Internal State Department Document: *The Essential Factors Involved in Establishing Normal Relations with the Soviet Union*

[Circa February, 1925]

The following is taken from an internal state department memo circulated during early 1925. It is evident from the contents and the tone of the document that it had it was based on a input from the British foreign office. The United States refused to accord the Soviet Union de jure recognition until after 1933 and it was in part arguments such as the ones advanced here that served as the basis for that rejection. Finally it reminds us that the Russian Foreign policy objectives and character changes very little over time!

I. SUMMARY

The international relations of the Soviet power since 1920 have largely revolved around the problem of the establishment of normal relations between the Bolshevik power and the states of Western Europe. It is to be observed that the elements of this problem were not viewed in the same light by the Soviet regime and the various members of the family of nations. To the former, the entrance into treaty relations with the Western European states is a temporary expedient, essential alike to the consolidation and continued existence of the Soviet power and to the economic ·rehabilitation of its base of operations –Soviet Russia -- and rendered necessary by the delay in the advent of the world revolution. "Social revolution in Europe and in the whole world," writes Bukharin in a letter to Souvarin,[1] "will last many years and decades will be required before it comes to an end. During that time many proletarian states may be forced to conclude temporary agreements with bourgeois states." This idea permeates all the reflections of the Soviet leaders with regard to their international relations. Thus, Schumiatsky, the Soviet representative in Persia, speaking at the May-Day celebration in Teheran on May l, 1924, stated:

> After the October revolution, when the Tsarist structure of world conquests and capitalism was destroyed, it was expected, as you know, that the foundations of the old world crumble and be completely annihilated, but it was later found that the old world had not decayed and had not become so bankrupt as was believed, and that it could survive a little longer. So, it was found necessary temporarily to suspend the struggle between the old and the new worlds, and consequently, the Soviet authorities made an effort to establish certain relations with foreign countries.

Similarly Kemenev declared after the signing of the two treaties with Great Britain:

> No treaties, no agreements between His Majesty the King of the United Kingdom, Scotland and Northern Ireland and Tomsky and Rakovsky should close our eyes to the fact that this treaty is a temporary armistice between two absolutely opposed systems.

[1] *Izvestia* January 11, 1923.

This temporary *modus vivendi* with the still existing non-Soviet states is to be utilized to obtain the means to reconstruct national economy, and, at the same time, to foster and abet the deterioration and disorganization of the existing international order of society. Rothstein, writing in the *Pravda* of March 12, 1924, points out that the International recognition of the Soviet State "means that, in the future, we shall be able to utilize more fully, in the interests of the working classes of our Union and of the whole world, the antagonism existing between the imperialist powers, then we have been able to do in the past, although even then we had some success." They will, he declares, utilize their entrance into the international arena to present their demands and "compel our opponents to take off their masks and to show their true faces, so that the peoples of the world will see which political and social order is their friend and which is their enemy," just as in the early days the Bolsheviks entered bourgeois parliaments "for the purpose of unmasking our class opponents and of educating and organizing the working masses." This policy will be much the more effective, Rothstein points out, when they participate in international relations "not merely as a great but as a recognized power."

The powers of Western Europe, however, viewed the problem of their relations with the Soviet power in an entirely different light. To them, the solution of this problem involved, first, the settlement of certain outstanding differences with the Soviets, and secondly, the establishment of mutual relations on the basis of the existing principles of international intercourse. The first task centered mainly around the questions of the obligations of the Russian State, obligations which had been repudiated by the Soviets, and of the property of foreigners which had been confiscated by the Soviets. The difficulties contained in the second problem were due largely to the essential character of the Soviet power -- an international class power which regarded the fundamental divisions of society as horizontal and not as vertical, and whose fundamental goal was world revolution and the creation of a World Soviet Republic. *Le Temps,* in an editorial on January 15, 1925, pointed out the essential difficulty in the following lucid fashion:

> The Soviet Union does not constitute, properly speaking, a national entity, a state with clearly defined powers. It is a power of a revolutionary and international character, based on a new social ideal -- in so far as one can call dictatorship of the proletariat for the profit of a party erected into a privileged class an ideal -- which, over and above all geographical frontiers, pretends to inspire and direct, under the mantle of the party through which it exists, Communist activities in all countries. Whether one wishes it or not, there resides the great difficulty of a resumption of normal relations with the Soviet Union, and it should not be concealed that, independently even of the question of interests to be settled in order to liquidate the past, one incurs the risk of encountering through this fact more serious obstacles .... without doubt, the Moscow Government has already, on several occasions, drawn a subtle distinction respecting the organic and political independence of the Communist International in regard to the Soviet Government, but that is a thesis of which nobody is the dupe. The same men who direct the Communist International direct the Soviet Government, the one being completely subordinate to the other. So long as this state of affairs exists, relations of trust and confidence cannot exist between a state organized on a national basis

and a Soviet state organized internationally on the basis of that Communism which assigns for itself the essential task of preparing the world revolution.

The establishment of normal relations with the Soviet power involved concretely the recognition by the Bolsheviks of the existence of the other states as independent international entities, entitled to order their own internal affairs without interference from a foreign power. It involved the adaptation by the Bolshevik Government, in its relations with foreign powers and citizens, of the standards of international comity in the absence of which no real and beneficial intercourse between nations is possible.

It is to be noted that the major issues between the Western states and the Soviet regime developed out of the refusal of the Bolshevik leaders to observe three fundamental principles of international law, which are vital to the very existence of the family of nations and which are essential to the harmonious and peaceful development of international relations. The first of these is the obligation incumbent upon a new government to recognize the international obligations contracted by the State towards foreign states and their nationals. No principle is better established than that which stipulates that a nation is responsible for the acts of its rulers without any change of government affecting the obligations incurred. These engagements cannot be repudiated by any succeeding authority without shaking the very foundations of international law. As Lloyd George declared in the House of Commons on April 3, 1922, "A country which repudiates its obligations because of a change in government is a country with which we cannot deal." The second principle is the duty of a state to respect the rights of citizens of other states which have been acquired within its jurisdiction in accordance with its laws. A confiscatory policy strikes at the foundations of international intercourse, for it is only on the basis of the security of property validly possessed under the laws existing at the time of its acquisition that harmonious international intercourse is possible. A state is under an international obligation to make restitution to foreign interests for losses caused to them through the confiscation of property either by restoration or by according compensation. It is clear that the unjust treatment of foreign interests will tend seriously to impede the development of international intercourse on the basis of international law. Thirdly, a government is obligated to respect the right of a state to live its life in its own way and to refrain from interfering, with the equal right of other states to live their life in the manner which commands itself to them, either by its own action or by lending the shelter of its independence to persons organizing interference in the political or social order elsewhere established. It is obvious that the peaceful collaboration of the states in international life is impossible if a government seeks to interfere in the domestic affairs of another state or permit the territory under its jurisdiction to be used as a basis for such interference.

Thus, the issues between the Western Powers and the Soviet regime were of paramount importance and their settlement a *sine qua non* to the establishment of normal relations. It might also be pointed out that the questions at issue were of such a fundamental character that they inevitably affected the economic relations as well as the political relations between the states concerned. For the principles of international law, which were in dispute, were those principles which had developed out of the exigencies of economic intercourse between nations. It is this fact which rendered the expectation of any extensive commercial relations under the trade agreement a vain one. The logic .of the matter demanded the settlement of these vital issues in a

general treaty first and the conclusion of a trade agreement afterwards, since the value of the conditions attached to the latter is dependent upon the contents of the former.

The problem then facing the Western states was to bring about the recognition by the Soviets of all those conditions which are imposed and accepted by civilized communities as a test of fitness for entering into a comity of nations. The end of 1919 and the early part of 1920 saw the Soviet power emerge as undisputed master of the greater part of the territories of the former Russian Empire, thereby placing before the European states the problem of defining their relations to the new power. At first, it was attempted to solve this problem by international and joint action. Unfortunately, this proved impossible, in view of the divergent points of view of the two principal Allied powers -- France and England. France believed that the question of commercial relations with the Soviets could not be considered apart from the general question of the refusal of the Soviet Government to accept the customary canons of international intercourse. While willing to withdraw all restrictions on trade relations, France was unwilling to enter into any agreement with the Soviet power so long as it repudiated its international obligations. Great Britain, however, refused to accept this point of view and deemed it advisable to conclude a trade agreement with the Soviets, postponing to a later discussion the various outstanding questions. This policy was probably largely induced by the belief that a flourishing trade would soon develop with the Soviets which would contribute to the amelioration of economic conditions in Great Britain. The policy of Lloyd George was adopted by Italy, Norway, Austria, Denmark and Czechoslovakia. It is to be noted in the first place that this policy involved the entrance into contractual relations with the Soviet power without attaining the settlement of the question of debts and nationalized property. The second fact to be observed is that the establishment of trade relations did not lead to the subsequent consideration and settlement of these questions. Neither did the resumption of relations with the Soviets bring about the cessation of Bolshevik interference in the domestic affairs of other states. During 1920 and 1921, the burden of carrying on communist propaganda tended to be shifted from the shoulders of the Soviet Government to the agents of the Communist International.

The full significance of this change in tactics does not appear to have been realized for some time. All the trade agreements contained clauses simply imposing on the Trade Delegations the obligation to refrain from propaganda. No reference was made to the utilization of the territory of a state to carry on subversive activities in another state. In general, the representatives of the Soviets tended to abstain from carrying on propaganda directly and confined their efforts to assisting the agents of the Communist International in every way possible. During this period the Soviet leaders developed the formula of differentiation between the Soviet Government and the Communist International, the official announcement of which was deemed sufficient to absolve them from all responsibility for the subversive activities directed and carried on from Moscow. It is to be noted that propaganda affected all countries without distinction; whether they had accorded *de Jure* recognition to the Soviets, whether they had recognized them *de facto,* or whether they had refused to enter into any relations with them. A survey of the relations of the Western European states with the Soviets in the period 1921-1925 indicates, it is believed, that in this period the real nature and significance of communist propaganda began to be comprehended. It began to be realized that it was not simply a casual expedient adopted by the Soviet leaders to counteract the hostility of other powers but formed part and parcel of the very life and breath of the Soviet power.

Finally, in connection with the trade agreement policy, it should be pointed out that it soon became apparent that (1) no extensive trade relations with Russia would develop as a result of the conclusions of written trade agreements, in view of the prevailing economic conditions in Russia and the lack of confidence arising out of the failure of the Soviet Government to discharge its international obligations, and (2) a trade agreement was not indispensable to the development of a certain amount of trade with Russia. An examination of statistics reveals that it makes very little difference whether or not any particular government has recognized the Soviet authorities with respect to the actual trade that is being conducted. It has been made manifest that the development of trade relations between the Soviets and the outside world is largely dependent upon the internal economic reconstruction of Russia. Inasmuch as this economic rehabilitation is contingent upon the assistance of the capital and commercial experience of the West, and inasmuch as foreign capital and enterprise is not likely to be induced to participate in Russian economic life until security and confidence have been restored by the Soviet acceptance of the basic principles underlying intercourse between civilized states, it is apparent that a settlement of the outstanding differences between the Soviets and Western Europe is a necessary prerequisite to any organic development of commercial intercourse.

It has been made apparent, therefore, that the policy of trade agreement did not conduce to the entrance of the Soviet regime into the community of nations. Under the leadership of Lloyd George, a last attempt was made in 1922 to arrive at an agreement with the Soviets on an international basis. In the course of negotiations at Genoa and The Hague, however, the Soviet power showed no inclination to modify its attitude towards the repudiated obligations of Russia and the confiscation of foreign property in the way of conforming to those usages which govern the relations between states. In spite of large concessions consented to by the Allies, the Soviets refused to restore private property or to accord compensation for the same and refused to recognize in principle the obligations of the Russian state contracted towards foreigners by previous Russian governments. Whatever concessions they might be prepared to make in practice were entirely conditioned on the grant of large credits to the Soviet Government With the failure of the Genoa and the Hague Conferences to find a solution of the differences existing between the Soviets and other foreign states, the settlement of the problem devolved once more on the action of individual powers. In the period following , two conceptions developed with regard to the policy to be pursued towards the Bolsheviks. The one held that full recognition of the Soviet power should be accorded without preliminary settlement of outstanding questions. This point of view is that advanced by MacDonald and later by Herriot and was predicated on the presumption that unconditional recognition would tend to create a favorable atmosphere conducive to the settlement of questions in dispute and would tend to induce the Soviet Government to accept the established principles of international law. The other point of view was that represented by Italy which sought to make recognition *de Jure* the subject of a bargain whereby Italy would receive considerable concessions. British recognition, however, was to prove quite inopportune from the point of view of the success of the Italian policy.

The year 1924 then saw the initiation of the policy of unconditional recognition of the Soviet Government. It may well be inquired as to whether this policy has led to the reestablishment of normal and friendly relations between the Soviets and the recognition was openly simply the prelude to negotiations looking of the acceptance by the Bolsheviks of the

obligations of international intercourse. It is obvious that under such conditions the recognition of Moscow will remain a mere formality which will bring no substantial benefit to the recognizing government and singularly little political or economic advantage to the Soviets unless that government is able and willing to recreate confidence by the adoption, in its relations with foreign powers and citizens, of the standards of international comity and international morality in the absence of which no real and beneficial intercourse between nations is possible. Immediately following recognition by Greta Britain a conference was held at London between British and Soviet representatives in an attempt to solve the difficulties outstanding between the two powers. It soon developed that the Bolsheviks were not prepared to make any appreciable modification of the attitude which they had assumed at the Genoa and the Hague Conferences. They refused to admit any liability for obligations of the Russian state incurred by previous governments or for the confiscation of foreign property and interests.

They were merely prepared to make certain payments to British subjects in return for counter concessions, the chief of which was a loan guaranteed by the British Government. No real agreement, therefore, could be obtained and the treaties which were eventually drawn up and signed under the influence of domestic political considerations, were allowed to lapse by the succeeding government which had come into power primarily through the repudiation of the Russian policy of the Labor Government by the British electorate. Simultaneous with the Soviet refusal to accept the customary canons of international intercourse in the matter of debts and property the Soviets, although they had been accorded full recognition by Great Britain, demonstrated by the continuation of communist subversive activities in Great Britain that they were also not prepared to observe the fundamental obligation of a government to refrain from interference in the domestic affairs of other states. The policy of MacDonald therefore did not lead to the establishment of normal and friendly relations with the Soviet power. The present situation was succinctly summed up by the Secretary of Foreign Affairs, Mr. Chamberlain, in the House of Commons on December 15, 1924:

> I do not know whether it may be possible at some future date fruitfully to take up negotiations again with Soviet Russia. I do not think that the present time is opportune for that purpose in order to preserve normal diplomatic relations with the Soviet Government. Normal relations with any government require that that government should observe the normal relations of friendly conduct existing between any two nations. It is obvious that each side must respect what I may call the courtesies and conventions of international life upon which friendly relations between the powers are based. I think it would be wise for us to hold our hands and wait and watch before deciding on any fresh action in either direction or of any kind.

The experience of the British Government following upon the according of unconditional recognition to the Soviets would appear to be paralleled by that of France. The recrudescence of communist propaganda which attended British recognition was also attendant upon French recognition and led within the period of a few months to vigorous official protests on the part of the French Government. Furthermore, in both cases there has been marked failure of the Soviet leaders to observe what Chamberlain called the courtesies and conventions of international life. The tone assumed by the Soviet leaders with regard to the foreign statesmen, parties and states

with whom they were entering into diplomatic relations was one of unrestrained abuse. This characteristic probably arises from the very nature of the Soviet power and the mentality of the Soviet leaders. It is well set forth in a note of Karakhan to the Japanese Minister in Peking under the date of August 18, 1924:

> ... .I hope, however, that if and when the Union of Soviet Socialist Republics recognizes the Government of Japan and Japan recognizes the Government of the Union, this will not be interpreted in the sense that the Government of the Union will have recognized the bourgeois capitalist regime of Japan nor will be taken to mean the recognition by Japan of the Socialist regime of the dictatorship of the proletariat...

With regard to the question of the settlement of debts and private property –the settlement of which is indispensable to the conferring of any significance on *de Jure* recognition -- it would appear that the initiation of formal negotiations has been indefinitely postponed in view of the failure of the French Government to secure Soviet recognition of those fundamental principles which the French Government considers essential to the success of any negotiations, namely, the recognition of the obligations contracted by previous Russian governments and the obligation to restore or make compensation for confiscated foreign property. Thus, neither in the case of France nor of Great Britain has unconditional recognition led to the settlement of the fundamental outstanding differences with the Soviet power by creating a more favorable atmosphere which it had been expected would be attendant upon the recognition of *de Jure* of the Soviets. In fact, it will be found that Herriot has now issued to the Bolsheviks warnings similar to those issued by MacDonald. Thus, speaking in the Chamber of Deputies on January 24, !925, Herriot declared:

> If Russia wishes to find again in France the material or moral credit, it is indispensable that in the future individuals should submit themselves to the ordinary rules, to the international order of good faith.

