.1	1.4	20.2	81.6
Import	105.2	3.2	28.7	210.7	269.8

In 1918 the total exports were 8 million roubles, the chief items being : furs, 1.3 million roubles ; hemp and flax, 1.9 million roubles ; timber, 0.7 million roubles ; metals and ore, 1.2 million roubles.

In the first years of its existence Soviet Russia on

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the one hand exported the main articles of its future export, and on the other sold abroad the raw metals which could not be used in the country.

The value of imports during that year amounted to 105 million roubles and consisted of ore, metals and metal ware, 18.3 million roubles ; foodstuffs, 15.5 million roubles ; footwear and animal products, 6.7 million roubles ; and other articles of consumption and finished goods.

The export of goods from the U.S.S.R. in 1919 can be put in one item : the total was 100,000 roubles, which went to the Ukraine, then under a government hostile to the Soviets and not forming part of the Union. Imports in 1919 amounted to 3.2 million roubles, a sum so small that its detailed analysis would be of no interest.

The next year, 1920, shows little difference from the preceding one. Total exports were 1,397 thousand roubles ; flax, 445 thousand roubles ; barley, 112 thousand roubles ; timber, 500 thousand roubles. These exports went almost exclusively to Esthonia, the first country which resumed normal relations with the Soviet Union ; the total exports to this country were 1,067 thousand roubles.

Imports in the same year amounted to 28.7 million roubles, the main articles being finished goods : clothes, 13 million roubles ; ore, metals and their products, 4.8 million roubles ; leather and foot wear, 4.8 million roubles.

The year 1921 was the year when intervention and blockade ended, and foreign trade began to revive. Soviet exports amounted to 20 million roubles,

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including flax and hemp, 4·2 million roubles ; furs, 2·8 million roubles ; timber, 4·2 million roubles ; products of the mining industry, 2·2 million roubles.

Imports amounted to the considerable sum of 210 million roubles. Foreign countries were still creating difficulties for Soviet exports, but did not object to purchases by the U.S.S.R. In spite of this, the imports of 1921 were in the first place determined by the difficult conditions in the country itself. It is well known that during the imperialist and civil wars and intervention, the economy of the Soviet Union had been ruined, particularly in agriculture ; as a result of this and the drought in the summer of 1921, there was a great famine in a number of regions in Soviet Russia.

The measures taken by the Soviet Government were directed towards feeding the population of those districts and supplying it with articles of the first necessity. Of the total imports, 210 million roubles, the chief items were finished goods, food-stuffs, grain, 20 million roubles ; boots and leather, 54 million roubles ; cloth and wearing apparel, 46 million roubles. Nevertheless, imports of ore and metal goods, including machines, amounted to 56 million roubles.

Later statistics show imports not on the basis of the calendar year, but according to the economic year, which in Soviet Russia in that period ran from the 1st of October to the 30th of September. The next year's statistics therefore are for 1921-22, that is, the period from the 1st of October, 1921, to the 30th of September, 1922. During that period exports

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amounted to 63·4 million roubles, more than half the total value being accounted for by agricultural, animal and hunting products ; grain, 38 million roubles ; furs, 5 million roubles ; the balance was made up of industrial exports, the main items being timber and timber products, 22 million roubles ; oil and cotton-seed cake, 6·8 million roubles ; and mineral oil products, 10·5 million roubles.

Imports of 1921-22 amounted to the considerable sum of 271 million roubles, half being accounted for by foodstuffs ; the next group of importance was metals and metal goods, 74 million roubles ; and yarn, especially cotton, accounted for 31 million roubles.

During the course of the two years 1921-22 and 1922-23 imports were affected by special famine relief organisations in addition to the State.

In 1922-23 total exports amounted to 133 million roubles—rye and flax, 60 million roubles ; timber products, 22 million roubles ; mining products, 11 million roubles.

The imports of 1922-23 amounted to 148,631,000 roubles : wheat, foodstuffs and animal products, 24 million roubles ; metals and metal goods and equipment, 48 million roubles : yarn and cloth, 31 million roubles. The year 1922 may be considered as the end of the blockade and intervention and of general artificial barriers to Soviet foreign trade.

In 1921 a new economic policy was established in Soviet Russia, the main aim of which was the increase of home and foreign trade. In the field of foreign trade this policy could not be realised before the end of the intervention and blockade.

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THE PERIOD OF RECOVERY

With the establishment of normal relations between the Soviet Union and foreign countries, there began a more normal development of foreign trade. The period of 1922-25 was the period of the establishment of normal relations between the Soviet Union and foreign powers. But Soviet foreign trade could not reach large dimensions at once ; the ruin of the country's whole economy during the period of war and intervention prevented the development of foreign trade. Therefore exports in 1924 were small, amounting to 337 million roubles ; imports totalled 260 million roubles. But in the next year, 1925, we see a considerable increase in the turnover of foreign trade, which for exports and imports together amounted to 1,500 million roubles. In the following years there was a further increase to 2,000 million roubles.

In our further analysis of the foreign trade of the U.S.S.R. we have to take into consideration that the years 1923-26 were considered in the Soviet Union as a period of recovery, and the following years, 1927-32, as the period of construction of the people's economy. During the first period the Soviet Union was chiefly engaged on restoring its economy to the former level, re-establishing old factories and industrial undertakings and agriculture.

In describing the foreign trade of this period we shall not dwell on each year in particular, but will only show the general structure of foreign trade during these years and the changes it underwent in

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passing from the period of recovery to the period of construction.

The main lines of the development of foreign trade during that period were as follows :

(a) *The change in proportion between the export of agricultural products and the export of industrial goods.*

In 1923-24 exported agricultural products amounted to 233 million roubles, and exported industrial goods amounted to 140 million roubles, the total being 373 million roubles.

In 1927-28 agricultural products were exported to a total of 360 million roubles, and industrial exports amounted to 431 million roubles, the total exports being 791 million roubles.

Thus there was a considerable change in the ratio between agricultural and industrial exports. The export of agricultural products increased considerably during these years, giving an increase of 50 per cent during 5 years, but the export of industrial goods grew 4 times faster, giving in 1928 as compared to 1924 an increase of 200 per cent. Instead of grain and foodstuffs, the main articles of Soviet export during the period of recovery, and the main items of Soviet export in the period of construction, are timber and timber products, oil and oil products, as well as other articles of industrial output.

(b) *The Change in Soviet Agricultural Exports*

In the agricultural exports themselves there were also considerable changes. In 1923-24, of the total of 233 million roubles of agricultural exports, 167

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million roubles were products of agriculture itself, 40 million roubles products of animal husbandry and fowl breeding (chiefly butter and eggs), 25 million roubles products of hunting and fishing (chiefly furs).

In 1927-28 total agricultural exports were 360 million roubles ; pure agricultural products only totalled 86 million roubles, while animal and dairy products amounted to 140 million roubles (butter and eggs 80 million roubles), and products of hunting and fishing totalled 133 million roubles, which included 105 million roubles for furs. Thus agricultural exports showed a decided improvement in quality ; in 1923-24 two-thirds of these exports consisted of the products of agriculture itself, i.e., were mostly grain.

In 1927-28 exports of grain decreased as compared with 1923-24, forming less than one-quarter of total agricultural exports. There was also an increased export of animal products (butter and eggs), which during these years increased three and a half times and in 1927-28 constituted almost 40 per cent of the total exports of agricultural products.

There was also an exceptional growth of fur exports, which during those years increased more than five times, in 1924-28 constituting one-third of the total export of " agricultural " products.

(c) *Changes in the Composition of Industrial Exports*

In 1923-24, of the total sum of industrial exports—139 million roubles—timber and timber products accounted for 49 million roubles ; the products of food industry for 22 million roubles, the products of mining 53 million roubles.

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In 1927-28 total industrial exports were 431 million roubles—timber and timber products, 96 million roubles ; food industry, 76 million roubles ; mining industry, 138 million roubles.

As these figures show, there was a rapid increase in all branches of industrial exports ; timber and timber materials were nearly double, oil and oil products more than two and a half times, the food industry three and a half times.

Thus in the sphere of industrial exports we find an increase in the items requiring a considerable amount of working up and at the same time an increase in the total value of exported goods.

(d) *The Character of Imports*

Coming to the character of imports, we find that considerable changes took place here also. In 1923-24 total imports—233 million roubles—were distributed as follows :

	Million roubles
Cotton	57
Wool	10·3
Rubber	8·7
Dyes	9·3
Tanning materials	3

The total value of raw materials imported for the use of light industry was 88 million roubles.

At the same time we imported machines and tools to a value of 16·2 million roubles ; non-ferrous metals, 9·5 million roubles ; iron, ferrous metals and metal ware, 7 million roubles ; agricultural machines and spare parts, 5 million roubles ; automobiles,

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2 million roubles ; scientific instruments and electric machines, 4 million roubles.

The total value of the goods imported for factory equipment was 43,700 million roubles, the rest being finished articles and consumption goods.

In 1927-28 the same articles show :

	Million roubles
Cotton	154
Wool	62
Rubber	24
Dyes	11.7
Tanning materials	15.7

Total imports of raw materials for light industry were 267 million roubles.

The imports of means of production are shown below :

	Million roubles
Machines and apparatus	90
Non-ferrous metals	58
Iron, ferrous metals, and metal ware	48
Agricultural machines and spare parts	52
Motor transport	8
Scientific instruments and electrical machinery	60

The total of imported equipment and raw materials for heavy industry was 318.3 million roubles. Thus the import of raw materials for light industry increased three times, the growth of the import of equipment and raw materials for heavy industry increased seven and a half times, twice the increase in raw materials for the light industry.

During this period the Soviet Union was utilising to the full all the undertakings of light industry of

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the old Tsarist Russia, when necessary importing raw materials, such as cotton, wool and rubber.

Moreover, the Soviet Union had increased to the greatest possible extent the import of machines and equipment, and ferrous and non-ferrous metals, for the construction of new factories. At the same time the Soviet Union was dealing with the problem of the reconstruction of its agriculture—the old wooden plough was to be replaced by the tractor and combine. In order to do this, it was necessary to build new factories and start the production of up-to-date agricultural machinery. But without waiting for the completion of these factories, the Soviet Union hastened at the end of the period of recovery to provide its agricultural economy with tractors and other agricultural machinery, and increased their import by 1,000 per cent within five years.

The changes mentioned above in the character of imports and exports indicate the passing from the period of recovery to the period of construction—to the first Five-Year Plan.

THE PERIOD OF THE FIRST FIVE-YEAR PLAN

As is well known, the first Five-Year Plan was completed in four years and three months, thus covering the period of October–December 1928 and the four following calendar years. The foreign trade for these years was as follows (in million gold roubles, at current prices) :

	1929	1930	1931	1932
Exports	923·7	1,036·4	811·2	563·9
Imports	880·6	1,058·8	1,105·8	698·7

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These figures show that foreign trade considerably increased and in 1930 reached a total of two thousand million roubles. The total fell in 1932, on account of causes which we shall mention later.

The character of imports in 1929-32 made still further progress along the lines of 1926-28. Exports during the first Five-Year Plan were as follows (in thousands of gold roubles, at current prices) :

	1929	1930	1931	1932
Grain	23,007	207,068	157,623	56,794
Eggs and butter	54,959	14,253	29,973	17,500
Furs	106,623	76,840	56,199	41,672
Timber	152,509	169,740	113,594	78,471
Oil	137,942	157,052	115,663	105,285

The character of imports during the Five-Year Plan changed more than the character of exports. These changes proceed along two lines : increased imports of means of production in comparison to the import of consumption goods, and also an increase of the import of equipment and a reduced import of raw materials.

If we take for example the year 1931 as characteristic for the whole Five-Year Plan, we find the following imports :

A. Raw Materials for Light Industry

	Million roubles
Cotton	40.6
Wool	13.2
Rubber	13.9
Dyes	1.2
Tanning materials	0.4
Total	88.3

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B. Equipment and Raw Materials for Heavy Industry

	Million roubles
Machines and apparatus	240·7
Non-ferrous metals	49·3
Iron, ferrous metals, and iron ware	215·3
Machine parts	98·8
Agricultural machinery	18·0
Tractors	79·5
Motor transport	37·6
Scientific instruments and electrical machinery	68·8
Means of production and raw materials for heavy industry	Total 808·0

The increase of imports for the needs of heavy industry is explained by the fact that the principal aim of the Five-Year Plan was the creation of a firm basis for industry inside the U.S.S.R., i.e., the building of factories for heavy industry. It will be interesting to compare the character of foreign trade during the Five-Year Plan with that of the pre-war period. The following table gives us this comparison expressed in percentages of total value :

	1909-13	1929-32
TOTAL EXPORTS	100	100
A. <i>Agricultural Exports</i>	70·6	39·4
Including :		
Agricultural products	52·7	19·8
Animal products	16·9	9·4
Hunting and fishing products	1·0	10·2

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	1909-13	1929-32
<i>B. Industrial Exports</i>	29·4	60·6
Including :		
Timber and products of dry timber distillation	10·0	15·6
Products of food industry	9·7	9·2
Products of mining industry	3·7	20·1
Other branches of industry	6·0	15·7

If we take the figures of imports already given, we find basic changes in the character of the imported articles. During the pre-war years the main items of import were raw materials for light industry, which formed about 52 per cent of the total. In 1931 these imports constituted 7 per cent of the total. The imports of equipment and raw materials for the textile industry in pre-war years were 27·4 per cent ; in 1931 they amounted to 74·6 per cent.

These figures show the great changes that were taking place in the economic life of the country.

The decline in Soviet foreign trade in 1932 was by no means due to the desire of the Soviet Union to curtail its trade relations. Under the restricting trade and political measures of the capitalist countries, the exports of the U.S.S.R. began to fall in 1931. This continued in 1932. As Soviet exports are the means of covering Soviet imports, it is evident that the Soviet Union was forced by the reduction of exports to reduce its imports, if it was to provide payments as they fell due. This consideration explains the further sharp curtailment of imports in 1933, which was necessary, in view of the reduced exports, in order to provide for the payments due on

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credits already received. This object was achieved completely.

It should be noted, however, that the reduction of the foreign trade turnover of the U.S.S.R. was much less than that of the outside world.

If we compare the fall of Soviet foreign trade and that of 90 other countries, we get the following figures :

In 90 countries (in million roubles)¹

	1929	1932
Exports	62·167	23·733
Imports	67·582	26·559
Total trade turnover	129·749	50·292

In the U.S.S.R. (in million roubles)²

	1929	1932
Exports	924	564
Imports	881	699
Total trade turnover	1,804	1,263

In percentages this fall of foreign trade may be expressed as follows : taking 1929 as 100 per cent, we have, for 90 capitalist countries in 1932, exports 38·2 per cent ; imports 39·3 per cent ; trade turnover 38·8 per cent.

For the U.S.S.R in 1932 we have : exports 61 per cent ; imports 79·3 per cent, trade turnover 70 per cent.

Thus the decline in world trade in 1932, as compared with 1929, was two-thirds ; the decline of Soviet foreign trade was less than one-third.

¹ *Statistisches Jahrbuch für das Deutsche Reich, 1929-1932. 1932 Vierteljahrshefte zur Konjunkturforschung, Heft I., Teil B, 1933.*

² Soviet Customs statistics.

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We have given a complete analysis of the volume and character of Soviet trade during the first Five-Year Plan. In the course of the second Five-Year Plan the foreign trade of the U.S.S.R. is changing considerably. We have given above the statement of Rosengolz, the People's Commissar for Foreign Trade, that there is no urgent necessity for imports, and that the U.S.S.R. will increase its imports only as the conditions for its purchases improve.

This change in the import policy of the U.S.S.R. explains to a great extent the curtailment in the foreign trade of the U.S.S.R. in 1933. The figures are as follows :

In million roubles (at 1933 prices)

	1932	1933
Exports	574·9	495·7
Imports	704·0	348·2

These figures show a certain decrease in exports in 1933 as compared with the preceding year, and a still greater decrease in imports. The character of both exports and imports in 1933 remained in general the same as it was in 1932. Some changes have taken place in the share of different countries in the Soviet trade turnover. Notably there is a decrease of the German share, and still more in that of Britain.

Percentage of total exports of the U.S.S.R.

	1932	1933
Britain	24·1	17·6
Germany	17·5	17·3

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Percentage of total imports of the U.S.S.R.

	1932	1933
Britain	13·1	8·8
Germany	46·5	42·5

There is an increase in the Soviet trade turnover with Belgium, Holland, Italy and France. The decrease in trade between the U.S.S.R. and England in 1933 is explained by the break, though it was only a temporary one, which took place in the normal trade relations between these two countries.

We must now deal with the question of the trade balance of the U.S.S.R. As we have already mentioned, the trade balance of Tsarist Russia was always "favourable," an excess of exports ; Tsarist Russia got hundreds of millions of roubles from foreign trade, and these were used to cover other needs.

We have given figures of the imports and exports of the U.S.S.R. From these figures we see that practically every year the Soviet foreign trade balance has been "unfavourable" (an excess of imports), with the exception of the years 1923, 1924 and to some extent 1926 and 1929 ; the last few years from 1927 to 1932—the years of construction and of the first Five-Year Plan—show an unfavourable balance every year.

Of course in respect to different countries, the balance of trade differs, but we have to take into consideration that the countries dealing with the U.S.S.R. are trading with each other, and that the possible "unfavourable" balance of one of them in

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its trade with the U.S.S.R. may be compensated from another country which has a "favourable" balance in its trade with the U.S.S.R.

The U.S.S.R. has sought, and has now achieved, a favourable balance on its total foreign trade. This is essential in view of the fact that besides payments for imports, the U.S.S.R. has to cover a number of other payments—in the first place, payment for freight, which requires millions. These payments to a great extent correct the trade balance of the U.S.S.R. with other countries, and they have to be taken into consideration in explaining and settling the question of the balance of payments between the U.S.S.R. and other countries.

CHAPTER III

SOVIET TRADE RELATIONS WITH THE MOST IMPORTANT COUNTRIES UP TO 1927

TRADE RELATIONS OF TSARIST RUSSIA WITH SEPARATE COUNTRIES BEFORE THE WAR

THE FOREIGN trade of pre-war Russia was determined by its enormous dependence on the great capitalist countries in Western Europe. The greater part of this trade was carried on by pre-war Russia with European countries, whose share in 1913 amounted to nine-tenths of the total exports, and two-thirds of Tsarist Russia's imports came from the three most important capitalist countries in Europe, i.e., Germany, Great Britain and France. Moreover, these three countries, especially Germany, not only exported to Russia their own products, but carried on a large transit trade, playing the part of commission and trade agents for the Russian market. Russian grain, furs, timber, animal products, Siberian butter—all these goods were exported abroad chiefly by big foreign exporters, who bought them in Russia.

The supply of Russia with the necessary foreign materials, tools and machinery, was carried on through foreign technical agencies and trade agents, German and others.

The chief place in exports and imports was

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occupied by Germany. The share of that country during the five-year period 1909-13 amounted to 25-30 per cent of total Russian exports, and from 42-48 per cent of total Russian imports.

Russia exported to Germany grain, poultry, animal products, timber, flax, and bristles, and imported chiefly industrial implements and raw materials, in particular, textile goods, machines (chiefly agricultural machinery), chemicals, etc.

The second place in the foreign trade of pre-war Russia was occupied by Great Britain, which consumed about 20 per cent of the total exports and provided 12-14 per cent of the total imports. In 1909-13, 46 per cent of the Russian exports to Great Britain were foodstuffs and 52 per cent raw materials and semi-manufactured goods. Russian timber, flax, eggs, butter, salmon, rye, barley, oats, bristles, and horse-hair dominated the English market.

