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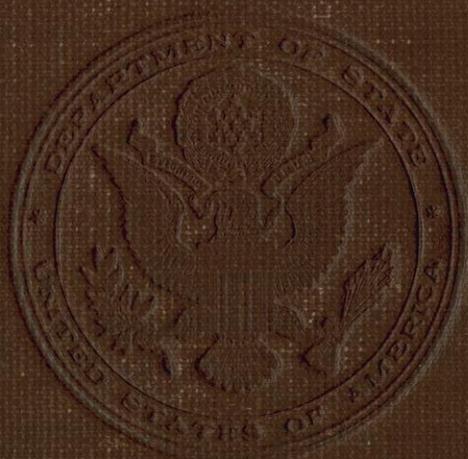
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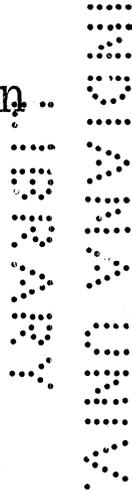
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The Soviet Union ..
1933-1939



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PREFACE

Relations of the United States with the Soviet Union are of such importance that it has been decided to publish the record for the years 1933 to 1939 inclusive in a separate volume of *Foreign Relations of the United States*. Such publication serves the double purpose of making the correspondence for that period on this subject available in one place and of presenting the record of the later years to the public much sooner than would be possible if it were held for publication in the regular annual *Foreign Relations* volumes. The papers on the Soviet Union for 1933 have already been published in *Foreign Relations of the United States, 1933, Volume II*, but for convenience these papers have been reprinted here to bring together the record beginning with the recognition of the Soviet Government by the United States.

7-23-39
Reports regarding unsuccessful British and French negotiations with the Soviet Union for a mutual defense agreement against German aggression and the signing by the Soviet Government of a non-aggression pact with Germany, as well as the Soviet occupation of eastern Poland in 1939, have been omitted from this volume. It is planned to include such correspondence with other related material in sections dealing with the origin and outbreak of World War II in the regular annual volumes for 1939. Also a number of reports on conflicting interests of the Soviet and Japanese Governments have been left for later publication with other related papers in the annual volumes for the Far East.

A limited number of documents have been included which do not directly concern relations between the United States and the Soviet Union. They are illustrative, however, of significant internal conditions within the Soviet Union or of incidents of outstanding political, economic, or military importance which had influence upon foreign affairs or entered into the consideration of the United States and other countries in the conduct of their relations with the Soviet Union.

In the period covered by this volume relations between the United States and the Soviet Union were largely of a bilateral nature, but with the spread of war in Europe following 1939 the most significant of those relations became intertwined with the conduct of the war and later with plans for peace, involving complicated negotiations of a multilateral nature.

Documentation on the relations of the United States with the Soviet Union for the years from 1918 to 1932 inclusive is published in earlier *Foreign Relations* volumes. There are three special *Foreign Relations of the United States, Russia* volumes for 1918 and one for 1919. Sections under the heading "Russia" are printed in the annual volumes for each year from 1920 to 1932 inclusive with the exception of 1929 and 1930. For those two years correspondence regarding the Sino-Soviet conflict over the Chinese Eastern Railway appears in 1929, Volume II, pages 186-435, and 1930, Volume II, pages 298-303. Scattered references to the Soviet Union appear in other sections of the *Foreign Relations* volumes, especially in those dealing with international conferences.

The present volume is compiled in accordance with the principles which guide the compilation and editing of the *Foreign Relations* series as stated in Department of State Regulations 045 of May 27, 1949, printed in the preface to *Foreign Relations of the United States*, 1934, Volume I. The basic research and selection of papers for this volume was done in the Foreign Relations Branch of the Division of Historical Policy Research, under the direction of the Editor of *Foreign Relations*, by Mr. Rogers Platt Churchill, except for the selections covering the years 1933 and 1934 which were compiled by Mr. John Gilbert Reid. Preparation of the index and list of papers and editing and proofreading of copy were done in the Foreign Relations Editing Branch of the Division of Publications under the direction of Miss Elizabeth A. Vary.

E. R. PERKINS
Editor of Foreign Relations

FEBRUARY 15, 1952.

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The identification of the persons in this list is limited to circumstances and positions under reference in this volume. The names of persons which appear only in document headings or signatures, or of whom there is only casual mention, are not included.

- ALKSNIS, Yakov Ivanovich, Chief of the Air Forces of the Red Army; purged in 1937.
- ANDREYEV, Andrey Andreyevich, prominent Communist leader, holder of many offices in the Soviet Government and in the All-Union Communist Party (Bolsheviks).
- ARAKI, Sadao, General, Japanese Minister of War.
- ATHERTON, Ray, Counselor of the American Embassy in the United Kingdom.
- ATTOLICO, Dr. Bernardo, Italian Ambassador to the Soviet Union, 1930-35; to Germany, 1935-40.
- AVENOL, Joseph, French national, Secretary General of the League of Nations.
- AZIZ, Abdul Hussein, Khan, Afghan Ambassador to the Soviet Union and Dean of the Diplomatic Corps until 1938.
- BAKHMETYEV, Boris Alexandrovich, Ambassador of the Provisional Government of Russia to the United States, 1917-22.
- BALDWIN, Stanley, British Prime Minister, 1923-24, 1924-29, and 1935-37.
- BALTRUSAITIS, Dr. Jurgis, Lithuanian Minister to the Soviet Union, to April 1939.
- BANNERMAN, Roy C., Chief Special Agent of the Department of State.
- BARKOV, Vladimir Nikolayevich, Chief of the Protocol Division in the People's Commissariat for Foreign Affairs of the Soviet Union.
- BECK, Jozef, Colonel, Polish Minister for Foreign Affairs.
- BERIYA, Lavrenty Pavlovich, Assistant People's Commissar for Internal Affairs of the Soviet Union, August-December 1938; People's Commissar for Internal Affairs, December 1938-January 1946; holder of other offices in the Communist Party and Government of the Soviet Union.
- BERLE, Adolph A., Jr., United States Assistant Secretary of State, 1938-44.
- BILMANIS, Dr. Alfreds, Latvian Minister to the United States.
- BIZAUSKAS, Kazys, Vice President of the Lithuanian Council of Ministers, and Acting Minister for Foreign Affairs.
- BLYUKHER (BLUECHER), Vasily Konstantinovich, Marshal, Commander in Chief of the Far Eastern Red Army; missing and presumed executed, 1938.
- BOGDANOV, Peter Alexeyevich, Chairman of the Board of Directors of the Amtorg Trading Corporation, New York, N. Y., 1929-34; purged in 1937.
- BOGOMOLOV, Alexander Efremovich, Secretary General of the Collegium of the People's Commissariat for Foreign Affairs of the Soviet Union, 1939-40.
- BOGUSLAVSKY, Mikhail Solomonovich, Vice President of the Moscow Soviet, and holder of offices in the Russian Socialist Federated Soviet Republic; shot, January 1937.
- BOHLEN, Charles E., Vice Consul, later Consul, and Third Secretary of the American Embassy in the Soviet Union, 1934-35; member, Division of Eastern European Affairs, Department of State, 1935-37; Second Secretary of Embassy, later also Consul, in the Soviet Union, 1937-40.

- BOLDIN**, Ivan Vasilyevich, Commander of Division; Commander of the Kalinin Military District in the Soviet Union.
- BORAH**, William E., United States Senator from Idaho, Chairman of the Senate Committee on Foreign Relations, 1924-33.
- BOBODIN**, Mikhail Markovich, Editor in Chief of the *Moscow Daily News*.
- BOYEV**, Ivan Vasilyevich, Assistant People's Commissar for Foreign Trade of the Soviet Union in 1934; Chairman of the Board of Directors of the Amtorg Trading Corporation, New York, N. Y., 1934-36; purged in 1937.
- BROOKHART**, Smith W., former United States Senator from Iowa.
- BROWDER**, Earl Russell, Secretary General of the Communist Party in the United States.
- BUDENNY**, Semen Mikhailovich, Marshal, Assistant Chief, later Chief Inspector of Cavalry, 1923-37; commander of the troops and member of the Military Soviet of the Moscow Military District, 1937-40; Assistant People's Commissar for Defense of the Soviet Union, 1939-46.
- BUKHARIN**, Nikolay Ivanovich, an outstanding Communist theoretician and writer, holder of several Party and Government offices, editor of *Pravda* and, finally, of *Izvestiya*; tried on a variety of charges and executed in 1938.
- BULGANIN**, Nikolay Alexandrovich, Chairman of the Council of People's Commissars of the Russian Socialist Federated Soviet Republic, 1937-38; Chairman of the State Bank (Gosbank), 1938-40.
- BULLITT**, William C., American Ambassador to the Soviet Union, 1933-36; to France, 1936-40.
- BUNKLEY**, William, Naval surgeon on duty at the American Embassy in the Soviet Union.
- BURZIN**, Vladimir Alexandrovich, Brigade Commander, Soviet Military Attaché in the United States.
- CACHIN**, Marcel, leader in the French Communist Party.
- CALLAGHAN**, Daniel, Captain, Naval Aide to President Roosevelt.
- CARP**, Sam, President of the Carp Export and Import Corporation, 220 Fifth Avenue, New York, N. Y.
- CERNIUS**, Jonas, Brigadier General, President of the Lithuanian Council of Ministers, March 28 to November 21, 1939.
- CHAMBERLAIN**, Neville, British Prime Minister, May 28, 1937, to May 10, 1940.
- CHARLES**, Noel Hugh Havelock, Counselor of the British Embassy in the Soviet Union, 1934-36.
- CHARWAT**, Fr., Polish Minister to Lithuania.
- CHEKHOV**, Anton Pavlovich, Russian novelist and dramatist.
- CHENEY**, Philip S., clerk in the American Embassy in the Soviet Union.
- CHICHAYEV**, Ivan, Soviet Chargé d'Affaires in Latvia.
- CHILSTON** (Aretas Akers-Douglas), Viscount, British Ambassador to the Soviet Union, 1933-38.
- CHIPMAN**, Norris B., Third Secretary of the American Embassy in the Soviet Union, 1936, also Consul, 1938; Second Secretary and Consul, 1939.
- CHUBAR**, Vlas Yakovlevich, People's Commissar for Finance of the Soviet Union, 1937-38.
- CHUVAKHIN**, Dmitry Stepanovich, First Secretary of the Soviet Embassy in the United States, 1938-42.
- CHVYALEV**, Evgeny Denisovich, People's Commissar for Foreign Trade of the Soviet Union, 1938.
- COSTA DU REIS**, Adolfo, Bolivian delegate at the League of Nations, President of the Council in 1939.

- COULONDRE, Robert, French Ambassador to the Soviet Union, 1936-38; to Germany, 1938-39.
- COX, Dr. Ora Howard, Senior Surgeon in the United States Public Health Service attached to the American Embassy in the Soviet Union.
- DAILIDE, Pranas, Lithuanian Minister to Latvia.
- DALADIER, Édouard, President of the French Council of Ministers, January-October 1933, January-February 1934, April 1938-March 1940.
- DARCY, Sam (Samuel Adams Dardeck), District organizer, District No. 13, headquarters in San Francisco, Calif., of the Communist Party in the United States.
- DAVIES, Joseph E., American Ambassador to the Soviet Union, 1937-38; to Belgium (and Minister to Luxembourg), 1938-39.
- DAVIS, Norman, Chairman of the American delegation to the General Disarmament Conference.
- DEKANOSOV, Vladimir Georgevich, Assistant People's Commissar for Foreign Affairs of the Soviet Union, appointed June 1939.
- DELBOS, Yvon, French Minister for Foreign Affairs, 1936-38.
- DELCASSÉ, Théophile, French Minister for Foreign Affairs, 1898-1905, 1914-15.
- DENIKIN, Anton Ivanovich, Lieutenant General, Commander of the White Russian forces in southern Russia, defeated by the Bolsheviks, 1920.
- DEWEY, John, Professor of Philosophy at Columbia University.
- DIMITROV, Georgy, leader of the Bulgarian Communist Party; acquitted in trial in 1933 of complicity in starting the Reichstag fire in Berlin; elected Secretary General of the Executive Committee of the Communist (Third) International at the VII Congress held in Moscow, July-August 1935.
- DIRKSEN, Dr. Herbert von, German Ambassador to the Soviet Union, 1928-33.
- DIVILKOVSKY, Ivan Anatolyevich, Secretary General of the Collegium of the People's Commissariat for Foreign Affairs of the Soviet Union.
- DOLETSKY, Yakov Genrikhovich, General Manager of the Telegraph Agency of the Soviet Union (Tass), 1925-35; Managing Director in the United States, 1935-37; purged in 1937.
- DOSTOYEVSKY, Fedor Mikhailovich, famous Russian novelist, 1821-81.
- DOVGALEVSKY, Valerian Savelyevich, Soviet Ambassador to France, 1933-34.
- DREITSER, Efim Alexandrovich, accused of participation in assassination plots against Stalin and others; tried and shot in August 1936.
- DROBNIS, Yakov Naumovich, an official in the government of the Russian Socialist Federated Soviet Republic; shot, January 1937.
- DRUMMOND, Sir James Eric (from 1937, Earl of Perth), British Ambassador to Italy, 1933-39.
- DUBROVSKY, Dr. David H., a former Communist, director of the Soviet Red Cross in the United States until resignation in 1935.
- DUNN, James Clement, Adviser on Political Relations, Department of State.
- DURANTY, Walter, Correspondent of the *New York Times* in Moscow.
- DURBOW, Elbridge, Vice Consul, Consul, and Third Secretary of the American Embassy in the Soviet Union, 1934-37.
- EBERHARDT, Fred L., President of Gould & Eberhardt, manufacturers of machine tools, Newark (Irvington), New Jersey.
- EDEN, Anthony, British Conservative M. P.; Lord Privy Seal, 1934-35; Secretary of State for Foreign Affairs, December 22, 1935, to February 20, 1938.
- EDISON, Charles, United States Assistant Secretary of the Navy, 1933-39; Acting Secretary, and Secretary, 1939-40.

- EGOROV (YEGOROV), Alexander Ilyich, Marshal, Chief of Staff of the Red Army; First Assistant People's Commissar for Defense of the Soviet Union, May 1937, until removed, February 1938, and purged.
- EIDEMAN, Robert Petrovich, Soviet Corps Commander, Chief of the Osoaviakhim (Society for Air and Chemical Defense), and leader of the training of reserves; probably executed, June 1937.
- EMBICK, Stanley D., Major General, Deputy Chief of Staff, War Department.
- ERCOLI, Ercole (Palmiro Togliatti), leader of the Italian Communist Party.
- EZHOV (YEZHOV), Nikolay Ivanovich, People's Commissar for Internal Affairs of the Soviet Union, 1936-38; People's Commissar for Water Transport, 1938-39; executed, 1939.
- FAYMONVILLE, Philip R., Major (later Lieutenant Colonel), American Military Attaché in the Soviet Union, 1934-39.
- FEIS, Dr. Herbert, Adviser on International Economic Affairs, Department of State.
- FELDMAN, B. M., Soviet Corps Commander, Chief of the Bureau of General Affairs of the People's Commissariat for Defense; executed, June 1937.
- FERRIS, Scott, former member of the United States House of Representatives from Oklahoma; Democratic National Committeeman from Oklahoma; attorney representing the Carp Export and Import Corporation, New York, N. Y.
- FIELD, Franklin, Vice President of the Bank of Manhattan Company, New York, N. Y.
- FISCHER, Louis, American writer and contributor to *The Nation* (New York), residing in Moscow.
- FISH, Hamilton, member of United States House of Representatives from New York since 1918.
- FLACK, Joseph, First Secretary of the American Embassy in Germany.
- FLORINSKY, Dmitry T., Chief of the Protocol Division of the People's Commissariat for Foreign Affairs of the Soviet Union until August 1934; exiled, 1935.
- FOSTER, William, Chairman of the Communist Party in the United States.
- FRANCO, Francisco, General, leader of the Nationalist forces in the Spanish Civil War.
- FRINOVSKY, Mikhail Petrovich, Assistant People's Commissar for Internal Affairs of the Soviet Union, 1936-38; People's Commissar for Naval Affairs, 1938-39.
- FROLOV, Alexander Andreyevich, Captain of the First Rank, Acting Chairman of the Soviet Naval Mission in the United States following the departure of Vice Admiral Isakov on May 13, 1939.
- FURLONG, W. R., Rear Admiral, Chief of the Bureau of Ordnance, Department of the Navy.
- GAINARD, Joseph A., sea captain, master of the S. S. *City of Flint* operated by the United States Lines Company.
- GAMARNIK, Yan Borisovich, Assistant People's Commissar for Defense of the Soviet Union, and Chief of the Political Administration of the Workers and Peasants' Red Army (Chief Political Commissar); committed suicide, May 31, 1937.
- GIBBS, William Francis, naval architect, Vice President of Gibbs and Cox, Inc., 1 Broadway, New York, N. Y.
- GLINSKY, Abram Lazaryevich, People's Commissar for the Food Industry of the Soviet Union, January-August 1938.
- GOERING, Hermann Wilhelm, Field Marshal, President of the Reichstag; Prime Minister of Prussia; Reich Minister for Air, etc.

- GOKHMAN, Grigory Ilyich, Member of the Third Western Political Division of the People's Commissariat for Foreign Affairs of the Soviet Union, 1933; Second Secretary of the Soviet Embassy in the United States, 1934-37.
- GORKY, Maxim (Alexey Maximovich Peshkov), Russian pre-revolutionary and revolutionary author; died in 1936.
- GREEN, Gil (Gilbert Greenberg), Secretary of the Young Communist League in the United States.
- GREEN, Joseph C., Chief, Office of Arms and Munitions Control, Department of State, 1935-38; Chief, Division of Controls, 1938-41.
- GREW, Joseph C., American Ambassador to Japan.
- GRINKO, Grigory Fedorovich, People's Commissar for Finance of the Soviet Union, to 1937.
- GROMYKO, Andrey Andreyevich, Chief of the American Section of the Third Western Political Division of the People's Commissariat for Foreign Affairs of the Soviet Union, 1939; Counselor of the Soviet Embassy in the United States, 1939-43.
- GRUMMON, Stuart E., Consul and Second Secretary of the American Embassy in the Soviet Union, 1937-38; First Secretary of Embassy, 1938-39.
- GRZYBOWSKI, Wacław, Polish Ambassador to the Soviet Union.
- HACKWORTH, Green H., Legal Adviser, Department of State.
- HALIFAX (Edward Frederick Lindley Wood), Viscount, British Conservative M. P.; Lord President of the Council, 1937-38; Secretary of State for Foreign Affairs, 1938-40.
- HANCOCK, John M., partner, Lehman Brothers, New York, N. Y.
- HARRISON, Ben, United States District Attorney at Los Angeles, Calif.
- HAYNE, Frank B., Major, American Assistant Military Attaché, later Military Attaché in the Soviet Union, 1938-39.
- HENDERSON, Arthur, British Secretary of State for Foreign Affairs, 1929-31; President of the Conference for the Reduction and Limitation of Armament.
- HENDERSON, Loy W., Second Secretary of the American Embassy in the Soviet Union, 1934-36; First Secretary, 1936-38; Assistant Chief, Division of European Affairs, Department of State, 1938-42.
- HENDERSON, Sir Nevile, British Ambassador to Germany, 1937-39.
- HERRIOT, Édouard, Premier and member of several French Cabinets, 1916-36; President of the French Chamber of Deputies, 1936-42.
- HICKERSON, John D., Assistant Chief of the Division of European Affairs, Department of State, 1937-40.
- HIROTA, Koki, Japanese Minister for Foreign Affairs.
- HITLER, Adolf, Führer and Chancellor of the German Reich from January 30, 1933; Chief of State from August 2, 1934.
- HOLMES, Ralston S., Rear Admiral, Chief of the Office of Naval Intelligence, Department of the Navy.
- HOLSTI, Dr. Rudolf, permanent Finnish delegate at the League of Nations.
- HOOVER, J. Edgar, Director, Federal Bureau of Investigation, Department of Justice.
- HOWARD, Roy, editorial director of Scripps-Howard newspapers; editor and president of the New York *World-Telegram*.
- HRDLIČKA, Ales, Anthropologist, United States National Museum, Washington.
- HULL, Cordell, Secretary of State, 1933-44.
- HUTHSTEINER, George B., Major, American Military Attaché in Estonia and Latvia.

- ISAKOV, Ivan Stepanovich, Vice Admiral, Assistant People's Commissar for Naval Affairs; Chairman of the Soviet Naval Mission in the United States, 1939.
- IVANUSHKIN, Mikhail Ivanovich, Vice Consul of the Soviet Union at New York, N. Y.
- JOHNSON, Hiram W., United States Senator from California.
- JOHNSON, Hugh S., General Administrator of the National Recovery Administration.
- JONES, Jesse H., Chairman of the Board of Directors of the Reconstruction Finance Corporation; member of the Board of Trustees of the Export-Import Bank of Washington.
- JOYCE, C. S., Captain, U. S. N. retired, representative of Gibbs and Cox, Inc., naval architects, New York, N. Y.
- KAGAN, Samuyl Bentsyanovich, Counselor of the Soviet Embassy in the United Kingdom.
- KAGANOVICH, Lazar Moiseyevich, holder of many Government and Party offices, especially People's Commissar for Transportation (railways) of the Soviet Union, 1935-44; People's Commissar for Heavy Industry, 1937-38; Deputy Chairman of the Council of People's Commissars from 1938.
- KALININ, Mikhail Ivanovich, President (Chairman) of the Presidium of the Supreme Council of the Soviet Union.
- KAMENYEV, Lev (Leo) Borisovich, veteran Communist leader, holder of numerous Party and Government positions in the Soviet Union; sentenced to 5 years' imprisonment at trial following murder (on December 1, 1934) of Kirov, January 1935; executed after second trial on August 24, 1936.
- KAMINSKY, A. N., Assistant Chief of the Foreign Trade Policies Division of the People's Commissariat for Foreign Trade of the Soviet Union.
- KARAKHAN, Lev Mikhailovich, Assistant People's Commissar for Foreign Affairs of the Soviet Union, 1931-34; Soviet Ambassador to Turkey, 1934-37; shot, December 1937.
- KELLEY, Robert F., Chief of the Division of Eastern European Affairs, Department of State, 1926-37.
- KELLOGG, Frank B., Secretary of State, 1925-29.
- KENNAN, George Frost, Third Secretary of the American Legation in Latvia, 1931-33; accompanied Ambassador Bullitt to Moscow, 1933-34; Third Secretary of Embassy in the Soviet Union, 1934-35; Second Secretary of Embassy, 1935-37; member, Division of European Affairs, Department of State, 1937-38.
- KERENSKY, Alexander Fedorovich, Minister of Justice in the Russian Provisional Government, March-May, 1917; Minister of War, May-September, and Prime Minister, July to the Bolshevik Revolution, November 7, 1917.
- KHRUSHCHEV, Nikita Sergeyeovich, alternate member of the Politburo of the All-Union Communist Party (Bolsheviks); holder of other Party and Government offices.
- KIRK, Alexander C., Consul General and Counselor of the American Embassy in the Soviet Union, 1938-39; Counselor of Embassy in Germany, 1939-40.
- KIROV, Sergey Mironovich, Secretary of the Central and Leningrad Committees of the All-Union Communist Party (Bolsheviks); member of the Presidium of the Central Executive Committee of the Soviet Union, and of other Party and Government bodies; murdered in Leningrad, December 1, 1934.
- KNORIN, Vilgelm Georgevich, Communist Party member and office holder; delegate to VII Congress of the Communist International in Moscow, 1935.
- KOCINS, Fricis, Latvian Minister to the Soviet Union.

- KOLCHAK**, Alexander Vasilyevich, Admiral, Head and Supreme Ruler of an anti-Bolshevik government and dictatorship in Siberia, 1918-20; defeated, and executed by the Bolsheviks at Irkutsk, February 7, 1920.
- KOMAR**, Boris M., Counselor-at-law, New York, N. Y.
- Koo**, Dr. V. K. Wellington, Chinese delegate at the League of Nations.
- KORK**, August Ivanovich, Soviet Army Commander, Chief of the Frunze Military Academy; executed, June 1937.
- KOSIOR**, Stanislav Vikentyevich, Secretary of the Central Committee of the Communist Party of the Ukrainian Soviet Socialist Republic; member of the Politburo, etc.; arrested in 1938.
- KÖSTRING**, Ernst, Lieutenant General, Military Attaché of the German Embassy in the Soviet Union.
- KOTZE**, Ulrich von, German Minister to Latvia.
- KRESTINSKY**, Nikolay Nikolayevich, Assistant People's Commissar for Foreign Affairs of the Soviet Union until February 1937; Assistant People's Commissar for Justice, 1937; tried, and shot, March 1938.
- KRIVITSKY**, Walter G., reputed former Red Army officer (General) who fled the Soviet Union after the 1937 Army purges.
- KRUPSKAYA**, Nadezhda Konstantinovna, widow of Vladimir Ilyich Lenin.
- KRYLENKO**, Nikolay Vasilyevich, Chief Prosecutor of the Soviet Union to 1936; People's Commissar for Justice, 1936-37; purged in 1938.
- KUNIHOLM**, Bertel Eric, Third Secretary of the American Embassy in the Soviet Union, 1934-35; Consul, 1935, and Second Secretary, 1936; member, Division of Eastern European Affairs, Department of State, 1936-37.
- KUUSINEN**, Otto W., Finnish Communist, delegate to the VII Congress of the Communist International, 1935; member of the Central Executive Committee of the Comintern; President of the "Democratic Republic of Finland" at Terijoki, 1939-40.
- KUYBYSHEV** (**KUIBYSHEV**, **KOUIBYCHEV**), Valerian Vladimirovich, Director of the State Planning Commission (Gosplan) of the Soviet Union until death in 1935.
- KUZNETSOV**, Alexey Alexandrovich, Secretary of the Central Committee of the Communist Party in Leningrad; member of the Central Committee of the All-Union Communist Party.
- KUZNETSOV**, Nikolay Gerasimovich, Admiral, Chief of the Soviet naval forces; People's Commissar for Naval Affairs of the Soviet Union, 1939.
- LAIDONER**, Johan, General, Commander in Chief of the Estonian Army. "LAFINSKY". See Mikhailsky, Pavel L.
- LAVAL**, Pierre, French Minister for Foreign Affairs, 1934-36.
- LEAHY**, William D., Admiral, Chief of Naval Operations, Department of the Navy; sometimes Acting Secretary of the Navy.
- LENIN** (**ULYANOV**), Vladimir Ilyich, leader of the Bolshevik Revolution of October (November) 1917; President of the Council of People's Commissars of the Soviet Government until his death on January 21, 1924.
- LEONARD**, E. R., Manager of Sales of the Bethlehem Steel Company; Washington representative of the Bethlehem Shipbuilding Corporation.
- LINDBERG**, Harrie T., architect of the proposed American Embassy buildings at Moscow.
- LITVINOV**, Maxim Maximovich, People's Commissar for Foreign Affairs of the Soviet Union, 1930 until May 3, 1939.
- LIVSHITS**, Yakov Abramovich, former Assistant People's Commissar for Ways of Communication of the Soviet Union; shot, January 1937.
- LONG**, Breckinridge, American Ambassador to Italy, 1933-36.

- LOZOVSKY, Solomon Abramovich, former Secretary General of the Red International of Trade Unions (Profintern); alternate member of the Executive Committee of the Communist International, elected at VII Congress, 1935; Assistant People's Commissar for Foreign Affairs of the Soviet Union, June 1939.
- MAISKY, Ivan Mikhailovich, Soviet Ambassador to the United Kingdom.
- MANUILSKY, Dmitry Zakharovich, prominent leader in the Communist Party and its organizations in the Soviet Union; member of the Presidium of the Executive Committee of the Communist International.
- MCREYNOLDS, Sam D., member of United States House of Representatives from Tennessee; chairman of the Foreign Service Buildings Commission, Independent Offices and Establishments.
- MEJLAOUK. *See* Mezhlauk.
- MENZELINSKY, Vyacheslav Rudolfovich, former chief of the Cheka and United State Political Administration (O. G. P. U.), the state secret police; died May 10, 1934.
- MERI, Georg, Director of the Foreign Trade Department of the Estonian Ministry for Foreign Affairs.
- MERKYS, Antanas, Mayor of Kaunas, Lithuania; President of the Lithuanian Council of Ministers from November 21, 1939.
- MESSERSMITH, George S., United States Assistant Secretary of State, 1937-40.
- METTEN, John F., President of the New York Shipbuilding Corporation.
- MEZHLAUK, Valery Ivanovich, Vice President, later President of the State Planning Commission (Gosplan); a Vice President of the Council of People's Commissars of the Soviet Union; purged in 1937.
- MICHAL, Wolf, Czechoslovak Communist, member of the Executive Committee of the Communist International of Youth.
- MIKHAILSKY, Pavel L., a leading writer, under the pen name "Lapinsky", in the Soviet press on American affairs; arrested in Moscow, June 1937.
- MIKOYAN, Anastas Ivanovich, People's Commissar for the Food Industry of the Soviet Union, 1934-38; People's Commissar for Foreign Trade, 1938-49.
- MING, Yu, Counselor of the Chinese Embassy in the Soviet Union.
- MISHUSTIN, Dmitry D., Assistant Chief of the Foreign Trade Section, People's Commissariat for Foreign Trade of the Soviet Union.
- MITSKIEVICZ-KAPSUKAS, Vincent Semenovich, a founder and leader of the Communist Party in Lithuania; died February 17, 1935.
- MOFFAT, Pierrepont, Chief of the Division of European Affairs, Department of State.
- MOLOTOV, Vyacheslav Mikhailovich, President (Chairman) of the Council of People's Commissars of the Soviet Union (Premier), 1930-41; People's Commissar for Foreign Affairs, May 3, 1939, to March 4, 1949.
- MONZIE, Anatole de, former French Minister of Finance.
- MOORE, Robert Walton, United States Assistant Secretary of State, 1933-37; Counselor of the Department of State, 1937-41.
- MORGAN, J. Pierpont, Banker, head of J. P. Morgan & Co., New York, N. Y.
- MORGENTHAU, Henry, Jr., Governor of the Farm Credit Administration, May 27-November 16, 1933; United States Under Secretary and Acting Secretary of the Treasury, November 17, 1933; Secretary of the Treasury, January 1, 1934, to July 1945.
- MOSCICKI, Professor Ignacy, President of the Republic of Poland, 1926-39.
- MUNROE, Henry, special attorney, United States Attorney's Office, New York, N. Y.

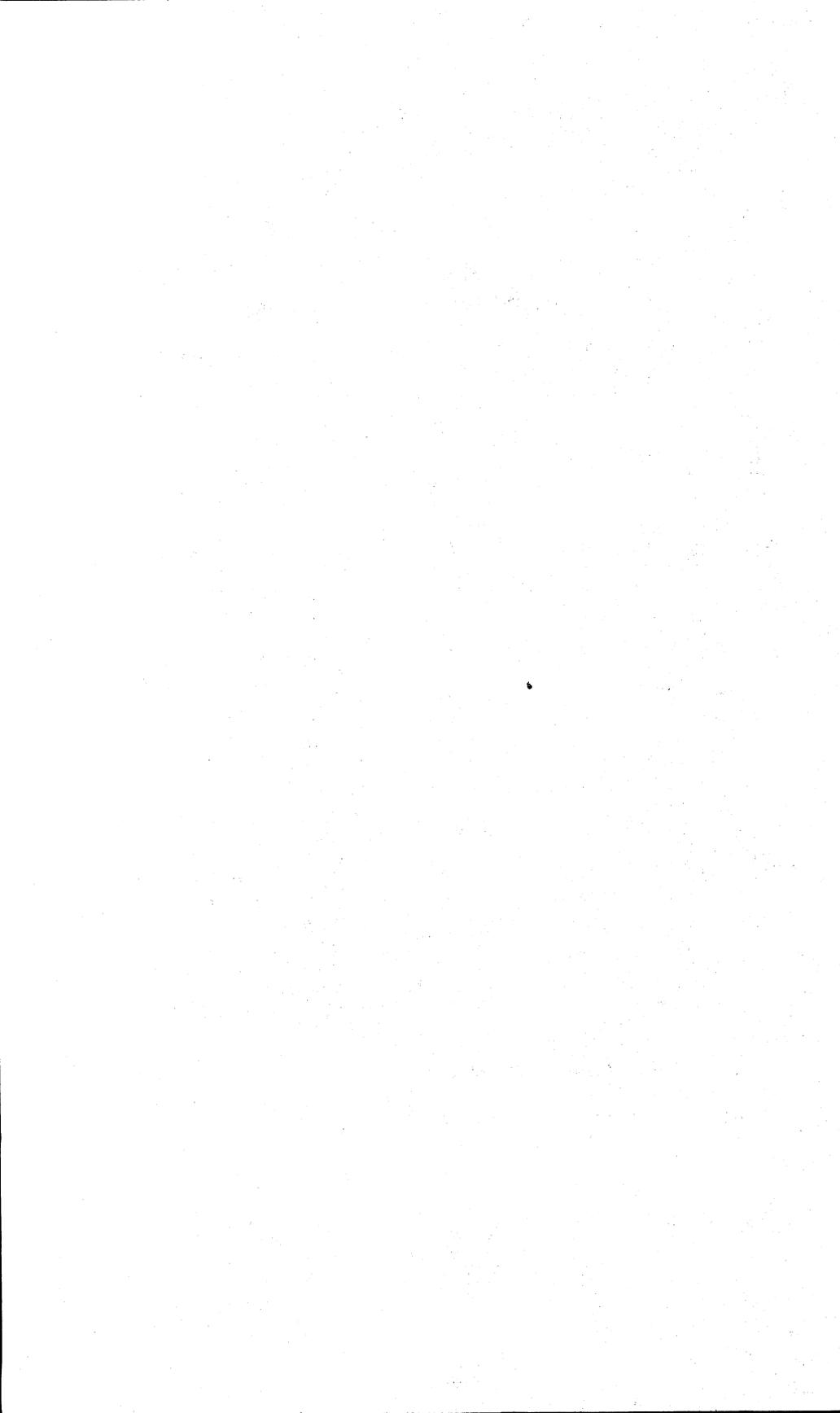
- MUNTERS, Vilhelms, Latvian Minister for Foreign Affairs.
- MURALOV, Nikolay Ivanovich, an "Old Bolshevik" and Army officer; shot, January 1937.
- MURPHY, Frank, Attorney General of the United States, 1939-40.
- MUSSOLINI, Benito, founder of the Fascist Party, and Prime Minister of Italy (Duce).
- NAGGIAR, Paul-Emile, French Ambassador to the Soviet Union, 1938-40.
- NATKEVIČIUS, Dr. Ladas, Lithuanian Minister to the Soviet Union from May 1939.
- NELSON, Dr. Walter G., Surgeon in the United States Public Health Service attached to the American Embassy in the Soviet Union.
- NEVILLE, Edwin L., Counselor of the American Embassy in Japan.
- NEYMANN, Alexey Fedorovich, First Secretary of the Soviet Embassy in the United States, 1933-35; Chief of the Third Western Political Division of the People's Commissariat for Foreign Affairs of the Soviet Union, 1935-37; disappeared, 1937.
- NIELSEN, Orsen N., Assistant Chief of the Division of Eastern European Affairs, Department of State, 1936-37; Assistant Chief of the Division of European Affairs, 1937-38.
- NIMMER, David R., Captain, American Assistant Naval Attaché in the Soviet Union, 1934-35.
- NOREM, Owen J. C., American Minister to Lithuania, 1937-40.
- OLIPHANT, Herman, General Counsel of the Treasury Department.
- ORAS, Pavel Yuryevich, Soviet Naval Attaché in the United States.
- ORDZHONIKIDZE, Grigory Konstantinovich, holder of many Government and Party offices, People's Commissar for Heavy Industry of the Soviet Union until death, February 1937.
- ORLOV, Vladimir Mitrofanovich, Flagman of the First Rank, Chief of the Naval Forces of the Soviet Union, and Assistant People's Commissar for Naval Affairs from January 1937, until purged later in the year.
- PAASIKIVI, Juho K., Finnish Minister to Sweden; after December 1, 1939, Minister without Portfolio in the Finnish Cabinet.
- PACKER, Earl L., Assistant Chief of the Division of Eastern European Affairs, Department of State, 1928-36; Consul and First Secretary of the American Legation in Latvia, 1936-40.
- PAGE, Edward, Jr., Third Secretary of the American Legation in Latvia, later also Vice Consul and Consul, 1934-37; temporarily Third Secretary of the American Embassy in the Soviet Union, 1935, 1937-38; member of the Division of European Affairs, Department of State, 1938-42.
- PAPANIN, Ivan Dmitriyevich, Rear Admiral, leader of a Soviet Arctic scientific expedition in 1937, which camped on an ice floe near the North Pole, drifting until rescued on February 19, 1938; head of the Chief Administration of the Northern Sea Route, 1939.
- PÄTS, Konstantin, President of Estonia.
- PAYER, Harry F., United States Assistant Secretary of State, June 13-November 26, 1933.
- PEEK, George N., President of the Export-Import Bank of Washington, March 1934-December 1935.
- PHILLIPS, William, United States Under Secretary of State, 1933-35; delegate to the London Naval Conference, 1935-36; American Ambassador to Italy, 1936-41.
- PIERSON, Warren L., President of the Export-Import Bank of Washington since February 1936.
- PIIP, Ants, Estonian Minister for Foreign Affairs after October 14, 1939.
- PLETNEV, Dr. D. D., Professor on the Faculty of Medicine in Moscow.

- PLOTKIN, Mark Abramovich, Assistant Chief of the Legal Division of the People's Commissariat for Foreign Affairs of the Soviet Union, 1935-38; Chief of the combined Legal and Commercial Divisions, 1938-39; purged in 1939.
- POTEMKIN, Vladimir Petrovich, Soviet Ambassador to France, 1934-37; Assistant People's Commissar for Foreign Affairs of the Soviet Union, 1937-40.
- PRIMAKOV, V. M., Soviet Corps Commander, Assistant Commander of the Leningrad Military District; executed, June 1937.
- PUTNA, Vitovt Kazimirovich, Soviet Corps Commander, Military Attaché and Attaché for Air in the Soviet Embassy in the United Kingdom, recalled for investigation in August 1936; probably executed, June 1937.
- PYATAKOV, Yury Leonidovich, Assistant People's Commissar for Heavy Industry of the Soviet Union to 1936, and holder of other Government and Party offices; tried, and shot, January 1937.
- RADEK, Karl Bergardovich, Soviet Russian publicist and editor; tried, January 23-30, 1937, and sentenced to jail for 10 years.
- RAKOVSKY, Khristian Grigoryevich, formerly Soviet Ambassador to the United Kingdom, 1923-25; to France, 1925-27; later in opposition; arrested and sentenced to 20 years in prison in 1937.
- RASTIKIS, Stasys, General, Commander in Chief of the Lithuanian Army.
- RATAICHAK, Stanislav Antonovich, Assistant People's Commissar for Heavy Industry of the Soviet Union, and head of the Chemical Industry; shot, January 1937.
- REI, August, Estonian Minister to the Soviet Union.
- RENO, Milo, leader in and speaker for the Farmers Holiday Association.
- RIBBENTROP, Joachim von, Reich Foreign Minister.
- ROSENBLUM, Boris Danilovich, Director of the Economic Section of the People's Commissariat for Foreign Affairs of the Soviet Union; disappeared during 1937.
- ROSENGOLTS, Arkady Pavlovich, People's Commissar for Foreign Trade of the Soviet Union; removed in June 1937.
- ROSH, Alexey A., Acting Chief, later Chief of the Third Western Political Division of the People's Commissariat for Foreign Affairs of the Soviet Union, 1938-39.
- ROSSO, Augusto, Italian Ambassador to the Soviet Union, 1936-41.
- ROZOV, David Aronovich, Chairman of the Board of Directors of the Amtorg Trading Corporation, New York, N. Y., 1936-38; Assistant People's Commissar for Foreign Trade of the Soviet Union, 1938.
- RUBININ, Evgeny Vladimirovich, Director of the Third Western Political Division of the People's Commissariat for Foreign Affairs of the Soviet Union, 1930-35; Soviet Minister to Belgium, 1935-40.
- RUMREICH, Dr. Adolph S., Public Health Surgeon attached to the American Embassy in the Soviet Union.
- RUNCIMAN, Viscount, Walter Runciman, British politician, President of the Board of Trade, 1931-37; head of Mission to Czechoslovakia, 1938; Lord President of the Council, 1938-39.
- RYKOV, Alexey Ivanovich, Chairman of the Council of People's Commissars (Premier) of the Soviet Union until 1930; holder of Party and Government offices; finally People's Commissar for Post, Telegraph, and Radio (Communications) until September 1936; tried and executed in March 1938.
- SAITO, Hiroshi, Japanese Ambassador to the United States, 1934-38.
- SAUERWEIN, Jules, Foreign Editor of the *Paris Soir*.

- SAYRE, Francis B., United States Assistant Secretary of State, 1933-39.
- SCHMIDT, Otto Yulyevich, Russian explorer of the Arctic regions, head of the Chief Administration of the Northern Sea Route, until 1939.
- SCHNURRE, Dr. Karl, head of the Eastern European and Baltic Section of the Commercial Policy Division of the German Foreign Office.
- SCHOENFELD, H. F. Arthur, American Minister to Finland.
- SCHULENBURG, Friedrich Werner, Count von der, German Ambassador to the Soviet Union, 1934-41.
- SEEDS, Sir William, British Ambassador to the Soviet Union, 1939-40.
- SEJA, Ludvigs, Latvian Minister to Lithuania.
- SELTER, Karl, Estonian Minister for Foreign Affairs.
- SEREBRYAKOV, Leonid Petrovich, an "Old Bolshevik", Director of the Central Administration for Highway and Road Construction and Auto Transport; shot, January 1937.
- SHAPOSHNIKOV, Boris Mikhailovich, Soviet Army Commander of the First Rank, appointed Chief of Staff, May 1937.
- SHIDEHARA, Kijuro, former Japanese Minister for Foreign Affairs.
- SHIGEMITSU, Mamoru, Japanese Ambassador to the Soviet Union, 1936-38.
- SIMMS, William Philip, columnist for the Scripps-Howard press.
- SIMON, Sir John, British Secretary of State for Foreign Affairs, 1931-35.
- SKVIRSKY, Boris Evseyevich, Soviet trade representative in the United States before diplomatic recognition; Counselor of the Soviet Embassy, 1934-36.
- SMETONA, Antanas, President of Lithuania.
- SNOW, Thomas Maitland, British Minister to Finland.
- SOKOLNIKOV, Grigory Yakovlevich, Soviet Ambassador to the United Kingdom in 1929; Assistant People's Commissar for Foreign Affairs of the Soviet Union, 1934-35; Assistant People's Commissar for the Timber Industry, 1935-36; tried and sentenced to jail for 10 years, January 1937.
- STALIN, Iosif Vissarionovich, Secretary General of the Central Committee of the All-Union Communist Party (Bolsheviks); member of the Politburo and Orgburo of the Party, etc.
- STANDLEY, William H., Admiral, Chief of Naval Operations, Department of the Navy.
- STEIGER, Boris Sergeyevich, a well-known Soviet official in diplomatic circles in Moscow of uncertain status; consultant to the Committee for the Affairs of Art; arrested in April 1937; executed in December 1937.
- STEINHARDT, Laurence A., American Ambassador to the Soviet Union, 1939-42.
- STIMSON, Henry L., Secretary of State, 1929-33.
- STOMONYAKOV, Boris Spiridonovich, Assistant People's Commissar for Foreign Affairs of the Soviet Union; removed in August 1938.
- STRANG, Sir William, head of the Central Department of the British Foreign Office; Chief of the British Mission to the Soviet Union in connection with the Anglo-French-Soviet alliance negotiations, 1939.
- SWANSON, Claude A., United States Secretary of the Navy, 1933-39.
- TALLEY, Lynn P., Treasurer, trustee, and member of the executive committee of the Export-Import Bank of Washington.
- TANNER, Väinö A., Finnish Minister of Finance, 1937-39; after December 1, 1939, Minister for Foreign Affairs.
- TOMSKY, Mikhail Pavlovich, former member of the Politburo, a leader of the Bolshevik right wing, and head of the State Publishing House; committed suicide, August 1936.
- TRIEPIER, Jean, French Minister to Latvia.

- TRONE, Solomon A., naturalized American citizen employed by the International General Electric Company, frequently residing in the Soviet Union as a consulting power plant engineer in connection with company contracts.
- TROTSKY, Lev (Leon) Davydovich, Communist leader and associate of Lenin; defeated by Stalin in struggle for power after Lenin's death in 1924; exiled within Soviet Union, January 1928; abroad in Turkey, France, and Norway, 1929-36; in Mexico, 1937 until murdered on January 20, 1940.
- TROYANOVSKY, Alexander Antonovich, Soviet Ambassador to Japan, 1927-33; to the United States, 1934-39.
- TSUKERMAN, Vladimir Moiseyevich, Chief of the First Eastern Division of the People's Commissariat for Foreign Affairs of the Soviet Union; executed in December 1937.
- TUKHACHEVSKY, Mikhail Nikolayevich, Marshal, Assistant People's Commissar for Defense of the Soviet Union until demoted in May 1937; tried, and shot, June 12, 1937.
- TWARDOWSKI, Dr. Fritz von, Counselor of the German Embassy in the Soviet Union.
- UBOREVICH, Ieronim Petrovich, Soviet Army Commander of the First Rank, commanding troops of the White Russian Military District; executed, June 1937.
- UGHET, Serge, Financial Attaché of the Russian Provisional Government in the United States from 1917, becoming custodian of Russian government property on the retirement of Ambassador Bakhmetyev, June 30, 1922, until November 16, 1933.
- ULMANIS, Dr. Karlis, President of Latvia, and Minister President of the Council of Ministers.
- ULRICH (ULRIKH), Vasily Vasilyevich, Chairman of the Military Collegium of the Supreme Court of the Soviet Union.
- UMANSKY, Konstantin Alexandrovich, Chief of the Press Section of the People's Commissariat for Foreign Affairs of the Soviet Union, 1931-36; Counselor of the Soviet Embassy in the United States, 1936-39; Soviet Ambassador to the United States, 1939-41.
- URBSYS, Juozas, Lithuanian Minister for Foreign Affairs.
- URBYE, Dr. Andreas T., Norwegian Minister to the Soviet Union.
- VINOGRADOV, Sergey Ivanovich, Assistant Chief of the Third Western Political Division of the People's Commissariat for Foreign Affairs of the Soviet Union, in charge of the American desk, 1937-39.
- VOROSHILOV, Kliment Efremovich, Marshal, People's Commissar for Defense in the Soviet Union; member of the Politburo of the All-Union Communist Party (Bolsheviks).
- VYSHINSKY, Andrey Yanuaryevich, Chief Prosecutor of the Soviet Union, 1935-39; Assistant People's Commissar for Foreign Affairs, 1939-49; holder of other Party and Government offices in the Soviet Union.
- WARD, Angus Ivan, Consul, Second Secretary, and Chief of Consular Section of the American Embassy in the Soviet Union.
- WARMA, Aleksander, Estonian Minister to Lithuania.
- WATSON, Edwin M., Major General, Military Aide to President Roosevelt.
- WEHLE, Louis Brandeis, lawyer, New York, N. Y.
- WEINBERG, Khaim Semenovich, Assistant Chief, and Chief after 1937, of the Third Western Political Division of the People's Commissariat for Foreign Affairs of the Soviet Union, 1935-38.
- WELLES, Sumner, United States Under Secretary of State, 1937-43.
- WHEELER, Burton K., United States Senator from Montana.