In this connection it should be noted that in practically every case of the recognition of the Soviets by other states, the question of debts and private property has been relegated to future discussion to be conditioned by terms of most-favored nation treatment. The burden, therefore, of upholding the sanctity of contracts has been shifted to the shoulders of the few great powers which are most vitally interested.

Although the Soviet Government has not been accorded full recognition by sixteen out of twenty-five European states, including the most important, the Soviet leaders show no disposition to accept the ordinary standards of international intercourse. With regard to the Russian state debts, during the last few months in connection with recognition by France, the Soviet leaders -Krassin, Chicherin, Rykov -- have repeatedly declared that their point of view as set forth at the Genoa and the Hague Conference remains unchanged. They will not recognize the debts incurred by previous governments nor recognize any liability on their part to assume the same. It should be noted that while the Bolsheviks refuse to recognize the debts of their predecessors, every effort is made to secure and utilize all the assets of their predecessors. Whatever concessions they may be willing to make to small French bondholders are conditioned

on the receipt of a loan by the Soviet Government. Similarly, in the question of private property, the Soviets still refuse to admit any liability on their part to make restitution either by restoring the property, or by making compensation for the same.

Of still greater significance is the attitude of the Soviet Government toward interference in the domestic affairs of other states. It is to be particularly noted that while maintaining the absolute disassociation of the Communist International and the Soviet Government, which assertion is, as a matter of fact, not true, and while refusing to assume responsibility for the activities of the
Communist International, the Soviet leaders willingly admit that the Communist International is carrying on subversive propaganda, but asserts their right to permit territory under their jurisdiction to be used by an international revolutionary organization as a basis for activities directed towards the forcible overthrow of governments with which the Soviet Government has entered into diplomatic relations. It is clear, therefore, that by their own theory the Soviet leaders refuse to conform to one of the fundamental principles of international law. Thus Rykov, speaking at the Textile Workers Congress on November 27, 1924, declared:

> It must be admitted that the Communist International is, indeed, carrying on propaganda, but then the Communist International is an organization entirely independent of the Soviet power. To the Communist International belong among others, also the legalized Communist Parties of England, of France, and of other countries. We have no reason to refuse the right of asylum to the representatives of those parties and to prevent them from coordinating their activities. We have given an undertaking that no agents of the Soviet Government and no organization subordinated to the Soviet Government will carry on any propaganda and agitation against the present political regime in England. But if the English Communist Party conducts propaganda against the English bourgeois government and the bourgeois regime and coordinates its communist activities with the work of other Communist Parties and the Communist International, in this case we have never undertaken to prohibit such activities, and if we had so undertaken it, it would be beyond our power to fulfill our promise.

The same idea was set forth more forcibly in the following speech by Zinoviev before the Provincial Conference of Military Communists on November 25, 1924:

> When they complain that the Communist International allows itself to engage in propaganda, does not the Communist International exist for that very purpose, to engage in propaganda? The Communist International is an international organization. It consists of about fifty parties, including the legal English Communist Party. What about the government of the S.S.S.R.? The Communist International is an absolutely independent organization, entirely independent. There are attempts being made to turn the question to 'prehistoric times'. In the very early days of the existence of the Soviet power and then of the formation of the Communist International, all foreign powers approached the Soviet Government with this question - How can it be that you, a new state, enter into certain relations with us and at the same time there exists on your territory an

organization which in general is against the bourgeois order? To be sure, there is a certain contradiction. But it merely bears witness to the fact that there is in progress a considerable social movement in Europe which, finally will result, apparently, either in the Communist movement or the bourgeois gaining the upper hand. War is war. That is why the attempt to return to 'prehistoric' times is simply ridiculous. The Soviet Government more than once has declared through the lips of the late Vladimir L Glitch[Lenin] and, probably, declares now, that it cannot refuse and never will refuse to afford shelter to the independent international labor organization existing on your territory. At the moment when that international labor organization will consider it possible and useful to move to another country (if, for example, they would allow freedom of action in London) that question will probably be settled. If the Executive Committee of the Communist International can carry on its activity in London or in Paris, I think they will receive no protests on that score from the Soviet Government.

II. THE BORDER ST ATES AND THE SOVIET RÉGIME

With the advent of 1920, the Russian problem entered upon a new phase. The powers of western Europe were now confronted by a regime which was emerging triumphant from a long period of civil war. With the defeat of Yudenitsch in the autumn of 1919, and of Denikin and Kolchak in the early part of 1920, it became clear that the Soviet power had attained a certain degree of stability which rendered more and more improbable the likelihood of its overthrow in the immediate future. This fact led to the removal of the blockade and to an attempt to reestablish commercial relations with the Russian people.

It is to be observed that the problem confronting the states of western Europe was quite different from that facing the new states that were arising in the border lands of the former Russian Empire. With the latter the paramount consideration was the definite establishment of their independence and the formal recognition of the same by those exercising power in Russia. During the course of 1920, the five border states -- Estonia, Lithuania, Latvia, Finland, and Poland-- formerly constituting a part of the Russian Empire, concluded treaties of peace with the Bolshevik power whereby the latter formally recognized their independence. These treaties, which were the first concluded by the Soviets with foreign states, provided for the settlement of the various questions arising out of the fact of recognition, such as the demarcation of boundary lines. Option of citizenship, repatriation of prisoners of war and interned civilians; disposition of former state property, restoration of various categories of property which were removed by the Russian Government during the war from the territories of the new states, and so forth. Furthermore, these treaties, which provide for the establishment of diplomatic and consular relations, contained a few general principles which were to govern the commercial relations between the respective states pending the conclusion of a treaty of commerce.

It will be noted that certain difficulties which impeded the establishment of normal relations between the Soviets and the Western powers were, in the case of the border states, not operative at all or quite negligible. The very fact of the establishment of contractual relations with the power confirms, as it were, the independence of the new states. The whole problem

created by the Bolshevik repudiation of the obligations of the Russian state to foreign subjects and by the confiscation of the property of foreign citizens did not arise, therefore in the case of the newly formed states. With regard to the other factors which have prevented the existence of normal friendly relations between the Soviets and foreign states - difficulties as have other countries -- possibly greater in extent, in view of their limited resources and greater exposure to the subversive activities of the Soviet power. Bolshevik propaganda has continued unabated in the border states, regardless of the formal treaty relations existing between these states and the so-called Soviet Government. These subversive activities have been primarily carried on by the Communist International, with the aid and support of the official representatives of the Soviet Government. In most cases, the work is directly carried out by the Central Committee of the appropriate national section of the Communist International, which is located in Moscow. During the last few years in Estonia, for instance, no less than eight members or employees of the Soviet Delegation in Tallinn (Reval) have been arrested in connection with communist subversive activities. In Latvia there have been numerous cases involving employees of the Bolshevik Mission in propaganda and espionage activities aimed at the overthrow of the Latvian Government. In particular, members of the Foreign Trade Section of the Soviet Legation have been engaged in this sort of work. The official Soviet representatives have, in general, refrained from conducting propaganda themselves, and have confined themselves to assisting it in every way possible by according the use of telegraph, pouch and especially by attempting to protect local communists who have fallen afoul of the police.

This latter practice is a logical development of the basis underlying the Soviet power, which, in the very Constitution of the Soviet State, is stated to be an international class power. It may be characterized as an attempt to establish a sort of inverted capitulatory system whereby the Soviets are accorded the right to protect communists throughout the world, regardless of national boundaries. To the Bolsheviks, the fundamental division of human society is horizontal into classes and not vertical into national groups. The basic policy of the Soviets in this respect is revealed in the secret article in the treaty with Georgia of May 7, 1920, whereby Georgia recognizes the right of communist organizations, existing on the territory of Georgia, to have unobstructed existence and activity: "No repressive measure, either judicial or administrative, can be applied against private persons by reasons merely of public propaganda and agitation for the communist program, or of activity of persons or organizations, based on the communist program." In the case of the border states, the Soviets were not sufficiently powerful to have a similar article incorporated in the treaties, but the Soviet representatives in practice have attempted to compel these states to recognize the principle contained in that article. Thus, in June, 1922, on the occasion of the execution of Victor Kingisepp, an Estonian citizen tried and convicted on the charge of treason, for organizing terrorist acts, murders, strikes and so forth, with the object of overthrowing the Estonian Government, the Soviet Mission at Tallinn (Reval) was draped in mourning and the flag hung at half mast. In an endeavor to prevent Kingisepp's execution, the Soviet Commissariat for Foreign Affairs approached the Estonian representative at Moscow and verbally threatened that in the event of Kingisepp's execution, Soviet Russia would divert its transit trade through Estonia to other countries. Similarly, in 1921, Ganetsky, the Soviet Minister in Riga, attempted to prevent the carrying out of the sentence of the Latvian court in the case of nine convicted Latvian communists by promising Latvia valuable concessions, transit trade, and so forth, and finally by threatening to withdraw the Soviet Mission on the following day. The most recent incident of this sort occurred last November, when the Soviet Minister in

Talinn, Kobetsky, intervened in behalf of an Estonian communist who was executed for openly inciting the population to revolution.

The interest displayed by the Soviet Government in the activities of communists abroad is further shown in its policy in regard to the exchange of Communists arrested in the border states for subjects of the corresponding country imprisoned by the Soviets. There are numerous instances in the case of all five border states of such exchange of prisoners. Recently, in the case of Latvia, for instance, the Bolsheviks have attempted to arrange a systematic exchange of communists arrested in Latvia for Latvian citizens imprisoned in Russia, but the Latvian Government has rejected all such proposals. Similar proposals have been made to Estonia. The *Pravda* of March 18, 1923, announces, for instance, that "Soviet Russia has succeeded in exchanging twenty-three Polish communists who have been indicted by the bourgeois nobility court for treason to the state .... only, thanks to Soviet Russia, they are free and can struggle for the common proletariat cause." Furthermore, when it is realized that there have been numerous cases, continually coming to light in all of these states, of the complicity of members of the Soviet Missions in subversive communist activities aimed at the overthrow of the existing government and social order, it will be understood that such a state of affairs has naturally not been conducive to the establishment of normal relations with the Soviet State.

Despite the existence of formal diplomatic relations for almost five years between these states and the Soviet Government, friendly relations have not been established, for there has been no essential change in the attitude or policy of the Bolshevik leaders with regard to the character of these relations, which, in their eyes, represent simply a temporary armistice, pending the economic rehabilitation of the Soviet Power, and the success of its subversive activities in foreign states. This attitude is the same as set forth By Lenin on January 27, 1920, in speaking at the conclusion of peace with Estonia: "We do not wish to shed blood of workmen and Red Army soldiers for the sake of a bit of territory, particularly since the concession is not made for eternity. Estonia is passing through its Kerensky period and the workmen are beginning to recognize the baseness of their Constituent Assembly leaders .... The workmen will soon overthrow this authority, and will create a Soviet Estonia which will conclude with us a new peace." To the Bolshevik leaders, recognition and treaty relations are never predicated on the idea of continued coexistence and friendly collaboration in the work of international progress and on mutual respect for social and political institution. The attitude of the Bolshevik leaders is reflected, for instance, in the treatment accorded to foreign missions in Moscow. They are subjected to such close surveillance, and persons visiting these missions are so frequently arrested, that the normal functioning of the missions has proved impossible. Some governments, realizing the conditions existing, do not expect their ministers at Moscow to accomplish anything. All the legations, including the British, are subjected to the same treatment and to the same extent.

It is not necessary to recount the numerous protests made by the border states against the failure of the Soviets to respect their independence and to observe the customary canons of international relations. A review of the internal history of the border states reveals a constant struggle against communist subversive activities directed and supported from Moscow. This menace has been met by the adoption of stringent methods against such communist activities, despite the opposition of the Soviet Government. In all these countries, the Communist Parties

have been declared illegal. Although the Soviet Government assumed, in the several peace treaties, the obligation "not to authorize the presence in its territory of representatives or officials of organizations or groups whose object it is to overthrow the government of the other party," as in the case of Estonia and Latvia, and "to refrain from any interference in the domestic affairs of the other party, particularly by agitation, propaganda and very kind of intervention, or giving of support to the same," as in the case of Poland, the Bolsheviks have, in general evaded the issue raised by the protests of the border states or sought refuge in drawing a distinction between the activities of the Communist Party as a government and the activities of the Communist Party as an international revolutionary organization. Estonia and Latvia have repeatedly protested against the agitation and hostile demonstrations staged in Moscow or Petrograd against their consulates and legations on the occasion of proceedings taken by them against revolutionary activities in their own countries. The demonstrations staged before the Estonian Consulate General in Leningrad on November 17, 1924, participated in by Soviet military and naval forces and the agitation carried on in Russia at the same time in regard to the trial of a hundred and forty-nine communists in Tallinn are quite similar to what occurred in June, 1922, on the occasion of the execution of the Estonian communist Kingisepp. These demonstrations, in which on more than one occasion Soviet officials and Soviet military and naval forces have taken part, the existence of Estonian and Latvian communist organizations in Russia which aim at the overthrow of the existing government in their native countries, and the frequent revolutionary proclamations of the Communist International, all afford abundant reasons why friendly relations have not been and cannot be established with the Soviet Government.

The existence of this anomalous situation, which as is shown by the recent uprising in Estonia, presents a standing menace to the independence of the border states, is due, it is believed, to the fact that these states have by force of circumstance been obliged tacitly to accept the Bolshevik formula of a complete differentiation between the Communist International and the Soviet Government. It would appear that this acquiescence on the part of the border states is largely due to the fact that in 1920 and prior to that time the international revolutionary propaganda was carried on frankly by the Soviet Government itself. It will be recalled, for instance, that the decree appropriating two million roubles for international revolutionary propaganda purposes passed on December 13, 1917, provided for the placing of these funds at the disposal of the foreign representatives of the Commissariat for Foreign Affairs. The early Soviet representatives abroad openly and unabashedly conducted propaganda for the overthrow of the existing political and social order. It will be remembered that Joffe and Radek were expelled from Germany, Bersin from Switzerland, Litvinov and Kamenev from England, Vorovsky from Sweden, and so forth. Since 1920, the Soviet leaders have tended to shift the burden of revolutionary propaganda to the Communist International, and have sought to convince the western world of the absolute disassociation of the Soviet Government from the Communist International, both of which are in actuality subordinate organizations of the Russian Communist Party carrying out its aims and purposes. It will be realized that through the existence of these two organizations the Bolshevik leaders profess to be able to assume obligations to refrain from propaganda affecting one of these organizations -- the Soviet Government – without suffering any inconvenience in their work of preparing the ground for world revolution. A typical example of the *modus operandi* of the Bolsheviks under this system is furnished by the projected revolution in Germany in the autumn of 1923. While the Communist International was devoting its attention to effecting an armed uprising of the

workmen in Germany, the Soviet Government was preparing the way to render assistance to the new German Soviet Republic as soon as it would be established, and the Assistance Commissar for Foreign Affairs, Kopp, visited the capitals of border states and attempted to secure written guarantees from Latvia and Poland that they would not interfere with the shipment of goods and commodities from Russia to Germany, regardless of future political developments in Germany. No attempt was made to conceal the interest of the Soviet Government in the success of the German communists and its intention to lend every possible moral and material assistance to them. It will no longer be necessary for official Soviet troops to establish Soviet republics by armed intervention, as occurred in Aserbaijan and Georgia, and a was contemplated in Poland in the spring of 1920; but, rather, the setting up of the dictatorship of the proletariat will be accomplished through the subversive activities of the Communist International and then assistance will be given officially to the new Soviet Republic as given by one friendly state to another. Such a method of procedure was clearly contemplated in the recent uprising in Estonia. The Soviet Government, which officially remained unconcerned. Was prepared to come to the assistance of the revolutionists as soon as the Estonian Soviet Republic was proclaimed. On December 1, 1924, bands of armed communists attempted to seize various strategic points in the city of Tallinn (Reval) such as the railway station, Parliament building, President's house, post and telegraph offices, railway bridges, military headquarters, aerodrome, and so forth. The uprising was well planned and coordinated. Several Soviet military officers were executed for active participation in the revolt. It is especially noteworthy that a concentration of Soviet troops took place on the Estonian border. It appears that the band of insurgents was formed in Russia under the leadership of Estonian communists residing in Russia, and with the assistance of Soviet military officers. It consisted, chiefly, of communists of Estonian origin, and with some Russians . They were supplied with arms and false Estonian passports, and transported from Soviet Russia to Tallinn in small groups. The plan was to seize the power, proclaim the Estonian Soviet Republic, and call upon Soviet Russia for military aid, which, as the First Secretary of the Soviet Legation in Riga said to the Counselor of the German Legation, would have gone to the assistance of the Estonian communists had the latter appealed for aid. Among those who participated in the revolt were a courier of the Soviet diplomatic mission and a number of employees of the Tallinn branch of the Soviet Volunteer Fleet. Most striking was the failure of the local population to support the rebels. The Estonian Minister of Foreign Affairs stated, on September 25, that "We have, in full and sufficient quantity, all the evidence that this uprising was prepared, organized, supplied with money, literature, arms and people by the so-called Estonian Section, at Moscow, of the Communist International." Thus, the Soviet Government undertakes obligations not to interfere in the internal affairs of other states, without, in any way, hindering the activity of Moscow in preparing the world revolution.