In 1913 one quarter of the total Russian imports from England consisted of coal, chiefly for the works and factories of St. Petersburg and Riga. Another quarter consisted of raw materials, mostly of colonial origin (cotton, wool, rubber and non-ferrous metals).

The proportion of re-export in the English exports to Russia kept increasing. In 1913 re-exported goods constituted about 40 per cent of the total English exports to Russia.¹ Thus England was losing its position of "world-workshop" (for Russia among other countries) and kept for herself the position of a trade

¹ In fact the amount of these goods was even larger, if we take into consideration that many colonial goods were imported to Russia by way of Germany, and thus escaped the English statistics of re-exported goods to Russia.

agent in world trade, using for that purpose the well-developed trade and bank apparatus which had been built up for decades and was supported by a first-rate mercantile fleet. But England still exported to Russia finished goods, and the actual, but not the relative, quantity of these continued to increase.

Thus in 1913 of the total import of machinery and apparatus, England's share was only 15 per cent, but of the imports of agricultural machinery one-third came from England. Consumption goods, such as fish, oysters, crayfish, spirits, spices, tea, rice and so on, formed a considerable part of the Russian imports from England, while not a small part was played by articles of luxury.

Russia was a large and growing market for England, but during the last decade before the war, the English exports to Russia more and more gave way to the great rivals of England, namely, Germany and the United States. In particular, American agricultural machinery began to supersede English in the Russian market. In addition to this, the English re-export trade was threatened. Thus, cotton from the Southern States of America began to penetrate direct into the factories of Moscow and Ivanovo-Vosnesensk instead of passing through the Liverpool Exchange.

Russia had close economic relations with France, but they were mostly on financial lines. The basis of the French exports to Russia was not goods, but capital. Of the total imports to France, goods from Russia constituted 5.4 per cent, the three chief items being grain, flax and timber. The French exports to Russia were small and consisted mostly of consumption

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goods and articles of luxury. The products of French heavy industry did not form any considerable part in the trade turnover.

The economic relations between the U.S.A. and Russia were rather weak in the pre-war period ; of the total trade turnover of these countries, the exports and imports from one to another constituted an insignificant percentage. In 1909-13 the exports from Russia to the United States formed 1·2 per cent of the total imports of the U.S.A. In the total exports from the United States, the exports to Russia at that period amounted to 1·1 per cent. The U.S.A. exported to Russia a considerable volume of raw materials (cotton, copper and other non-ferrous metals) and manufactured goods, mining and other equipment, agricultural machinery. The U.S.A. imported from Russia an insignificant amount of goods (furs, wool, liquorice, flax).

The trade relations of pre-war Russia with other countries were of relatively small importance. Only Holland was a fairly considerable market for Russian products, particularly Russian grain. In the Russian exports of 1913 Holland occupied the third place, and its share amounted to about 12 per cent of the total Russian exports.

CHANGES DURING THE WAR

The World War brought a sharp decline in the foreign trade of pre-war Russia. During the World War the most important countries for Russian foreign trade were Great Britain, the U.S.A. and the Scandinavian countries.

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In particular there was a great increase in British exports to Russia, which rose by leaps and bounds ; in 1915 these amounted to £13·4 million, in 1916 to £25 million, in 1917 to £48·7 million. At the same time there was a sharp drop in re-exports, and the amount of raw materials exported to Russia was greatly reduced, giving way to manufactured goods, chiefly articles of military equipment. On the other hand, exports from Russia to England during the World War continuously fell ; in 1914 they amounted to £26·1 million against £40·8 million in 1913 ; in 1915 to £21·4 million, in 1916 to £18·8 million, and in 1917 to £17·9 million. The balance of Anglo-Russian trade, which for many decades had invariably been favourable in respect to Russia, became favourable in respect to England. Owing to the war, England excluded Germany from the Russian market. The share of England in Russian imports increased to 34·4 per cent of the total Russian imports in 1917, against the 12·6 per cent of 1913. At the same time England almost monopolised Russia's export of raw materials and food-stuffs. The passage through the Black Sea was closed, and grain export from the Southern ports became impossible. But the northern routes via Murmansk and Archangel became of tremendous importance.

Besides England, the U.S.A. also considerably increased their exports to Russia during the World War. Against \$27·9 million exports in 1914, in 1915 the U.S.A. exported to Russia goods to the sum of \$170 million, in 1916 \$470·5 million, and in 1917 \$424·5 million, almost the whole trade being carried

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through the ports of the Far East. The relations between the two countries also improved, and a number of economic treaties were concluded.

SOVIET TRADE RELATIONS DURING THE BLOCKADE AND CIVIL WAR (1918-1921)

From January to March 1919 the foreign trade of Soviet Russia consisted almost exclusively of exports and imports from the Ukraine, at that time separated by a customs barrier. The year 1920 is the critical year in the relations of the Soviet Union to the outer world. On the 2nd of February, 1920, a peace treaty was concluded with Esthonia and the first goods came from abroad. This month may be considered as the month of the resumption of Soviet foreign trade. During that first period (1920-1921) the foreign trade of Soviet Russia was in the main trade with the Baltic Border States. The Baltic Border States, Esthonia in particular, constituted the first breaches in the blockade of the U.S.S.R. and thus, as Krassin, People's Commissar for Foreign Trade, expressed it, they became a "window to Europe," i.e., the main channel for Soviet exports and imports and Soviet transit. In 1920, 76 per cent of the total Russian transit trade went through Esthonia only, and in 1921, 71 per cent of the total transit for that year. As there were no normal economic relations between the Soviet Union and the big countries of Western Europe and the U.S.A., the Baltic Border States, and to some extent the Scandinavian countries, were the chief and almost the only agents in the trade of the Soviet

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Union with the West. The exports from the Border States and the Scandinavian countries to the U.S.S.R. were at that period exceptionally large, and the trade balance amounted to a considerable sum against the U.S.S.R.

The renewal of trade relations between the Soviet Union and other countries proceeded in the following way : In March 1920, the British Government agreed to negotiate with the delegation of Centrosoyus,¹ headed by Krassin, the People's Commissar for Foreign Trade. As on its way to England the delegation had to pass through Sweden, the first negotiations were started in that country, and they ended in the signing of an agreement with Swedish trade and industrial enterprises for the sale of railway equipment to the rather considerable sum of 100 million Swedish crowns.

The significance of this agreement with Sweden lies in the fact that it practically broke the so-called "gold blockade,"² which actually continued to exist after the nominal cessation of the war and economic blockade of the Soviet Union by the Entente.

The negotiations with Britain continued for a year and ended in the signing of a trade agreement on the 16th of March, 1921.

¹ The Central Union of Consumers' Co-operatives in the Soviet Union.

² This "gold blockade" consisted of the fact that the big financial banks in Europe, especially England and France and the U.S.A., refused to accept Russian money and in general any gold that came out of Russia. As Soviet Russia had no other means of payment but gold currency and gold ingots, it placed the Soviet Government in a difficult position. In spite of a decision of the Supreme Council, the "gold blockade" actually continued to exist.

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THE RESUMPTION OF TRADE WITH THE OUTSIDE WORLD

Thus 1921 was the first year of the renewal of systematic trade relations between the Soviet Union and the outer world ; of all the great capitalist countries, Britain was the first to regularise its trade relations with the Soviet Union.

The significance and results of the trade agreement with Britain, which paved the way to economic relations between the Soviet Union and the great capitalist countries of Europe, were stressed by Lenin : " Our aim at present," Lenin wrote at the end of 1920, " is to obtain a trade agreement with England, in order to begin a more regular trade turnover, to start as soon as possible to buy machines required for our large plans of restoring national economy. The sooner we have done this, the sooner we shall have foundations to free ourselves from economic dependence on the capitalist countries." The trade agreement gave a stimulus to the development of the economic relations between England and the U.S.S.R. In the same year post and telegraph communications were opened, and the placing of orders with English firms began. In 1921 the Soviet imports from England reached the sum of 61 million roubles, against 8 million roubles in 1920, amounting to 29 per cent of the total Soviet imports. The Soviet exports to England amounted in 1921 to only 9 million roubles.

The Anglo-Soviet agreement served as a signal for the majority of European countries. In the same

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year a trade agreement was signed with Germany. The first paragraph of this agreement reads as follows: "Trade representatives for the development of economic relations between the two countries are to be added to the delegation for prisoners of war." According to paragraph 12, the trade representatives are acknowledged as "the legal representatives of the Russian Government for performing lawful operations on the territory of Germany."

In spite of the fact that the atmosphere of inflation in Germany affected trade relations, and that the quarters of the trade representatives in Berlin were infested by speculators and suspicious agents, the relations were on a genuine business footing. By the end of 1921 the first mixed companies, "Deruluft" and "Derutra," were founded, and they proved to be profitable for the German shareholders.

As a result, in 1921 the Soviet Union established more or less regular trade relations with Poland, Norway, Czechoslovakia, Austria and Italy, besides the Baltic Border States, Sweden, England and Germany. The trade representatives in Constantinople and Teheran made it possible to initiate trade connections with the East.

TRADE RELATIONS DURING THE PERIOD OF RECOVERY (1922-27)

With the end of the civil war, the introduction of N.E.P. (the "New Economic Policy," sanctioning private trade internally) and the beginning of the economic recovery of the Soviet Union, there begins a rapid process of recovery in foreign trade, and a

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widening of the economic relations of the Soviet Union with Western and Eastern countries.

Owing to the re-establishment of the economic power of the Soviet Union, there was an obvious improvement in the international conditions for Soviet trade. On the 7th of February, 1924, a trade agreement with Sweden, and on the 8th of August, 1924, a trade agreement between the U.S.S.R. and Great Britain, were concluded ; the latter was not ratified later on by the Conservative Cabinet which succeeded the Labour Party in power. By the end of 1924 negotiations were started with Germany which ended in 1925 with the signing of a trade agreement. Little by little the capitalist world accepted the economic system of the U.S.S.R. as an irrevocable fact, and was obliged to begin to arrange relations with the U.S.S.R. based on the monopoly of foreign trade. At the beginning of 1924 the U.S.S.R. was actually trading with the majority of capitalist countries.

The general conditions under which the recovery and development of the Soviet Union's foreign trade took place were determined by two main considerations : by the system of organisation and the development of the Soviet Union's foreign trade on the one hand, and by the relations of the outer world to the Soviets on the other. At the same time, the persistent hopes of some capitalist governments for some attempt at intervention caused the renewal of trade relations to be a long and difficult struggle in which the Soviet Union had to fight for the most elementary and customary privileges in the field of foreign trade. It is necessary to point out that in most cases the

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renewal of trade relations with the U.S.S.R. by the capitalist countries was only effected under the pressure of necessity. The main part in this was played by the fear of lagging behind their competitors in securing the benefits of the new and extensive possibilities of the Soviet market.

During 1922-23 Soviet exports almost doubled, and this growth continued, although not at such a rapid rate, during the following years. But the actual volume of Soviet exports still remained insignificant as compared with the pre-war period. If to some extent this was due to an insufficient recovery of production in Soviet economy, especially during the first few years, the second cause was the extreme weakness of Soviet relations with the world market in the field of export operations. After the long interruption of trade the place formerly filled by Russian goods was now occupied by the products of other exporting countries. Therefore although after some hesitation nearly all the great capitalist countries chose to resume trade with the U.S.S.R., the sale of Soviet goods met with considerable difficulties. A temporary absence of Soviet goods on the world market had been used by competitors to increase their exports and inflate prices. It was quite natural that they tried to impose all kinds of restrictions, even a boycott of Soviet exports. There were cases, as in the U.S.A., for instance, when Soviet goods were confiscated as "not belonging to the U.S.S.R." Besides formal obstacles imposed on Soviet trade, the capitalist countries applied measures having the character of an economic blockade.

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As the result of this the Soviet Union had to break down a special blockade for the recovery of the market for almost every main branch of its exports. Thus the first attempt to export Soviet timber was met by the resistance of the English Timber Exchange, influenced by some timber trading firms which had interests in pre-war Russia and therefore considered themselves affected by the nationalisation of property. A similar attempt was made by the oil companies, in the first instance by the "Royal Dutch," an attempt to close the foreign market to Soviet oil products. Here must be mentioned the refusal of foreign insurance companies to insure Soviet goods, the gold blockade which was carried out in a number of countries and raised in the United States only after recognition of the Soviet Union, difficulties with the granting of credits, etc. But all these attempts at the boycott of Soviet exports were more or less broken down in spite of all difficulties, and from 1922-23 we see a systematic growth in the foreign trade turnover of the U.S.S.R.

The lines along which Soviet trade developed can be seen from the following table (pp. 74-75).

This table shows a partial diversion of trade away from Europe, especially with regard to imports, and a more even distribution of Soviet foreign trade among a larger number of countries than in the pre-war period. This tendency to decrease the trade with Europe was shown by the curtailment of the share of European countries in Soviet exports from 87 per cent (1913) to 80-81 per cent (1922-26) and in imports from 76.8 per cent (1913) to 55 per

EXPORTS AND IMPORTS (showing the percentage share)

Countries	EXPORTS				
	1913	1922- 23	1923- 24	1924- 25	1925
1. Border States	—	22·9	14·8	14·4	12·1
Including :	—	—	—	—	—
Esthonia	—	6·3	4·0	2·5	2·1
Latvia	—	14·2	10·0	11·2	9·5
Poland	—	2·3	0·8	0·7	0·6
2. Other European States	87·0	70·3	64·7	66·3	67·5
Including :	—	—	—	—	—
Great Britain	17·8	21·6	22·4	31·2	28·1
Germany	29·9	32·4	17·8	15·6	16·1
Holland	11·8	5·3	5·8	3·7	3·1
France	6·7	0·4	4·1	4·0	3·1
Belgium	4·2	1·3	2·5	3·4	2·1
Italy	4·8	2·5	4·1	2·8	4·1
Finland	3·6	3·8	2·5	0·4	0·1
Austria	4·3	0·1	0·2	0·5	0·1
Sweden	0·8	0·6	0·7	0·2	0·1
Norway	0·4	0·5	0·6	0·3	0·1
Total Europe	87·0	93·2	79·5	80·7	79·5

Countries	EXPORTS			
	1913	1922- 23	1923- 24	1924- 25
3. U.S.A.	0·9	0·4	1·9	5·0
4. Eastern Countries	8·7	4·5	14·2	11·4
Including :	—	—	—	—
Turkey	2·3	3·8	6·3	1·8
Persia	3·8	0·3	2·0	5·1
Afghanistan	0·4	—	0·3	0·1
China	1·9	—	1·5	1·6
Mongolia	0·2	—	0·4	0·5
Japan	0·1	—	4·0	2·3
5. Other countries	3·4	1·9	4·4	2·9
Total	100	100	100	100

FACTS OF THE U.S.S.R.
(are of each country)

IMPORTS

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1925- 26	1926- 27	1913	1922- 23	1923- 24	1924- 25	1925- 26	1926- 27
22.4	10.9	—	14.3	4.1	2.4	2.8	2.6
2.5	0.9	—	3.3	1.8	0.6	0.9	0.5
0.4	7.4	—	4.9	1.1	0.4	0.6	0.2
0.5	2.5	—	6.0	1.2	1.4	1.3	1.9
70.0	71.0	76.8	80.4	54.6	47.1	58.8	52.8
3.7	25.8	12.6	25.0	21.0	15.3	17.1	14.2
0.6	21.9	47.5	41.3	19.4	14.2	23.1	22.7
3.1	3.0	1.4	1.6	0.6	4.8	1.0	0.7
3.9	7.0	4.1	0.1	1.0	1.3	2.6	3.1
0.7	1.7	0.6	0.5	0.2	0.5	0.3	0.0
1.9	4.9	1.2	0.5	0.5	0.7	3.1	0.5
0.7	1.4	3.7	3.8	3.0	2.6	2.0	2.5
0.5	0.5	2.6	0.3	1.1	1.5	3.0	2.8
0.5	0.8	1.2	4.9	5.3	2.2	2.8	1.7
1.0	2.0	0.7	2.2	1.8	0.7	0.1	0.4
9.4	81.9	76.8	94.7	58.7	49.5	61.6	55.4

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IMPORTS

1925- 26	1926- 27	1913	1922- 23	1923- 24	1924- 25	1925- 26	1926- 27
4.5	3.0	5.8	3.0	21.8	27.9	16.0	20.4
13.1	12.3	11.5	2.2	17.2	11.1	12.4	13.6
2.6	1.8	1.3	0.5	0.4	0.5	1.3	1.5
5.2	5.6	3.2	1.6	9.5	7.2	5.8	5.7
0.4	0.4	0.5	—	0.6	0.2	0.4	0.6
2.5	2.4	5.5	—	4.8	2.3	4.1	4.2
0.5	0.6	0.6	—	0.8	0.5	0.5	1.1
1.9	1.5	0.4	—	1.1	0.4	0.3	0.5
3.0	2.8	5.9	0.1	2.3	11.5	10.0	10.6
100	100	100	100	100	100	100	100

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cent (1926-27). The share of the U.S.A. as against that of Europe, considerably increased, i.e., from 5·8 per cent (1913) to 16-20 per cent (1925-27), as did that of some other countries (Australia, South America and others) from 5·5 per cent (pre-war period) to 9·9-11·5 per cent (1925-27). This tendency, especially in the case of imports, was in the main caused by the fact that the U.S.S.R. began to establish direct trade relations with the countries producing colonial raw materials. The importance for Soviet exports of the markets of Eastern countries increased considerably, as against that of Europe, from 8·7 per cent (1913) to 11-13 per cent (1922-27) ; and to some extent the same increase of Soviet exports took place with the United States, from 0·9 per cent to 3-4 per cent.

Of the other countries, the first place in Soviet imports and the second in Soviet exports during all these years was occupied by Germany. Although as compared with the pre-war period Germany's share in Soviet exports and imports decreased, its importance for the foreign trade of the U.S.S.R. grew every year. Great Britain occupied the first place in the exports from and the second place in the imports to the U.S.S.R., its share being larger than in the pre-war period. But in contrast to Germany, the importance of Britain in the foreign trade of the U.S.S.R. and particularly in Soviet exports, showed a tendency to decrease. The reasons for this will be given later. The U.S.A. as a rule occupied the third place in imports to the U.S.S.R. and in some years Soviet imports from the U.S.A.

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rose even to the first place (1924-25) or the second (1926-27). In exports from the U.S.S.R. the United States market played a less significant part. During the first few years of the period of recovery Soviet exports to the United States occupied the third place (1922-24), and in the following years (1925-27) they fell back to the fifth and the sixth place. But as compared with the pre-war years the U.S.A. has considerably increased its share in the exports from the U.S.S.R. (3-4 times), and still more in imports to the U.S.S.R. (4-5 times). The Baltic Border States had a comparatively important share in the foreign trade of the U.S.S.R. in that period, especially Latvia, a fact explained by the importance of these countries as bases for transit. But with the development of direct foreign trade between the U.S.S.R. and its customers, their importance gradually decreased. The share of Italy and France reached the pre-war level in the exports from the U.S.S.R., but in the imports they, especially France, were lagging behind. Among the Eastern countries there was an increase of the trade turnover between the U.S.S.R. and Persia, Mongolia and China, especially in the case of exports.

The relations of the U.S.S.R. with the most important countries during the period of construction are shown by the following statistics.