- WHITE, Thomas D., Lieutenant, American Assistant Military Attaché and Assistant Military Attaché for Air in the Soviet Union, 1934-35.
- WILEY, John C., Counselor of the American Embassy in the Soviet Union, 1934-35; Minister to Latvia and Estonia, 1938-41.
- WOLF, Morris, lawyer, an officer of the Carp Export and Import Corporation, New York, N. Y.
- WOODRING, Harry H., United States Assistant Secretary of War, 1933-36; Secretary of War, 1936-40.
- YAKIMICHEV, Alexander Mikhailovich, Captain, Soviet Assistant Naval Attaché in the United States.
- YAKIR, Iona Emanuilovich, Soviet Army Commander of the First Rank, commanding troops of the Leningrad Military District; executed, June 1937.
- YARNELL, Harry E., Admiral, Commander in Chief of the United States Asiatic Fleet.
- YAROSLAVSKY, Emelyan, member of the Central Executive Committee of the Supreme Council of the Soviet Union; Chairman of the Central Council of the Union of Militant Atheists of the Soviet Union; holder of offices in the Communist Party.
- YE-. *See also under E.*
- YEATON, Ivan D., Captain, American Military Attaché in the Soviet Union, 1939.
- YENUKIDZE, Avel Safranovich, Secretary of the Central Executive Committee of the Soviet Union, 1922-35; President of the Central Executive Committee of the Transcaucasian Socialist Soviet Republic, March-May 1935; arrested, and shot, December 19, 1937.
- YOST, Charles W., Assistant Chief, Division of Arms and Munitions Control, Department of State, 1935-38; Assistant Chief, Division of Controls, 1938-41.
- YUDENICH, Nikolay Nikolayevich, General, commander of the White Russian forces in the Baltic region, defeated by the Bolsheviks, 1919.
- YURENYEV, Konstantin Konstantinovich, Soviet Ambassador to Japan, 1933-37; to Germany until purged in 1937.
- ZADEIKIS, Povilas, Lithuanian Minister to the United States.
- ZAIKIN, Dmitry Ivanovich, Vice Consul at the Consulate General of the Soviet Union at New York, N. Y.
- ZHDANOV, Andrey Alexandrovich, Secretary of the Central Committee of the Communist Party of the Leningrad oblast since 1934, and holder of other Party and Government positions.
- ZILLIACUS, Per, Colonel, Military Attaché at the Finnish Legation in the United States, 1939.
- ZINOVYEV, Grigory Evseyevich, veteran revolutionary Communist in the Soviet Union, prime organizer of the Communist (Third) International; in opposition; charged with complicity in murder of Kirov (December 1, 1934), sentenced to 10 years' imprisonment in January 1935; again arrested and tried, followed by execution on August 24, 1936.
- ZOTOV, Ivan S., Soviet Minister to Latvia.
- ZVEREV, Arseny Grigoryevich, Assistant People's Commissar for Finance of the Soviet Union, 1937-38; People's Commissar for Finance, 1938-48.



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Nov. 21	<p><i>From the Soviet Chargé</i> Information that beginning November 21 U.S. vessels have been accorded the preferential rate of tonnage duty, and that no discriminatory duties are levied on produce, manufactures, or merchandise imported in American vessels. (Footnote: Issuance of reciprocal proclamation signed January 16, 1934, effective as of November 21, 1933.)</p>	40
Nov. 22 (12)	<p><i>From the Acting Secretary of State to the Secretary of State (tel.)</i> Intention, in view of Litvinov's impending departure, to issue a statement explaining that while no decision has been reached on the question of debts and claims, conversations will be continued by responsible officers of both Governments.</p>	41
Nov. 22	<p><i>From the Soviet Commissar for Foreign Affairs to President Roosevelt</i> Expression of thanks for courtesies extended during visit, and gratification at successful conclusion of mission.</p>	42
Undated	<p><i>Extract from a Radio Address on November 22 by the Assistant Secretary of State</i> Observations on the U.S.-Soviet conferences and the final agreement resulting in U.S. recognition of the Soviet Union.</p>	42
Nov. 23	<p><i>From President Roosevelt to the Soviet Commissar for Foreign Affairs</i> Acknowledgment of Litvinov's letter of November 22.</p>	43

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1933 Nov. 23 (1716)	<i>From the Chargé in Latvia</i> Summary of the leading editorial in the Moscow <i>Izvestiya</i> of November 20, concerning U.S. recognition of the Soviet Union.	43
Nov. 25	<i>From the Russian Consulate General at New York</i> Inquiry as to whether to carry on work until the conclusion of a consular convention between the United States and the Soviet Union and the establishment of a Soviet Consulate at New York, or to cease functioning immediately.	46
Nov. 29	<i>Memorandum by the Acting Secretary of State</i> Conversation with the Soviet Chargé, who said that his Government would like to appoint a trade commissioner to reside in New York and to be given diplomatic status; reply that this would constitute an exception to the Department's policy and that the President will be consulted in the matter.	47
Dec. 8	<i>To the Ambassador in Germany (tel.)</i> For Bullitt (Appointed Ambassador to the Soviet Union en route to his post) from Moore: Instructions to ascertain certain facts concerning Soviet obligations falling due in Germany in connection with plans for utilization of American-owned German obligations in financing trade with Soviet Union.	47
Dec. 12	<i>To Mr. A. R. Feil</i> Advice as to status of former Russian Consulate General at New York, and information that that office should not undertake to perform consular functions.	49
Undated	<i>Remarks of the American Ambassador in the Soviet Union Upon the Presentation of His Letters of Credence to the President of the Soviet All-Union Central Executive Committee, at Moscow, December 13, 1933</i> Text of remarks.	49
Undated	<i>Reply of the President of the Soviet All-Union Central Executive Committee to the American Ambassador in the Soviet Union, at Moscow, December 13, 1933</i> Text of reply.	50
Dec. 20	<i>To the Soviet Embassy</i> Nonobjection to the appointment of a Commercial Attaché or Counselor to the Soviet Embassy in Washington upon certain conditions, or to the maintenance by such official of an office and residence in New York.	51
Dec. 21	<i>To the Ambassador in Germany (tel.)</i> For Bullitt from Moore: Request for opinion as to advisability of setting up a special bank or financial institution to effect transfer of American-owned German obligations to the Russians; request for data concerning Soviet maturities in Germany.	52
Dec. 23 (214)	<i>From the Ambassador in Germany (tel.)</i> For Moore from Bullitt: Approval of bank if no other method is practicable; information that list of Soviet obligations is being telegraphed to Washington by Litvinov.	52

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1933 Dec. 24 (576)	<i>From the Chargé in France (tel.)</i> From Bullitt: Litvinov's inquiry as to whether the United States would have any objection if the Soviet Government should join the League of Nations.	53
Dec. 27 (578)	<i>From the Chargé in France (tel.)</i> For the Acting Secretary and Moore from Bullitt: Receipt from Soviet Commercial Attaché in Paris of list of Soviet obligations in reichsmarks due in 1934 with promise that list of dollar obligations will be obtained from Berlin at once.	54
1934 Jan. 4 (2)	<i>From the Ambassador in the Soviet Union</i> Detailed report of visit to the Soviet Union.	55

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1934 Feb. 10	<i>From the Ambassador in the Soviet Union, Temporarily in Washington</i> Conversation with Troyanovsky concerning preparations for U. S.-Soviet discussions of the question of claims of the U. S. Government and its nationals against the Soviet Union, and the correlated question of credits.	63
Feb. 21	<i>Memorandum by the Chief of the Division of Eastern European Affairs of a Conversation With the Ambassador of the Soviet Union</i> Troyanovsky's enumeration of Soviet objections to several points in the U. S. draft proposal for the settlement of U. S. claims against the Soviet Union, and his request for clarification. (The U. S. draft proposal, handed to Troyanovsky on February 20, set the amount of indebtedness at \$150,000,000.)	65
Mar. 15 (13)	<i>From the Ambassador in the Soviet Union (tel.)</i> Litvinov's objection to practically every feature of the draft proposal, and his assertion of understanding that the Export-Import Bank arrangements would consist of a "direct loan" rather than a form of credit.	66
Mar. 17 (11)	<i>To the Ambassador in the Soviet Union (tel.)</i> Instructions to inform Litvinov of the President's statement that he has never had any thought of a direct loan to the Soviet Government and that there is no possibility of such a loan.	67
Mar. 18 (20)	<i>From the Ambassador in the Soviet Union (tel.)</i> Information that Litvinov has agreed to refer the entire matter to Stalin; request for information as to the status of the Johnson bill and the effect it will have upon ordinary commercial credits to the Soviet Government.	68

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1934 Mar. 19 (15)	<i>To the Ambassador in the Soviet Union (tel.)</i> Information that the Johnson bill prohibits loans to debtor governments in default to the United States except in connection with the Export-Import Bank credit transactions; explanation of special situation relative to the Soviet Union. (Footnote: Information that the Johnson bill was approved on April 13, 1934.)	68
Mar. 21 (24)	<i>From the Ambassador in the Soviet Union (tel.)</i> Litvinov's reiteration of his unwillingness to settle on the basis of credits; his intention to refer the matter to Stalin within the next two or three days.	69
Mar. 23 (27)	<i>From the Ambassador in the Soviet Union (tel.)</i> Explanation to Voroshilov, who brought up question of obtaining steel rails from United States, that no credits could be granted until Soviet Union had settled its debts to United States.	70
Mar. 26	<i>Memorandum by the Secretary of State</i> Suggestion to Troyanovsky that all commercial and financial relations be brought to a standstill pending a clarification of the misunderstandings caused by Litvinov's interpretation of the debt understanding of November 16, 1933.	70
Mar. 28 (12)	<i>From the Ambassador in the Soviet Union</i> Account of several incidents which indicate Soviet reluctance to carry out other understandings with United States, particularly, unwillingness to lease certain property previously promised for the construction of a new U. S. Embassy in Moscow.	71
Apr. 2 (33)	<i>From the Ambassador in the Soviet Union (tel.)</i> Soviet proposal that a 20-year credit be extended by the Export-Import Bank for double the amount of indebtedness to be paid to United States.	75
Apr. 5 (31)	<i>To the Ambassador in the Soviet Union (tel.)</i> Information that the Department regards the Soviet proposal of April 2 as wholly unacceptable.	76
Apr. 7 (35)	<i>To the Ambassador in the Soviet Union (tel.)</i> U. S. draft proposal (text printed) which was handed to Troyanovsky on February 20.	78
Apr. 8 (43)	<i>From the Ambassador in the Soviet Union (tel.)</i> Litvinov's refusal to accept the Department's proposal of February 20 as a basis for negotiation on the ground that it is in contravention of his 1933 understanding with Roosevelt.	79
Apr. 8 (44)	<i>From the Ambassador in the Soviet Union (tel.)</i> Memorandum from Litvinov (text printed) concerning inventory at the disposal of the former Russian Embassy from 1917 through 1921.	81
Apr. 8 (45)	<i>From the Ambassador in the Soviet Union (tel.)</i> Information of a lengthy prepared statement on the Johnson bill and Soviet-American relations given to American correspondents by Umansky; opinion that the statement was dictated by Litvinov, and recommendation that no comment be made with respect to it.	82

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Apr. 12 (42)	<i>To the Ambassador in the Soviet Union (tel.)</i> Advice that customs courtesies are being arranged for Rubinin; request for information concerning the purpose of his visit.	83
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Apr. 23 (50)	<i>To the Ambassador in the Soviet Union (tel.)</i> From Moore: President Roosevelt's concurrence in Ambassador's recommendation that the next step in the debt question be left to the Soviet Government.	85
Undated	<i>Memorandum by the Assistant Secretary of State of an Interview Between President Roosevelt and the Ambassador of the Soviet Union on April 30, 1934</i> President Roosevelt's rejection of Troyanovsky's idea of transferring negotiations from Moscow to Washington inasmuch as Ambassador Bullitt and Litvinov were both parties to the Washington conversations in 1933 and are thoroughly familiar with all discussions that have since occurred.	86
May 1 (64)	<i>To the Ambassador in the Soviet Union (tel.)</i> Résumé of the interview of April 30, and advice that the President is leaving the negotiations in the Ambassador's hands without having made any statement conflicting in any way with the Ambassador's plans.	87
May 2 (71)	<i>From the Ambassador in the Soviet Union (tel.)</i> Inquiry as to whether the basic U.S.-Soviet disagreement was discussed between the President and Troyanovsky on April 30; opinion that if Troyanovsky gave no indication of Litvinov's willingness to discuss the matter on the basis of the Department's original draft agreement (February 20), the Ambassador should not reopen the matter but await a definite proposal from the Soviet Government.	88

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May 7 (67)	<i>To the Ambassador in the Soviet Union (tel.)</i> Résumé of opinion of the Attorney General, rendered on May 5 and concurred in by the Department, on various questions pertaining to the Johnson Act.	89
May 7 (68)	<i>To the Ambassador in the Soviet Union (tel.)</i> Advice that the construction placed on the Johnson Act by the Attorney General upholds the Department's understanding of the 1933 agreement, notwithstanding certain outside reports to the contrary.	90
May 7 (69)	<i>To the Ambassador in the Soviet Union (tel.)</i> Indication from Troyanovsky that Litvinov desires to resume negotiations in Moscow; suggestion that the Ambassador approach Litvinov in the matter.	90
May 7	<i>Press Release Issued by the Department of State</i> Announcement that the Attorney General's opinion leaves the Russian situation precisely as it was before the opinion was issued.	90
May 9 (79)	<i>From the Ambassador in the Soviet Union (tel.)</i> Discussion of the debt question at Litvinov's request, resulting in reproposal of Department's original draft agreement and a new alternative proposal by Litvinov offering \$100,000,000 as total amount.	91
May 11 (72)	<i>To the Ambassador in the Soviet Union (tel.)</i> Outline of a counterproposal to be presented to Litvinov, which sets minimum indebtedness at \$125,000,000 and stipulates complete payment within 20 years; instructions on other details.	93
May 12 (73)	<i>To the Ambassador in the Soviet Union (tel.)</i> Instructions to advise Department promptly of any clarification or modification desired concerning its counterproposal.	94
May 13 (81)	<i>From the Ambassador in the Soviet Union (tel.)</i> Request for clarification of certain points before discussing the matter with Litvinov.	94
May 13 (82)	<i>From the Ambassador in the Soviet Union (tel.)</i> Explanation of the counterproposal to Litvinov, who seemed to acquiesce in principle; intention to call on Krestinsky and Rubinin, who have been designated to continue negotiations during Litvinov's absence from Moscow.	95
May 15 (77)	<i>To the Ambassador in the Soviet Union (tel.)</i> Clarification of the points enumerated in Ambassador's telegram No. 81, May 13; suggestion, however, that an effort be made to base the agreement on the original proposal, with points in the counterproposal to be used as concessions.	96
May 16 (84)	<i>From the Ambassador in the Soviet Union (tel.)</i> Request for further clarification; information that the original draft will be presented to Krestinsky and Rubinin in the afternoon of May 16.	97

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May 16 (85)	<i>From the Ambassador in the Soviet Union (tel.)</i> Presentation of the original draft proposal to Krestinsky and Rubinin. Krestinsky's statement that the Soviets would make no agreement unless it placed them in position to buy for cash and not on credit; refusal to accept such a proposition.	97
May 18 (84)	<i>To the Ambassador in the Soviet Union (tel.)</i> Approval of the Ambassador's manner of handling the Soviet proposition; suggestion that Krestinsky and Rubinin might desire to instruct Troyanovsky to take up the matter with the President.	98
May 21 (90)	<i>From the Ambassador in the Soviet Union (tel.)</i> Rubinin's assertion that Litvinov's instructions expressly prohibited discussion of the matter by Troyanovsky; opinion that no mutually acceptable agreement is likely as long as the Soviet Union feels secure, especially against Japanese aggression.	99
May 23 (91)	<i>To the Ambassador in the Soviet Union (tel.)</i> Advice that Litvinov's attitude is wholly inconsistent with what was understood when he was in Washington. Information from reliable sources that the propaganda pledge is being violated by activities directed from Moscow. Question as to the advisability of discouraging for the time being private contracts such as a large sale reportedly contemplated by General Motors.	100
May 24 (104)	<i>From the Ambassador in the Soviet Union (tel.)</i> Opinion that inasmuch as the type of credit offered by General Motors is not forbidden by the Johnson Act, it would appear inadvisable to discourage such transaction. Assumption that the Department desires no further action in the debt question pending new proposals from the Soviet Government.	101
May 25 (98)	<i>To the Ambassador in the Soviet Union (tel.)</i> Instructions to use own discretion concerning further steps in the debt question.	101
May 29 (65)	<i>From the Ambassador in the Soviet Union</i> Memorandum handed to the Ambassador by Rubinin, May 25 (text printed), on American consular representation in the Soviet Union.	102
June 6 (108)	<i>To the Ambassador in the Soviet Union (tel.)</i> Request for opinion as to whether there is any possibility of a satisfactory conclusion of negotiations at Moscow, and if not, whether the matter should and can be transferred to Washington.	103
June 8 (124)	<i>From the Ambassador in the Soviet Union (tel.)</i> Advice that a full report concerning the Department's question (<i>supra</i>) will be transmitted after discussion with Krestinsky on June 9.	103

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1934 June 8 (125)	<i>From the Ambassador in the Soviet Union (tel.)</i> Advice that the Embassy, under constant pressure from American correspondents for information on the debt situation, has consistently maintained that developments have been of little significance in that the Soviet Union has refused to accept any real basis for negotiations.	104
June 8 (112)	<i>To the Ambassador in the Soviet Union (tel.)</i> Advice that in reply to numerous inquiries from American businessmen, the Department has indicated a hopeful outlook as to the prospect of a debt agreement.	104
June 9 (132)	<i>From the Ambassador in the Soviet Union (tel.)</i> Reply to Department's telegram No. 108 of June 6: Reiteration by Krestinsky of the views reported in telegram No. 85, May 16; belief that he will advise Troyanovsky to approach the Department soon with specific proposals.	104
June 12 (119)	<i>To the Ambassador in the Soviet Union (tel.)</i> Advice that the Department will await possible approach from Troyanovsky; information as to unsatisfactory Soviet attitude in other matters which, if continued, should lead the Embassy to discourage Soviet belief that the Moscow building plans or other contemplated activities will be put into operation.	105
June 14 (140)	<i>From the Ambassador in the Soviet Union (tel.)</i> Opinion that the discouraging of private credits in the United States may prove to be an effective weapon in bringing the Soviet Government to terms, but that refusal to open Consulates or to proceed with construction of the new Embassy would be ineffective as pressure.	106
June 15 (142)	<i>From the Ambassador in the Soviet Union (tel.)</i> Rubinin's inquiry as to U. S. attitude toward Soviet participation in forthcoming London Naval Conference; advice to Rubinin that if the Soviet Union desires U. S. collaboration in any field of world affairs, it must clear the air of distrust by settlement of the debt question.	107
June 15 (123)	<i>To the Ambassador in the Soviet Union (tel.)</i> Advice that the Department has had no thought of asking the Ambassador to make any final declarations about construction of buildings in Moscow or establishment of Consulates, but felt that any intimations which could be made would have a wholesome effect.	108
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July 7 (149)	<i>To the Ambassador in the Soviet Union (tel.)</i> Information that, contrary to Litvinov's statement, Troyanovsky has not made the inquiry alleged, but on the other hand has indicated his hope that he would be instructed to take up the debt negotiations in Washington.	114
July 9 (177)	<i>From the Ambassador in the Soviet Union (tel.)</i> Litvinov's explanation concerning Troyanovsky's instructions, and his promise to rectify the situation; résumé of an instruction now in transit to Troyanovsky.	115
July 9 (178)	<i>From the Ambassador in the Soviet Union (tel.)</i> Inquiry as to the Department's position regarding a Soviet proposal for a bilateral nonaggression pact with United States, and also its attitude toward Soviet admission to the forthcoming Naval Conference in London.	116
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July 16 (160)	<i>To the Ambassador in the Soviet Union (tel.)</i> Instructions to telegraph a statement, to be shown to Troyanovsky, clarifying certain aspects of the understanding reached in the Washington conversations with Litvinov.	117
July 17 (195)	<i>From the Ambassador in the Soviet Union (tel.)</i> Review of U. S. understanding of the commitment accepted by Litvinov in Washington with respect to claims and indebtedness.	117
July 19	<i>From the Assistant Secretary of State (Moore) to the Assistant Secretary of State (Sayre)</i> Résumé of developments in the debt and claims negotiations and transmittal of supporting documents.	119
July 21 (170)	<i>To the Ambassador in the Soviet Union (tel.)</i> Information that arrangements have been made for a meeting with Troyanovsky at the Department on July 25 for a general discussion of the question of settlement of debts and claims.	121
July 22 (207)	<i>From the Ambassador in the Soviet Union (tel.)</i> Indications leading to opinion that Department's negotiations with Troyanovsky will begin at a favorable moment.	121

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July 25 (173)	<i>To the Ambassador in the Soviet Union (tel.)</i> Information that Troyanovsky appears to realize the impossibility of obtaining a cash loan or an uncontrolled credit and is now exploring other possible processes of credit transactions; that conversations will be continued on July 30.	123
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Aug. 3	<i>Memorandum of Conversation, by the Chief of the Division of Eastern European Affairs</i> Continuation of debt discussions between Troyanovsky and Department officials; Department's willingness to revise immediately its memorandum of July 25.	127
Aug. 4 (245)	<i>From the Ambassador in the Soviet Union (tel.)</i> Apprehension that no decisions can be expected on the debt question until sometime in September, as both Litvinov and Stalin will be away from Moscow.	128
Aug. 10	<i>Memorandum of Conversation, by the Chief of the Division of Eastern European Affairs</i> Troyanovsky's presentation of objections to latest U. S. plan; Secretary's suggestion that inasmuch as the Department has already presented several draft proposals, apparently unacceptable, the next proposal should come from the Soviet Government.	129
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Aug. 17 (256)	<i>From the Ambassador in the Soviet Union (tel.)</i> Information from the French Chargé that there is no foundation to reports that France contemplates a loan to the Soviet Government and credits for the purchase of military material.	135
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1935 May 13 (375)	<i>To the Ambassador in the Soviet Union</i> Indication that the Seventh All World Congress of the Communist International, postponed in September to some undetermined date, will be held in the near future; request that arrangements be made to report the proceedings and to identify the American delegates stationed permanently in Moscow on the Executive Committee of the Communist International.	218
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Aug. 30 (401)	<i>From the Ambassador in the Soviet Union (tel.)</i> Information that the full resolutions of the Seventh Congress were published by <i>Pravda</i> on August 29; that the resolution on Dimitrov's report contains a general program for world revolution.	257
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Sept. 26 (439)	<i>From the Chargé in the Soviet Union (tel.)</i> Report of the opening of the Sixth Congress of the Communist International of Youth in Moscow, September 25, and enumeration of U. S. delegates elected to the Presidium.	260
Oct. 9	<i>Memorandum by the Assistant Chief of the Division of Eastern European Affairs</i> Conversation with Troyanovsky, who referred to the recently adopted resolutions of the Seventh Congress as a change of policy in the Communist International; counterargument that the resolutions constitute a tactical maneuver to tighten Moscow's control over the various communist parties.	260

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POSTPONEMENT OF CONSTRUCTION OF AN AMERICAN EMBASSY IN MOSCOW
BECAUSE OF INABILITY TO ARRIVE AT SATISFACTORY AGREEMENTS REGARDING
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1934 Dec. 18 (305)	<i>To the Chargé in the Soviet Union (tel.)</i> Enumeration of questions with respect to problems involved in the proposed construction of U. S. Embassy buildings in Moscow; advice that conclusion of the final plans is contingent upon receipt of written assurances concerning these questions.	268
Dec. 23 (423)	<i>From the Chargé in the Soviet Union (tel.)</i> Information that after months of fruitless efforts to obtain the assurances requested, the situation has been further complicated by the sudden transfer of the matter to the Foreign Office; request for instructions.	269
1935 Jan. 8 (4)	<i>To the Chargé in the Soviet Union (tel.)</i> Instructions to present personally to Litvinov a formal note embodying the questions contained in despatch No. 305, December 18; to endeavor to obtain written assurances within a fortnight in view of desire to begin the construction by early spring.	270
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Jan. 11 (12)	<i>From the Chargé in the Soviet Union (tel.)</i> Presentation of the note and discussion of the questions raised therein with Krestinsky; opinion that the Soviet reply will contain numerous reservations which will render it unsatisfactory.	271
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ADHESION OF THE SOVIET UNION TO THE SPITZBERGEN TREATY OF FEBRUARY 9,
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1935 June 26	<i>From the French Ambassador</i> Advice that the Soviet Union, by an Act dated May 7, has adhered to the Treaty.	279
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Jan. 11 (16)	<i>From the Chargé in the Soviet Union (tel.)</i>	282
	Résumé of a speech by Molotov on Soviet relations in general with other countries; excerpt of his comments pertaining to U. S.-Soviet relations.	
Jan. 13 (18)	<i>From the Chargé in the Soviet Union (tel.)</i>	284
	Observations as to the tendency of Soviet officials to revise their previous policy of belittling the importance of the United States as a factor in present world affairs.	
Jan. 15 (21)	<i>From the Chargé in the Soviet Union (tel.)</i>	285
	Information concerning the Soviet budget for the current year, which provides for an increase of 21.5 percent over the past year, the increase to be allotted in the main to purely military items.	
Jan. 16 (24)	<i>From the Chargé in the Soviet Union (tel.)</i>	285
	Comments on Soviet motives behind the increased military budget and the increased emphasis on military affairs.	
Jan. 16 (25)	<i>From the Chargé in the Soviet Union (tel.)</i>	286
	Résumé of Tukhachevski's speech before the Central Executive Committee on January 15 describing the progress of the Red Army during 1935.	
Jan. 17 (29)	<i>From the Chargé in the Soviet Union (tel.)</i>	287
	Suggestion of a Soviet official that a friendly gesture by the United States, similar to that intended by Molotov in references to the United States in his recent speech, would contribute toward improvement of U. S.-Soviet relations; reply that the Soviet attitude with respect to the activities of the Communist International made friendly gestures difficult.	
Mar. 2 (76)	<i>From the Ambassador in the Soviet Union (tel.)</i>	288
	Résumé of interviews which Roy Howard had with Stalin and Litvinov; comments on subject of interference in internal affairs of United States by the Comintern.	
Mar. 4 (1436)	<i>From the Ambassador in the Soviet Union</i>	289
	Observations on conditions in the Soviet Union which, except for a few minor changes, are verbatim extracts from despatches written in the years 1851-53 by Neil S. Brown, American Minister to Russia; opinion that the description is equally applicable to present-day conditions.	

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May 25 (1612)	<i>From the Chargé in the Soviet Union</i> Résumé of an article published in <i>Foreign Trade of the U. S. S. R.</i> , describing Soviet efforts to transfer to Soviet territory the negotiations for concluding foreign trade transactions which involve Soviet organizations; enumeration of reasons considered to have caused the desire for this change.	296
Aug. 12 (181)	<i>From the Chargé in the Soviet Union (tel.)</i> Oral information from a Foreign Trade official that the Soviet Government does not contemplate changing in the near future its purchasing procedure in the United States.	298
Aug. 18 (1810)	<i>From the Chargé in the Soviet Union</i> Soviet reduction of the draft age for active military service in the Red Army from 21 to 19 years; impossibility for the Embassy to determine accurately the significance of the decision.	299
Aug. 27 (195)	<i>From the Chargé in the Soviet Union (tel.)</i> Observations concerning the Zinovyev-Kamenyev trial, and enumeration of reasons, in the Embassy's opinion, for staging the trial at the present time.	300
Sept. 1 (1850)	<i>From the Charge in the Soviet Union</i> Further views on the Zinovyev-Kamenyev trial.	302
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Undated (Rec'd Oct. 28)	<i>Memorandum by the Chargé in the Soviet Union</i> Summary of conversation with a Soviet official, who gave his views concerning the meaning of "Party democracy" and the future composition of the Party.	304
Nov. 10 (2063)	<i>From the Chargé in the Soviet Union</i> Observations concerning the resumption on November 1 of admission of new members into the Communist Party upon completion of the Party purge which began in 1932.	306
Nov. 16 (2042)	<i>From the Chargé in the Soviet Union</i> Comments on developments in U. S.-Soviet relations since recognition was accorded to the Soviet Government November 16, 1933.	307
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Feb. 7	<i>Memorandum by the Secretary of State</i> Discussion with the Soviet Ambassador concerning general aspects of world trade.	323
Apr. 27 (1549)	<i>From the Ambassador in the Soviet Union</i> Observations concerning the significance of a recent conversation between Mr. Rosenblum and Mr. Henderson with respect to U. S.-Soviet trade relations; opinion that the question of U. S. import duties imposed upon Soviet coal will be raised again in connection with discussions for renewal of the agreement of 1935.	324
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June 9 (141)	<i>From the Chargé in the Soviet Union (tel.)</i> Krestinsky's opinion that the Soviet Government would be willing to extend the 1935 agreement on basis of Soviet purchases at \$30,000,000 provided United States would cease to discriminate against Soviet coal. Request for information relative to the coal tax situation.	326
June 15 (86)	<i>To the Chargé in the Soviet Union (tel.)</i> Explanation, for transmittal to Soviet authorities, of the coal tax situation, based on provisions of the Revenue Act of 1932 and Treasury Decision 48146. Instructions to strive for extension of the agreement of 1935 on the basis of the original exchange of notes without becoming involved in a discussion of the question of removal of the tax on Soviet coal.	327
June 17 (148)	<i>From the Chargé in the Soviet Union (tel.)</i> Soviet memorandum (text printed) setting forth the amount of contemplated Soviet purchases in the United States for the coming year and proposing a modification of the basic agreement in the coming year in order to circumvent the taxation of Soviet coal.	330
June 24 (92)	<i>To the Chargé in the Soviet Union (tel.)</i> Outline of the U. S. position, and instructions for presenting it to Neymann and Rosenblum in reply to the Soviet proposal (<i>supra</i>).	333
July 3 (161)	<i>From the Chargé in the Soviet Union (tel.)</i> Résumé of discussions with Soviet officials; Soviet proposal for an exchange of notes (texts printed) accompanied by an informal written statement embodying the substance of previous oral comments concerning U. S. intentions to seek the ultimate removal of the import duty on Soviet coal; request for instructions as to the phraseology of the informal letter.	335

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1936 July 7 (98)	<i>To the Chargé in the Soviet Union (tel.)</i> Draft informal letter (text printed) as requested, and instructions that it should be considered as part of the discussions leading to the agreement, publication of it to be withheld pending receipt of authorization. List of minor changes desired in the draft exchange of notes.	339
July 9 (163)	<i>From the Chargé in the Soviet Union (tel.)</i> Revised exchange of notes and supplementary letters (texts printed); request for a prepared statement to issue to the American journalists upon release of the exchange of notes.	340
July 10 (99)	<i>To the Chargé in the Soviet Union (tel.)</i> Department's preference that certain pertinent data be furnished to the American journalists for their own use instead of a prepared statement.	342
July 11 (165)	<i>From the Chargé in the Soviet Union (tel.)</i> Information that Krestinsky will sign the notes using his regular title inasmuch as no provision has been made for his designation as Acting Commissar in Litvinov's absence.	343
	(Editorial note: Citation to texts of the agreement and Department press release.)	344
July 17 (1721)	<i>From the Chargé in the Soviet Union</i> Transmittal of memoranda summarizing various conversations which were held with Soviet officials in connection with the negotiations for renewal of the agreement.	344

CLARIFICATION OF THE ASSIGNMENT OF NOVEMBER 16, 1933, BY WHICH ASSETS IN THE UNITED STATES OF FORMER RUSSIAN GOVERNMENTS HAD BEEN ASSIGNED TO THE UNITED STATES BY THE SOVIET UNION

1936 May 1 (61)	<i>To the Chargé in the Soviet Union</i> Instructions to ascertain informally from the competent authorities, for the Department's guidance in connection with suits instituted by the U. S. Government to recover assets assigned to it by the Soviet Government, the full scope of the Soviet confiscatory decrees upon which the assignment was based.	345
May 5 (63)	<i>To the Chargé in the Soviet Union (tel.)</i> Discussion with Troyanovsky of the possibility of bringing a Soviet legal expert to the United States to give testimony in connection with a U. S. suit to recover assets in the United States of the Moscow Fire Insurance Co. (Footnote: Information that M. A. Plotkin came to the United States on two occasions during 1936-38 in the private capacity of a Soviet legal expert.)	346
July 21	<i>From the Ambassador of the Soviet Union</i> Information as to the scope of the assignment of November 16, 1933.	347

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1936 Sept. 1 (124)	<i>To the Chargé in the Soviet Union (tel.)</i> Information that the Soviet Ambassador has been requested to supplement his note of July 21 in view of specific question raised by the defendant in the Moscow Fire Insurance Co. case; instructions to ascertain, if possible, whether any law may be cited in this connection.	347
Sept. 8 (207)	<i>From the Chargé in the Soviet Union (tel.)</i> Apparent absence of any law that may be cited; suggestion that Troyanovsky supplement his letter of July 21 in such phraseology as to leave no doubt regarding U. S. right to the assets in question.	348
Sept. 14	<i>From the Ambassador of the Soviet Union</i> Affirmation of the rights of the Soviet Union to assign to the U. S. Government the assets in question by virtue of the exchange of notes of November 16, 1933.	350
Sept. 16 (134)	<i>To the Chargé in the Soviet Union (tel.)</i> For Plotkin from Munroe: Enumeration of suggestions for obtaining proof of title of the Soviet Government in the Moscow Fire Insurance Co. case, and request for cooperation in gathering this data by September 24, inasmuch as the referee may dismiss the Government's petition for failure of proof to title.	350
Sept. 22 (221)	<i>From the Chargé in the Soviet Union (tel.)</i> Receipt of an interpretation by the People's Commissariat for Justice and a statement of Plotkin's opinion (texts printed) concerning certain suggestions set forth in telegram No. 134 of September 16; their reluctance, however, to incorporate these opinions in formal declarations in the absence of precedents.	351
1937 Jan. 9 (6)	<i>From the Chargé in the Soviet Union (tel.)</i> U. S.-Soviet exchange of notes, January 7 (texts printed), confirming understanding as to the assignment of November 16, 1933. (Editorial note: Reference to further clarification of the assignment through subsequent correspondence.)	354 356

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Feb. 18 (68)	<i>From the Ambassador in the Soviet Union</i> Conversation with certain Soviet officials who brought up the question of settling the matter of debts and claims by a process of private negotiation through the Amtorg agency.	369
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June 13 (117)	<i>From the Chargé in the Soviet Union (tel.)</i> Embassy's opinions as to the downfall of the Red Army officials whose executions have been announced in the Soviet press; view that the accused were not guilty of the crimes attributed to them.	383
June 23 (131)	<i>From the Chargé in the Soviet Union</i> Concurrence of other Missions in the Embassy's opinion that the Red Army officers were not guilty of the crimes to which they confessed; résumé of general opinions as to Soviet reasons for their execution.	385
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COMMERCIAL AGREEMENT BETWEEN THE UNITED STATES AND THE SOVIET UNION,
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July 6 (150)	<i>From the Ambassador in the Soviet Union (tel.)</i> Changes suggested by Foreign Office, including (1) the granting of most-favored-nation treatment on a bilateral basis, and (2) inclusion of a termination clause. Soviet inquiry also as to possibility of obtaining rebates on coal tax paid during past 2 years.	412
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July 10 (89)	<i>To the Ambassador in the Soviet Union (tel.)</i> Instructions as requested in telegram No. 161, July 9; maintenance of position on basis for extension of most-favored-nation treatment and on necessity for Soviet restriction of exports of coal to United States.	420
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July 14 (93)	<i>To the Ambassador in the Soviet Union (tel.)</i> Instructions to continue to press for a purchase figure as near \$40,000,000 as possible; view that inclusion of a bilateral most-favored-nation clause is out of the question; further comments concerning exportation clause.	426
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July 17 (102)	<i>To the Ambassador in the Soviet Union (tel.)</i> Belief that a draft exportation clause can be formulated in Washington which will be satisfactory to both sides; instructions to obtain certain information regarding Soviet views by July 19.	428
July 19 (177)	<i>From the Ambassador in the Soviet Union (tel.)</i> Indication that Department's suggestion concerning an exportation clause will probably be acceptable to the Soviet Government.	429
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DIFFICULTIES FROM SOVIET AUTHORITIES INTERFERING WITH THE PROPER
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EFFORTS BY SOVIET AGENCIES TO PURCHASE WARSHIPS, NAVAL ARMAMENT,
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1936 Nov. 24	<i>From the Embassy of the Soviet Union</i> Desire for the Department's cooperation in Soviet efforts to secure the Navy Department's permission for certain American steel companies to negotiate sales of heavy armor for battleships, including technical specifications, to the Amtorg Trading Corp. (official Soviet purchasing agency).	457
Dec. 3	<i>Memorandum by the Chief of the Office of Arms and Munitions Control</i> Conversation with Mr. Wolf, an officer of Carp Export and Import Corp., who requested a statement by the Department assuring the Corporation that its proposed transaction with respect to exportation of unassembled battleships to the U. S. S. R. would not be illegal or contrary to U. S. policy; explanation of U. S. position.	458
1937 Jan. 13	<i>To the Carp Export and Import Corporation, New York, N. Y.</i> Information that there are no treaties or statutes, except provisions of the Espionage Act of June 15, 1917, which would constrain private naval architects or American manufacturing companies from participating in the transactions envisaged by the Corporation.	460
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Feb. 19 (971)	<i>From the Chargé in the Soviet Union</i> Translations of a letter by a member of the Komsomol to Stalin and Stalin's reply (texts printed) regarding the question of the victory of socialism in the Soviet Union; opinions of the Embassy and of foreign observers concerning the significance of Stalin's reply.	520
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TRADE RELATIONS BETWEEN THE UNITED STATES AND THE SOVIET UNION;
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Sept. 22 (81)	<i>From the Ambassador in the Soviet Union</i> Information (in reply to previous inquiry as to contract requirements of the Soviet Government concerning purchases from foreign nationals) that all Soviet purchases of foreign merchandise and services are effected through specially authorized Soviet organizations, and that orders are often placed for political purposes.	783
Oct. 18 (768)	<i>From the Ambassador in the Soviet Union (tel.)</i> Conversation with Potemkin, who informally brought up certain annoying matters recently reported by the Soviet Embassy in Washington, such as the activities of the Dies Committee and attendant publicity.	784
Oct. 28 (826)	<i>From the Ambassador in the Soviet Union (tel.)</i> Résumé of two declarations of the National Assembly of Western Ukraine ("elected" on October 22) concerning establishment of a Soviet regime in Western Ukraine and the admission of Western Ukraine into the Soviet Union. (Footnote: Information that similar resolutions were adopted by the Soviet of White Russia on October 30.)	785
Nov. 1 (846)	<i>From the Ambassador in the Soviet Union (tel.)</i> Translation (text printed) of that portion of Molotov's speech on foreign affairs, October 31, concerning current Soviet-Finnish negotiations; observations in this connection.	785
Nov. 1 (847)	<i>From the Ambassador in the Soviet Union (tel.)</i> Résumé of Molotov's speech to the Supreme Soviet, October 31, concerning the general international situation.	786
Nov. 2 (850)	<i>From the Ambassador in the Soviet Union (tel.)</i> Information that at the evening session of the Supreme Soviet, November 2, White Russia will be incorporated into the Soviet Union as a part of the Ukrainian S. S. R.	790
Nov. 4 (228)	<i>To the Ambassador in the Soviet Union (tel.)</i> Advice that no message of felicitation will be sent direct by the President on November 7, the Soviet national holiday. (Footnote: Indication of reasons for this decision.)	790
Nov. 9 (143)	<i>From the Ambassador in the Soviet Union</i> Observations on the present internal economic situation in the Soviet Union; opinion, in this connection, that the Kremlin will proceed with extreme caution in the execution of its present foreign policy.	791
Nov. 14 (897)	<i>From the Ambassador in the Soviet Union (tel.)</i> Observations of the Counselor of the British Embassy regarding decision of the British and French Governments not to break off diplomatic relations with the Soviet Government, notwithstanding its recent unfriendly conduct.	793

REPORTS ON DEVELOPMENTS OF SIGNIFICANCE CONCERNING SOVIET RELATIONS
 WITH OTHER COUNTRIES, ESPECIALLY WITH THE UNITED STATES—Continued

Date and number	Subject	Page
1939 Nov. 17	<i>Memorandum by the Acting Secretary of State</i> Courtesy call of the Soviet Ambassador (upon his return from Europe), during which he commented on the "change" in U. S. public opinion and the rapidity with which the neutrality legislation had been revised.	794
Nov. 22	<i>Memorandum by the Adviser on Political Affairs</i> Conversation with the Soviet Ambassador, who complained of the antagonistic attitude of the American press toward the Soviet Government and himself.	796
Nov. 30 (965)	<i>From the Chargé in the Soviet Union (tel.)</i> Information that Molotov delivered a brief radio address concerning rupture of relations with Finland; that Molotov denied, however, any Soviet intention to seize Finnish territory.	797
Nov. 30 (976)	<i>From the Chargé in the Soviet Union (tel.)</i> Further comments on Molotov's radio address relative to Finland.	798
Nov. 30 (255)	<i>To the Chargé in the Soviet Union (tel.)</i> Message for the Foreign Office from President Roosevelt (text printed) urging public declaration of intention to refrain from air bombardment of civilian populations and unfortified cities in the present crisis. (Footnote: The same telegram to the Minister in Finland.)	798
Dec. 1 (259)	<i>To the Ambassador in the Soviet Union (tel.)</i> President's press statement, December 1 (text printed), condemning Soviet aggression against Finland. (Footnote: Information that the same message was sent, December 1, to the American Legation in Sweden for repetition to the Legation in Finland.)	799
Dec. 3 (302)	<i>From the Consul General at Geneva (tel.)</i> Conversation with Secretary General Avenol of the League of Nations, who thought League opinion would be unanimous for expulsion of the Soviet Union.	800
Dec. 4 (265)	<i>To the Ambassador in the Soviet Union (tel.)</i> President's statement, December 2 (text printed), setting forth U. S. policy of "moral embargo".	801
Dec. 5 (1020)	<i>From the Ambassador in the Soviet Union (tel.)</i> Soviet publication of announcement of convocation of the League Council and Assembly to consider Soviet attack on Finland, and reply of the Soviet Government thereto.	801
Dec. 13 (1077)	<i>From the Ambassador in the Soviet Union (tel.)</i> Soviet reply, December 12 (text printed), rejecting League request that the Finnish question be negotiated.	803
Dec. 13 (322)	<i>From the Consul General at Geneva (tel.)</i> Draft resolution (text printed) which will accompany the draft report drawn up by the committee on Finnish appeal to be presented to the Assembly on December 14.	803
Dec. 14 (324)	<i>From the Consul General at Geneva (tel.)</i> Assembly's unanimous adoption of the resolution transmitted by telegram No. 322, December 13, and of a further resolution for the expulsion of the Soviet Union from the League of Nations.	804

REPORTS ON DEVELOPMENTS OF SIGNIFICANCE CONCERNING SOVIET RELATIONS
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1939 Dec. 24 (313)	<i>To the Ambassador in the Soviet Union (tel.)</i> Statement of U. S. decision, December 20 (text printed), to render no further assistance to "certain countries" in the construction of plants for the manufacture of aviation gasoline.	806
Dec. 28 (321)	<i>To the Ambassador in the Soviet Union (tel.)</i> Soviet refusal to permit engineers employed by Max B. Miller and Co. to report to the Embassy in Moscow in order to have their passports validated; instructions to inform the Soviet Government that this procedure is a U. S. requirement, and that Soviet interference will be viewed with disfavor.	807
Dec. 29 (1156)	<i>From the Ambassador in the Soviet Union (tel.)</i> Advice that as a result of continued pressure, permission has been granted for the engineers to proceed to Moscow, but that promised transportation has not been forthcoming.	808
Dec. 29 (1157)	<i>From the Ambassador in the Soviet Union (tel.)</i> Potemkin's acquiescence in principle to Embassy's complaints regarding restriction of movement of American citizens; opinion, however, that further difficulties will doubtless be experienced by the engineers in their efforts to depart from the Soviet Union.	809

TRADE RELATIONS BETWEEN THE UNITED STATES AND THE SOVIET UNION;
RENEWAL OF COMMERCIAL AGREEMENT BY EXCHANGE OF NOTES SIGNED ON
AUGUST 2, 1939

1939 Feb. 13 (16)	<i>To the Chargé in the Soviet Union (tel.)</i> Instructions to ascertain whether unofficial information received by the Department of Agriculture is correct that the Soviet Government is interested in obtaining a large quantity of wheat.	809
Feb. 19 (78)	<i>From the Chargé in the Soviet Union (tel.)</i> Information from the Commissar of Foreign Trade that the Soviet Government is not in actual need of more wheat but might be interested in the purchase of 200,000 additional tons if favorable terms could be obtained.	810
Feb. 23 (20)	<i>To the Chargé in the Soviet Union (tel.)</i> Opinion of the Department of Agriculture that it is unnecessary to take any further steps in the wheat question at present, but advisable to leave the initiative to the Soviet Government.	810
Mar. 9 (2166)	<i>From the Chargé in the Soviet Union</i> Observations on an article carried in the <i>Planned Economy</i> , No. 12, of 1938, relating to the Soviet foreign trade policy, and conclusion that this policy is still unalterably opposed in theory and practice to U. S. foreign commercial policy.	811
May 15 (2324)	<i>From the Chargé in the Soviet Union</i> Information of a memorandum handed to the Foreign Office on May 4 expressing the hope that the marine underwriters of the United States would be allowed a share in the insurance business on merchandise en route between the United States and the Soviet Union.	812

TRADE RELATIONS BETWEEN THE UNITED STATES AND THE SOVIET UNION;
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Date and number	Subject	Page
1939 May 17	<p><i>Memorandum by Mr. Edward Page, Jr., of the Division of European Affairs</i> Discussion with Mr. Sayre concerning a recent proposal by Mr. G. G. Serkau, in behalf of the Soviet Government, to purchase large amounts of cotton, lard, and wheat in the United States; decision to ascertain from the Soviet Embassy the validity of the proposal and Serkau's connection with the Soviet Government.</p>	812
June 27 (73)	<p><i>To the Chargé in the Soviet Union (tel.)</i> Instructions to ascertain the Soviet attitude toward renewal of the present commercial agreement with the United States; confidential information that while the Department desires an upward adjustment of Soviet guaranteed purchases, it is not prepared to insist on this increase.</p>	814
June 28	<p><i>Memorandum by Mr. Edward Page, Jr., of the Division of European Affairs to the Secretary of State</i> Information that the Soviet Ambassador will call at the Department on June 29 to discuss U. S.-Soviet trade relations, especially the question of Soviet manganese exports to United States. Data on manganese imports into United States.</p>	815
June 29	<p><i>Memorandum by the Secretary of State</i> Soviet Ambassador's proposal that the United States purchase from the Soviet Union 200,000 tons of manganese a year during the 4-year period authorized for U. S. purchases of strategic raw materials (Thomas-Faddis Bill).</p>	816
June 29	<p><i>Memorandum by the Assistant Chief of the Division of European Affairs</i> Discussion with the Soviet Ambassador, who emphasized decline in American imports of Soviet goods; reminder to the Ambassador that this decline is due partly to Soviet curtailment of certain exports.</p>	818
June 29	<p><i>Memorandum by the Assistant Chief of the Division of European Affairs</i> Outline of a plan by Mr. I. R. Guilden, an associate of G. G. Serkau, for selling American cotton to the Soviet Government on long-term credit; analysis of questions involved, and conclusion that the proposal should be submitted for joint study by the interested departmental agencies.</p>	819
July 4 (363)	<p><i>From the Chargé in the Soviet Union (tel.)</i> Discussion with Potemkin on July 3 concerning renewal of the commercial agreement; expectation of early reply as to Soviet Government's views.</p>	823
July 7	<p><i>From the Assistant Chief of the Division of European Affairs to the Adviser on International Economic Affairs</i> Desire for cooperation of Export-Import Bank officials in relaying to the European Division substance of any conversations with Soviet officials or agencies which might have a bearing on U. S.-Soviet financial or economic relations.</p>	823
July 8 (84)	<p><i>To the Chargé in the Soviet Union (tel.)</i> Instructions to reply to the Foreign Minister, if the question is brought up in connection with renewal of the commercial agreement, that the U. S. Government is unable to pledge in advance the amount or origin of materials to be purchased during the next 4 years.</p>	824

TRADE RELATIONS BETWEEN THE UNITED STATES AND THE SOVIET UNION;
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1939 July 22 (400)	<i>From the Chargé in the Soviet Union (tel.)</i> Soviet Government's readiness to begin negotiations for renewal of the commercial agreement, and hope that the United States will consider guaranteeing certain duty reductions and purchases of manganese ore.	824
July 27 (105)	<i>To the Chargé in the Soviet Union (tel.)</i> Instructions to inform the Soviet authorities that modification of duty rates can be guaranteed only in connection with negotiations under the Trade Agreements Act, but that this question in its relation to the Soviet Union is already being explored; further instructions regarding text of principal exchange of notes for renewal of the current agreement.	826
July 30 (414)	<i>From the Chargé in the Soviet Union (tel.)</i> Explanation to Soviet authorities of U. S. views on various points; request for Department's views on possible substitution of new wording in one phrase of text of notes.	827
July 31 (109)	<i>To the Chargé in the Soviet Union (tel.)</i> Authorization for substitution of new phraseology if requested by Soviet authorities.	829
July 31 (417)	<i>From the Chargé in the Soviet Union (tel.)</i> Soviet decision to renew the agreement on the current basis without insertion of the new phraseology, the notes to be exchanged on August 2; request for information regarding time and date of Washington announcement.	829
Aug. 1 (110)	<i>To the Chargé in the Soviet Union (tel.)</i> Request for certain data necessary for preparation of press release; substance of data to be supplied to American journalists in Moscow.	829
Aug. 1 (418)	<i>From the Chargé in the Soviet Union (tel.)</i> Question of preparing the notes in both English and Russian; Soviet agreement, however, to accept the English notes and to prepare the replies in Russian.	831
Aug. 2 (419)	<i>From the Chargé in the Soviet Union (tel.)</i> Embassy's fruitless efforts to obtain the export data requested in telegram No. 110 of August 1; request for instructions as to substitution of other comment in the data to be given to American journalists.	831
Aug. 2 (421)	<i>From the Chargé in the Soviet Union (tel.)</i> Advice that the notes, all dated August 2, have just been exchanged; that data for the press will be released on August 5.	832
	(Editorial note: Citation to text of agreement and to Department press release.)	833
Aug. 2 (111)	<i>To the Chargé in the Soviet Union (tel.)</i> Substitute comment (text printed) as requested in telegram No. 419 of August 2; request for certain information for use in drafting text of proclamation.	833
Aug. 3 (423)	<i>From the Chargé in the Soviet Union (tel.)</i> Information as requested in telegram No. 111 of August 2, and suggestions regarding use of Department's substitute comment.	833