If the leaders of the border states have hoped that the tacit acceptance of the theoretical distinction between the Soviet Government and the Communist International would tend, ultimately, to create a real distinction, it would appear that they have been grievously mistaken, for there are no indications that the Soviet Government is inclined to respect the right of the border states to order their life in whatever manner they deem best.

The relation of the border states with the Soviets have also been considerably perturbed by the disinclination of the Soviet authorities to comply either with the latter or the spirit of the numerous clauses in the peace treaties. These states have continually complained of the lack of

good faith on the part of the Soviet Government in fulfilling its obligations. With regard to commercial relations, it is especially noteworthy that not a single one of these states has concluded a commercial treaty with the Soviets, although the several peace treaties provided for the immediate institution of negotiations looking to the conclusion of the same. There is, in fact, very little demand in the business circles of these countries for such a treaty, in view of the fact that the Soviet monopoly of foreign trade prevents the normal development of business relations.

The second group of states to enter into diplomatic and treaty relations with the Soviet power was that constituted by the three Near Eastern border states, - Persia, Afghanistan and Turkey. For the purpose of this memorandum it is hardly necessary to undertake any lengthy examination of the relations between these states and the Bolsheviks, in view of the fact that the establishment of such relations was dictated by special considerations not affecting other European states. As border states, there existed first of all the necessity of defining their relations with the new masters of Russia. Complications with foreign powers in the case of each of these states readily prepared the way for closer relations with Moscow. This is particularly true of the Soviet Turkish treaty of March 16, 1921, through which the Turks obtained Soviet assistance at a time when they were engaged in a life and death struggle with the Greeks. Questions of future relations could hardly be considered at this time when the paramount object was the salvation of Turkey.

With the consolidation of the new Turkish state and the definite establishment of its independence, it is especially interesting to observe that the same factors that have prevented the establishment of normal and friendly relations between Soviet Russia and the European Powers have become operative also in the case of Turkey, i.e. subversive propaganda carried on from Moscow. Since the middle of 1925 the Turks have adopted stringent measures to eradicate communist propaganda. A congress of the Turkish Communist Party was prohibited and Turkish communists were arrested when they attempted to work illegally. Naturally, this aroused this displeasure of the Bolsheviks. Numerous articles appeared in the Soviet press bitterly attacking the Turks for their repression of the activities of the Turkish communists. Stecklev warned the Turks that "by declaring the Communist Party beyond the law, the Kemalists are spoiling their relations with Soviet Russia ... .In order to preserve the existing friendship between the two peoples the Angora Government will have to abandon the policy of systematic destruction of the Turkish communists with which the conscience of the Russian people will never agree." As in the case of European border states, demonstrations were staged before the Turkish Embassy in Moscow as a protest against the treatment of the Turkish communists.

In May, 1923, the Bolsheviks became so openly active that the Turks took vigorous actions, closed two Soviet consulates, withdrawing the exequaturs of the consuls and expelling them from Turkey. Similar action was taken in Constantinople where in August the Turkish officials initiated an active campaign for the suppression of Bolshevik propaganda and deported several Russian communists, among whom was Novikov, Second Secretary of the Soviet Mission in Constantinople. IT was discovered that the chief of the local official Soviet Trade Delegation was the direct representative in Turkey of the Executive Committee of the Communist International. It is interesting to note that Mikhailov, former secretary of the Soviet Ambassador at Angora, took such an active part in the defense of communist agents in Turkey that the Turks protested on the ground that he was interfering in Turkish internal affairs. At

present, due to the close surveillance of Soviet officials in Turkey, the burden of carrying on propaganda now devolves to a greater extent on agents of the Communist International who are trained in the Oriental Institute at Moscow or at the Communist University for Workers of the East

III. POLICY Of' TRADE AGREEMENT

With the consolidation of the soviet power in the latter part of 1919 and its gradual emergence as the victor from a long period of civil war, the Western European Powers were confronted with the problem of the redefinition of their relations to the Soviet regime. The conclusion of peace between the Soviets and the border states, it was clear, would render the policy of commercial blockade and isolation impracticable. On January, 16, 1920, the Supreme Council decided "to permit the exchange of goods on the basis of reciprocity between the Russian people and the Allied and Neutral countries." At a meeting of the Supreme Economic Council on February 6, 1920, the British delegation pointed out in support of the new policy -- resumption of relations -- that "the democracies of the West were becoming increasingly restive under the continued augmentation of prices and shortages of food stuffs and raw materials for industries." The new policy, they asserted, was an attempt to improve living conditions in Wes tern Europe by reopening Russia as a producing country. Both the French and Belgian delegates were inclined to be skeptical as to the carrying out of the new policy on the ground that the Cooperatives were not independent of the Soviet Government. In the beginning it was thought feasible to resume trade operations with Russia without recognizing officially the Bolshevik Government. It was believed that the cooperative organizations in Russia had survived and could temporarily provide the necessary machinery for restarting, if only on the basis of barter, the exchange of agricultural produce for clothing and other manufactured goods. The Allies, therefore, sought to enter into commercial relations with the cooperatives insofar as these organizations were independent of governmental control.

It is not within the province of this paper to enter into the subsequent negotiations, first between the delegates of the Russian cooperative societies outside of Russia and the Central Union of Cooperatives at Moscow and afterwards between the Permanent Committee of the Supreme Economic Council and the Soviet Commercial Delegation under Krassin at London. These latter negotiations were authorized by a decision of the Supreme Council at San Remo on April 26, 1920. It is sufficient to point out that the divergent views between the Allies rendered it quite impossible to adopt any joint allied policy with regard to Russia. It was soon manifest that Russian trade was entirely in the hands of the Bolshevik Government and that the cooperative organizations, as Krassin pointed out, only acted as agents of the People's Commissariat for Foreign Trade and could only transact business within the limits of the authority delegated to them by that body. Under such conditions, and, in addition, in view of the policy of the Soviets, pursued with unswerving tenacity, to compel the Powers to enter into relations with the Soviet Government, the resumption of trade relations as contemplated involved numerous political considerations which would not have arisen if foreign trade had not been nationalized by the Soviets. The most important of these was that of the export by the Soviets of gold and goods which had been confiscated by them and which, therefore, might be claimed by the former owners in foreign states. The French Government held the opinion that the Soviet regime had no right to dispose of the assets of the former government of Russia, (that is, the gold possessed by

that government), when it did not admit responsibility for the liabilities of the former government. The French Government declared it would take steps to prevent the use of this gold for current commercial transactions. The divergent points of view between the Allies, especially between France and England, were such as to prevent the Supreme Economic Council from reaching a common agreement. The French Government was firmly opposed to entering into any agreement with the Bolsheviks and withdrew its delegate from the discussions of the Permanent Committee of the Supreme Economic Council when it became clear that further consideration of resumption of trade relations with Russia would involve the conclusion of a trade agreement. The French Government was not opposed to the resumption of commercial transactions between individuals but it decisively refused to enter into agreements equivalent to real commercial treaties which would imply the recognition of the Bolsheviks Government. In a note to Great Britain, dated November 25, 1920, the French Government declared that while it had no objection to the resumption of commercial relations between individuals subject to certain conditions, it considered that the two questions, that of commercial relations and that of the Russian debt, should not be treated independently one of the other. "The French Government holds that the examination of the measures to be taken to renew economic relations must quite inevitably be accompanied by an examination of the measures to be adopted to secure respect for engagements incurred by all the former governments and above all of the methods adopted to secure their adequate settlement." The British Government, however, refused to accept this point of view and left unanswered the French proposal of a preliminary agreement between the two countries with regard to the elaboration of a program of settlement of foreign claims against Russia.

On June 24, 1920, Millerand declared in the French Chamber of Deputies that he was prepared to recognize the Soviet Government only when it publicly assumed all the international obligations of previous Russian governments. It is to be noted that the policy of the United States Government was at this juncture similar to that of the French Government. On July 7, 1920, the State Department removed the restrictions which had hitherto stood in the way of trade and communication with Soviet Russia. It was stated that "political recognition, present or future, of any Russian authority exercising or claiming to exercise governmental functions is neither granted nor implied by this action. It should be emphasized, moreover, that individuals or corporations availing themselves of the present opportunity to trade with Russia will do so on their own responsibility and at their own risk." While the Government of the United States believed that Russia had but small quantity of raw materials for export, that the purchasing power of Russia was very limited and that for these reasons there would not be much trade, if any, with Russia, it did not feel that the law abiding people in Russia should be deprived of any assistance which could be derived from such trading as might be possible. In this connection it is to be noted that the French Government, with reference to the note of the United States to the Italian Ambassador, under date of August 14, 1920, expresses its entire agreement with the principles set forth in the American note. It adopts almost in identical words the views of this government regarding the Soviet regime in Russia and declares that France can have no official relations with a government which is resolved to conspire against its institutions; whose diplomats will be instigators of revolt; and whose spokesmen proclaim that they will sign contracts with the intention not to observe them.

In sharp contrast to the Franco-American policy was that of Lloyd George, which led to the conclusion of the Anglo-Soviet Trade Agreement and initiated what may be termed the trade agreement policy towards Soviet power. It will be of use to inquire into the effectiveness of this policy in establishing normal relations with the Soviet regime. The chief spokesman of this policy was Lloyd George and his efforts were conducted and supported by the Italian Government. It would appear that although it clearly became manifest in the negotiations between the Russian cooperatives and the Permanent Committee of the Supreme Economic Council that the Soviets had practically no supplies of merchandise for export and that in reality the problem of resumption of commercial relations with Russia was more theoretical than practical, certain circles in England were inveigled by the promises of Krassin and were fearful lest other countries would get ahead of them.

The motives which inspired the British Government to sanction a conference in London with an official Soviet Delegation, thereby according at least a semi political recognition to the Russian Soviet Government, are no doubt varied. The chief motive behind the British inclination to come to terms with the Bolsheviks appears to have been economic, a belief that the economic prosperity of Europe was bound up with at least the partial restoration of Russia in its grain producing capacity. Mr. Roberts, the Food Comptroller, in a speech on January 20, 1920, declared that British policy was based on the need of opening up new sources of food supplies and raw materials; trade with Russia "would open up a vast avenue of wealth and employment for our people"; if they did not do it, he was convinced that Germany and America would. Lloyd George in a speech in the House of Commons on June 7 asserted that Russia was essential to Europe and held up a picture of prodigious qualities of grain and raw materials in Russia, - oil, flax, timber. Sir Robert Home declared in the House of Commons on August 7, 1924, that in making the trade agreement, he was largely influenced by two major considerations: first, that "it was a disadvantage to the world to have out of being a country which was so great a producer of the world's food"; and, second that "Russia was a consumer of the kind of products which we made and accordingly it was of importance to revive that market if we were to do anything to reestablish our own prosperity as a trading country." Secondary only to this in importance was the desire of an important group in the British Cabinet to come to terms with the Soviet Government in order to protect British interests in the Near East, in Persia, Afghanistan and India. Because of the general unrest following the world war and the definite propaganda activity inspired by Moscow for a revolutionary uprising in the East and Near East, Great Britain had a real fear that her control in Asia would be seriously affected. Finally, came domestic political considerations which prompted Lloyd George and other Liberals to comprise with the policy advocated by the Labor Party which formed an important element in the Opposition. There was a wide-spread belief in the ranks of the Labor Party that Russian trade was the panacea for the existing industrial depression and would solve the unemployment problem.

It will be realized, therefore, that the Anglo-Soviet Trade Agreement was not an attempt to solve the essential difficulties which prevented the reestablishment of normal relations with the Soviets, the ultimate solution of which was left to a general peace treaty, but that it sought to establish a temporary *modus vivendi* based on the recognition of the principle of noninterference in domestic affairs. In a declaration attached to the Trade Agreement "the Russian Soviet Government declares that it recognizes in principle that it is liable to pay compensation to private persons who have supplied goods or services to Russia for which they have not been paid. The

detailed mode of discharging this liability shall be regulated" by a general peace treaty to be concluded in the future. Thus, only one category of claims is formally recognized by the Bolsheviks. As for other claims, both parties declare that "all claims of either party or of its nationals against the other party in respect of property rights or in respect of obligations incurred by the existing or former governments of either country shall be equitably dealt with in the formal general peace treaty." Lloyd George contented himself with this declaration on the part of the Soviet Government which he desired "in order to give necessary confidence to Western merchants, manufacturers and workers to embark upon manufacturing and trading operations." He was prepared to leave the determination of Russia's liability under this head as well as all other questions relating to debts, or claims by Great Britain on Russia or by Russia on Great Britain, to be, mutually settled at a future peace conference.

With regard to the establishment of conditions conducive to friendly international intercourse, the Trade Agreement stipulated that "each party refrains from hostile action or undertakings against the other and from conducting outside of its own borders any official propaganda, direct or indirect, against the institutions of the British Empire or the Russian Soviet Republic, respectively, and more particularly that the Russian Soviet Government refrains from any attempt by military or diplomatic or any other form of action or propaganda to encourage any of the peoples of Asia in any form of hostile action against British interests or the British Empire, especially in India and in the independent state of Afghanistan. The British Government gives a similar undertaking to the Russian Government in respect to the countries which have now become independent." This obligation was declared by Lloyd George to be the fundamental condition of any trade agreement between Russia and any Western Power. It will be noted that the two distinct ideas are to a certain extent confused in this provision. One is the question of the propaganda of communist ideas among the laboring masses and the organizing of the working class for the final struggle against the capitalist order and the establishment of the dictatorship of the proletariat, and the other is the anti-British trend of Soviet policy in various countries of the Middle and Near East It is in this latter aspect of the propaganda question that the British Cabinet was at that time more particularly interested. In this connection it is to be noted that originally the British sought to extend the above obligation specifically to the Caucasus, Asia Minor and Persia, as well as to Afghanistan and India. Simultaneous with the signature of the trade agreement, Sir Robert Horne presented a note to Krassin dealing with propaganda activities of the Soviet Government inconsistent with the stipulations in the Trade Agreement. It is especially noteworthy that this note refers almost wholly to "activities on the part of the Soviet Government in the regions of India and Afghanistan." In many circles in England it was believed that Bolshevik propaganda was simply a policy to which the Soviet leaders had recourse in order to counter the anti-Soviet policy of the British Government and that with the establishment of trade and peaceful relations the Bolsheviks would abandon their propaganda. This idea was encouraged by the Bolsheviks themselves in order to exercise pressure on the British Government. Chicherin, in an interview with Alsberg on February 8, 1921, declared that they were wrongfully accused of conducting a vigorous agitation in the East against the British. "Our policy has been hitherto purely defensive and that of England offensive***however, if the agreement is not signed the situation will become more critical. It is due to our caution that the middle and near eastern magazine has not already blown up.• Similarly, in a note of Krassin to Lloyd George under date of June 29, 1920, Krassin declared that "so far as the communist propaganda and interference with the political life of Great Britain are concerned, the Soviet

Government is prepared to give a formal pledge not to carry on such propaganda in England, either openly or secretly, and not to interfere in her internal political life, if a general agreement is reached between the two countries concerning the renewal of economic and commercial relations and if the British Government on its part undertakes not to carry on any propaganda in Russia against the Soviet Government **** As regards the general foreign policy of the Soviet Russian Government, the Soviet Government has more than once proclaimed to the world its readiness to commence business negotiations which alone would put an end to all hostile acts directed against Great Britain if the British Government were to give a similar undertaking."