TRADE WITH GREAT BRITAIN

The total turnover of Anglo-Soviet trade, as shown in the statistics of the Soviet People's Commissariat

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for Foreign Trade, was as follows (in absolute figures and percentages) :

<i>Years</i>	<i>Soviet Purchases in Great Britain</i>	<i>Soviet Sales to Great Britain</i>	<i>Total turnover of Anglo- Soviet trade</i>
1922	£9.4 million	£5.9 million	£15.4 million
1923	4.7 "	10.5 "	15.1 "
1924	14.8 "	19.4 "	34.3 "
1924-25	23.5 "	27.4 "	50.8 "
1925-26	20.2 "	22.2 "	42.4 "
1926-27	15.3 "	24.7 "	40.1 "

The Soviet share in British exports and imports during the period 1922-27 (in percentages)

	1913	1922	1923	1924	1925	1926	1927
<i>British imports from the U.S.S.R. (in % of British total imports)</i>	5.2	0.8	0.9	1.6	1.9	1.9	1.7
<i>British exports to the U.S.S.R. (in % of British total exports)</i>	4.4	0.5	0.4	1.2	2.7	1.9	1.4

Examination of the above statistical data shows that Soviet purchases in Britain were subjected to considerable fluctuations, reflecting the changes in Anglo-Soviet political relations. In 1923, with the resumption of Anglo-Soviet relations after Lord Curzon's ultimatum, Soviet purchases in Britain decreased by about half. The maximum of Soviet purchases in Great Britain was reached in 1924-25 after the recognition of the U.S.S.R. "*de jure*." After the raid on "Arcos" and the subsequent

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breaking off of diplomatic relations in May 1927, Soviet purchases in Britain fell disastrously.

In contrast to purchases, the exports of the U.S.S.R. to Britain were subjected to less change, as the U.S.S.R. exported to Britain foodstuffs and raw materials that were necessary for British industry, which had been long accustomed to these products and could not replace them. The campaign against Anglo-Soviet trade which was carried on by antagonistic circles in Britain not only led to a curtailment of British exports to the U.S.S.R., but to a trade balance unfavourable to England.

The conditions of Anglo-Soviet trade were repeatedly changed. The trade agreement with Britain which was signed in August 1924 after five months of negotiations, was in fact annulled. Immediately after it had been signed there began in Britain a violent campaign for the breaking-off of diplomatic relations with the U.S.S.R. "The Association of British Creditors of Russia," which became one of the organisers of anti-Soviet activities, demanded a denunciation of the agreement. The enemies of the agreement defeated the Labour Government in Parliament, having used (and greatly exaggerated) the incident known as "the Campbell Affair" (Campbell was the editor of a Communist newspaper) and a brazen forgery known as "the Zinoviev Letter." Finally the raid on Arcos, and the breach of diplomatic relations that followed it in May 1927, seriously affected Anglo-Soviet trade. It is very characteristic that this raid was organised at a time when there was considerably increased

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interest in the U.S.S.R. in the business circles of the City. Only a few days before it, an agreement for a credit of 10 million pounds sterling had been concluded with a big London bank, but this was of course annulled.

Anglo-Soviet trade kept increasing and decreasing according to the changes in the tactics and policy of the British Government. During the first few years Soviet exports remained insignificant; but they grew considerably in 1923-24 and 1924-25. During the early years of the period of recovery (1923-1924) Soviet imports from Britain show a tendency to decrease, but in 1924-25 they doubled, and showed a slow further growth in the following year, 1925-26. The incidents which took place in 1927 (the raid on Arcos and the breaking off of relations) led to a decline in Soviet imports below the level of 1924-25. The character of trade between the Soviet Union and Britain during the period of recovery can be briefly described as follows: the Soviet Union exported to Britain mainly agricultural, animal and timber products, receiving raw materials, machinery, generators and foodstuffs in exchange, while raw materials of colonial origin were also important.¹

¹ It is characteristic that in 1923-27 British re-exports to the U.S.S.R. equal and often exceed the exports of British goods:

<i>Exports of British goods to the U.S.S.R.</i>	<i>Re-exports to the U.S.S.R.</i>
1923: £2·5 million	£6·2 million
1924: 3·9 "	7·2 "
1925: 6·2 "	13·0 "
1926: 5·3 "	8·5 "
1927: 4·5 "	6·8 "

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The Soviet Union provided Britain with necessary foodstuffs and raw materials, and Britain was the chief agent for the supply of raw materials from the countries with which the Soviet Union could not establish firm and direct trade relations during the period of recovery of Soviet economy. To some extent Britain also served as a supplier of equipment for the recovering industry of the Soviet Union, in contrast to Germany and the U.S.A. The main items of Soviet export to Britain in 1922-27 were wheat, barley, butter, timber, furs, oil products, flax, horse-hair, bristles, eggs, etc. Although the share of the Soviet Union was hardly of importance (between 1·5 and 1·9 per cent) and considerably lower than in the pre-war period, in a number of articles the U.S.S.R. occupied a dominating position in British imports. Thus in the case of furs the share of the U.S.S.R. was more than 30 per cent of the total English import of furs ; in bristles, one-third, and in timber materials over 12 per cent of the total imports of these articles. Nevertheless the Soviet Union's share in the import of goods like wheat, barley, butter, oil products, flax and to some extent timber materials remained during those years on a very low level, and fell far below the pre-war level.

The main articles of Soviet import from Britain were cotton, rubber, raw leather, non-ferrous metals, chemicals, chemical goods, tea and to a small extent machinery and industrial equipment. The insignificant import of British equipment and machinery is explained by the absence of normal trade relations between the U.S.S.R. and Britain,

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and by the credit blockade which was imposed on Soviet orders from British industry, on the part of both the City and the British Government. The granting of government credits for exports by British firms, which had been in existence since 1920, was extended to exports to the U.S.S.R. only at the end of 1929. The agreement with a London bank on the granting of credits for Soviet purchases, reached in 1927, was annulled by the breaking off of Anglo-Soviet relations. On account of the credit blockade the U.S.S.R. had to place orders which would naturally have gone to Britain in other countries, especially Germany and the U.S.A. The artificial barrier between British industry and the Soviet market in the period of recovery of Soviet economy naturally led to consequences during the following period of construction and tempestuous industrialisation in the U.S.S.R.

THE UNITED STATES

Soviet imports from the United States in 1921-22, which reached a considerable total, were directed exclusively to helping the starving population of the districts which suffered from drought. Actual trade between the Soviet Union and the U.S.A. was resumed in 1923 with the organisation of the Amtorg Trading Corporation, which carried on trading between the U.S.S.R. and the U.S.A. The trade turnover of American-Soviet trade, according to the statistical data of Amtorg's operations, was as follows :

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(In million dollars)

	<i>Soviet Purchases in the U.S.A.</i>		<i>Soviet Exports to the U.S.A.</i>		<i>Turnover of Soviet- American trade</i>		<i>Trade balance for U.S.S.R.</i>
	\$	% ²	\$	%	\$	%	\$
1923-24	43.9	1.0	6.8	0.2	50.8	0.6	-37.1
1924-25	86.9 ¹	6.8	15.4	0.4	102.3	1.1	-71.5
1925-26	48.6	1.0	24.1	0.5	72.7	0.8	-24.5
1926-27	71.7	1.5	21.1	0.4	92.8	1.0	-50.6

Thus the trade turnover between the U.S.A. and the U.S.S.R. shows a steady increase, while imports from the U.S.A. to the U.S.S.R. have risen above the pre-war level. Exports from the U.S.S.R. to the U.S.A., showing on the whole a tendency to increase, still fell behind the imports, although exceeding the pre-war level. At the same time the share of the U.S.S.R. in American imports considerably lagged behind the rapid growth of the post-war imports of the U.S.A. This situation was due to the difficulties that arose in the sale of Soviet goods. Particularly there were difficulties in that period in the sale of Soviet manganese ore and of by-products of the timber industry. As a result of this, the balance of trade between the U.S.S.R. and the U.S.A. was favourable to the United States. The relative importance of Soviet-American trade in the total trade turnover of the U.S.A. during those years was comparatively stable, only showing insignificant fluctuations in Soviet imports from the U.S.A.

¹ The large purchases in 1924-25 consist of flour.

² The percentages given are of the total exports, imports and trade turnover of the U.S.A.

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The main items of Soviet export to the U.S.A. in 1923-24 were : furs, manganese ore, flax, liquorice root, medicinal herbs, bristles, seeds, and in 1926-27 timber materials, all being raw materials necessary for the industries of the U.S.A. The exports of some articles as, for instance, furs, manganese ore and bristles, considerably exceeded both in absolute and relative figures the pre-war level, particularly in the case of manganese ore ; the share of the U.S.S.R. amounted to 20-40 per cent of the total import of manganese into the United States.

The main articles imported by the Soviet Union from the U.S.A. in 1923-27 were cotton, articles of industrial equipment, and agricultural machinery, especially tractors. Soviet purchases were of no small importance to American trade and industry even at that time. Here it is sufficient to say that in the export of industrial equipment from the U.S.A. the share of the U.S.S.R. has increased many times. From the 47th place in 1922 and 32nd in 1923, the U.S.S.R. in 1926 reached the 12th place among the consumers of American equipment. In the Soviet trade with the U.S.A. the problem of credits was of great importance ; had the basis of credits been widened the U.S.S.R. would have been able to increase its imports from the United States even in those years.

GERMANY

Soviet trade relations with Germany were progressing up to the end of 1925, i.e., up to the signing

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of the Soviet-German trade agreement based on the temporary agreement of the 6th of May, 1921, and the treaty of Rapallo of the 16th of April, 1922, which settled the status of the Soviet trade representatives in Germany according to the most favoured nation principle in the trade relations between countries.¹ But in practice this agreement was not always strictly observed by the German Government. Thus in May 1924 a raid on the quarters of the Soviet trade representatives in Berlin was organised by the German police. As a result of this the office of the Soviet trade delegation in Berlin and its branches in other German towns suspended their functions. It is true that this conflict was settled in a comparatively short time, but it had a destructive effect on the development of Soviet-German trade. This demonstrated the urgency of concluding a permanent trade agreement, which was signed in October 1925.

This agreement confirmed the principle of the most favoured nation in Soviet-German trade relations and finally established the extra-territoriality of the Soviet trade representatives in Germany. The first paragraph of the agreement obliged the two countries "to co-operate in the development of mutual trade relations . . . and to raise mutual participation in exports and imports to the pre-war level."

¹ The principle of most favoured nation was defined in the agreement in the following way : " Both governments further agree that for the mutual juridical position of the citizens of one country in the territory of the other, and for the general regulation of mutual trade and economic relations, the principle of the most favoured nation is to be applied."

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Soviet-German trade in the period from 1922 to 1927 fluctuated as under (according to Soviet customs statistics ; the figures are given in million roubles) :

	Years	Soviet im- ports from Germany	Soviet ex- ports to Germany	Total trade turnover	Trade bal- ance in the favour of the U.S.S.R.
Treaty of Rapallo	1913	653.1	453.6	1,106.7	-199.5
	1922-23	61.5	43.3	104.8	-18.2
Raid on the Berlin Soviet trade quarters	1923-24	45.2	66.4	111.6	+21.2
	1924-25	102.7	87.4	190.1	-15.8
Trade Agree- ment	1925-26	176.1	111.6	287.7	-64.5
	1926-27	161.1	175.5	336.6	+14.4

These figures clearly show the influence of the political factors (the Rapallo treaty, the raid on the office of the Soviet trade delegation in 1924, the conclusion of the trade agreement in 1925) on the development of the trade turnover between the U.S.S.R. and Germany. Thus 1922-23, the first year after Rapallo, is marked by a considerable increase in the German-Soviet trade turnover. There is a special increase in the exports of the U.S.S.R. which exceeded that of the preceding year almost three times, Germany occupying the second place in Soviet exports. Soviet imports from Germany, in spite of the general restriction of imports necessitated by the unfavourable trade balance of the U.S.S.R., reached the considerable sum of 61.5 million roubles, i.e., 41 per cent of total Soviet imports. This considerable growth of the German share in the imports and exports of the U.S.S.R.,

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especially in 1922-23, was caused by the worsening of trade relations with England, which was due to "Curzon's ultimatum" causing a considerable fall in the relative importance of Britain in the foreign trade of the U.S.S.R. The character of the goods imported from Germany changed considerably; they became more industrial, the first place being occupied by raw materials and semi-manufactured goods for the textile and leather industries, cotton, wool, dyes, leather and tanning materials. The first place in Soviet exports to Germany was filled by grain (17·4 million roubles), then came oil and cotton-seed cake, oil seeds, tobacco, furs, flax, bristles, horsehair, and oil products—petrol. The cessation of the activities of Soviet trade representatives in Germany, after the raid in May and June 1924, was also reflected in the decrease of exports from the U.S.S.R. in 1923-24. As a result, Germany fell back from the first to the third place in Soviet imports, below the U.S.A. and England. The temporary break in trade relations also affected Soviet exports to Germany, which increased only 50 per cent as compared with the preceding year, while the total exports of the U.S.S.R. increased three times. Foodstuffs were completely excluded from Soviet imports, and oil products (6·2 million roubles) came next to grain, which was the chief item in exports. The following years, 1924-25, 1925-26 and 1926-27, showed a systematic growth of both Soviet exports to and imports from Germany. There was a marked increase in the imports from Germany. This great increase in the Soviet trade

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turnover with Germany, and especially of the imports from Germany, was made possible largely by the granting to the U.S.S.R. of a credit of 300 million marks by Germany. The significance of this fact consisted on the one hand in the considerable amount of the credit and in the prolongation of the period for payment (from 2 to 4 years) and, what was most important, this was the first large economic operation in which Soviet orders were guaranteed by the German Government.

The character of trade between the U.S.S.R. and Germany also changed considerably during this period. There was an increase in the import of machinery (at first the main item was agricultural machinery), lathes, spare machine parts and various iron and steel wares. In the exports of that period, with the exception of 1924-25, the first place was filled by grain, but there was also an increase of other products, such as oil cake, oil seeds, animal products, especially eggs and butter, and oil products. For the first time the export of furs acquired great importance, together with timber materials and ore, which later during the period of construction occupied one of the chief places in the German market. In particular, in 1926-27 the Soviet exports to Germany of furs (36.4 million roubles) exceeded the grain exports (29.6 million roubles).

OTHER COUNTRIES

With the extension of trade relations between the U.S.S.R. and other countries the importance

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of the Baltic Border States fell considerably. During the first years after the revival of Soviet foreign trade, the Border States, and especially Latvia, had played an important part in the transit trade of the U.S.S.R. especially in the transit of Soviet exports.

Of the other European countries, chief attention must be paid to France and Italy, which come next to England, the U.S.A. and Germany in the foreign trade turnover of the U.S.S.R. Soviet trade with these two countries began in fact to develop in 1923-24 after the *de jure* recognition of the Soviet Union by the governments of both countries. A trade agreement between Italy and the Soviet Union had existed since 1924, while there was none with France. The absence of a treaty for Soviet trade with France left the juridical basis of such trade undefined, and resulted in the application to Soviet goods of maximum custom duties and in a number of other discriminating measures which hampered the development of Soviet trade with France.

The analysis of Soviet trade turnover with France and Italy at that period is given in the following table (in million roubles).

Years	A. With France			
	Imports from France	Exports to France	Turnover	Trade balance in favour of the U.S.S.R.
1913	57.0	100.9	157.9	+43.9
1923-24	2.3	15.3	17.6	+13.0
1924-25	9.2	22.1	31.3	+12.9
1925-26	19.3	39.8	59.1	+20.5
1926-27	22.2	54.1	76.3	+31.9

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B. With Italy

	<i>Imports</i>	<i>Exports</i>	<i>Turnover</i>	<i>Balance</i>
1913	16·8	73·8	90·6	+57·0
1923-24	1·1	15·3	16·4	+14·2
1924-25	5·2	15·4	20·6	+10·2
1925-26	23·3	33·5	56·8	+10·2
1926-27	3·3	37·6	40·9	+34·3

Thus the trade turnover with both countries shows a tendency to systematic growth from year to year, with the exception of a rather sharp fall in the turnover in 1926-27 and a sudden rise in Soviet imports from Italy in 1925-26. In spite of the sharp rise in Soviet imports, they still lagged far behind the exports ; as a result the trade balance of the U.S.S.R. with France and Italy remained favourable during these years, the favourable balance increasing every year, especially in the trade with France. The comparatively small amount of Soviet imports from France is explained by the less favourable conditions for credits granted for Soviet orders in France as compared with other countries. The main items of Soviet exports both to France and Italy were grain, in particular wheat, oil products and timber. Apart from these the Soviet Union exported flax to France and silk products to Italy.

The main articles of import from France were dyes, chemicals, wool, non-ferrous metals, cork bark and motor vehicles. Those imported from Italy were motor vehicles, sulphur, chemicals and cotton materials.

CHAPTER IV

SOVIET TRADE RELATIONS WITH THE MOST IMPORTANT COUNTRIES DURING THE PERIOD OF THE FIRST FIVE- YEAR PLAN

EFFECTS OF THE CAPITALIST CRISIS ON SOVIET FOREIGN TRADE

THE WORLD ECONOMIC CRISIS, though not retarding the economic improvement in the U.S.S.R. (owing to the fundamental differences between the planned system of economy in the U.S.S.R. and the anarchy of the capitalist system), nevertheless affected the development of Soviet foreign trade. However there is an essential difference in its effects on the foreign trade of the U.S.S.R. and the catastrophic effect that the crisis had on the foreign trade of other countries. While the imports of all capitalist countries at the beginning of the crisis showed a tendency to a constant decline, and by 1931 showed a curtailment of more than 40 per cent as compared to 1929, the imports of the Soviet Union during the first years of the crisis grew steadily, reaching a maximum of 1,135 million roubles in 1931; moreover the total Soviet foreign trade turnover exceeded by 6 per cent that of 1929.

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As Litvinov in his speech at the World Economic Conference in London pointed out : "*The measures produced by the crisis and taken in a number of countries, leading to a limitation of Soviet exports, induced the Soviet Government in 1932 to reconsider the plans for Soviet imports.*" But the decrease of Soviet imports in 1932 (by 20·2 per cent as compared with 1929) was much less than the decrease of world trade at that period, which was 58·8 per cent as compared with 1929. The general conditions of the development of Soviet trade with various countries during this period were more or less normal until the beginning of 1930. But the development of the world economic crisis, which began in the second half of 1929 and synchronised with the enormous achievements in the building up of socialism in the U.S.S.R., produced a new wave of campaigns against the U.S.S.R. directed in the first place against normal trade relations with the Soviet Union and especially against Soviet exports. From the spring of 1930 there began a "crusade" against the U.S.S.R., followed by a campaign against "Soviet dumping" and "forced labour." Later, when the financial crisis and the inflation of currency developed in capitalist countries (from the end of 1931), there was a campaign alleging the "financial insolvency" of the U.S.S.R. The development of these campaigns was accompanied by open aggressive measures against the Soviet Union, and the introduction by legislative and administrative means of a special policy with respect to Soviet trade, especially Soviet exports, in France, Belgium, Canada, and Britain

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(the embargo of 1933). But all these campaigns failed. The Five-Year Plan had not only been achieved, but in some branches it had even been surpassed. The trade relations of the Soviet Union did not contract, but on the contrary extended, and Soviet goods, in spite of all the discriminatory measures, open and hidden, taken by governments in various countries, continued to win the position they deserved in the world market. The establishment of special regulations for Soviet trade in a number of countries, for instance, in France and Britain, in the first place affected the trade interests of these countries themselves, with the result that their governments had to annul these measures against Soviet trade, the best example of this being the withdrawal of the embargo on Soviet goods in Britain after it had been in force three months.

