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MEMORANDUM WITH RESPECT TO TRADE RELATIONS
BETWEEN THE UNITED STATES AND THE SOVIET UNION

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During the last six years, the volume of trade between the United States and the Soviet Union has mounted steadily. For the six-year period beginning with 1926 and ending with 1931, American exports to the Soviet Union aggregated the sum of \$491,700,000 as against Russian exports to the United States of \$101,000,000. The resulting trade balance in favor of the United States over the period mentioned was close to \$400,000,000. In 1930 alone, which marked the record year in the development of our post-war trade with Russia, American exports to the Soviet Union reached a total of \$114,000,000, as against \$24,400,000 of Soviet exports to this country.

The nature of the rapid increase of our trade with the Soviet Union from 1926 to 1931 is apparent from the following statistics published by the United States Department of Commerce:

	<u>American Exports to the Soviet Union</u>	<u>Soviet Exports to the United States</u>	<u>Total</u>
1926	\$ 49,900,000	\$ 14,100,000	\$ 64,000,000
1927	64,900,000	12,800,000	77,700,000
1928	74,100,000	14,000,000	88,100,000
1929	84,700,000	22,500,000	107,200,000
1930	114,400,000	24,400,000	138,800,000
1931	<u>103,700,000</u>	<u>13,200,000</u>	<u>116,900,000</u>
Total	<u>\$491,700,000</u>	<u>\$101,000,000</u>	<u>\$592,700,000</u>

Although the foregoing figures are impressive standing alone, they take on added importance when compared with the volume of our trade with pre-war or Czarist Russia over a comparable period of time. This is made clear by a comparison of the average figures of our trade with Czarist Russia for the period from 1910 to 1914, and the average results of our post-war trade with the Soviet Union, thus:

	<u>Average Annual American Exports to Russia</u>	<u>Average Annual Russian Exports to United States</u>	<u>Annual Total</u>
1910-1914	\$24,600,000	\$20,800,000	\$45,400,000
	<u>Average Annual American Exports to Soviet Union</u>	<u>Average Annual Soviet Exports to United States</u>	<u>Annual Total</u>
1926-1931	\$82,000,000	\$16,800,000	\$98,800,000

Two factors clearly appear from the above data:

- (a) that American exports to the Soviet Union have increased by 233% over American exports to Czarist Russia over a substantially similar period of time; and (b) that American imports from Soviet Russia for the period between 1926-1931 were nearly 20% less than American imports from Czarist Russia for the years 1910-1914, inclusive.

The above shows that our pre-war Russian trade yielded a comparatively small balance of less than \$4,000,000 in our favor during the years from 1910-1914, as against a favorable trade balance of \$400,000,000 resulting from our trade with the Soviet Union from 1926-1931. As pointed out above, the peak of our post-war Russian trade was reached in

1930, when American exports to the Soviet Union amounted to \$114,400,000, the highest in the history of our trade relations with Russia. However, in 1931, American exports to the Soviet Union evidenced a substantial decline to \$103,700,000. In 1931, Soviet orders in the United States dropped sharply from \$131,000,000 in 1930 to \$51,000,000, a decline of 61%. Simultaneously with the decline, the amount of Soviet orders placed in Germany in 1931 amounted to \$219,200,000, an increase of 63% over \$135,100,000, the amount of Soviet orders placed in Germany during 1930. It seems obvious that a substantial portion of the Russian trade which was lost to the United States in 1931 found its way to European countries, particularly Germany. The sharp decline in Soviet orders placed in the United States, coupled with the concurrent decrease of American exports to the Soviet Union as evidenced by the trade figures for 1931, has wrought havoc with the trade relations between the United States and the Soviet Union. In view of the fact that the Soviet Union has been for several years the principal foreign market for American agricultural machinery and for numerous classes and types of American industrial machinery and equipment, the effects of this curtailment of our trade with the Soviet Union has been widely felt in many of our important industries.

The effect which the loss of this important foreign market has had on many important industries in the United States is reflected in the trade statistics available for

1932 and is due in part to the uncertainty as to the construction of Section 307 of the Tariff Act of 1930, which prohibits the importation of goods or merchandise produced or manufactured by "forced labor". However, a more injurious element to our trade relations with the Soviet Union has been the dissemination of anti-Soviet propaganda under the auspices of various individuals and groups commercially interested in the exclusion of Soviet goods from the American market. Most of this propaganda has consisted of misstatements as to the present Soviet regime, and as to labor conditions prevailing in Soviet Russia. It has sought to foment a demand for an embargo on all Russian exports to this country on the ground that such goods were produced under conditions of "forced labor".

On March 15, 1932, a petition demanding an embargo on all Soviet products exported to the United States under Section 307 of the Tariff Act of 1930 was presented to the Honorable Ogden L. Mills, Secretary of the Treasury. The principal argument advanced in support of the petition for this proposed embargo was that state socialism as it exists in the Soviet Union today involves unified economic effort, and that such effort is required of all citizens of the Soviet Union under penal sanctions. In support of this broad statement, the petitioners used Article 11 of Chapter 3 of the Soviet Labor Code, which provides that all citizens of the Soviet Union may be called upon to perform labor in the event of national emergency. This provision may be invoked

only in the case of national calamity or emergency, and is nothing more nor less than a recital of the usual police power which is inherent in all forms of sovereignty.

The various aspects of labor conditions prevailing in the Soviet Union have been discussed in detail in another memorandum.