Similarly, in a Soviet note dated November 9, 1920, Chicherin. referring to British insistence on immediate cessation of all hostile actions and propaganda, directed against the British Empire in the East, on the basis of the undertaking proposed by the British note of June 30, and agreed to by the Russian Government in its note of July 7, declared that "the Russian Government deems it necessary to repeat that the coming into force of the understanding embodied in these two notes is inseparable from, and dependent upon, the conclusion of a trade agreement between the Russian and British Governments **** The British Government itself in its note of June 30 regarded the obligations stated therein as contingent upon the conclusion of a trade agreement, and therefore, considered that the clauses relating to propaganda, hostile actions**** were to be regarded as operative only if, and when, the trade agreement between the two countries should be concluded and should come into force.

It has been pointed out that the Anglo-Soviet Trade Agreement did not in itself settle, and did not lead to the settlement of, the outstanding differences between the Soviet power and Great Britain, namely, the question of confiscated property and that of the repudiated obligations of the Russian Government. In a speech in the House of Commons on August 7, 1924, Lloyd George set forth clearly why the Trade agreement did not lead to a settlement of these difficulties. "I did my very best when in a position of responsibility to carry it (the general treaty with Russia) through and my efforts failed very largely because of the Russians themselves putting forward impossible claims, and because they declined to recognize the principles upon which alone civilized governments can have relations with other countries. It was not so much a question of recognition as the fact that they wanted assistance and we were entitled to say: “We cannot assist you unless the principles of conduct which dominate the regulations of one nation with another are accepted by you'. If obligations of honor entered into by preceding governments are repudiated, how can you do business with a government of that kind? It means if you enter into negotiations with them and they just change the orientation of their politics – if more moderate men give way to more violent men -- the next people would repudiate the very bargain you entered into today. For that reason we felt that before you entered into a treaty with Russia you must know whether they were prepared to accept the conditions which are an essential part of the fabric of civilization in every land.”

It might not be amiss, therefore, to inquire whether the Trade Agreement has settled the other class of difficulties existing between the Soviets and Great Britain which it attempted to accomplish in its provisions -- the question of propaganda. It has already been pointed out that the British statesmen were more interested in putting an end to the anti-British trend of Soviet foreign policy in the Near East and Asia than in dealing with communist propaganda in Great Britain. The original draft of a trade agreement presented to the Bolsheviks by Great Britain

contained a clause stating that "the Soviet Government undertake to assume responsibility for the fulfillment of this condition (i.e., of nonpropaganda) on the part of private citizens." The Bolsheviks objected to this clause, declaring that it was impossible for any government whatsoever to assume obligations of such a kind. It appears that in proposing this clause the English Government had in view particularly the Communist International. In an interview with Alsberg, appearing in the *Daily Herald* of February 17, 1921, Krassin stated with reference to this point "I told Lloyd George that we could not, for instance, control the White Guard Russians living abroad from attacking the British Government in case the latter made an agreement with us **** Lloyd George laughed, 'Well, you know, we are thinking of the Communist International chiefly when we speak of propaganda." I replied that the Communist International was composed of private individuals with branches in many countries; had never been supported by the money of the Russian Soviet Government and was not distinctly a Russian institution anyway; I said we cannot be responsible for it any more than your government for the Primrose League of which Lord Curzon is the head and which may do us considerable damage. I hope Lloyd George will see the logic of this position and not insist on a point on which we find it impossible to yield."

It has been noted that up to 1920 communist revolutionary propaganda abroad had been largely carried on by the Soviet Government itself. The transfer of that task to the shoulders of the Communist International had not yet taken place. The close association of the Soviet Government with communist propaganda abroad was further impressed on the public mind by the revelation of the attempt to subsidize the British paper, the *Daily Herald,* with Bolshevik money through Mr. Lansbury to the amount of £75,000, a proceeding in which Litvinov and Kamenev were involved. Of far greater significance were the subversive activities of the head of the Soviet delegation in England, Kamenev. In a note to Chicherin under the date of October l, 1920, Krassin declared that "Kamenev engaged in almost open propaganda and attempted to subsidize a campaign in England against the British Constitution and British interests and for those reasons he could not be permitted to reenter this country." Lloyd George himself, speaking on October 28, 1924, related the following incident "I have been Prime Minister and they (the Bolsheviks) denied to me a similar transaction (propaganda) when I had positive proof in front of me. Zineviev is powerful but Kamenev is more powerful. He came here and we found he was selling jewels which had been stolen out of their settings and was giving money to some revolutionary organizations in this country. He passed on £75,000 to the directors of the *Daily Herald:* that they admit; what they do say is that when they discovered where it came form they would have nothing to do with it. But what has become of the £75,000? I sent for Kamenev and said: 'This is not playing the game -- you are here as an emissary from the government and for the official emissary of a government to abuse his position by propagating revolution, discontent, disaffection, in the country where he is received, that is an abuse of hospitality.' Then Kamenev said to me: "It really is not rue – I know nothing about it." But while he was saying that, I had in front of me at the moment the identical telegram that he had sent to Moscow stating, "I have disposed of the jewels and am giving £75,000 to the *Daily Herald."*

It was only from 1920 on, after the consolidation of the organization of the Communist international permitted it to serve as an alternative method of propaganda, that the Bolshevik leaders commenced to draw a fine line of distinction between the Soviet Government and the Communist International, which would permit the Soviet Government to assume the obligation

to refrain from propaganda without inconveniencing in any way communist revolutionary activities abroad. Thus, Chicherin in a note to Great Britain under date of February 4, 1921, stated: “As to the attempts to identify the Communist International with the Russian Government, they have no more value than an attempt would have of identifying the Belgian Government with the Second International which has its seat in Brussels, of the British Government with international organizations having their center in London or with the same Communist International to which a British Communist Party is affiliated on a par with the Russian Communist Party.”

It would appear, therefore, that under the new Bolshevik method of procedure communist propaganda in Great Britain would not, from their standpoint, be impeded by the stipulations in the Trade Agreement. This consideration was clearly pointed out by the *Morning Post* on March 31, 1921: "Lenin has, indeed, promised that the Soviet Government shall not conduct any official propaganda against this country but that promise may be strictly kept without changing anything and the explanation is simple. The propaganda work of Bolshevism is carried on not by the Soviet Government but by the Executive of the Communist International in Moscow. It is under the direction of that Executive that all the Bolshevist agencies in this country and abroad operate and as there is nothing whatsoever in the trade agreement about the Communist International they may still continue to operate *** so that, notwithstanding any clause in this Trade Agreement, Moscow may continue to subsidize British newspapers in its own interest just as it subsidizes seditions and subversive agitation in all of its most dangerous forms. Lenin's right hand may indeed be bound but his left hand will be as free for mischief as ever." This paper quite correctly prophesies that "the undertaking given by the Soviets will not affect in the least the activities of the organizations in this country that are part of the Communist International. These organizations by the terms of affiliation are pledged to constant propaganda."

Within six months of the signing of the Trade Agreement Lord Curzon, on September 7, 1921, dispatched a note to Moscow, calling attention to the Bolshevik subversive activities in India and Afghanistan and to serious breaches of faith involved in the pursuance by Bolshevik agents throughout Central Asia and Afghanistan of anti-British propaganda and agitation. He referred to the activities of the Communist International and stated that: "these speeches and manifestos proceed officially undoubtedly from the Communist International as such and not direct from the Soviet Government, but the latter cannot deny its close connection, if not its complete identity, with the former. Lenin and Trotsky are members of the Executive Committee of the communist international: Stalin, whose report was mentioned above, is at the same time President of the Eastern Secretariat and People's Commissar for Nationalities. Furthermore, it is apparent that the Congress of the Communist International can take place on Russian territory only with consent of the Soviet Government." The Soviet reply of September 27, 1921, denied that the Communist International and the Soviet Government were one and the same, either in fact or juridically. "The Russian Government desires to take advantage of this occasion to affirm once more as it has frequently done before, that the fact, that the Communist International for perfectly obvious reasons chose Russia as the country in which its Executive Committee resides – Russia being the only country that allows full liberty for the spread of communist ideas, as well as personal liberty of communists -- and also the fact that certain members of the Russian Government in their capacity as private individuals belong to this Executive Committee are no more to be taken as a basis for declaring that the Communist International and the Russian

Government are identical than the fact that the Second International, constantly in session at Brussels and including among the members of its Executive Committee of the Communist International consists of thirty-one members, of whom only five are Russians, three of whom do not belong to the staff of the Russian Government" It asserted that "categorical instructions were issued by the Russian Government after the conclusion of the Anglo-Russian Agreement to its representatives in the East, in which the latter were ordered to refrain from all anti-British propaganda and to adapt their activities to the new relations that had been brought about between the Russian and British governments by virtue of the signing of the Agreement." In the reply of December 16, Curzon denied the allegations of Chicherin that his evidence was founded on forged documents and stated that the Soviet Government had made no attempt to answer the very serious charge of hostile propaganda in Persia, Afghanistan and Central Asia.

Although for a time after the exchange of notes in September, 1921, there appears to have been a certain slackening down of propaganda, it never ceased, and in a short time recommended with increased intensity. This increasing propaganda, coupled with other circumstances led to an ultimatum of Great Britain transmitted to the Bolshevik Government on May 2, 1923. Referring to the stipulations incumbent on both parties to refrain from hostile propaganda, the note reads: "This undertaking which has been loyally and scrupulously observed by His Majesty's Government, has been from the start consistently and flagrantly violated by the Soviet Government and the correspondence between the two governments in the Autumn and Winter of 1921, which has been published, sufficiently indicates the grounds of complaint of His Majesty's Government as well as the nature of the Russian reply. After this there was some slight curtailment of Russian activity in Asia, the Soviet authorities apparently realizing that the Trade Agreement from which they derived such substantial advantage might be imperiled by unduly rash conduct. More recently these pernicious activities have been resumed.• The note then goes on to present data regarding anti-British propaganda in Persia, Afghanistan and India, carried on by the Soviet representatives in Teheran and Kabul. As regards the allegation of the Soviet Government in its note of September 27, 1921, repudiating any connection between itself and the Communist International, it stated: "That a member of the Soviet Government, M. Sokolnikov, People's Commissar for Finance, and presumably a responsible official, was at a meeting of the financial commission of the Fourth Congress of the Communist International held in Moscow on the 25th of November, 1923, one of the body of three by whom sums of £80,000 and £120,000 were allotted to the British and Indian Communist Parties, respectively Of this sum £75,000 had arrived in England by the beginning of January, 1923. A little earlier, on September 20, 1923, the Soviet Government had borne the expense of equipping and dispatching to India and other Eastern countries, sixty-two oriental students trained in propaganda schools under the Communist International." The note concluded by stating that "the above paragraphs contain but a few selected examples among many scores of similar instances covering in their wide ambit Egypt, Turkey, the British Dominions and even Great Britain, which testify to the consistent manner in which the Soviet Government has flouted and infringed the preliminary condition upon which the Trade Agreement was signed." Other sections of the note referred to outrages on British subjects for which the Soviet Government has not made reparation, and the seizure and confiscation of British fishing vessels for which the Soviet Government has refused compensation. It is interesting to note that the Soviet reply of May 13, 1923, states that "the British Government found it necessary to refer in the memorandum to the activities of the Communist International in spite of frequent declarations of the Soviet Government that in no

case can it be identified with the Communist International. It does not propose to return again to this question just as it does not on its part discuss declarations and actions of those political parties and other organizations to which members of British Government belong." In the course of the exchange of correspondence it proved clear that the root of the matter was the question of anti- British propaganda. The British Government pointed out that the fate of the Trade Agreement depended entirely on the observance of the pledge given to refrain from propaganda and that "there is nothing to discuss or negotiate in the matter of propaganda." The British Government proposed a new enlarged and revised formula, respecting propaganda, to be signed by both governments, reiterating the pledges contained in the Trade Agreement with the following amplification: "Further, in view of complaints which have been made, the Soviet Government undertakes not to support with funds or in any other form persons or bodies or agencies or institutions whose aim is to spread discontent or to foment rebellion in any part of the British Empire, including therein all British protectorates, British protected states and territories subject to a British mandate and to impress upon its officers and officials the full and continuous observance of these conditions."

With regard to the general question of propaganda, it is interesting t observe that in a speech in the House of Commons on March 29, 1923, MacNeil, Undersecretary of St.ate for Foreign Affairs, stated that "members who referred to that matter (propaganda) are under the greatest possible delusion if they think that propaganda has been stopped or that any promises which may have been given by the Russian Government have stopped it. There have been many such promises and many declarations that propaganda would cease, but not one of these has borne fruit." Lord Curzon, speaking in the House of Lords on August 7, 1924, said: "We were responsible for an almost identical declaration in the Trade Agreement of five or six years ago -- a declaration which on the part of the Russians was shamelessly and consistently violated from the moment it was signed." In Great Britain the Soviet Delegation has taken particular pains to avoid being involved in any way with communist propaganda. Money and propaganda literature which is distributed to communist organizations in Great Britain appear to be transmitted through agencies of the Communist International. On one or two occasions individual members of the Soviet Delegation in London have been proved to be serving communist subversive activities by the provisions of secret cover for money, communications, and so forth.

From the foregoing it clearly appears that the signing of the Anglo-Soviet Trade Agreement did not lead to the re-establishment of normal relations insofar as it involves respect by the Soviet power for the sovereignty and independence of Great Britain.

The Trade Agreement Policy of Lloyd George was adopted in the course of 1921 by Italy, Norway, and Austria, and somewhat later by Denmark and Czechoslovakia. All these states concluded with the Soviets trade agreements modeled on the Anglo-Soviet Trade Agreement. As in the case of Great Britain, none of these agreements settled or led to the settlement of the question of the repudiation of obligations of previous Russian governments or of the confiscation of foreign investments in Russia. The Soviet-Norwegian Preliminary Agreement of September 2, 1921, simply contains an article stipulating that the agreement "shall not prejudice any existing claims for the payment of compensation or the effecting of restitution of either party or of its nationals against the other party." The Soviet authorities refused to discuss during the negotiations the question of Norwegian property confiscated in Russia. The

Norwegian Government has consistently held that the Soviet Government has no right to confiscate the property of Norwegian citizens. Its protests against the disposal by the Soviet Government of flax and timber, property of Norwegian citizens, which has been confiscated by the Soviet Government, have been fruitless, as the Soviets held that the question of damages and restitution of property could not be adjusted by negotiations between Norwegian representatives and the Soviet Commissar for Foreign Affairs. The presence of a Norwegian delegation in Moscow did not result in the safeguarding of Norwegian property rights. With regard to future relations, the trade agreement is modeled on the Anglo-Soviet Trade Agreement and contains essentially the same conditions with regard to permission to maintain in each of the two countries a trade delegation, and so forth. It is stipulated that the property of the Soviet Government shall enjoy the immunity extended to property of friendly governments and shall not be subject to sequestration by Norwegian authorities. This last clause was probably the only one vital at that time (vital insofar as the Soviets used gold and confiscated property in their trade operations) to the establishment of trade relations inasmuch as the development of such relations between the Soviets and other foreign states has proved that the conclusion of a trade agreement is not indispensable to the development of commercial relations. It is to be noted that Article VIII stipulates that "the members of the delegation and their staff engage themselves to abstain from any political propaganda and not to interfere in the domestic affairs of the respective country." While there have been no flagrant violations of this clause, a certain amount of propaganda work has been carried on by members of the Bolshevik mission. There has, however, been no abatement of the subversive activities of the Communist International on Norwegian soil. In the latter part of 1923 the interference of the Communist International in the domestic political affairs of Norway was especially vigorous. This interference developed out of the failure of the Norwegian Labor Party to carry out the instructions of the Communist International and led to the formation of a Norwegian Communist Party.

The Italian-Soviet Trade Agreement of December 26, 1921, which was drawn up in negotiations with Krassin at the time of the framing of the Anglo Soviet agreement, is practically identical with the latter. The declaration with reference to recognition of claims is exactly the same as that embodied in the Anglo-Soviet agreement. Thus the solution of such differences is postponed to the conclusion of a general treaty. The agreement differs from the Anglo-Soviet agreement in that a specific article exempts gold and every sort of imported goods from sequestrian and judicial action on the grounds of responsibility incurred by existing or previous governments, thus providing for what in England was obtained by a legal decision. The propaganda clause in the preamble reads: "that each of the two parties abstains from every act or initiative hostile to the other and refrains from engaging without its own borders in direct or indirect propaganda against the institutions of the Kingdom of Italy and of the
Russian Soviet Republic."