TRADE RELATIONS BETWEEN THE UNITED STATES AND THE SOVIET UNION;
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1939 Aug. 3 (113)	<i>To the Chargé in the Soviet Union (tel.)</i> Request for opinion as to Soviet intentions regarding the questions of tariff reductions and a formal trade agreement.	834
Aug. 4 (427)	<i>From the Chargé in the Soviet Union (tel.)</i> Advice that the Soviet Government is not interested in exploring the possibility of a formal trade agreement; explanation of Soviet reasons for dropping demands for tariff reductions and purchases of manganese.	834
Aug. 7 (2533)	<i>From the Chargé in the Soviet Union</i> Observations regarding certain phases of the recently completed negotiations for renewal of the U. S.-Soviet commercial agreement.	835

DIFFICULTIES FROM SOVIET AUTHORITIES INTERFERING WITH THE PROPER
FUNCTIONING OF THE AMERICAN EMBASSY IN MOSCOW

1939 Mar. 10	<i>Memorandum by the Assistant Chief of the Division of European Affairs of a Conversation With the Chargé of the Soviet Union</i> Explanation, upon the Chargé's request, of the American diplomatic courier system operating at present in and out of the Soviet Union, and of U. S. views with regard to customs inspection of personal effects.	837
Mar. 10	<i>Memorandum by the Assistant Chief of the Division of European Affairs</i> Inquiry of the Soviet Chargé as to whether the U. S. Government intends to use the Moscow property reserved for it several years ago for the construction of a new Embassy.	838
Mar. 10	<i>Memorandum by the Assistant Secretary of State</i> Opinion that the Soviet Government should be advised of U. S. willingness to release the Moscow site; reasons for opinion, and comments as to possible future plans. (Footnote: Information that the Soviet Chargé was advised of these views on March 14.)	839
Apr. 6 (2234)	<i>From the Chargé in the Soviet Union</i> Report of improvement in the Soviet customs treatment of U. S. courier service.	841
June 17	<i>Memorandum by the Secretary of State</i> Brief conversation with the Soviet Ambassador concerning relations between the American and Soviet Embassies.	843
July 13 (91)	<i>To the Chargé in the Soviet Union (tel.)</i> Concurrence in opinion, previously expressed, that the Embassy should bear no part of expense of repainting the Mokhovaya Building, occupied by the Mission, as proposed by Burobin (Central Bureau for Service to Foreigners in Moscow).	843
Aug. 11 (119)	<i>To the Ambassador in the Soviet Union (tel.)</i> Authorization, in the Ambassador's discretion, to waive personal appearance at the Embassy of members of the Red Army Ensemble to apply for visas to the United States to appear at the New York World's Fair.	844

DIFFICULTIES FROM SOVIET AUTHORITIES INTERFERING WITH THE PROPER
FUNCTIONING OF THE AMERICAN EMBASSY IN MOSCOW—Continued

Date and number	Subject	Page
1939 Aug. 16 (19)	<i>From the Ambassador in the Soviet Union</i> Report of improvement in Soviet attitude in the issuance of visas to Americans; opinion, however, that the improvement may not be permanent.	844
Aug. 26 (474)	<i>From the Ambassador in the Soviet Union (tel.)</i> Foreign Office request for assistance in obtaining clearance through the Panama Canal of the Soviet steamer <i>Kim</i> , arriving shortly without a bill of health as required by the new rules of the Canal Zone authorities.	845
Aug. 28 (481)	<i>From the Ambassador in the Soviet Union (tel.)</i> Request that the Department withhold assistance in clearance of the <i>Kim</i> in view of Soviet denial of diplomatic courtesy to the Embassy in connection with the examination of the personal effects of Dr. Nelson, Public Health Officer, who is attempting to leave the Soviet Union.	845
Aug. 29 (131)	<i>To the Ambassador in the Soviet Union (tel.)</i> Advice that no action will be taken with respect to the <i>Kim</i> pending report of developments in the Nelson case; further suggestions for obtaining proper treatment of Dr. Nelson.	846
Aug. [30]	<i>Memorandum by the Assistant Chief of the Division of European Affairs</i> Unsatisfactory conversations with the Soviet Embassy regarding the clearance of the <i>Kim</i> and the treatment accorded Dr. Nelson; opinion that the Ambassador in Moscow should be firmly supported, inasmuch as the present dispute may stiffen Foreign Office attitude toward the Embassy.	847
Aug. 31 (491)	<i>From the Ambassador in the Soviet Union (tel.)</i> Request that the Canal authorities be instructed to refuse entry of the <i>Kim</i> and that a firm attitude be assumed regarding the Nelson case.	850
Aug. 31 (492)	<i>From the Ambassador in the Soviet Union (tel.)</i> Request that Dr. Nelson be permitted by the Public Health Service to remain in Moscow until he has settled the matter of customs examination; reasons for this request. (Footnote: Information that the Ambassador was advised on September 1 that this request had been granted.)	852
Aug. 31 (136)	<i>To the Ambassador in the Soviet Union (tel.)</i> Message being sent to Panama Canal authorities (text printed) requesting that the <i>Kim</i> be given the most rigid treatment legally possible.	852
Sept. 1 (139)	<i>To the Ambassador in the Soviet Union (tel.)</i> Message from Canal authorities, advising of the <i>Kim's</i> arrival with documents in order; regret that the <i>Kim</i> cannot be detained beyond September 2 on legal grounds.	853
Sept. 2 (497)	<i>From the Ambassador in the Soviet Union (tel.)</i> Advice that the Foreign Office has taken favorable action in Nelson's case upon Ambassador's personal request; suggestion that the <i>Kim</i> be allowed to proceed at once, and that the usual customs facilities be accorded the Red Army Ensemble upon its arrival in New York. (Footnote: Arrangements for courtesies to be accorded the Red Army Ensemble.)	854

DIFFICULTIES FROM SOVIET AUTHORITIES INTERFERING WITH THE PROPER
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Date and number	Subject	Page
1939 Sept. 5 (507)	<i>From the Ambassador in the Soviet Union (tel.)</i> Apprehension of Soviet employees of the Embassy regarding the effect of the war on the internal situation in the Soviet Union.	854
Sept. 26 (83)	<i>From the Ambassador in the Soviet Union</i> Report of continued Soviet practices of rigid customs requirements; suggestions for ascertaining whether reciprocal treatment is being accorded the Embassy in Moscow.	855
Oct. 4 (676)	<i>From the Ambassador in the Soviet Union (tel.)</i> Information from the Foreign Office that in the future gratis automobile license plates will be issued to the Embassy. (Footnote: Information that several attempts had been made in 1938 and 1939 by the Embassy to secure reciprocal treatment in this matter.)	857
Oct. 19 (774)	<i>From the Ambassador in the Soviet Union (tel.)</i> Suggestion that, in view of Soviet noncooperative attitude toward the principle of reciprocity in customs treatment of consular officers, the Department curtail its liberal treatment of Soviet consular officers by requesting that the U. S. customs authorities distinguish between the Soviet Ambassador's luggage and that of Vice Consul Zaikin and wife, all arriving shortly in New York.	857
Oct. 28	<i>To the Secretary of the Treasury</i> Substance of the Ambassador's telegram No. 774 of October 19, and request for cooperation in the matter.	858
Nov. 15	<i>Memorandum by the Assistant Chief of the Division of European Affairs</i> Conversation with the Soviet Ambassador, who complained of the press campaign against the Soviet Union, the Soviet Embassy, and himself since his return to the United States.	859
Nov. 27 (37)	<i>To the Ambassador in the Soviet Union</i> Concurrence in suggestions set forth in despatch No. 83 of September 26; comments concerning these suggestions.	861
Dec. 7	<i>Memorandum by the Assistant Chief of the Division of European Affairs</i> Conversation with the Soviet Ambassador, who complained of the customs treatment accorded the Zaikins upon their arrival in New York; explanation of U. S. policy of reciprocity in this regard as opposed to Soviet theory of most-favored-nation treatment.	862
Dec. 9 (272)	<i>To the Ambassador in the Soviet Union (tel.)</i> Soviet Ambassador's inquiry as to whether Soviet customs authorities examine the baggage of American consular officers assigned to Moscow who possess diplomatic passports; instructions to cite several instances.	864
Dec. 10 (1059)	<i>From the Ambassador in the Soviet Union (tel.)</i> Citation of several instances which indicate rigid Soviet customs practices with respect to foreign consular officers, notwithstanding their possession of diplomatic passports.	864

DIFFICULTIES FROM SOVIET AUTHORITIES INTERFERING WITH THE PROPER
FUNCTIONING OF THE AMERICAN EMBASSY IN MOSCOW—Continued

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1939 Dec. 16	<i>From the Assistant Secretary of State to the Secretary of State</i> Transmittal of telegram No. 1059 of December 10, and résumé of recent developments connected with the question of applying the principle of reciprocity in customs treatment of foreign consular officers. (Footnote: Information that the original of this memorandum was sent to the President on December 21.)	865
Dec. 22	<i>Memorandum by President Roosevelt for the Secretary of State and the Under Secretary of State</i> Comment on Department's memorandum of December 16 (<i>supra</i>) and related matters.	868

EFFORTS BY SOVIET AGENCIES TO PURCHASE WARSHIPS, NAVAL ARMAMENT, AND
OTHER WAR MATERIALS IN THE UNITED STATES

1939 Jan. 3	<i>Memorandum by the Chief of the Office of Arms and Munitions Control</i> Conversation with Mr. Francis Gibbs, naval architect, who said that the Soviet Government wished him to prepare plans for two modern destroyers in addition to plans for a 45,000-ton battleship.	869
Feb. 14 (72)	<i>From the Chargé in the Soviet Union (tel.)</i> Information that a "special mission for the Soviet Navy" (consisting of eight officers headed by Admiral Isaakov) will sail shortly for the United States; assumption that the special mission will participate in further negotiations between Gibbs and Cox, Inc., and Carp Export and Import Corporation.	871
Feb. 28	<i>To the Chargé of the Soviet Union</i> Transmittal of data (previously requested) concerning machinery used in the construction of the Fort Peck and Sardis dams. Objection of Navy and War Departments, however, to General Electric Company's acceptance of foreign orders, or release of any information, involving the development or construction of turbo superchargers.	871
Mar. 3	<i>Memorandum by the Chief of the Division of Controls</i> Conversation with Gibbs concerning procedures for the proposed construction of destroyers, and his intention to discuss these matters with the Soviet naval mission.	872
Mar. 22	<i>Memorandum by the Chief of the Division of Controls</i> Conversation with Carp officials, who urged that inspection of Gibbs' revised battleship plans be expedited.	873
Apr. 14	<i>Memorandum by the Chief of the Division of Controls</i> Conversation with Gibbs concerning the problem of obtaining ordnance plans and specifications for the proposed destroyers.	874
May 12	<i>Memorandum by the Chief of the Division of Controls</i> Conversation with Captain Joyce, of Gibbs and Cox, Inc., who gave a résumé of developments in negotiations with the Soviet naval mission.	876
May 20	<i>To Gibbs and Cox, Inc., New York, N. Y.</i> Navy Department's objection to the release of plans and data concerning destroyer designs to the Soviet Union, and reasons therefor.	878

EFFORTS BY SOVIET AGENCIES TO PURCHASE WARSHIPS, NAVAL ARMAMENT, AND OTHER WAR MATERIALS IN THE UNITED STATES—Continued

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1939 May 22	<i>Memorandum by the Chief of the Division of Controls</i> Telephone conversation with Gibbs, who stated his intention to point out to the Navy Department discrepancies between the statements made to him with respect to construction of a battleship and the decisions now made in connection with destroyers.	879
May 27	<i>Memorandum by the Chief of the Division of Controls</i> Telephone conversation with Mr. Scott Ferris, Carp attorney, who gave a résumé of his conversation with President Roosevelt concerning the battleship and destroyer negotiations, and subsequent improvement in Navy's attitude due to the President's intervention in the matter.	882
June 17	<i>From the Ambassador of the Soviet Union</i> Résumé of negotiations to date on proposed battleship construction, and inquiry as to whether the U. S. Government would authorize designing and construction of modern destroyers for the Soviet Union provided no armament is included.	883
June 21	<i>Memorandum by the Chief of the Division of Controls</i> Conversation with Assistant Secretary of the Navy Edison, who expressed his desire to facilitate the transactions for construction of naval vessels in accordance with the President's wishes.	884
June 22	<i>To the Ambassador of the Soviet Union</i> Understanding that Gibbs and Cox, Inc., were informed on June 19 that the Navy Department had no objection, on grounds of military secrecy, to the most recent plans and specifications submitted; that Gibbs will submit any desired modifications of the designs.	885
June 23	<i>Memorandum by the Chief of the Division of Controls</i> Résumé of events brought about by Soviet Ambassador's interference in the matter of construction of war vessels.	887
June 23	<i>Memorandum by the Assistant Chief of the Division of European Affairs</i> Conversation with the Soviet Ambassador, who took a pessimistic view of the situation relative to proposed construction of naval vessels.	889
July 5	<i>Memorandum by the Chief of the Division of Controls</i> Telephone conversation with Gibbs, who was informed of the substance of a forthcoming Navy Department communication containing certain technical decisions.	890
July 20	<i>To Gibbs and Cox, Inc., New York, N. Y.</i> Navy Department's opinion that no installation or designs not thoroughly service-tested should be offered by the designers to the U. S. S. R.	891
July 20	<i>Memorandum by the Chief of the Division of Controls</i> Probability that United Aircraft Corp. will enter into contract with Amtorg for the manufacture of aircraft engines.	892
July 21	<i>Memorandum by the Chief of the Division of Controls</i> Information from Gibbs that the Soviet naval mission has been authorized to proceed with the purchase of two destroyers to be constructed in accordance with plans recently approved by the Navy Department.	893

EFFORTS BY SOVIET AGENCIES TO PURCHASE WARSHIPS, NAVAL ARMAMENT, AND OTHER WAR MATERIALS IN THE UNITED STATES—Continued

Date and number	Subject	Page
1939 July 27	<i>Memorandum by the Chief of the Division of Controls</i> Intention of International General Electric Co., Inc., to prepare quotations in the hope of securing a contract for propulsion equipment for use in the Soviet destroyers.	893
Aug. 17	<i>To Gibbs and Cox, Inc., New York, N. Y.</i> Navy Department's comments on the revised plans and specifications drawn up by Gibbs for the construction of two destroyers for the Soviet Union.	894
Aug. 24	<i>From the Chargé of the Soviet Union</i> Soviet Government's desire to obtain as much information as possible concerning U. S. submarine rescue equipment. (Footnote: Information that a copy of the pamphlet, <i>Submarine Safety—Respiration and Rescue Devices</i> , was transmitted to the Soviet Chargé on October 26.)	895
Sept. 6	<i>Memorandum by the Chief of the Division of Controls</i> Telephone conversation with Acting Secretary of the Navy Edison concerning inquiry of Gibbs as to whether the international situation will bring about a change in U. S. policy with respect to construction of naval vessels for the Soviet Union; Edison's concurrence in opinion that it is unnecessary to make a change in policy at present.	895
Sept. 16	<i>Memorandum by the Chief of the Division of Controls</i> Further conversation with Edison, and agreement as to the inadvisability of announcing, at present, any change of policy.	896
Oct. 3	<i>To Gibbs and Cox, Inc., New York, N. Y.</i> Substance of a letter from Navy Department indicating that no change has been made in Navy policy, but that the proposed Soviet construction may be postponed due to large demands on American shipbuilding facilities for U. S. requirements.	898
Oct. 9	<i>Memorandum by the Chief of the Division of Controls</i> Telephone conversation with Gibbs, who stated that in view of the present situation in Europe he would drop the Soviet project. (Footnote: Information that Gibbs sent a copy of Department's letter of October 3 to the Soviet naval mission and to Amtorg on October 9.)	899
Nov. 8	<i>To the International General Electric Company, Inc., New York, N. Y.</i> Information from the Navy Department that expansion of the U. S. Navy and the continued program of the U. S. Maritime Commission will tax to the limit the facilities for manufacturing marine propelling and auxiliary machinery. (Footnote: Information that similar letters were addressed to five other manufacturers; that Navy's purpose was to furnish these companies with a suitable excuse for breaking off negotiations with the Soviet representatives, if desired.)	899
Nov. 18	<i>To Gibbs and Cox, Inc., New York, N. Y.</i> Advice that the Navy Department does not desire that the plans and specifications for the destroyers be transmitted either in whole or in part to the Soviet representatives.	900

EFFORTS BY SOVIET AGENCIES TO PURCHASE WARSHIPS, NAVAL ARMAMENT, AND OTHER WAR MATERIALS IN THE UNITED STATES—Continued

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1939 Nov. 21	<i>To the International General Electric Company, Inc., New York, N. Y.</i> Advice of Navy decision that detailed drawings and supplementary information regarding propulsion equipment for destroyers should be supplied only upon completion of the equipment and after its actual sale and delivery to the purchaser.	901
Nov. 28	<i>Memorandum by the Chief of the Division of Controls</i> Nonobjection to Gibbs' sending a copy of Department's letter of November 18 to Soviet representatives.	901
Dec. 1	<i>Memorandum by the Chief of the Division of Controls</i> Conversation with Assistant Secretary of War, who stated his opinion that the Soviet Union will attempt to close contracts with a number of American airplane manufacturers within the next few days.	902
Dec. 4	<i>Memorandum by the Chief of the Division of Controls</i> Telephone conversation with the president of the Curtiss-Wright Corp., who stated his intention to break off negotiations with the Soviet representatives.	903

ARREST AND DETENTION OF AMERICAN CITIZENS BY THE SOVIET GOVERNMENT IN CONTRAVENTION OF THE UNDERTAKING OF NOVEMBER 16, 1933

1939 Jan. 6 (2)	<i>To the Chargé in the Soviet Union (tel.)</i> Instructions to continue to press the Foreign Office for a definite reply concerning the welfare of Mrs. Ruth Marie Rubens and the status of her case.	904
Jan. 20 (2029)	<i>From the Chargé in the Soviet Union</i> Embassy's fruitless efforts to obtain information regarding the disappearance of E. J. Nousiainen, American citizen of dual nationality; opinion that the Foreign Office is still unable to obtain such information from Soviet internal authorities.	904
Mar. 9 (2163)	<i>From the Chargé in the Soviet Union</i> Account of repeated representations in behalf of Mrs. Rubens and of the unyielding obstructionist attitude of the Soviet authorities in the matter.	905
Apr. 15 (40)	<i>To the Chargé in the Soviet Union (tel.)</i> Instructions to address a note to the Foreign Office (text printed) requesting immediate disposition of the Rubens case. (Footnote: Information that note was delivered on April 17.)	906
Apr. 18 (2259a)	<i>From the Chargé in the Soviet Union</i> Advice that a <i>note verbale</i> was handed to Potemkin, April 17, requesting an immediate interview with Arthur J. Kujala, American citizen under arrest.	907
June 7 (294)	<i>From the Chargé in the Soviet Union (tel.)</i> Receipt of information that a judgment will be rendered shortly in the Rubens case; advice that permission has been requested for admittance to the trial.	908

ARREST AND DETENTION OF AMERICAN CITIZENS BY THE SOVIET GOVERNMENT IN
CONTRAVENTION OF THE UNDERTAKING OF NOVEMBER 16, 1933—Continued

Date and number	Subject	Page
1939 June 9 (298)	<i>From the Chargé in the Soviet Union (tel.)</i> Information from the Foreign Office concerning time and place of the Rubens trial. (Footnote: Résumé of the trial, and expectation that detention of Mrs. Rubens will end on June 10, 1939.)	908
June 14 (311)	<i>From the Chargé in the Soviet Union (tel.)</i> Request for Department's views as to further representations in the case of Mrs. Rubens, in view of the evasive attitude of the Foreign Office regarding her whereabouts.	909
June 15 (65)	<i>To the Chargé in the Soviet Union (tel.)</i> Instructions to request an interview with Potemkin or Molotov and present a note (substance printed) requesting information on Mrs. Rubens and an immediate interview with her.	909
June 17 (321)	<i>From the Chargé in the Soviet Union (tel.)</i> Résumé of an interview with Potemkin, and Potemkin's promise to expedite the matter. (Footnote: Information concerning the outcome of the Rubens case.)	911
July 24 (607)	<i>To the Chargé in the Soviet Union</i> Department's opinion (in reply to a previous inquiry) that the Embassy should continue its representations on behalf of E. J. Nousiainen.	912
July 25 (406)	<i>From the Chargé in the Soviet Union (tel.)</i> Information regarding certain Soviet restrictions in the Kujala case; request for Department's views before discussing the matter further with Potemkin.	912
July 28 (107)	<i>To the Chargé in the Soviet Union (tel.)</i> Instructions for setting forth firmly the U. S. position in the Kujala case.	913
Dec. 13 (232)	<i>To the Ambassador in the Soviet Union (tel.)</i> Authorization to address a note to the Foreign Office pointing out apparent violations of the Litvinov pledge in the Kujala case.	914
Dec. 15	<i>From the American Ambassador in the Soviet Union to the People's Commissar for Foreign Affairs of the Soviet Union</i> Review of the Kujala case and citation of the Litvinov pledge of November 16, 1933; request for an explanation of the course pursued by the Soviet Government.	914
Dec. 27 (236)	<i>From the Ambassador in the Soviet Union</i> Unsatisfactory Soviet reply, December 22 (text printed), to the Ambassador's note of December 15; Ambassador's reply thereto, December 27 (text printed).	915

ARREST IN THE UNITED STATES OF A SOVIET CITIZEN CHARGED WITH VIOLATION OF THE ESPIONAGE LAWS

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1939 Mar. 2	<i>Memorandum by the Chief of the Division of European Affairs</i> Conversation with the Soviet Chargé concerning recent developments in the Gorin case; Chargé's protest on two matters which had arisen in the course of the trial.	918
Mar. 6	<i>Memorandum by the Chief of the Division of European Affairs</i> Conversation with the Soviet Chargé, who reiterated his requests for redress in the Gorin case.	920
Mar. 10	<i>Memorandum by the Assistant Chief of the Division of European Affairs</i> Reiteration of complaints by the Soviet Chargé, who employed threatening language in setting forth his views.	921
Mar. 16	<i>From the Director of the Federal Bureau of Investigation</i> Summary of the most recent developments in the Gorin case, including a verdict of guilty.	922
Mar. 18	<i>From the Embassy of the Soviet Union</i> Representations against certain remarks and the general conduct of the Federal Attorney during the Gorin trial.	922
Mar. 24	<i>To the Chargé of the Soviet Union</i> Information that a copy of the Soviet memorandum of March 18 has been transmitted to the Attorney General of the United States for consideration.	925
	(Editorial note: Information that Gorin was sentenced on March 20 to 6 years' imprisonment and a fine of \$10,000; reference to subsequent developments in the case.)	926

DIFFICULTIES WITH THE SOVIET GOVERNMENT OVER THE REQUIREMENT FOR THE REGISTRATION OF AGENTS IN THE UNITED STATES OF FOREIGN PRINCIPALS

1939 Mar. 30	<i>To All Chiefs of Mission in the United States (circ.)</i> Request for registration with the State Department of officers and employees of foreign Governments residing in, or engaged in activities in, the United States.	926
Apr. 20	<i>Memorandum by the Assistant Secretary of State</i> Opinion that the Department must insist upon prompt and full compliance with the circular note of March 30, notwithstanding complaints already received from the Soviet Embassy.	928
Aug. 8	<i>To the Embassy of the Soviet Union</i> Explanation of the purpose of the circular note of March 30, and assurance that the procedure outlined therein will be required of all Missions with no thought of discrimination.	930
Dec. 20 (1117)	<i>From the Ambassador in the Soviet Union (tel.)</i> Summary of a memorandum from the Foreign Office setting forth Soviet position concerning the institution, in the United States, of criminal proceedings against members of the board of directors of the Bookniga Corp. for violation of the law concerning registration of foreign agents.	931
Dec. 22 (311)	<i>To the Ambassador in the Soviet Union (tel.)</i> Enumeration of points to be used in making reply to the Foreign Office regarding charges against the Bookniga Corp.	933

PRESSURE BY THE SOVIET UNION UPON ESTONIA, LATVIA, AND LITHUANIA TO
CONCLUDE PACTS OF MUTUAL ASSISTANCE

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1939		
Apr. 16 (29)	<i>From the Chargé in Latvia (tel.)</i> Advice of a Soviet <i>démarche</i> , March 27, to Estonia and Latvia, expressing interest in maintenance of independence of both countries; Latvian oral reply, April 7, indicating intention to resist any attempt to impair that independence.	934
Apr. 19 (13)	<i>From the Chargé in Estonia (tel.)</i> Estonian reply of April 7 (to Soviet <i>démarche</i> of March 27) that the Estonian Government cannot consent to any restriction of its sovereignty nor share with any other state the responsibility for protection of its rights.	935
June 8 (473 Diplo.)	<i>From the Chargé in Lithuania</i> Opinion of Latvian and Estonian Ministers that the smaller states in the Baltic region should pursue a policy of absolute neutrality; that they should avoid any appearance of association with either of the groups of Great Powers against the other.	935
June 22 (329)	<i>From the Chargé in the Soviet Union (tel.)</i> Advice that the representatives of the three Baltic States are making no attempt to disguise their distrust of Soviet intentions toward the Baltic region.	937
Sept. 5 (43)	<i>From the Chargé in Estonia (tel.)</i> Disinclination of Estonian officials to place credence in rumors of a secret understanding between Germany and the Soviet Union contemplating Soviet occupation of Estonia.	938
Sept. 17 (153)	<i>From the Minister in Latvia (tel.)</i> Molotov's notification to the Baltic States that their independence will be respected if they observe favorable neutrality.	938
Sept. 23 (599)	<i>From the Ambassador in the Soviet Union (tel.)</i> Information that the Estonian Foreign Minister will arrive in Moscow, September 24, to sign a commercial treaty with the Soviet Union providing for enlarged transit and storage facilities for supplies; possibility that important political questions might be discussed also.	939
Sept. 25 (609)	<i>From the Ambassador in the Soviet Union (tel.)</i> Conjectures regarding the sudden return to Tallinn of the Estonian Foreign Minister after an interview at the Kremlin on September 24.	940
Sept. 26 (614)	<i>From the Ambassador in the Soviet Union (tel.)</i> Possible relation of the proposed Soviet-Estonian commercial treaty to the operation of the U. S. Neutrality Act.	940
Sept. 26 (620)	<i>From the Ambassador in the Soviet Union (tel.)</i> Confidential information that the Kremlin had made greater demands of the Estonian Foreign Minister on September 24 than those already in the treaty which he was prepared to sign.	941
Sept. 27 (622)	<i>From the Ambassador in the Soviet Union (tel.)</i> Tass communique, September 27 (text printed), announcing institution of Soviet-Estonian conversations concerning measures for safeguarding Soviet waters against diversionist acts of foreign submarines hiding in Baltic waters.	941
Sept. 27 (197)	<i>From the Chargé in Latvia (tel.)</i> Foreign Office opinion that Ribbentrop's visit to Moscow is connected with the present Soviet-Estonian discussions; that Latvia is not involved in these conversations.	942

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CONCLUDE PACTS OF MUTUAL ASSISTANCE—Continued

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1939 Sept. 28 (66)	<i>From the Minister in Estonia (tel.)</i> Meeting scheduled in Moscow, September 28, for discussion of Soviet-Estonian security agreement; new Soviet demands to include garrisons.	943
Sept. 28 (68)	<i>From the Minister in Estonia (tel.)</i> Signature of mutual assistance agreement by Foreign Minister on September 28.	943
Sept. 28 (70)	<i>From the Minister in Estonia (tel.)</i> Résumé of concessions set forth in the Soviet-Estonian agreement, and advice that formal signature may not have taken place as previously reported; general opinion that Finland is next on Soviet agenda, Latvia second.	944
Sept. 29 (648)	<i>From the Ambassador in the Soviet Union (tel.)</i> Formal signature, September 28, of Soviet-Estonian mutual assistance agreement for 10 years, practically amounting to a Soviet military protectorate over Estonia.	944
Oct. 2 (75)	<i>From the Chargé in Estonia (tel.)</i> Arrival of Soviet military technical committees to arrange for the delimitation of the naval and air bases provided for in the Soviet-Estonian pact, which will be formally ratified on October 3.	945
Oct. 2 (219)	<i>From the Minister in Latvia (tel.)</i> Information of sharp division in the Cabinet concerning future course to be pursued by Latvia; Foreign Minister's request for full authorization to conclude negotiations in Moscow with the Soviet Government.	945
Oct. 2	<i>Memorandum by the Assistant Chief of the Division of European Affairs</i> Inquiry of Lithuanian Minister as to U. S. attitude toward possible acceptance by his Government of the Vilna territory if offered by the Soviet Government; Minister's enumeration of certain factors in favor of the transfer.	946
Oct. 3 (46)	<i>From the Minister in Lithuania (tel.)</i> Information that a delegation of Lithuanian officials are en route to Moscow for consultation at Molotov's invitation.	948
Oct. 3 (666)	<i>From the Ambassador in the Soviet Union (tel.)</i> Press announcements of forthcoming Soviet discussions with Latvian and Lithuanian representatives.	948
Oct. 3 (497)	<i>From the Minister in Latvia</i> Analysis of the terms of the Soviet-Estonian mutual assistance pact; opinion that Estonia is only the starting point in Baltic concessions desired by the Soviet Government.	949
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Oct. 4 (673)	<i>From the Ambassador in the Soviet Union (tel.)</i> Press reports of arrival of the Lithuanian Foreign Minister and his consultation with high officials on October 3.	952
Oct. 4 (81)	<i>From the Chargé in Estonia (tel.)</i> Résumé of terms of Soviet-Estonian commercial treaty, and information that its implementation will depend largely upon how the mutual assistance pact will develop.	952

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Oct. 5 (47)	<i>From the Minister in Lithuania (tel.)</i> Confidential information that the Soviet Government has offered to Lithuania the Vilna territory in exchange for a full mutual assistance pact; that a commission will leave for Moscow shortly.	956
Oct. 5 (687)	<i>From the Ambassador in the Soviet Union (tel.)</i> Advice that the Soviet-Latvian pact was signed on October 5, but that the text has not been released.	956
Oct. 6 (87)	<i>From the Minister in Estonia (tel.)</i> Substance of secret protocol which supplemented Soviet-Estonian pact of mutual assistance, and comments as to its significance.	957
Oct. 6 (690)	<i>From the Ambassador in the Soviet Union (tel.)</i> Résumé of terms of the Soviet-Latvian pact, and summary of a communiqué (excerpt printed) published simultaneously with announcement of the treaty on October 6.	958
Oct. 6 (693)	<i>From the Ambassador in the Soviet Union (tel.)</i> Summary of <i>Pravda</i> and <i>Izvestiya</i> editorials, October 6, concerning the Soviet-Latvian pact.	960
Oct. 7	<i>Memorandum by the Chief of the Division of European Affairs</i> Conversation with the Latvian Minister regarding the Soviet-Latvian pact.	961
Oct. 7 (702)	<i>From the Ambassador in the Soviet Union (tel.)</i> Observations of the German Ambassador on Soviet penetration into the Baltic, and Soviet-German relations in general.	962
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Oct. 10 (721)	<i>From the Ambassador in the Soviet Union (tel.)</i> Belief that delay in the conclusion of a Soviet-Lithuanian agreement has resulted from enlarged Soviet demands.	963

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Oct. 11 (723)	<i>From the Ambassador in the Soviet Union (tel.)</i> Signature of Soviet-Lithuanian pact, October 10, similar to the Estonian and Latvian pacts; information that the Vilna territory will be ceded to Lithuania.	965
Oct. 11 (50)	<i>From the Minister in Lithuania (tel.)</i> Information that announcement of the return of Vilna has been enthusiastically received, but that the withdrawal of German minority from the Baltic States is viewed with disfavor by the Foreign Office.	965
Oct. 12 (733)	<i>From the Ambassador in the Soviet Union (tel.)</i> Signature, October 12, of protocol concerning the disposition of Soviet land and air forces in Estonia.	966
Oct. 12 (253)	<i>From the Minister in Latvia (tel.)</i> Exchange of ratifications of the Soviet-Latvian mutual assistance pact.	966
Oct. 13 (737)	<i>From the Ambassador in the Soviet Union (tel.)</i> Soviet ratification of the Soviet-Lithuanian mutual assistance pact. (Footnote: Ratification by Lithuania on October 14, and exchange of ratifications on October 16.)	967
Oct. 13 (590 Diplo.)	<i>From the Minister in Lithuania</i> Interview with the Vice Prime Minister, who told of the discussions leading up to and following the actual signing of the pact.	967
Oct. 14 (263)	<i>From the Minister in Latvia (tel.)</i> Arrival of a Soviet military delegation, October 13, from Tallinn and Moscow.	969
Oct. 14 (102)	<i>From the Chargé in Estonia (tel.)</i> Report of general acquiescent attitude toward the new situation created by the mutual assistance pact.	969
Oct. 17 (762)	<i>From the Ambassador in the Soviet Union (tel.)</i> Press announcement of signature on October 15 of a Soviet-Lithuanian trade agreement for 1939-40.	970
Oct. 19 (771)	<i>From the Ambassador in the Soviet Union (tel.)</i> Press announcement of signature of a Soviet-Latvian trade agreement.	970
Oct. 19	<i>From the Polish Ambassador</i> Formal protest of the Polish Government to the Lithuanian Government against its acceptance of any territory ceded by the Soviet Union which does not belong to the Soviet Union.	971
Oct. 20	<i>To the Polish Ambassador</i> Acknowledgment of Polish note of October 19.	971
Oct. 21 (600 Diplo.)	<i>From the Minister in Lithuania</i> Discussion with the Vice Prime Minister regarding certain phases of the Vilna question.	971

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Oct. 27 (291)	<i>From the Minister in Latvia (tel.)</i> Information from the Lithuanian Minister that the delay in the occupation of the Vilna territory has been due to difficulties with the Soviet commission in Kaunas.	976
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Nov. 7 (300)	<i>From the Chargé in Latvia (tel.)</i> Further report on Soviet troop movements.	978
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Dec. 5 (141)	<i>From the Minister in Estonia (tel.)</i> Advice that certain tension exists due to fear of further Soviet pressure; that economic relations with Soviet Union, however, appear to be satisfactory.	979
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Dec. 14 (634) Diplo.)	<i>From the Chargé in Lithuania</i> Advice that since the entry of Soviet troops and the cession of Vilna, there has been no new development in Soviet-Lithuanian relations; that various commissions are still working out details of the new boundary and other matters.	981
Dec. 15 (155)	<i>From the Minister in Estonia (tel.)</i> Return of the Estonian military delegation, whose visit to the Kremlin was described by a Foreign Office official as "most reassuring".	981

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Dec. 22 (602)	<p><i>From the Minister in Latvia</i> Abstention of the three Baltic Foreign Ministers from voting at Geneva on the question of expulsion of the Soviet Union from the League of Nations. (Footnote: Information that the Soviet Union was expelled from the League of Nations on December 14 because of its aggression against Finland.)</p>	984

DETENTION OF THE AMERICAN VESSEL "CITY OF FLINT" AND ITS CREW AS A GERMAN PRIZE IN THE PORT OF MURMANSK

1939 Oct. 23 (202)	<p><i>To the Ambassador in the Soviet Union (tel.)</i> Instructions to obtain from Soviet authorities further information concerning a Tass report of the detention of the American steamer <i>City of Flint</i> at a Soviet port with a German prize crew on board. (Footnote: Information concerning the vessel and its earlier itinerary.)</p>	984
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Oct. 24 (793)	<p><i>From the Ambassador in the Soviet Union (tel.)</i> Interview with Potemkin, who had no new facts regarding the detention of the <i>City of Flint</i> as yet.</p>	986
Oct. 24 (208)	<p><i>To the Ambassador in the Soviet Union (tel.)</i> Outline of legal contentions as basis for requesting Soviet release of the <i>City of Flint</i> with its American crew.</p>	986
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Oct. 25 (799)	<p><i>From the Ambassador in the Soviet Union (tel.)</i> Discussion of the <i>City of Flint</i> incident with Potemkin, who gave assurance that American officers and crew were safe on board, and promised to expedite conclusion of the matter.</p>	989
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1933

RECOGNITION BY THE UNITED STATES OF THE SOVIET UNION,
NOVEMBER 16, 1933¹

861.01/1786

The Secretary of State to Senator William E. Borah

WASHINGTON, September 8, 1932.

MY DEAR SENATOR: When your letter of August twenty-fifth² arrived, I was away on a short vacation from which I have only just returned.

I am very much obliged to you for writing me on the subject you mention. It has already been giving me grave concern and I am now giving it close attention. When I returned from Geneva last spring, where the subject of recognition of Russia was brought up to me indirectly by conversations which had taken place between Russian representatives and some other members of the American Delegation, I requested the Far Eastern Division of the Department to make me a memorandum of the pros and cons of such a step as they saw it. I am sending you in confidence a copy of their memorandum.² When you have read it, will you be good enough to return it to me? That memorandum, as you see, reached conclusions which were dependent upon the situation as it then existed.

My own conclusions at that time were roughly as follows:

In the Far Eastern situation the United States was making a fight of world-wide importance for the integrity of international obligations. We were trying to buttress the great peace treaties which had been negotiated since the end of the war by developing in behalf of them an international sentiment throughout the world in support of good faith and the sacredness of keeping international promises.³ We were doing this solely by pacific means, endeavoring to enlist behind our movement the support of a world opinion and avoiding anything which approached force or political alliances.

¹ For correspondence concerning the refusal of the United States to recognize the Soviet regime in Russia, see *Foreign Relations*, 1923, vol. II, pp. 755 ff.

² Not printed.

³ Cf. Secretary Stimson's letter to Senator Borah quoted in telegram No. 50, February 24, 1932, 2 p. m., to the Consul General at Shanghai, *Foreign Relations*, Japan, 1931-1941, vol. I, p. 83.

If under these circumstances and in this emergency we recognized Russia in disregard of her very bad reputation respecting international obligations and in disregard of our previous emphasis upon that aspect of her history, the whole world, and particularly Japan, would jump to the conclusion that our action had been dictated solely by political expedience and as a maneuver to bring forceful pressure upon Japan. We should thereby lose the moral standing which we had theretofore held in the controversy with Japan. She would regard us as merely an opportunist nation, seeking to enforce a selfish anti-Japanese policy against her by the usual maneuvers of international policies. I felt that this loss of moral standing would be so important that we could not afford to take the risk of it. However innocent our own motives might be, they would certainly be misunderstood by the world at large and particularly by Japan, and that misunderstanding would destroy much of the influence of the moral pressure which we have been endeavoring to exert.

I have heard rumors much to the effect of those you mention in your letter as to possible negotiations between Japan and Russia. Very likely some temporary understanding is being attempted, but I believe it must be very transitory. The rivalry between those two nations in respect to Manchuria is so keen and the lack of confidence of each in the promises of the other so real, that it is very unlikely that they have entered into any substantial or permanent relation of mutual support and assistance. Their interests are too antagonistic for that.

The foregoing are the best conclusions that I can reach on the information at hand and under the present pressure. I should be very happy if you would give me your criticism of them in case you have any time to do so. You know with what respect I always receive your views.

May I say also that I have read recent press despatches with very great interest which indicate that you are going to continue your speeches of education in respect to the foreign debts. I believe you have already performed in that respect one of the greatest of your many great public services by the speech which you made here, and I shall look forward with great interest to any further steps which you may take in that direction.

With kindest personal regards to Mrs. Borah and yourself, I am,

Very sincerely yours,

HENRY L. STIMSON

861.01/1853

*The Military Attaché in Japan (McIlroy) to the Assistant Chief of Staff (Smith)*⁴

[Tokyo,] February 23, 1933.

1. Today at a luncheon given me by the dean of the Military Attachés, the Soviet Military Attaché sought me out and talked at length very frankly. The gist of his conversation was that:—

It is to the interest of both the United States and the USSR to come to some friendly understanding.

The Soviets would be glad to pay the small debts owed to America but that would necessitate the recognition of debts elsewhere, the total of which is very large.

That instead of recognizing those debts, the Soviets would be glad to arrange something else that would be the equivalent of paying the debts.

That the propaganda question is a difficult one for them to make any promises about, as it is difficult for them to control.

That two years ago, Japan could have taken the Maritime Province and Amur Province, but now he doubted very much their ability to do so. In this connection, he mentioned their superiority in tanks and their ability to produce many times the number of tanks that the Japanese can produce.

That the Japanese now have about 300 tanks.

J. G. McILROY
Lieut. Colonel, G.S.

661.1115/535

The Secretary of State to Mr. Fred L. Eberhardt

WASHINGTON, March 3, 1933.

SIR: Your letter of February 11, 1933⁵ has been received, and the constructive spirit in which you comment therein regarding the policies of this Government with respect to the present régime in Russia is appreciated.

The Department is not in a position at the present time, of course, to make any statement with respect to the attitude which will be taken towards the matters discussed by you by the administration which will come into office on March 4, 1933. I can assure you, however, that those who have participated in the formulation of the policies of this Government with respect to the Soviet régime have given much thought

⁴ Copy transmitted to the Department by the War Department, March 21.

⁵ Not printed.

to the question of how trade relations between this country and Russia may be conducted most advantageously under present conditions, and that they have made decisions of policy with respect to Russia only after a careful consideration of the various factors involved, including the effect which such decisions might have upon the interests of American manufacturers and producers.

It would appear from your letter that you have already made some study of the reasons which have prompted this Government to refrain from according recognition to the present régime in Russia. For your further information in this connection, there is being enclosed certain material,⁶ an examination of which will disclose the fact that this Government has taken the position that it would be unwise for it to enter into relations with the Soviet régime so long as the present rulers of Russia persist in aims and practices in the field of international relations which are inconsistent with international friendship.

It has been the desire of this Government to see established a sound foundation upon which trade and intercourse between the United States and Russia may develop and flourish to the benefit of the peoples of both countries. This Government has been of the opinion, however, that any real or lasting benefit to the people of the United States would not be attained by the establishment of relations with Russia until the present rulers of that country have given evidence that they are prepared to carry out in good faith the international obligations which experience has demonstrated are essential to the development of friendly intercourse and commerce between nations.

As you are aware, this Government, although not prepared to enter into diplomatic relations with the present régime in Russia, imposes no restrictions on trade with that country, nor has it objected to the financing incidental to ordinary current commercial intercourse between the two countries or to banking arrangements necessary to finance contracts for the sale of American goods on long term credits, providing such financing did not involve the sale of securities to the public. As is pointed out by Mr. Kellogg in a statement made when he was Secretary of State, a copy of which is enclosed,⁷ the Department has endeavored to reduce to a minimum the difficulties affecting commercial relations between the United States and Russia. During the years 1924–1931, inclusive, a substantial trade developed between the two countries in which your firm appears to have participated.

⁶ Only one of the enclosures is printed; see footnote 7 below.

⁷ The enclosure (an excerpt from a statement entitled "Foreign Relations") is printed in *Foreign Relations*, 1928, vol. III, p. 822.

The marked decrease in our exports to Russia which took place during the last year has not been due to the absence of diplomatic relations between the United States and Russia, but primarily to the decline of Russia's purchasing power and to the circumstance that credit terms more favorable than American exporters have been willing to grant have become available to Soviet purchasing agencies in various other countries, such as Germany, England, Italy, et cetera, as a result of the fact that the Governments of those countries have been underwriting credits extended by their nationals to such agencies.

It is not believed that the mere act of recognition of the Soviet régime would make it possible for the Soviet authorities appreciably to increase their purchases in the United States. There is no question that at the present time the rulers of Russia are desirous, in their own interests, of purchasing more goods in this country. Their inability to increase their purchases appears to arise from the circumstance that they are unable either to pay in cash, or, as your letter suggests, to obtain credit terms acceptable to them.

In my opinion, recognition would not appreciably alter the factors responsible for the credit standing of the Soviet régime in this country, and therefore would not be likely to bring about any material improvement in the credit terms offered to that régime. You will find that recognition of the Soviet régime by the Governments of other countries has not resulted in any material change in the attitude of the business men of those countries with respect to the risks involved in granting credits to that régime. According to the Department's understanding, the discount rate of Russian trade acceptances which are not covered by governmental guarantees is practically the same in those countries as it is in countries the Governments of which have not recognized the Soviet régime. It is my belief, therefore, that the establishment of relations with Russia under present conditions would not appreciably alter the attitude of your banking connections with respect to Russian trade acceptances.

In concluding, I desire to emphasize that the American Government has not failed to realize the importance to American firms, during the present period of depression, of obtaining foreign orders, and that the present situation with respect to Russian-American trade has not developed as a result of the indifference of the Government to the interests of its nationals engaged in manufacture and commerce.

Very truly yours,

For the Secretary of State:
W. R. CASTLE, JR.
Under Secretary

711.61/287%

*Memorandum by the Chief of the Division of
Eastern European Affairs (Kelley)* ⁸

[WASHINGTON, July 27, 1933.]

PROBLEMS PERTAINING TO RUSSIAN-AMERICAN RELATIONS WHICH, IN
THE INTERESTS OF FRIENDLY RELATIONS BETWEEN THE UNITED STATES
AND RUSSIA, SHOULD BE SETTLED PRIOR TO THE RECOGNITION OF THE
SOVIET GOVERNMENT

In order that the United States may derive from the recognition of the Soviet government the benefits which normally follow the recognition of a foreign Government, the recognition of the Soviet government should involve the establishment of relations with Russia on a basis which would render possible the maintenance of friendly cooperation between the Governments of the United States and Russia and the development of trade and intercourse between the two countries. The experience of countries which have extended recognition to the Soviet government has shown pretty conclusively, it is believed, that there are serious obstacles in the way of the establishment of relations with Russia on such a basis, and that so long as these obstacles remain, official relations, established as a result of recognition, tend to become, in view of the extraordinary nature of these obstacles, the source of friction and ill will rather than the mainspring of cooperation and good will. It would seem essential, therefore, that every endeavor should be made to remove these obstacles prior to the extension of recognition. Until a substantial basis of mutual understanding and common principles and purposes has been established, official intercourse, with its increased contacts, is bound to lead to friction and rancor. Formal diplomatic relations may be established, but the substance of a useful relationship will be lacking, as much for the Russians as for ourselves, unless and until we have cleared up the existing difficulties through mutual agreement and work out a *modus vivendi* for the future.

PROBLEM OF COMMUNIST WORLD REVOLUTIONARY ACTIVITIES

The fundamental obstacle in the way of the establishment with Russia of the relations usual between nations in diplomatic intercourse is the world revolutionary aims and practices of the rulers of that country. It is obvious that, so long as the Communist regime continues to carry on in other countries activities designed to bring about ultimately the overthrow of the Government and institutions of these countries, the establishment of genuine friendly relations between

⁸ Copy handed to President Roosevelt by the Acting Secretary of State, July 27.

Russia and those countries is out of the question. Even when these activities do not constitute a present menace to the established order, the systematic interference of a foreign power in the domestic affairs of a country constitutes *ipso facto* a source of deep resentment and unavoidable friction. The persistence of such interference after diplomatic relations have been established leads inevitably either to the rupture of relations—as has taken place in the case of England, China, and Mexico,—or to serious tension and the reduction of the existing diplomatic relations to a barren, meaningless relationship—as has taken place at times in the case of France, Germany, Poland, et cetera. It would seem, therefore, that an essential prerequisite to the establishment of harmonious and trustful relations with the Soviet government is the abandonment by the present rulers of Russia of their world revolutionary aims and the discontinuance of their activities designed to bring about the realization of such aims. More specifically and with particular regard to the United States, this prerequisite involves the abandonment by Moscow of direction, supervision, control, financing, et cetera, through every agency utilized for the purpose, of communist and other related activities in the United States.