THE CAMPAIGNS AGAINST SOVIET GOODS

In spite of the complete failure of all these anti-Soviet campaigns we should like to dwell on the "arguments" advanced in connection with one of the most important of these campaigns, that which accused the Soviet Union of dumping.

The main charges against Soviet exports were : (1) Soviet exports were supposed to have certain non-economic functions, the aim of which was to disorganise the world market ; the growth of Soviet exports was said to be the cause of the present crisis, and so on ; (2) Soviet exports were alleged to be disorganising some of the world markets ; (3) Soviet exports were said to be sold on foreign markets either at

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prices below the world prices (one version), or at prices lower than those in the home market of the U.S.S.R. (second version) or at "dumped" prices (third version).

Let us try to analyse briefly the essence of these accusations. First, in order to enable the U.S.S.R. to carry out, through its exports, the mission ascribed to it, that is, the disorganisation of the world market, it would be necessary for Soviet exports to dominate the world market or at least not to be of less importance than the exports of countries like the U.S.A., Britain and Germany. But in fact the exports of the U.S.S.R. were a comparatively insignificant part of total world exports (between 1.5 and 2.3 per cent) and their relative importance in world exports was much less than that of the U.S.A. (13 to 16 per cent), England (9 to 11 per cent), Germany (10 to 12 per cent) and even Italy (2.4 to 2.8 per cent). Even countries like Algeria, Morocco and Indo-China exported more goods than the U.S.S.R. Moreover the U.S.S.R., even in 1930, the year of its greatest export, reached no more than half its pre-war percentage of total world exports, a fact explained by the growth of home consumption, which was due to the rise in the standard of living of the mass of the population. Exports, as compared with the total of Soviet production, constituted no more than 3-3½ per cent, while in France exports were 20 per cent of production, in Britain 25 per cent, and so on. In the second place, the main articles of Soviet export, such as grain, oil products, etc., even in the years of maximum trade, did not usually occupy the first place on the world market. Thus,

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for instance, the share of the U.S.A. in the export of wheat was more than twice, and in oil products was more than three times, that of the U.S.S.R. The markets affected chiefly were for the most part markets for products which the U.S.S.R. was not exporting but exclusively importing as, for instance, rubber, non-ferrous metals, and so on. In the third place the Soviet Union, in view of its direct dependence for the amount of its imports on the receipts from exported goods, is interested in obtaining the maximum currency equivalent for its exports. This makes it obvious that the Soviet Union is not interested in selling goods below world prices. On the contrary, the Soviet Union tries to sell its goods on foreign markets at the highest prices. It is necessary to point out here that the Soviet Union, owing to the advantages of the Soviet system, is able to produce at lower costs than its capitalist competitors. Thus, for instance, in agriculture the collective and State farms and the individual households in the U.S.S.R., using the most up-to-date machinery and being free from the burden of land rents, heavy indebtedness, etc., are in a much more favourable position than the peasants and farmers in capitalist countries, where the rents and interest on mortgages constitute more than half of all the costs of the production of grain.

The above analysis of the "arguments" of the campaigns against "Soviet dumping" and Soviet foreign trade shows the absurdity and groundlessness of these accusations, and once more proves that there exist in capitalist countries certain circles interested

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in breaking off trade relations between the U.S.S.R. and the outside business world. These circles, which are usually the initiators of all anti-Soviet campaigns, consist chiefly of those monopolistic groups with which the U.S.S.R. is successfully competing on the world-market, as for instance, the late match king Kreuger, Deterding and others, who in many cases are connected with the former owners of nationalised enterprises in the Soviet Union.

SPECIAL FEATURES OF SOVIET IMPORTS AND EXPORTS

The changes in the character of the foreign trade of the U.S.S.R. which took place during the first Five-Year Plan increased the interest of capitalist countries in the development of trade relations with the Soviet Union, all the more because these changes have greatly increased the advantages of countries trading with the U.S.S.R. These special features of Soviet foreign trade which are advantageous for capitalist countries were clearly pointed out by Litvinov, the People's Commissar for Foreign Affairs, in his letter answering the questions of the representatives of the Reuter and American Associated Press agencies. Litvinov points out that "the particular advantage of trade with the U.S.S.R. consists in the fact that the Soviet Union imports mainly manufactured machinery equipment and semi-manufactured (metal) goods, while it exports almost exclusively raw materials necessary to other countries ; it does not export articles of luxury, the consumption of which can be curtailed or eliminated

altogether. A second specific trait is that we sell raw materials not for the sake of accumulating gold or foreign currencies, but for the enlargement of our imports. Our raw materials may be replaced by raw materials from other countries, but this will not increase the imports of those countries. The elasticity of imports is a trait peculiar to the Soviet Union. Moreover, to this should be added the objective ability of our country, already proved, to pay, which is a result of the enormous natural resources and the quantity of raw materials, of an insignificant indebtedness, and lastly, of the fact that the foreign trade of the State is monopolised, i.e., is regulated by the State. This system has not only been justified from our point of view but it must be recognised as being equally profitable for our customers. In order to prove this it is enough to consider the number of bankruptcies of private firms, factories and banks in other countries and the amount of their losses. With the distribution of trade among a great number of purchasers it is always necessary to take into consideration a certain percentage of risk from bankruptcy, during the years of crisis this percentage having been particularly high. *But no such risk arises when one has to deal with a single purchaser represented by such a powerful State as the Soviet Union."*

It should be further added that under the present conditions of an extremely severe economic crisis, when the production of the machine-building industry in capitalist countries has fallen to a disastrously low level, Soviet orders acquire a tremendous importance, as in many cases the largest

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works in Germany, Britain and other countries have been of late almost exclusively occupied with the production of equipment for the Soviet Union. The advantage of Soviet exports consists, as we have already mentioned, in the fact that the U.S.S.R. exports mostly raw materials necessary for other countries. Thus in the export of its oil products, timber and so on to Britain, the U.S.S.R. does not compete with English producers, with the oil and timber of the British Empire, for there is no oil in Britain and practically no timber, and the share of the British Empire in the imports into Britain of oil and timber is very small. The same is true of Soviet exports to the U.S.A., France, Germany and other countries, which consist, in the main, of goods that are not produced in these countries at all, or produced in insignificant quantities insufficient to meet their demand. The high standard of the goods exported by the U.S.S.R. is proved by the fact that Soviet timber, Soviet anthracite and Soviet flax, oil products, furs and agricultural products have acquired an enviable reputation on the British, French, American and other markets. The industries and consumers of the countries to which they are exported are accustomed to dealing in them. Sometimes Soviet goods, such as for instance flax, timber and others, reach Britain, France and other countries not directly from the Soviet Union and the Soviet trade organisations, but through other countries. This took place during the embargo on Soviet imports proclaimed by the English Government (from April to June 1933).

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THE DISTRIBUTION OF SOVIET FOREIGN TRADE

The distribution of Soviet foreign trade among the most important countries during the period of reconstruction and the first Five-Year Plan is shown in the following table :

SOVIET EXPORTS AND IMPORTS (in %)

Countries	Exports to						First
	1913	1927-28	1929	1930	1931	1932	h lf of 1933
1. Border States	—	12.8	10.4	7.3	5.9	4.6	2.4
Including :							
Latvia	—	10.1	8.4	5.0	3.4	1.7	0.5
Poland	—	1.9	1.4	1.4	0.9	0.8	1.0
2. European countries	87.0	63.0	66.4	70.7	70.3	66.5	64.3
Including :							
Great Britain	17.8	19.8	21.9	27.0	32.8	23.8	17.5
Germany	29.9	23.8	23.3	19.8	16.0	17.4	17.3
France	6.7	5.2	4.6	4.3	3.5	5.1	4.6
Italy	4.8	3.8	3.6	5.1	4.9	4.6	4.5
Norway	0.4	0.3	0.4	0.6	0.5	0.7	0.8
Sweden	0.8	0.4	0.2	0.5	0.8	1.1	1.2
Holland	11.7	2.1	3.4	8.4	3.6	3.7	5.2
Belgium	4.2	1.7	2.1	2.6	2.2	3.3	5.5
Total for European countries	87.0	75.8	76.8	78.0	76.2	71.1	66.7
3. U.S.A.	0.9	3.6	4.6	3.9	2.8	3.0	2.8
4. Eastern countries	8.7	17.6	15.3	13.6	15.6	22.1	19.1
Including :							
Persia	3.8	9.3	7.5	5.8	4.0	4.5	2.4
China	1.9	3.1	2.5	2.8	3.1	4.2	3.6
Japan	0.1	2.1	2.1	1.5	2.4	1.8	1.8
Mongolia	0.2	1.0	1.1	1.7	4.6	7.3	7.8
5. Other countries	3.4	3.0	3.3	4.5	5.4	3.8	11.4
Total	100%	100%	100%	100%	100%	100%	100%

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Imports from

[illegible]

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These data show in the first place the continuation of the tendency of Soviet foreign trade to leave Europe, a tendency which was first evident during the period of recovery and developed further during the first Five-Year Plan. While during the period of recovery this tendency was noticeable in Soviet imports, now it is most noticeable in the exports of the Soviet Union. On the other hand, the relative importance of European countries in Soviet imports steadily increased during the first Five-Year Plan, a fact fully explained by the changes in the structure of Soviet imports which took place during that period. As compared with European countries, there was an increase in Soviet exports to Eastern countries, especially Persia and Mongolia. The share of the U.S.A. in Soviet exports during the first years of that period showed a considerable increase as compared with the pre-war period (3.6 to 4.6 per cent against 0.9 per cent in 1913), but there was a considerable fall in 1931-32.

In the imports of the U.S.S.R. there was a gradual growth in the importance of European countries during the first years of the Five-Year Plan, followed by a sharp rise during the last years. With the increase of the relative importance of European countries in the imports of the U.S.S.R. there was a decline in the participation of the U.S.A. and certain other countries.

Of other more important countries, Germany occupied the first place in imports and the second in the exports of the U.S.S.R. throughout the period, with the exception of 1930, when there was an

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intensified import of tractors and other kinds of agricultural machinery from the U.S.A. But the development of Soviet trade with Germany during these years had the following peculiarity : while the share of Germany in Soviet imports kept gradually increasing every year, having reached 46·4 per cent of the total Soviet imports in 1932, Soviet exports to Germany have been decreasing since 1929.

Great Britain occupied the first place in exports from and the third in the imports to the U.S.S.R. Thus, in comparison with the preceding years, the share of Great Britain in Soviet imports in 1927-29 declined on account of the absence of normal trade relations between the two countries. After their re-establishment in 1930-32, the trade turnover between the U.S.S.R. and Britain showed a rather rapid rise both in the exports and imports of the U.S.S.R. But the new anti-Soviet measures of the British Government (the denunciation of the trade agreement, the embargo on Soviet goods) in the first half of 1933 stopped this tendency of Anglo-Soviet trade to increase, and led to a considerable fall both in its absolute and relative amount. Soviet trade with Italy, France and Japan was much smaller than the trade with the three above-mentioned countries. In comparison with the pre-war period one outstanding fact was the curtailment of the turnover in export and import between the U.S.S.R. and France, which was due to the fact that the trade relations between these two countries were unsettled during this period.

The growth of trade relations between the

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U.S.S.R. and Japan chiefly consisted in Soviet exports to the latter. Soviet exports to Italy grew more gradually (reaching during certain years 2·8 per cent to 5·1 per cent of the total) compared with the development of Soviet imports from that country, which, in spite of some fluctuations, has increased during the last few years.

A prominent place in Soviet trade was occupied by Persia, which reached the fourth or fifth place in Soviet trade turnover, and even third place in Soviet exports during the first Five-Year Plan. The share of Persia in the trade turnover of the U.S.S.R. has considerably increased as compared with the pre-war period. Persia is the most important country in the trade of the U.S.S.R. with the East (Afghanistan, Western China, Mongolia, Turkey). The trade of these countries with the U.S.S.R. differs from Soviet trade with other countries, the countries of the East exporting to the U.S.S.R. certain kinds of raw materials and foodstuffs, and providing a market for Soviet goods.

TRADE TURNOVER WITH BRITAIN

The end of the period of recovery and the transition to the period of construction was marked in the trade relations of the U.S.S.R. with Britain by the breaking off of diplomatic relations in May 1927. This seriously affected Anglo-Soviet trade, and its results were felt for a long time, as can be seen from the following data of the development of trade between the U.S.S.R. and Britain in 1926-33.

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TRADE BETWEEN BRITAIN AND THE U.S.S.R. IN 1926-33, ON THE BASIS OF THE BRITISH CUSTOMS STATISTICS

(In million pounds sterling)

		<i>Soviet ex- ports to Britain</i>	<i>British exports to the U.S.S.R.</i>	<i>ports to U.S.S.R.</i>	
Before the break	1926	24.1	5.9	8.5	38.5
During the break	1927	21.1	4.5	6.8	32.4
	1928	21.6	2.7	2.1	26.4
	1929	26.5		2.7	32.9
Trade agreement	1930	34.2		2.6	43.6
	1931	32.2	7.3	1.9	41.7
	1932	19.7	9.3	1.2	30.2
Break and embargo	1933	17.4	3.3	1.0	21.7

These figures show clearly the close relation between "economics" and "politics" in Anglo-Soviet trade relations. From 1927 (the date of the raid on Arcos and the break in diplomatic relations between the U.S.S.R. and Britain) until 1928 the turnover of Anglo-Soviet trade showed a constant fall. This was especially marked in 1928, when total trade between the U.S.S.R. and Britain fell by one-third compared with 1926 (the year preceding the breach), and total British exports and re-exports to the U.S.S.R. fell by two-thirds. It is very characteristic that this curtailment of Anglo-Soviet trade affected chiefly Soviet imports from England. Soviet exports to England, having somewhat decreased in 1927, remained stable in 1928, and in 1929 showed a considerable increase as compared with all preceding years.

In 1930, on the contrary, when Anglo-Soviet

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relations were resumed and a trade agreement between Britain and the U.S.S.R. was concluded, the turnover between the U.S.S.R. and Britain, in spite of the crisis, showed a sharp increase. Moreover, there was an increase not only in Soviet exports to Britain, but also in Soviet imports from Britain, which almost doubled as compared with 1928. In 1932, partly on account of the effects of the crisis and partly because of campaigns against Soviet goods such as butter, matches, timber, etc., there was a considerable fall in the trade turnover between the U.S.S.R. and Britain. But this was exclusively due to the decline in Soviet exports to Britain. On the other hand, the imports from Britain have shown a systematic growth from year to year since the resumption of trade relations with Britain, and in 1932 reached the maximum of £10·5 million. But owing to the denunciation of the Anglo-Soviet trade agreement by the British Government, at the end of 1932, and especially during the first half of 1933, on account of the embargo on the main articles of Soviet export to Britain, there was a sharp drop in the Anglo-Soviet trade turnover. And here, as in all the preceding years, whenever government measures were directed against Soviet trade (Curzon's ultimatum in 1923, the raid on Arcos in 1927, etc.) Soviet imports from Britain fell more heavily than Soviet exports to Britain.

The trade agreement with Britain which was concluded in April 1930 lasted for three years, and was denounced by the British Government in October 1932. This trade agreement played an important

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part in putting the trade relations on a normal basis and in the development of the trade turnover between the U.S.S.R. and Britain. It granted diplomatic immunity to the head of the Soviet trade delegation, to his assistants and to the premises of the delegation. Thus the possibility of repeating a raid on the quarters of the trade delegation, such as was carried out by the British police in 1927, was precluded. It also contained a provision for mutual most favoured nation treatment. An important point was the article in the protocol attached, withdrawing discrimination in the application of the government system of export credits to exports to the U.S.S.R.

As a result of this agreement, trade between the U.S.S.R. and Britain proceeded most favourably for the latter, whereas previously the balance had been favourable to the U.S.S.R. During the life of this agreement Soviet exports not only did not increase, but even decreased, in accordance, it is true, with a general curtailment of the whole of British imports. On the other hand British exports to the U.S.S.R. considerably increased. Thus in the first half of 1929 Soviet exports to Great Britain amounted to £8·7 million, and the imports from Britain were only £1·7 million. In other words, the relation between imports and exports was approximately as 1 to 5. During the first half of 1932 Soviet exports amounted to £7·7 million only, while the imports from Great Britain reached the sum of £4·7 million. Thus the favourable balance for the Soviet Union in that half year was only £3 million against £7 million

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in 1929 ; in fact, however, the balance of Anglo-Soviet trade in the first half of 1932 was more favourable to Britain. During that period the Soviet Union paid to British shipowners the sum of £500,000 for freight. Other charges of the U.S.S.R. in Great Britain (insurance, commission, interest, etc.), constituting about 10 per cent of the turnover, also amounted to approximately £1·2 million. Thus the net balance of Anglo-Soviet payments amounted to the sum of £1 million, with a trade turnover of £12·4 million.

During that period, the nature of Soviet exports changed very little from that of the preceding years. The U.S.S.R. exported very few manufactured goods to Britain, these constituting only 2 per cent of the total Soviet exports to that country, the rest being equally divided between raw materials and food-stuffs.¹ The main articles of Soviet export to England were timber, oil products, wheat, furs, animal products and flax. In contrast to exports, the nature of Soviet imports from England changed very much during the period of reconstruction, and especially during the Five-Year Plan, as compared with the period of recovery. While during the period of recovery raw materials of colonial origin prevailed in Soviet imports from Britain, and British re-exports to the U.S.S.R. very often exceeded the exports of British goods, from 1929 there was a radical change in this respect. Firstly, there was a substantial change

¹ This is explained by the general structure of British economy—raw materials and food-stuffs form over 70 per cent of total British imports.

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in the composition of Soviet imports from Britain, in which equipment predominated (in 1931 this item constituted 60-65 per cent of total Soviet imports), superseding raw materials and reducing the import of articles of consumption to a minimum. Secondly, re-exported goods were replaced by goods of purely British origin which, during the last three years, have increased almost three times. These changes in the nature of Soviet imports from Britain are explained both by the internal processes which have taken place in the U.S.S.R., and by the fact that according to the trade agreement of 1930 the State system of export credits began to be applied to the U.S.S.R., and opened the door to Soviet orders in Britain.

The main items in Soviet imports from Britain were various kinds of equipment, in the first place machine tools, electrical equipment, equipment for metallurgy, mining and transport boilers. Among raw materials for industrial purposes, there were rolled metal sheets, pipes, special kinds of steel, non-ferrous metals, ferro-amalgams and rubber. Among goods for consumption were tea and herrings.

IMPORTANCE OF SOVIET TRADE FOR BRITAIN

In order to make clear British interests in the Soviet market, we give below data of the share of the U.S.S.R. in British imports, exports and re-exports (according to the British customs statistics) :

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SHARE OF THE U.S.S.R. IN BRITISH TRADE

(In percentages)

<i>Years</i>	<i>British imports</i>	<i>British exports</i>	<i>British re-exports</i>	<i>Total turnover</i>
1913	5.3	3.4	8.8	4.8
1926	1.9	0.9	6.8	1.9
1927	1.7	0.6	5.5	1.6
1928	1.8	0.4	1.7	1.3
1929	2.2	0.5	2.6	1.6
1930	3.3	1.2	2.9	2.6
1931	3.7	1.8	3.0	3.2
1932	2.8	2.5	2.4	2.7
1933	2.6	0.9	2.0	1.9

This table shows that (1) the total share of the U.S.S.R. in the trade turnover of Britain was insignificant ; Anglo-Soviet trade was far below its pre-war level ; and (2) that a great deal remains to be done on both sides in order to raise the share of the U.S.S.R. in the British trade turnover to the pre-war level ; (3) during the first years of the Five-Year Plan the U.S.S.R. occupied a more important place in British imports than in exports, but from 1930 the Soviet share in the British exports considerably increased, and therefore the discrepancy between the relative importance of the U.S.S.R. in British exports and in British imports declined.