The preamble of the Soviet-Italian treaty foresees the conclusion of a commercial treaty and a formal general treaty. Negotiations for a commercial treaty resulted in the drafting of a commercial agreement in the middle of 1922. This treaty, however, which did not attempt to solve any of the outstanding difficulties between the two countries, failed f ratification by the Soviets. In connection with the negotiations for a general treaty to replace the Preliminary Treaty of December 26, 1921, Vrovsky, the Soviet envoy to Italy, in a semiofficial statement made on December 27, 1923, designed to facilitate the negotiations, declared: "The Soviet Government

has never been, and is not now, engaged in, and will not in the future engage in, any propaganda hostile to the institutions of Italy. With regard to the Communist International which is a political association having its central offices in Moscow, it constitutes an organization completely independent of the Russian Government which is not united to it by any bond or any engagement. In its activities, and those for which it is responsible, it is limited by the common law of the Republic. This organization in its public declarations expresses solely its own point of view. The Soviet Government is in no way responsible for the declarations and the actions of this organization, just as no other government is responsible for the actions of political parties working on its territory in conformity with its laws." The Italian adoption of Lloyd George's policy was at first based on economic grounds under the influence of the same considerations which induced Lloyd George to conclude the Anglo-Soviet trade Agreement It soon became apparent to the Italians that any large volume of commerce was impossible. Substantial business concerns which had been tempted to try to do business with Soviet Russia soon learned their lesson and withdrew from the field, being replaced by a class of smaller opportunist traders.

The Austrian-Soviet Trade Agreement of December 7, 1921, was primarily an amplification of the agreement concluded at Copenhagen on July *5,* 1920, for the repatriation of prisoners of war and interned civilians, and was intended to bring about practical commercial intercourse. No mention of debts or claims appears in this agreement With regard to propaganda it is stated: "In particular, they (official representatives) are pledged to refrain from any agitation or propaganda against the government or state institutions of the countries in which they are located."

The Czechoslovak trade agreement signed June *5,* 1922, is essentially provisional agreement and did not comprise, therefore, the settlement of any of the vital outstanding questions. With regard to the question of debts, it stated that "the two hostile parties agree that the present treaty does not prejudice the solution of the question of the mutual rights to indemnity which may exist between them as well as the question of the restoration of rights belonging to one or the other party and to its citizens." With regard to propaganda, it reads: "the two parties undertake that their government, public and other institutions, or the social and political regime of the other contracting party as well as for taking part in political or social conflicts which may break out in one of the states." The policy of Czechoslovakia toward the Bolsheviks is based primarily on the idea of acting in conjunction with other European states. The trade agreement was negotiated primarily with a view to assisting the Czechoslovak citizens in Russia of whom 60,000 were repatriated as the result of that agreement. This agreement bas not perceptibly contributed to the development of commercial intercourse. It appears to be the general opinion of Czech business men that trade with Soviet Russia is not as yet possible. Attempts made by the Czechoslovak Government to establish relations with the Soviets on a somewhat friendlier footing has not been accompanied by any conspicuous results. Bolshevik propaganda carried on through the Communist International has never ceased and this propaganda recently bas tended to assume an irredentist form thereby threatening the very basis of the new state.

Denmark was the last country to conclude a trade agreement with the Soviets. The dominating motive appears to have been the belief that the opening of trade with the Soviets would in some degree succeed in improving the unfavorable economic conditions in Denmark.

This trade agreement is quite similar to the others and contains a clause to the effect that "the official representatives and members of the delegation shall refrain from carrying on, supporting or encouraging any political propaganda whatsoever against respectively the institutions of Denmark and Russia." The question of Danish claims for payment of compensation for, or restitution of nationalized property was discussed but ignored in the treaty. In an appended declaration each party declares that it "upholds all of its own and its citizens' claims against the other party with regard to property or rights or with regard to obligations which each of the parties' present or former governments have contracted and that the above mentioned treaty in no respect shall settle in advance or prejudice any existing claim to payment or compensation or to restitution or in any way place these claims in less favorable position than the claims of the government or citizens of any other country." This declaration was made on the express demand of the Danish delegation.

Sweden also attempted to conclude an agreement with the Soviets and signed a preliminary agreement on March 1, 1922. In concluding this agreement it would appear that Branting believed that it would relieve the unemployment situation in Sweden. The trade agreement was rejected by both chambers of the Riksdag. The Special Committee of the Riksdag on the Russian Question reported that "the agreement was of a pronounced political character" and objected to it on the ground that no provision was made for reasonable compensation for the losses sustained by Swedish citizens in Russia. The practical advantages of the agreement for Sweden, it was stated, were of little importance. There had been a decrease in Swedish exports to Russia during the course of the year, caused by the great scarcity of money and famine in Russia. It was urged that the Swedes who bad been in Russia and had a thorough knowledge of conditions there did not believe that there was a favorable outlook for Swedish-Russian commerce.

In the middle of 1923, negotiations were again initiated looking towards the conclusion of a commercial treaty. The chief difficulties in the negotiations arose from the unwillingness of the Soviets to consider the claims of Swedish nationals. The Bolsheviks made an offer to settle Swedish claims provided Swedish bankers would make a loan to the Soviet Government equal to the total of those claims, amounting to some 400,000,000 kroner. The question of Soviet propaganda also proved an obstacle. Although there was no fear that such propaganda would have any far-reaching effect, the government felt bound to make every effort to prevent such activity in Sweden. It is interesting to observe that the head of the Soviet delegation, Ossinsky, told the Swedish Minister of Foreign Affairs that there was no occasion for the Soviets to support propaganda in Sweden as long as Hoglund, a leading member of the Swedish Communist Party, was active in Sweden.

IV. EFFECT OF TRADE AGREEMENT UPON TRADE WITH SOVIET RUSSIA

It has been observed that the policy of Western European states which led to the conclusion of trade agreements with the Soviet power was primarily based on commercial considerations. It was believed that Russia was in a position to supply Europe with large quantities of raw materials and foodstuffs at the same time offering an excellent market for industrial products, and that the conclusion of a formal agreement was essential to the

development of trade relations. This belief, it should be noted, was based on the expectation of the early restoration of Russia to its pre-war position in the European economic system. Subsequent developments, however, were to demonstrate the futility of such expectations. An analysis of Russian trade during the last three years will show that the conclusion of a trade agreement has not been the *sine qua non* to the development of trade with the Soviets. While possibly it may have been true that in the early days of the resumption of trade relations a trade agreement facilitated trade in so far as it permitted the Bolsheviks to dispose of gold and confiscated goods, it would appear mat in general the carrying on of trade with Russia has not been greatly influenced by the existence of a trade agreement

EXPORTS TO RUSSIA
In Thousands of Gold Roubles

	1913	1921	1922	1923	1924 (First 6 months)
England	173,012	60,561	50,788	36,597	21, 826
Italy	16,808	80	2,321	679	401
Norway	9,770	3,933	11,368	3,274	1,666
United States	79,093	39,794	38,937	18,696	15,491
Holland	21,389	2,753	3,075		452
France	56,990	7,831	1,132	171	1,247
Sweden	16,926	14,249	10,399	5,772	3,757

TOTAL TRADE
In Thousands of Gold Roubles

	1921	1922	1923	1924 (First 6 months)
England	69,905	75,965	70, 108	42,193
Italy	85	3,673	7.043	9,710
Norway	5,456	11,838	4,708	2,564
United States	40, 194	41,037	22,757	19,489
Holland	2,910	4,398	11,829	7,731
France	7,831	1,550	6,320	6,926
Sweden	14,898	10,603	5,772	5,308

In the above tables, statistics are presented with regard to three countries which have concluded trade agreements and with regard to four which have not.

The substantial trade now being carried on between the United States and Russia would appear to indicate that look of a trade agreement and the nonrecognition of the Soviet regime by the United States does not seriously impede commercial intercourse and that the Soviet trade

agencies in this country are able to carry on their functions without the enjoyment of the diplomatic privileges which have been accorded to them by certain other states.

According to data recently made public, the United States trade with Russia during the past year exceeded in value the average pre-war trade.

Year	Exports from the United States to Russia In Gold Roubles
1909-13, average	80,261 ,000
1921	39,794,000
1922	38,937,000
1923	18,696,000
1924	105,000,000 estimated

It should be noted that the larger volume of this trade is accounted for primarily by the increased purchase of cotton in the United States, due to the decline of the domestic production in Russia. According to the import plans of the Soviet Government for the fiscal year 1924-25, at least twenty-six percent of the total imports will come from the United States. Thus the Bolsheviks will make by far the larger part of their foreign purchases in the United States during the present year and undoubtedly none of the states which have recognized the Soviet Government will receive as a big share of the import trade as the one large state that has not recognized it

It will be remembered that Lloyd George and other proponents of a trade agreement emphasized the importance of the Russian market to British industry. Trade with Russia in their eyes was to have a very pronounced effect on the unemployment problem. The above table showing imports to Russia indicates that the Russian market plays an insignificant role not only in English export trade but in the export trade of other European states. Before the war exports from Great Britain to Russia, including at that time the border states which are now independent, constituted only three percent of the total British export trade. Thus it played a small role before the war, and, as is to be observed from the above table, at the present time it takes only a fraction of the pre-war exports. This fact will appear more striking if the figures of the British Board of Trade are taken. The following figures cover exports of English products to Russia.

Year	Pounds Sterling
1913.....	18,l02,000
1921	2,181,000
1922	3,678,000
1923	2,493,000
1924 (8 mos).....	1,358,000

Thus during the last three years there has been a steady decrease in the volume of English exports to Russia. This same phenomenon is noticed in the case of other countries which have concluded trade agreements with Russia

Czechoslovakia
Exports to Russia

Year	Crowns
1920…… ……	122,352,000
1921 ……	131,529,600
1922 ……	91,952,600
1925 (6 mos)……	1,908,300

and is to be ascribed to the definite policy adopted by the Soviet Government of maintaining a positive trade balance, which, in view of the present economic conditions in Russia, involves the restriction of imports to a very limited quantity.

The proponents of a trade agreement with the Soviets also advanced the argument that Russia was indispensable to Europe as a source of food supplies and raw materials. The following table will show that while Russia may potentially be a vast storehouse of foodstuffs and certain raw materials, such as petroleum products, flax and timber, the present economic system in Russia does not tend to make them available for export. In fact, the present export of these products attains only a very small percentage of the pre-war export. In regard to food supplies, Russia has been obliged to rely rather upon the outside world in order to obtain foodstuffs for its population, due to the failure of the crops in 1921 and 1924. No grain is to be exported from the 1924 harvest and Russia is already engaged in importing large quantities of American and Canadian grain.

RUSSIAN EXPORTS
In Food

Commodity	1913	1921	1922	1923
Foodstuffs	705,572,000	582,000	753,000	122,364,000
Grain	460,317,000	19,700	202,000	121,386,000
Flax	16,632,000	600,000	2,153.000	1,617,000
Petroleum Products	57,814,000	451,000	4,002,000	3,114,000
Forest products	465,812,000	9,598,000	37,044,000	75,284,000

Attention has been invited above to one distinguishing characteristic of foreign trade under the Soviet regime, -- namely, the policy of restriction of imports to ensure a favorable

balance of trade. This feature, of course, is largely due to the fact that foreign trade is a state monopoly. All foreign trade is subject to complete governmental control; most of it conducted by government departments and the rest by certain specially privileged concerns – cooperative associations or mixed corporations operating within clearly defined fields and subject to constant government supervision. As a consequence of this, Russian foreign trade is practically entirely carried on by the official Soviet trade agencies abroad. Practically all Russian trade with Great Britain, for instance, is conducted by ARCOE, Ltd., and English corporation directly owned and managed by the Soviet Commissariat for Foreign Trade. This same state of affairs exists in the trade between the Soviets and other countries. Foreign business men who desire to do business with Russia are obliged to address themselves to the appropriate Soviet trade agency in their country. Thus the Bolshevik trade representatives in Copenhagen, when asked as to the utility of a visit to Russia by Danish business men, stated that there was no need of such visits since he was prepared to and would handle all matters of this kind, because all foreign --trade was subject to control as a government monopoly.

The fact that foreign trade is a government monopoly gives rise to another peculiarity which is of considerable importance both from the economic and political point of view. This is the ability of the Soviet Government to transfer its foreign trade from one country to another at will and thereby utilize its control of foreign trade to further its political aims. These political considerations may be the desire to secure extraterritorial rights for its trade delegation; a desire to secure the conclusion of a trade agreement; the desire to attain *de jure* recognition, and so forth. Thus, recently as a result of a political conflict arising from the raid of the Berlin police on the promises of the Soviet Trade Delegation, the trade carried on with Germany was diverted to Holland, Czechoslovakia and England. The Commissariat for Foreign Trade refused to issue licenses for all and any imports from Germany. Shipments to German ports were suspended; branches of the Russian Trade Delegation in Hamburg and Bremen were closed. Russian participation in fairs and auctions to be held at Cologne and Leipzig was withdrawn. The export of grain to Germany was permitted only under guarantee of re-exportation from Germany. Only Russian or non-German steamers were chartered for shipments. A short time previously, trade with France was treated in a similar fashion when the French courts permitted a former owner to recover his goods which had been confiscated by the Government. Similarly, at the end of 1923 when the Swedish Riksdag refused to ratify the Soviet-Swedish trade agreement, Krassin declared that "the government of the Soviet Union has come to the conclusion that it is necessary to discontinue the placing of orders with Swedish firms ... which may result in the reduction or even recall from Sweden of all commercial interests of the Soviet Union."

From the very beginning, the Soviet Government has, in so far as possible, attempted to utilize its foreign trade in furthermore of its political ends, especially to attain political recognition from the European powers by playing off one state against the other. Thus in *Economic Life* of February 6, 1921, Krassin relates that the Russian Trade Delegation in London during the lapse in the Anglo-Soviet trade negotiations, "made every effort to influence a part of the British public opinion. IT appealed particularly to the business circles where it made efforts to arouse interest in Russian affairs by giving out current orders. Relations were established with a number of large firms; with the Slaw Company which received an order for five hundred automobiles. with the Marconi Company concerning the organization of a Russian- British trade

Corporation, with Armstrong concerning the repair of Russian locomotives at Newcastle. We began to receive inquiries from large British firms concerning concessions and although our delegation made no binding promises the industrial circles began to exert an influence on Lloyd George and the Ministry for Foreign Affairs. When trade negotiations began once more, the Russian Delegation had back of it a powerful group in the city."

The significance of the interrelation between commercial activity and a trade agreement was well set forth in the House of Commons on December 15, 1924, by the British Minister for Foreign Affairs, Mr. Chamberlin:

"In any case, what did you get by this boasted commercial treaty? The Right Honorable Gentleman said: 'Here is France going to make an agreement. Wait and see. Here is Italy which has recognized Russia and made an agreement. I took a little trouble to inquire when I was in Italy whether they had found that their trade bounded up, and with the recognition of Russia had given them access to the vast markets of which the Right Honorable Gentleman talks. I have made inquiries in other quarters. I cannot find that this vast growth of trade follows on recognition. It did not follow on recognition in our case. I think the reason it does not is sufficiently plain. Trade depends upon credit, and in the absence of credit, on cash. Soviet resources in both respects are limited. There is more .... If you want to do any trade with Soviet Russia, you can only do it with the Soviet Government, and as long as the only trade that is to be done in the world is the trade which Governments do, there will be very little trade done, whatever the country. Want of credit and administrative difficulties caused by the fact that Soviet Russia has created a system which will not fit into the system prevailing over the whole of the rest of the world. Therefore, it is quite absurd to suggest that in present circumstances there is this vast trade to be done. There is no reason why we should not do what trade we can. Under the existing Trade Agreement there is every facility for doing all the trade that you can have under the existing Soviet system."

In this same connection, it is interesting to note that on May 29, 1923, it was stated in the House of Commons that a communication had been received from the association of British Chambers of Commerce to the effect that the opinions of Chambers of Commerce throughout the country had been sought on the question of the degree of injury which would be inflicted on British trade by the cancellation of the Anglo-Soviet trade agreement. It was stated: 'The majority of these bodies expressed the view that the trade agreement is of no value to British trade and the same opinion has been expressed by the Association of British Creditors of Russia."

Another aspect of the reestablishment of relations between Russia and Western Europe is the investment of foreign capital in Russia. It will be remembered that certain European statesmen advocated a trade agreement with the Soviets on the ground that citizens of other states were securing valuable concessions from the Soviets to the prejudice of the activities of their own citizens. The Bolsheviks have also utilized their concession policy to further their political ends by holding out prospects of lucrative concessions to the citizens of stats which have not entered into relations with them. It may be of interest, therefore, to see to what extent foreign capital has been able to find profitable investment in the Soviet economic system. According to Soviet official figures, from the institution of the concession policy in 1921 to

April 1, 1924, only fifty-five concessions had been granted, and of this number only thirty-five were pure concession, the rest taking the form of mixed companies. The attempt to utilize concession agreements for political purposes is shown by the refusal of the Soviet People's Commissars to ratify the so-called Urquhardt concession agreement signed with Krassin on September 29, 1922. This concession was rejected in order to bring pressure to bear upon the British Government, the Soviet of People's Commissars stating that the size of this concession demanded the establishment of friendly and normal relations between the Soviet Republic and Great Britain. "On the other hand, recent activities of the British Government which are practically depriving Russia of the right to discuss on equal terms with other nations its vital interests in the Near East and Black Sea openly point to the absence of the above-mentioned desirable relations. In view of this, it is resolved to reject the concession agreement." Similarly, the Sinclair oil concession was to be invalidated if the Soviet Republic was not recognized by the United States within five years.