QUESTION OF REPUDIATED DEBTS AND CONFISCATED PROPERTY

Another serious difficulty in the way of establishment of mutually advantageous relations with the Soviet government is the unwillingness of that government to observe certain generally accepted principles governing the conduct of nations towards each other. Among these principles 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, and the duty of a Government to honor the financial obligations contracted by a State under preceding Governments. The Soviet government has confiscated the property of foreign nationals in Russia and has repudiated the contractual obligations of Russia to foreign Governments and foreign nationals. It is to be noted that through these acts not only has damage been done to the interests of foreign States, but what is more important, the Soviet government has rejected international obligations which the experience of mankind has demonstrated are vital to the satisfactory development and maintenance of commerce and friendly intercourse between nations. These acts have severely handicapped the development of commercial relations between Russia and foreign countries, since they have practically destroyed the basis of ordinary credit to the Soviet government or Soviet organizations. Any substantial improvement of Russian credit would appear to be unlikely until a settlement has been reached with respect to repudiated bonds and confiscated property, and until Russia

has furnished adequate evidence of its purpose to maintain its international relations in accordance with recognized standards.

Losses Suffered by the United States

The United States has suffered the following losses as the result of the Soviet policies of repudiation and confiscation :

(a) Repudiated Russian obligations held by the United States Government (principal only)	\$192,000,000
(b) Repudiated Russian obligations held by American citizens (principal only) :	
(1) Floated in the United States	86,000,000
(2) Floated elsewhere	20,000,000
(c) Confiscated property rights and interests of American citizens in Russia	330,000,000

It is to the interest of the United States to obtain a settlement of the questions of repudiated bonds and confiscated property on the basis of accepted international practices, not only on account of the material losses involved, but especially in view of the fact, as indicated above, that the settlement of these matters is of great importance for the establishment of a sound basis for trade between the United States and Russia. Moreover, it is to be noted that the Government of the United States has a profound interest in the maintenance of the sanctity of international obligations, not only in view of the world-wide activities of its citizens, but even more in consequence of its earnest desire to see strengthened those forces making for the promotion of peace and international good will.

Settlement Desirable Prior to Recognition

It is to be especially emphasized that if the questions of repudiated debts and confiscated property are not settled prior to recognition, there is little likelihood that subsequent negotiations would result in a mutually satisfactory settlement. Evidence of this is to be found in the fruitlessness of the long-drawn-out negotiations in regard to these questions conducted by France and Great Britain subsequent to their recognition of the Soviet government.

Related Questions Requiring Consideration

In connection with the settlement of these questions, it is important that an agreement be reached with regard to the disposition made of Russian Government property and property rights in the United States in the period from November 1917 to the date of recognition. Unless a complete agreement is reached with regard to outstanding questions, it would be desirable to obtain from the Soviet government an undertaking analogous to that incorporated in the Trade Agree-

ment between Great Britain and Russia of March 17, 1921,⁹ under which the Soviet authorities agreed to take no action with reference to funds or property of the Russian Government in Great Britain pending a settlement of the matter with the British Government.

Another question requiring careful consideration is that of the effect of recognition on property and property rights in the United States which have been determined by judicial decisions based on the circumstance of nonrecognition. Appropriate action should be taken so that recognition would not have any retroactive effect which would be prejudicial to American interests.

PROBLEM OF BRIDGING THE DIFFERENCES BETWEEN THE ECONOMIC AND SOCIAL STRUCTURE OF THE UNITED STATES AND RUSSIA

A third major problem requiring solution in the interest of the establishment of harmonious and mutually beneficial relations between the United States and Russia is the difficulties arising out of the profound differences between the economic and social structure of the two countries. Reference is made here specially to the State monopoly of foreign trade in Russia and to the class character of the Soviet State.

Commercial relations between a country with a State monopoly of foreign trade and a country with its foreign trade carried on by private individuals cannot be conducted on the same basis as trade between two countries of the latter category. None of the accepted principles governing international commercial relations, such as most-favored-nation treatment, national treatment, et cetera, is applicable to trade between Russia and other countries. Those countries which have concluded trade agreements with Russia on a most-favored-nation basis, such as Germany, Great Britain, et cetera, have learned to their cost that the application of the most-favored-nation principle in treaties with Russia is, as the British Minister for Foreign Affairs recently said, "distorted and ridiculous." Furthermore, a government monopoly of foreign trade, in carrying on commerce with foreign countries, has a natural advantage over individual business concerns in such countries. In practically every country trading with Russia endeavors have been made, usually with little success, to find ways and means of putting trade relations on an equal footing and removing the disadvantages under which the individual business man labors in dealing with the Soviet monopoly of foreign trade. Finally, it is to be noted that the existence of this monopoly has given rise to difficulties and misunderstandings in the case of several countries that have recognized the Soviet government in connection with the determination of the status of Soviet Trade Delegations, the extent of the re-

⁹ Signed at London, March 16, 1921; League of Nations Treaty Series, vol. iv p. 127.

sponsibility of the Soviet government for acts of Soviet commercial organizations, the right of Soviet organizations to participate in retail trade, et cetera.

Another question which has led to serious friction between Russia and foreign countries, especially Germany and Great Britain, is the treatment to which foreigners in Russia are subject under Soviet laws and practices. While it is a principle of international law that aliens are amenable to the laws of the country in which they are residing, the system of justice existing in Russia is so far removed from that maintained in the countries of Western Europe, and the Communist conception of justice is so alien to that held in such countries, that foreign countries have been obliged at times to take vigorous measures of reprisal in connection with the application to their nationals of Soviet judicial procedure and certain Soviet criminal laws to which Soviet nationals are subjected. For example, the Soviet conception of espionage, especially economic espionage, is of such a broad nature that almost every foreigner in Russia commits acts which may readily be interpreted as violating the laws on this subject. Soviet practices with regard to arrest and incarceration of foreign nationals constantly lead to friction with foreign States. Matters such as these, involving the question of the protection of life and property of American citizens in Russia, should be settled by agreement in order to create a satisfactory basis for intercourse with Russia.

I. Russian Government Obligations Held by Government of the United States:

A. Obligations of Provisional Government:

1. Obligations representing cash advanced under Liberty Loan Acts	\$187,729,750.00
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B. Other Obligations:

1. Obligations received on account of sales of surplus war material	406,082.30
2. Obligations received on account of relief supplies furnished	4,465,465.07

Total	192,601,297.37
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II. Russian Government Obligations Held by American Nationals:

A. Loans floated in the United States:

1. Imperial Russian Government external loan (5 year) issued in the United States on November 18, 1916, by syndicate of New York banks	\$25,000,000.00
2. Imperial Russian Government 3 year credit granted by syndicate of New York banks; participation in credit offered to public on June 18, 1916	50,000,000.00

3. Russian Treasury notes purchased by National City Bank in April, 1916	\$11,000,000.00
Total	86,000,000.00
B. Loans floated elsewhere—chiefly domestic War Loans sold by Russian Government in the United States (estimate based on claims filed)	
1. Bonds of 5½% War loan of 1915–16	12,802,598.24
2. Bonds of Liberty Loan of 1917	5,138,016.31
3. Bonds of Loan of 1894	2,614,025.70
4. Miscellaneous issues of Russian bonds	329,517.50
Total	20,884,157.75
III. <i>Confiscated Property Rights and Interests of American Nationals (estimate based on claims filed):</i>	
A. Properties and assets of American concerns and real and personal property of individuals confiscated by Soviet authorities	\$115,141,931.03
B. Bank deposits confiscated	209,825,348.82
C. Debts of Russian Government to private concerns	2,667,281.14
D. Miscellaneous claims	9,057,210.04
Total	336,691,771.03

711.61/287%

The Assistant Chief of the Division of Eastern European Affairs (Packer) to the Special Assistant to the Secretary of State (Bullitt)

[WASHINGTON,] August 31, 1933.

Mr. BULLITT: In connection with our conversation of last evening, I am sending you herewith a copy of a memorandum¹⁰ which Mr. Kelley prepared last July at Mr. Payer's request, entitled "Problems pertaining to Russian-American Relations which, in the Interest of Friendly Relations between the United States and Russia, should be settled Prior to the Recognition of the Soviet Government." A copy of this memorandum was handed by Mr. Phillips to the President on July 27, 1933.

With respect to the matter of American claims mentioned therein, it is of interest to note that the Department has been urged by committees claiming to represent "a large majority" of the holders of Imperial Russian Government bonds and credit certificates totalling \$75,000,000 not to recognize the Soviet regime unless it recognizes its obligations to pay such bonds and credit certificates. A substantially

¹⁰ *Supra.*

similar position has been taken by what appears to be an independent group of holders of such securities.

With respect to the intergovernmental debt, the attorneys for the National City Bank of New York, with which some of the funds loaned by this Government were deposited, have written the Department in order to urge that recognition, if it is accorded the Soviet regime, have no retroactive effect, so that the financial transactions of Ambassador Bakhmeteff with the Bank might not be invalidated thereby.

Particular attention is invited to the table of American claims against Russia appended to the attached memorandum.

I am not sending a copy of the attached memorandum to the Secretary as I assume you will bring it to his attention.

E. L. PACKER

861.01/1968a

The Secretary of State to President Roosevelt

WASHINGTON, September 21, 1933.

MY DEAR MR. PRESIDENT: In connection with the question of the extension of loans by agencies of the United States Government to facilitate Russian purchases in the United States, I would like to bring to your attention the following important considerations:

As you know, recognition of the present regime in Russia has been withheld by the Government of the United States on account of the failure of the Soviet government to carry out certain international obligations which are considered essential to the maintenance of friendly and mutually advantageous relations between the United States and Russia. The Soviet government, for instance, has repudiated Russian obligations held by the United States Government and by American citizens, and has confiscated the property of American citizens invested in Russia. More important still, the present regime in Russia has been unwilling up to this time to discontinue its interference in the internal affairs of the United States. Furthermore, there are a whole series of questions arising out of differences between the economic and social structure of the United States and Russia, especially the existence of a State monopoly of foreign trade in Russia, which require settlement by agreement. I think that there is no question that until these fundamental problems have been settled through agreement in a manner satisfactory to the United States, there will be lacking any sound basis for friendly cooperation between the Governments of Russia and the United States and for the development of mutually beneficial trade and intercourse between the two countries.

At the present moment the Soviet government is very eager to obtain

two things from the Government of the United States: namely, credits or loans, and recognition.

With respect to the first, it may be pointed out that the foreign debt situation of the Soviet government presents at the present time great difficulties. The Soviet government, for instance, was unable to meet its obligation which fell due in Germany in February of this year, and the German Government was obliged to come to its financial assistance and arrange a bank credit of approximately \$50,000,000. It is generally believed in German Government circles that the Soviet government will be unable to meet its obligations falling due in Germany next year, and that a similar arrangement will have to be made. At the present moment the German Government, it is understood, is unwilling to increase the amount of Government-guaranteed credits now available to Russia in Germany.

With regard to the second, it is to be noted that recognition by the United States is greatly desired by the Soviet authorities, since they are apparently convinced that recognition by the United States would be a factor in preventing a Japanese attack on the Maritime Provinces. The Soviet government also appears to believe that recognition by the United States would open the private banking resources of the United States to the Soviet government and facilitate the obtaining of credits in other countries. Finally, there is no question but that the Soviet authorities realize that recognition would strengthen the prestige of the Soviet government not only abroad, but also at home, where it is faced with tremendous difficulties in carrying out its industrial and agricultural programs.

Thus at the moment, the Government of the United States has two powerful weapons which can be used to bring about a favorable settlement of some, if not all, of our outstanding problems with the Soviet government. I am convinced, from the experience of other countries, that, unless we utilize every available means of exerting pressure on the Soviet government in order to obtain a settlement of outstanding problems, there is little likelihood that such problems can be satisfactorily solved. It is evident that if loans of any considerable amount should be extended to the Soviet government except as a part of an agreement involving a satisfactory settlement of such problems, one of our most effective weapons would be taken from our hands,—possibly the most effective,—since the Soviets, it is believed, prefer at the moment credits to recognition.

It would seem, therefore, highly undesirable that any loans should be extended to facilitate purchases by the Soviet government in the United States, except as part and parcel of a general settlement of our relations with Russia.

Faithfully yours,

CORDELL HULL

711.61/287½

*The Chief of the Division of Eastern European Affairs (Kelley)
to the Under Secretary of State (Phillips)*

[WASHINGTON,] September 25, 1933.

MR. PHILLIPS: In connection with the President's proposed message to the head of the Soviet State, I recommended that the Secretary bring to the President's attention, along the lines contained in the letter which it was proposed be sent to the President last week regarding loans and recognition,¹¹ the desirability of retaining in our hands one of the most effective weapons we have to obtain from the Soviet Government some measure of conciliation in reaching a solution of outstanding problems,—namely Government financial assistance, in the form of loans or credits, to facilitate American exports to Russia. It would, I believe, be particularly unfortunate were any arrangement or agreement to be arrived at by our financial agencies which would take from our hands this weapon at the very time when consideration is being given to the question of entering into negotiations with the Soviet authorities for the purpose of reaching a settlement of existing difficulties. Judging from the experience of other countries, there is no doubt that unless we utilize every available means of exerting pressure on the Soviet Government in order to obtain a settlement of outstanding problems, there is little likelihood that such problems can be satisfactorily solved.

It therefore seems essential (1) that any pending discussions looking to our granting financial advances to Russia be held in abeyance until we have ascertained the willingness of the Soviet Government to reach a solution of outstanding problems, or (2) that, if it be deemed desirable to continue such discussions, it be immediately made clear to the Soviet authorities that the conclusion of any definite agreement is conditional upon the reaching of a general settlement of existing difficulties.

ROBERT F. KELLEY

711.61/289½

*The Secretary of State to President Roosevelt*¹²

WASHINGTON, October 5, 1933.

MY DEAR MR. PRESIDENT: I requested Judge Walton Moore and William Bullitt each to prepare a memorandum on the more important conditions and understandings that might be considered signifi-

¹¹ *Supra*.

¹² Photostatic copy obtained from the Franklin D. Roosevelt Library, Hyde Park, N. Y.

cant in connection with the development of plans for the recognition of the Russian Government. These two memoranda are attached hereto for whatever the information may be worth.

Faithfully yours,

CORDELL HULL

[Enclosure 1]

Memorandum by the Assistant Secretary of State (Moore)

[WASHINGTON,] October 4, 1933.

Mr. SECRETARY: Impressions relative to the recognition of the Russian Government derived from the data furnished me by the Secretary and other data available at this moment:

(1) It seems clear that there should and must be recognition eventually and without undue delay, provided there is assurance that the Russian Government will not directly or indirectly make any effort to affect the political institutions or integrity of the United States and that certain other major matters can be satisfactorily disposed of.

(2) According to the statements contained in Mr. Atherton's communication,¹³ as illustrated by the experience of Great Britain, Russia is (a) inclined to a more reasonable attitude towards nations that have not accorded the recognition she seeks than towards those that have, and (b) after eagerly seeking and obtaining recognition she becomes more indifferent to her obligations than theretofore.

(3) If what is said in the last paragraph can be assumed as a correct premise, it may be thought best in advance of actual recognition to take the time necessary to explore the entire situation and endeavor to reach a full agreement between the two governments to be embodied in a treaty, pertaining to all or most of the very large number of important questions that sooner or later will call for consideration, e. g. as to the alleged desire of Russia to undermine our system of government; as to the personal, religious and property status and rights of our nationals in Russia and the ports of that country; as to the claims of Americans for the repayment of loans or for damages, and the claims that may be asserted against our Government by the Russian Government in its own behalf or in behalf of its subjects; as to the basis and character in various aspects of the commercial dealings between the two nations, etc., etc.

(4) An act of recognition is not revocable and it is certainly retroactive unless otherwise limited.* Should the President extend recognition without the situation being dealt with in advance as suggested, then for the purpose of eliminating disputable questions as far as possible it might be accompanied by such conditions as may be agreed

¹³ No such communication found in Department files.

* *Oetgen vs Central Leather Co.* 246 U. S. 297. [Footnote in the original.]

upon. The general effect of conditions attached to recognition is stated as follows by a leading authority, it being noticed, however, that in cases where such conditions are violated there is really no practical method of enforcing their observance:

“Recognition will, as a rule, be given without any conditions whatever, provided the new State is safely and permanently established. Since, however, the granting of recognition is a matter of policy, and not of law, nothing prevents an old State from making the recognition of a new State dependent upon the latter fulfilling certain conditions. Thus the Powers assembled at the Berlin Congress in 1878 recognised Bulgaria, Montenegro, Serbia, and Roumania under the condition only that these States should not impose any religious disabilities on any of their subjects. The meaning of such conditional recognition is not that recognition can be withdrawn in case the condition is not complied with. The nature of the thing makes recognition, if once given, incapable of withdrawal. But conditional recognition, if accepted by the new State, imposes the internationally legal duty upon such State of complying with the condition; failing which a right of intervention is given to the other party for the purpose of making the recognised State comply with the imposed condition.” (Oppenheim, *International Law*, page 136, Volume I)

A restricted representation of each country, in the other until otherwise mutually determined, might well be specified and in such manner as to encourage the performance of the conditions accompanying recognition.

(4) [(5)] It would seem that immediate and unconditional recognition would not be of any special moral or material advantage and, on the other hand, might be attended by very widespread adverse criticism.

[Enclosure 2]

*Memorandum by the Special Assistant to the Secretary of State (Bullitt)*¹⁴

DEAR MR. SECRETARY: Pursuant to our conversation of this afternoon:

Whatever method may be used to enter into negotiations with the Soviet Government, it seems essential that formal recognition should not be accorded except as the final act of an agreement covering a number of questions in dispute. Before recognition and before loans, we shall find the Soviet Government relatively amenable. After recognition or loans, we should find the Soviet Government adamant. Among the chief agreements which, in my opinion, must be reached before recognition are the following:

¹⁴ Filed separately under 711.61/289%.

1. Prohibition of communist propaganda in the United States by the Soviet Government and by the Comintern.

2. Protection of the civil and religious rights of Americans in Russia which are inadequately protected under current Russian practice (e. g. "economic espionage").

3. Agreement by the Soviet Government that the act of recognition shall not be retroactive to the foundation of that government (which is the usual practice), but shall take effect only from the day on which it may be accorded. This is essential to protect both our Government and many citizens and corporations from suits for damages.

By negotiation before recognition, we should also attempt to obtain an agreement in regard to the repayment of the loans of the Government of the United States to the Kerensky Government, a waiver of Russian counter claims based upon our Vladivostock, Archangel and Murmansk expeditions; ¹⁵ also some sort of provision for the settlement of claims of American nationals and corporations for property, goods and cash seized by the Soviet Government.

There are of course scores of other questions involved in resuming normal relations with Russia. Our position would be strongest, I believe, if all these questions, whether of a legal, economic or financial nature, should be handled as a unit in one global negotiation, the end of which would be signature of the agreements and simultaneous recognition.

Yours very respectfully,

WILLIAM C. BULLITT

[WASHINGTON,] October 4, 1933.

711.61/287a

*President Roosevelt to the President of the Soviet All-Union
Central Executive Committee (Kalinin)*

WASHINGTON, October 10, 1933.

MY DEAR MR. PRESIDENT: Since the beginning of my Administration, I have contemplated the desirability of an effort to end the present abnormal relations between the hundred and twenty-five million people of the United States and the hundred and sixty million people of Russia.

It is most regrettable that these great peoples, between whom a happy tradition of friendship existed for more than a century to their mutual advantage, should now be without a practical method of communicating directly with each other.

The difficulties that have created this anomalous situation are serious but not, in my opinion, insoluble; and difficulties between great nations can be removed only by frank, friendly conversations. If you are of

¹⁵ For account of these American expeditions, see *Foreign Relations*, 1918, Russia, vol. II, pp. 1 ff.; *ibid.*, 1919, Russia, pp. 195 ff.

similar mind, I should be glad to receive any representatives you may designate to explore with me personally all questions outstanding between our countries.

Participation in such a discussion would, of course, not commit either nation to any future course of action, but would indicate a sincere desire to reach a satisfactory solution of the problems involved. It is my hope that such conversations might result in good to the people of both our countries.

I am [etc.]

FRANKLIN D. ROOSEVELT

711.61/287½

*The President of the Soviet All-Union Central Executive Committee (Kalinin) to President Roosevelt*¹⁶

Moscow, October 17, 1933.

MY DEAR MR. PRESIDENT: I have received your message of October tenth.

I have always considered most abnormal and regrettable a situation wherein, during the past sixteen years, two great republics—the United States of America and the Union of Soviet Socialist Republics—have lacked the usual methods of communication and have been deprived of the benefits which such communication could give. I am glad to note that you also reached the same conclusion.

There is no doubt that difficulties, present or arising, between two countries, can be solved only when direct relations exist between them; and that, on the other hand, they have no chance for solution in the absence of such relations. I shall take the liberty further to express the opinion that the abnormal situation, to which you correctly refer in your message, has an unfavorable effect not only on the interests of the two states concerned, but also on the general international situation, increasing the element of disquiet, complicating the process of consolidating world peace and encouraging forces tending to disturb that peace.

In accordance with the above, I gladly accept your proposal to send to the United States a representative of the Soviet Government to discuss with you the questions of interest to our countries. The Soviet Government will be represented by Mr. M. M. Litvinov,¹⁷ People's Commissar for Foreign Affairs, who will come to Washington at a time to be mutually agreed upon.

I am [etc.]

MIKHAIL KALININ

¹⁶ File copy bears the following notation: "Correct. Boris E. Skvirsky."

¹⁷ The forms "Litvinov" and "Litvinoff" were both in common use in the transliteration of this name into English. The latter was the spelling which the Soviet Foreign Commissar himself used as his signature. The two spellings as used in the documents have been retained by the editors.

711.61/289a : Telegram

The Secretary of State to the Ambassador in Japan (Grew)

WASHINGTON, October 20, 1933—6 p.m.

99. For your information, the President made public this afternoon an exchange of messages between himself and the President of the All Union Executive Committee, Moscow, in consequence of which it is to be expected that the Russian Government will send to Washington Litvinoff, Commissar for Foreign Affairs, to discuss questions outstanding between the two countries. In commenting briefly to press correspondents upon this action, the President explained that this step does not constitute recognition.

Text is being sent by naval radio to Peiping for relay to you.

HULL

701.6111/767

The Russian Financial Attaché (Ughet) to the Chief of the Division of Eastern European Affairs (Kelley)

NEW YORK, October 21, 1933.

DEAR MR. KELLEY: The correspondence between the President of the United States and Mr. Kalinin, President of the All Union Central Executive Committee, leads me to believe that conditions may arise in the near future, where no further useful purpose can be served by my continuing to exercise the duties with which I was vested under the exchange of notes between the Russian Ambassador and the Secretary of State of April 28 and 29, 1922.¹⁸

In consequence of this belief, may I not request that my present status be discontinued at the earliest convenience of the Department of State. As to certain matters of a continuing character requiring further attention, I would respectfully suggest that after the date of the discontinuance of my status they be considered as being temporarily taken under the care of the United States Government.

In terminating my official activities, I deem it a paramount duty to express my deep appreciation for the unfailing consideration with which I have been treated at the Department of State. Permit me also to say that if a moral satisfaction has been derived by me during the trying years of my service, it has been due mainly to the cognizance that I have enjoyed the confidence of the Government of the United States.

Very sincerely yours,

S. UGHET

¹⁸ *Foreign Relations*, 1922, vol. II, pp. 875 and 876.

711.61/290 : Telegram

The Ambassador in Japan (Grew) to the Secretary of State

Tokyo, October 23, 1933—noon.

[Received October 23—2:15 a.m.]

163. Department's 99 and 100¹⁹—proposed Soviet conversations. The publication of the exchange of notes between the President and Kalinin has aroused little comment here. The Minister for Foreign Affairs is quoted in a press interview as follows:

"I understand President Franklin D. Roosevelt of America has invited Mr. Maxim Litvinov, Commissar of Foreign Affairs of the Soviet Union, to Washington. It is doubtful whether the matter will develop into American recognition of the Soviet Union. If those two countries continue in favorable relations for years to come, they will teach a lesson to the world that capitalism and communism can agree. And if that is realized, it will be unnecessary for Japan to fear communism. America's recognition of the Soviet Union is a great question mark in the history of humanity. If there is a man who observes that the possible American-Soviet agreement means pressure on Japan's position in the Far East, he knows nothing of the Far Eastern situation."

The Minister of War is stated to have said that he did not see how Japan was affected, that he considered that the motive was economic, and he supposed that the two nations would have to resume diplomatic relations at some time in any case. This point of view seems to be the general attitude of the Japanese public, which apparently regards the move as only remotely affecting Japan, and which was inevitable in one form or another.

Thus far there is no evidence to indicate that the Japanese believe that the action was in any way directed against Japan, an interpretation which seems to have been placed on the step in Paris and Berlin, according the [*to*] press reports in the papers this morning.

GREW

711.61/293 : Telegram

The Ambassador in Japan (Grew) to the Secretary of State

Tokyo, October 24, 1933—1 p.m.

[Received October 24—9:30 a.m.]

166. My 163, October 23, noon; and 164, October 23, 2 p. m.²⁰ In casual conversation with Neville today Kurusu, Chief of the Commercial Bureau of the Foreign Office, said that the Japanese felt that the initiation of negotiations between the United States and Soviet

¹⁹ Latter not printed; it quoted the exchange of letters between President Roosevelt and M. Kalinin.

²⁰ Latter not printed.

Russia was a natural step and to be expected. One point, however, was occasioning the Foreign Office some anxiety. Hirota had been successful to a considerable extent in divorcing foreign relations from the discussions of the army and navy budget. If American recognition of the Soviets were to lead to a belief on the part of the Russians that the United States would support them in their discussions with the Japanese or if the Chinese were to believe that the United States would support Russia in the Far East, the Foreign Office felt that it might have its work with the military to do all over again. Thus far the press and public had remained quiet but there were elements in the country which would take advantage of any situation to stir up trouble. A false interpretation might be placed on the reference in the penultimate paragraph of Kalinin's letter to the "element of disquiet complicating the process of consolidating world peace and encouraging forces tending to disturb that peace" which the Chinese and Russians might apply to the Far Eastern situation. Kurusu said that the point of view of the military is that Japan faces a hostile world with possibilities of a combination of the United States, Great Britain, Russia and China against Japan, and that the Foreign Minister had had great trouble in convincing them that there was no likelihood of any such combination. If political discussions should enter publicly into the negotiations between the United States and Soviet Russia, affording grounds or suspicions for the foregoing belief, there might be outbursts which would lead the military to renewed activity nullifying the progress made by Hirota in the recent Cabinet discussions.

I report the foregoing merely as a first-hand indication of the thoughts of the Foreign Office on this general subject.

GREW

711.61/294 : Telegram

The Chargé in Latvia (Cole) to the Secretary of State

RIGA, October 24, 1933—3 p. m.

[Received October 24—2: 50 p. m.]

41. *Izvestiya*,²¹ October 21st, in a restrained editorial declares the President's message welcome to all desiring peace in both countries; many pacifist experiments, including League of Nations, have failed because of "groups of irresponsible adventurers"; in a number of unnamed countries the influence of "aggressive militarist groups" leading to "adventurous predatory plans" is growing.

"The position of the Soviet Union in regard to the questions interesting both countries is well known" which is assurance disputes will reach prompt satisfactory conclusions; the official newspaper wants to

²¹ Official organ of the Central Executive Committee of the Soviet Union.

believe official contact first step to closer relations in the interest of peace.

This semi-official statement manifestly clear reference to Japan which, however, is not named originally in the final mention of peace. Trade relations opportunely mentioned. Disputes apparently refer to subversive propaganda, debts and claims.

Pravda, party organ, is triumphant former abnormal relations America's fault and injured the international standing of the United States and its commerce; Soviet Union is a great country of both Europe and Asia which cannot be ignored without injury to oneself; the President's new policy should be unhesitatingly consistent; after referring to the Disarmament Conference collapse, party organ continues verbatim "an end has begun to put to the London and Washington agreements" and "normal relations between the United States and the Soviet Union would create a correlation of forces with which adventurous groups would have to reckon."

Other newspapers cannot see necessity of negotiating recognition, declare that the United States took the initiative and directly mention American-Japanese rivalry in the Pacific and the Chinese Eastern Railway and that collaboration of the two countries necessary [since?] certain elements in the Far East play with fire.

All emphasize peace element in the President's message which appears to be their method of interpreting it as an offer of support against Japan.

COLE

711.61/292 : Telegram

The Secretary of State to the Chargé in France (Marriner)

WASHINGTON, October 24, 1933—5 p. m.

312. Your 478, October 23, 11 a. m.²² Issue diplomatic visas to Litvinov and members of his party placing visas on Soviet passports without requiring personal appearance of applicants. For your confidential information this government does not consider the issue of diplomatic visas in these cases as a precedent nor does it consider such acts a recognition of the present regime in Russia. Cable when visas issued, name of ship, date and port of arrival and names of persons to whom visas granted.²³

HULL

²² Not printed.

²³ In telegram No. 487, October 30, 6 p. m., the Chargé in France reported that visas had been issued that day to Litvinov and the following members of his party who were to sail on the *Berengaria*, November 1: Ivan Divilkovsky, Secretary General of the Soviet Foreign Office, and Konstantin Umansky, Director of the Press Bureau of the Soviet Foreign Office (711.61/302).

861.01/1968a

*Memorandum by the Chief of the Division of
Eastern European Affairs (Kelley)*

[WASHINGTON,] October 25, 1933.

RECOMMENDATIONS AND CONSIDERATIONS IN CONNECTION WITH QUESTION OF RUSSIAN GOVERNMENTAL INDEBTEDNESS TO THE GOVERNMENT OF THE UNITED STATES

1. It is recommended that the items of \$406,082.30 and \$4,465,465.07 listed by the Treasury Department as part of Russia's indebtedness to the Government of the United States be not presented to the Soviet government for payment.

These items represent obligations received on account of sales in 1919 of relief supplies and surplus war materials to representatives of the Kolchak government, which was never recognized as the Government of Russia by the United States.

2. The Soviet government should be required to acknowledge liability on the debt, or, in view of the loss of territory, on an appropriate share of the debt, incurred by the Russian Provisional Government to the Government of the United States.

No principle is more firmly established in international law than the principle that a change in the internal constitution of a State does not affect the public debt of the State, and that a new Government succeeds to the financial obligations contracted by previous Governments.

In this connection it is to be noted that the United States as a great creditor nation and as a country whose citizens are engaged in world-wide financial activities has a profound interest in the maintenance and strengthening of the principle that a new Government is responsible for the financial obligations contracted by the State under preceding Governments.

3. Inasmuch as the Russian debt represents money advanced to Russia by the Government of the United States to aid in the prosecution of the war against Germany, the Russian debt should be treated on the same basis as the debts incurred by other countries under the same circumstances.

4. In arranging a settlement of the Russian debt, consideration should be given to the fact that there is in the United States Russian governmental property, comprising bank deposits and valid claims (excluding the Russian Embassy), to the value, including interest, of ten to twelve million dollars. While this amount may not be large enough to be considered as a possible lump sum settlement of the Russian debt, it might well be taken in part settlement. There should be obtained at the same time from the Soviet government its formal acceptance of the disposition which has been made in the

period from 1917 to date of the property of the Russian Government in the United States at the time of the revolution.

If such an arrangement is not arrived at, it will be necessary to obtain from the Soviet government an understanding (1) not to make a claim to dispose in any way of the funds and other property of the former Imperial and Provisional Russian Governments in the United States pending a settlement of outstanding claims, and (2) not to question in any way the disposition which has been made from 1917 to date of Russian governmental property in the United States.

5. An interesting consideration to be borne in mind is the circumstance that the money loaned by the Government of the United States to the Russian Government was advanced to the Provisional Government of Russia, which was established following the abdication of the Tsar. Almost all, if not all, other indebtedness of the Russian Government to foreign Governments was incurred by the Imperial Russian Government. It has been suggested that the Soviet government could undertake to honor the indebtedness of the Russian Provisional Government without modifying any position it may have taken towards the indebtedness contracted by the Russian Imperial Government.

711.61/333

*The Chief of the Division of Far Eastern Affairs (Hornbeck)
to the Secretary of State*

[WASHINGTON,] October 28, 1933.

MR. SECRETARY: In the three telegrams here attached ²⁴ it is clearly indicated that, on the one hand, in Russia the effort is being made to cultivate the impression that the conversations between the President and Litvinoff will have an important bearing upon matters of Far Eastern policy; and, on the other hand, in Japan there is considerable uneasiness on the assumption that such will be the case.

Inasmuch as the Japanese Minister for Foreign Affairs appears to be endeavoring sincerely to cultivate among his own people friendliness toward and a feeling of confidence with regard to the United States, it is believed that consideration should be given to ways and means, if possible, of reassuring the Japanese, that is of definitely combating the growth of any impression that the forthcoming conversations between American and Russian representatives are in part motivated by and will in part relate to problems in the Far East which have arisen in consequence of Japanese policy and action.

S[TANLEY] K. H[ORNBECK]

²⁴ Telegrams Nos. 163, 166, and 41 of October 23 and 24, pp. 20 and 21.

711.61/331

*Joint Communiqué by the Secretary of State and the Soviet Commissar for Foreign Affairs (Litvinov), November 8, 1933*²⁵

There was a very friendly private discussion of some outstanding questions involved in the matter of relations between the United States and the Union of Soviet Socialist Republics. The conversation was entirely preliminary and detailed proposals were not discussed. The conversations will be resumed in the office of the Secretary of State this afternoon at four o'clock.²⁶

*Joint Statement by President Roosevelt and the Soviet Commissar for Foreign Affairs (Litvinov), November 10, 1933*²⁷

The President and Mr. Litvinoff reviewed the questions between the two countries which had previously been discussed between the Secretary of State and Mr. Litvinoff.

These conversations with the President and the State Department will continue in normal course.

711.61/353a

*The Special Assistant to the Secretary of State (Bullitt) to President Roosevelt*²⁸

WASHINGTON, November 15, 1933.

MY DEAR MR. PRESIDENT: Litvinov and I continued to argue for two hours on the subject of debts and claims. I finally managed to shake him a bit by telling him that the Johnson Bill,²⁹ forbidding loans to countries in default on their indebtedness to the Government of the United States, was certain to be passed in January and that if the Soviet Government should make any absurd offer of settlement such an offer would surely be turned down by Congress and the Soviet Government would be unable to obtain one penny of credit from either the Government or any private corporation or individual in the United States, or their agencies abroad.

²⁵ Issued by the Department as a press release at 1 p.m., November 8, 1933.

²⁶ A second joint communiqué was issued by the Department at 6 p.m., November 8: "The Secretary of State and Mr. Litvinoff continued their conversations this afternoon in the office of the Secretary of State. The conversations will be resumed at 11 o'clock tomorrow morning in the office of the Secretary of State."

²⁷ Issued by the White House as a press release, November 10; reprinted from Department of State, *Press Releases*, November 11, 1933, p. 263.

²⁸ Photostatic copy obtained from the Franklin D. Roosevelt Library, Hyde Park, N. Y.

²⁹ Approved April 13, 1934; 48 Stat. 574.

I urged Litvinov not to fix the lower figure at \$50,000,000, as his Government would surely insist that that should be accepted as the maximum figure once the sum had been stated. He finally asked, "What sum would you consider might be acceptable to Congress?" and added "You will, of course, say \$150,000,000." I replied, "No, I will say nothing. I cannot predict what Congress will do, but the President can predict very exactly what Congress will do, and you should address that question to him."

Litvinov proposes to ask you that question when you meet at 2 o'clock.

Litvinov added that he would say to you that he had entire confidence in your fair-mindedness, and he was sure that when you looked at the facts about our loan to the Kerensky Government and found that the money had been spent for the most part by Bakhmetieff buying supplies for Kolchak's army, you would agree that the Soviet Government should not be obliged to assume liability for money used by its enemies.

The fact is that two-thirds of this Kerensky loan was telegraphed at once to Kerensky's Government and used fighting the Germans.

Litvinov added that the private claims had been so padded that \$50,000,000 he considered would be a fair settlement of all claims and debts. This is, of course, absurd, and I think you should endeavor forcibly to get him to fix at least \$100,000,000 as the lower limit.

I am delighted that you have appointed Henry Morgenthau Acting Secretary of the Treasury, and I suggest that you might invite him to come in at two o'clock, since he will have to handle future negotiations on this matter.

I shall stop at your office at ten minutes before two, in case you should wish to draw up a final plan of campaign.

Yours devotedly,

WILLIAM C. BULLITT

P. S. I think we were a bit too gentle with him this morning.
W. C. B.

711.61/353½

Memorandum by President Roosevelt and the Soviet Commissar for Foreign Affairs (Litvinov)

WASHINGTON, November 15, 1933—2:45 p. m.

Mr. Litvinov, at a meeting with the President, the Acting Secretary of the Treasury, and Mr. Bullitt, made a "gentleman's agreement" with the President that over and above all claims of the Soviet Government

and its nationals against the Government of the United States and its nationals, the Soviet Government will pay to the Government of the United States on account of the Kerensky debt or otherwise a sum to be not less than \$75,000,000 in the form of a percentage above the ordinary rate of interest on a loan to be granted to it by the Government of the United States or its nationals, all other claims of the Government of the United States or its nationals and of the Government of the Union of Soviet Socialist Republics or its nationals to be regarded as eliminated.

The President said that he believed confidently that he could persuade Congress to accept a sum of \$150,000,000, but that he feared that Congress would not accept any smaller sum. Mr. Litvinov then said he could not on his own authority accept any such minimum, as his Government had already stated that it considered this sum excessive.

Mr. Litvinov said that he had entire confidence in the fair-mindedness of the President and felt sure that when the President had looked into the facts he would not feel that a sum greater than \$75,000,000 was justified. So far as he personally was concerned, and without making any commitment, he would be inclined to advise his Government to accept \$100,000,000 if the President should still consider such a sum fair.

Mr. Litvinov agreed to remain in Washington after resumption of relations and to discuss with Mr. Morgenthau and Mr. Bullitt the exact sum between the limits of \$75,000,000 and \$150,000,000 to be paid by the Soviet Government.

M[AXIM] L[ITVINOFF]

F[RANKLIN] D. R[OOSEVELT]

711.61/343a

*President Roosevelt to the Soviet Commissar for Foreign Affairs
(Litvinov)*

WASHINGTON, November 16, 1933.

MY DEAR MR. LITVINOV: I am very happy to inform you that as a result of our conversations the Government of the United States has decided to establish normal diplomatic relations with the Government of the Union of Soviet Socialist Republics and to exchange ambassadors.

I trust that the relations now established between our peoples may forever remain normal and friendly, and that our nations henceforth may cooperate for their mutual benefit and for the preservation of the peace of the world.

I am [etc.]

FRANKLIN D. ROOSEVELT

711.61/343½

*The Soviet Commissar for Foreign Affairs (Litvinov) to
President Roosevelt*

WASHINGTON, November 16, 1933.

MY DEAR MR. PRESIDENT: I am very happy to inform you that the Government of the Union of Soviet Socialist Republics is glad to establish normal diplomatic relations with the Government of the United States and to exchange ambassadors.

I, too, share the hope that the relations now established between our peoples may forever remain normal and friendly, and that our nations henceforth may cooperate for their mutual benefit and for the preservation of the peace of the world.

I am [etc.]

MAXIM LITVINOFF

711.61/343¾

*The Soviet Commissar for Foreign Affairs (Litvinov) to
President Roosevelt*

WASHINGTON, November 16, 1933.

MY DEAR MR. PRESIDENT: I have the honor to inform you that coincident with the establishment of diplomatic relations between our two Governments it will be the fixed policy of the Government of the Union of Soviet Socialist Republics:

1. To respect scrupulously the indisputable right of the United States to order its own life within its own jurisdiction in its own way and to refrain from interfering in any manner in the internal affairs of the United States, its territories or possessions.

2. To refrain, and to restrain all persons in government service and all organizations of the Government or under its direct or indirect control, including the organizations in receipt of any financial assistance from it, from any act overt or covert liable in any way whatsoever to injure the tranquillity, prosperity, order, or security of the whole or any part of the United States, its territories or possessions, and in particular, from any act tending to incite or encourage armed intervention, or any agitation or propaganda having as an aim, the violation of the territorial integrity of the United States, its territories or possessions, or the bringing about by force of a change in the political or social order of the whole or any part of the United States, its territories or possessions.

3. Not to permit the formation or residence on its territory of any organization or group—and to prevent the activity on its territory of any organization or group, or of representatives or officials of any organization or group—which makes claim to be the Government of, or makes attempt upon the territorial integrity of, the United States, its territories or possessions; not to form, subsidize, support or permit on its territory military organizations or groups having the aim of armed struggle against the United States, its territories or possessions,

and to prevent any recruiting on behalf of such organizations and groups.

4. Not to permit the formation or residence on its territory of any organization or group—and to prevent the activity on its territory of any organization or group, or of representatives or officials of any organization or group—which has as an aim the overthrow or the preparation for the overthrow of, or the bringing about by force of a change in, the political or social order of the whole or any part of the United States, its territories or possessions.

I am [etc.]

MAXIM LITVINOFF

711.61/343%

*President Roosevelt to the Soviet Commissar for Foreign Affairs
(Litvinov)*

WASHINGTON, November 16, 1933.

MY DEAR MR. LITVINOV: I am glad to have received the assurance expressed in your note to me of this date that it will be the fixed policy of the Government of the Union of Soviet Socialist Republics:

[Here follows repetition of the four numbered paragraphs in Mr. Litvinov's note printed *supra*.]

It will be the fixed policy of the Executive of the United States within the limits of the powers conferred by the Constitution and the laws of the United States to adhere reciprocally to the engagements above expressed.

I am [etc.]

FRANKLIN D. ROOSEVELT

711.61/343%

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*President Roosevelt to the Soviet Commissar for Foreign Affairs
(Litvinov)*

WASHINGTON, November 16, 1933.

MY DEAR MR. LITVINOV: As I have told you in our recent conversations, it is my expectation that after the establishment of normal relations between our two countries many Americans will wish to reside temporarily or permanently within the territory of the Union of Soviet Socialist Republics, and I am deeply concerned that they should enjoy in all respects the same freedom of conscience and religious liberty which they enjoy at home.

As you well know, the Government of the United States, since the foundation of the Republic, has always striven to protect its nationals, at home and abroad, in the free exercise of liberty of conscience and religious worship, and from all disability or persecution on account of their religious faith or worship. And I need scarcely point out that the rights enumerated below are those enjoyed in the United

States by all citizens and foreign nationals and by American nationals in all the major countries of the world.

The Government of the United States, therefore, will expect that nationals of the United States of America within the territory of the Union of Soviet Socialist Republics will be allowed to conduct without annoyance or molestation of any kind religious services and rites of a ceremonial nature, including baptismal, confirmation, communion, marriage and burial rites, in the English language, or in any other language which is customarily used in the practice of the religious faith to which they belong, in churches, houses, or other buildings appropriate for such service, which they will be given the right and opportunity to lease, erect or maintain in convenient situations.

We will expect that nationals of the United States will have the right to collect from their co-religionists and to receive from abroad voluntary offerings for religious purposes; that they will be entitled without restriction to impart religious instruction to their children, either singly or in groups, or to have such instruction imparted by persons whom they may employ for such purpose; that they will be given and protected in the right to bury their dead according to their religious customs in suitable and convenient places established for that purpose, and given the right and opportunity to lease, lay out, occupy and maintain such burial grounds subject to reasonable sanitary laws and regulations.

We will expect that religious groups or congregations composed of nationals of the United States of America in the territory of the Union of Soviet Socialist Republics will be given the right to have their spiritual needs ministered to by clergymen, priests, rabbis or other ecclesiastical functionaries who are nationals of the United States of America, and that such clergymen, priests, rabbis or other ecclesiastical functionaries will be protected from all disability or persecution and will not be denied entry into the territory of the Soviet Union because of their ecclesiastical status.

I am [etc.]

FRANKLIN D. ROOSEVELT

711.61/843%

*The Soviet Commissar for Foreign Affairs (Litvinov) to
President Roosevelt*

WASHINGTON, November 16, 1933.

MY DEAR MR. PRESIDENT: In reply to your letter of November 16, 1933, I have the honor to inform you that the Government of the Union of Soviet Socialist Republics as a fixed policy accords the nationals of the United States within the territory of the Union of Soviet Socialist Republics the following rights referred to by you:

1. The right to "free exercise of liberty of conscience and religious worship" and protection "from all disability or persecution on account of their religious faith or worship".

This right is supported by the following laws and regulations existing in the various republics of the Union:

Every person may profess any religion or none. All restrictions of rights connected with the profession of any belief whatsoever, or with the non-profession of any belief, are annulled. (Decree of Jan. 23, 1918, art. 3.)

Within the confines of the Soviet Union it is prohibited to issue any local laws or regulations restricting or limiting freedom of conscience, or establishing privileges or preferential rights of any kind based upon the religious profession of any person. (Decree of Jan. 23, 1918, art. 2.)

2. The right to "conduct without annoyance or molestation of any kind religious services and rites of a ceremonial nature".

This right is supported by the following laws:

A free performance of religious rites is guaranteed as long as it does not interfere with public order and is not accompanied by interference with the rights of citizens of the Soviet Union. Local authorities possess the right in such cases to adopt all necessary measures to preserve public order and safety. (Decree of Jan. 23, 1918, art. 5.)

Interference with the performance of religious rites, in so far as they do not endanger public order and are not accompanied by infringements on the rights of others is punishable by compulsory labour for a period up to six months. (Criminal Code, art. 127.)

3. "The right and opportunity to lease, erect or maintain in convenient situations" churches, houses or other buildings appropriate for religious purposes.

This right is supported by the following laws and regulations:

Believers belonging to a religious society with the object of making provision for their requirements in the matter of religion may lease under contract, free of charge, from the Sub-District or District Executive Committee or from the Town Soviet, special buildings for the purpose of worship and objects intended exclusively for the purposes of their cult. (Decree of April 8, 1929, art. 10.)

Furthermore, believers who have formed a religious society or a group of believers may use for religious meetings other buildings which have been placed at their disposal on lease by private persons or by local Soviets and Executive Committees. All rules established for houses of worship are applicable to these buildings. Contracts for the use of such buildings shall be concluded by individual believers who will be held responsible for their execution. In addition, these buildings must comply with the sanitary and technical building regulations. (Decree of April 8, 1929, art. 10.)

The place of worship and religious property shall be handed over for the use of believers forming a religious society under a contract concluded in the name of the competent District Executive Committee or Town Soviet by the competent administrative department or branch, or directly by the Sub-District Executive Committee. (Decree of April 8, 1929, art. 15.)

The construction of new places of worship may take place at the desire of religious societies provided that the usual technical building regulations and the special regulations laid down by the People's Commissariat for Internal Affairs are observed. (Decree of April 8, 1929, art. 45.)

4. "The right to collect from their co-religionists . . .³¹ voluntary offerings for religious purposes."

This right is supported by the following law :

Members of groups of believers and religious societies may raise subscriptions among themselves and collect voluntary offerings, both in the place of worship itself and outside it, but only amongst the members of the religious association concerned and only for purposes connected with the upkeep of the place of worship and the religious property, for the engagement of ministers of religion and for the expenses of their executive body. Any form of forced contribution in aid of religious associations is punishable under the Criminal Code. (Decree of April 8, 1929, art. 54.)

5. Right to "impart religious instruction to their children either singly or in groups or to have such instruction imparted by persons whom they may employ for such purpose."

This right is supported by the following law :

The school is separated from the Church. Instruction in religious doctrines is not permitted in any governmental and common schools, nor in private teaching institutions where general subjects are taught. Persons may give or receive religious instruction in a private manner. (Decree of Jan. 23, 1918, art. 9.)

Furthermore, the Soviet Government is prepared to include in a consular convention to be negotiated immediately following the establishment of relations between our two countries provisions in which nationals of the United States shall be granted rights with reference to freedom of conscience and the free exercise of religion which shall not be less favorable than those enjoyed in the Union of Soviet Socialist Republics by nationals of the nation most favored in this respect. In this connection, I have the honor to call to your attention Article 9 of the Treaty between Germany and the Union of Soviet Socialist Republics, signed at Moscow October 12, 1925, which reads as follows :

Nationals of each of the Contracting Parties . . .³¹ shall be entitled to hold religious services in churches, houses or other buildings, rented, according to the laws of the country, in their national language or in any other language which is customary in their religion. They shall be entitled to bury their dead in accordance with their religious practice in burial-grounds established and maintained by them with the approval of the competent authorities, so long as they comply with the police regulations of the other Party in respect of buildings and public health.

Furthermore, I desire to state that the rights specified in the above

³¹ Omission indicated in the original letter.

paragraphs will be granted to American nationals immediately upon the establishment of relations between our two countries.

Finally, I have the honor to inform you that the Government of the Union of Soviet Socialist Republics, while reserving to itself the right of refusing visas to Americans desiring to enter the Union of Soviet Socialist Republics on personal grounds, does not intend to base such refusals on the fact of such persons having an ecclesiastical status.

I am [etc.]

MAXIM LITVINOFF

711.61/343½

*The Soviet Commissar for Foreign Affairs (Litvinov) to
President Roosevelt*

WASHINGTON, November 16, 1933.

MY DEAR MR. PRESIDENT: Following our conversations I have the honor to inform you that the Soviet Government is prepared to include in a consular convention to be negotiated immediately following the establishment of relations between our two countries provisions in which nationals of the United States shall be granted rights with reference to legal protection which shall not be less favorable than those enjoyed in the Union of Soviet Socialist Republics by nationals of the nation most favored in this respect. Furthermore, I desire to state that such rights will be granted to American nationals immediately upon the establishment of relations between our two countries.