Meanwhile it is necessary to point out that the U.S.S.R. is an important supplier of certain goods or groups of goods. Thus its share in the total British imports of wheat was more than one-fifth (in 1930-31), of timber more than one-third, of flax more than one-quarter, of poultry one-fifth, of petrol and other

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oil products one-sixth, of bristles about 40 per cent, furs 22 per cent.¹

Soviet exports to Britain represented considerable advantages not only to the Soviet Union, but to Great Britain also. Owing to the appearance of Soviet petrol and other oil products, the oil companies, merged in a combine, failed to monopolise the British market. Such a serious British journal as the *Economist* in an article devoted to the situation in the timber market (in 1929) admitted that the agreement concluded between a group of British importers and "Exportles" helped to stabilise the British market. The quality of Soviet exported goods is widely known. We could quote here many declarations of British manufacturers, but shall content ourselves with one as being the most characteristic, namely, that of Mr. Taylor, the Chairman of the Timber Traders' Association of Manchester. In an interview with the representatives of the British press on the subject of the embargo on Soviet timber imports to Britain, he declared: "The Russian timber is the best and cheapest available, and if it becomes inaccessible, the prices will, of course, go up. During the war Russian timber was unobtainable, and as a result prices exceeded the present level by 200 per cent." Thus no anti-Soviet campaign could destroy the reputation of Soviet timber gained among British consumers. The main items of Soviet exports to Britain not only do not compete with local

¹ Moreover, with regard to furs as well as timber, Britain was not only a consumer of Soviet goods, but also an intermediary in their sale to other countries.

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products, but not even with those of the British Empire. Soviet oil products do not compete with British oil, as the British Empire plays only an insignificant part in the British import of oil. With regard to timber materials on the British market, the main competitors of the U.S.S.R. were not the British Dominions, but chiefly the Scandinavian countries and Finland.¹ The Soviet Union is of no less, but rather greater, importance to Britain, in particular for a number of branches of British industry as a market for British products, especially for equipment. Although the total share of the Soviet Union in British exports is not large, nevertheless the U.S.S.R., owing to the systematic growth of its imports from Britain during the last few years, and to a parallel sharp decline in total British exports, rose from the 16th (1930) to the 7th place (1932) in the countries to which British goods are exported. The total export of heavy equipment from Britain to the U.S.S.R. increased from £87,000 during the first year of the Five-Year Plan (1929) to £6,000,000 during the last year of the Five-Year Plan (1932), i.e., 70 times. According to the *Ironmonger* (the journal of the metal trades), towards the end of 1932 50,000 workers were employed in Britain on Soviet orders. The Soviet share in the British export of certain kinds of equipment was very substantial.

¹ With regard to the projects of the Canadian Government for exporting timber from Columbia to the British market, there can also be no question of any competition between Soviet and Canadian timber. Canada exports exclusively the harder kinds and the U.S.S.R. exports to Britain mainly soft kinds. Therefore all attacks on the export of Soviet timber to Britain may be considered as originating in the main from political and not economic motives.

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This is clearly shown by the following official British customs statistics of British exports to the U.S.S.R. in 1931 :

	<i>British exports to all countries in thousand £</i>	<i>Among others the U.S.S.R. in thousand £</i>	<i>Percentage of Soviet orders to total exports</i>
Ferro-wolfram	173	152	87·7
Other ferrous alloys	117	80	68·4
Bismuth	25	22	86·3
Threshing machines	144	102	70·4
Tractors and parts	86	38	44·9
Air compressors	238	129	54·3
Internal combustion engines	95	80	83·8
Stationary engines	43	27	62·3
Generators	513	204	40·0
Alternating current motors	241	84	34·7
Machinery for gas and chemical works	175	87	49·6
Boring instruments	347	293	84·4
Grinding instruments	210	158	75·2
Machine tools	611	502	82·1
Mill equipment	202	180	89·4
Other instruments	305	215	69·9
Mining machinery	584	279	47·7
Steam and water engines	589	462	78·4

These data clearly show the dependence of some of the largest branches of British industry, especially machine construction, on trade with the U.S.S.R. Especially important was our influence in the engineering industry at the end of 1932 ; Lord Snowden was obliged to declare officially in Parliament that the British engineering industry was

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80 per cent occupied with Soviet orders. In fact our orders not only increased the British exports of machinery, but during those years contributed to the prosperity of the British engineering industry. However, under more favourable conditions, especially with respect to credits, Soviet influence on the British engineering industry could have been still greater. *But the British Government by its policy of credits, especially credits for export to the U.S.S.R., reduced the export of equipment to the Soviet Union, having established a limit to government guarantees.*

The herring industry of Scotland was also interested in the Soviet market, for Soviet purchases were increasing every year, and in 1932 reached 400,000 centals (against 88,000 centals in 1931), or 12·3 per cent of the total export of herrings from Britain. The U.S.S.R. has also made large purchases of breeding cattle in Britain. Lastly, it should be pointed out that Britain is greatly interested in the development of other economic relations with the Soviet Union, on the lines of the so-called "invisible exports."

THE QUESTION OF THE TRADE BALANCE

If during this period the balance of trade with Britain was in favour of the U.S.S.R., Soviet payments to Britain for the so-called "invisible exports" exceeded and continue to exceed the British payments. Here it is necessary in the first place to point out the participation of British shipping in the transport of Soviet goods. According to the calculations of the Soviet trade delegation in Britain, during

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the period 1920-28, the U.S.S.R. paid British ship-owners and others £10.6 million for freight, loading and unloading charges. During the last few years, on account of the tremendous increase in the transport of Soviet goods, this sum has further increased ; in 1931-32 it amounted to over £2 million per annum. Another important item in Soviet payments to Britain was trade expenses. As the trade between the U.S.S.R. and Great Britain is carried on on British territory, Soviet trade expenses represent an item in Britain's favour in calculating the net balance of payments between the two countries. These expenses include, among other items, the charges for insurance of Soviet goods, brokers' and bank commission, and interest on credits granted to the U.S.S.R., the total for 1931 alone amounting to £3 million. On the whole, Soviet payments for shipping as well as for other trade expenses are among the "invisible exports" of Britain, and during the thirteen years of economic relations between the U.S.S.R. and Britain (from 1920-32) they amount to some tens of millions of pounds sterling.

This tremendous amount of "invisible exports" to the U.S.S.R. is the best proof of the non-existence of an "unfavourable" balance for Britain in trade with the U.S.S.R., an argument which has lately been rather freely used in campaigns against Anglo-Soviet trade. Besides the balance it is necessary to take into consideration the whole of Anglo-Soviet economic relations and particularly the items of "invisible" British exports to the Soviet Union.

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OBSTACLES TO ANGLO-SOVIET TRADE

The foregoing facts prove Britain's interests in the development of trade with the U.S.S.R. It is obvious also that much has been achieved in the development of Anglo-Soviet trade, especially during the last few years. These achievements, however, would have been greater but for the obstacles that hindered, and are still hindering, the successful development of economic relations between the two countries.

These obstacles are of two kinds. *Firstly*, the main obstacle to Soviet exports to Britain is the persistent campaign of interested anti-Soviet circles and of the anti-Soviet press against Soviet exports. This, in itself, would not be of such importance were it not that indirectly, or even at times directly, they have been supported in government circles (for example, the embargo). In reality all these campaigns against Soviet timber, oil, butter, etc., served only the interests of certain circles and are against the interests of the national economy of Britain as a whole.

Secondly, a great obstacle to Soviet imports from Britain and especially Soviet orders to British industry, is the *unsatisfactory* conditions for Soviet purchases and orders in Britain, which are far worse than in other countries. The system of credits for export in its application to the U.S.S.R. is not satisfactory either in the periods for which the credits are granted, or in the amount of the credits. The governmental committee will not consider the guaranteeing of credits for a period of five years, usually

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giving, for Soviet orders, a guarantee of twelve months, and in rare cases eighteen months. Moreover the cost of the guarantee for the U.S.S.R. is usually 8–10 per cent per annum on the total value of the transaction. This 8–10 per cent augments the price of the equipment ordered, and accordingly decreases the ability of British enterprise to compete. Such a high charge for guarantees could only be justified by the presence of a serious risk of non-payment. Meanwhile, under the condition of a "crisis of confidence," when the biggest industrial enterprises and banks are putting up their shutters, the Soviet Union with the rapid progress of its national economy is the safest debtor in the world. This has more than once been pointed out in official British circles.¹ Thus the guarantee and discounting of Soviet bills of exchange is very profitable. However, up to the present, there have been no changes either in the prolongation of the period of the credits or in decreasing the charge for guarantees. The consequence of the attitude of the Government Committee

¹ Thus Lord Snowden officially declared in the House of Lords (April 24th, 1932) : " Up to the present, firms trading with Russia have had no losses on their agreements and the credits showed a profit, providing reserve for possible losses in future." Declarations in favour of the enlargement of credits to the U.S.S.R. have also been made in influential circles. Thus the well-known economist, Sir George Paish, wrote in the *New Statesman and Nation* : " The granting of credits to Russia is not only desirable from the Russian point of view, but also in the interests of the whole world. The economic position of Russia is decidedly favourable as compared to most other countries. The potential resources of Russia are unlimited and their exploitation will allow the Russian Government to cover all its obligations. The work in connection with the fulfilment of the Five-Year Plan is strengthening the financial position of Russia, and improving the guarantee that she can give to her creditors."

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for Export Credits is that substantial British firms in seeking credits apply, not to the government committee, but to the private market for the insurance of credits, or, as far as is within their power, use their own resources (Metro-Vickers, Babcock and Wilcox, and a number of others). All this does not tend to the extension of Soviet orders in Britain.

But the main obstacle to the development of Anglo-Soviet trade was the anti-Soviet activity of some circles in Britain itself as well as outside, primarily Canada. These hostile circles have carried on a systematic attack on Anglo-Soviet trade. They obtained the inclusion in the agreement between Britain and Canada of the famous Article 21, which provides for the limitation of the export of goods, the prices of which, as a result of the actions of the government of some third country, may violate the Ottawa agreement. It is well known that this article was aimed against the U.S.S.R. and that during the last few months attempts have been made to put it into operation, in spite of the fact that trade with the U.S.S.R. did not give any grounds for it. On the other hand, a number of countries, in order to stimulate their exports to Britain, have taken measures (for instance the export of wheat from the Continent) ; in these cases the question of applying Article 21 of the Anglo-Canadian agreement was not raised by anyone.

On the initiative of the same circles hostile to the U.S.S.R., the British Government denounced the Anglo-Soviet trade agreement, under whose influence the development of Anglo-Soviet trade relations

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giving, for Soviet orders, a guarantee of twelve months, and in rare cases eighteen months. Moreover the cost of the guarantee for the U.S.S.R. is usually 8–10 per cent per annum on the total value of the transaction. This 8–10 per cent augments the price of the equipment ordered, and accordingly decreases the ability of British enterprise to compete. Such a high charge for guarantees could only be justified by the presence of a serious risk of non-payment. Meanwhile, under the condition of a "crisis of confidence," when the biggest industrial enterprises and banks are putting up their shutters, the Soviet Union with the rapid progress of its national economy is the safest debtor in the world. This has more than once been pointed out in official British circles.¹ Thus the guarantee and discounting of Soviet bills of exchange is very profitable. However, up to the present, there have been no changes either in the prolongation of the period of the credits or in decreasing the charge for guarantees. The consequence of the attitude of the Government Committee

¹ Thus Lord Snowden officially declared in the House of Lords (April 24th, 1932) : " Up to the present, firms trading with Russia have had no losses on their agreements and the credits showed a profit, providing reserve for possible losses in future." Declarations in favour of the enlargement of credits to the U.S.S.R. have also been made in influential circles. Thus the well-known economist, Sir George Paish, wrote in the *New Statesman and Nation* : " The granting of credits to Russia is not only desirable from the Russian point of view, but also in the interests of the whole world. The economic position of Russia is decidedly favourable as compared to most other countries. The potential resources of Russia are unlimited and their exploitation will allow the Russian Government to cover all its obligations. The work in connection with the fulfilment of the Five-Year Plan is strengthening the financial position of Russia, and improving the guarantee that she can give to her creditors."

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for Export Credits is that substantial British firms in seeking credits apply, not to the government committee, but to the private market for the insurance of credits, or, as far as is within their power, use their own resources (Metro-Vickers, Babcock and Wilcox, and a number of others). All this does not tend to the extension of Soviet orders in Britain.

But the main obstacle to the development of Anglo-Soviet trade was the anti-Soviet activity of some circles in Britain itself as well as outside, primarily Canada. These hostile circles have carried on a systematic attack on Anglo-Soviet trade. They obtained the inclusion in the agreement between Britain and Canada of the famous Article 21, which provides for the limitation of the export of goods, the prices of which, as a result of the actions of the government of some third country, may violate the Ottawa agreement. It is well known that this article was aimed against the U.S.S.R. and that during the last few months attempts have been made to put it into operation, in spite of the fact that trade with the U.S.S.R. did not give any grounds for it. On the other hand, a number of countries, in order to stimulate their exports to Britain, have taken measures (for instance the export of wheat from the Continent) ; in these cases the question of applying Article 21 of the Anglo-Canadian agreement was not raised by anyone.

On the initiative of the same circles hostile to the U.S.S.R., the British Government denounced the Anglo-Soviet trade agreement, under whose influence the development of Anglo-Soviet trade relations

had been very favourable to Great Britain. The trade negotiations, which continued for over a year, were carried on under the opposing influence of those circles. At first these negotiations were interrupted in connection with the embargo, which was applied to the most important goods imported to Britain. But the embargo did not seriously affect Anglo-Soviet trade. On the contrary, it proved to be a considerable blow to British national economy. As might have been expected, the U.S.S.R. replied to this measure of the British Government by a cessation of purchases in Britain and ceased to use British ships for the transport of goods.

As a result there was a sharp drop in British exports to the U.S.S.R., from £4·7 million during the first half of 1932 to £2·2 million in the first half of 1933. A sharp curtailment of payments for freight also took place. Thus, for instance, in the second quarter of 1932, 106 ships were chartered, and the sum paid for freight amounted to £374,000. In the second quarter of 1933, i.e., during the duration of the embargo, the number of ships chartered fell to two, and the sum paid for freight was only £7,260. It is well known that the policy of the embargo produced serious discontent among wide circles of the British public. The end of the conflict and the lifting of the embargo was greeted with satisfaction even by the extreme right wing circles. In spite of this, the activity of the anti-Soviet circles did not stop after the raising of the embargo. The Canadian Premier, Mr. Bennet, obstinately tried to obtain a limitation of the import of Soviet timber to Great

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Britain, and at last persuaded the government to constrain the Timber Association to alter the agreed figure of export for 1934, reducing the timber imports from the U.S.S.R. from 435 thousand standards to 350 thousand. This was done in spite of the fact that, according to the scheme accepted by the new trade agreement, the decrease in Soviet receipts from exports allowed the Soviet Union to curtail its payments, and therefore to limit its purchases in Britain. As a result of this activity on the part of anti-Soviet circles, the national economy of Britain was the loser by about one million pounds sterling.

The further prospects of Anglo-Soviet trade depend to a great extent on whether the principles and conditions underlying the new trade agreement between Britain and the U.S.S.R., signed on February 16th, 1934, are carried out.

TRADE WITH THE U.S.A.

As is well known, the U.S.A. was the only large country which had not formally recognised the Soviet Union up to 1933. The absence of normal diplomatic relations between the two countries could not but retard the development of trade and economic relations between the two greatest Republics in the world. The policy of President Hoover, with various aggressive actions against the U.S.S.R. (the anti-Soviet campaign conducted by Mr. Fish, the embargo on the import of certain Soviet goods), not only did not stimulate the development of Soviet-American trade, but on the contrary hindered it in every possible way. Soviet purchases in the U.S.A.

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increased from year to year till 1931. In 1927 American exports to the U.S.S.R. amounted to \$65 million, in 1929 to \$85 million, in 1930 to \$114 million, and in 1931 to \$104 million. In 1932 there was a sharp drop in American exports to the U.S.S.R., which amounted to no more than \$19 million.

The interests of the U.S.A. in the Soviet market become evident if we analyse the relative importance of Soviet orders and purchases in certain branches of American industry. Thus in the export of industrial equipment from the U.S.A. in 1930, the share of the U.S.S.R. was 18·3 per cent, in 1931 27·5 per cent, and even in 1932, when there was not only a decrease of exports to the U.S.S.R., but of the total exports of the U.S.A., the Soviet Union still occupied second place (10·2 per cent) in the whole export of American industrial equipment. For some kinds of equipment the importance of the exports to the Soviet Union was still greater, as the following table shows :

RELATIVE IMPORTANCE OF THE U.S.S.R. IN THE EXPORTS OF THE U.S.A.

	<i>In percentage to total U.S.A. exports of each group</i>	
	<i>1931</i>	<i>1932</i>
1. Metallurgical equipment	59	25
2. Lathes	65·6	40·5
3. Foundry equipment	73·8	21·6
4. Locomotives	58·7	
5. Turbines	97·4	
6. Aviation equipment	19·6	

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It is not difficult to imagine what figures and what significance might be reached by the imports to the Soviet Union of American machinery, semi-manufactured goods and industrial raw materials, the high quality and abundance of which has so deservedly made the U.S.A. famous.

The considerable growth of Soviet imports from the United States which has already been mentioned was not accompanied by a growth of Soviet exports to that country. For these years the corresponding figures are the following : \$22 million or 0.5 per cent of total American imports, \$24 million, 0.8 per cent ; \$13 million, 0.6 per cent.

In spite of the fact that in 1930 and 1931 Soviet exports to the U.S.A. amounted to only a small percentage of Soviet imports from that country, an unfavourable attitude was adopted by the American administration and banks on questions of trade with the U.S.S.R. While in a number of countries the U.S.S.R. was able to obtain long-term credits guaranteed by the government, the government and banks of America adopted an irreconcilable attitude on the question of granting credits to the U.S.S.R. Moreover, in spite of the fact that Soviet exports to the U.S.A. developed slowly enough, from 1930 the American administration began to apply a number of special restrictions directed against Soviet imports. In this case the Hoover administration acted under the direct pressure of certain industrial groups with no real significance in the economy of the U.S.A., but which competed with Soviet imports and stopped at nothing in that competition. At present it

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is not worth while to dwell in particular upon those measures ; it is enough to mention here the senseless campaign against Soviet timber under the slogan of the so-called "forced labour" in the Northern regions of the U.S.S.R., and the campaigns against the "dumping" of Soviet matches, manganese, asbestos and other exports. The groundlessness of all these campaigns was clear from the fact that even the former administration had to admit that there were no grounds for accusing the U.S.S.R. of "dumping" manganese. The same was declared in the American Customs Court on the question of the Soviet dumping of matches. Nevertheless the Hoover administration continued to apply a number of restrictions to Soviet imports, thus creating obstacles for the development of Soviet-American trade.