It would appear to be a fact that there has been no appreciable capital investment in Russia from the several countries which have extended recognition, although some of them are exporting capital in other directions. It is the almost unanimous opinion of both American and foreign business men returning from Russia that practically none of these concessions is on a paying basis. During the past year one of the most extensive concessions, that of Otto Wolff, which took the form of a German-Russian mixed company, was terminated owing to disagreements with the Soviet authorities. It would appear that the basic reason was the small returns from the capital invested. Similarly, the American Barnsdall Corporation has decided to discontinue operations. The Bolshevik leaders have realized the failure of the concession policy to attract foreign capital from abroad. At the last congress of the Communist International, Kykov stated that "The role of the concession capital is at present no greater than even the role of domestic private capital." From the foregoing it is fully established that the question of trade between foreign countries and Soviet Russia is not dependent upon negotiation of a trade agreement, but rather on the productivity of Russia, which is conditioned on the policies of the Soviet authorities and not upon the provisions of a written instrument.

V. THE GENOA AND HAGUE CONFERENCE

The Genoa and Hague Conference represent the last attempt at a collective settlement of the outstanding differences between the Soviet Government and the Western Powers. The reestablishment of normal relations between the Soviet and Western world, as has been pointed out, is contingent upon the solution of two sets of problems, the first of which is the settlement of outstanding differences and the second, the creation of conditions which will permit the development of normal intercourse with the Soviet power. Both of these problems were considered in great detail at the Genoa and Hague Conferences. The first of these problems resolves itself into two main questions: (1) Russian public debt, and (2) confiscated foreign property. At neither the Genoa nor the Hague Conference was any progress made towards the solution of these two questions.

With regard to the former, the Western Powers insisted that the Soviet Government, in conformity with the general principles admitted by all governments, recognizes its obligation to fulfill the financial engagements which it, or its predecessors, had contracted vis-a-vis foreign

nationals and recognize the financial obligations entered into by all provincial or local authorities in Russia with other states and their nationals. The Soviet Government, (in its reply of May 11, 1922), asserted that it was a principle of law that "governments and systems that spring from revolution are not bound to respect the obligations of fallen governments. Russia," it declared, "cannot be obliged to assume any responsibility whatever towards foreign powers and their nationals for the cancellation of public debts." Nevertheless, in return for certain concessions demanded from the powers, immediate financial aid, recognition *de jure,* moratorium for thirty years -- the Soviets declared themselves willing to accept liability for the payment of public debts. It is to be noted that the demands of the Soviets tended to increase, as compared with the letter of October, 23, 1921, in which Chicherin stated that the Russian Government was ready to recognize "its obligations to other states and their citizens resulting from state loans made by the Tsarist Government before 1914, provided that it is given these special conditions and facilities which will make it possible for it to carry out this undertaking." In the discussions at the Hague, Sokolnikov, the Soviet Commissar of Finance, made it clear that "Russia does not consider herself bound by the obligations undertaken by the Tsarist Government" and that any recognition of the debts of preceding governments would take place only on condition of "the conclusion of an agreement which would give to the Russian Government such advantage as would allow it to hasten the economic reconstruction of Russia" and of the granting of a moratorium or other accommodation. It is characteristic of Bolshevik mentality that in the discussions of the establishment of a mixed body to be entrusted with the determination of various questions relating to the resumption of debt service, Litvinov expressed doubts as to the possibility of finding an independent umpire capable of deciding between the parties. "It was necessary to face the fact that there was not one world but two -- a Soviet world and a non-Soviet world."

It is interesting to observe that the Bolsheviks vigorously rejected the idea that the recognition of the debts of former Russian Governments and of the claims of private individuals is a condition essential to the cooperation of foreign capital in restoring the credit of Russia. They appeared convinced that capital will flow into Russia upon its *de jure* recognition. Litvinov, speaking on July 14, 1922, before the Sub-Commission on Credits, stated:

> It has been, perhaps, rightly stated here that there was a lack of confidence in the Russian Government. If the manufacturers themselves have no confidence, it is not because the Russian Government has annulled debts, not because they have nationalized property -- we cannot accept this complaint. It is due to the fact that for five years the minds of Europe and America have been poisoned by false news, by wild rumors, by distortion of the truth as regards Russia.

It would appear that the Bolsheviks cherished the illusion that there was a financial blockade of Russia in the sense of an abstention from granting Russia credits, imposed by the policy of the foreign governments. In fact, the Bolsheviks were not primarily interested in the restoration of confidence, for, as Litvinov pointed out, they insisted on credits from governments and not from private capitalists: "A promise to encourage private credit, or a resolution stating that confidence in Russia was restored, would not satisfy us." It will be observed that the Bolshevik policy which failed at the Hague was to attain, two years later, some measure of success in the Anglo-Soviet negotiations.

With regard to the question of nationalized property, the Allied memorandum of May 3, 1922 (which was not approved by the French and Belgians), declared that the "Russian Soviet Government should recognize its obligations to restore or compensate all foreign interests for loss or damage caused to them when property had been confiscated or withheld." Belgium, at that time, insisted on the principle of restitution of property, while the other powers, with the exception of France, adopted that of restitution or compensation. The Bolsheviks maintained that they were not obligated to assume any responsibility whatever towards foreign powers and their nationals for the nationalization of private property, but "in order to enable the former owners of nationalized property to apply their technical knowledge and capital to the economic restoration of Russia for their own advantage," the Soviets are willing to recognize in their favor a preferential right in cases where their property was to be granted as a concession. It is interesting to note that during the discussions at the Hague, Litvinov repeatedly asserted that foreign governments could not deny the Russian Government the right to nationalize industries in Russia, and referred to the exchange of notes between Great Britain and France prior to the Hague Conference, in which it appears that the British asserted that "a state had a right to nationalize property provided that it paid compensation and that the compensation was real." Litvinov, apparently, was not inclined to pay attention to the proviso. While the non-Russian delegations insisted that the Soviets must restore the properties or give effective and real compensation, the Bolsheviks refused to accept either as an obligation of the Soviet Government. It is to be observed that the Allied experts tended to emphasize restitution, apparently on the ground that it was the only method of compensation available to the Soviets. Restitution was categorically refused in principle. The Soviets were disposed to grant concessions, not because the property belonged before the war, to foreigners who must be reinstated in their rights, but because the grant of concessions was of use for the development of the productive forces of the country. They were willing to offer concessions, in the first instance, to the former proprietors because "they thought no one else could run them with the same efficiency, with the same knowledge of the work as the former proprietors." The Soviets also declined to accept any liability whatsoever to make compensation as a matter of principle. The Bolshevik would only agree to compensate private claimants, provided they received long-term credits. They were not even prepared to discuss the form which such compensation might take unless they had previously been promised credits. Under such conditions, the Hague Conference went on the rocks on the question of private property, and it was found impossible to attain any solution of the divergent views.

On the various other aspects of the two conferences, it might be noted that the Soviets presented counter claims amounting to fifty billion gold roubles. The Allied Governments, however, refused to admit any liability with regard to those claims. The Soviets, on the other band, refused to acknowledge the war debts which they claimed "were extinguished by the very fact that Russia, having withdrawn from the war without participating in the division of its advantages, could not assume its costs." In a note of April 20, 1922, the Soviets agreed to renounce their counter-claims, provided that the war debts and the arrears of interest of all debts were written down and adequate financial assistance accorded to Russia. The Allies, in reply, expressed their willingness to write down a certain percentage of the war debts owing by Russia to them and to remit some part of the arrears of interest on financial claims.

It will be recalled that the resolution of the Conference of Cannes, which laid down the fundamental principles underlying the program for the Genoa Conference, stipulated that "all nations should undertake to refrain from propaganda subversive of order in the established political system in other countries than their own." In the memorandum sent to the Russian Delegation, under date of May 3, 1922, it was stated that, in accordance with the above, "the Russian Soviet Government will refrain from any action in the internal affairs and will refrain from any action which might disturb the territorial and political *status quo* in other states. It will also suppress all attempts in its territory to assist revolutionary movements in other states." In the reply of the Russian Delegation, special indignation was bestowed on the last sentence, which would appear to contain nothing more than the formulation of a well-established principle of international law. "If," it was stated, "by this formula. The memorandum means to forbid the activities of political parties or organizations of workers, the Russian Delegation cannot accept such a prohibition unless the activities in question transgress the laws of the country." The Hague and Genoa Conferences thus failed to bring about an adjustment of the outstanding differences which were preventing the reintegration of Russia into the European body politic. Convinced that the collaboration of foreign capital in the economic restoration was not contingent upon the recognition of the debts of former Russian Governments and of the Claims of private individuals, and believing that the productive forces of the country should be revived only by the Soviet Government that Russia was more necessary to Europe than Europe to Russia, and that foreign business men were eager to conclude agreements on the facilities and guarantees accorded by the Soviet Government, the Soviet Delegation was prepared to make concessions only in return for credits to be placed at the disposal of the Soviet Government and was, therefore, not amenable to the economic considerations advanced by the other states which pointed out that Russia itself must create the atmosphere necessary to inaugurating the flow of capital into Russia. The elements of security and confidence being essential ingredients to this atmosphere, it was urged that the Soviets make use of the sole means at their disposal of reestablishing confidence -- recognition of the public debt and the restoration of private property either through restitution or through effective compensation. The Bolsheviks, desirous of retaining control of the economic life of the country in their own hands, were not disposed to create conditions which would facilitate the reconstruction of Russia by private initiative. They, therefore, sought a governmental loan to themselves in return for concessions on their part. As Milton Young, of the British Delegation, pointed out to the Soviet Delegation, "for the restoration of that confidence there is one essential: That Russia should reset the keystone of the arch which supports credit at all times and everywhere -- the recognition of the binding force of obligations solemnly contracted. It is impossible," he stated, "for a nation which desires to share in modem civilization to reject indefinitely the common basis of credit and financial confidence upon which, as a foundation, modern civilization is constructed."

It appears, therefore, that the Soviets were not yet ready to conform to the general principles upon which international relations are based between civilized states and to recognize the debts of its predecessors and restore or make compensation for nationalized property.

VI. GERMANY AND THE SOVIET UNION

The policy of Germany towards the Soviet power, as may be readily understood, has been largely influenced by considerations resulting from the world war which have not been operative

in the case of other Western European states. The renewal of official relations between the Soviets and Germany, which were inaugurated at Brest-Litovsk and subsequently broken off, dates from the Provisional Agreement concluded at Berlin on May 6, 1921. This agreement was supplemented by the treaty of April 16, 1922, concluded at Rapallo, providing for the immediate resumption of diplomatic and consular relations and the application of the most-favored-nation principle to commercial relations. The essential point in the treaty of Rapallo is that "Germany renounces claims which have arisen through the application, up to the present, of the laws and measures of the soviet regime to the German nationals or to their private rights, as well as to the rights of Germany and its constituent estates against Russia, or from measure otherwise adopted by Soviet Russia or its officials against German nationals or their private rights, provided that the government of Soviet Russia does not satisfy similar claims of other states." Both parties renounce compensation for their war expenditure as well as compensation for military and civil damages. It is to be especially noted that renunciation of claims on the part of Germany is contingent upon the proviso that the Soviet Government does not satisfy similar claims of other states. In this connection, it is interesting to observe that in the discussions pertaining to British claims against Russia attendant upon the visit of the so-called Becos Mission to Moscow at the end of 1923, special attention was devoted in the unofficial discussions with the Soviet authorities relative to the best method of circumventing the clause of the Rapallo Treaty obliging Russia to give to Germany as favorable terms with regard to loans as may be accorded to other states.

Following the armistice, great hopes were placed by Germans on the early revival of their commerce with Russia, especially after the initiation of the New Economic Policy in Russia. During 1921 and 1922, German business men looked upon Russia as a source of profit and rejuvenation for their own diminished business. In the course of the next two years, however, this optimism gradually waned, not only among bankers, but throughout German industrial and commercial circles. The Germans, it appears, have been grievously disappointed with the results obtained from their trade with Russia and the general consensus of opinion at the present time is that so long as the foreign trade of Russia is a monopoly of the Soviet Government, the Russian market will be of little material use to Germany either in a commercial, financial or industrial sense. During the last few years, there has been a gradual decline in German exports to Russia, which, at the present time, as is shown by the following table:

1913	652,200,000	Gold	Roubles
1921	54,361,000	"	"
1923	49,707,000	"	"
1924 (9 months)	33,700,000	"	"

It should be observed that Germany's greatest asset in Russian trade is the superior knowledge of the Russian conditions by her business men as compared to that of her commercial rivals. This advantage, however, disappears if German business men can only deal through the foreign trade monopoly on the same footing as exporters of other countries. Although the Germans have received a certain number of concessions, in general these concessions have proved rather unsatisfactory. One of the most promising, that of the Otto Wolff Company, was abandoned last year by that organization. Negotiations for a German-Soviet commercial treaty, which have been in progress for nearly three years, have led to no concrete results. German

business circles are not particularly interested in the conclusion of a commercial treaty. The American Consul-General at Berlin reports that he was informed by the Director of the German Association of Merchants and Manufacturers that no importance whatsoever is attached to a trade treaty between the two countries insofar as it may affect the conditions of German industry. It will be recalled that the German commercial world has by experience learned the full significance and possibilities of the Soviet monopoly of foreign trade. During May, June and July, 1924, the Soviet Government, in retaliation for a raid by Berlin police upon the building occupied by the Russian Trade Delegation, practically suspended all trade relations with Germany, prohibited all imports from Germany and exports to Germany, and so forth, at the same time suspending all negotiations with German citizens regarding concessions.

It is probably in the sphere of communist propaganda that the German-Soviet relations have been most enlightening in regard to the intrinsic character of the Soviet power. From the very earliest days, the Soviet leaders have looked upon Germany as the most fruitful field for communist propaganda. This propaganda was at first carried on openly by official representatives of the Soviet Government. Joffe, Soviet representative in Berlin, was expelled fro Germany in November, 1918, for carrying on subversive activities. Writing afterwards in the *Izvestia* of January 1, 1919, he openly stated "that having accepted this forcibly imposed treaty (Brest-Litovsk), revolutionary Russia, of course, had to accept its second article, which forbade any agitation against the state and military institutions of Germany, but both the Russian Government as a whole and its accredited representatives in Berlin never concealed the fact that they were not observing this article and did not intend to do so." Similarly, Soviet support, through official Russian sources, of the Spartacist movement called forth vigorous protests from the German Government. The passage of time and the reestablishment of diplomatic relations following the treaty of Rapallo appear to have produced no modification in the aims and intentions of the Soviet leaders with regard to Germany. It would be difficult to find a more open and cynical disregard of the fundamental principles of international law than the attempt of the Soviet leaders to bring about a revolution in Germany in November, 1923. The Soviet leaders themselves have frankly set forth how the Political Bureau of the Russian Communist Party, acting through the Communist International, considered and worked out details of the intended revolution in Germany. The plan of the Soviets, however, did not materialize, in view of the failure of the German communists, despite direct orders from Moscow, to carry out the uprising except in Hamburg. The machinations of the Soviet leaders have been brought to light through subsequent attempts to punish one of their number, Radek, as being responsible for the failure of the uprising. Radek and the leaders of the German Communist Party who were opposed to an armed uprising at that time have since been disciplined. It is interesting to observe that the main burden of Radek's defense was that the Communist International ordered an uprising before the German workmen were adequately armed. Thus, the communist revolutionary organizations in Germany have not only been financed from Moscow but their activities have been directed and controlled in the greatest detail by the same group of individuals who control the Soviet Government. For instance, the German Communist Party has received instructions quite openly "to carry on persistently the arming of the workmen and technical preparations for the final battle. The 'Red Hundreds' must be actually established and not merely on paper." In October, 1923, the German police confiscated secret stores of arms including small canon, which had been smuggled into Germany by Russian agents, and the individual who supervised this affair occupied a room in the Soviet Embassy. The German Chancellor informed the Soviet

Ambassador that a repetition of such an occurrence might lead to a rupture of diplomatic relations between Germany and Russia. Shortly afterwards, the German Ambassador at Moscow protested against efforts being made in Russia to support and encourage revolutionary movements in Germany. The Soviets were warned that diplomatic relations could not be long maintained with a nation so actively hostile, nevertheless, subversive activities directed from Moscow did not cease. In October of the past year, as a result of inflammatory appeals by Zinoviev to encourage civil war in Germany, the German Government again protested to the Soviet Ambassador in Berlin, who, as is customary, attempted to evade the issue by declaring that Zinoviev's statements were only issued as a politician and not as a member of the Government. Despite the existence of formal diplomatic relations between the Soviets and Germany, there has been no abatement of active efforts on the part of Moscow to undermine and overthrow the existing political and social order in Germany. It would appear from the foregoing that the relations between the Soviets and Germany can hardly be characterized as the normal relations existing between two states. In fact, Baron von Maltzan, (Secretary of State in the Ministry of Foreign Affairs and the recently appointed German Ambassador to the United States), recently stated in a conversation with the American Ambassador to Germany that the relations established between Germany and Russia by the treaty of Rapallo have been entirely unsatisfactory, owing to the impossibility of dealing frankly with Moscow.