In this connection I have the honor to call to your attention Article 11 and the Protocol to Article 11, of the Agreement Concerning Conditions of Residence and Business and Legal Protection in General concluded between Germany and the Union of Soviet Socialist Republics on October 12, 1925.

ARTICLE 11

Each of the Contracting Parties undertakes to adopt the necessary measures to inform the consul of the other Party as soon as possible whenever a national of the country which he represents is arrested in his district.

The same procedure shall apply if a prisoner is transferred from one place of detention to another.

FINAL PROTOCOL

Ad Article 11.

1. The consul shall be notified either by a communication from the person arrested or by the authorities themselves direct. Such communications shall be made within a period not exceeding seven times twenty-four hours, and in large towns, including capitals of districts, within a period not exceeding three times twenty-four hours.

2. In places of detention of all kinds, requests made by consular representatives to visit nationals of their country under arrest, or to have

them visited by their representatives, shall be granted without delay. The consular representative shall not be entitled to require officials of the courts or prisons to withdraw during his interview with the person under arrest.

I am [etc.]

MAXIM LITVINOFF

711.61/343%

*President Roosevelt to the Soviet Commissar for Foreign Affairs
(Litvinov)*

WASHINGTON, November 16, 1933.

MY DEAR MR. LITVINOV: I thank you for your letter of November 16, 1933, informing me that the Soviet Government is prepared to grant to nationals of the United States rights with reference to legal protection not less favorable than those enjoyed in the Union of Soviet Socialist Republics by nationals of the nation most favored in this respect. I have noted the provisions of the treaty and protocol concluded between Germany and the Union of Soviet Socialist Republics on October 12, 1925.

I am glad that nationals of the United States will enjoy the protection afforded by these instruments immediately upon the establishment of relations between our countries and I am fully prepared to negotiate a consular convention covering these subjects as soon as practicable. Let me add that American diplomatic and consular officers in the Soviet Union will be zealous in guarding the rights of American nationals, particularly the right to a fair, public and speedy trial and the right to be represented by counsel of their choice. We shall expect that the nearest American diplomatic or consular officer shall be notified immediately of any arrest or detention of an American national, and that he shall promptly be afforded the opportunity to communicate and converse with such national.

I am [etc.]

FRANKLIN D. ROOSEVELT

711.61/343%

Statement by the Soviet Commissar for Foreign Affairs (Litvinov)

[WASHINGTON, November 16, 1933.]

In reply to a question of the President in regard to prosecutions for economic espionage, Mr. Litvinov gave the following explanation:

"The widespread opinion that the dissemination of economic information from the Union of Soviet Socialist Republics is allowed only in so far as this information has been published in newspapers or magazines, is erroneous. The right to obtain economic information is limited in the Union of Soviet Socialist Republics, as in other

countries, only in the case of business and production secrets and in the case of the employment of forbidden methods (bribery, theft, fraud, etc.) to obtain such information. The category of business and production secrets naturally includes the official economic plans, in so far as they have not been made public, but not individual reports concerning the production conditions and the general conditions of individual enterprises.

“The Union of Soviet Socialist Republics has also no reason to complicate or hinder the critical examination of its economic organization. It naturally follows from this that every one has the right to talk about economic matters or to receive information about such matters in the Union, in so far as the information for which he has asked or which has been imparted to him is not such as may not, on the basis of special regulations issued by responsible officials or by the appropriate state enterprises, be made known to outsiders. (This principle applies primarily to information concerning economic trends and tendencies.)”

711.61/843%

*The Soviet Commissar for Foreign Affairs (Litvinov) to
President Roosevelt*

WASHINGTON, November 16, 1933.

MY DEAR MR. PRESIDENT: Following our conversations I have the honor to inform you that the Government of the Union of Soviet Socialist Republics agrees that, preparatory to a final settlement of the claims and counter claims between the Governments of the Union of Soviet Socialist Republics and the United States of America and the claims of their nationals, the Government of the Union of Soviet Socialist Republics will not take any steps to enforce any decisions of courts or initiate any new litigations for the amounts admitted to be due or that may be found to be due it as the successor of prior Governments of Russia, or otherwise, from American nationals, including corporations, companies, partnerships, or associations, and also the claim against the United States of the Russian Volunteer Fleet, now in litigation in the United States Court of Claims, and will not object to such amounts being assigned and does hereby release and assign all such amounts to the Government of the United States, the Government of the Union of Soviet Socialist Republics to be duly notified in each case of any amount realized by the Government of the United States from such release and assignment.

The Government of the Union of Soviet Socialist Republics further agrees, preparatory to the settlement referred to above not to make any claim with respect to:

- (a) judgments rendered or that may be rendered by American courts in so far as they relate to property, or rights, or interests therein, in which the Union of Soviet Socialist Re

- publics or its nationals may have had or may claim to have an interest; or,
 (b) acts done or settlements made by or with the Government of the United States, or public officials in the United States, or its nationals, relating to property, credits, or obligations of any Government of Russia or nationals thereof.

I am [etc.]

MAXIM LITVINOFF

711.61/343%

*President Roosevelt to the Soviet Commissar for Foreign Affairs
 (Litvinov)*

WASHINGTON, November 16, 1933.

MY DEAR MR. LITVINOV: I am happy to acknowledge the receipt of your letter of November 16, 1933, in which you state that:

[Here follows quotation of statement made by Mr. Litvinov in his note printed *supra*.]

I am glad to have these undertakings by your Government and I shall be pleased to notify your Government in each case of any amount realized by the Government of the United States from the release and assignment to it of the amounts admitted to be due, or that may be found to be due, the Government of the Union of Soviet Socialist Republics, and of the amount that may be found to be due on the claim of the Russian Volunteer Fleet.

I am [etc.]

FRANKLIN D. ROOSEVELT

711.61/343%

*The Soviet Commissar for Foreign Affairs (Litvinov) to
 President Roosevelt*

WASHINGTON, November 16, 1933.

MY DEAR MR. PRESIDENT: I have the honor to inform you that, following our conversations and following my examination of certain documents of the years 1918 to 1921 relating to the attitude of the American Government toward the expedition into Siberia, the operations there of foreign military forces and the inviolability of the territory of the Union of Soviet Socialist Republics, the Government of the Union of Soviet Socialist Republics agrees that it will waive any and all claims of whatsoever character arising out of activities of military forces of the United States in Siberia, or assistance to military forces in Siberia subsequent to January 1, 1918, and that such claims shall be regarded as finally settled and disposed of by this agreement.

I am [etc.]

MAXIM LITVINOFF

711.61/360

*Joint Statement by President Roosevelt and the Soviet Commissar for
Foreign Affairs (Litvinov), November 16, 1933*³²

In addition to the agreements which we have signed today, there has taken place an exchange of views with regard to methods of settling all outstanding questions of indebtedness and claims that permits us to hope for a speedy and satisfactory solution of these questions which both our Governments desire to have out of the way as soon as possible.

Mr. Litvinov will remain in Washington for several days for further discussions.

701.6111/729a

The Acting Secretary of State to Mr. Serge Ughet

WASHINGTON, November 16, 1933.

MY DEAR MR. UGHET: I desire to refer to your letter of October 21, 1933, in which you expressed the belief that conditions would arise in the near future when no further useful purpose would be served by your continuing to exercise the duties with which you were charged under the exchange of notes between the Russian Ambassador and the Secretary of State of April 28-29, 1922,³³ and requested that your present status be discontinued at the earliest convenience of the Department of State.

In view of the recognition of the Union of Soviet Socialist Republics by the Government of the United States, I have to inform you that upon this date the Government of the United States ceases to recognize you as Russian Financial Attaché.

The Department is deeply appreciative of the able manner in which you have discharged the duties which devolved upon you under the exchange of notes referred to above and of the friendly spirit with which you have for so many years cooperated with this Government.

I should like to take the occasion to extend to you personally my cordial good wishes for your future happiness and success.

Very sincerely yours,

WILLIAM PHILLIPS

³² Issued by the White House as a press release, November 17, 1933.

³³ *Foreign Relations*, 1922, vol. II, pp. 875-877.

701.6111/730

*The Chief of the Division of Eastern European Affairs (Kelley) to
the Acting Secretary of State*

[WASHINGTON,] November 17, 1933.

MR. PHILLIPS: Mr. Boris Bakhmeteff was received in July 1917 as Ambassador of the Provisional Government of Russia by this Government, which continued to recognize him in that capacity until June 30, 1922. After that date, when Mr. Bakhmeteff retired as Ambassador, the custody of the property of the State of Russia in this country, including the Russian Embassy building, was considered to vest in Mr. Serge Ughet, Russian Financial Attaché, whose diplomatic status with this Government was not altered. Several months ago Mr. Ughet notified the Department that he was unable longer to continue the upkeep of the Embassy building and requested the Department to assume custody thereof. Shortly thereafter the Department took over custody of the building.

Yesterday, some of the records which had been stored in the Embassy building were moved to a more convenient place where they could be consulted by representatives of the Soviet Government and officials of the Government of the United States in connection with discussions which are now taking place between the two Governments. The transfer of the records in question was made with the full knowledge of Mr. Litvinov.

S. H. H.
H. H. H.

R[OBERT] F. K[ELLEY]

702.6111/232 : Telegram

*The Acting Secretary of State to the Russian Consul at Boston
(Conry)³⁴*

WASHINGTON, November 17, 1933.

In view of the recognition of the Union of Soviet Socialist Republics by the Government of the United States, you are informed that the exequatur issued on September 20, 1912, recognizing you as Consul of Russia at Boston, is revoked, effective as of November 16, 1933, and that consequently your status as Russian Consul is considered terminated as of that date.

WILLIAM PHILLIPS

³⁴ The same telegram, *mutatis mutandis*, was sent to the Russian Consuls General at Chicago and Seattle (702.6111/231, 233). An acknowledgment, dated November 18 (702.6111/234), was received from Mr. Volkoff, Russian Consul General at Chicago.

711.61/365a : Circular telegram

The Acting Secretary of State to All Diplomatic Missions Abroad

WASHINGTON, November 17, 1933—4 p. m.

Following an exchange of communications between the President and the Commissar for Foreign Affairs of the Union of Soviet Socialist Republics, covering outstanding questions in the relations between the United States and the Soviet Union and the arrival at an understanding with respect to methods of settling the question of debts and claims, the President communicated to Mr. Litvinov in a note dated November 16, 1933, the decision of the Government of the United States to establish diplomatic relations with the Soviet Union.

In view of the recognition thus accorded by the Government of the United States to the Union of Soviet Socialist Republics, you should enter into cordial official and social relations with your Soviet colleague in accordance with the established practice of the post at which you are stationed.

Soviet passports should be treated henceforth as passports of other recognized Governments.

Inform Consuls.

PHILLIPS

711.61/357 : Telegram

The Secretary of State³⁵ to the Acting Secretary of State

S.S. "AMERICAN LEGION," November 18, 1933—1 a. m.

[Received 3:43 a. m.]

5. Your number 8, November 17, noon.³⁶ I have just issued the following statement to the correspondents aboard ship:

"I am gratified to learn that the peoples of the United States and Russia, after a frank exchange of views at Washington, have resumed normal relations and that the preliminary basis agreed upon is substantially that indicated before I left Washington. The badly confused world situation will be improved by this natural and timely step which is proof of the marked progress possible in all international dealings when there exists such splendid initiative as that displayed by the President and the mutual disposition and will to approach serious world problems in a friendly and fearless spirit."

HULL

³⁵ En route to Montevideo to attend the Seventh International Conference of American States.

³⁶ Not printed.

811.841 Russia/50

The Acting Secretary of State to the Soviet Chargé (Skvirsky)

WASHINGTON, November 20, 1933.

SIR: Referring to your recent conversations with the Chief of the Division of Eastern European Affairs with regard to the question of the removal of the discriminating tonnage duties now imposed on American vessels in ports of the Union of Soviet Socialist Republics and on vessels of the Soviet Union in American ports, I am enclosing for your information copies of proclamations issued by the President of the United States of America discontinuing discriminating tonnage duties and imposts in respect to Finnish, German, and Hungarian vessels and the produce, manufactures, and merchandise imported in such vessels.³⁷

The Department of State will recommend to the President the issue of a similar proclamation suspending and discontinuing discriminating tonnage duties and imposts within the United States in respect to vessels of the Soviet Union or the produce, manufactures, or merchandise imported therein upon receiving satisfactory proof that no discriminating duties of tonnage or imposts are levied in the waters of the Soviet Union on American vessels or produce, manufactures, or merchandise imported therein. The Department would consider as satisfactory proof of the abolition of the discriminating tonnage duties now levied on American vessels in ports of the Soviet Union the communication to this Government of orders or regulations issued by your Government discontinuing the levy of discriminating tonnage duties on American vessels in the waters of the Soviet Union.

I may add that the suspension of the discriminating tonnage duties and imposts in respect to Soviet vessels and the cargoes imported therein will be made effective from the date of the receipt of satisfactory proof that discriminating tonnage duties and imposts are not imposed by the Soviet Union on American vessels, or upon the produce, manufactures, or merchandise imported therein from the United States or from any foreign country.

Accept [etc.]

WILLIAM PHILLIPS

811.841 Russia/51

The Soviet Chargé (Skvirsky) to the Acting Secretary of State

[WASHINGTON,] November 21, 1933.

SIR: Referring to your note of November 20, 1933, I wish to inform you that in accordance with the Soviet Statute on Port Duties of Feb-

³⁷ These proclamations were dated February 19, 1926; March 22, 1922; and January 15, 1923. See, respectively, 44 Stat. 2601; 42 Stat. 2267 and 2293.

ruary 19, 1926, there are two categories of tonnage duties in ports of the U. S. S. R.—ordinary and preferential. The preferential duties are levied on ships of countries having special agreements with the U. S. S. R. The People's Commissariat for Water Transport, by agreement with the People's Commissariat for Foreign Affairs and the People's Commissariat for Foreign Trade, may apply the preferential rate to countries having normal diplomatic relations with the U. S. S. R. In accordance with this statute the People's Commissariat for Water Transport has issued Order No. 427, effective this day, November 21, 1933, which reads as follows:

“On the basis of Article 2 of the Statute on Port Duties, a tonnage duty of 10 kopeks per registered ton of net capacity is established, on a reciprocal basis, for vessels flying the flag of the United States of America.”

This duty of 10 kopeks constitutes the preferential rate. Thus beginning November 21, 1933, the vessels flying the flag of the United States of America have been accorded the preferential rate of tonnage duty. It may be added that no discriminating duties are levied in ports of the Soviet Union on produce, manufactures or merchandise imported in American vessels.³³

Accept [etc.]

B. SKVIRSKY

711.61/377a : Telegram

The Acting Secretary of State to the Secretary of State

WASHINGTON, November 22, 1933—noon.

12. . . .

Litvinov is planning to sail from New York on Saturday. I am giving out a statement referring to debts and claims to the effect that, since the exchange of notes on November 16th, further discussions have taken place, but owing to intricacy of questions it has been impossible to reach definite conclusions before Litvinov's departure; discussions will be continued by responsible officers of both governments; conversations to date disclose a desire on both sides to reach a speedy solution of the remaining questions.

PHILLIPS

³³ The Department, in its reply of January 29, 1934, informed the Soviet Ambassador of the reciprocal proclamation signed January 16, 1934, effective as of November 21, 1933 (S11.841 Russia/59); for text of proclamation, see 48 Stat. 1729.

711.61/378½

*The Soviet Commissar for Foreign Affairs (Litvinov) to
President Roosevelt*

WASHINGTON, November 22, 1933.

MY DEAR MR. PRESIDENT: On leaving the United States I feel it a great pleasure respectfully to convey to you my feelings of high esteem as well as gratitude for the many tokens of attention and friendship you have been good enough to show me during my stay in Washington.

I also wish hereby to thank the whole Executive and its various organs for their courtesies and cares.

I avail myself of this opportunity to express once more my firm conviction that the official linking of our two countries by the exchange of notes between you, Mr. President, and myself will be of great benefit to our two countries and will also be conducive to the strengthening and preservation of peace between nations toward which our countries are sincerely striving. I believe that their joint efforts will add a creative factor in international affairs which will be beneficial to mankind.

Believe me to be, my dear Mr. President, with the best wishes for the well being of yourself, your family and of your great country,

Yours very sincerely,

MAXIM LITVINOFF

711.61/406

*Extract From a Radio Address on November 22 by the Assistant
Secretary of State (Moore)*⁸⁹

The negotiations were carried on under the supervision of Secretary Hull before his departure for South America and after that under the supervision of Acting Secretary Phillips. There were three days of conference between officials of the State Department and Mr. Litvinoff and there were vastly more important and pivotal conversations between Mr. Litvinoff and President Roosevelt at The White House. There were no stenographers present and no reports made and thus, so far as the conferences are concerned, there will be a bare outline and not a full picture exposed to the eye of the future historian. But after all, to repeat the legend on the coat of arms of the Washington family, "It is the result that proves the work". Within less than twenty-four hours after the President had accorded recognition the result of the work which had been devoted to a subject of great magnitude was announced to the public at The White House on the afternoon of November 17th. The announcement was made by the Presi-

⁸⁹ Complete text of the address is printed in Department of State, *Press Releases*, November 25, 1933, p. 235.

dent and, before the sun sank behind the Blue Ridge Mountains West of this City there had been communicated to the American public the final texts of the agreements obtained by the President in the form of exchange of notes.

711.61/378½

*President Roosevelt to the Soviet Commissar for Foreign Affairs
(Litvinov)*

WARM SPRINGS, GA., November 23, 1933.

MY DEAR MR. LITVINOV: I thank you for your most courteous letter of November 22nd, 1933. It has been a great personal pleasure to me to meet you and I trust that some day I shall again have the pleasure of welcoming you in America. On your return to your country I hope that you will convey to President Kalinin my greetings and best wishes.

I am profoundly gratified that our conversations should have resulted in the restoration of normal relations between our peoples and I trust that these relations will grow closer and more intimate with each passing year. The cooperation of our governments in the great work of preserving peace should be the corner stone of an enduring friendship.

I am sorry that owing to my absence from Washington I am unable in person to say good-bye to you and to wish you a safe and pleasant journey; but I assure you that you carry with you my warmest personal regards.

Yours very sincerely,

FRANKLIN D. ROOSEVELT

711.61/416

The Chargé in Latvia (Cole) to the Acting Secretary of State

No. 1716

RIGA, November 23, 1933.

[Received December 5.]

SIR: I have the honor to enclose a translation in full ⁴⁰ of the leading editorial in the Moscow *Izvestiya*, organ of the Central Executive Committee of the Union of the Soviet Socialist Republics, No. 282, of November 20, 1933, concerning the recognition of the Union by the United States. This editorial comment appeared somewhat later than might have been expected. The recognition, it is understood, was definitely settled in Washington, just before midnight on Thursday the 16th of November, which was already the early morning of Friday the 17th in Moscow. Consequently the first Moscow papers to carry the news were those of Saturday the 18th. The *Izvestiya* did not appear on Sunday the 19th, and consequently the Monday newspaper was the first in which the recognition could be commented upon after Saturday. The

⁴⁰ Not printed.

comment of the *Pravda* and other Soviet organs will be sent in a later despatch.^{40a}

The editorial is entitled, "An Act of the Greatest International Importance," and opens with a statement to that effect. The exchange of letters between the President and Mr. Litvinov closes a long period in which the Soviet Union has fought for normal diplomatic relations with the capitalist world surrounding it. The United States, the greatest capitalist power in the world, has at last been "compelled" to establish normal diplomatic relations. Despite the differences in principle between the social structure of the U.S.S.R. and that in capitalist countries there were fewer contradictions between the United States and the U.S.S.R. than in other capitalist powers. "Precisely because the United States is the greatest capitalist power it has emphasized most sharply the differences between the two social systems and attempted to act as the representative of capitalist interests in general. It was helped in this by its territorial vastness and its considerable relative importance in the world, all of which enabled it to nurse the hope that it could manage to get along without the establishment of normal relations with the U.S.S.R." This reinforced its belief that "it did not need to cooperate with the U.S.S.R. and that the lack of normal relations with it could not cause any serious injury to this great trans-Atlantic power." The European nations needed the Soviet Union and its markets. "The European powers came into contact daily with us in deciding European and Near Eastern questions." They could not get along without normal diplomatic relations. The ideas of the leaders of American capitalism that they could carry on a policy based on a refusal to maintain normal diplomatic relations with the U.S.S.R. were "purely imaginary." The economic crisis has so shaken the whole world that not even the strongest capitalist power can solve its economic problems in isolation. The extraordinary growth of the productive powers of the U.S.S.R. has "compelled" even the most stubborn representatives of capitalism to wonder whether they could get along without economic relations with such a great and growing economic power as the Land of the Soviets. The crisis in the United States has created a wide and deep mental ferment in that country. Great interest in the "Soviet experiment," attempts to introduce planned economy, and to regulate the contradictions of monopolistic capital now going on in the United States, have all been a factor in "that complex which has compelled the White House to remove the juridical barrier between the United States and the U.S.S.R."

In his first press interview Mr. Litvinov correctly pointed out that non-recognition of the U. S. S. R. did not destroy the fact that very

^{40a} Not printed.

close economic, cultural, and political connections have already been established between the United States and the U. S. S. R. "Similarly, the expectation that the United States could avoid contact with the U. S. S. R. in the sphere of political relationships has likewise turned out to be an illusion." Referring to the "Conference on Disarmament," the editorial states that "Naval and land armaments are bound up with each other in the most intimate manner. The problem of European debts due to the United States is bound up with the question of armaments. And that question cannot be settled without the U. S. S. R. The United States had to cooperate at the Disarmament Conferences with the Soviet Union, which it did not recognize."

The editorial then states that "the U. S. S. R. is not only a great European, but also a great Asiatic power." As a Pacific power, the United States is a partner [with the U. S. S. R.] ⁴¹ in all Asiatic questions and is interested in maintaining peace in Asia. "The United States could not continue its former policy of a refusal to establish normal relations with the U. S. S. R. without causing the greatest injury to itself and to the cause of peace."

Recognition, the editorial continues, is thus an act of "greatest historical importance" and is the end of the struggle of the capitalist world to ignore the fact that the world at present consists of two systems, the capitalist and the socialist, and that the socialist system is on a legal equality with the capitalist.

A legal basis for economic relations has been established and for the further development of these relations. A diplomatic instrument has also been established for exchange of opinions, for co-ordinated action in all political questions in which both countries are interested. An understanding of mutual interests was the stimulus which prompted the American Government to overcome not only the traditional objections to recognition, but also difficulties arising out of a certain number of unsettled questions.

"The decision of the President of the United States, Franklin Roosevelt, is by no means a White House improvisation. It has been the result of the development of relations between the two countries and of that long drawn out struggle which the progressive elements of the American *bourgeoisie* had been carrying on for the recognition of the U. S. S. R., not to speak at all of those sections of the American people who sympathize with us in principle." Soviet public opinion strove in every manner to come closer to the United States. This arose from the Soviet struggle to maintain peace. The establishment of normal diplomatic relations is "the greatest victory of our peace policy." Soviet public opinion expects business relations between the two countries to increase. American "efficiency" according to Stalin

⁴¹ Brackets appear in the original.

in 1924, is an antidote to revolutionary inconstancy and fantastic inventiveness. Stalin, however, pointed out the danger of American efficiency degenerating into unprincipled money-making, and advocated that American efficiency should be united with the Russian revolutionary enthusiasm.

The President and Mr. Litvinov have accomplished a work which will undoubtedly strengthen peace and may decide more than one problem which has become impossible to postpone. Mutual relations between the two countries will develop on the basis of mutual respect and without interference by either country in the affairs of the other and on the basis of independent policy of both countries. There is one good side to the fact that the struggle for normal diplomatic relations lasted so long: "It has taught American public opinion to understand that it is not a question of the United States 'helping' the U. S. S. R. but of mutual benefit for two equal parties who have many interests in common and who, notwithstanding the different social systems, can cooperate with each other."

The editorial thus turns on two principal ideas and one subsidiary. First, the growth of the Union's economic and political importance "compelled" the United States to recognize it. This has as a corollary the statement that recognition does not indicate that the United States is extending a helping hand to the Union but that two equal partners will cooperate. Second, the idea of the importance of recognition in regard to Far Eastern affairs is mentioned, although only in passing. Emphasis of this point would seem to have been almost studiously avoided although a hint of what may have been in the writer's mind concerning these matters is to be found in the statement that recognition will assist in the settlement of "more than one problem that can no longer be postponed."

Respectfully yours,

FELIX COLE

702.6111/236

*The Russian Consulate General at New York to the
Acting Secretary of State*

NEW YORK, November 25, 1933.

SIR: The Russian Consulate General at New York, which has enjoyed full recognition from the Department of State in the past, respectfully requests an official ruling as to its present status.

The work of the consulate has been the issuing of passports, birth certificates and similar official documents, and has been carried on by the undersigned, as Secretary, and the other members of the staff since July 19, 1929; at which time the Consul General, M. Oustinoff,

notified the Department of State of his departure for Europe, and his appointment of the present staff, which notification was acknowledged in your letter of August 14, 1929 (CC 702.6111/213[214]).⁴²

Will you kindly advise if this work shall be continued by this Consulate until such a time as consular treaties are concluded between the United States of America and the Union of Soviet Socialist Republics, and a Soviet Consulate established in New York, or shall this Consulate cease functioning immediately.

Awaiting your decision in this matter [etc.]

For the Russian Consulate General:

A. R. FEIL

Secretary

701.6111/740

Memorandum by the Acting Secretary of State

[WASHINGTON,] November 29, 1933.

Mr. Skvirsky, the Soviet Chargé, raised an exceedingly interesting question. He said that his Government would like to appoint a trade commissioner to reside in New York, that he would be appointed to the Embassy and, therefore, would have diplomatic status. I replied that I could not give him an immediate answer inasmuch as this was a matter that would require some consideration. I explained that various countries had asked to have commercial representatives in New York given diplomatic status and the Department had declined to do so and that, therefore, to make an exception in favor of the Soviet Government might be embarrassing. Skvirsky argued the point by saying that, inasmuch as trade matters were wholly under the control of the Soviet Government, the Russian case was a proper exception. My recollection is that Japan has refused to give the Soviet Trade Commissioner diplomatic rank, but that many other countries have been forced to do so. It is a matter on which I shall have to consult the President.

W[ILLIAM] P[HILLIPS]

800.51W89 U.S.S.R./16 : Telegram

The Acting Secretary of State to the Ambassador in Germany (Dodd)

WASHINGTON, December 8, 1933—4 p. m.

Please give Bullitt⁴³ following message from Moore and keep no copy for Embassy files:

⁴² Not printed.

⁴³ En route to his post as Ambassador to the Soviet Union.

"It would be helpful to our work if you could ascertain whether Soviet obligations falling due in Germany are payable in marks or in other foreign currency and what types of paper can be utilized by the Soviet Government without German consent in meeting these obligations. It is suggested that a discussion with the Soviet trade representative in Berlin upon your return from Moscow might yield some information which would be of assistance.

For your information Field has presented the following propositions with regard to the sale of the remaining \$2,200,000 of the Lee Higginson credit held by the Bank of Manhattan Company. He believes that the other holders of the \$50,000,000 held by large banks in the East would agree to these terms. First proposal is direct purchase with gold of participation certificates at 80 (last recorded sale was at 67). A thousand ounces of gold would purchase \$41,250 in participation certificates which would yield 173,250 Reichsmarks, whereas the same amount of gold if used directly to purchase marks in Germany would yield only 86,594. Second proposal involves the sale at 90 of participation certificates for Soviet obligations payable in 2½ years with interest at 5 percent and amortization in semiannual payments. Third proposal is sale at par against five-year Soviet obligations on similar terms. Field stated that in the case of the second and third proposals the banks would desire to have Soviet obligations secured either by gold or by goods of some sort and believes banks would be unwilling to accept longer than five-year obligations. Field also stated that similar arrangements might be worked out for German industrial credits of which about \$100,000,000 are now outstanding in the United States.

We feel that Field's proposals represent only starting point for subsequent bargaining. However, they are not encouraging from point of view of long term operations. We are therefore considering possibility of setting up financial institution with combined public and private capital which could purchase American owned German obligations in the open market and accept long term Soviet obligations therefor.

Hancock of Lehman Brothers is looking into various possibilities particularly the question of the utilization of short term debts covered by the standstill agreement.⁴⁴ An expert of the Federal Trade Commission is also conducting an investigation to ascertain whether we could make use of coupons of German dollar bonds. Approximately \$37,000,000 remain unpaid at the present time and \$75,000,000 become due next year. We are also looking into the possibility of utilizing the obligations of the German Government to the Government of the United States, \$30,000,000 of which fall due early next year, in the event that the German Government should be unwilling or unable to pay them."

PHILLIPS

⁴⁴ See section entitled "Postponement of German payments under the German-American debt agreement of June 23, 1930," *Foreign Relations, 1932*, vol. II, pp. 325 ff.

702.6111/236

The Acting Secretary of State to Mr. A. R. Feil

WASHINGTON, December 12, 1933.

SIR: In reply to your letter of November 25, 1933, requesting an official ruling with respect to the present status of the former Russian Consulate General at New York, you are advised that on November 17, 1933, the Department informed by telegraph the Russian Consuls General and Consuls recognized by this Government that in view of the recognition of the Union of Soviet Socialist Republics by the Government of the United States, their exequaturs had been revoked effective as of November 16, 1933, and that consequently their status as Russian consular officials was considered as terminated on that date.

Such a telegram was not sent to Mr. Oustinoff, formerly Russian Consul General at New York, who has been abroad since July 1929, since he had already been dropped earlier in the present year by the Department from the list of foreign consular officers recognized by this Government, following the receipt of information to the effect that he was not expected to return to the United States in the near future.

In view of the foregoing and of the fact that this Government has recognized the Government of the Union of Soviet Socialist Republics, your office should not hold itself out to be a Russian Consulate General and should not undertake to perform consular functions.

Very truly yours,

For the Acting Secretary of State:

R. WALTON MOORE
Assistant Secretary

123 Bullitt, William C/31

*Remarks of the American Ambassador in the Soviet Union (Bullitt)
Upon the Presentation of His Letters of Credence to the President
of the Soviet All-Union Central Executive Committee (Kalinin),
at Moscow, December 13, 1933*⁴⁵

MR. PRESIDENT: I have the honor to place in your hands the letters which accredit me as the first Ambassador of the United States of America to the Government of the Union of Soviet Socialist Republics. I am charged by the President at the same time to convey to you his cordial and friendly greetings as well as his earnest hope for the welfare and prosperity of your great country.

I do not come to your country as a stranger. My profound interest in it has existed for many years and I come with a deep conviction of the importance and historic significance of my mission.

⁴⁵ Copy transmitted to the Department by the Ambassador in his despatch No. 1, December 14, 1933; received January 9, 1934.

That mission, Mr. President, is to create not merely normal but genuinely friendly relations between our two great peoples who for so many years were bound to each other by a tradition of friendship. The firm establishment of world peace is the deep desire of both our peoples and the close collaboration of our Governments in the task of preserving peace will draw our peoples together. Bound by the tie of their mutual desire for peace, our peoples will find many other fields for fruitful cooperation. Today each of our nations in its own manner is seeking with the same indomitable will and limitless energy, but by different methods, to promote the welfare of its people. This simultaneous effort, rather than a source of conflict, offers an opportunity for creative collaboration. Finally, our peoples are surely bound by the bond of a common youthful energy, a readiness to seek new ways to solve new problems and a courage to face the future unafraid.

Mr. President, in entering upon my mission, I wish to associate myself with the personal wishes I expressed to you on behalf of the President of the United States as well as with his wishes for the welfare and prosperity of the Union of Soviet Socialist Republics. I pledge you every effort within my powers to forge strong and enduring ties between our countries.

123 Bullitt, William C/31

*Reply of the President of the Soviet All-Union Central Executive Committee (Kalinin) to the American Ambassador in the Soviet Union (Bullitt), at Moscow, December 13, 1933*⁴⁶

MR. AMBASSADOR: I have the honor to receive from you the letters which accredit you as Ambassador of the United States of America to the Government of the Union of Soviet Socialist Republics. I am sincerely moved by the cordial and friendly greetings which you have conveyed to me from the President. And on my part I beg you to convey my sincerest and most friendly greetings and wishes for the happiness and prosperity of your great country.

The outstanding role which you personally, Mr. Ambassador, have played in the matter of mutual *rapprochement* of our two countries is well known to the wide public in the Union of Soviet Socialist Republics, and the very fact, therefore, that it was precisely you who were chosen by the President of the United States as the first Ambassador in the USSR, in itself is considered by us as an act of friendship.

I was always deeply convinced that as soon as the artificial barriers in the way of establishing cooperation between the peoples of the USSR and the American people were removed, such cooperation would assume the widest and most varied forms, and that with good

⁴⁶ Copy transmitted to the Department by the Ambassador in his despatch No. 1, December 14, 1933; received January 9, 1934.

will and mutual respect on both sides, the difference in socio-political systems existing in the two countries need not at all be an obstacle thereto.

I fully share your conviction that between the peoples of the USSR and the American people there can and should exist not only normal but genuinely friendly relations. I wish to assure you that on its part the Soviet Government is filled with the firm determination to help develop and strengthen precisely such relations. The best foundation for such sincerely friendly relations and for their all-sided development is the unswerving will for the maintaining and consolidation of peace which inspires both the peoples of the Soviet Union and the American people.

I thank you, Mr. Ambassador, for the cordial wishes expressed by you to the Union of Soviet Socialist Republics and to me personally. I assure you that in the realization of those high tasks in which you rightly see the important historic significance of your mission, you will always meet with the fullest and most active cooperation on my part and on the part of the Government of the Soviet Socialist Republics.

701.6111/744

The Department of State to the Soviet Embassy

MEMORANDUM

The Government of the United States has no objection to the appointment by the Soviet Government of a Commercial Attaché or Commercial Counselor to the Embassy of the Union of Soviet Socialist Republics in Washington who will perform the functions usually devolving upon a Commercial Attaché or Counselor, that is, the collection of economic and commercial information, the study of market conditions, the promotion and facilitation of trade relations, and other analogous activities.

The Government of the United States desires to have it clearly understood, however, that such an officer shall not engage in trade or commercial transactions of any sort, that is, shall not enter into business dealings or sign contracts with American firms, participate in buying or selling operations, et cetera.

The Government of the United States would have no objection to the maintenance by a Commercial Counselor or Attaché to the Embassy of the Union of Soviet Socialist Republics of an office and residence in New York City. It should be pointed out, however, that the New York City residential addresses of Commercial Counselors or Attachés to diplomatic missions at Washington are not printed in the Diplomatic List.

WASHINGTON, December 20, 1933.

800.51W89 U.S.S.R./16 : Telegram

The Acting Secretary of State to the Ambassador in Germany (Dodd)

WASHINGTON, December 21, 1933—5 p.m.

Please give Bullitt following message from Moore and keep no copy in Embassy's files.

Study and investigation since my telegram of December 8 have convinced us that the transfer to the Russians of American-owned German obligations can only be effected through the intermediary of a financial institution. However, we fear that funds under the National Industrial Recovery Act,⁴⁷ the Reconstruction Finance Act,⁴⁸ et cetera, even though available for the purpose of founding an Edge plan bank, could not be properly employed by it without Congressional sanction for the acquisition on Soviet account of German obligations held in the United States. If further examination confirms this, would you be in favor of recommending to the President that authority be requested of Congress to set up an Edge plan or other bank with Government funds and a charter sufficiently broad to effect the German-Soviet transaction and the financing of trade with the Soviet Union.

We are particularly anxious to be informed by telegraph with regard to the nature, amounts and dates of Soviet maturities in Germany also conditions of payment. We understand that the Soviet trade delegations in both Berlin and Paris have already considered the possibility of using American credits in Germany to meet Soviet maturities. It would be helpful to learn what credits they consider they could successfully employ to this end and names of holders in Germany of Soviet obligations.

PHILLIPS

800.51W89 U.S.S.R./18 : Telegram

The Ambassador in Germany (Dodd) to the Acting Secretary of State

BERLIN, December 23, 1933—4 p.m.

[Received December 23—12:40 p.m.]

214. For Moore from Bullitt. Your December 21. Consigned list of Soviet Russia obligations could not be completed before my departure from Moscow. Litvinov promised to telegraph it to Skvirsky for communication to Department as soon as possible.

If no other method should be practicable I should favor setting up bank.

Shall cable at length tomorrow from Paris. [Bullitt.]

DODD

⁴⁷ Approved June 16, 1933; 48 Stat. 195.

⁴⁸ Approved January 22, 1932; 47 Stat. 5.

500.C001/895 : Telegram

The Chargé in France (Marriner) to the Acting Secretary of State

PARIS, December 24, 1933—7 p.m.
[Received December 25—12:25 p.m.]

576. For the President, the Acting Secretary and Assistant Secretary Moore from Bullitt.

Owing to lack of codes in Moscow and the undesirability of sending this message from Berlin I have felt obliged to delay transmission until today.

Litvinov on Thursday, December 21, asked me to convey to you in strictest confidence the following information.

He said that his Government was "under great pressure" from France to join the League of Nations and asked me if the Government of the United States would have any objection. I replied that as I had no codes I could not consult my Government in regard to this matter but that I had no hesitation in saying on my own behalf that I believed the Government of the United States would have no objection.

I then asked Litvinov to tell me the reason for this possible reversal of Soviet policy. He replied that the French had asked the Soviet Government to make a "regional agreement" for defense against attack by Germany, each party to declare war on Germany if Germany should declare war upon the other. He said that the Soviet Union considered an attack by Japan this spring so probable that it felt it must secure its western frontier in every way; that he did not fear an immediate attack by either Poland or Germany but that if the probable war with Japan should drag on for two years he anticipated a joint attack by Poland and Germany, acting in concert with Japan. He added that he knew preliminary conversations looking forward [to] this eventuality had already taken place between Japan, Germany, and Poland. Therefore the Soviet Government, although still wishing to keep its hands free and not to join the League of Nations, felt that it must pay this price if necessary to obtain the agreement from France.

I asked Litvinov why the French insisted on the Soviet Government's joining the League of Nations as a part of this particular agreement. He replied that the French insisted in order to evade the difficulty created by the Locarno agreements.⁴⁹ He said that the agreement between France and the Russian Soviet Government would be introduced to the League as a "regional understanding." I told him that there seemed to me to be a considerable region between France and the Soviet Union. He replied that the proximity of both to Ger-

⁴⁹ Treaties of October 16, 1925, League of Nations Treaty Series, vol. LIV, pp. 289-363; for collective note to Germany of December 1, see *ibid.*, p. 299.

many was sufficient excuse. Litvinov insisted that this agreement with France had not yet been signed and that the conversations thus far were merely preliminary but he left me under the impression that a definite binding contract might be expected shortly. Litvinov added that the entire agreement might fall through as Daladier was opposed to it and the British were opposed but that Herriot and the majority of the French Government were in favor of it.

Attack by Japan upon the Soviet Union is regarded as certain by all members of the Government and Communist Party with whom I talked with [*sic*] in Moscow. Stalin introduced the Chief of Staff Egorov to me as "the man who will lead our army victoriously against the Japanese when they attack us" and asked me to try to see to it that the Soviet Union should obtain in the immediate future 250,000 tons of old rectified rails from the American railroads which are engaged in carrying out re-equipment programs, the rails to be delivered at Vladivostok to complete the double tracking of the Trans-Siberian Railway. He added: "Without the rails we shall win that war but it will be easier with them."

I repeatedly emphasized to all with whom I talked that the United States had no intention whatsoever of getting into war with Japan but that our participation in any Far Eastern difficulties would be confined to the use of our moral influence to maintain peace. Nevertheless the Soviet Union is so anxious to have peace that it is obvious that even our moral influence is valued very highly by the Soviet Government. It is difficult to exaggerate the cordiality with which I was received by all members of the Government including Kalinin, Molotov, Voroshilov and Stalin. Especially noteworthy is the fact that Stalin, who until my arrival had never received any ambassador, said to me "at any moment, day or night, if you wish to see me you have only to ask and I will see you at once."

[Bullitt]
MARRINER

800.51W89 U.S.S.R./19 : Telegram

The Chargé in France (Marriner) to the Acting Secretary of State

PARIS, December 27, 1933—11 a.m.

[Received 1:20 p.m.⁵⁰]

578. For the Acting Secretary and Assistant Secretary Moore only from Bullitt. Soviet Commercial Attaché, Paris, handed me last night list obligations in reichsmarks of the S.S.S.R.⁵¹ falling due in the year

⁵⁰ Telegram in two sections.

⁵¹ Soyuz Sotsialisticheskikh Sovetskikh Respublik.

1934. He did not give me list of obligations in dollars falling due in Germany for the same period but promised to telegraph to Berlin at once for it. To cable this list in confidential code is impossible without breaking the code since the Soviet Government has the list and Mar-riner and I have agreed that the best method of transmission is the following:

[Here follows instruction as to method of transmitting the information to the Department.⁵²]

[Bullitt]
MARRINER

123 Bullitt, Wm. C./32

*The Ambassador in the Soviet Union (Bullitt) to the
Acting Secretary of State*

No. 2 ON BOARD STEAMSHIP "WASHINGTON," January 4, 1934.
[Received January 9.]

SIR: I have the honor to report to you the details of my visit to the Soviet Union December 10-22, 1933.

We reached Moscow on Monday, December 11. Troyanovsky, Divilkovsky, Florinsky and a number of other officials met us at the railway station. We were taken to the Hotel National, where the American flag was suspended over the entrance. The apartment reserved for me was, curiously enough, the same which I was occupying when Austria sent her ultimatum to Serbia.⁵³ It had been beautifully refurnished and was most comfortable. The hotel was adequately heated and the food and service were good.

I was received at once by Litvinov at the Commissariat for Foreign Affairs and had a brief, friendly conversation in the course of which I asked him to obtain as quickly as possible the data on payments due by the Union of Soviet Socialist Republics to Germany during the year 1934, in accordance with the telegram of the Department received by me in Berlin.

On Tuesday, December 12, which was a Soviet holiday, I called on the leading officials of the Foreign Office: Krestinsky, Karakhan, Sokolnikoff, Stomoniakoff, and Roubinin who is in charge of the American Section.

I then lunched *en famille* with Litvinov. I had left the remarks

⁵² The information was duly sent in telegram No. 579, December 28, 11 a.m. (800.51W89 U.S.S.R./20).

⁵³ Cf. note of July 24, 1914, from the Austro-Hungarian Ambassador, *Foreign Relations*, 1914, Supplement, p. 17.

which I proposed to make on presenting my credentials⁵⁴ with Litvinov, and after luncheon he told me that he was delighted by them and that Kalinin was also, and that as a special politeness, contrary to diplomatic precedent, he would like to give me an advance copy of the reply which Kalinin would make.⁵⁵ He did so.

December 13, at noon, I presented my credentials to Kalinin in the reception room of the large palace of the Kremlin. Mr. Flack and Mr. Kennan accompanied me. President Kalinin was accompanied by Mr. Litvinov, Mr. Krestinsky, and Mr. Yenukedze. My remarks on this occasion and Kalinin's reply are contained in my Despatch No. 1, dated December 14, 1933.⁵⁶

After I had presented my letters, Kalinin invited me to accompany him to an adjoining room and we had a delightful conversation of a half hour. I had never met Kalinin and had thought from what I had read and heard of him that he was a simple-minded old peasant. I was surprised to find that he is far from simple-minded. He has a delightful shrewdness and sense of humor and had evidently followed with considerable attention the development of the President's program in America. He requested me to say to the President that he and everyone else in Russia considered the President completely out of the class of the leaders of capitalist states; that it was clear to them all that the President really cared about the welfare of the laboring men and the farmers and that he was not engaged in protecting the vested rights of property.

Kalinin said that he hoped that I would travel in every part of the Union of Soviet Socialist Republics, and I told him that I should be delighted to do so, but that the Union of Soviet Socialist Republics was a continent rather than a country and that I feared I should be restricted to Moscow and Leningrad unless I could cover it by airplane. He told me that I could go any place I might wish in the entire Union by plane. I replied that I should perhaps be able to arrange to have a plane of my own in Moscow for trips if he would permit me to use it without restrictions. He answered that there would be no restrictions whatever on my movements.

Kalinin was very agreeable to me personally, saying that Lenin had talked to him about me on several occasions, and that he felt as if he were welcoming someone he had known for a long time.

The afternoon of December 13 I received the Press and gave them my remarks and Kalinin's reply. The entire press of the Soviet Union published articles on my arrival and on this exchange of remarks which were not only enthusiastic but undeservedly complimentary.

On Friday, December 15, I had a long talk with Mr. Rosengolz, People's Commissar for Foreign Trade. He impressed me as a highly

⁵⁴ *Ante*, p. 49.

⁵⁵ *Ante*, p. 50.

⁵⁶ Despatch not printed.

intelligent and likeable person. We talked for the most part in generalities, but I asked him how much manganese the Soviet Government could furnish to the United States per annum in addition to the amounts already contracted for by other countries. He replied that in his opinion not more than 300,000 tons per annum could be furnished.

That afternoon I had a long talk with Molotov and found that I had underrated him as I had underrated Kalinin. He has a magnificent forehead and the general aspect of a first-rate French scientist, great poise, kindness and intelligence. He talked freely about the difficulties of the Soviet Union in the Far East, saying that the primary desire of the entire Soviet Government was to avoid war and to obtain time to work out the domestic reconstruction which had scarcely been begun. He said that he feared greatly that Japan would attack this spring; that he considered an eventual attack inevitable and 1935 as the probable limit of peace.

That evening, December 15, Litvinov gave a formal dinner in my honor at which Molotov and nearly all the Commissars were present. It was a superb banquet and many toasts were drunk to President Roosevelt, to myself and to the United States. After dinner I talked for two hours with Molotov, Voroshilov, Kouibychev and Litvinov.

The following day I began to exchange calls with the various Ambassadors and Ministers in Moscow, and before my departure had some forty conversations with these colleagues. I was particularly impressed by the French Ambassador, Alphand, an intelligent, charming old gentleman who for many years was assistant to Delcassé. The Polish Minister, Mr. Juljusz Lukasiewicz, is young and vigorous and seems highly intelligent.

I had a long talk with Karl Radek, who does not believe that Japan will attack this spring, contrary to the belief of the members of the Government.

That evening I was Litvinov's guest at the Ballet, which was as excellent as ever.

On December 19 I had a talk with Mr. Osinski, Chief of the Central Administration of Economic and Social Statistics, who promised me that he would place at the disposal of the staff of the Embassy and Consulate all the statistics available in his department as well as the complete library of his department.

I also had a long talk with Grinko, People's Commissar for Finance, and discussed the problem of obtaining roubles at prices satisfactory to us. I am absolutely opposed to the smuggling of roubles in our diplomatic pouch, or to the purchase of roubles in the Black Bourse in Moscow. I am convinced that we can handle this matter of rouble exchange in an honorable and above-board manner and that we can make a satisfactory arrangement with Grinko. Grinko promised me

that the cost of supplies at Torgsin would be reduced and would be collated with the cost of living index of the leading countries of Europe and the United States. He furthermore promised me that he would make a private arrangement with me for members of the American diplomatic and consular staffs in Moscow to obtain through me an adequate number of roubles for minor expenses at a fair rate. I told Grinko that we should probably wish to charge consular fees in roubles at a rate to be fixed by ourselves and to use the roubles thus acquired for minor living expenses. He said that he had no objection.

The same morning, December 20, I had a long talk with Mejlaouk, who told me that the tempo of light industry producing consumer's goods would be raised in the new Five Year Plan to the same tempo as that of heavy industry and that a great effort would be made to raise the standard of living of the population during the next five years. I asked him what articles he considered the Soviet Union would need to import from the United States in large quantities during the coming years. He replied that machine tools of all sorts would be the chief articles of import. I asked him about railroad building in Siberia. He said that the line to the Lena gold field region had not been begun, but that 100 kilometers of the line running around the north end of Lake Baikal had already been completed. I asked him how much of the Trans-Siberian still needed to be double-tracked. He said about 2,000 kilometers. I checked this statement from a number of other sources later and found a considerable discrepancy in the statements probably due to the vagueness of the word "completed". As nearly as I can discover, about 1,500 kilometers are still untouched, but material is on hand for the building of 500 kilometers. This leaves 1,000 kilometers entirely untouched with no material whatever for completion.

I had a long talk with Voroshilov the same morning, December 20. He discussed frankly the situation in the Far East and expressed the opinion that a Japanese attack was imminent. He also expressed confidence that if such an attack were made the Japanese would be defeated. Voroshilov said that he was especially anxious to have a full equipment of American military, naval and air attachés in Moscow. I replied that it was not our custom to have air attachés. He then asked if it might not be possible to have as Assistant Military Attaché and Assistant Naval Attaché men who were experts of the first water in aviation, as he hoped that he could obtain much good advice from our representatives. He also asked that these men, if possible, should speak Russian, as he speaks no other language, and he would like to be able to confer with our representatives personally in private. I told Voroshilov that I would bring this matter to the attention of our Government when I reached Washington. He made it clear that, if

our Government desires, our military and naval men can have a relationship of the utmost intimacy with the military authorities of the Soviet Government.