The natural result of the policy of the American administration was the transfer of the majority of Soviet orders to other countries, and the U.S.A. ceased to play an important rôle in Soviet imports. As early as 1932 there was a sharp drop in American exports to the U.S.S.R., to almost one-ninth of their former level ; they amounted to only \$13 million against \$104 million in the preceding year. Examination of American imports from the U.S.S.R. proves that the bulk of Soviet exports consists of articles not produced at all in the U.S.A., or produced in a very small quantity. With respect to these goods Soviet exports to the U.S.A. do in fact occupy an important place, but only in the interest of American industry, which thus obtains the raw materials and semi-manufactured goods that it lacks. The greatest

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proportion attained within the last few years by some kinds of Soviet goods in the total American imports of these items was :

	%		%
1. Manganese	64·5	8. Rags	15·5
2. Liquorice root	41·2	9. Flax	15·4
3. Anthracite	36·6	10. Wood for paper	
4. Iron ore	23·3	industry	9·3
5. Gut	25·4	11. Asbestos	9·1
6. Bristles	21·4	12. Furs	7·8
7. Tinned crabs	17·0	13. Caviar	96·5

These items in Soviet exports to the United States are either completely lacking among the natural resources of America, or exist in such insignificant quantities as in no way to satisfy the needs of the country. The only exception is anthracite, of which there are considerable supplies in the U.S.A., but in this case the import of Soviet, as well as Canadian, British and German anthracite is completely justified by the fact that for the Atlantic coast (New England for instance) the transport of foreign coal by sea is much cheaper than the transport of American coal by rail. Up to 1933 the balance of Soviet-American trade was always favourable to the U.S.A., in 1930 exceeding \$90 million. During the twelve and a half years of Soviet-American trade (1921-33) the balance in favour of the U.S.A. amounted to \$520 million. This alone shows the great interest of the U.S.A. in the further development of trade with the U.S.S.R.

At present, now that Soviet-American political

relations have been put on to a normal basis, there are grounds for expecting a considerable development of the economic relations between the U.S.S.R. and America. Under the new conditions there are no reasons to expect fresh restrictions in Soviet trade with the U.S.A. We might even say that the previous restrictions will be removed in the near future. Some of them, such as the anti-dumping duty on manganese and the prohibition of gold imports, have already been suspended ; with respect to others, negotiations are being carried on, and we may rely upon their success. The removal of these obstacles to Soviet exports, together with the creation in America of favourable credit conditions for Soviet orders, will provide the necessary conditions for a considerable increase of Soviet orders in America. It should be remembered that American industry, with its high technical level, has always been popular in the U.S.S.R. On the other hand the U.S.S.R. is the greatest potential market in the world.

In his interview with Duranty, Stalin, speaking of the prospects of Soviet-American trade, said : " What Litvinov said at the Economic Conference in London still holds good (i.e., the readiness to give orders for one thousand million dollars). We are the biggest market in the world and are ready to order and pay for a large quantity of goods. But we need favourable credits and conditions ; moreover, we must be sure that we can pay. We cannot import without exporting, because we do not want to order without being sure that we can pay punctually."

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TRADE WITH GERMANY

Soviet-German trade relations during the years of reconstruction and the first Five-Year Plan developed with a steady growth of the trade turnover between the two countries, as the following figures (in million roubles) show :

	<i>Soviet imports from Germany</i>		<i>Soviet exports to Germany</i>		<i>Total trade turnover</i>	<i>Trade balance</i>
1913	653.1	47.5% ¹	449.5	29.9% ¹	1,102.6	—203.6
1927-28	248.5	26.3	186.2	23.9	434.7	—62.3
1929	194.6	22.1	215.1	23.3	409.7	+20.5
1930	250.8	23.7	205.7	19.8	456.5	—45.1
1931	410.6	37.2	129.3	16.0	539.9	—281.3
1932	324.4	46.4	98.1	17.7	422.5	—266.8
1st half of 1933	148.0	42.5	85.7	17.3	233.7	—62.3

The turnover of Soviet-German trade during the first Five-Year Plan showed a constant increase year by year, in spite of the development of the crisis. The year 1932 showed a curtailment of trade between the U.S.S.R. and Germany, on account of the general reduction of Soviet imports.

But even in 1932, and in the first half of 1933, the decrease in German exports to the U.S.S.R. was considerably less than the general fall in Soviet imports. As a result, the share of Germany in the imports of the U.S.S.R. rose to 37 per cent (in 1931) and to 46 per cent (in 1932), thus almost reaching the pre-war level (47.5 per cent). Soviet exports to Germany fell considerably, but for the last two years have been increasing relatively. During the period 1931-32 the Soviet trade balance was

¹ The percentage shows the share of Germany in the total imports and exports of the U.S.S.R.

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favourable to Germany to a considerable sum ; the balance in favour of Germany even exceeded its pre-war dimensions. Thus the growing interchange of goods between Germany and the U.S.S.R. during the Five-Year Plan was one of the chief means by which Germany's economy was able to settle its general trade balance and balance of payments and to meet payments to Britain and other countries.

This constant growth of the German share in Soviet purchases is chiefly explained by the better conditions granted by Germany, as compared with other countries, for the financing of Soviet purchases.

By the law of February 25th, 1926, the German Government guaranteed payments for Soviet orders to the total value of 300 million marks, for a period of from 2 to 4 years. After the expiration of that credit, direct trade negotiations concerning new orders and their financing were carried on between the Supreme Council of People's Economy of the U.S.S.R. and a delegation of big German manufacturers. In April 1931 these negotiations resulted in an agreement for granting an additional credit of 300 million marks. A similar agreement covering the first half of 1933, later prolonged until the end of the year, was signed in 1932. These agreements for credits have played a decisive part in the placing of Soviet orders with German industry.

On the other hand, from 1929 the German restrictions on imports had a more and more unfavourable effect on Soviet exports. These measures hampered Soviet exports of grain to Germany, and

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the granting of the monopoly for matches in Germany to Kreuger stopped the Soviet export of matches to that country. It is evident that all these measures directed against Soviet exports were bound ultimately to affect Soviet imports from Germany, an effect which can be seen in the trade statistics of the following years. In 1932 there was a 20 per cent decrease of Soviet exports to Germany, and in 1933 this fall was still greater.

The character of Soviet exports to Germany changed very little during the first Five-Year Plan, but there was a considerable increase of industrial exports, especially furs, oil products, timber, etc. On the other hand, Soviet imports from Germany during the first Five-Year Plan underwent great changes, the dominating rôle being played by industrial equipment, particularly for heavy industry. In 1931 and 1932 the U.S.S.R. occupied first place in the German export of machinery, apparatus and machine tools, and the export of some kinds of equipment went almost exclusively to the U.S.S.R.

TRADE WITH FRANCE

The years 1927, 1928, 1929 and the first nine months of 1930 were the best period for the interchange of goods between France and the U.S.S.R. The maximum import of Soviet goods to France, about 890 million francs, took place in 1930 ; the maximum export from France to the U.S.S.R., about 256 million francs, in 1929. The issue of a decree by the French Government on the 3rd of October, 1930, requiring a licence for the import to France of a

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number of Soviet goods was followed by a serious breach in the economic relations between the two countries, which continued up to 1931 inclusive. But during both the best and worst years, the Franco-Soviet turnover, in spite of its relatively small total, showed the very close connection between the national economies of the two countries.

Soviet exports to France were less than 2 per cent of total French imports, but, considered in separate categories of goods, their real significance to French industry becomes evident.

France has no oil, and needs it in large quantities owing to the growth of industrialisation, the development of the motor industry, motor transport and aviation ; 12 per cent of her requirements are met by importing oil-products from the U.S.S.R.

The development of French metallurgy, which, on account of the large amount of phosphorus in her own iron ores, consumes a greater amount of manganese than that of other European countries, obliges France to use Soviet manganese in ever-increasing quantities. In 1931 Soviet manganese occupied the first place in the French market, leaving far behind the manganese ore from British India and the Gold Coast. In 1932 the share of Soviet manganese in the total import of manganese to France reached 50 per cent.

The U.S.S.R. provides up to 50 per cent of the necessary raw materials for the French flax industry. Soviet oak dowels have great importance for the French wine industry ; Soviet wood and rags for the paper industry ; the products of coal distillation,

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various raw chemicals, semi-manufactured goods, etc., are important to the corresponding industries. Soviet purchases in France, in view of a number of unfavourable conditions, have so far fallen far short of the volume they might have reached under better conditions. However, here also a way is being opened up to more extensive and closer connections with French industry.

Various branches of French heavy industry, especially the electrical industry, chemistry, metallurgy, some branches of machine-building, aviation and others, have already acquired an important customer in the Soviet Union. It is enough to mention here that in 1929, according to the French customs statistics, 20 per cent of the total French export of aluminium went to the U.S.S.R., of ferro-alloys 12 per cent in 1931, rolled steel tubes in the same year up to 30 per cent. In the export of French aviation materials in 1930, the share of the U.S.S.R. was about 18 per cent.

Soviet orders for the equipment of boilers also became important, as well as orders placed with other industries. In 1929, 37 per cent of the output of the French shipbuilding industry was exported to the U.S.S.R. But even in the best years before the crisis the economic relations between France and the U.S.S.R. did not reach their full development. This was due to a number of obstacles, mostly relics of the past arising out of the absence of a trade agreement, in connection with the high customs duties on goods from the U.S.S.R. and the absence of bank and State credits. For a long time obstacles to the

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development of economic relations between France and the Soviet Union were created by various political complications produced by circles hostile to the U.S.S.R., which sacrificed the direct interests of France in the struggle against the U.S.S.R. To their influence we must ascribe all kinds of measures undertaken in France some years ago, calculated to hamper and even paralyse the development of Franco-Soviet economic relations. Among these measures it is enough to mention the decree of October 3rd, 1930, which established a special régime for Soviet exports, and a number of judgments directed against Soviet trade organisations in various legal cases. It is obvious that under such conditions Franco-Soviet trade could not develop freely. Exports from the U.S.S.R. to France, according to the French customs statistics, amounted in 1930 to 886 million francs or 1·7 per cent of total French imports, in 1931 to 496 million (1·2 per cent), in 1932 to 519 million (1·7 per cent). On the other hand, French exports to the U.S.S.R. during the same years amounted to 170 million (0·4 per cent), 59 million (0·2 per cent) and 47 million (0·2 per cent).

Of the total Soviet imports during those years the share of France was insignificant, amounting to 2·8 per cent, 3·0 per cent, and 0·6 per cent.

Nevertheless there is a real basis for a considerable development of economic relations between France and the U.S.S.R.

At present France is one of the greatest industrial countries of the world ; she no longer exports articles

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of luxury as she mainly did before the war (perfumes, silks, wines and liqueurs). She has a well-developed heavy industry, especially the metallurgical, electro-technical and machine-building industries, which may find greater scope in the Soviet market than they have hitherto.

With regard to Soviet exports, we must first point out that Soviet goods *do not compete* with French goods, for this is very important at the present time, when the capitalist world is suffering from a severe crisis. Soviet oil does not compete with French oil, as the latter does not exist, Soviet anthracite does not compete with French, the share of which in the market is very small. Soviet flax is not dangerous for French flax, as the latter covers only an insignificant part of the demands of France. Soviet Northern timber does not compete with the timber of the French Vosges or of Gascony, for they are entirely different and do not supersede or replace one another, just as Soviet hard wheat is used for special purposes and does not interfere with the soft wheat of France. France has nothing to fear from Soviet furs, as she has none of her own, and the wearing apparel exported from the U.S.S.R. is so specific that it does not compete with the French fur and clothing industries.

Where the supplies of agricultural products and raw materials have been disorganised and monopolistic organisations have increased their attempts to dominate the market, Soviet supplies in the French market are especially important.

Soviet oil products in France to some extent

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weaken the influence of the monopolistic British and American oil trusts. When there is almost no import of flax from the border countries, the regular delivery and stable prices of Soviet flax keep up the prices of other flax. Until the conclusion of the former Soviet trade agreement, Soviet timber imported to France had been subjected to heavy duties and its import has been exceedingly limited, but the national economy of France needs it. Soviet timber (pit props) under the conditions of minimum tariffs and an adequate quota, could greatly ease the situation in the French coal industry. The superior quality of Soviet goods is fully appreciated on the French market.

The trade agreement between the U.S.S.R. and France signed on January 11th, 1934, closes a period of Franco-Soviet economic relations, a period during which these relations were restricted by a number of negative factors.

Under the new agreement the regulations for the Soviet Trade Delegation in France and for the Soviet economic organisations are in accordance with the corresponding Soviet laws. Now that this régime has been established, it may be supposed that legal proceedings intended to create difficulties in the work of the Soviet organisations will no longer arise. The agreement also regulates Soviet imports to France, granting to the U.S.S.R. minimum tariffs for a number of the most important goods, and quotas of goods, the import of which is limited. The agreement provides for a normal circulation of bills of exchange on the French market, i.e., a normal rate of discount,

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normal conditions for this discount, etc. Soviet purchases in France will be made on a credit basis.

All these conditions for providing for Soviet exports to France and facilitating credits for Soviet orders pave the way for a considerable increase in these orders. In 1932 Soviet purchases in France amounted to only 47 million francs ; in 1934 a considerable increase in these purchases is anticipated in view of the new conditions for export and credits. The placing of the economic relations with France on a normal basis, together with an increasing *rapprochement* between the two countries, creates favourable prospects for fruitful co-operation and the exchange of experience in various branches of science and technology.

TRADE WITH THE COUNTRIES OF THE EAST

The trade of the U.S.S.R. with the countries of the East differs considerably from that with Western countries, both in its economic character and in the different political relations between the U.S.S.R. and the Eastern countries.

There is a profound difference in principle between the Eastern policy of Tsarist Russia and the relations of the Soviet Union with the countries of the East. This difference has been reflected in the economic and trade relations of the U.S.S.R. with Eastern countries.

The Tsarist Government considered Eastern countries as an object for its colonial imperialistic policy ; it tried to enslave them, to seize their territory and to exploit them economically. The trade relations between the Tsarist Government and Eastern countries

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amounted to a maximum export of Russian goods to these countries, this being achieved by the establishment of special privileges for the trade of Tsarist Russia, which were the fruits of an imperialist policy.

Moreover, there was a penetration of Eastern countries by Tsarist financial capital. Russia sought to strengthen its concessions and industrial enterprises there.

As is well known, the Tsarist Government for a whole century engaged in a number of wars both with Eastern countries directly and with other capitalist countries for the possession of Eastern markets. The Near East—Turkey—the Middle East—Afghanistan—the Far East—Manchuria and Japan—were, for the Tsarist Government, countries with which or in connection with which there was a direct antagonism because of the desire for colonial expansion.

Since the first days of its existence, Soviet Russia has definitely refused to follow a colonial policy, to carry out any kind of seizures of territory. This principle has been firmly adhered to by the Soviet Union and confirmed by a number of treaties with Eastern countries.

Relations between the Soviet Union and these countries are characterised by a friendly policy, a policy of equality, and by the efforts of the Soviet Union to help in every possible way the economic, political and cultural development of its Eastern neighbours.

In accordance with this policy, and contrary to the practice of capitalist countries, as well as of Tsarist

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Russia, the trade of the U.S.S.R. with the countries of the East has no elements of appropriation or of the forced imposition of its economic and trade interests and the economic enslavement of these countries.

Below we give some figures which are characteristic of the development of trade between the U.S.S.R. and Eastern countries, comparing 1913 with 1924-25 as the middle of the period of recovery, 1927-28 as the period of reconstruction, and 1932 as the last year of the first Five-Year Plan.

	(In thousands of gold roubles)			
	1913	1924-25	1927-28	1932
<i>TURKEY</i>				
Exports	35,783	9,863	15,190	5,391
Imports	18,440	3,386	14,042	5,700
<i>PERSIA</i>				
Exports	57,703	28,670	72,434	25,368
Imports	43,626	52,169	62,606	49,940
<i>AFGHANISTAN</i>				
Exports	5,946	481	6,863	14,574
Imports	6,299	1,641	6,492	11,782
<i>WESTERN CHINA (SIN-KIANG)</i>				
Exports	no data	2,683	10,647	15,698
Imports	no data	4,357	13,496	12,305
<i>CHINA (excluding SIN-KIANG)</i>				
Exports	28,801 ¹	6,426	13,834	8,086
Imports	7,5650 ¹	12,509	31,769	5,888
<i>MONGOLIA</i>				
Exports	2,689	2,769	7,651	41,395
Imports	8,403	3,583	12,102	19,278
<i>JAPAN</i>				
Exports	1,409	12,623	17,576	10,009
Imports	4,844	2,678	5,419	4,786

¹ Including Sin-kiang.

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As the above figures show, the trade of the U.S.S.R. with a number of Eastern countries has continuously increased ; for example, with Western China, Afghanistan, Mongolia. In other countries, such as Turkey, Persia, China and Japan, it has decreased during the last few years.

The causes of this curtailment are as follows : as we have already mentioned, the total turnover of the foreign trade of the U.S.S.R. has been decreasing during the last few years, the years of the world crisis. This decrease has also taken place in the trade with Eastern countries, especially because the Eastern countries could not provide the goods necessary for the construction programme in the U.S.S.R. during the first Five-Year Plan. The curtailment of trade with some of the Eastern countries was also caused by the augmented penetration to these countries of goods from other countries such as Japan, Britain, Germany, etc., which, suffering from the shrinkage of their exports in connection with the world crisis, began to concentrate their attention on Eastern markets. The curtailment during the last few years of Soviet foreign trade with Japan, and also China, was of course also due to political and military events in the Far East.

The character of Soviet trade with the countries of the Far East is as follows ; the main articles of Soviet export to Turkey are oil products, sugar, textiles and bread. The articles of import from Turkey are raw cotton, wool and cattle.

To Persia the U.S.S.R. exports chiefly textiles,

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metal ware, sugar, and oil products. The exports to Afghanistan, Western China and Mongolia are mainly textiles, metal ware, china, glass, and oil. With respect to Mongolia, flour and a number of other goods may be added. The imports from these countries consist mostly of wool, cotton, cattle and hides. From Afghanistan the Soviet Union imports astrakhan furs.

Soviet exports to China consist of timber, oil products, textiles, metal ware, coal and fish. The main article imported from China is tea.

The character of this trade shows that the U.S.S.R. buys in Eastern countries in the main the raw materials which are indispensable for its industries, namely, wool, cotton and hides ; and exports commodities and to some extent machinery which are in demand in these countries.

The future development of Soviet trade with the countries of the East will proceed along these lines. The U.S.S.R. will buy the raw materials required for its industry, and will provide these countries with manufactured goods. Apart¹ from this the U.S.S.R. will as far as possible provide these countries with the means of production necessary for the building up of their own industry and for improving their agriculture.

Moreover, the U.S.S.R. will closely follow its basic principles—the refusal of the policy of expansion and appropriation ; the U.S.S.R. will strengthen its amicable fraternal relations with the countries of the East, relations based on mutual equality.

CHAPTER V

SOVIET LAWS REGULATING FOREIGN TRADE AND ITS ORGANISATION

THE CHARACTER of the Soviet monopoly of foreign trade and its significance for the Soviet Union have been fully described in Chapter I. In the present chapter our task will be to give the main Soviet laws on foreign trade, and to enumerate the main organisational forms by which this monopoly has been made effective.