VII. POLICY OF DE JURE RECOGNITION

The early part of 1924 witnessed the initiation of a change in policy on the part of the Western Powers towards the Soviet regime. The new method of dealing with the Soviets, which it was hoped would lead to some common ground from the settlement of outstanding problems, may be termed the policy of *de jure* recognition. It has already been shown that the policy of trade agreement failed to lead to a solution of the differences existing between the powers of Western Europe and the Soviet regime and, consequently, to the establishment of normal relations with the Soviet power. The proponents of the new policy were the same powers that had initiated the policy of trade agreement -- namely, England and Italy. The new policy would appear to be predicated on the proposition that recognition *de Jure* would facilitate the settlement of the outstanding differences between the Soviet power and other states. It was, as Lord Parmoor declared in the House of Lords on March 26, 1924, a policy necessarily of an experimental character and based on the belief that "the best chance of initiating a better spirit between Russia and England was to give, in the first place, *de jure* recognition and leave matters in discussion and argument to a later date . ." Such a policy was advocated by Mr. Ponsonby, in the House of Commons on May 15, 1923, who urged the adoption of an attitude of respectful conciliation and normal friendship on the ground that the Bolsheviks would "follow suit and would be only too ready to adjust all those claims of ours which are based on a just and firm foundation." In addition, it is interesting to note that many of the arguments which were advanced in favor of the Trade Agreement were restated in favor of *de jure* recognition. Since trade had not developed as a result of the Trade Agreement to anything near the extent prophesied, it was now stated that this was due to the fact that full recognition had not been accorded. The argument that trade with Russia would prove a panacea for unemployment was again advanced. "If there was one direction more than another by which the evil of unemployment might be cured, it would be by reinstating the trade relations between this country and Russia," declared Lord Parmoor in the House of Commons on May 29, 1923. Even Ramsay

MacDonald declared that "Workingmen who today are drawing doles, by a development of trade with Russia, would be able to make a living in the proper and independent way that they desire." It was urged furthermore that British business was hampered by the absence of normal diplomatic relations, which, it was stated, hindered access to an enormous field for British trade and enterprise. It was openly admitted that the rosy predictions made at the time of the conclusion of the Trade Agreement were not being fulfilled, but the fact that British banks were indisposed to finance trade with Russia, the fact that merchants were wary of doing business in Russia were now held to be due to the absence of *de jure* recognition of the Soviet regime. Even the failure to invest capital in Russia was ascribed by Morel in the House of Commons on March 29, 1923, to the absence of diplomatic relations. The fallacy of this line of argument was well pointed out by McNeill in the House of Commons on March 29, 1923. It was quite erroneous, he declared, to believe that valuable trade was being lost which would be established at once if political recognition was granted, the failure of trade relations with Russia was due to the insecurity arising out of the existing political-economic conditions in Russia. "What causes insecurity is that they know quite well, if you finance goods to be sent out to Russia, they will go to a country which has not recognized its past debts and therefore may perfectly well repudiate its future debts: that they will go to a country where there is no jurisprudence .... no legal system which has the confidence of the trading community in England." It is believed that the results of the commercial intercourse with Russia during the last four years has demonstrated that the development of trade is primarily dependent on the restoration of Russia's credit and confidence in Russia, which cannot be accomplished merely by either *de facto* or *de jure* recognition of the Soviet power. The new policy, therefore, could not fairly expected to succeed in developing trade relations with the Soviets.

With regard to the other aspect of the policy of *de Jure* recognition -- that it would facilitate the settlement of outstanding difficulties and provide for friendly relations in the future -- it would appear that neither of these two aims has been accomplished. The latter point will be considered first, and in this connection of propaganda. The British note according to *de Jure* recognition quite properly pointed out that "genuine friendly relations could not be said to be completely established so long as either party bas reason to suspect the other of carrying on propaganda against its interests and directed to overthrow of its institutions." In the opening speech of the Anglo-Soviet conference MacDonald made it plain "that the people of this country will require more than formal undertakings and as you are aware, I, myself, have too intimate a knowledge of international movements to be deceived by false distinctions." Although the Soviet Government in its reply stated it considered that "non-interference in internal affairs was an indispensable condition for the strengthening and development of friendly relations between the two countries," Bolshevik propaganda not only showed no abatement, but, in fact, tended to increase. It is hardly necessary to enter into the details of the continued interference into the domestic political affairs of Great Britain, carried on chiefly through the agency of the Communist International. Manifestos and appeals of the Communist International to the working classes of Great Britain, instructions by the Executive Committee of the Communist International to the English Communist Party, and so forth, continued in a steady stream, regardless of the fact of recognition *de Jure* of the Soviet regime by Great Britain. Within four days after recognition was accorded, the Executive Committee of the Communist International directed its subsidiary in England, the English Communist Party, to bring pressure upon the Labor Party "in order to induce it to start serious war against the capitalist classes." The

communists in England were instructed to work for the nationalization of railways, mines, collieries, for the emancipation of Ireland, India, and Egypt from the yoke of British imperialism, and so forth. This continued propaganda, it would appear, completely disproved a view expressed frequently by those in favor of recognition of the Soviets, a view expressed by Mr. Ponsonby in the House of Commons on May 15, 1923, that "propaganda would not have taken place if we had originally recognized the Soviet Government...I say, granting all the charges are true, granting all the propaganda, it is their form of carrying on warfare against us because we have refused recognition. Recognize them and they would get into a different frame of mind and we should not have had these differences now before us." Communist propaganda, it is believed, is now clearly recognized to be not an expedient temporarily adopted by the Soviet Government in order to carry out certain policies, but a constituent element in the very nature of the Soviet power.

Eventually, the British Government found it necessary to address a sharp protest to Moscow on the occasion of the receipt of a letter from the Presidium of the Communist International by the Central Committee of the British Communist Party "containing instructions to the British subjects to work for the violent overthrow of existing institutions in this country and for the subversion of His Majesty's armed forces as a means to that end." The British note, October, 24, 1924, deals directly with the problem of subversive activities of the Communist International, carried on from Moscow, and holds the Soviet Government to an observance of the basic principles of international intercourse. It is stated that His Majesty's Government regards this propaganda as a direct interference from outside in British domestic affairs. For the first time, a Government having relations with the Soviet regime formally refused to accept the Bolshevik formula of differentiation between the Communist International and the Soviet Government. “No one who understands the constitution and the relationship of the Communist International," reads the note, "will doubt its intimate connection and conduct with the Soviets. No government will ever tolerate an arrangement with a foreign government by which the latter is in formal diplomatic relations of a correct kind with it, whilst at the same time a propagandist body organically connected with that foreign government encourages and even orders subjects of the former to plot and plan revolutions for its overthrow." The British note pointed out that not only was such conduct a violation of specific and solemn undertakings repeatedly given to England by the Soviet Government, but also a grave departure from the rules of international comity. It is asserted that "it cannot accept that while the Soviet Government undertakes obligations a political body as powerful as itself is to be allowed to conduct propaganda and support it with money which is in direct violation of the official agreement. The Soviet Government either has or has not the power to make such agreements. If it has the power, it is its duty to carry them out and see that the other parties are not deceitful. If it has not this power and if responsibilities which belong to the State in other countries are in Russia in the keeping of private and irresponsible bodies, the Soviet Government ought not to make agreements which it knows it cannot carry out." The principles set forth in the British note of October 24 were reiterated in the note of November 1, 1914, and in addition it was pointed out that "the activities of which His Majesty's Government complain are not confined to one particular letter but on the contrary extend to a whole body of revolutionary propaganda of which the letter is a fair specimen and which is sometimes conducted in secret and some times, as you rightly remarked, not concealed. The pronouncements of Zinoviev, which have been broadcast throughout the world, are in themselves the propaganda in which the Third International, with the knowledge

and consent of the Soviet Government, perpetually indulges and it is this system which, in the view of His Majesty's government, is inconsistent with the solemn undertakings given by your government" The reply of the Soviet Government reasserted the "complete political and administrative independence of the Communist International from the Government of the Union of Soviet Socialist Republics. My Government," declared Rakovsky, "has never undertaken and cannot undertake to refuse the right of asylum to the Communist International or to any other working class organization. Still less can it undertake to exercise pressure upon them. My Government considers any further discussion of attacks on international workers' organizations as useless and fruitless." It would appear, therefore, that the British Government has been unable to induce the Soviet regime to accept the basic principle of international comity -- that of noninterference in the domestic affairs of other states. The developments in the Anglo-Soviet relations during the past year on this point are interesting and important, (1) in that for the first time the Boslhevik Government has been called to account for the activities of the Communist International, which are being carried on from territory under the jurisdiction of that Government, and (2) in that a Western Power has formally rejected the Bolshevik contention of differentiation between the Communist International and the so-called Soviet Government. Furthermore, the issue has been clarified in that the subversive activities of Bolshevik agents are distinguished from anti-British policies in the Soviet Government and that it has been made clear that Communist revolutionary propaganda is not confined to a single episode or a single document but is a continuing process erected into a system.

In connection with Bolshevik revolutionary propaganda, reference may be made to a closely related circumstance -- the difficulty of negotiating with the Soviet leaders in general. This circumstance was well set forth by Lord Curzon in a speech in the House of Lords on March 16, 1924:

> You must remember that there is no concealment about it; that the object of the Soviet Government is not to restore British trade –they do not care two pence about our trade. Their object is to destroy the British social organization and to prepare the way for triumph of revolution throughout the world. There is no concealment about it. They regard the organic life of Great Britain as the most formidable power in the fortress against which they are directing their attacks. That is what they want to bring to the ground and it is true that no amount of preaching, no amount of bargaining will induce them to desist from that. It is the breadth
> of their life, the whole of their existence, it is the principle upon which their new political principles are founded and in meeting them at the conference table, you are not dealing with the sort of people you ordinarily meet at international conferences where you discuss and bargain with your fellow man who look at society from the same point of view as you do. You are dealing with men who come from another world substantially different from our own, and you are up against men who, whatever their friendly attitude may be towards you in a conference, will not be satisfied until they have destroyed the whole basis of society under which we exist in this country.

Diplomatic recognition by Great Britain, it is clear, did in no respect lead to the adhesion of the Soviet Government to the customary principles of international law respecting abstention from interference in the domestic affairs of other states.

Turning to the other aspect of the policy of *de jure* recognition, the settlement of outstanding disputes, the British note of recognition pointed out that the creation of "normal conditions of complete friendly relations and full commercial intercourse" were contingent upon the conclusion of definite practical agreements. Outstanding questions were to be settled by a conference, the success of which it was hoped would be insured by the favorable atmosphere which had been created by *de jure* recognition. This conference was in session from April 14, 1924, to August 6, 1924. On August *5,* it was officially announced that negotiations had broken down and that the projected treaty would not be signed. On the following day, however, Mr. Ponsonby informed the House of Commons that the two treaties had been agreed upon and would be signed. The announced agreements were the result of political pressure brought to bear by members of the Labor Party in the House of Commons on the Labor Government. In as much as the present British Government has decided not to proceed with the ratification of the two treaties in question, it would appear that the lengthy Anglo-Soviet negotiations following *de Jure* recognition led to no concrete results. For the purpose of this paper, however it still will be of interest to see what success the policy of MacDonald of according recognition prior to negotiation had towards effecting the reestablishment of normal relations between Great Britain and the Soviet regime on the basis of the accepted principles of international law. In the first place, it is to be noted that although the General Treaty negotiated constitutes the formal general treaty, referred to in the preamble of the Trade Agreement of March 16, 1921, which was to settle the outstanding difficulties between the two countries, it, in fact, does not settle any of the basic questions at issue, but is simply, as one London paper expressed it, “a treaty to make a treaty in the case the parties can agree." If the stipulations in this treaty are compared with the positions taken previously by the two parties, it would appear that the Bolsheviks were successful in maintaining their general standpoint. The Bolsheviks' formula, as set forth by Rakovsky in an interview in the *Observer* of June l, 1924 - "The payment of debts considerably reduced in exchange for a loan" - would seem to have been accepted as the basis for further negotiations. With regard to the question of the Russian pre-war loans, the British Government had insisted on the recognition by the Soviet Government in principle of its obligation to pay its debts. The Soviet Government refused to recognize any legal responsibility. They maintained the validity of their decree of January 28, 1918, repudiating the contractual obligations of the Russian State, and were willing to make an exception to British holders of bonds of the former Imperial Government only on grounds of expediency, as a *quid pro quo* for certain concessions on the part of the British Government which recognized the Bolshevik contention that such British claims could not be paid in full. It would appear that the British Government tacitly recognized the contention of the Bolsheviks that a government coming into power through revolution is not obligated to assume the obligations of preceding governments. The significance of this procedure was pointed out by G .E. Kindersley in a letter to the *Tunes* of August 8, 1924. The British Government, he pointed out, was in other words, prepared to accept special treatment for its nationals from a government which still repudiates its obligations to the nationals of other countries. In doing this, the British Government was striking a deadly blow at international credit of which the city of London has always been the guardian and exponent. While there are a number of examples in the past where creditor countries have voluntarily remitted certain debts,

it is believed there is no other example of a creditor nation acknowledging the right of a debtor country to repudiate even a part of its debt.

With regard to the question of nationalized foreign property in Russia, the British Government proposed that "the Soviets should undertake to give fair and effective compensation whether in the form of property or concessions or otherwise to British subjects, or companies, for the industrial properties or concessions previously owned by them or on their behalf which had been nationalized or cancelled and agree to arrange with the persons in question the terms of compensation in each case." The Bolsheviks, however, stubbornly refused to recognize their obligations to make compensation for private property that had been nationalized. In the beginning, they took the position that inasmuch as they had initiated negotiations with certain former owners with reference to granting them as compensation their former undertakings now nationalized, the question of claims in respect to nationalized property should not be dealt with in the treaty, but should be left to be settled by agreement between the Bolsheviks and various individuals concerned. They maintained that compensation to owners of nationalized property was a pure matter of expediency and only claims which the Soviet Government considered practical or worthwhile would be paid. The Soviet viewpoint was well set forth in the *Russian Information and Review,* the official organ of the Soviet Trade Delegation in London:

> The Soviet Government has always maintained its right to nationalize without compensation. It is a right resented by all nations; any denial of this right is absolutely inadmissible. The attempt to demand, as a matter of right, compensation for nationalized property was made at the Genoa and Hague Conferences in 1922 and the same was, of course, absolutely rejected. Even on this issue, however, the Soviet Government has declared its readiness to give compensation, though denying, of course, any liability in principle to make such compensation. The British representatives insisted on the use of the words, valid claims, with respect to the claims of the ex-property owners. This could not be accepted by the Soviet representatives. It implied the old demand for satisfaction as a right. The Soviet delegates endeavored to find a formula which would provide the substance of compensation while not admitting liability.