That evening, Wednesday, December 20, I dined with Voroshilov at his apartment in the Kremlin. In addition to Voroshilov and his wife the following were present: Stalin, Kalinin, Molotov, Litvinov, Egorov, Mejlaouk, Piatakov, Kouibychev, Kaganovitch, Ordjonikidze, Krestinski, Karakhan, Sokolnikoff, Troyanovsky and Dovgalevsky. Litvinov remarked to me that the persons present constituted the "inside directorate". The dinner was an extremely friendly one with continual toasts, the first of which was offered by Stalin who proposed a toast "To President Roosevelt, who in spite of the mute growls of the Fishes, dared to recognize the Soviet Union." His reference to Hamilton Fish created considerable laughter. I then proposed the health of President Kalinin and thereupon Molotov raised his glass to me and proposed "The health of one who comes to us as a new Ambassador but an old friend."

After dinner I had a long talk with Stalin. He regards an attack by Japan this spring as certain and on introducing Egorov, the Chief of Staff, to me said, "This is the man who will lead our Army victoriously against Japan when Japan attacks." Stalin then referred to the matter in regard to which I telegraphed the Department from Paris on December 25,⁵⁷ saying, "There is one thing I want to ask of you. The second line of our railroad to Vladivostock is not completed. To complete it quickly we need 250,000 tons of steel rails at once. They need not be new rails. Your rails are so much heavier than ours that the rails you discard are good enough for us. Your railways, I understand, are reequipping themselves and will have many old rails to dispose of immediately. Cannot you arrange for us to purchase the old rails? I do not ask that they should be given to us, but only that our purchase of them should be facilitated." I replied that I should be glad to do anything I could in the matter and asked where the rails should be delivered, to which Stalin replied, "Vladivostock." I then asked who in America would make the arrangements for their purchase and he replied, "Bogdanov." Stalin then said, "Without those rails we shall beat the Japanese, but if we have the rails it will be easier."

Stalin had evidently followed the development of the President's program with close attention and expressed an admiration for the President which seemed to be genuine, saying finally, "President Roosevelt is today, in spite of being the leader of a capitalist nation, one of the most popular men in the Soviet Union."

Before I left Stalin said to me, "I want you to understand that if you want to see me at any time, day or night, you have only to let me know

⁵⁷ See telegram No. 576, December 24, 7 p. m., p. 53.

and I will see you at once." This was a somewhat extraordinary gesture on his part, as he has hitherto refused to see any Ambassador at any time.

In order to avoid the jealousy of my colleagues, I said to Litvinov that it seemed to me desirable that it should be made known to the Press merely that I had been at Voroshilov's and that Stalin had dropped in, and that I had had a talk with him. It was so arranged. It is valuable to have the inside track, but it seems to me not desirable to emphasize the fact to the world.

After I had said good-bye to Voroshilov and the others, Stalin went to the door of the apartment with me and said, "Is there anything at all in the Soviet Union that you want?" I told him that I should be glad to know that the property on the bluff overlooking the Moscow River might be given to the American Government as a site for an Embassy. Stalin replied, "You shall have it." The next day Litvinov told me that Stalin had given orders to the Moscow Soviet that the property in the park should be ours if we wished to have it.

I had a long and important conversation with Litvinov on that morning, December 21, in regard to which I cabled to you briefly on my arrival in Paris, December 25.

Litvinov began by saying that he wanted to have a serious talk with me and asked me whether the Government of the United States would have any objection to the Soviet Government joining the League of Nations. I replied that as I had no codes I could not communicate with my Government, but speaking for myself I could say without hesitation that the Government of the United States would have no objection.

I then asked Litvinov why the Soviet Government was considering such a reversal of its established policy. He said that the Soviet Government was under great pressure from France to join the League, that he and all other members of the Soviet Government considered an attack by Japan in the spring so probable that everything possible must be done to secure the western frontier of the Soviet Union from attack; that he did not fear an immediate attack by Germany or Poland or both combined, but that he knew that conversations had taken place between Germany and Poland looking toward an eventual attack on the Soviet Union if the Soviet Union should become embroiled in a long war with Japan; that he feared that a war with Japan might drag on for years and that after a couple of years Germany and Poland combined might attack the Soviet Union, Poland with the hope of annexing the Ukraine and parts of Lithuania and Germany with the hope of annexing the remainder of Lithuania as well as Latvia and Estonia. France had offered to make a defensive alliance with the Soviet Union providing that if either party were

attacked by Germany the other party should at once declare war on Germany, but France felt that this could be done only within the framework of the League of Nations because of the difficulties caused by the Locarno agreements, and that in order to obtain this defensive alliance with France it would be necessary for the Soviet Union to enter the League.

I asked Litvinov how an alliance of this sort could be reconciled with the Covenant of the League and he said that it would be brought before the League as a "regional understanding." I told him that there seemed to me to be a considerable region separating France and Russia and he said that the proximity of both to Germany was a sufficient excuse. I pointed out that Russia had no common border with Germany, but he said with a laugh that Germany was quite close enough to make an agreement a "regional understanding." I asked him if he considered it probable that the Red Army would march against Germany to support France. He said he considered that it would be easy compared with the difficulty of getting the French Army to march against Germany to support the Soviet Union.

We had a long discussion of the situation in the Far East and he expressed the opinion that no one could say, not even in Japan, whether or not an attack by Japan would be made this spring; that the issue would depend on very personal factors; that the civil government had today no power whatever and that if General Araki should reach the position of Dictator, which was probable, an attack on the Soviet Union this spring would be certain.

We discussed ways and means of preventing such an attack. Litvinov suggested that in addition to the supplying of the steel rails, of which Stalin had spoken to me the previous evening, the most effective means of forestalling an attack would be the institution by the United States of proposals for non-aggression pacts between the United States, the Soviet Union, China and Japan. I explained to him the difficulties in the way of any such proposal. He then said that he felt that anything that could be done to make the Japanese believe that the United States was ready to cooperate with Russia, even though there might be no basis for the belief, would be valuable. He asked whether it might not be possible for an American squadron or an individual warship to pay a visit during the spring to Vladivostock or to Leningrad. I said that I could not answer that question, but would submit it to my Government.

Litvinov also said that it would be very important if it should be possible to obtain assurances from France and Great Britain and the United States that loans or credits would not be given to the Japanese Government for war purposes.

I again attempted to obtain from Litvinov the figures which were wanted by the Department in regard to Soviet obligations in Germany. Litvinov replied that the figures were not available in Moscow but only in Berlin; that he had telegraphed to Berlin for them and that he would telegraph them to Skvirsky to communicate to the Department of State as soon as they were available.

Certain of these figures were handed to me in Paris by the Soviet Commercial Attaché there and I telegraphed them to the Department.⁶⁸

We then talked about general commercial policy and Litvinov expressed the opinion that the United States could not take more than \$60,000,000 worth of goods from the Soviet Union in any one year, and that if we wanted an export trade with the Soviet Union of more than this amount we would have to extend long-term credits. He said that the Soviet Union was not interested in developing a large export and import trade, but hoped to make itself as nearly self-sufficient as possible. On the other hand, if considerable credits could be obtained, the Soviet Union would be glad to continue to buy from the United States considerable quantities of imports of all kinds. I queried him in regard to payments and he replied that his idea was that the United States should take from the Soviet Union each year sufficient imports to cover interest payments and amortization on long-term loans.

Litvinov gave a tremendous reception for me on the next afternoon, December 21, and that evening we left for Paris, crossing the Russian border at noon, December 22.

Respectfully yours,

WILLIAM C. BULLITT

⁶⁸ See footnote 52, p. 55.

1934

NEGOTIATIONS TO IMPLEMENT THE AGREEMENTS OF NOVEMBER
1933, IN REGARD TO CLAIMS, CREDITS, AND OTHER MATTERS
BETWEEN THE UNITED STATES AND THE SOVIET UNION

800.51W89 U.S.S.R./223

*The Ambassador in the Soviet Union (Bullitt), Temporarily in
Washington, to the Secretary of State*

[WASHINGTON,] February 10, 1934.

DEAR MR. SECRETARY: Mr. Troyanovsky, who is still suffering from rheumatism and felt unable to visit the Department, asked me again today if I would call on him. I did so at 2:30 p. m.

1. Mr. Troyanovsky first inquired if we had made any progress in getting ready to discuss the question of claims of the American Government and American nationals against the Soviet Government and the correlated question of credits. I told him that we regretted the delay as much as he did, but that we hoped to be able to take up these questions seriously on Monday.¹ I explained to him that we were organizing a bank to handle the matter of credits and that we hoped to have this organization functioning some time during the coming week. He asked if he might come to the Department on Monday in order to discuss the total sum to be paid to the United States by the Soviet Government and the question of normal interest rates on loans and the additional interest rate for the extinguishment of our claims. I told him that we should be glad to see him at any time that was convenient to him and he fixed 11:30.

We had an entirely informal discussion of the matter, prefaced on my part by the explanation that nothing I said must be regarded as binding in any way on the American Government. I told Mr. Troyanovsky that I considered that a payment by the Soviet Government to the Government of the United States of \$150,000,000 was an absolute minimum. I pointed out that the dollar had been devalued to 60 per cent of its former value and that \$150,000,000, therefore, represented merely \$90,000,000 at the old rate of exchange. Mr. Troyanovsky seemed to accept this statement of mine as entirely reasonable and I believe that we should insist on the payment being

¹February 12. No record of a conversation with the Soviet Ambassador on this date has been found in Department files.

not a penny less than \$150,000,000. We then went on to talk about normal rates of interest and the additional interest payments. I pointed out to Mr. Troyanovsky that on normal credits from England and Germany the Soviet Government had been paying in the case of England 15 per cent and in the case of Germany 14 per cent. He asked me what I called a normal rate of interest to foreign governments in this country at the present time. I replied that I could not conceive of any foreign government obtaining money at less than 7 per cent. I then pointed out that the larger the additional interest rate and the smaller the normal interest rate the better from the point of view of the Soviet Government and told him, for example, that an additional interest rate of 10 percent, with a normal interest rate of 5 per cent, would be of greater value to the Soviet Government than a normal interest rate of 7 per cent and an extra interest rate of 8 per cent. I did not make any statement as to the actual rates which would be the subject of discussion. I was surprised, however, that he did not seem shocked by the example I gave him, which would mean a 15 per cent payment.

2. Mr. Troyanovsky then asked me about the question of visas for our passports. I explained to him that we had only two statuses: (1) the status of officer, and (2) the status of clerk. He said that he was in doubt as to whether or not he could give diplomatic visas to men who were not to go on the diplomatic list in Moscow, even though they should carry diplomatic passports. I said I considered the matter one to be decided entirely by himself and his Government. He asked me about my personal secretary and I said that my personal secretary had merely the status of a clerk. He said that he would like to give him a diplomatic visa. I said that that would be very agreeable. He then said that unless he received instructions from his Government to the contrary before Monday morning he would give diplomatic visas to all our officers and clerks.

3. We then discussed briefly the question of the building site for the embassy in Moscow. I told him that you and the President were both pleased by his letter to me² offering to give us the magnificent site in the park and any additional property we might wish at an annual rental of \$2,000 a year, but that the President would be even more pleased if it should be possible to have an additional promise that at the end of the expiration of the 99-year lease it might be renewed. Mr. Troyanovsky said that he would think the matter over and he hoped to be able to bring to the Department on Monday morning a note stating that the lease would be renewable for another 99 years, at the expiration of the first period.

4. Mr. Troyanovsky then asked me if I had seen the remarks of

² Not printed.

Ambassador Saito on his arrival in New York, and said that he was convinced from Saito's remarks and a letter which he had just received from Baron Shidehara that the Japanese were not going to attack the Soviet Union this spring. He read me Baron Shidehara's letter, which he prefaced by saying "This letter was certainly dictated by Hirota." In Shidehara's letter to Troyanovsky, Shidehara said, "It would be absolutely madness for Japan and the Soviet Union to fall into war with each other. I see no possibility of any such eventuality and I am certain that wiser counsels will prevail in both Tokyo and Moscow."

5. Mr. Troyanovsky also told me that the Soviet Union was considering seriously taking a one-third interest in the Scantic Line; that the Soviet Union had avoided taking a minority interest in any organization and would continue to do so except in the case of the United States, but that there was such confidence in Americans at the present time that the Soviet Union might be disposed to do this.

WILLIAM C. BULLITT

800.51W89 U.S.S.R./21½

Memorandum by the Chief of the Division of Eastern European Affairs (Kelley) of a Conversation With the Ambassador of the Soviet Union (Troyanovsky)

[WASHINGTON,] February 21, 1934.

Mr. Troyanovsky stated that there were several points in the draft note relating to the settlement of claims which I handed to him on the day before which he would like to have clarified.³

(1) He thought that the last paragraph with regard to the waiver of claims by his Government and Soviet nationals was too broad and was in fact inconsistent with the first paragraph. I went over the paragraph with him and said that I was inclined to agree with him that the paragraph needed revision.

(2) The Ambassador stated that the references to credits in the second, third, and fourth paragraphs were not clear to him. He said that in the second and fourth paragraphs reference was made to "all credits" and that in the third paragraph there appeared to be a definition of what was to be considered as a credit. He understood the meaning of the definition, but was uncertain whether the phrase "all credits" meant only all credits of the variety referred to in the third paragraph, or all credits of whatever nature.

(3) He stated that the fifth paragraph provides for the payment of interest at the rate of five per cent on the sum of \$150,000,000. He stated that according to Mr. Litvinoff the gentlemen's agreement

³ See telegram No. 35, April 7, 5 p. m., to the Ambassador in the Soviet Union, p. 78.

with the President ⁴ did not provide for the payment of interest on the amount to be agreed upon in settlement of claims.

I told Mr. Troyanovsky that I would look into the points he mentioned at once.

ROBERT F. KELLEY

800.51W89 U.S.S.R./22 : Telegram

The Ambassador in the Soviet Union (Bullitt) to the Secretary of State

Moscow, March 15, 1934—1 a. m.

[Received 10:10 a. m.]

13. Continuing my No. 12, March 14, midnight.⁵ We then discussed the State Department draft of the note in regard to claims and credits which Troyanovsky had forwarded to Litvinov a copy of which he gave to me. Litvinov expressed objection to almost every sentence of the draft.

(a) In regard to the first paragraph of the note he said that the wording of the note would compel the Soviet Government to make settlements with all the other governments which had claims against the Soviet Union and objected to the sum being placed at \$150,000,000. He said that he was prepared to suggest \$100,000,000 to his Government but without interest. He was vehement in his objection to interest. I reminded him that the dollar had been cut to 60 percent of its former value and that the Soviet Union no longer ran the risk of the rise of the dollar to parity, that therefore the sum of \$150,000,000 actually represented only \$90,000,000. We had some discussion on this point and I gathered the impression that we may perhaps be able to get the full \$150,000,000. We should certainly hold out for it at present.

(b) In regard to the second paragraph of the note Litvinov took the surprising position that he had not agreed to pay any extra interest or any credits whatever but only on loans to be given to his Government to be used for purchases anywhere. I combated this assertion as vigorously as possible reminding him that we had had long discussions of the possibility of using frozen American credits in Germany and emphasizing the fact that the President had never had any idea of a direct loan to the Soviet Government but only of a loan in the form of credits. I pointed out that no loan could possibly be made by the United States to any foreign country at the present time and that we had assumed that he was fully aware that a loan in the form of credits

⁴ See memorandum by President Roosevelt and the People's Commissar for Foreign Affairs, November 15, 1933, p. 26.

⁵ Not printed.

was the only possibility. He agreed that he had known that it would be extraordinarily difficult for the Government of the United States to make any loan to the Soviet Union but insisted that he had thought the President would find a way to do so. I feel sure that the President never envisaged a loan in any other form than that of a commercial credit to be expended in the United States. An instruction from the President stating his point of view in regard to this matter with vigor would be of great assistance to me in subsequent conversations with Litvinov. If Litvinov's physicians permit I am to see him on March 16th.

Litvinov also objected to the fixing of 10 percent as the amount of additional interest. He recalled to me that in his discussion of this matter with Secretary of the Treasury Morgenthau the Secretary of the Treasury had suggested the sum of 4 percent normal interest and 6 percent additional interest. Litvinov also recalled the fact that he had offered the Secretary of the Treasury a normal interest rate of 3 percent and an additional rate of 4 percent and finished by saying "so you see on this point also our points of view are very far apart".

In spite of Litvinov's highly unfavorable reception of the State Department draft I derived the impression that if we maintain our position energetically and forcibly we shall be able to arrive at a solution in large measure satisfactory to us.

BULLITT

800.51W89 U.S.S.R./22 : Telegram

*The Secretary of State to the Ambassador in the Soviet Union
(Bullitt)*

WASHINGTON, March 17, 1934—1 p. m.

11. Your 13, March 15, 1 a. m. For your information President is convinced that the proposal relative to debts and claims which you are discussing with Litvinoff is reasonable but he is willing to give consideration to any not vital modifications insisted upon by Litvinoff which you may recommend.

You may inform Litvinoff that the President expressly states that he has never had any thought of a direct loan to the Soviet Government and that there is not the slightest possibility of such a loan being made.

The Board of Trustees of the Export-Import Bank has passed a resolution with the President's approval to the effect that the Bank shall not engage in any credit transactions to facilitate Soviet purchases in the United States until the Soviet Government has submitted a debt adjustment proposal acceptable to the President.

HULL

800.51W89 U.S.S.R./23 : Telegram

The Ambassador in the Soviet Union (Bullitt) to the Secretary of State

Moscow, March 18, 1934—6 p. m.

[Received 6:10 p. m.]

20. Your 11, March 17, 1 p. m., just received. I shall communicate substance to Litvinov tomorrow. I saw him this morning in hospital. At first he categorically refused to consider anything but a cash loan. However, after long argument he agreed to refer entire matter to Stalin.

The 100,000,000 crown Swedish loan produced general conviction in Moscow that direct loans may now be expected by the Soviet Union from many nations and has stiffened greatly Soviet attitude.

What is the status of Johnson bill?⁶ Are ordinary commercial credits to Soviet Government now illegal?

BULLITT

800.51W89 U.S.S.R./23 : Telegram

The Secretary of State to the Ambassador in the Soviet Union (Bullitt)

WASHINGTON, March 19, 1934—3 p. m.

15. Your 20, March 18, 6 p. m. Johnson bill has passed Senate and will probably pass House April 2d.⁷ It prohibits the purchase or sale in the United States of obligations hereafter issued by any Government in debt default to our Government except in connection with the Export-Import Bank credit transactions. But by resolution of the Bank there can be no such transactions with the Soviet Union until debt agreement acceptable to the President is concluded. It follows that enactment of Johnson bill coupled with failure to reach agreement would prevent the Soviet Government and its agent Amtorg⁸ from making any purchases in the United States otherwise than for cash certainly where the sellers expect to dispose of the obligations. This stresses the importance of both countries speeding agreement relative to debts. Prior to enactment of Johnson bill existing situation with regard to ordinary commercial credits unchanged.

HULL

⁶ Introduced by Senator Hiram W. Johnson, of California.

⁷ Approved April 13, 1934; 48 Stat. 574.

⁸ Amtorg Trading Corporation, official purchasing and sales agency in the United States of the Soviet Union, located at 261 Fifth Avenue, New York, N. Y.

800.51W89 U.S.S.R./24 : Telegram

*The Ambassador in the Soviet Union (Bullitt) to the Secretary
of State*

Moscow, March 21, 1934—8 p. m.

[Received 11:40 p. m.]

24. Litvinov, in another long conversation at the hospital today, reiterated his unwillingness to settle on the basis of credits saying "We shall never accept credits in place of a loan. We might agree to spend the entire proceeds of a loan in the United States but what we insist upon is a straight loan like the one the Swedish Government has just granted us so that we can pay for all our American purchases in cash."

I replied that the message I had received from the President was decisive, that no loan could or would be granted. I added that if his position should be unalterable I would wish to cable the President immediately so that the Export-Import Bank might be liquidated at once and all thought of trade with the Soviet Union abandoned. I then expressed the hope that in the absence of trade our relations might nevertheless remain friendly. Litvinov answered: "We could remain on friendly terms with the United States without mutual trade but I fear that the United States would not remain on friendly terms with the Soviet Union." I made no reply as it seemed to me that he had caught with sufficient force the implication of my remark. Litvinov then said that he had not yet submitted the question to Stalin but would do so within the next 2 or 3 days in writing as he will be confined to the hospital for at least a week. He said that his Government might wish to make a decision while he was still in the hospital but that he thought decision would be delayed until he could discuss the matter with Stalin personally and perhaps until Bogdanov's arrival at the end of this month.

It seems to me highly desirable that the Johnson bill should be passed as soon as possible and that the Department should adopt a firm attitude with Troyanovsky and bring to his attention the revulsion of feeling which would be likely to take place in the United States if the Soviet should so soon after recognition fail to continue the policy of cooperation between our two countries.

Previous negotiations with Litvinov have led me to observe that his decisive negotiations are often followed by acquiescence and I do not consider the present problem insoluble.

BULLITT

800.51W89 U.S.S.R./25 : Telegram

The Ambassador in the Soviet Union (Bullitt) to the Secretary of State

Moscow, March 23, 1934—3 p. m.

[Received 4:50 p. m.]

27. I introduced Captain Nimmer and Lieutenant White to Voroshilov this morning. He asked me to remain after they left and we talked for an hour and a half.

Voroshilov brought up the question of obtaining the 200,000 tons of used steel rails in regard to which Stalin spoke to me in December as a matter of extreme urgency.⁹ I explained to him in detail the impossibility of any credits being granted until the Soviet Government had settled its debts to the Government of the United States. He asked me if I would do everything I could to expedite such a settlement and I told him that I certainly would provided he would do everything he could to push Litvinov to an immediate agreement. He promised to do so.

Voroshilov said that he would be much interested in obtaining technical advice and certain naval equipment in the United States, parts for cruiser construction, et cetera. I told him that I was sure that he would find cordial cooperation in the United States and he promised to let me know his desires in detail in the near future.

BULLITT

800.51W89 U.S.S.R./26

Memorandum by the Secretary of State

[WASHINGTON,] March 26, 1934.

During his call, the Soviet Ambassador took up the question of the failure or indisposition of the Russian Export-Import Bank here to function, by cooperating with the Russian Government and American exporters in taking care of the credit situation involved. I stated to the Ambassador that I must be entirely frank and say that the President, Mr. Bullitt, Assistant Secretary Moore, and others who participated in the Russian debt conversations with Mr. Litvinoff when he was here during last November, were greatly surprised and keenly disappointed to learn that Mr. Litvinoff offered a contention and a version of the debt understanding, entered into at the time of his visit here, entirely different from anything the American officials

⁹ See telegram No. 576, December 24, 1933, 7 p. m., from the Chargé in France, p. 53; also despatch No. 2, January 4, 1934, from the Ambassador in the Soviet Union, p. 55.

thought they were discussing and entirely different from anything they were thinking about; that our Government could not for a moment justify to Russian creditors in this country a settlement for a given amount of money payable without any interest at the end of 20 years. I said that since a fair rate of interest would double the principal within a 20-year period, it was patent that merely to propose payments in 20 years was equivalent in a large sense to nothing at all. I finally suggested that my government officials were so surprised and disappointed at this, to them, new and strange and unexpected contention of Mr. Litvinoff, which showed such a wide misunderstanding, that it would perhaps be best to bring all commercial and financial relations to a standstill until there could be a clarification of these misunderstandings; that this included the deferment of credits by the so-called Russian Export-Import Bank here.

The Ambassador also brought up another point, to the effect the Court of Appeals of New York State had recently held that certain Russians in Paris were not entitled to the sum of \$46,000 which they claimed a right and title to in connection with certain corporate holdings in New York. The Ambassador further suggested that under the agreement in the conversations with Litvinoff in November last, amounts going to nationals of either country should be turned over to their respective governments and handled through them. He said that he and the Russian claimants felt, or at least they felt, they were entitled to attention by our Government to the effect of this New York Court decision. I stated to him that Assistant Secretary Moore was a good lawyer and also sat in the conversations with Litvinoff, and that I would ask him to present this matter to Mr. Moore, which he gladly proceeded to do.

C[ORDELL] H[ULL]

124.611/127

*The Ambassador in the Soviet Union (Bullitt) to the
Secretary of State*

No. 12

Moscow, March 28, 1934.

[Received April 20.]

SIR: I have the honor to report in regard to several instances in which the Soviet Government does not seem disposed to carry out understandings between it and the Government of the United States.

(1) I have reported so fully by cable in regard to negotiations growing out of the "verbal understanding" between the President and Mr. Litvinov ¹⁰ that I need not burden you in this despatch with further

¹⁰ Memorandum of November 15, 1933, p. 26.

information concerning that matter. I have had no further conversations on the subject since my talk with Voroshilov, reported in my telegram No. 27, March 23, 3 p. m. My impression is that the Soviet Government will take no action until after the arrival of Bogdanov. If the Soviet Government maintains its present position, I feel that we should accept temporary disappointment rather than make any major concessions. I should be glad to know that this is the attitude of the Department.

(2) An even more extraordinary "misunderstanding" has arisen with regard to the property which was promised to us for the construction of our new Embassy. You will recall that I submitted a map to the Moscow Soviet, outlining a property at Lenin Hills on which we might wish to build. The Moscow Soviet replied that, in principle, it had no objection to giving us this property but that the new canal would run close to the property or even through the property, and that the Moscow Soviet was loath to give us any piece of property which might cause future complications. I asked the Moscow Soviet to determine at once just where the canal would go and whether it would pass by tunnel under the hill or through an open cut. We discussed the probable course of the canal at great length and I was left with the impression that the Moscow Soviet would give us the property.

Litvinov, however, telephoned to me and said that the Moscow Soviet was merely being polite and did not intend to give us the property. Therefore, when Stalin asked me if there was anything in the Soviet Union that I wanted, I told him that I wished that particular piece of property for the American Embassy and mentioned the difficulty of the canal; whereupon Stalin said: "You shall have the property".

Litvinov telephoned me the next day to say that Stalin had given orders to the Moscow Soviet to give us the property we wanted. In order that we might be certain of our ground before approaching Congress for an appropriation, I obtained from Troyanovsky two letters in regard to the matter, dated February 8 and 12, 1934, the originals of which are in the Department.¹¹ Relying on these letters I described the property to the President, to the Committee on Foreign Affairs of the House, and to officials of the State Department precisely as I had outlined it in Moscow.

At five o'clock on March 25, Mr. Florinsky called on me. He prefaced his remarks by saying that he had something very unpleasant to say which he regretted greatly to have to bring up. He then announced that Troyanovsky must have deciphered incorrectly the telegrams which had been sent to him in regard to this matter and said

¹¹ Neither printed.

that the Moscow Soviet would not give us the western half of the property I had chosen but only the eastern half, with additional land to the east. I replied to Mr. Florinsky that the matter was settled; that I had received a promise from Stalin and assurance from Litvinov that Stalin had given orders in accordance with his promise; that the agreement had been confirmed in writing by Troyanovsky; and that I could not agree to any alteration whatsoever in this agreement. I told him further that, acting on these promises, the President had approached Congress in the matter of obtaining funds for the building of the Embassy; that I myself had explained the matter in detail to the Committee on Foreign Affairs of the House of Representatives, and that Congress had voted money on the basis of this explicit promise of the Soviet Government. I pointed out to him that it was not wise for the Soviet Union to create the belief in the United States that a promise of Stalin, backed by an assurance of Litvinov, plus a written confirmation by the Soviet Ambassador at Washington, was worthless.

I may add that the land to the east is not adapted to the buildings we hope to erect, as it lies below the level of the main road and has buildings in front of it on the river side. A portion of it would be excellent for a garage, servants' quarters and various outbuildings, but as an Embassy site it is impossible.

I did not spare Mr. Florinsky's feelings in my remarks on this subject and he left the Embassy with an appropriate humility and agitation.

The following day, Monday, March 26, I called at the Foreign Office and took up the matter with Divilkovski, who, owing to Litvinov's illness, is acting as his personal representative. Mr. Divilkovski was much upset and said that he wished to show me copies of telegrams that had been sent to Troyanovsky in regard to this matter as he did not wish us to believe that the Soviet Government had been guilty of bad faith but that it had been simply a misunderstanding. I told him that I did not wish to see the telegrams.

Mr. Divilkovski then asked me to prepare a map showing precisely the property that I wished at Lenin Hills. He called yesterday at one o'clock and I gave him the map. He promised to take the members of the Moscow Soviet to the property yesterday afternoon and to attempt to overcome their objections. I told him that I could enter into no negotiations in regard to the matter; that it was a common occurrence for national governments to overrule municipal authorities when the municipal authorities wished to contravene engagements which had been entered into by the national government. I added that if the Moscow Soviet would not acquiesce it was necessary to order the Moscow Soviet to acquiesce.

I trust the Department will keep me fully informed with regard to any lease of this property which may be proposed in Washington as I suspect that there may be last minute attempts to wriggle out of the agreement. Our position in this matter is supported not merely by oral communications but also by written notes, and I think we should not budge one inch.

(3) In a separate despatch of this date ¹² I am reporting to you in regard to the unwillingness of the Soviet Government to carry out the verbal promise which was made to me by Grinko that the State Bank would supply us with paper roubles for the necessary minor expenditures of our staff at a fair rate of exchange.

In the course of our conversation on that subject yesterday, Divilkovski made it plain that, in addition, the Soviet Government does not intend to carry out its verbal statements with regard to consular fees. Both Grinko and Litvinov told me in December that the Soviet Government had no objection to our charging consular fees in the Soviet Union either in dollars or in paper roubles at a paper rouble rate to be fixed by ourselves in accordance with the rates outside the Soviet Union. In my previous conversations here with Litvinov and Divilkovski I have repeatedly restated this intention. There has been no objection. Yesterday Divilkovski said that his Government had decided that it would pay consular fees in paper roubles only at the rate of one thirteen (1.13) to the dollar. I told him that we expected to charge the Soviet Government fifty-five (55) to the dollar, or fifty (50), at least. He said that Troyanovsky was now in negotiation with the Department in regard to this matter and that he thought that the Department was disposed to accept paper roubles at one thirteen (1.13) to the dollar. I felt so sure that this statement was incorrect that I did not feel it necessary to telegraph the Department.

These three extraordinary incidents indicate clearly that oral promises of members of the Soviet Government are not to be taken seriously. I have the impression that the "misunderstandings" have been produced not so much by bad faith as by inefficiency. The members of the Soviet Government seem disposed to make promises without taking into consideration all the factors involved. There are several organs in the Soviet Government of negative authority which are in a position to prevent the carrying out of promises made by individual members of the commissariats.

Whatever the source of these "misunderstandings", it seems to me that in every case understandings with the Soviet Government or representatives thereof should be made in writing or should be confirmed at a later date by a written document.

¹² Not printed.

I have been somewhat emphatic in saying to the members of the Soviet Government in the past few days that they must understand that, if they wish to carry further the collaboration with the United States which was so happily begun by the President and Mr. Litvinov, this sort of "misunderstanding" must cease at once and the Soviet Government must show that it is indeed ready to cooperate with us. These remarks have had an agreeably lubricative effect. I am sure that the Department will feel that the same line should be taken with Troyanovsky.

Respectfully yours,

WILLIAM C. BULLITT

800.51W89 U.S.S.R./27 : Telegram

The Ambassador in the Soviet Union (Bullitt) to the Secretary of State

Moscow, April 2, 1934—8 p. m.

[Received 11:54 p. m.]

33. Litvinov today informed me that the Council of People's Commissars had decided that it would arrange the matter of indebtedness to the Government of the United States and American nationals by way of a long-term credit operation and that the Soviet Government would not insist upon a loan. He said that he was authorized to make the following proposal: that a 20-year credit should be extended by the Export-Import Bank for double the amount of the sum to be paid in settlement of claims by the Soviet Government; that if the amount should be fixed at \$75,000,000 the credit should be for \$150,000,000; that if the sum should be \$100,000,000 the credit should be for \$200,000,000. He proposed that a credit to this undetermined amount should be opened by the Export-Import Bank to be drawn upon by the Soviet Government if, as and when the Soviet Government needed cash to pay for purchases made in the United States. He asserted that the Soviet Government desired to make all purchases in the United States in cash. I recurred to this point three times during our conversation but he insisted that this was so.

He proposed that the interest on such a credit should be 4% during the first 4 years without extra interest payments applied to liquidation of debts and that the interest should be 4% plus 3% additional interest for the subsequent 16 years. The additional 3% over a period of 16 years would thus cover 96% of the recognized claims. I told Litvinov that I was certain that the sum mentioned for extra interest payments, 3%, would prove to be entirely unacceptable but that I would communicate his proposal to my Government and would refrain from further comments to him until I had received instructions from Washington.

I should have taken a stronger line of opposition to Litvinov's proposal except for the fact that it marked a retreat from his position that there must be a loan or no settlement.

I reminded Litvinov of his promise to the President that he would recommend a payment of \$100,000,000 in settlement of claims. He said that he was still ready to do so if the President should insist but that the documents which had been turned over to the Soviet Embassy in Washington had revealed the fact that the Kerensky government had received almost none of the funds placed at its disposal by the Government of the United States and that Bakhmeteff and Ughet had used these funds for the support of themselves and various armed attacks on the Soviet Government.¹³ He mentioned specifically Yudenich¹⁴ and Denikin.¹⁵ He said that he would have a dossier ready for me on this subject within 2 or 3 days which he was sure would appeal to the fair-mindedness of the President.

Litvinov said that he did not expect to leave Moscow for the meeting in Geneva on April 10 but I suspect that he will do so at the last minute and I suggest that the Department should if possible let me have its views in regard to his proposal within the new [*neat?*] few days.

Litvinov said further that he hoped the Government of the United States would not interpret the Johnson bill to mean that it would be unlawful for anyone to extend ordinary trade credits to the Soviet Government. I should be greatly obliged for information on this point. Litvinov added that it was necessary to make many purchases immediately which purchases would be made by Arcos in London if they could not be made by Amtorg in the United States.

I am informed by a private source that the Swedish Parliament may refuse to vote the proposed credit to the Soviet Government. If this rumor should prove to be true we shall find Litvinov more amenable.

BULLITT

800.51W89 U.S.S.R./27 : Telegram

*The Secretary of State to the Ambassador in the Soviet Union
(Bullitt)*

WASHINGTON, April 5, 1934—1 p. m.

31. Your 33, April 2, 8 p. m. will be brought to the President's attention on his return here next week. Meanwhile I regard the proposal as wholly unacceptable. It substitutes for a loan which the

¹³ See correspondence concerning the liquidation of the obligation in the United States of the Russian Provisional Government, *Foreign Relations*, 1922, vol. II, pp. 877 ff.

¹⁴ See *Foreign Relations*, 1919, Russia, pp. 666 ff.

¹⁵ See *ibid.*, pp. 750 ff., and *Foreign Relations*, 1920, vol. III, pp. 571 ff.

President heretofore declined to consider, a credit which is the equivalent of a loan. It may be assumed that the Export-Import Bank cannot extend such a credit and that Congress would not do so. Were the credit extended and the other details of the proposal approved, the indebtedness to our Government at the end of the 20-year period would apparently be about twice what it was at the beginning of the period. The proposal is so unreasonable not to say fantastic as to make unnecessary comment on the inadequacy of the total amount of indebtedness it contemplates and the inadequacy of the interest rates. Mr. Litvinoff probably knew when he was in Washington how the proceeds of the Kerensky loan were expended, but even if what he states were true the rights of our Government as a creditor would not be weakened, since it incurred no obligation to control the expenditure.

In talking with the Soviet Ambassador on March 26 I told him that the President and others who participated in the conversations with Mr. Litvinoff were greatly surprised and keenly disappointed to learn that Mr. Litvinoff now seems to have a version of the debt understanding entered into on his visit here completely different from anything the American officials thought they were discussing and certainly different from anything they had in mind. I informed him that our Government could not for a moment justify to claimants in this country a settlement for a specific amount payable in 20 years, without interest. I finally suggested that in view of Mr. Litvinoff's new and unexpected contentions it would perhaps be best to keep all commercial and financial relations in suspense until the situation is clarified.

Yesterday the House of Representatives passed the Johnson Bill in precisely the form it had previously passed the Senate. There was no vote against the Bill in the Senate and there was no roll call in the House, where there was little or no opposition. There was read to the House the resolution adopted by the Export-Import Bank as follows, and the House relied on this assurance in passing the Bill [:] "It is the sense of the board of trustees of this Corporation that no actual credit transactions with the Soviet Government shall be undertaken unless and until that government shall submit to the President of the United States an acceptable agreement respecting the payment of the Russian indebtedness to the Government of the United States and its nationals."

Of course you understand that the Bill will not prevent cash purchases in the United States by the Amtorg, but will prevent the purchase or sale of obligations given for purchases.

HULL

800.51W89 U.S.S.R./27a : Telegram

*The Secretary of State to the Ambassador in the Soviet Union
(Bullitt)*

WASHINGTON, April 7, 1934—5 p. m.

35. The following is the full text of the draft proposal in regard to claims and credits written before you left and approved by the President, which was handed to Troyanovsky on February 20th. While it is noted in your 13, March 15, 1 a. m., that Litvinoff gave you a copy, we believe that the text should be communicated to you directly by the Department.

“I have the honor to refer to the conversations between the President of the United States and the Commissar for Foreign Affairs of my Government with regard to the question of the settlement of debts and claims, and to subsequent discussions of that matter, and to inform you that in full settlement of the indebtedness of former Governments of Russia to the Government of the United States and its nationals, and of all claims of nationals of the United States against my Government, arising prior to November 16, 1933, with the exception of claims arising out of contracts for services, goods, supplies, or matériel, entered into between my Government, or an Agent thereof, and American nationals, my Government will pay to your Government, in currency of the United States, the sum of One Hundred and Fifty Million Dollars (\$150,000,000.00), together with interest, in the manner hereinafter provided, the payment to be completed within twenty (20) years.

On all credits or loans to be extended after the date hereof to my Government or any of its agencies by your Government, its nationals, or any agencies of either, my Government will pay, in addition to the charges or interest contracted for in each particular transaction, an additional sum hereinafter called ‘additional interest’, namely, ten (10) per centum per annum of the respective amount upon which the contractual charge or interest is based, such additional interest to be paid at the same respective times that the contractual charge or interest is paid. Such additional interest shall be paid to the Export-Import Bank of Washington, D. C., or to any other agency or agencies your Government may designate, for the account of the United States Treasury, and applied first toward the interest on the above sum of One Hundred and Fifty Million Dollars (\$150,000,000.00), and thereafter to the reduction of the principal thereof.

A credit or loan is deemed to be extended under the above provisions upon either the opening of an irrevocable credit or the granting of a loan.

My Government will submit to your Government from time to time, as it may be requested, a schedule of all credits or loans extended to it by nationals of your Government.

The said sum of One Hundred and Fifty Million Dollars (\$150,000,000.00) shall bear interest at the rate of five (5) per centum per annum, commencing July 1, 1934, payable semiannually, on the first day of January and the first day of July of each succeeding year. Any interest remaining unpaid on these respective dates shall be added to

the principal and shall thereafter bear interest at the same rate per annum.

The said sum of One Hundred and Fifty Million Dollars (\$150,000,000.00) shall not include, but shall be in addition to, any assets that have been assigned or released to the United States.

My Government waives all demands and claims of every character by it or any of its nationals against the United States or any of its nationals."

This morning a person states that he has had a confidential talk with Troyanovsky who is anxious for a settlement and talks about One Hundred Million Dollars (\$100,000,000.00), evidently forgetting that that figure, because of the devaluation of the dollar, would be even below the minimum amount suggested by Litvinoff when here. As before stated, the devaluation would bring the One Hundred and Fifty Million Dollars (\$150,000,000.00) discussed here, down to Ninety Million (\$90,000,000.00).

It is hoped that during the President's absence you may find it possible to obtain a proposal which you will be able to recommend.

HULL

800.51W89 U.S.S.R./28 : Telegram

The Ambassador in the Soviet Union (Bullitt) to the Secretary of State

Moscow, April 8, 1934—7 p. m.

[Received 10 p. m.]

43. Your 31, April 5, 1 p. m., and 35, April 7, 5 p. m. I had a completely unsatisfactory discussion with Litvinov this afternoon. He was angry and adamant. He refused to take the State Department draft as a basis of discussion either now or hereafter alleging that it was in absolute contravention of his understanding with the President. I replied that our belief, on the contrary, was that it was in accordance with his understanding with the President. He said that any fair-minded person could judge that the State Department draft contemplated not a loan or a credit but a taxation of Soviet trade; that the same proposal had been made by the French Minister de Monzie years ago; that it had then been rejected and all similar proposals would continue to be rejected by the Soviet Government.

He asked me what reply the Department had made to his proposal. I told him that his proposal was entirely unacceptable even as a basis of discussion and asked him if he had anything to add to it. He said he had nothing to add. With the explanation that my question was personal I asked him if the Soviet Government might be willing to put up actual metal security in addition to its promise to pay. He

replied that the Soviet Government had never done so and would never do so.

I asked Litvinov if he had considered the consequences of his attitude pointing out that the credit markets of the United States would be open to nations not in default and would remain closed to the Soviet Union until an agreement has been reached. He said that he was fully aware of this and was not disturbed. He added that the Johnson bill presumably applied to England, France and Italy, as well as the Soviet Union and said "we shall be in very good company". He then said: "This means that we shall buy nothing henceforth in the United States. We can cover all our needs in other countries and shall do so".

I replied that such a course would not lead to the development of the sort of relations between our countries which we both hoped might develop. He answered that the relations of the Soviet Union with France, England, Italy and other countries had been amicable without the settlement of debts and claims and that there was no reason why the relations of the Soviet Union with the United States should not remain amicable under similar circumstances. He added that our private claimants would receive no consideration whatever.

I asked him if there were nothing that he could invent as a counter-proposal which might have some chance of acceptance. He said that he had said his last word and made his maximum offer to me the last time we had discussed the matter; that so far as he was concerned the matter was closed. I said to him that if he should adhere to this attitude it might become necessary for the Government of the United States to announce that no credits of any kind would be permitted for Soviet trade. He replied that that had already been announced in Washington and added that the public announcement by the Board of Directors of the Export-Import Bank that no credits would be extended to the Soviet Union had been a badly advised threat designed to bring pressure on the Soviet Union. He said that the Soviet Union would never be moved by such a threat. I denied that any threat had been intended and I told him that I could not contemplate without deep regret and apprehension the development of our relations if he should adhere to his point of view. He said that he had no apprehensions. I told him that I saw no chance of an alteration in the point of view of my Government and that there was nothing to be done unless he should change his point of view. He said that he would not change his point of view.

I am not in a position to judge the general considerations of national policy involved in the decision we now have to make. I have not discussed Litvinov's recent proposal in detail with him owing to the Department's and my own objections of principle to it. I cannot

therefore indicate authoritatively for the Department's information what modifications of detail he might make in it if the Department should wish to take it as the basis of discussion. My impression is however that he might raise the basic 4 percent to 5 and the additional 3 percent to 5 and make provision for a sinking fund. Nevertheless he is so belligerent and *intransigent* at the moment that even if the Department should wish to make his proposal the basis of discussion I should not favor doing so until he has had time to be impressed by an attitude of complete negation on our part.

I shall continue therefore to cultivate tranquil personal relations and to act as if the question of debts, claims and trade did not exist. I recommend that the Department should avoid any initiative in the matter with Troyanovsky and that when Rubinin arrives on April 19 he should be received with the greatest personal courtesy and official firmness. We should leave the next move to the Soviet Government.

In view of the above I believe that we should abandon the idea of opening consulates in Vladivostok and Odessa this summer; that the staff of the Consulate in Leningrad should be drafted from the officers and clerks now in Moscow; and that immigration visas should continue to be issued in Riga.

BULLITT

800.51W89 U.S.S.R./29: Telegram

The Ambassador in the Soviet Union (Bullitt) to the Secretary of State

Moscow, April 8, 1934—8 p. m.

[Received April 9—7:18 a. m.]

44. Supplementing my number 43, April 8, 7 p. m. In the course of our conversation today Litvinov handed me the following:

“According to information received from the State Department during the sojourn of the People's Commissar for Foreign Affairs in Washington the funds at the disposal of the Russian Embassy at Washington on December 1, 1917, amounted to \$46,176,721. According to the same source as a result of receipts after December 1, 1917 this sum reached \$78,684,347 on January 1, 1920.

According to the memorandum of the former Russian Financial Attaché of January 10, 1921,¹⁶ communicated by Mr. Kelley to the Counselor of the Soviet Embassy in Washington¹⁷ the grand total of the inventory at the disposal of the former Russian Embassy on the first of January 1921 amounted to \$171,792,395 which amount constituted the value of the property paid out of American credits and being under the control of the former Russian Embassy after the fall of the Russian Provisional Government.

¹⁶ Not found in Department files.

¹⁷ Boris Evseyevich Skvirsky.

The same memorandum shows that the total value of the property sent to Siberia and to South Russia and to the Russian military agent in Japan amounted, since 1918 to \$78,484,259.

The documents handed over to Mr. Skvirsky show that after the fall of the Provisional Government special regulations were introduced governing the shipments to Russian ports providing that the export licenses must be obtained from the War Trade Board. The shipments to Vladivostok had to be consigned to the representative of the War Trade Board at that port who was under instructions from Washington to turn over the goods to the actual addressees?

BULLITT

800.51W89 U.S.S.R./30 : Telegram

The Ambassador in the Soviet Union (Bullitt) to the Secretary of State

Moscow, April 8, 1934—10 p. m.

[Received April 8—8:30 p. m.]

45. Supplementing my 43, April 8, 7 p.m., Umansky, chief of Foreign Office Press Department, called in American correspondents this afternoon and gave lengthy prepared statement on subject of Johnson bill and Soviet-American relations. It contained so many phrases used to me by Litvinov that I believed it was dictated by the latter. Umansky refused to allow quotation or attribution to any official Soviet source. *New York Times* and *Herald Tribune* will carry story.

If Department approves course suggested in my 43, April 8, 7 p. m., think it well to refuse comment on this trial balloon.

BULLITT

800.51W89 U.S.S.R./28 : Telegram

The Secretary of State to the Ambassador in the Soviet Union (Bullitt)

WASHINGTON, April 9, 1934—4 p.m.

36. Your 43, 44 and 45. Since you were present at all conversations with Litvinov in Washington you are perhaps in better position than anyone else to understand how perfectly indefensible is his present attitude. Approve your idea of refraining from any further suggestion for time being unless it is invited by Litvinov and you can be confident there will be no negotiations here with Trojanovsky or public statements about debt agreement of which you are not previously notified. You are wise to delay considering question of establishing consulates, even a consulate at Leningrad. Confidentially you may think it desirable to intimate in your own way to Litvinov that

if the understanding had while he was here is to be repudiated it may not be worth while to provide any consulates or proceed in certain other respects. S. A. Trone dropped in while the above was being written and expressed great apprehension that failure of contemplated trade with Soviet will furnish encouragement to Japan. It would seem that Litvinov should appreciate the necessity of doing everything possible to retain the advantage he obtained by recognition and the prospect of active trade.

HULL

800.51W89 U.S.S.R./31 : Telegram

The Ambassador in the Soviet Union (Bullitt) to the Secretary of State

Moscow, April 10, 1934—9 p. m.

[Received April 11—5 a. m.]

50. Your 36, April 9, 4 p. m. Rubinin called on me before his departure and expressed fear that Japan would be encouraged to attack the Soviet Union if relations between the United States and Soviet Union should become cool. Rubinin will arrive New York on *Bremen* April 19. He will have great influence in decision of this and other questions between the Soviet Union and the United States. He is personally more conciliatory than any other member of the Soviet Government.

Please arrange all possible port courtesies for Rubinin. It might be most helpful if in addition to conversations at the Department it should be possible for the President to express to him personally and vigorously his own view of the understanding with Litvinov.

Bogdanov informed me last night that as our Government had refused to give diplomatic status to the Soviet trade representative no trade representative would be sent but that he would return to the United States the end of May.

BULLITT

800.51W89 U.S.S.R./31 : Telegram

The Secretary of State to the Ambassador in the Soviet Union (Bullitt)

WASHINGTON, April 12, 1934—1 p. m.

42. Your 50, April 10, 9 p. m. Customs courtesies are being arranged for Rubinin. Department would like to know the purpose of his visit to the United States.

HULL

800.51W89 U.S.S.R./32 : Telegram

The Ambassador in the Soviet Union (Bullitt) to the Secretary of State

Moscow, April 13, 1934—1 p. m.
[Received April 13—12:35 p. m.]