STATE MONOPOLY THE BASIS OF FOREIGN TRADE LEGISLATION

The Soviet laws, and in particular the Constitution of the U.S.S.R., established the basic principle that the monopoly of foreign trade belongs to the State itself, to the Soviet Union. In some countries, as for instance in Persia, the monopoly of foreign trade consists in the right of the State to establish quotas and grant permission for the export and import of goods, but the position in the Soviet Union is fundamentally different. Here the monopoly of foreign trade means that the government itself directs, organises, plans and regulates foreign trade and carries out all the operations connected with it.

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The monopoly of conducting foreign trade is included among the sovereign rights of the Soviet Union ; this fact determines the legal and organisational forms of Soviet foreign trade. Soviet legislation establishes such forms for foreign trade as provide for the unity of Soviet trade policy, its execution according to a fixed plan, a maximum rationalisation of the operations connected with it and the complete accuracy of the Soviet trade organs in the fulfilment of their obligations. From all this it is evident that it is wrong to approach the question of Soviet foreign trade from the point of view of the private capitalist foreign trade of other countries. The differences between the Soviet system and the capitalist system are reflected in the special character and form of Soviet foreign trade, which are such as exist in no other country.

The monopoly of foreign trade is one of the essential elements in the Soviet régime. Therefore if a country has "recognised" the Soviet Union and has established diplomatic and juridical relations with it, this government has in fact recognised the monopoly of foreign trade established by Soviet law. In the numerous agreements concluded by the U.S.S.R. the fact is recognised that the monopoly of foreign trade belongs to the State (for instance the agreement with Italy, 1924, with Germany and Norway, 1925, with Sweden, 1927, with Esthonia, 1929, with England, 1930). In all new trade agreements this basic principle of Soviet trade policy is invariably reflected. It is necessary to point out that in all these agreements

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there is a recognition of the existing situation. Therefore if a country has recognised the Soviet Union "*de jure*," even if it has no trade agreements with the U.S.S.R. which include the recognition of the Soviet monopoly of foreign trade, nevertheless it cannot but recognise the Soviet monopoly of foreign trade, which is part of the fundamental laws of the U.S.S.R. in the field of foreign relations.

The monopoly of foreign trade was established during the first months of the existence of the Soviet power. In the law of April 22nd, 1918, it was decreed that foreign trade was nationalised and that all the operations connected with it were to be carried on by special organs in the name of the State.

This decree was further developed in a number of laws enacted in 1920-23 ; a special central organ, the People's Commissariat for Foreign Trade, was established ; the functions of the trade delegations, which form the chief organs abroad of the foreign trade monopoly, were defined ; regulations for the carrying out of (foreign) trading transactions were established ; detailed rules concerning the planned regulation of foreign trade, and the documents (licences) for import and export were issued.

We should here mention paragraph 17 of the Civil Code, issued in 1922, under which individuals or organisations may participate in foreign trade only through the State as represented by the People's Commissariat for Foreign Trade. Independent action on the foreign market is only allowed in cases specially indicated in the law and exclusively

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under the control of the People's Commissariat for Foreign Trade. This last point has in view certain State and co-operative organisations to which the right of concluding agreements on the foreign market is granted.

While the monopoly of foreign trade has been maintained without any weakening, this does not mean that its organisational forms have remained unchanged. Changes have been made in the foreign trade organisations and their functions, in order to further strengthen the monopoly of foreign trade, in connection with varying economic conditions and the growth of Soviet foreign trade and the consolidation of the position of the U.S.S.R. on foreign markets. Thus in 1925, under the general management of the People's Commissariat for Foreign Trade, special organisations for various branches of export and import were created. In 1930-31 a new reorganisation took place. The exporting and importing companies were reorganised and the entire procedure of export and import was allotted to them under the control of the Commissariat. In order to relieve the foreign trade apparatus from petty business, the task of the preliminary technical work connected with the placing of orders and sales was also laid upon these organisations. They are also authorised to sign agreements directly with foreign firms and ensure the fulfilment of obligations by them.

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THE PEOPLE'S COMMISSARIAT FOR FOREIGN TRADE

For the central administration of Soviet foreign trade there is one organ for the whole Soviet Union, the People's Commissariat for Foreign Trade. Its tasks are the following : to enforce the monopoly of foreign trade and to carry into effect the foreign trade policy, the planning of exports and imports. The work of the People's Commissariat ensures unity in Soviet trade policy and the carrying on of foreign trade according to a unified plan under a single directing body. The unity of the Soviet foreign trade policy has been evident when, forced by particularly drastic actions of foreign powers directed against the Soviet monopoly of foreign trade, the Soviet Union has resorted to corresponding counter-measures. In the law of the 17th of May, 1927, passed soon after the raid of the British police on the quarters of the Soviet trade delegation in London, the People's Commissariat for Home and Foreign Trade¹ is instructed to see that foreign trade is carried on only in those countries with which normal diplomatic relations with the U.S.S.R. exist, and where the Soviet trade apparatus is guaranteed normal conditions for commercial operations.

In the decree of the 20th of October, 1930, the People's Commissariat for Foreign Trade is authorised to take special measures with regard to those countries which hinder the normal import of Soviet goods. The People's Commissariat is empowered to :

¹ At that time there was a joint Commissariat for Home and Foreign Trade.

- (a) absolutely cease or reduce to the greatest possible extent orders and purchases in these countries ;
- (b) cease employing the shipping of these countries ;
- (c) institute special restrictive rules for transit of goods, etc.

In virtue of this decree special regulations concerning trade with France were issued following upon the French decree of October 3rd, 1930, limiting Soviet exports to France. On the 15th July, 1931, after the repeal of the French decree, these regulations were cancelled. When in 1931 the Canadian Government imposed an embargo on the import of goods of Soviet origin, the People's Commissariat for Foreign Trade issued instructions to all trade representatives and import organisations to stop all purchases of Canadian goods and cease employing Canadian ships. In the same way after the embargo imposed in April 1933, on the import to England of the main articles of Soviet export, an order was issued by the People's Commissariat for Foreign Trade, prohibiting all foreign trade organisations from placing orders or making any purchases whatever in England. This order was cancelled upon the lifting of the embargo.

The People's Commissariat for Foreign Trade is divided into several departments. The regional representatives of the People's Commissariat in the Union itself are the "Representatives of the People's Commissariat for Foreign Trade" in the several Republics and Regions. Among their duties are included the supervision of the fulfilment of regulations concerning foreign trade, the participation in

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planning for foreign trade, the control of its execution, etc.

Among the public organisations contributing to the development of foreign trade, we must note the All-Union Chamber of Commerce, Moscow, the aims of which are to co-operate with the organisations for import and export in working out questions concerning Soviet foreign trade, advising and providing information for these organisations and working out and carrying into practice various measures contributing to the development of Soviet foreign trade.

SOVIET TRADE REPRESENTATIVES ABROAD

The main organs of Soviet foreign trade abroad are the trade delegations which constitute part of the Embassy of the U.S.S.R. in each foreign country, while at the same time they are subordinate to the People's Commissariat for Foreign Trade. They carry into effect the rights of the Soviet Union in foreign countries in the field of the monopoly of foreign trade. The functions of the trade representatives are defined in the decree of September 13th, 1933, which determines in detail their powers and rights. At present there are Soviet trade delegations in the following countries: Austria, Czecho-Slovakia, Denmark, England, Esthonia, Finland, France, Germany, Greece, Italy, Japan, Latvia, Lithuania, Mongolia, Norway, Persia, Poland, Sweden, Tana Tuva, Turkey.

The trade representatives represent the interests of the Soviet Union in foreign trade and contribute to

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the development of trade and other economic relations between the U.S.S.R. and the country in which they are established. They regulate the foreign trade of the Soviet Union with the country, and control the activity of the Soviet trade organisations which have been allowed to participate in the foreign market and carry on Soviet trade with that country, i.e., conclude agreements with foreign firms.

Soviet foreign trade is of a State character. The trade representatives form a part of the corresponding diplomatic missions of the U.S.S.R. and enjoy the same privileges as the latter. Thus the regulations for the diplomatic mission to a foreign country apply also to the trade delegation. The staff of the trade delegation are officials of the State.

The trade representatives have the right to conclude agreements on behalf of the U.S.S.R. for which the Treasury of the Soviet Union is responsible. It is necessary to stress the fact that trade representatives are not legal entities ; they have no legal status apart from the State. The agreements concluded by the trade delegation are the agreements of the State itself. But it stands to reason that although the delegations sanction all agreements concluded by various government organisations, the responsibility for carrying out these agreements lies with the organisations themselves and not with the delegations.

The State character of the trade delegations and the fact that their privileges are identical with those of the diplomatic missions makes them of necessity

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extra-territorial and gives the right of "juridical immunity." According to the view prevailing in the theory and practice of International Law, a foreign country may be subject to local jurisdiction only on the condition of its consent thereto.

The decree concerning Trade Delegations, of September 13th, 1933, clearly stated that the trade representatives may appear in foreign courts as plaintiffs, but as defendants only in cases connected with contracts concluded by the trade delegation in the country concerned, and at the same time, only in those countries where, either by means of an international agreement or a one-sided declaration made to the government of the given country, the U.S.S.R. has consented to the trade representatives being subject to local jurisdiction in connection with such disputes. Moreover, the liability of the trade representatives to the foreign court may be expressed in a reservation included in contracts. The Soviet Government in delegating power to the trade representative authorises him to include such a reservation in the contracts.

From the foregoing it is clear that the liability of the trade delegation to the foreign court is a voluntary act on the part of the U.S.S.R., an act dictated by a desire to facilitate trade in the country in question. The main principles of the international juridical status of the trade representatives have been expressed in a number of trade agreements concluded by the U.S.S.R. As an example, we may point out the agreements between the U.S.S.R. and Germany in 1925 and Italy in 1924. In both

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agreements it is stated that trade representatives are members of the diplomatic mission, that the personnel and offices of the trade representatives enjoy extra-territoriality, and that the Soviet Government is responsible for the agreements concluded by them. In the agreement with Germany the limits of German jurisdiction are also defined. Under its competence come all civil acts performed by the trade representatives in Germany, i.e., agreements concluded by the trade representatives. The trade agreements concerning the status of the trade representatives merely state and confirm their rights, these rights resulting directly from the fact that the trade delegation is a State organ forming a part of the Soviet diplomatic mission. The trade delegation must be afforded the same rights in countries which have no trade agreements with the U.S.S.R. The character and status of the trade delegation is defined by Soviet law; a foreign court can have no competence to change them or ascribe to the trade mission a character that in actuality it does not possess. But the foreign press and even the courts in some countries frequently strive to place the Soviet trade delegation on a level with private trading organisations. Sometimes foreign courts treat the trade representative as an independent individual, as an entity apart from the State, sometimes they subject the trade representatives to the competence of the foreign court, even without an agreement on the part of the U.S.S.R., and sometimes they demand the inclusion of the trade delegation in the "trade-list." It is evident that these attempts have no basis, and are of an

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arbitrary character. They may be regarded as one of the items in the campaign against the Soviet monopoly of foreign trade.

But we must also point out that lately, with the growth of Soviet trade and the strengthening of the international position of the U.S.S.R., a number of judgments of foreign higher courts (Courts of Appeal) have been pronounced which give due consideration to the nature of the trade delegation. Thus the judgment of the Court of Appeal in Italy of January 18th, 1933, in the case of the trade delegation versus Katzman, acknowledged that the trade delegation is not an entity independent of the State, that the agreements concluded by the trade delegation must be considered as those of the State itself and that Soviet foreign trade is, in its essence, a public function of the State. We may also mention here the decision of the Higher German Labour Court of March 22nd, 1933, in the case of Duffkee, which stated that in the German-Soviet economic agreement, the U.S.S.R. made a voluntary concession, in that, notwithstanding the principle of International Law that a sovereign State cannot be subjected to the court of another country, the U.S.S.R., to a definitely restricted extent, agreed to subject itself to German jurisdiction, i.e., in relation to the actions of the trade delegation in Germany, and that this concession was therefore obligatory on the U.S.S.R. The limited character of the concession does not permit of its interpretation in a general sense.

As we have already mentioned, these judgments

establish a number of correct legal principles concerning the character of the trade representatives. As the character of the trade delegations is the same in all countries where they exist, these decisions are of an importance which is not confined to the countries where they were made. They must be taken into consideration by courts and lawyers in other countries.

Besides the trade delegations, there are "Trade Agencies of the U.S.S.R." As a general rule they are set up in countries where trade delegations do not exist, as well as in other parts of a country where there is a trade delegation. The trade agencies carry out the work allotted to them by the trade delegations, and the rules concerning the latter apply to them also. Trade agencies exist in Heiludsiön, Girin and Mukden Province, in Chuguchak, Kashgar, Masar and Cheriff, Gerate, Urumcha and Yomen.

In conclusion we must describe the procedure for concluding agreements on behalf of the trade delegations. According to the decree of the 10th of October, 1930, foreign trade agreements concluded by the trade organisations and their agencies, bills of exchange, monetary obligations and powers of attorney are valid only if signed by two persons, one being the trade representative, his assistant, or the head of the local trade delegation, and the other a member of the trade delegation in that country mentioned in a special list approved by the People's Commissariat for Foreign Trade. Two signatures are also obligatory for the trade agreements concluded by Soviet economic organisations which have the

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right to participate in foreign markets (see below), as well as for foreign bills of exchange, monetary obligations and warrants. Permission for foreign trade transactions is granted to Soviet trading organisations by the People's Commissariat for Foreign Trade, and when granted abroad, by the competent trade delegation.

Any transactions carried out without strict observance of these rules are invalid.

COMPANIES FOR FOREIGN TRADE

Within the U.S.S.R., the main organs for foreign trade are the All-Union foreign trade companies, which are part of the system of the People's Commissariat for Foreign Trade. They are State organisations and their property belongs to the State.¹

The function of these companies is both operative and administrative ; they not only carry on export and import operations, but, as far as their competence goes, draft plans for foreign trade, establish technical conditions and standards, and study the situation in the foreign markets ; they also supervise the quality of imported and exported goods, etc. The placing by these companies of orders abroad is effected under licences of the People's Commissariat for Foreign Trade. For export by these companies no licence is needed, a declaration merely being made as to the goods to be exported. As a general rule

¹ There may, however, be some exceptions. "Soyusprodexport," an organisation for the export of butter, eggs, and poultry, was organised as a co-operative organisation. Moreover some foreign trade operations are performed by the "Centrosoyus" co-operative organisation.

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each company deals with a special category of goods. Thus for instance, the import of machines is assigned to "Machinoimport," the export of oil products to "Soyusneftexport," and so on. In addition to these, trade with some of the Eastern countries is concentrated in the hands of special organisations; for instance, "Sovmongoltuvorg" carries on trade with Mongolia and the Tuvan Republic, "Sovafghantorg" with Afghanistan.

At present there are the following companies:

1. Soyusneftexport (export of oil products).
2. Mineralsilicatexport (minerals, matches and silicates).
3. Plodoexport (of fruit, confectionery and mineral waters).
4. Antiquariat (antiques).
5. Soyusugolexport (coal).
6. Ribaconservexport (tinned fish).
7. Exportlen (flax and hemp).
8. Technoexport (agricultural machinery and tools, metal ware).
9. Soyuskinoexport (films).
10. Machinoimport (import of machinery).
11. Technoimport (light machinery).
12. Stankoimport (lathes).
13. Soyuspushnia (furs).
14. Soyuspromexport (textiles, chemicals, fats, rubber, paper, etc.).
15. Coverkustexport (rugs, linen, embroideries, hand-carved and painted articles and miscellaneous handicraft articles).
16. Rznoexport (casings, bristles, horsehair, down and feathers, rags, etc.).
17. Lekteksyrie (medicinal and technical crude drugs).
18. Tabakexport (tobacco).

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19. Textilimport (textiles).
20. Soyusmetimport (imports ferrous metals and exports different ores).
21. Mejdunarodnaya Kniga (export and import of books and stationery).
22. Sovafghantorg (trade with Afghanistan).
23. Sovsintorg (trade with Sin-kiang).
24. Sovmongtorg (trade with Mongolia).
25. Sovtuvtorg (trade with the Tuvan Republic).
26. Torgsin (trade with foreigners, remittances from abroad).

Moreover there are two limited companies—"Exportkleb" (grain export) and "Exportles" (timber export).

These companies are legal entities within the State. Within the competence established by their "charters" they have the right to conclude agreements independently and to incur obligations. Each company has a definite basic capital and is answerable for its liabilities only with its property, which according to Soviet law can be distrained. A further conclusion from the character of those companies considered as legal entities is that the State (Treasury) is not responsible for the obligations contracted by those companies, and vice versa the companies are not responsible for claims on the State, its organs or other organisations.

In particular, the trade delegation is not responsible for contracts concluded by the company abroad with foreign firms, and all claims connected with these agreements must be made direct to the company itself. If the trade delegation has authorised

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the conclusion of a contract, this authorisation is an act regulating Soviet foreign trade, and does not entail the civil responsibility of the trade delegation. This rule is a direct result of the legal status of these companies and has been confirmed in a number of international agreements, amongst others in paragraph 9 of the Soviet-German Economic Agreement of 1925.

The companies for foreign trade, being legal entities, have the right to conclude agreements independently, that is to say, for the validity of these agreements the sanction of the higher organs, in particular that of the People's Commissariat for Foreign Trade, is unnecessary. But in some cases and under special conditions, a point may be included in an agreement indicating that the transaction becomes valid only after its confirmation by the People's Commissariat for Foreign Trade or by the trade delegation. This permission is simply an act regulating Soviet foreign trade and naturally does not imply the responsibility of the organ granting it.

These rules concerning the legal entity and the responsibility of the companies by no means imply that the property of these companies does not belong to the State.

The existing economic system of the U.S.S.R. has special characteristics. There is a single fund of State socialised property, but various parts of this property may belong to different State organisations, which, within the sphere of the Civil Code, act as independent proprietors. Therefore the general rules established for State property cover also the

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property belonging to the foreign trade companies.

There are various ways of carrying on trade operations between foreign firms and these companies. The companies may conduct negotiations with foreign firms and conclude contracts in the U.S.S.R. with foreign firms ; negotiations concerning imports, in particular, may be carried on by correspondence. Finally, some of the companies have " the right to operate on the foreign market." These companies may be represented abroad and have the right to open local agencies there. Thus these companies may conclude agreements on the foreign market directly with foreign firms on their own initiative and responsibility.

In addition to contracts concluded with foreign firms, it is necessary to point out cases where a transaction is effected by the trade delegation and for which the U.S.S.R. is responsible, although the obligation of carrying out the separate items of the transaction is laid upon the company. For instance, the trade delegation concludes a general agreement with a foreign firm for the supply of goods over a definite period of time, but the separate orders are placed by the company ; or the company is charged with the acceptance and examination of foreign goods, i.e., the control of the fulfilment of obligations undertaken by the foreign firm.

Besides the organisations for export and import it is necessary to refer to the transport organisations in connection with foreign trade. The monopoly of chartering belongs to the Soviet Union, and among the organisations of the People's Commissariat for

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Foreign Trade there exists an All-Union Chartering Company, "Sovfrakht." Another organisation, "Vneshtorgtrans," has the monopoly of all transport, forwarding storage, loading and unloading, insurance and stevedoring connected with Soviet foreign trade.

Both "Sovfrakht" and "Vneshtorgtrans" have the right to operate on the foreign market. The legal status of these organisations corresponds to that of other organisations for foreign trade.