The Soviet delegates were adamant in their refusal to accept any formula which denied or questioned the right to expropriation without compensation. According to the agreement eventually reached with regard to nationalized property, the Bolsheviks undertake "by way of exception to the decrees nationalizing industrial business and lands to negotiate with British nationals in respect of industrial business and establishments which have been nationalized or cancelled by it in order to arrange for the granting of just compensation for such claims.• It would appear, therefore, that the British Government has tacitly recognized that a government has the right to confiscate the property, and cancel the rights, of citizens of other states, which have been duly acquired under the laws existing at the time of their acquisition, without compensation. The settlement of claims, not adjusted directly by the Soviet Government, was to be incorporated in the second treaty upon the signature of which the British Government was to guarantee a loan. Thus, the settlement of pre-war loans and property claims was made entirely contingent upon a loan guaranteed by the British Government. It is also to be noted that the question of war loans advanced by the British Government to former Russian Governments is

"reserved for discussion at a later date. The Bolshevik position in the Anglo-Soviet negotiations was substantially the same as that held by them at the time of the Genoa and Hague Conferences. While at the Hague they were informed that a government loan or a government guaranteed loan was out of the question, they eventually succeeded in inducing the British Government to agree to guarantee a loan although in the beginning MacDonald declared such a step would not be considered. No considerable progress seems to have been made in the matter of their acceptance of recognized principles of international law. It would appear, therefore, that the policy of unconditional *de Jure* recognition was not successful in creating 11 favorable atmosphere conducive to the settlement of outstanding questions and the restoration of normal relations with the Soviet regime.

The policy, initiated by MacDonald, of according recognition *de Jure* to the Soviet regime prior to settlement of outstanding differences was adopted during the next few months by Italy, Norway, Austria, Greece, Sweden, Denmark, and, sometime later, by France. In the case of Italy, an attempt was made to attain a settlement of outstanding difficulties prior to a grant of recognition. In fact, the celerity with which Great Britain, under the Labor Government, accorded recognition considerably interfered with the plans of Mussolini in negotiating a commercial agreement with the Bolsheviks, for, after recognition by Great Britain the Bolsheviks refused to sign the commercial treaty with Italy as then drafted. It appears that certain concessions, including possibly oil concessions, were tentatively promised the Italians on the understanding that they would be the first to recognize the Soviets. On British recognition, the Soviets sought to withdraw these promises; certain changes were made in the original draft and a clause which weakened the Soviet principle of monopoly of foreign trade was eliminated. The aim of Italian policy was made clear by Mussolini in a speech in the Chamber of Deputies on November 30 1925. While asserting that it would be of advantage to Italy to accord *de Jure* recognition to the Soviet Government in so far as this recognition would facilitate economic relations between the two peoples, he pointed out that "there must be *de et des.* If the Italian Government introduces Russia again into the political and diplomatic circles of Western Europe, Russia must give us something in return. She should give us a good treaty of commerce having to do with raw materials of which Italy stands in great need." It is to be noted that Italian private vested interests in Russia, prior to the revolution, were very limited in extent.

The Soviet-Italian Treaty of Commerce, concluded at Rome on February 4, 1924 contains no reference to special concessions in the domain of oil, coal, and grain, concerning which there was much discussion during the negotiation of the Treaty, nor is there any reference to the question of the supply of a fixed quantity of grain to Italy by the Soviets and the utilization of a part of the proceeds in the purchase of Italian products, as was set forth in the *Messagero* of March 8 and alluded to by Mussolini in an address to the Council of Ministers on March 14. It is to be especially observed that the question of claims of Italians for damages caused by the revolution was not definitely settled in the Treaty. It is stated that "both parties maintain their existing claims, as well as those of their nationals, against the other party in respect of property and rights in connection with obligations incurred towards the claimants by the existing government or prior governments of each of the two parties. No prejudice is created by the fact of the conclusion of the present Treaty of Commerce and Navigation between the two contracting parties in regard to existing claims, in respect to the payment of compensation or of the restoration of the property and rights in question, t being agreed that all other conditions

being equal, such claims shall receive treatment not less favorable than that accorded to the claims of the government or citizens of any other state." With regard to the effect of *de Jure* recognition of the Soviets on Communist subversive activities in Italy, reference may be had to recent remarks of M. Mussolini transmitted to the Department by the American Ambassador at Rome. Mussolini stated that Soviet propaganda had increased rather than diminished with the establishment of a Soviet Embassy and Soviet consulates in Italy. He expressed keen annoyance at the methods of espionage pursued and at the excessive number 0f employees attached to these organizations who are believed to be active as communist agents. He also referred to the recent entry into Italy of twenty-one diplomatic couriers who shortly afterwards could not be accounted for.

Norwegian recognition followed shortly after that of Italy. Before according recognition *de Jure*, Norway endeavored to secure the incorporation of a provision regarding claims in the document according recognition, but Moscow refused to entertain this proposal and insisted on unconditional recognition, giving informal assurance that after unconditional recognition the Soviet Government would be willing to discuss questions raised by Norway. It appears that until Great Britain and Italy had accorded recognition, the Soviets were not averse to permitting the incorporation in the document according recognition a reservation to the effect that Norwegian claims were to be adjusted after recognition. As in the case of other European countries, *de jure* recognition by Norway has in no way tended to diminish the subversive propaganda directed from Moscow. It appears that the ironworkers' strike, in addition to receiving sympathy and encouragement, was largely financed from Moscow to the extent of one-hundred thousand Norwegian kroner. In May 1924, when a settlement was in sight, the communist leaders attempted to bold the ironworkers in line by announcing that additional funds were on the way from Moscow, and every effort was made under directions from Moscow, through the intermediary of the Red Trade Union International and the Communist International to extend the strike to governmental and municipal employees. With regard to the settlement of outstanding differences, it is to be noted that the negotiations which were opened in June, 1924, for the conclusion of a commercial treaty and the adjustment of outstanding questions between the two countries have made practically no progress owing, it is reported, to unreasonable demands on the part of the Soviets.

Swedish recognition of the Soviets coincided with the signing of a trade agreement which had been in process of negotiation for some time. The signed trade agreement differs very little from that rejected previously by the Riksdag. The operation of the most-favored-nation clause is restricted to countries recognizing the Soviets after February 15, 1924, the question of claims is not touched upon in the Treaty. A separate statement signed at the same time by the Swedish and Soviet delegates states that each party "maintains all its claims and those of its nationals and corporations against the other party in respect of property and rights or in respect of obligations of the existing or former governments of either party." Neither party "renounces any of its claims for the payment of compensation or restitution of property. The said claim shall not be subject, under all other equal conditions, to a less favorable treatment than to corresponding claims of any third country or its nationals." It is interesting to note that with regard to the non-incorporation in the trade agreement of a clause prohibiting propaganda the Swedish negotiator pointed out that in acknowledging the Soviets *de Jure* a special guarantee was not necessary. "The lack of a special mutual guarantee to refrain from propaganda against the institutions of the

other states does not, of course, diminish the right to oppose such propaganda by all the means allowed by international law. Such a limited guarantee clause would, instead, be liable to cause misunderstanding." It is believed that the above statement indicates a correct appreciation of the international obligations devolving upon a government, which under the general recognized principles of international law, is obliged to respect the independence of the other states in the family of nations. Nevertheless, as in the case of Norway, the past year, despite *de Jure* recognition, has witnessed the continued interference of Moscow in Swedish domestic political affairs. This interference, realized through the intermediary of the Communist International, took the form of an attempt to discipline the leaders of the Swedish Communist Party for a failure to carry out instructions from Moscow and eventually led to a split in the Swedish Communist Party. The consensus of opinion appears to be that very little commercial advantage to Sweden for some time will result from the recognition of the Soviets and the signing of a trade agreement, inasmuch as this section was taken largely to satisfy internal political considerations and to relieve the government from insistent pressure brought to bear by the Socialists and their supporters throughout the country.

In both the cases of Greece and Denmark, the settlement of outstanding questions has likewise been reserved for subsequent negotiation and discussion. The Danish recognition was accompanied by a declaration formulated in the same phraseology as that which accompanied Swedish recognition whereby the claims of either party against the other were to be treated in accordance with the most-favored-nation principle. In the case of Denmark, it is to be noted that very little trade has developed between Russia and Denmark, either as a result of the trade agreement or of *de Jure* recognition. Danish businessmen have been quite unwilling to extend credits to Russia. The chief of a Soviet Commercial Delegation, which visited Denmark in September, 1924, declared that it was impossible for Russia to make purchases in Denmark as long as Denmark could not afford to give credit to the Soviet Government. Denmark is only accorded most-favored-nation treatment in regard to states recognizing the Soviets after February 14, 1924. The question of communist propaganda in Denmark has played a very small role in view of the small number of communists, the Danish Communist Party only recently having secured sufficient members to be recognized as a political party. The Danish Foreign Office formally accepted the distinction which the Soviet Government makes between itself and the Communist International.

The accession of Herriot to power in France rendered to a certain extent the recognition of the Soviets inevitable in view of the fact that Herriot's majority in the French Chamber was pledged to recognition. Although Herriot notified the United States on June 18, 1924, of "his intention of recognizing the Soviets *de jure* under conditions similar to those under which the British Government, for its part, recognized it," actual recognition was not accorded until October 23, 1924. The circumstances surrounding the according of recognition at that moment give reason to believe that it was designed to assist MacDonald and the Labor Party in the British elections which were about to take place. It is to be noted that the Soviet Government in its conversations with France insisted on recognition as a condition precedent to any negotiations and settlement of pending questions. in the note according recognition to the Soviets, Herriot called attention to the fact that the resumption of diplomatic relations was only the preface to the conclusion of an agreement settling outstanding differences. The French Government "reserves expressly the rights which French citizens hold in respect of obligations contracted by Russia or

her nationals under former regimes, obligations, respect for which is guaranteed by the general principles of law which remain for us the rule of international life. The same reservations apply to the responsibilities assumed since 1914 by Russia towards the French State and its nationals." The French Government therefore, stated that it would welcome to Paris delegates furnished with full powers to negotiate a settlement of outstanding differences. In conclusion, it declared that "it must be understood from the outset that non-intervention in domestic affairs will be the rule governing the relations between our two countries." The reply of the Soviet Government stated that measures would be taken "to open these negotiations without delay and to bring about a friendly solution of the problem interesting the two states." The French Government immediately nominated M. Jean Herbette as French Ambassador and agreed to the nomination of Krassin as Soviet Ambassador to France.

With regard to the holding of a Franco-Soviet conference in Paris to settle outstanding questions, Herriot has adopted the policy of attempting to find an agreed basis on which negotiations might be successful before entering upon formal negotiations. The failure, up to the present time, to find such an agreed basis has led to the indefinite postponement of this conference, which was to have opened, originally, early in January. It appears that the essentials insisted upon by France are recognition of pre-war debts without distinction between large and small holders and without being made contingent upon the floating of a Russian loan in France, and recognition in principle of the obligation: to reimburse French citizens who have suffered losses in Russia. it appears that Krassin has intimated that though the Soviet Government is prepared to recognize pre-war debts and to discuss the question of compensation to French subjects whose interests have been injured, it makes a condition that the French Government should guarantee a loan to the Soviets. Krassin, in an interview appearing in *Le Matin* of January 22, 1925, declared that the Soviets will never recognize the debts, but that they desire to pay them in the measure of their capacity, provided they are given the assistance necessary to accelerate the restoration of economic activity in Russia. The *Petit Parisien* of February 4 published an interview given by Rykov, (Lenin's successor), in which he states that Russia can never recognize in principle her debt to France. Russia can consent to pay French holders of bonds only if such payment brings real advantage to Russia, and he referred to the plan to reimburse bondholders by French participation in Russian economic life. An earlier statement by Rykov with regard to the status of pre-war Russian debts to France brought forth a formal protest from the French Government. At the recent Teachers' Congress in Moscow, Rykov assimilated the pre-war debts contracted by Russia towards France to French military expenditure to guarantee the Republic against German aggression and to further French imperialist designs. It was necessary, therefore, to regard them, not as financial debts, but as political debts "which do not impose on us any financial liability." It would seem that the outlook for the future negotiations is a very dubious one. The importance of the question of Russia's pre-war debts to France may be judged from the fact that there are approximately four million French holders of Russian securities and the total amount involved is approximately ten billion francs. The French Government has apparently adopted a conservative and to a certain extent a suspicious attitude towards Moscow, and Herriot has stated to the American Ambassador that while he has judged the recognition of the Soviets desirable for various reasons, he did not intend to fall into MacDonald's error of attempting commercial or other negotiations too soon, and that he intended to observe the conduct of the Soviet Ambassador in Paris before he permitted any negotiations to be entered upon. He added that the recognition of the Russian pre-war debt and of the obligation

devolving upon the Soviet Government to compensate French citizens for property losses in Russia would be insisted upon at the beginning of negotiations. French business circles have, apparently, adopted a similar attitude; Krassin has met with constant refusals on the part of business men to his requests that French companies should take over and administer on a concession basis their former properties in Russia. The answer has been repeatedly made that such action is impossible until the rights of private property in Russia are fully recognized and protected.

If it was intended that recognition *de jure* should create a more favorable atmosphere for a consideration of outstanding difficulties between the two countries, it would appear that it has failed in this respect, the view of the recrudescence of communist activities in France attendant upon recognition. A series of incidents tended to impress upon the public, and to a certain extent even to exaggerate, the dangers from communist subversive activities. The communist demonstration that occurred on the transfer of the body of Jaures to the Pantheon, the return to France of Captain Sadeul under sentence of death for desertion to the Bolsheviks and an active agent of the Bolsheviks since the revolution, the huge demonstration on the arrival of Krassin participated in by communist deputies, the refusal of communist deputies in the Foreign Affairs Committee of the French Chamber to maintain secrecy regarding proceedings in that Committee, communist activities in the Breton village of Douarnenes – all tended to concentrate public attention on the communist menace. This tendency was considerably aggravated by measures taken by the Government to cope with communist activities. Various centers of communist activity in Paris and the suburbs, including a Communist School at Bobigny, were raided by the police and numerous arrests made, sixty foreign communists agents being deported. Furthermore, documents seized in these raids revealed the revolution at')' character of communist activities. Herriot read in the French Chamber of Deputies on December 10 what he termed the geography lessons which were being given at the School of Bobigny, lessons which comprised the inculcation of the necessity of using force and violence in seizing the power and overcoming the resistance of the bourgeoisie, the necessity of supporting the native population in Morocco, Tunis and Algeria. Another document purported to be the oath taken by those who enrolled in the Proletarian Hundreds -- "Convinced that the liberation of the workers is possible only through the employment of organized force and armed insurrection of the workers against the established bourgeois order, I pledge myself, whenever I shall be called upon, to enter into the struggle to overthrow by violence fascism -- and all forms of oppression of the proletariat." Another document, dated, September 29, 1924, contains instructions from Moscow regarding the reorganization of the Communist Party on the cell plan in workshops and factories, and details and provisions for revolutionary action and intensification of propaganda in factories, trade unions, shops, army, colonies, and so forth. Herriot eventually warned the Soviets that if they continued to carry out Soviet policy in France, a coolness in relations might result, and protests were made, both through the Soviet Ambassador in Paris and the French Ambassador in Moscow, in regard to a speech of Zinoviev at a session of the Presidium of the Executive Committee of the Communist International in which he set forth the tasks to be accomplished by the French communists in the near future. Speaking in the Chamber of Deputies on January 28, 1925, M. Herriot "invited M. Zinoviev to concern himself with the affairs of his own country. I shall certainly not permit him, in any degree whatever, to occupy himself with the internal affairs of our country."

It does not appear, therefore, that *de Jure* recognition of the Soviet regime has resulted in the establishment of those friendly and normal relations which usually exist between members of the family of nations. The same atmosphere is being created which enveloped Anglo-Soviet relations almost from the date of recognition. Formal recognition has certainly not induced the Soviet leaders to any change of attitude towards France, either in regard to non-interference in its domestic affairs or in regard to support for its government. Neither can it be said that any appreciable progress has been made towards a settlement of those differences which virtually affect both the political and commercial relations between the two states.

It may be considered well established by the foregoing that the policy of *de Jure* recognition has not led to the settlement of the vital questions outstanding between the Soviet regime and the states of Western Europe. Formal recognition as the *de Jure* government of Russia has not induced the Soviet leaders to accept these international obligations which devolve upon a member of the family of nations. There is no evidence of any readiness on their part to assume liability for the obligations of the Russian state contracted towards foreign states and their nationals, nor is there any disposition · on their part to make restitution, either through restoration or compensation, to foreign subjects for property confiscated by the Soviet power. Lengthy negotiations between Great Britain and the Soviets, it has been seen, have proved fruitless and the proposed Franco-Soviet conference has been indefinitely postponed in view of the improbability of any successful outcome. Likewise, *de Jure* recognition has not brought about cessation of communist subversive propaganda carried on in the recognizing countries under the direction of Moscow. In fact, it would appear that in the case of England and France, the Moscow authorities have rather endeavored to focus public attention on communist activities in those countries.

Finally, the governments, institutions and political leaders of those states which have accorded recognition to the Moscow regime have been subjected to increasing attack, marked by extreme viciousness, which clearly indicates that the attitude of the Soviet leaders towards foreign states is in no wise conditioned on the formal character of their relations with these states, but rather is determined by the inherent nature of the Bolshevik power.