51. Your telegram No. 42, April 12, 1 p. m. Rubinin's trip ostensibly is to familiarize himself with the United States. His real purpose is to give Troyanovsky an intimate view of Litvinov's position with regard to the matter of debts and claims and to bring back to Moscow first-hand information as to the position of the Government of the United States.

I am informed unofficially but I think reliably that Troyanovsky has reported that he is in a helpless position being unable successfully to interpret the assurances which Litvinov gave in Washington or to contest the position taken by the Department.

I feel sure that Rubinin has not been empowered to enter into any negotiations but merely to give and receive information. Nevertheless I attach great importance to his receiving a swift impact.

BULLITT

800.51W89 U.S.S.R./35 : Telegram

The Ambassador in the Soviet Union (Bullitt) to the Secretary of State

Moscow, April 17, 1934—10 a. m.
[Received 10:40 a. m.]

52. Last night the Swedish Minister told me that it now seemed most unlikely that his Government would grant the projected loan to the Soviet Government. The German Ambassador told me that the Soviet Government a few days ago had asked him to arrange new 5-year credits in Germany and that he had replied "There will be no new loan agreement so long as the Soviet Government maintains its present hostility to the Hitler regime. We shall not hang out the wash until the sun shines."

Meanwhile various Soviet Commissars are announcing to all and sundry that the Soviet Union will make no purchases in the United States this year and that Boyev will not go to America.

Duranty, who has received from Soviet officials various intimations in regard to Litvinov's understanding with the President, is convinced that the maintenance of a firm attitude by the United States Government will result in a retreat by the Soviet Government. I am not so sure but feel that whatever the result our present line should be followed to the end.

BULLITT

800.51W89 U.S.S.R./36: Telegram

The Secretary of State to the Ambassador in the Soviet Union (Bullitt)

WASHINGTON, April 18, 1934—2 p. m.

45. Department's 36, April 9, 4 p. m. Soviet Ambassador called on me April 16 and stated that he was instructed by his Government to discuss further with me the debt situation. He said that Litvinoff was very much disturbed about the reports he had changed his position, and that according to his version of the debt conversations he had agreed that his Government would pay \$75,000,000, but that if upon consideration of the matter the President should be of the opinion that they should pay more than this, the Soviet Government would consider a payment of not exceeding \$100,000,000, according to the President's decision, after further and full conversations with Soviet officials. The Ambassador stated that nothing was said in these conversations about the question of interest.

I said that when the existence of a debt was admitted interest accrued on it until payment unless there was something said or understood to the contrary, and that this would mean interest at a reasonable rate in all the circumstances.

The Ambassador expressed from the beginning of my conversation with him a desire under instructions to see the President to present Litvinoff's view and that of his Government. This conversation and what the Ambassador has since said to Moore shows he is greatly disturbed.

HULL

800.51W89 U.S.S.R./39a: Telegram

The Acting Secretary of State to the Ambassador in the Soviet Union (Bullitt)

WASHINGTON, April 23, 1934—2 p. m.

50. From Moore: I went over the situation fully with the President Saturday¹⁸ and he approves your course. He concurs in your thought we should await further suggestion as to debts which we believe may be expected. If and when that occurs, he may indicate some modifications he is willing to accept. He has entire confidence in you and you are at liberty in your own tactful way to intimate to Litvinoff how the relations of the two countries may be unfortunately affected by failure to agree, this having reference to construction of buildings, establishing consulates, et cetera. For the moment it would seem that only the Consulate at Leningrad should be seriously considered. Troyanovsky

¹⁸ April 21.

now wishes to see the President alone instead of calling at the White House to introduce Rubinin. Skvirsky pretends to regard Rubinin as not officially important, but we will show him all the courtesy possible. [Moore.]

PHILLIPS

861.51/26603

*Memorandum by the Assistant Secretary of State (Moore) of an Interview Between President Roosevelt and the Ambassador of the Soviet Union (Trojanovsky) on April 30, 1934*¹⁹

Mr. Trojanovsky indicated that he desired to discuss the matter of the debts inasmuch as Mr. Bullitt and Mr. Litvinoff had been unable to reach an agreement. He mentioned some details he had in mind, namely, that Mr. Litvinoff thought the total amount should be fixed at not more than \$75,000,000, but said that, if this seemed to the President too small an amount, Mr. Litvinoff would consider increasing it. He also spoke of the interest rates on contemplated credits as stated by our Government being too high. Incidentally, he also talked about the character of the Kerensky debt. The President told him that he thought it would be unwise to transfer the negotiation from Moscow to Washington in view of the fact that both Messrs. Bullitt and Litvinoff were parties to all of the conversations that took place here last fall and that to do so would tend in the direction of crossing wires and might result in confusion. But he went further and indicated since Litvinoff was here the dollar had been devalued so that a total of \$75,000,000 would not observe the minimum then under discussion and would, in effect, reduce the maximum of \$150,000,000 then under discussion to \$90,000,000. The President made it very clear to Mr. Trojanovsky that the best course is for him and our Government to let the representatives of both the Governments in Moscow understand the desirability for them to proceed with the negotiation with the hope that a satisfactory conclusion may be reached. The President impressed Mr. Trojanovsky with the fact that the former must always bear in mind that the approval of any agreement by the Senate will be necessary; and, furthermore, that the private claims amount to several hundred million dollars. Trojanovsky spoke of counter claims and the President laughingly said "if you assert counter claims we will have to assert counter claims growing out of the circumstance that our troops in Russia saved Siberia from being taken over by the Japanese". In sum, the President rejected the idea of conducting further negotiation here at this time and Trojanovsky did not seem very much displeased by the suggestion that he should advise Litvinoff to that effect.

¹⁹ The Secretary of State also was present.

It was explained to Troyanovsky that the intention always has been to keep the matter of a debt agreement and the matter of credits linked together and that this is the justification for the refusal of the Export Bank to support credits in advance of a debt agreement being arrived at.

[Here follows draft of telegram to the Ambassador in the Soviet Union, initialed by the Secretary of State. See telegram No. 64, May 1, 3 p. m., *infra*.]

800.51W89 U.S.S.R./43a : Telegram

The Secretary of State to the Ambassador in the Soviet Union
(*Bullitt*)

WASHINGTON, May 1, 1934—3 p. m.

64. Yesterday, with Moore and myself present, Troyanovsky, who had sought the interview, talked with the President and was told that the negotiation should not be transferred to Washington but continued at Moscow, particularly in view of the fact that you and Litvinoff are thoroughly familiar with all that occurred here last fall, and the interview ended with that understanding. The President could not well decline his request out of hand but made it clear to Troyanovsky that what the latter suggests is the slowest method because on every proposal that might be made in Washington we should have to consult you and he would have to consult Litvinoff.

During the conversation, Troyanovsky said that, if \$75,000,000 in payment of the debts is unsatisfactory, Litvinoff is prepared to increase the amount. On this point the President was very clear in showing the effect of the devaluation of the dollar on the minimum and maximum totals discussed last fall. Furthermore, the President stressed the fact, as something he must always bear in mind, that any debt agreement will be subject to the Senate's approval. Troyanovsky submitted a copy of Mr. Ughet's memorandum of January 10, 1921,²⁰ mentioned in Litvinoff's note to you transmitted in your 44 of April 8, 8 p. m.

There was some, but not definite or important, mention of interest rates and other details, and it was explained to Troyanovsky that the matter of debts and the matter of contemplated credits are so linked together as to make it unreasonable for the Export Bank to engage in transactions in advance of a debt agreement satisfactory to the President.

There is really nothing concrete to say except that the President leaves the negotiation in your hands without having made any com-

²⁰ Not found in Department files.

mittal or statement conflicting in any way with what you have done or anticipating what you may attempt to do.

Various considerations which may influence Litvinoff, as, for instance, his apparent failure to obtain a loan from Sweden, and the present Japanese situation you, of course, fully appreciate.

We assume that you will bring the negotiation to a climax as soon as possible and that, if Litvinoff remains obdurate, you will wish us to acquiesce in Troyanovsky's request that the negotiation be further carried on here.

HULL

800.51W89 U.S.S.R./44 : Telegram

The Ambassador in the Soviet Union (Bullitt) to the Secretary of State

Moscow, May 2, 1934—4 p. m.

[Received May 2—2:30 p. m.]

71. Your 64, May 1, 3 p. m. Was the basic disagreement touched upon in the President's conversation with Troyanovsky? Did Troyanovsky indicate that Litvinov was prepared to negotiate on the basis of the Department's draft agreement? If not, did the President state that he felt that Litvinov had agreed to negotiate on that basis? If Litvinov has agreed or will agree to our basis of negotiation I believe that we can work out details but until he does so I do not see how we can make progress here or in Washington. If Troyanovsky gave no indication that Litvinov will discuss the matter on the basis of the Department's draft agreement I believe that it would be bad strategy for me to reopen the matter and feel that we should await a definite proposal by the Soviet Government.

BULLITT

800.51W89 U.S.S.R./44 : Telegram

The Secretary of State to the Ambassador in the Soviet Union (Bullitt)

WASHINGTON, May 3, 1934—3 p. m.

65. Your 71, May 2, 4 p. m. The answer to each of your three questions is in the negative. I think you are correct in awaiting a move from Litvinoff. My belief is that he is maneuvering to have negotiations transferred to Washington. Please advise the moment Litvinoff approaches you, if at all.

HULL

800.51W89 U.S.S.R./46a : Telegram

*The Secretary of State to the Ambassador in the Soviet Union
(Bullitt)*

WASHINGTON, May 7, 1934—4 p. m.

67. Attorney General on May 5, rendered an opinion,²¹ concurred in by the Department, upon various questions pertaining to the Johnson Act.

In answer to the question whether the present Soviet Government, as the successor to prior Governments of Russia, is to be regarded as in default, in view of the fact that no payment has been made on the bonds issued to the Government of the United States by the Provisional Government, the Attorney General stated that he regarded the Soviet Government as in default within the contemplation of the statute. He pointed out that the proceedings in the House of Representatives indicated acceptance of the view that our Government regards the Soviet Government as responsible for the obligations incurred by prior Russian Governments and he quoted various authorities to show that the position of our Government in this respect accords with accepted principles of international law.

With regard to the question whether the Soviet Government can be considered in default pending negotiations that are being had with a view to arriving at the amount of indebtedness due from the Soviet Government to the Government of the United States, the Attorney General stated that he was aware of no principle of law under which a previously existing default is waived or overcome because of the mere pendency of negotiations with a view to arriving at the amount of the indebtedness due.

With respect to the question as to the types of transactions to which the Act applied, the Attorney General stated that it appeared to be the purpose of the Act to deal with bonds and securities and other obligations similar to those investigated by the Senate Committee on Finance, that is, obligations such as those which had been sold to the American public to raise money for the purpose of foreign governments issuing them,—not contemplating foreign currency, postal money orders, drafts, checks and other ordinary aids to banking and commercial transactions which are obligations in a broad sense but not in the sense intended. He expressed the opinion that it was obviously not the purpose of Congress to discontinue all commercial relations with the defaulting countries. Mailing full opinion.²²

HULL

²¹ 37 Op. Atty. Gen. 505.

²² See circular telegram of June 1, to the Ambassador in France, *Foreign Relations*, 1934, vol. I, p. 556.

800.51W89 U.S.S.R./46b: Telegram

*The Secretary of State to the Ambassador in the Soviet Union
(Bullitt)*

WASHINGTON, May 7, 1934—5 p. m.

68. Construction of the Johnson Act by the Attorney General with our concurrence leaves the Russian situation unchanged, notwithstanding anything said by newspapers or others to the contrary. It necessarily places the Soviet Government in the default category because of being the successor of the Provisional Government. But it points to the fact that the Export Bank can engage in credit transactions when it is prepared to do so. It was understood, when Litvinoff was here, that a debt agreement would include not only private claims but the Provisional Government obligations. In case a debt agreement is reached, it is probable that substantially all of the total to be paid will inure to the benefit of the private claimants. If, at any time, you advise us that in your opinion it is useless to attempt further negotiations in Moscow, we will take the matter up with Troyanovsky here.

HULL

800.51W89 U.S.S.R./46c: Telegram

*The Secretary of State to the Ambassador in the Soviet Union
(Bullitt)*

WASHINGTON, May 7, 1934—6 p. m.

69. Troyanovsky called at the Department today and in talking about the debt negotiations authorized the transmission to you of a statement to the effect that Litvinoff is desirous of resuming negotiations with you with regard to the settlement of debts and claims. You may desire to consider the advisability of getting in touch with Litvinoff with regard to this matter.

HULL

800.51W89 U.S.S.R./51

Press Release Issued by the Department of State, May 7, 1934

Today an official, commenting for the State Department upon the report that the purchase of Russian Imperial bonds is being promoted, on the theory that they will be paid, in whole or in part, following any debt agreement arrived at between the Government of the United States and the Soviet Government, deprecated dealings in such bonds. He said that it is not yet known what will be the character of any agreement that may be made; and that it is entirely impossible to fore-

cast what the agreement may or may not provide relative to any class of obligations or claims.

The attention of an official of the State Department was called to some criticism of the Attorney General's opinion interpreting the Johnson Act, based upon the designation of the Russian indebtedness to our Government as the Kerensky debt. He said that while the Kerensky debt was mentioned in one of the questions propounded by the State Department to the Attorney General, the latter's answer, which contains no specific reference to the Kerensky debt, is that the Soviet Government is responsible for the obligations incurred by prior Russian Governments. The fact is that some, but not all, of those obligations were incurred during the Kerensky premiership, and that they are at this moment in default. It was further emphatically stated that the Attorney General's opinion leaves the Russian situation precisely as it was before the opinion was issued.

800.51W89 U.S.S.R./48 : Telegram

The Ambassador in the Soviet Union (Bullitt) to the Secretary of State

Moscow, May 9, 1934—9 p. m.

[Received 9:25 p. m.]

79. Your 69, May 7, 6 p. m. I called on Litvinov this afternoon and discussed with him a number of relatively minor matters, then rose and said goodbye; whereupon he asked me to remain and discuss the question of debts and claims.

Litvinov first said that he had sent Troyanovsky a severe reprimand for having failed to take up with the President the main disagreement in principle. He explained that he had given Rubinin a letter to Troyanovsky ordering him to discuss this question in detail with the President saying "agreement in regard to the form of credits is an essential aspect of any discussion of details such as total amount of payment on debts or interest rates". Litvinov added that he feared Troyanovsky's faulty knowledge of English rendered him incompetent.

He then read me a long telegram from Troyanovsky which purported to give an account of a conversation at the Department on May 7. Troyanovsky cabled if Litvinov's transliteration was accurate that the Department had expressed the opinion to him that the question of the form of the credits was merely a minor matter; that the total sum to be paid was the only stumbling block; that the Department had offered to have the Export-Import Bank issue credits to three times the total to be paid by the Soviet Government in settlement of debts; that the Department had informed him that I would receive instructions

that were entirely new proposals to Litvinov. I replied that I had received no new instructions. Litvinov then said: "Don't be afraid that I shall hold your Government to the proposal of credits three times the amount of our debt payments. We ask for credits only twice as large".

I then repropoed the Department's draft agreement. Litvinov replied that the difference between his proposal and the Department's was a difference of 15 percent on all Soviet purchases in the United States; that the price for cash would be 15 percent lower than a credit price.

After a long discussion Litvinov made a new alternative proposal. He suggested that the Export-Import Bank should undertake to discount for a period of 2 or 3 years bills of exchange issued by Amtorg or any other agency of the Soviet Government in payment of goods purchased in the United States for the Soviet Government to the amount of X million dollars at the rate of Y percent the bills of exchange to mature in Z years.

Further discussion revealed that Litvinov was ready to agree that all purchases to be covered by credits thus extended should be made within the period of 2 or 3 years. He insisted that the amount X should be double the amount to be paid in settlement of debts. He said that he was reluctant but ready to recommend that his Government should pay \$100,000,000 in settlement of debts. He repeated his old offer of 4 plus 3 percent as the Y interest rate but inadvertently began to discuss this figure as 5 plus 5 percent confirming my guess that he is ready to accept a 10 percent total interest rate. He again insisted that the maturity period Z should be 20 years but indicated that he was ready to discuss X, Y, and Z provided agreement could be reached in regard to the form of credit. He also said that the notes of the Soviet Government could be issued in the form of readily saleable or negotiable obligations and that the bank would be at liberty to dispose of such obligations at will.

Litvinov informed me that he would leave Moscow on either the 13th, 14th or 15th to take a brief holiday on the Riviera and to participate in the disarmament discussions at Geneva. He added that he would not return to Moscow for a month and that he hoped that before his departure I might obtain from my Government a definite expression of opinion as to this proposal. I hope that the Department will be able to give me the benefit of its instructions at the earliest possible moment.

It occurs to me that although Litvinov's proposal is clearly unacceptable in its present form it might be so interwoven with the State Department draft that our interests would be adequately safeguarded. For example, an agreement might be made that the Export-Import Bank should discount notes only in cases of contracts which have been submitted to it in advance for approval and that notes left in the hands

of American exporters should be discountable only at the Export-Import Bank.

I am under the impression that the Soviet Government is most anxious to arrive at agreement and that this desire will not diminish as time goes on. At this distance I am in no position to judge the major elements of our national policy which may make it desirable to reach an early settlement. If the Department should be able to transform this proposal of Litvinov's into an acceptable agreement I should be delighted. If that should prove to be impossible I feel that we would lose little by prolonging for some months our recent policy of tranquil amiability.

BULLITT

800.51W89 U.S.S.R./48: Telegram

*The Secretary of State to the Ambassador in the Soviet Union
(Bullitt)*

WASHINGTON, May 11, 1934—6 p. m.

72. Your 79 May 9, 9 p. m. Troyanovsky's report to Litvinoff of conversation as detailed to you by the latter is most inaccurate.

Reiterate objection to a straight loan or a straight uncontrolled credit and try to work out agreement as follows:

1. Adhere to view that total debt payment of \$150,000,000 is reasonable, particularly in consideration of devaluation of the dollar. Perhaps, if this found impossible, you can reach agreement on 125,000,000. Advise that you do not approve 100,000,000 in advance of communicating with Department. There should be stipulation for complete payment within say 20 years at a fair rate of interest.

2. Unless conditions in the Soviet Union are radically changed, as, for example, by the Government becoming unstable or war occurring, the Export-Import Bank will support specific trade transaction within that period to the extent of not less than twice the amount of the agreed indebtedness. But it should be stipulated that each transaction shall be liquidated in not more than 5 years as this would have the effect of creating a revolving fund that would place the Bank in position to more actively engage in transactions probably totaling several times amount of debt. It should, of course, be expressed that there is to be such discretion reserved the Bank as will avoid its liability to support trade transactions to the maximum extent at once. The bank credits should bear a normal rate of interest plus a rate to be applied on the debt.

3. Waive at your discretion requirement that the bank should receive a statement of trade transactions conducted independently of the bank with right to charge and receive additional interest thereon as concerns individual transactions not over \$100,000.

4. The Bank will make advances only to American exporters. The Bank is prepared to discount Amtorg acceptances received by exporters in connection with specific transactions approved by the Bank for that part of the credit which the exporter would not be expected to carry. The maturities of such acceptances would vary according to different categories of goods with final maturity in no case exceeding 5 years.

For many reasons anxious as far as possible to avoid delay. President has seen this.

HULL

800.51W89 U.S.S.R./48 : Telegram

*The Secretary of State to the Ambassador in the Soviet Union
(Bullitt)*

WASHINGTON, May 12, 1934—1 p. m.

73. Your 79 and our 72 before latter was sent were carefully considered by President with Moore. In view of great importance of conclusion being reached, please promptly advise of any clarification you may desire or any modification you may think should be considered.

HULL

800.51W89 U.S.S.R./49 : Telegram

*The Ambassador in the Soviet Union (Bullitt) to the Secretary
of State*

Moscow, May 13, 1934—noon.

[Received 2:10 p. m.]

81. Litvinov absent yesterday. Shall see him today and without committing our Government in any way shall attempt to discover how far he will go.

I am grateful for the suggestion in your 73 in regard to clarification of certain points in your 72. It will be valuable to me to have more detailed instructions on the following points:

1. Last sentence of paragraph number 1. Litvinov promised to pay the indebtedness only by extra interest on credits. To obtain from him a promise to pay a fixed amount of indebtedness unless he is promised a fixed amount of credits for fixed periods I believe will be impossible. Is the bank prepared to fix definitely the amount and duration of credits to be extended regardless of credits which may or may not be extended by American corporations or individuals and regardless of conditions in the Soviet Union?

2. As you know Litvinov is violently opposed to any interest on the acknowledged indebtedness and denies all obligation to pay interest.

In view of his attitude would the Department consider acceptable 2 or 3 percent interest on the indebtedness.

3. Paragraph numbered 2, first sentence. Litvinov will argue that the facetiousness [*sic*] in regard to the Soviet Government becoming unstable or war occurring will prevent a fixed agreement as to credits hence a fixed agreement as to payment of indebtedness.

4. Does the word "support" mean that the bank itself will discount Amtorg obligations to an amount double the agreed indebtedness or that the bank will merely assist in financing an indefinite proportion of credits to double the amount of the indebtedness?

5. Litvinov has been demanding a 20-year credit period if the bank insists that no credit shall run longer than 5 years as indicated by the second sentence of paragraph numbered 2. Is the bank prepared to agree to re-lend immediately all repaid amounts and to keep outstanding a continuous line of credit of any fixed duration to an amount double the total indebtedness? Or, alternatively, might the bank extend credits for a period substantially longer than 5 years?

6. What amount of Amtorg obligations is the bank prepared to discount at once?

7. If Litvinov should acquiesce in a 5 percent normal interest rate plus 5 percent to be applied to both principal of and interest on debt would such a settlement be satisfactory to the Department?

8. Paragraph numbered 4, second section. Can the bank indicate a minimum amount of each credit which it would be prepared to carry?

At the present moment it will be difficult if not impossible to tie the Soviet Government to a definite fixed engagement unless the bank is ready to make a definite commitment. If we wish to reach a settlement now we must face this refractory fact.

BULLITT

800.51W89 U.S.S.R./50 : Telegram

The Ambassador in the Soviet Union (Bullitt) to the Secretary of State

Moscow, May 13, 1934—7 p. m.

[Received May 13—5:55 p. m.]

82. This afternoon I discussed with Litvinov the proposals contained in your 72, May 11, 6 p. m. He expects to leave Moscow either tomorrow or the following day and will not return until mid-June. He said that he hoped I would conclude our negotiations with Kres-tinsky and Rubinin.

I outlined your proposal for revolving credits with the Export-Import Bank approving each transaction in advance and carrying only a part of the credit risk. After prolonged discussion he seemed to acquiesce in principle.

We discussed the question of interest rates and he said finally that the important thing for the Soviet Government was to have one all inclusive interest rate which would include interest on the acknowledged indebtedness. He offered a total permanent 7 percent. I replied that less than 10 percent could not be discussed. After some debate he seemed to agree in principle that 10 percent was a minimum.

Litvinov was most amiable throughout our conversation. I derived the impression that the absence of his usual belligerency was due in part to the desire of the Soviet Government to reach agreement and the conviction that we are adamant but in larger measure to the fact that he was about to be absolved from the necessity of making concessions personally. As soon as I receive your reply to my 81, May 13, noon, I shall call on Krestinsky and Rubinin.

BULLITT

800.51W89 U.S.S.R./49 : Telegram

*The Secretary of State to the Ambassador in the Soviet Union
(Bullitt)*

WASHINGTON, May 15, 1934—6 p. m.

77. Your 81, May 13, noon. Confident you will endeavor to base the agreement on our previous proposal but if you must make concessions following suggestions may be helpful.

Debt to be paid in 20 years provided in that time additional interest on credits is sufficient for that purpose, but provided further that, on portion of debt remaining unpaid at end of period, arrangement shall continue until payment in full. These provisos which furnish the Soviet Government a very advantageous assurance should influence action.

Since there has been much reference made to the "Kerensky" obligations, Soviet Government should realize that amount received on debt would be mainly for the benefit of claims of our nationals, although we can not make any stipulation to that effect.

With reference to interest rates, there should be a rate of 3 per cent and certainly not less than 2 per cent on the debt. There should be a rate of 5 per cent on credits, but if there is difficulty on this point, you can advise us. There should be additional interests on credits of 10 per cent and certainly not less than 8 per cent, that to be applied on principal and interest of debt.

While the Bank is anxious to proceed and can be relied on for immediate large credits, it can not be expected to specify in advance the total credits for any one year or the maximum or minimum of individual transactions. Credits will be negotiated between Bank and exporter on basis of a general agreement with Soviet Government cover-

ing character and amount of exports and imports. Of course, as heretofore stated, Bank must reserve its right to approve any and all transactions since otherwise it would be placing the business of this country with the Soviet Union under the control and direction of the Soviet Government.

Endeavor to provide that in case of war we may suspend shipments. President has seen this.

HULL

800.51W89 U.S.S.R./55 : Telegram

The Ambassador in the Soviet Union (Bullitt) to the Secretary of State

Moscow, May 16, 1934—1 p. m.
[Received May 16—10:30 a. m.]

84. Your 77, May 15, 1 [6] p. m. I shall see Krestinsky and Rubinin this afternoon and attempt to persuade them to enter into discussions on the basis of the Department's original draft agreement. Would appreciate reply to question numbered 4 in my 81, May 13, noon.

BULLITT

800.51W89 U.S.S.R./55 : Telegram

The Secretary of State to the Ambassador in the Soviet Union (Bullitt)

WASHINGTON, May 16, 1934—6 p. m.

80. Your 84, May 16, 1 p. m. Your question No. 4 is not clear to the Department. It may be said that it is contemplated that the Bank will assist in financing a sufficient volume of transactions in the 20-year period to produce out of additional interest amount of money necessary to repay agreed indebtedness and interest thereon. The aggregate amount of the credits which will be facilitated or approved by the Bank during that period will probably exceed double the amount of the agreed indebtedness. See paragraph 4 in Department's 72, May 11, 6 p. m. Bank can not specify in advance what percentage of credit in any given transaction exporter will not be expected to carry.

HULL

800.51W89 U.S.S.R./57 : Telegram

The Ambassador in the Soviet Union (Bullitt) to the Secretary of State

Moscow, May 16, 1934—10 p. m.
[Received May 16—8:15 p. m.]

85. This afternoon I laid the original Department draft agreement before Krestinsky and Rubinin and proposed that we should attempt to define our exact points of disagreement. Krestinsky is adverse to

take the Department draft as the basis for discussion saying that it was impossible to discuss details such as total indebtedness and interest rates so long as there was no agreement on the basic question of the form of credit.

After a long fruitless discussion Krestinsky said: "Please inform your Government that we will have nothing to do with financial standing of American corporations for credits in which the Export-Import Bank will participate. Either a credit at the Bank for double the amount of debt payment or a flat agreement by the Bank to discount 100% Soviet obligations to twice the amount of the debt payment is a *sine qua non* for any settlement. Let the Bank agree at once to discount 100% \$200,000,000 of Amtorg obligations and we will pay [\$]100,000,000 on indebtedness and the matter will be settled. We will make no agreement unless it places us in a position to buy for cash and not on credit. We can get all the private credits we want in the United States."

I told Krestinsky that I was certain that my Government would not make any such agreement and suggested that it was merely a waste of time for us to continue our conversations, adding that the Department might as well present immediately its absolute minimum to Troyanovsky in written form so that both Governments might cease to cherish illusions. He protested that he preferred infinitely to continue conversations here. Rubinin followed me which [*when?*] I left Krestinsky's office and for an hour tried to persuade me to recommend acceptance of the proposal of the Soviet Union. I told him that acceptance was impossible.

Krestinsky's acute disinclination to terminate our discussions makes me inclined to believe that his *sine qua non* is not a real ultimatum. But he was so categorical that the Soviet Government will be unable to make any alternative offer for some time—perhaps for some months.

I shall refrain from further discussions until I receive explicit instructions from the Department.

BULLITT

800.51W89 U.S.S.R./57 : Telegram

*The Secretary of State to the Ambassador in the Soviet Union
(Bullitt)*

WASHINGTON, May 18, 1934—3 p. m.

84. Your 85, May 16, 10 p. m. Of course approve your refusal to accept proposition, which practically means an unconditional loan of \$200,000,000. Since all credit transactions would be placed under the control of Amtorg with power to decide terms, class of goods purchased, and what preference given producers, it would to a large

extent place our business at the will of Amtorg. Peek and Talley of Export-Import Bank are positive in this view.

Likewise approve your statement to officials of uselessness to protract discussion if their proposition is final.

You may think it expedient to suggest in case that is the situation, that they may desire to instruct Troyanovsky to take up the matter here. The President might succeed in impressing him with the fact that his Government is deviating from all that was understood while Litvinov was in Washington and the importance of agreeing differences on a mutually advantageous basis so as to preserve entirely friendly relations.

President has seen this.

HULL

800.51W89 U.S.S.R./60: Telegram

The Ambassador in the Soviet Union (Bullitt) to the Secretary of State

Moscow, May 21, 1934—1 p. m.

[Received 2:35 p. m.]

90. Your 84, May 18, 3 p. m. Rubinin in the course of a long conversation asserted that Krestinsky's proposition (reported in my 85, May 16, 10 p. m.) represented the absolute maximum of the Soviet Government and added that he assumed that our Government would accept \$100,000,000 in payment of indebtedness. I replied that I had specific orders not to accept a sum as low as \$100,000,000 and that my Government had confirmed the opinion I had expressed that no negotiations were possible on the basis of Krestinsky's proposal.

Rubinin said that when the President had received Professor Schmidt and Troyanovsky he had said to Troyanovsky that he was confident he would soon reach an agreement and asked me if this did not indicate that the President was ready to accept Krestinsky's proposal. I replied that the President had no knowledge of Krestinsky's proposal when he saw Troyanovsky and Schmidt and that any optimism he may have displayed probably sprang from the fact that Litvinov had made no decided objection to the proposals I had put forward in our conversation reported in my 82, May 13, 7 p. m. Rubinin replied that Litvinov had been in a hurry to get away and had not therefore thought it worth while to begin one of our customary disputes. Rubinin added that the Soviet Government would never consent to an arrangement which would give the Export-Import Bank the right to approve or disapprove Soviet transactions in the United States asserting that such an arrangement would give the Bank control of Soviet trade with the United States.

I told Rubinin that if he or any one else in Moscow had the slightest doubt that I had presented correctly the point of view of my Government the President might possibly accord another interview to Troyanovsky. Rubinin answered that Litvinov before departure had given definite orders that the matter should be discussed not by Troyanovsky but by himself and Krestinsky.

I attempted [to] impress on Rubinin the gravity of the decision that the Soviet Government would have to make in regard to this entire matter pointing out that we desired to develop the most friendly and intimate relations with the Soviet Union but that if the Soviet Union did not choose to have our relations develop in such a manner the result produced would not be our funeral.

With reference to the final paragraph of your 84: if Troyanovsky should request urgently an interview with the President it might be advisable for the President to see him in order to express vigorously his view of his understanding with Litvinov. As I am compelled by my official position to maintain amicable relations with Litvinov it is somewhat difficult for me to accuse him of bad faith. The President unencumbered by the necessity of living in Moscow might do so. However, I doubt gravely that any good result would be produced and an element of bitterness might be injected into our relations.

The nub of the matter is this: if the Soviet Government should again become convinced that an attack by Japan was likely or imminent we should probably find Litvinov willing to reach an agreement on the basis of our proposals. So long as the Soviet Union feels completely secure I believe that no agreement acceptable to us will be acceptable to the authorities in Moscow. I realize that you may be under great pressure to conclude an agreement and I regret that I can recommend no other policy than unruffled patience.

BULLITT

800.51W89 U.S.S.R./57 : Telegram

*The Secretary of State to the Ambassador in the Soviet Union
(Bullitt)*

WASHINGTON, May 23, 1934—4 p. m.

91. Our 84, May 18, 3 p. m. President might regard as acceptable amount named in first paragraph provided only that agreement is otherwise satisfactory in accordance with our previous despatches. But, of course, important to proceed most cautiously in giving, if at all, any such intimation.

Referring to second paragraph, amazing that a Government seeking financial assistance from us should expect our Government to divest itself of any real control of transactions and thus confine its agency,

the Export-Import Bank, to the mere function of recording transactions and drawing checks. Litvinov's attitude wholly inconsistent with all that was understood when he was here and from every point of view absurd.

Do you think private contracts, as, for instance, reported large sale in contemplation by General Motors, should be discouraged for the time being?

From documents submitted to Department it seems fairly certain that the propaganda pledge is being violated by activities stimulated and directed at Moscow. Will furnish you full information by mail.

President has seen this.

HULL

800.51W89 U.S.S.R./62 : Telegram

*The Ambassador in the Soviet Union (Bullitt) to the
Secretary of State*

Moscow, May 24, 1934—midnight.

[Received May 24—8:28 p. m.]

104. Your 91, May 23, 4 p. m. I understand that it is the opinion of the Attorney General that the type of credit offered by General Motors to the Soviet Government is not forbidden by the Johnson bill therefore I cannot see how our Government can forbid or discourage such a transaction. If we should warn General Motors that Litvinov had agreed to pay extra interest on all such credits Litvinov would deny the statement promptly and a public controversy might result, the domestic political consequences of which I am in no position to judge.

I assume from paragraph 2 of your 91 that you desire me to make no further moves but to await tranquilly further proposals by the Soviet Government.

BULLITT

800.51W89 U.S.S.R./62 : Telegram

*The Secretary of State to the Ambassador in the
Soviet Union (Bullitt)*

WASHINGTON, May 25, 1934—7 p. m.

98. Your [*Our*] 92²³ and [your] 104, both May 24. Am writing fully respecting notice by Treasury and private credits after discussing latter with Peek. Assume you will consider it unwise to do anything to encourage such credits, because, if Soviet can thereby

²³ Not printed.

supply its needs, it will become less anxious to carry negotiations to conclusion.

You are in best position to determine whether to await further proposals or yourself make some approach.

You may think it wise to create impression that unless agreement is reached construction of buildings and establishment of consulates may not be undertaken.

HULL

125.631/19

*The Ambassador in the Soviet Union (Bullitt) to the
Secretary of State*

No. 65

Moscow, May 29, 1934.

[Received June 27.]

SIR: I have the honor to enclose herewith in copy and translation the memorandum on American consular representation in the Soviet Union referred to in my telegram No. 101, May 24, 1934.²⁴ It was handed me by Mr. Rubinin of the People's Commissariat for Foreign Affairs on the same date.

Respectfully yours,

For the Ambassador:
JOHN C. WILEY
Counselor of Embassy

[Enclosure—Translation]

*The Commissariat for Foreign Affairs of the Soviet Union to the
American Embassy*

1. It would be possible to organize at the same time in Moscow a Consular Section attached to the Embassy of the United States, as well as a separate Consulate General (Consulate) of the United States.

2. Should the arrangement set forth in paragraph 1 be adopted, the City of Moscow and the Moscow Oblast could be determined in the Exequatur as the district of the Consul General (Consul) of the United States in Moscow, granting to the Consulate the right to perform all consular functions within the territorial limits indicated.

The above-mentioned Exequatur would be granted to the person appointed as chief of the Consulate after presentation of the consular commission of this officer to the People's Commissariat in the customary manner.

3. Independently of the functions outlined in paragraph 2, it would be possible for the Consul General (Consul) in Moscow to perform,

²⁴ Telegram not printed.

in practice, all the fundamental technical duties of a consulate such as the granting of passports and visas, legalization and notarial work, for the whole territory of the Soviet Union, with the exception of such parts thereof as will be included later on in the consular districts of other American Consulates.

4. In this case, the protection of the current interests of American citizens in the Soviet Union and the performance of the other phases of consular activity for the parts of the Soviet Union not included in the consular districts either of the Consulate General in Moscow, or of other American Consulates, would be taken over by the Consular Section of the American Embassy at the head of which would be a person designated for this purpose by the American Ambassador, from the diplomatic personnel of the Embassy.

Moscow, May 24, 1934.

800.51W89 U.S.S.R./65a : Telegram

*The Secretary of State to the Ambassador in the Soviet Union
(Bullitt)*

WASHINGTON, June 6, 1934—4 p. m.

108. Have just talked with the President. We are anxious for your opinion as to whether there is any possibility of satisfactory conclusion of negotiation at Moscow, and if not whether you think it should and can be transferred to Washington. From what he says, Troyanovsky realizes importance of action since he is fully informed of many credit transactions of probable advantage to both countries which await agreement on debts being reached.

HULL

800.51W89 U.S.S.R./66 : Telegram

*The Ambassador in the Soviet Union (Bullitt) to the Secretary
of State*

Moscow, June 8, 1934—noon.

[Received June 8—8:50 a. m.]

124. Your 108, June 6, 4 p. m. I shall see Krestinsky tomorrow and then reply fully. Until I can report Krestinsky's views I believe that it would be inadvisable for the Department to negotiate with Troyanovsky who may or may not represent the point of view of his Government.

BULLITT

800.51W89 U.S.S.R./67 : Telegram

The Ambassador in the Soviet Union (Bullitt) to the Secretary of State

Moscow, June 8, 1934—1 p. m.

[Received June 8—9: 12 a. m.]

125. I am under constant pressure from American correspondents for information regarding negotiations with the Soviet Government particularly with respect to debt settlement. Thus far I have consistently maintained that no negotiations worthy of the name were being conducted here as the Soviet Government had refused to accept any basis for negotiations.

In the interest of coordination I should be glad to know whether the Department approves of this method of presenting the matter or if the Department desires me to take a different line.

BULLITT

800.51W89 U.S.S.R./67 : Telegram

The Secretary of State to the Ambassador in the Soviet Union (Bullitt)

WASHINGTON, June 8, 1934—5 p. m.

112. Your 124 and 125, June 8. In reply to constant inquiries from American business men as to prospect of debt agreement we have replied that negotiations are being carried on at Moscow with hope of a successful conclusion. We have not interpreted temporary cessation as meaning abandonment. We have no thought of taking up matter with Troyanovsky until we hear from you in answer to our 108.

HULL

800.51W89 U.S.S.R./68 : Telegram

The Ambassador in the Soviet Union (Bullitt) to the Secretary of State

Moscow, June 9, 1934—7 p. m.

[Received June 9—3: 50 p. m.]

132. Your 108, June 6, 4 p. m., and 112, June 8, 5 p. m., and my 124, June 8, noon. In the course of a long conversation this afternoon Krestinsky repeated the views reported in my 85, May 16, 10 p. m.

He asserted that his Government had accepted Litvinov's verbal agreement with the President only with the greatest reluctance, that Litvinov had made a further great concession to me by agreeing to accept credits instead of a loan, that his Government would make no

further concession but would prefer to let the entire matter drop. I replied that Litvinov had not yet offered to carry out his promises as the President and I had understood them. I added that I felt it would be fruitless for me to continue discussions in Moscow as my Government had indicated to me decisively that his proposal of May 16 was totally unacceptable (your 84 May 18, 3 p. m.).

I went on to say that I felt personally that the cooperation of our countries in world affairs was most desirable and that a complete failure of the negotiations would have a deplorable effect. I suggested, as a purely personal view, that there might be a faint chance to make progress if Troyanovsky were to approach the Department with a specific proposal for the purchase of certain definite American commodities or goods at certain prices, on certain credit terms which would include payment of indebtedness. Krestinsky was paradoxical in his reply saying that Troyanovsky would doubtless run up against the same difficulty that confronted us in Moscow. Nevertheless, I derived the impression that he would probably advise Troyanovsky to approach the Department with specific proposals. He informed me that Litvinov would be in Moscow in about a week and I believe that instructions to Troyanovsky might well be delayed until Litvinov's return.

I think the Department should await a proposal from Troyanovsky.

If Troyanovsky should not initiate conversations it will be because the Soviet Government is indeed adamant. In that case I believe we should await a turn in world events which might make the Soviet Government more malleable.

BULLITT

800.51W89 U.S.S.R./68 : Telegram

*The Secretary of State to the Ambassador in the Soviet Union
(Bullitt)*

WASHINGTON, June 12, 1934—6 p. m.

119. President has seen your 132, June 9. There has been no approach to Troyanovsky and our thought is that it is best to let the matter rest for a short time until we may possibly be informed that the latter is authorized to act.

It seems to us that in the event there is resolute refusal to make a reasonable agreement, belief should be discouraged that the Moscow building plans or other contemplated activities will be carried on.

Not only is the understanding with reference to debts ignored but we have pretty satisfactory evidence that the propaganda pledge has been violated.²⁵

HULL

800.51W89 U.S.S.R./69 : Telegram

The Ambassador in the Soviet Union (Bullitt) to the Secretary of State

Moscow, June 14, 1934—2 p. m.

[Received 5:35 p. m.]

140. Your 119, June 12, 6 p. m. I believe that the discouraging of private credits in the United States may prove to be an effective weapon. In this connection Mr. Orcutt, representative of the Mergenthaler Linotype Company, who has just completed a thorough investigation of the Soviet market, informs me, I believe reliably, that the Narkomindel^{25a} is under great pressure from the industrial purchasing agencies of the Soviet Union to come to immediate agreement with us, as much machinery is needed which can be obtained only in the United States. For example Tekhnoprom Import^{25b} has discussed with him the purchase of five hundred linotype machines at a total price of \$2,500,000 to be paid for on 21-month credit terms. Tekhnoprom Import informed him that the Soviet Government had directed that no large orders should be placed in America until the present diplomatic negotiations had been concluded, but that the need for linotype machines was so great that he would receive small orders in spite of this general prohibition.

I believe that refusal to open consulates would be ineffective as pressure and I am certain that refusal to go ahead with the construction of the new Embassy would be directly contrary to our national interests. See my 139, June 14, 1 p. m.²⁶

I have read with interest Mr. Ralph Hill's memorandum on Soviet propaganda transmitted to me under date of May 23.²⁷ I concur in the implication of its last sentence. The acts cited seem not to warrant further consideration at this moment.

In the handling of relations between countries so widely separated in ideas, structure and distance as the United States and the Soviet Union, it seems to me of vital importance that minor vexations should not be permitted to produce an atmosphere in which a mutually beneficial cooperation cannot thrive. In Moscow we are subjected to a

²⁵ See note from the Soviet Commissar for Foreign Affairs to President Roosevelt, November 16, 1933, paragraph numbered 2, p. 28.

^{25a} People's Commissariat for Foreign Affairs of the Soviet Union.

^{25b} All-Union Combine for the Import of Technical Goods.

²⁶ Not printed.

²⁷ Not found in Department files.

hundred such irritations daily and it is, I feel, our duty to endure them with equanimity and to preserve our wrath for major issues. We cannot forget that at any time the lines of major policy of the United States and the Soviet Union may run parallel.

BULLITT

800.51W89 U.S.S.R./71 : Telegram

The Ambassador in the Soviet Union (Bullitt) to the Secretary of State

Moscow, June 15, 1934—1 p. m.

[Received June 15—12:20 p. m.]

142. Rubinin, visibly worried, asked me last night if the United States had declared that it was not interested in having any political questions discussed at the forthcoming Naval Conference²⁸ and therefore was opposed to the presence of the Soviet Union at the Conference. He alleged that he had a semiofficial report from Washington to that effect. He stated confidentially that France intended to propose the admission of the Soviet Union to the Conference and that the support of the United States for the proposal had been expected.

I replied that I had no information on the subject. He then asked if I thought the report might be true. I answered that the recent behavior of the Soviet Government had aroused so much skepticism and disillusionment in Washington that I thought the report might be true. After going into details with some severity I advised Rubinin that if the Soviet Government wanted the collaboration of the United States in any field of world affairs it would be necessary to clean the air of distrust by settlement of the indebtedness. I added that Troyanovsky had better make a concrete and acceptable proposition quickly as the President expected to leave Washington in the near future.

Rubinin obviously much upset immediately engaged Krestinsky in agitated conversation and unless Litvinov, who is due to reach Moscow this morning, maintains a hostile attitude I anticipate swift instructions to Troyanovsky. Rubinin confirmed the impression conveyed by Sauerwein, reported in my June 14, 9 p. m. to Paris and repeated to Department,²⁹ that the French are not rushing into the embrace of the Soviet Union.

I have direct information from the Kremlin that Stalin recently ordered every one in the Soviet Government to be extremely cordial to the American Embassy and feel that the Soviet Government is beginning to realize that the cooperation of the United States is not a thing to throw away lightly. If Troyanovsky should approach the

²⁸ For negotiations preliminary to the London Naval Conference, see *Foreign Relations, 1934*, vol. I, pp. 217 ff.

²⁹ Not printed.

Department I believe that it will be safe to assume that he is acting under direct instructions from his Government.

It will be useful to me to know your attitude toward the admission of the Soviet Union to the Naval Conference.

BULLITT

800.51W89 U.S.S.R./69 : Telegram

*The Secretary of State to the Ambassador in the Soviet Union
(Bullitt)*

WASHINGTON, June 15, 1934—6 p. m.

123. Your 139³⁰ and 140, June 14. From well-informed sources strong impression obtained that Soviet is most anxious to engage in trade transactions which Bank was created to carry on and that any official statements to the contrary are pure bluff.

We have had no idea of asking you to make any final declaration about construction of buildings in Moscow or establishment of consulates, but believe such intimations as you may readily make as to the probable effect on those matters and on future relations of refusal of the Soviet to observe the committals made the President might have wholesome effect. Certainly our Government could not escape severe criticism should it inferentially sanction violation of the promises of the Soviet, except for which recognition would not have been accorded.

Possible loss of Embassy site apparently not an acute question at this moment since not even draft of lease is completed.

Hope you will understand there is definite appreciation of all your present and prospective difficulties and that the full expression of your opinion is welcome.

HULL

800.51W89 U.S.S.R./72 : Telegram

*The Ambassador in the Soviet Union (Bullitt) to the Secretary
of State*³¹

Moscow, June 16, 1934—7 p. m.

[Received 7:35 p. m.]

145. I have just spent a most unsatisfactory hour with Litvinov. He began by refusing in the most categorical manner to alter his position on payment of indebtedness. I told him that I thought it was our duty to attempt to overcome the "misunderstanding" which

³⁰ Not printed.

³¹ This telegram is the first section of a message received in four sections, each numbered as a separate telegram. Telegrams Nos. 145-148 comprise the complete message.

had arisen with regard to his verbal understanding of the President. He replied "there is no misunderstanding" and asserted that the Government of the United States was attempting to back out of the verbal agreement. This statement I combated at once with the utmost vigor stating that it was the belief of my Government that it was he, Litvinov, who was attempting to back out of the understanding.

We had a long argument on this subject the upshot of which was that Litvinov said that he and his Government were entirely ready to let the matter drop immediately and permanently, that the Soviet Government had not asked for any such agreement but had acceded to such an agreement at the request of the President, that the agreement was clear and the Soviet Government would not change its position. I told him that I felt this attitude on his part might terminate any possibility of close collaboration between our nations. He replied "I do not take the matter so tragically. No nation today pays its debts. Great Britain has defaulted. Germany is defaulting. And no one will be able to make propaganda against the Soviet Union if we do not pay one dollar on a debt we did not contract".

BULLITT

Moscow, June 16, 1934—9 p. m.

[Received June 16—8 p. m.]

146. I then remarked that he must feel very sure of the future if he were ready to throw away the possibility of collaboration with the United States. He replied that he felt that such collaboration would be established anyhow; that the British had just defaulted but Mr. Norman Davis in Geneva had continued to do just what Sir John Simon had wanted him to do. I answered that I had no information as to events in Geneva, then told him in detail why I believed that his attitude would make the growth of cooperation impossible. I said that the American Government would regard the position of the Soviet Government as the following: we shall not honor our agreement with the President. We shall make no payment either to the American corporations or individuals whose property we have seized. We shall make no payments on our indebtedness to the Government of the United States and we shall buy nothing in the United States. We shall, however, expect the Government and people of the United States to work with us loyally and intimately. I added that if in the future he should find the Government of the United States most unwilling to collaborate with the Soviet Government he would kindly remember that I had warned him that such would be the case if he should persist in his present attitude.

Litvinov replied that it was not the will of the Soviet Government but the Johnson bill which prevented Soviet purchases in the United

States. I answered that such purchases could be made under present conditions and that the first thing of which he had been warned on his arrival in Washington before recognition was the certainty of the passage of the Johnson bill. He answered that there would be no purchases until the Johnson bill had been withdrawn or amended. I replied that there was not the faintest possibility of the Johnson bill being withdrawn or amended.

BULLITT

Moscow, June 16, 1934—10 p. m.

[Received June 16—9:04 p. m.]

147. Litvinov then mentioned my personal suggestion to Krestinsky in regard to a definite statement by the Soviet Government of the purchases it desired to make in the United States. I said to him that my expression of opinion, as Krestinsky had doubtless told him, had been entirely personal and had not been a suggestion of my Government or one which I had made on behalf of my Government. He said that Krestinsky had so reported. I added that I was extremely loath to see all possibility of collaboration between our nations destroyed and that I felt there might be some fresh basis of negotiation if the Soviet Government would present to the American Government an exact statement of the purchases it would make in the United States with any credits extended.