MIXED COMPANIES AND ORGANISATIONS EXISTING ABROAD UNDER THE LAWS OF FOREIGN COUNTRIES

Besides the above mentioned State organisations for foreign trade there exist a number of organisations performing commercial and administrative operations connected with Soviet foreign trade. The organisation of "mixed" companies for foreign trade, formed with foreign and Soviet capital, was provided for as early as the decree of March 13th, 1922. The mutual rights of the partners, the manner of execution of the instructions with regard to Soviet foreign trade, the control of these activities by the People's Commissariat for Foreign Trade, were points provided for in the decrees of the Soviet Government, in the regulations of these companies and in the corresponding agreements between the Soviet organs and foreign firms.

In some cases trade operations abroad have been carried on by undertakings established there and based on the local civil legislation.

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In Britain these undertakings usually assume the form of "limited companies," and in Germany "G.m.b.h." (limited company). "Arcos Ltd," in England is an example of such an organisation. Although these undertakings have their private rights and are subject to local laws, by the character of their activities they are of great importance for Soviet foreign trade. Therefore in the Note of May 17th, 1927, which followed upon the search of the office of the Soviet trade delegation in London, and the raid on Arcos, the People's Commissar for Foreign Affairs of the U.S.S.R. pointed out "that although formally Arcos is a joint-stock company, registered according to British laws, the British authorities could not be unaware of the fact that it, for the most part, if not exclusively, carries out the commissions of Soviet economic organisations . . . the raid could have had only one purpose, to prejudice Soviet interests connected with the work of Arcos, by compromising the latter and creating an atmosphere of mistrust and hostility. From this point of view the Soviet Government considered itself justified in protesting against the raid on Arcos." In the same way, on the 4th and 24th of April, 1933, the Soviet Ambassador in Germany lodged a protest with the German Minister for Foreign Affairs against acts of insolence by the German authorities in respect to "Derop," a company which carries out trade functions connected with the sale of Soviet oil products. But it is, of course, obvious that from the point of view of the Civil Code the organisations existing abroad are legal entities without any

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connection with the Soviet State, and their legal status and the responsibility for the obligations undertaken are defined by the company legislation on the basis of which they are formed.

FOREIGN FIRMS IN THE U.S.S.R.

As we have already mentioned, negotiations concerning contracts with foreign firms and the conclusion of contracts for Soviet foreign trade may in certain cases take place in the Soviet Union. In these cases a foreign firm is obliged to establish an agency in the Soviet Union, to send its representatives, etc., for the transaction of various trade operations in the U.S.S.R. Soviet law as a general rule allows for the participation of foreign firms in the economic activities of the U.S.S.R. only with the special permission of the competent Soviet organs. In particular, by the decree of March 11th, 1931, foreign organisations and persons who own economic enterprises abroad are allowed to transact trade operations in the U.S.S.R. and to establish agencies, offices or branches to that end, but only with the special permission of the People's Commissariat for Foreign Trade. Firms not having such permission have no right to transact business on Soviet territory, and any transactions undertaken with such firms are invalid.

In the permission granted to foreign firms the conditions are indicated for their business transactions, the scope of their operations and the period for which the permission is granted. A firm that has received permission to carry on trade operations in

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the U.S.S.R. must appoint representatives, who will reside on Soviet territory and deal with all claims made on the firm connected with operations transacted on Soviet territory. However, a foreign firm is not obliged to obtain the permission referred to above in cases when its business in the U.S.S.R. is exclusively confined to negotiations and the conclusion of isolated contracts with Soviet foreign trade organisations, and is not of a permanent character.

THE SETTLEMENT OF FOREIGN TRADE DISPUTES

In view of the fact that a large number of Soviet trade contracts are concluded abroad, and in order to facilitate the operations of foreign trade, the Soviet organisations for foreign trade generally include in the contracts special arrangements for all disputes that may arise between the contracting parties to be submitted to the foreign court, or to a court of arbitration constituted abroad.

It is necessary to point out that in many cases it is more in the interests of the foreign firm itself to arrange the settlement of disputes in the Soviet Union, for instance when the agreement has been concluded in the U.S.S.R., when all the documents and proofs are in the Soviet Union, or when the contract has been for equipment imported to the U.S.S.R., and in similar cases. Therefore great importance is attached to the decree of June 17th, 1932, setting up an Arbitration Commission for Foreign Trade, attached to the All-Union Chamber of Commerce. Under the competence of this commission

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come all disputes arising from contracts for foreign trade, and especially disputes between foreign firms and the Soviet trade organisations. The members of the commission are appointed by the Presidium of the All-Union Chamber of Commerce from trade, industrial, transport and other organisations, and also from persons with a special knowledge of foreign trade. When the dispute is brought before the commission, each side chooses an arbitrator from the members of the commission, the latter electing a chief arbitrator from the members of the commission. The three arbitrators thus elected then settle the points at issue. During the investigation of the matter the parties appoint their own representatives, who may be foreign citizens.

CHAPTER VI

THE CHARTERING OF FOREIGN SHIPS FOR SOVIET TRADE

IN SPITE OF the fact that the Tsarist Government spent each year about 125 million roubles on the chartering of foreign shipping for Russian exports and imports, there was no official institution of shipping brokers, and the sum paid by Russia to foreign shipowners could be estimated only approximately, no exact record being kept. The poor condition of Russian exports and the long time employed in loading, especially during the heavy dispatch of cargoes from the Southern ports in autumn, tended towards high rates of freight. The legal status of foreign mercantile vessels was very insecure in the ports of old Russia, the chartering and shipping agents very often being unstable speculative concerns.

CHARTERING MONOPOLY A PART OF THE FOREIGN TRADE MONOPOLY

A different state of things exists in the Soviet Union to-day. The chartering of foreign ships is concentrated in the hands of the People's Commissariat for Foreign Trade, in accordance with the principles of the monopoly of foreign trade, which is a fundamental law of the Soviet State. The monopoly

CHARTERING OF FOREIGN SHIPS

involves the exclusive right of the Soviet State to charter foreign ships.

The monopoly of chartering thus ranks as one of the forms of the general monopoly of foreign trade. The Soviet chartering monopoly is enforced by the concentration of all chartering for Soviet foreign trade in the hands of a special All-Union organisation, "Sovfrakht."

"Sovfrakht" has the exclusive right to charter foreign ships both in the U.S.S.R. and abroad. The work in every market is unified. On the more or less important shipping markets, the U.S.S.R. is usually represented by a single economic organisation.

The vessels are chartered in the main world market in London and in other more or less important markets. All foreign flags which represent any commercial interest are drawn into the work for Soviet exports and imports. If difficulties are met with in one market from severe conditions or arbitrary measures directed against the U.S.S.R., the dealings can easily be shifted to another market. Thus in April 1933, after the embargo imposed by the British Government on Soviet exports, the chartering of British ships and the work connected with it was transferred from London to other markets by a decree issued by Rosengolz, the People's Commissar for Foreign Trade.

This system makes it possible for "Sovfrakht" to keep in touch with the freight market in all parts of the world, and moreover links Soviet chartering operations with the whole of the Soviet trade policy towards the country in question. The preference for

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one flag or another is dictated by the freight rates and conditions offered, and by the general conditions for Soviet trade in that country.

All chartering organisations, both in the U.S.S.R. and abroad, supply each other with full information concerning their activities, or the position of the market and so on, and therefore the Soviet negotiators have a wide choice in carrying out their work.

This brief analysis of the main principles of the Soviet chartering system will suffice to show the basic difference between Soviet chartering and the chartering of tonnage in capitalist countries. The main defect of the latter is the lack of planning. Private individuals issue chartering orders when it is advantageous to them. This results in an increased demand for ships at one period and an almost complete standstill on the market at others. The demand for shipping consequently is unstable. Moreover the conditions of charters, the details of the contracts, and the rates of freight for private firms are very often treated as "commercial secrets." This irregular demand and the commercial secrecy affects both sides equally, the customers and shipowners; it is impossible to speak of a more or less normal development of the chartering market, to foresee conditions, to predict them, or even to study the exact situation on the market from day to day.

IMPORTANCE OF SOVIET CHARTERS FOR FOREIGN SHIPOWNERS

Soviet chartering is of considerable interest to foreign shipowners for the following reasons :

CHARTERING OF FOREIGN SHIPS

Firstly, the foreign trade of the U.S.S.R. is being more and more transferred to maritime routes, thus becoming almost exclusively a maritime trade.

Thus in 1928-29, 33 per cent of Soviet exports and about 60 per cent of the imports passed through the seaports. In 1932 the exports by sea amounted to 93.5 per cent and imports by sea to 82.3 per cent.¹

Taking exports and imports together, in 1932 92.5 per cent of the total Soviet trade turnover passed through the seaports and only 7.5 per cent was by land. (In the pre-war period—1913—the corresponding figures were 67.8 per cent and 32.2 per cent.)

Secondly, not only the relative importance of sea transport but the total volume of Soviet foreign trade has been increasing from year to year.

Thus in 1928, 9,337,000 tons were exported and 1,391,000 imported to the U.S.S.R. In the following years the corresponding figures were :

	<i>Exports</i>	<i>Imports</i> ²
1929	12,935,000 tons	1,343,000 tons
1930	20,171,000 „	1,815,000 „
1931	20,655,000 „	2,281,000 „
1932	17,171,000 „	1,958,000 „

Thirdly, in spite of the rapid increase in the capacity of Soviet shipping, by the development of the Soviet shipbuilding industry and by building and

¹ 1928-29 is given from October 1st to October 1st. Since 1930 Soviet statistics follow the calendar year. The percentages are based on the data of the Soviet customs statistics.

² Data published by the All-Union Reference Manual, No. 622.

FOREIGN TRADE IN THE U. S. S. R.

buying ships abroad, the proportion of foreign shipping employed for Soviet sea transport remains very high. This is clearly shown by the following table :

SHARE OF SOVIET SHIPS IN THE MARITIME TRANSPORT OF SOVIET FOREIGN TRADE

	<i>Exports</i>	<i>Imports</i>	<i>Total share</i>
1928	7.5%	31.5%	10.6%
1929	7.1	41.3	10.3
1930	4.8	44.3	8.1
1931	4.2	35.2	7.3
1932	5.1	41.1	8.8

These figures show a considerable chartering of foreign ships, for up to 90 per cent or over of Soviet foreign trade.

But to these figures, impressive enough, we must add the chartering of foreign ships for coastal trade, this being effected by the Soviet Union when necessary at certain seasons every year.

The process of transforming the Soviet Union from a backward agrarian country into an advanced industrial country required a tremendous increase of the coastal maritime transport ; the additions to the Soviet fleet in the past few years have been utilised partly for this, but have not met the requirements. Thus both the foreign trade of the U.S.S.R. on a large scale, and the coastal transport to a considerably smaller extent, are carried on by foreign shipping.

To satisfy the numerous demands of Soviet shippers for foreign shipping, " Sovfrakht " deals on several freight markets. As has been mentioned

CHARTERING OF FOREIGN SHIPS

above, "Sovfrakht" may sign contracts with organisations abroad, in connection with the chartering of foreign ships. Among these organisations we must mention :

1. In *London* : "The Anglo-Soviet Shipping Company," with its office in London, which is the natural centre for the chartering of ocean-going ships. This company uses mainly British, French and Dutch ships.

2. In *Hamburg*, contracts are concluded with the "Gesellschaft für die Befrachtung von Seeschiffen, m.b.H. Sovfrakht." Hamburg is the centre for chartering in the Baltic. This company chiefly employs German, Danish, Esthonian, Latvian and Finnish ships.

3. In *Oslo*, contracts are signed by "Sovfrakht" with the "A/s Sovfrakht," a joint-stock chartering company. It employs Norwegian ships and to some extent Swedish.

4. The agents in Genoa charter Italian ships.

5. Greek ships are chartered by Soviet agents in Piræus.

6. In Tokyo and Kobe, Japanese ships.

Moreover there are special agencies in Shanghai, New York, South America, Istanbul, Riga, Odessa, Leningrad, Vladivostok and other places.

The total tonnage chartered by Soviet institutions is shown by the following figures :

FOREIGN TRADE IN THE U.S.S.R.

CHARTERING OF FOREIGN SHIPS FOR TRANSPORT OF THE EXPORTS AND IMPORTS OF THE U.S.S.R.

<i>Years</i>	<i>Number of ships</i>	<i>Tonnage (in Eng. tons)</i>
1930	3864	15,095,000
1931	3432	15,411,000
1932	3454	12,089,800
1933 (data for only 11 months)	2784	10,197,700

The exact data for 1933 are not available at the time of writing, but the preliminary data show that in 1933 there is a decrease in Soviet charters for grain and oil, but a considerable increase in charters for ore and a smaller increase in charters for coal. Charters for timber, which were greatly reduced during the first half of the year, considerably increased during the second half, and by the end of the year will probably be no less than during the preceding year.

As the figures given for 1933 only covered 11 months, and charters in the Far East are not included (these are never available till a later date), we may estimate the total tonnage used in 1933 at over 11 million tons.

THE LARGE SUMS PAID FOR FREIGHT

The Soviet Union pays large sums to foreign shipowners for freight. Thus during the ten years from 1922-31, 700 million gold roubles were paid to foreign shipowners for the transport of Soviet goods.

CHARTERING OF FOREIGN SHIPS

During the last few years, the following sums have been paid :

1930	£8,918,379
1931	9,322,000
1932	6,775,500
1933	5,880,000*

**(Incomplete data for 11 months without the Far East)*

But the sums actually paid to foreign shipowners were much higher than the figures given indicate. These figures were compiled according to the charter rates for the principal ports and cargoes, and therefore they are only approximate. As a matter of fact, a considerable proportion of the total number of cargo ships were used not only from and to the principal ports, but also for supplementary ports for loading and unloading, involving additional payments under the charters. We are unable to check the exact amount at present, owing to the lack of records for all export companies, but it is, beyond doubt, very high.

This year the chartering of ships according to their flags differs somewhat from the preceding years. It is necessary to bear in mind that during the first half of 1933, in response to the embargo on Soviet imports into Britain, the U.S.S.R. prohibited the use of ships of the British Mercantile Marine.

As a rule the foreign ships employed by Soviet organisations came under the following five principal flags : English, German, Italian, Norwegian and Greek, these together accounting for 80 per cent of Soviet charters. The share of the ships of all other nations up to the present does not exceed one-fifth of the total.

FOREIGN TRADE IN THE U.S.S.R.

The approximate distribution of chartered tonnage according to nations, in percentages of the total :

	<i>1930</i>	<i>1931</i>	<i>1932</i>	<i>1933</i>
British	21·4	17·7	20·3	13·8
Greek	24·1	16·3	10·6	17·6
Italian	11·4	17·2	11·9	11·2
Norwegian	12·0	16·3	18·5	19·2
German	12·5	10·7	12·9	10·4

From this table we see that the share of Italy and Norway in Soviet charters was comparatively steady, without marked fluctuations. There was a considerable decrease of German and especially British tonnage chartered. This was connected with the prohibition of the use of British ships during the first half of 1933, which followed the embargo on Soviet imports into Britain.

For this reason, Britain's share in Soviet charters dropped to 7·7 per cent in the first half of the year (against 18·8 per cent in 1932 for the same period). This low figure immediately rose to the usual level, a little over 18 per cent, in the third quarter of 1933, as soon as the prohibition of the use of British ships was cancelled, which took place simultaneously with the lifting of the embargo on Soviet imports by the British Government.

As a result of the measures that the Soviet Government was forced to apply against British shipping, the place of Britain was naturally occupied by other nations. Thus there was an increase in Soviet chartering in Holland (1·3 per cent in 1932—9·4 per cent in 1933), in Baltic States, Greece, Scandinavian countries and others. The flags of the

CHARTERING OF FOREIGN SHIPS

U.S.A. and France have up to now played a very insignificant part in Soviet chartering. As a result of the improvement in conditions for Soviet trade in these countries, it is quite obvious that they will be involved to a greater extent in co-operation with the U.S.S.R., both in the employment of their cargo fleet and still more of their ocean liners.

Soviet chartering has great prospects for the future. First of all the vast sea boundaries of the Soviet Union are adjacent to regions which are being industrialised at an unprecedented rate (the Far East, the Northern regions, the Western regions adjacent to Leningrad, the Ukraine and the North Caucasus). The Soviet trade fleet, in spite of the rapid rate at which it is growing, will for a long time be obliged to concentrate chiefly on coastal transport, the latter still being the only source of communication for some of the richest coastal regions of the U.S.S.R. Foreign ships will largely be employed for transport connected with Soviet foreign trade.

It may be definitely said that in the present atmosphere of economic war between the capitalist countries, foreign shipowners will have in the U.S.S.R. a steady and important client. The most advantageous position will be held by those shipowners who are able to grant the U.S.S.R. the most favourable conditions for charters, and by those countries that create the most favourable conditions for the trade of the U.S.S.R.

CHAPTER VII

CONCLUSION

WE HAVE CONSIDERED the principal characteristics of the foreign trade of the U.S.S.R., its political and economic principles, its historical development and its present scope, the character of Soviet trade with different countries of the West and East, as well as the organisation, structure and the legal status of the Soviet foreign trade system.

1. During the fifteen years of the existence of the U.S.S.R. and the monopoly of foreign trade, the trade turnover and its character have been continuously increasing and developing. Foreign trade is one of the factors in the general construction programme of the U.S.S.R. and has therefore reflected the trend of this construction. In general, the industrial and economic production of the U.S.S.R. has up to now increased much more than Soviet foreign trade. This is largely explained by the fact that the U.S.S.R. has considerably increased and reconstructed its own industries, and thus freed itself from the technical and economic dependence on foreign countries that existed before the revolution.

2. Soviet foreign trade has been completely subservient to the programme of construction within the country, to the building up of Soviet economy,

CONCLUSION

to the creation of a powerful industrial basis. The U.S.S.R. has imported raw materials and machinery required for Soviet industry, and exported commodities and raw materials.

3. The seizure of markets, which other countries carry out, has never been the aim of Soviet foreign trade. On the contrary, the U.S.S.R. has imported the necessary raw materials and machinery for the needs of its construction and industry. The aim of Soviet exports is to cover payments for imports. The U.S.S.R. has an unlimited demand in its home market, which can consume almost the whole production of the U.S.S.R., and in the future the U.S.S.R. will continue to export raw materials and the products of its industry, to cover payments for imports.

4. Construction in the U.S.S.R. is proceeding on such a large scale that the possibilities of Soviet imports remain tremendous. The volume of imports will be determined by the possibilities of payment for them. The Soviet Union will avail itself to the full of any facilities for the payment of imports, and the purchases in one country or another directly depend on the credits and other conditions which that country is willing to grant to Soviet foreign trade, and also on the possibility of selling the Soviet goods which are exported to make provision for the due payment of its debts. Countries which impose restrictions on Soviet trade must reckon with the inevitability of a sharp decrease in or even a complete cessation of exports to the Soviet Union.

5. The foreign trade of the U.S.S.R. is carried on

FOREIGN TRADE IN THE U.S.S.R.

as a State monopoly, which includes the transaction of operations together with the regulation and planning of foreign trade. As is shown by the general development of Soviet foreign trade, as well as by the trade with separate countries, the Soviet Government has conducted the monopoly of foreign trade in an able manner, and the monopoly of foreign trade has served as one of the instruments for the economic construction of the U.S.S.R. and for its foreign trade policy. The State monopoly will remain the unshakable foundation of Soviet foreign trade in the future, but does not in any way hinder the further development of trade with those countries which show a friendly readiness to improve their trade relations with the Soviet Union.

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