Litvinov replied that all purchases from America had been stricken from the present 5-year plan, that the task of preparing a new statement of purchases which might be made in America if credits were forthcoming was a very difficult one, and that before asking the Commissars in charge of the 5-year plan to make an exact statement of such purchases he would wish to know that such a statement would serve some useful purpose. I answered that I did not know whether or not any such statement would be useful, that I merely felt there might be some possibility of agreement if the matter were discussed in the form of a series of concrete business deals. He then suggested that I should inquire of my Government in regard to the matter. I told him that I would much prefer to have Troyanovsky explore the question with the Department so that he might receive from his own representative a clear view of the exact state of mind of my Government.

BULLITT

Moscow, June 16, 1934—11 p. m.

[Received June 16—8:20 p. m.]

148. Litvinov apparently feels much more sure than any of his colleagues that Japan will not attack the Soviet Union and that the

United States no matter how the Soviet Union behaves will attempt to prevent war between the Soviet Union and Japan and will support the Soviet Union in case of war. Furthermore, I believe that he is convinced that the pressure of American businessmen will produce either a ruling that the Johnson bill does not apply to the Soviet Union or a withdrawal of the resolution of the Export-Import Bank with regard to credits to nations in default.

I believe that within a few days Troyanovsky will approach the Department. It seems to me that on the occasion of such a visit the Department should explore every possibility of agreement but should not hesitate to express its disillusionment and its skepticism with respect to the future relations of the United States and the Soviet Union.³²

BULLITT

800.51W89 U.S.S.R./74

Memorandum by the Assistant Secretary of State (Moore) of a Conversation With the Ambassador of the Soviet Union (Troyanovsky), June 20, 1934

The Ambassador called to comment upon a very severe criticism of the Soviet contained in a speech by General Johnson of the NRA³³ delivered at Charleston, West Virginia, June 16. I told him that the speech had not been drawn to my attention until this morning in anticipation of his visit and that personally I am not inclined to regard it as likely to have made any impression so far as concerns that portion of it alluded to. He said that it was expected that General Johnson was about to deliver another speech in which he might renew his attack on the Soviet and I promised him that I would endeavor to get in touch with General Johnson so as, if possible, to avoid this being done. After Mr. Troyanovsky left, I found that General Johnson is in Memphis and, as a result of talking with the Secretary and Under Secretary, the latter found a way of having General Johnson's office communicate with him.

I said to Mr. Troyanovsky that his own Government seems to have violated its pledge against propaganda by permitting the Third Internationale to send out from Moscow urgent suggestions that Communists everywhere should seek the overthrow of our Government and other governments by violent methods. He simply shrugged his shoulders at this. I told him further that we have information to the

³² In response to the Ambassador's telegrams of June 16, 1934, the Department's telegram No. 126, June 18, 5 p. m., stated: "Think you took exactly proper line in conversation with Litvinoff and hope your belief that Troyanovsky will be authorized to act will be realized." (123 Bullitt, William C./69)

³³ National Recovery Administration.

effect that Mr. Skvirsky recently went to New York to try to persuade Mrs. Norman Hapgood to go along with Extremists in an effort to convert a cultural American-Russian organization in New York into a propagandist machine. He denied this and said that the only purpose of Skvirsky was to try to select a fit person as head of the organization and he mentioned Professor Dewey. I am quite certain that he was far from frank in his explanation, from the information given me by Mr. Wehle two or three weeks ago.

The most interesting feature of the conversation to me was the statement that Mr. Litvinoff had wired him asking him to ascertain my opinion as to the expediency of transferring the debt negotiations from Moscow to Washington, and when I said that I thought this most desirable, he stated that he would at once communicate with Litvinoff. He concurred in my opinion that, should he and I take up the negotiations here, we ought to find no great difficulty in reaching a tentative agreement, subject to the approval of the two Governments. I am now very hopeful that in a short time he will receive the necessary authority and that there will be a good prospect of a conclusion being arrived at.

800.51W89 U.S.S.R./74 : Telegram

The Secretary of State to the Ambassador in the Soviet Union
(Bullitt)

WASHINGTON, June 21, 1934—4 p. m.

129. In conversation yesterday about other matters, Troyanovsky said he had been asked by Litvinoff to inquire whether it would be agreeable to us to transfer the debt negotiation to Washington and, upon receiving an affirmative reply, he said he would wire Litvinoff. He seems very willing to take up the matter here.

HULL

811.3340/508 : Telegram

The Secretary of State to the Ambassador in the Soviet Union
(Bullitt)

WASHINGTON, June 21, 1934—6 p. m.

130. Navy Department has notified the Department that it proposes to have the U. S. S. *Minneapolis* on its training cruise following a visit to Helsingfors make an informal visit to Leningrad August 9 to August 17 and requests the Department to make appropriate notification with respect to this visit and the necessary arrangements to permit flights of ship-based aircraft during the visit.

Department inclined to doubt whether such a visit would be expedient at the present time but before replying to the Navy desires to have an expression of your opinion.

You may believe the failure of the ship to visit Leningrad after visiting Helsingfors might tend to support in an effective way the arguments advanced by you in your conversation with Litvinoff, reported in your 146, June 16, 9 p. m.,³⁴ whereas a visit to Leningrad at this time might strengthen Litvinoff's conviction as stated to you that "collaboration would be established anyhow" with the United States irrespective of the settlement of the question of debts and claims.

HULL

800.51 W89 U.S.S.R./76 : Telegram

The Ambassador in the Soviet Union (Bullitt) to the Secretary of State

Moscow, June 30, 1934—4 p. m.
[Received June 30—1:40 p. m.]

167. Your 130, June 21, 6 p. m. I have not discussed a visit of an American warship to the Soviet Union with any Soviet official since last December when Litvinov expressed an intense desire to have such a visit paid to Vladivostok or Leningrad. He felt that such a visit would be a deterrent to the aggression which he then feared. Unquestionably a visit now would tend to strengthen Litvinov's conviction referred to in the last paragraph of your telegram 130 and would be disadvantageous in that respect. My own view is that no request for permission to make such a visit should be presented now but that your ultimate decision should be controlled by the result of your conversations with Troyanovsky.

In this connection I venture to express the opinion that so long as Litvinov adheres to his present attitude toward the United States we shall not be able to count on any genuinely friendly cooperation from him either at the forthcoming Naval Conference or elsewhere and I consider the Department's instruction to Davis cabled to me in your 141, June 27, 7 p. m.³⁵ admirable.

I have however private information that Stalin and the military authorities feel strongly that cooperation with the United States must be strengthened and not destroyed and I do not consider Litvinov's intransigence irreversible.

A further step which may prove to be desirable for purely administrative reasons in this Embassy may perhaps be turned to advantage.

³⁴ *Ante*, p. 109.

³⁵ *Foreign Relations*, 1934, vol. I, p. 230.

We are not receiving the administrative assistance from the marines which they were sent here to provide and the withdrawal envisaged in the fourth sentence of your 96, May 24, 7 p. m.³⁶ may soon seem wise. Their recall would certainly be interpreted here as a political move indicating a coldness toward the Soviet Union. If their recall should become definitely desirable we should endeavor to time it to produce the maximum political effect. However, we should not go so far in indicating fridity as to antagonize those leaders in the Soviet hierarchy who desire close collaboration with the United States. I propose to take the general attitude that we are most anxious to cooperate with the Soviet Union but that Litvinov is indifferent to the establishment of such collaboration.

BULLITT

800.51W89 U.S.S.R./77 : Telegram

The Ambassador in the Soviet Union (Bullitt) to the Secretary of State

Moscow, July 7, 1934—11 a. m.

[Received July 7—6:45 a. m.]

173. Litvinov yesterday at luncheon at his country house brought up the matter of Troyanovsky's conversations in Washington. He asserted that Troyanovsky had inquired of the Department if a statement of the Soviet's contemplated purchases in the United States might serve as a starting point for further discussions and that the Department had replied in the negative. He added that so far as the Soviet Government was concerned the matter was now at rest. I replied that I had no information with regard to any approach to the Department by Troyanovsky. Thereupon we were interrupted. Litvinov went out of his way to be personally cordial yesterday and it is my impression that he hopes now that negotiations with regard to claims and indebtedness will lapse into a peaceful and permanent coma.

BULLITT

800.51W89 U.S.S.R./77 : Telegram

The Secretary of State to the Ambassador in the Soviet Union (Bullitt)

WASHINGTON, July 7, 1934—3 p. m.

149. Your 173, July 7th. Contrary to Litvinoff's statement to you, Troyanovsky has not made the inquiry alleged and on the other hand has indicated his hope that he would be instructed to take up debt negotiations here.

³⁶ Not printed.

At a recent meeting of the Export-Import Bank there was much talk of the futility of maintaining the bank, which involves expense, if the Soviet has no intention of making a real effort to effect an agreement.

HULL

800.51W89 U.S.S.R./78: Telegram

The Ambassador in the Soviet Union (Bullitt) to the Secretary of State

Moscow, July 9, 1934—6 p. m.

[Received 10 p. m.]

177. Your 149, July 7, 3 p. m. I informed Litvinov this morning that Troyanovsky had not initiated any discussions at the Department. He replied that Troyanovsky again had misunderstood his telegraphic instructions and read a number of telegrams to prove this point. He said that he had written Troyanovsky a long letter which has been sent by courier on July 7th and should reach Troyanovsky on July 19th. He promised that he would telegraph Troyanovsky today ordering him to begin conversations with the Department as soon as he had received the letter which was so explicit that it could not be misunderstood.

He then read to me portions of the letter. In it he ordered Troyanovsky to have no discussions except on the basis of a flat 7 percent credit from the Export-Import Bank or a promise by the Bank to discount 100-percent Soviet obligations given in payment of purchases in the United States. He stated that his Government was willing to consummate the purchases it would expect to make with credits so extended but that his Government positively would not accept any agreement which involved credits from the corporations making sales. I replied that I believed his instructions to Troyanovsky would make Troyanovsky's task impossible but that nevertheless I felt discussions would be valuable if only to clarify the attitudes of both Governments.

I again called his attention to the danger that intransigence of this sort might destroy the small plant of goodwill toward the Soviet Union which had begun to grow in America. He replied as follows:

"We sincerely desire the best possible relations with the United States but we cannot jeopardize our relations with the rest of the world. The claims against the Soviet Union of England, France, Germany and various other nations are far larger than the claims of [America?]. Those claims have now been shelved and forgotten but the moment we make any settlement with the United States all other nations will demand immediate settlements. We must therefore make a settlement with the United States which will be on a basis that no other nation will be able to accept. The distinction with regard to the payment being only on the Kerensky debt might be good in a court of law but is no good in international relations. It is physically impossible for either the British, French or Germans to lend us double the amount of their claims, the sum is too large. Therefore, we can settle with

United States on that basis. If we were to make a settlement with the United States on the basis of additional interest on private credits we should have to make additional interest payments on all private credits obtained in England, France, Germany and elsewhere. That is impossible.”

Second part follows in my 178.³⁷

BULLITT

800.51W89 U.S.S.R./79 : Telegram

The Ambassador in the Soviet Union (Bullitt) to the Secretary of State

Moscow, July 9, 1934—7 p. m.

[Received 10:55 p. m.]

178. Litvinov then brought up an alleged announcement by the Department which is published in this morning's Moscow papers to the effect that the Government of the United States had refused a bilateral nonaggression agreement proposed by the Soviet Union. He asked me if the statement had been made officially by the Department. I replied that I had no information on the subject. I should be greatly obliged for an early instruction from the Department as to the line I should take when talking with Litvinov and the American newspapermen here with regard to this matter.

Litvinov then said that he understood that the United States had joined England in opposing admission of the Soviet Government to the forthcoming Naval Conference. He said that he had no great desire to have the Soviet Union represented but that France greatly desired the presence of the Soviet Union; that the British and the Japanese were very anxious to have Germany represented but had refrained from making the proposal because of their knowledge of the intention of France to propose the presence of the Soviet Union. I replied that so far as I knew we had taken no position with regard to the final conference; that the British had called the preliminary conference and invited those nations they choose to invite.

Litvinov seemed properly disquieted by the matters referred to in the two paragraphs above and I attempted to fertilize his disquiet by reiterating my fears as to the future of Soviet-American relations. I intimated that our relations with Japan showed improvement and asked him if there had not been a great improvement recently in the relations of the Soviet Union with Japan. He laughed and replied apparently sincerely “the only improvement is that we are not yet at war.”

BULLITT

³⁷ *Infra.*

800.51W89 U.S.S.R./79 : Telegram

*The Secretary of State to the Ambassador in the Soviet Union
(Bullitt)*

WASHINGTON, July 10, 1934—6 p. m.

152. Your 177 and 178, July 9. Our attitude on London naval conversations and conference is expressed in our 141, June 27.³⁸

Department has made no announcement, official or unofficial, relative to matter of bilateral, non-aggressive pact with Soviet Union.

Your statement minimizes hope of effective negotiations with Troyanovsky, but if and when he offers to negotiate, we will canvass entire situation with him and endeavor to impress him with the importance of speedy agreement as alternative to dissolving bank and foregoing expectation of better trade relations based upon assistance by our Government.

HULL

800.51W89 U.S.S.R./83a : Telegram

*The Secretary of State to the Ambassador in the Soviet Union
(Bullitt)*

WASHINGTON, July 16, 1934—noon.

160. To be shown Troyanovsky please wire in briefest terms possible statement of substance of what was understood in conversations with Litvinov while here as to method of payment of indebtedness by added interest on trade transactions supervised by Export-Import Bank, and negating suggestion that a straight cash loan or a straight uncontrolled credit was ever contemplated. Think you were present at all conversations and if so please make that clear. If you think desirable send in nonconfidential code without making reference to this telegram.

HULL

800.51W89 U.S.S.R./84 : Telegram

*The Ambassador in the Soviet Union (Bullitt) to the Secretary
of State*

Moscow, July 17, 1934—5 p. m.

[Received 10:15 p. m.]

195. It is I believe opportune to review our understanding of the commitment accepted by Litvinov in Washington with regard to claims and indebtedness.

³⁸ *Foreign Relations*, 1934, vol. I, p. 280.

I was present at all conversations between the President and Litvinov. It was clearly impossible that the Government of the United States should give either a loan or an uncontrolled credit and Litvinov never indicated that he expected either a loan or uncontrolled credit. I was as you know astounded when he took that position after my arrival in Moscow. The President and I talked over the matter repeatedly and there was in our minds never the faintest idea of a straight loan or uncontrolled credit. Furthermore, we were both convinced that Litvinov had agreed to pay extra interest on all loans or credits of whatsoever nature obtained from any American individual or corporation for both the President and I discussed the question of whether or not we should hold up recognition until the debt agreement had been worked out in detail as were all other agreements. The President felt that this was not necessary as he thought his understanding with Litvinov was clear and because as a result of changes of personnel at the Treasury Department it was somewhat difficult for us to go into the details of any financial matters. You will recall that Mr. Morgenthau had been charged with control of the economic and financial questions involved in our negotiations with Litvinov; that he was appointed Secretary of the Treasury at the crucial moment and was so occupied with urgent Treasury business that he was unable to organize his office in time to present concrete proposals to Litvinov. The single concrete detail mentioned in Litvinov's talks with Morgenthau was that of interest rates which was touched upon inconclusively. Litvinov said that he was ready to offer only 7 percent as a total rate to cover both interest on credits and extinguishment of indebtedness. Morgenthau greeted this with laughter and indicated that the total rate would have to be at least 10 percent.

The President and Litvinov discussed in detail the total sum to be paid, the President indicating that he felt he could not get Congress to accept less than \$150,000,000, Litvinov offering \$75,000,000, but promising to recommend the payment of \$100,000,000 provided the President after examining all the facts should consider such a sum fair.

When I asked Litvinov how he could have imagined ever that he was going to get a straight loan or uncontrolled credit in view of the opposition of the people of the United States to further loans abroad, he replied that the President had used the word "loan", that he had felt it would be most difficult for the President to obtain the money but that he thought the President could find a way to get it. Litvinov's position is based on the fact that from time to time in speaking of credits the word "loan" was used synonymously therewith by the President. It is my impression that the word "loan" was even used in the one conversation of which a memorandum was made.

However, the general tenor of all conversations was such, the general position with regard to loans and credit was so well known that it is difficult for me to imagine that anyone could have derived the impression that the President had a loan or uncontrolled credit in mind.

The subject of claims and indebtedness was never discussed in my presence by Litvinov except in the conversations with the President and Morgenthau referred to above.

I personally believe as did the President that Litvinov was ready to pay extra interest on all loans or credits from any American sources, public or private, until the agreed amount of indebtedness had been extinguished.

BULLITT

800.51W89 U.S.S.R./85½

The Assistant Secretary of State (Moore) to the Assistant Secretary of State (Sayre)

[WASHINGTON,] July 19, 1934.

DEAR MR. SAYRE: Attached are the notes exchanged by the President and Mr. Litvinov, as printed.³⁹ There was another note, of a confidential character,⁴⁰ the purport of which is sufficiently indicated in that part of a memorandum attached hereto,⁴¹ marked "A", which refers to the amount expected to be paid by the Soviet in settlement of all indebtedness. The phraseology of this memorandum, which is perhaps to be shown Troyanovsky, may be changed, without, however, changing the substance.

As you know, Mr. Litvinov left here with everything undetermined except recognition. When he and Mr. Bullitt got together in Moscow, he insisted that our Government should make a straight cash loan to the Soviet, to be expended as it might think proper, or as an alternative a straight, uncontrolled credit, enabling it to make purchases in this country at will, with all of the possible discrimination and confusion certain to result. Should either thing be done, it will of course be within the power of the Soviet to make use of the cash or credit for the purchase of war materials, or to place manufacturers of the same product in bitter competition with each other. Considerations of that character, coupled with the fact that the Export-Import Bank was organized for the very purpose of controlling such

³⁹ Department of State, *Establishment of Diplomatic Relations With the Union of Soviet Socialist Republics* (Washington, Government Printing Office, 1933).

⁴⁰ See memorandum of November 15, 1933, p. 26.

⁴¹ Not printed; the contents were embodied in the memorandum handed to the Ambassador of the Soviet Union on July 25, 1934, p. 122.

credit as might be granted, led the President to say that a loan in either form, whether in cash or by pledging the credit of our Government, without the Government having any control, is unthinkable.

There was a complete breakdown of the negotiations at Moscow, and Bullitt has reported that upon his suggestion, they are being shifted to Washington. A short time ago, he advised that Litvinov was sending a courier to Washington with instructions to Troyanovsky to proceed with the negotiations, but placing him under restrictions that in the opinion of all of us who have kept up with the matter leave little probability of a conclusion being arrived at.

In order to obtain a very clear statement from Bullitt that it might be desirable to show Troyanovsky of what occurred when Litvinov was here, I requested Bullitt to give me his recollection, and a copy of his despatch of yesterday, hereto attached,⁴² marked "B", is a response to that request.

The debt agreement, so far as concerns the possible amount of payment, is not in itself very important. In no event can we expect the Soviet to promise to pay more than \$100,000,000, whereas the total amount of claims on file in the Department is beyond \$600,000,000, including the Czarist bonds held by citizens of this country and the Kerensky obligations held by our Government, but we must insist upon some payment being made.

Litvinov now is really trying to shelve the debt question, as he has done with England and other countries. One of his reasons for this is that he fears that other countries will contend that a payment to the United States is a recognition of the Kerensky debt, and that they should have similar treatment. But as you will notice on reading the paper marked "A", no mention is made of the Kerensky debt, it being stated generally that whatever amount is agreed on shall cover the balance due this country and its nationals, after taking into account all of our claims and all of the counter claims. I may tell you that in a conversation with Troyanovsky, at which I was present, Mr. Roosevelt clearly stated to him that in the event of an agreement Congress would be asked to allow nearly all of the amount received to be applied to the private claims instead of the Kerensky debt.

The Russians have talked a good deal about the injustice of the Johnson Act, but the truth is that that Act does not affect the situation. Under that Act, we could finance trade transactions with the Soviet, but that is prevented by the Resolution of the Export-Import Bank determining that such transactions should be held up, pending a debt agreement, and you will perhaps remember that that Resolution was stressed in the House of Representatives while the Johnson bill was being considered.

⁴² See telegram No. 195, July 17, 5 p. m., *supra*.

I think I have given you a memorandum showing how limited is the trade between this country and the Soviet, and perhaps you have seen recent figures showing what a falling off there is in the trade between the Soviet and other countries. If we are to have any real activity in Russia, there should of course be Consulates established at Leningrad, Odessa and other points, but this we have discouraged until we have some performance on the promises relative to debts made by Litvinov to the President.

Beautiful plans have been made for the construction of official buildings at Moscow, and Bullitt thinks we should not indicate any weakening of our intention to build, but unless we are to continue very friendly and growingly close relations with the Soviet, I gravely doubt the policy of expanding [*expanding?*] more than a million dollars there in the near future. One reason that influences Bullitt's opinion is that unless we manifest a purpose to go forward with the construction, we may lose the highly desirable site of 15 acres of which we are promised a lease.

I am writing you in very general terms, and should you think there is any further specific information you should have, I will be glad to try to supply it.

R. WALTON MOORE

800.51W89 U.S.S.R./85a : Telegram

*The Secretary of State to the Ambassador in the Soviet Union
(Bullitt)*

WASHINGTON, July 21, 1934—4 p. m.

170. Troyanovsky called at the Department today and arrangements were made for a meeting at the Department on Wednesday for a general discussion of the question of settlement of debts and claims.

HULL

800.51W89 U.S.S.R./86 : Telegram

*The Ambassador in the Soviet Union (Bullitt) to the Secretary
of State*

Moscow, July 22, 1934—4 p. m.

[Received 5:30 p. m.]

207. Your 170, July 21, 4 p. m. There have been unusual demonstrations of friendliness toward this Embassy during the past week which I believe have been ordered by the Kremlin as a result of apprehension that Litvinov's intransigence with regard to the matter of debts and claims might result in a prolonged disinclination of the Government of the United States to cooperate in any field with the Soviet Government.

The Soviet diplomatists are convinced that there is no possibility whatever of an early Japanese attack but the military men are so sure that an eventual attack is inevitable that they view Litvinov's stubbornness with disquiet.

I believe therefore that you will begin your negotiations with Troyanovsky at a rather favorable moment.

BULLITT

800.51W89 U.S.S.R./102

*The Department of State to the Embassy of the Soviet Union*⁴³

The conversations that occurred when Mr. Litvinoff was in Washington, participated in by the President, the Secretary of the Treasury and Mr. Bullitt, contemplated a settlement being made on the following general basis.

I. Over and above all claims of the Soviet Government and its nationals against the United States and its nationals the Soviet Government is to pay the Government of the United States⁴⁴ an agreed amount bearing an agreed rate of interest, the payment of which will extinguish all claims of each country and its nationals against the other and its nationals. The payment is not to operate as impairing the assignment to the United States heretofore made of assets in this country supposed to belong to the Soviet Government.

II. The payment of the amount agreed is to be effected by applying thereto an agreed rate of interest beyond the ordinary rate, called added or extra interest, on all credits granted to the Soviet Government by the Government of the United States or its nationals.

The determination of the amount to be paid in settlement of the indebtedness necessarily carries with it the understanding that it will be paid within a reasonable period.

III. The Government of the United States is to grant credit to the Soviet Government and with this object in view has established the Export-Import Bank. The Bank will assist in financing Soviet purchases in the United States through the discount of Amtorg acceptances received by American exporters in connection with specific transactions approved by the Bank and for that part of the credit which the exporter would not be expected itself to carry. The maturities of such acceptances will vary according to different categories of goods, with final maturity in no case to exceed five years. The aggregate of the credits which will be facilitated and approved

⁴³ Handed to the Ambassador of the Soviet Union on July 25, 1934.

⁴⁴ A marginal notation in pencil on a draft of this memorandum is as follows: "In the confidential notes exchanged by the President & Litvinoff, it was understood that the amount would not be less than seventy-five or more than one hundred & fifty million dollars". (800.51W89 U.S.S.R./85½)

by the Bank for the period during which the Soviet Government is repaying the agreed amount of indebtedness will of necessity considerably exceed double that amount.

The President has stated that he never had any idea of a direct loan to the Soviet Government—in the form of an advance of money to the Soviet Government or to an agency of the Government,—but only a loan in the form of credits and that there is not the slightest possibility of a direct loan being made, and that he never had any idea of an uncontrolled credit being pledged.

800.51W89 U.S.S.R./87a : Telegram

*The Secretary of State to the Ambassador in the Soviet Union
(Bullitt)*

WASHINGTON, July 25, 1934—6 p. m.

173. We talked more than 2 hours this morning with Troyanovsky. He appears to realize the impossibility of obtaining a cash loan or an uncontrolled credit and seems for the moment mainly interested in ascertaining how purchases and other processes of credit transactions under the supervision of the bank would be conducted, and will talk with Peek. He said nothing to indicate character of instructions nor was there any discussion of details such as interest rates. The conversations will be continued Monday.⁴⁵

HULL

800.51W89 U.S.S.R./89 : Telegram

*The Ambassador in the Soviet Union (Bullitt) to the Secretary
of State*

Moscow, July 27, 1934—5 p. m.

[Received July 27—3:15 p. m.]

221. The unusual friendliness of all members of the Soviet Government to which I invited the Department's attention in my number 207, July 22, 4 p. m. continues to be manifested in a most striking manner.

Litvinov lunched with me yesterday *en famille* and accompanied me to the first polo match ever played in the Soviet Union. I had personally imported the necessary equipment and taught the Red Army cavalymen to play. Voroshilov and General Feldman both attended the match and returned with me to the Embassy where they remained until the early hours of the morning. In the course of a

⁴⁵ July 30.

very long and intimate conversation with Voroshilov I found as I had suspected that Litvinov had not given Stalin and Voroshilov an altogether accurate version of our discussions with regard to claims and indebtedness. Voroshilov expressed an intense desire "that the relations between our two countries should not only appear to be friendly and intimate but should in reality be friendly and intimate."

Voroshilov admitted that the railroad and rolling stock position of the Soviet Union in the Far East was still causing him great worry and I hope that the demand of the army for transportation equipment of all sorts may finally overcome Litvinov's objections. I feel sure that Voroshilov will use his influence with Stalin which is very great to soften Litvinov's obduracy.

Steiger who is the O. G. P. U.⁴⁶ surveyor of the diplomatic corps and has most intimate relations with the Kremlin said to me last night that both Kalinin and Molotov and indeed all the leaders of the Soviet Government would like to be invited to my house. I asked him whether that remark included Stalin and he replied that that also was not impossible.

The obvious desire of the leaders of the Soviet Union to cultivate friendly relations with the United States coupled with the sudden improvement in Soviet-British relations and the *rapprochement* with France seems to me to offer a possibility with reference to development of a new and fruitful collaboration between the United States, Great Britain, France and Russia.

BULLITT

800.51W89 U.S.S.R./91: Telegram

The Ambassador in the Soviet Union (Bullitt) to the Secretary of State

Moscow, July 30, 1934—5 p. m.
[Received July 30—1:40 p. m.]

231. Continuing my No. 230.⁴⁷ With regard to Troyanovsky conversation in the Department on July 25th, Litvinov said to me last night that he had again received an unintelligible telegram from Troyanovsky and had telegraphed to Troyanovsky to attempt to obtain any proposals of the Department in written form so that he personally could consider an actual text and not be dependent upon Troyanovsky's interpretations which he feared might lead to further misunderstanding. He asserted that Troyanovsky had reported that the Department had proposed that the Export-Import Bank should carry 70

⁴⁶ General State Police Administration, the internal secret police.

⁴⁷ Not printed.

percent of the burden of all credits and private corporations 30 percent. He insisted but without vehemence that he would continue to reject proposals for private participation in credits on which extra interest was to be paid. He then said that he was opposed to what he called "controlled credits", commenting that the Soviet Government must be free to buy from whatever companies it pleased.

I told him that I had no indication whatsoever that the Department had made any specific proposals to Troyanovsky and in the absence of such information could not discuss the matter.

Litvinov then expressed great surprise that the Department had announced to the press on July 25 the resumption of negotiations in Washington,⁴⁸ saying that publicity of any sort would make the successful issue of the negotiations impossible. He concluded by remarking that the relations of the Soviet Union with all nations except the United States were now becoming quite satisfactory. The development of British-Soviet friendship may lead I believe to British credits to the Soviet Union.

BULLITT

800.51W89 U.S.S.R./90 : Telegram

*The Secretary of State to the Ambassador in the Soviet Union
(Bullitt)*

WASHINGTON, July 30, 1934—6 p. m.

184. In view of the interpretation given by the press to a statement issued by Mr. Peek without having been seen by the Department, announcing the extension of the facilities of the Second Export-Import Bank to do business with all countries except Russia, to the effect that this statement was designed to coerce the Soviet Government in the negotiations now in progress, I have informed the Soviet Ambassador that I stated to the press that neither I nor my associates in the Department read the Peek statement before it was published, that I had not read it since its publication and that the State Department has and has had nothing whatever to do with it. I told the Ambassador that I regretted extremely the interpretation given to the statement and I assured him that the State Department was not in any way a party to any attempt to exercise pressure on the Soviet Government. I expressed the hope that he and his Government would thoroughly understand how far away I am from the remotest sympathy with such a suggestion.

HULL

⁴⁸ Department of State, *Press Releases*, July 28, 1934, p. 67.

800.51W89 U.S.S.R./93 : Telegram

The Ambassador in the Soviet Union (Bullitt) to the Secretary of State

Moscow, August 3, 1934—2 p. m.

[Received 2:55 p. m.]

239. In conjunction with your conversations with Troyanovsky it occurs to me that it may be of value to the Department to know that the Soviet Government is now attempting to produce the impression that large credits are available in both France and Germany.

Information derived from the member of the German Embassy in Moscow directly in charge of financial affairs indicates, however, that the Soviet trade representatives in Germany, after having discussed 5-year credits, are now demanding 6-year credits and that there is such reluctance in Germany to extend long credits that little progress is being made.

Soviet sources also are now spreading the story that a loan of approximately \$100,000,000 is available in France, that no extra interest for repayment of Czarist debts is demanded by France, that the interest rate is reasonable and that the only question at issue is the proportion of the loan to be spent outside France. Duranty to whom the foregoing story was "fed" doubts its authenticity and has not cabled it suspecting that it is intended to influence you in your negotiations with Troyanovsky.

A secretary of the French Embassy has informed a member of my staff that there is no project for a Soviet loan or a new commercial credit in France. In connection with the rumor that military representatives of the French Government had been discussing credits for the purchase of French war material, he said that he would "guarantee" that there was no truth in such reports.

I suspect, therefore, that Soviet allegations with regard to the generous attitude of France and Germany are exaggerated and reflect the usual Soviet policy of playing off one country against another.

There has been another not unexpected hitch in the negotiations with the Japanese for the sale of the Chinese Eastern Railway⁴⁰ and my general impression is that the Soviet desire to come to an agreement with the United States on the matter of claims and indebtedness has increased rather than diminished.

BULLITT

⁴⁰ For correspondence on this subject, see *Foreign Relations*, 1934, vol. III, pp. 3-315, *passim*.

800.51W89 U.S.S.R./98

Memorandum of Conversation, by the Chief of the Division of Eastern European Affairs (Kelley)

[WASHINGTON,] August 3, 1934.

[Present:] Ambassador Troyanovsky,
The Secretary,
Mr. Moore, and
Mr. Kelley.

Mr. Troyanovsky began the discussion by raising the question of the payment of additional interest on private credits obtained by Amtorg in the United States. He said that it was the view of his Government that the additional interest should be paid only on credits obtained from the Export-Import Bank. It was pointed out to him that unless this provision was included, a situation might arise in a few years in which the Soviet Government would not be having recourse to the Bank but would be obtaining credits privately and the United States Government would be receiving no payments on the agreed indebtedness. If, however, the Soviet Government were willing to obligate itself to pay the agreed indebtedness within a specified period, it might be possible to omit any stipulation with regard to the payment of additional interest on private credits. The Ambassador said he thought that the Soviet Government might be willing to enter into some agreement with regard to the payment of the agreed indebtedness within a certain number of years. He was informed that if such were the case, we might be willing to drop the requirement of additional interest on private credits.

The Ambassador then read over the statement prepared by the Export-Import Bank⁵⁰ and raised several questions, particularly with respect to the statements that the Bank reserved for future discussion the general allocation of credits for agricultural products and manufactured goods, and that the Bank reserved the privilege of rejecting applications in particular transactions. The Ambassador thought that these statements would give Moscow the impression that the Bank intended to determine what sort of goods Amtorg should purchase in the United States. It was explained to him that Amtorg would be free to select the exporters with whom it wanted to deal and to purchase whatever goods it desired. The Bank, however, must reserve the right to disapprove a particular transaction. A situation might arise in which the granting of credit for the purchase of munitions would be unwise. Then too there might be cases in which it

⁵⁰ See telegram No. 184, July 30, 1934, 6 p. m., to the Ambassador in the Soviet Union, p. 125.

would be discovered that the manufacturer was not able to carry out his contractual obligations. It was suggested that differences with regard to the policy and procedure of the Bank might be readily settled in a conference between the Bank and Mr. Bogdanov.

The Ambassador inquired with regard to the the length of credits and he was told that the final maturity would be five years and that it was contemplated that the length of credit would vary for different categories of goods. The Ambassador indicated that he thought that the Soviet Government should obtain longer credit terms.

The Ambassador then suggested that, inasmuch as there was no longer any question of a loan but only of a credit, the Department's memorandum of July 25 be revised, all references to the question of a loan being dropped and a brief statement with regard to the policy and procedure of the Bank included. This was agreed to and he was promised such a memorandum on Friday, August 3. He stated that he would telegraph this to his Government and he hoped to receive a reply so that another meeting could be held the middle of next week.

800.51W89 U.S.S.R./94 : Telegram

The Ambassador in the Soviet Union (Bullitt) to the Secretary of State

Moscow, August 4, 1934—5 p. m.

[Received 5:28 p. m.]

245. Litvinov informed me today that he would leave Moscow in a few days for a holiday which would last until the meeting of the Disarmament Conference in Geneva.⁵¹ He added that Henderson⁵² had informed him that he intended to call that meeting before September 15. Litvinov asserted that he might go either to the Caucasus or to some European spot.

Stalin is about to leave for a cure in the Caucasus and I fear that decisions with regard to our debts and claims cannot be expected until their return to Moscow in September. Litvinov again stated that he had ordered Troyanovsky to ask for a written proposal from the Secretary of State.

I venture to suggest the fullest possible discussion with Troyanovsky before replying to this request. I suspect that Litvinov will use any written document for the purpose of bargaining with other countries.

BULLITT

⁵¹ For correspondence concerning the Disarmament Conference, see *Foreign Relations*, 1934, vol. I, pp. 1 ff.

⁵² Arthur Henderson.

800.51W89 U.S.S.R./103

*Memorandum of Conversation, by the Chief of the Division of
Eastern European Affairs (Kelley)*

[WASHINGTON,] August 10, 1934.

[Present:] Ambassador Troyanovsky,
The Secretary,
Mr. Moore, and
Mr. Kelley.

Mr. Troyanovsky commenced the conversation by saying that he had had considerable difficulty in connection with the last exchange of telegrams with Moscow since they were very much garbled and that was the reason why he was unable to come to the Department on Thursday.⁵³ He then said that Moscow had informed him that the last proposal of the Department was worse than the first. He referred to the statement that the Export-Import Bank would discount Amtorg acceptances "for that part of the credit which the exporter would not be expected itself to carry". He said that this implied that the exporter would be obliged to carry most of the credit while he had previously understood that the Bank would carry 70 to 75 per cent of the credit. The Ambassador was informed that it did not imply this at all and that it was expected that the exporter would carry only about 25 per cent. It was stated that this matter had been discussed with American exporters interested in trade with the Soviet Union and that they were agreeable to carrying this proportion of the credit themselves.

The Ambassador then referred to the statement that the Bank would assist in financing transactions "approved by the Bank". He said that Moscow considered that this meant that the Bank would have the right to go into the details of each transaction and decide whether it was the sort of transaction that the Bank ought to allow Amtorg to conclude with the American exporter. The result would be that the Bank would control the placing of orders by Amtorg and the fixing of terms. The Ambassador was informed that, as it was specifically stated in the Department's proposal, Amtorg would be free to place its orders directly with exporters of its own choosing and that the phraseology in question merely meant that the Bank reserved the right to disapprove specific transactions. Such a right was reserved by all governments which guarantee credits extended to the Soviet Government. This phraseology did not mean that the Bank would participate in the determination of the terms of sale between the exporter and Amtorg. The Ambassador said that Moscow

⁵³ August 9.

was very sensitive with regard to this point. He recalled that when he was Ambassador to Japan the Japanese Government on several occasions held up contracts on the ground that the price which the Soviet agencies were paying for the goods was too low. The Ambassador was told that it was thought that there would be no difficulty in clarifying the phraseology so as to dispel Moscow's worries.

The Secretary inquired whether the two points which the Ambassador had brought up, which were, in his opinion, relatively minor points, were the only ones which were causing concern to his Government. The Ambassador said no, not at all. He thought that the main difficulty was the question of credit terms. After considerable discussion, he indicated that his Government thought that credit should be extended for a longer period than 5 years. He was informed that the maximum period of any maturity financed by the Bank would be 5 years and that it was intended to vary the maturity of acceptances according to different categories of goods. The Ambassador said that his Government needed longer credits, particularly in connection with machinery and industrial equipment. When he stated that locomotives were sold in the United States on 15 years credit, he was told that in such cases there was a cash payment of 25 per cent and two annual payments thereafter and that the title did not pass until the last payment was made. This arrangement did not at all mean that credit was granted for 15 years: in fact 50 per cent of the cost of the locomotives was paid within the first 5 years.

Inasmuch as the Ambassador appeared to be raising minor points and not getting at the heart of the matter, the Secretary took the occasion to point out that his Government was greatly disappointed at the attitude taken by Mr. Litvinoff in connection with the settlement of the question of debts and claims. The discussions appeared to be getting nowhere although they had been going on for 9 months. The United States had presented several drafts of proposals while the Soviet Government had made no counter-proposals but merely raised objections. The Secretary stated that if it were not possible for the two Governments to reach a solution of the problem in hand, the first one to come to their attention and, in the Secretary's opinion, a relatively minor one, it could hardly be expected that they could collaborate with regard to larger world issues. The amount involved, 100 million dollars or so, was a comparatively small one, and the issue was a relatively unimportant matter compared with the world problems confronting both the American and Soviet Governments. While the Secretary did not want to go so far as to say that we felt that Mr. Litvinoff was trifling with the American Government, he would say that it appeared to him that Mr. Litvinoff was indifferent with regard to the outcome of the negotiations.

The Secretary said that the American Government was very desirous of reaching a settlement of this question but it was not prepared to allow the thing to drag on indefinitely. If there was no hope of reaching a settlement, it would be better to dissolve the Bank and drop the matter entirely, accepting the consequences which such action would entail. Certainly if the Secretary and Mr. Troyanovsky were not able to come to an agreement with regard to this minor matter, it would be quite futile to expect that when American representatives met Soviet representatives in London, Paris, Geneva, or elsewhere, any discussions between them would produce any fruitful results.

Furthermore, the Secretary pointed out that a very large amount of his time recently has been taken up listening to arguments against granting credits to the Soviet Government and to protests against the carrying on of communist propoganda in the United States under the direction of Moscow. Instances were being brought to his attention wherein the Soviet Government was not carrying out in good faith the undertaking given by Mr. Litvinoff with regard to non-interference in our domestic affairs. In fact, there appeared to be developing an increasing amount of hostility towards the Soviet Government and it was very difficult for the Secretary to meet this when hardly an inch of progress had been made in 9 months in the discussions with the Soviet Government with regard to the settlement of the question of debts and claims which we thought was settled when recognition was given.

The Ambassador said he could say very decidedly that the Soviet Government was much interested in reaching a settlement of this question. While Litvinoff had left Moscow and would not be back until the end of September, his presence was not essential to the settlement of the question. He inquired what should be the next step in the matter. The Secretary said that inasmuch as the United States had presented several draft proposals with regard to which the Soviet Government found fault, he thought that the next step should be the submission of some proposals on the part of the Soviet Government. The Ambassador said that he would endeavor to prepare some counter-proposals.

In the course of the discussion, the Secretary inquired what interest rate the Soviet Government was willing to pay on the commercial transaction. The Ambassador said 4 or possibly 5 per cent. He was informed that the Bank had to pay the R.F.C.⁶⁴ 4 per cent and that one-half or $\frac{3}{4}$ per cent additional was necessary in order to pay the expenses of running the Bank. The Secretary inquired what additional interest the Soviet Government was prepared to pay in

⁶⁴ Reconstruction Finance Corporation.

order to liquidate the agreed indebtedness. He said that the Soviet Government would be willing to pay 3 per cent. The United States had proposed 10 per cent in its draft proposal. The Secretary inquired what rate of interest the Soviet Government would pay on the agreed indebtedness. The Ambassador said that Moscow did not think that it should pay any interest since in the conversation between Mr. Litvinoff and the President there was no agreement made to pay such interest. He was told that the determination of an indebtedness implied the payment of interest on such portion of the indebtedness as was not paid immediately. The Ambassador said he was confident that this matter could be satisfactorily settled.

811.00B/1543a : Telegram

*The Secretary of State to the Ambassador in the Soviet Union
(Bullitt)*

WASHINGTON, August 14, 1934—3 p. m.

202. Since recognition was accorded the Soviet Government the Department has followed the communist movement in the United States for the purpose of ascertaining whether the propaganda pledges contained in Mr. Litvinoff's note to the President of November 16, 1933,⁵⁵ are being observed. Furthermore, various individuals and organizations, such as the American Federation of Labor, have laid before the Department evidence tending to show violations of the pledges.

The Department believes that the following transactions, evidence of which seems indisputable, constitute such violations and in particular of the pledge covered by paragraph 4 of Mr. Litvinoff's note.

1. The discussion of policies and activities of the Communist Party of the U. S. A.—the American Section of the Communist International—at the Thirteenth Plenum of the Executive Committee of the Communist International held in Moscow in December 1933, and the adoption by the Plenum of a program of activity (as contained in the Theses adopted) designed to apply to the United States. That this was the design is shown by the participation in the proceedings of the Plenum of representatives of the American Communist Party; by the provision contained in the program specifically stating that it is obligatory on all sections of the Communist International; and by the acceptance and endorsement of the program by the Central Committee and later by the Eighth Convention of the American Communist Party. Browder, one of the American delegates at Moscow and General Secretary of the American Communist Party, was active in securing this action.

2. The despatch of a message by radio to the *Daily Worker*, Central Organ of the Communist Party of the U. S. A., in January 1934 by the

⁵⁵ *Ante*, p. 28.

Presidium of the Executive Committee of the Communist International resident in Moscow urging that the *Daily Worker* "even more energetically become a real collective agitator and organizer of the workers' struggle, carrying on a tireless struggle for the interests of the working masses . . .⁵⁶ becoming the standard-bearer in the struggle of the great masses of the American working class." This was published in the *Daily Worker* of January 6, 1934.

3. The delivery of a report on the problems of organizing the revolutionary elements within the American Federation of Labor and on the work of the Trade Union Unity League—the American section of the Red International of Labor Unions—at an enlarged meeting of the Executive Bureau of the Red International of Labor Unions, held in Moscow in December 1933; and the distribution at the meeting of proposals pertaining to communist activities in the United States with respect to the "strategic task standing before us [Communists] . . .⁵⁷ the conquest of the majority of the working class."

4. The participation of two representatives of the Communist Party of the U. S. A.—Earl Browder and William Weinstone—in the proceedings of the Thirteenth Plenum of the Executive Committee of the Communist International held in Moscow last December.

5. The participation of a representative of the Communist Party of the U. S. A.—Earl Browder—in the proceedings of the enlarged meeting of the Executive Bureau of the Red International of Labor Unions held in Moscow last December.

While the above-mentioned incidents have not been specifically discussed with Mr. Troyanovsky, both Mr. Moore and myself have on different occasions informed him that there had been brought to our attention evidence of acts indicating that his Government was not carrying out the undertakings given by Mr. Litvinoff. In view of the approaching meeting of the Seventh World Congress of the Communist International, the Department considers that Mr. Litvinoff should be advised of the incidents referred to and informed that the occurrence of further acts of this nature will be detrimental to the development of the genuinely friendly relations between the two countries which the President and also Mr. Litvinoff, it is believed, hoped would flow from recognition. Mr. Litvinoff will undoubtedly appreciate that it will be difficult, if not impossible, for our Government to take steps to develop such relations unless the pledges of the Soviet Government are strictly observed. You should emphasize that, as Mr. Litvinoff is certainly aware, the American people are most sensitive with respect to interference from foreign countries in their domestic affairs and that our Government is hopeful that the Soviet Government will take appropriate means to prevent further acts in disregard of the solemn pledges he gave in its behalf.

⁵⁶ Omission indicated in the original telegram.

⁵⁷ Brackets and omission indicated in the original telegram.

I should be glad to have by cable an early report of your conversation with Mr. Litvinoff and by mail a copy of any informal memorandum you may leave with him.

I may add for such use as you may deem advisable that the Russian language Stenographic Report of the Thirteenth Plenum of the Executive Committee of the Communist International and the Russian language edition of *Red International of Labor Unions* No. 3-4 of February 1934 (pages 64 and 66), both of which are now in the Department's possession, contain authentic basis for statements made above under numbers 1, 3, 4 and 5.

Please keep Department fully informed of developments in connection with the holding of the Seventh World Congress of the Communist International, agenda for which was published in Russian edition of the *Communist International* No. 16, June 1, 1934, particularly with respect to any acts that might be construed as constituting a violation of the pledges referred to above.

HULL

800.51W89 U.S.S.R./105

Memorandum of Conversation, by the Chief of the Division of Eastern European Affairs (Kelley)

[WASHINGTON,] August 15, 1934.

[Present:] The Ambassador of the Soviet Union,
Mr. Troyanovsky;
The Secretary of State;
Mr. Moore;
Mr. Kelley.

The Ambassador said he desired to inform the Secretary that he had just received a telegram from Moscow saying that he would receive a reply in a few days to the telegram which he sent following the conference of last Friday (August 10). He hoped that he then would be in a position to present the Department with a counter-proposal.

There was a general discussion of the question of the settlement of debts and claims, in which the Secretary emphasized that the settlement of this problem was a test of the statesmanship of the two countries, and that he could see no reason for the matter dragging on nine months as it had. In response to the Ambassador's inquiry whether it would not be possible for the Soviet Government to obtain longer credit terms than the five years indicated, the Secretary said that in view of present conditions and the attitude of public opinion with regard to the extension of loans and credits to foreign countries,

it was very desirable to proceed slowly in this matter. He said that he had taken the same position in discussions with other countries. If the credit arrangement with the Soviet Government worked out satisfactorily, it might be possible later to consider longer credit terms, when public sentiment would be more favorable.⁵⁸

800.51W89 U.S.S.R./101 : Telegram

The Ambassador in the Soviet Union (Bullitt) to the Secretary of State

Moscow, August 17, 1934—10 a. m.

[Received August 17—6:42 a. m.]

256. My 239, August 3, 2 p. m. French Chargé d'Affaires privately states that he has been notified by his Government that there is absolutely no foundation to current and persistent reports that France contemplates a large loan to Russia and credits for the purchase of military material. He also insists that there is no project under consideration for the guaranteeing of commercial credits.

BULLITT

800.51W89 U.S.S.R./112½

*Memorandum by the Chief of the Division of Eastern European Affairs (Kelley)*⁵⁹

[WASHINGTON,] August 24, 1934.

Conversation: The Ambassador of the Soviet Union,
Mr. Troyanovsky,
The Secretary of State, Mr. Hull;
The Assistant Secretary of State, Mr. Moore;
Mr. Robert F. Kelley.

Mr. Troyanovsky handed to the Secretary the attached memorandum, which he termed a compromise proposal. He said that he had worked it out himself and endeavored to combine the viewpoints of both Governments.

The Secretary read the memorandum aloud and stated that the twenty-year credit referred to in the memorandum was in actuality a loan, and that terms of that length of time were unheard of in com-

⁵⁸ The Department's telegram No. 203, August 15, 1934, midnight, to the Ambassador in the Soviet Union, reported the conversations recorded here and in the memorandum on p. 129, and introduced them as follows: "Most unsatisfactory discussion with Troyanovsky August 10." (800.51W89 U.S.S.R./103)

⁵⁹ Photostatic copy obtained from the Franklin D. Roosevelt Library, Hyde Park, N. Y.

mercial transactions. After questioning Mr. Troyanovsky with regard to various phases of his proposal, the Secretary stated that the proposal amounted in its essence to the United States granting the Soviet Government a loan equal to the amount of its indebtedness to the United States, and in addition a revolving credit of an equivalent amount. Congress would certainly never approve of such a transaction, and it would be severely criticised by public opinion.

Mr. Troyanovsky was asked what interest he proposed to pay on the agreed indebtedness, and he said that, although his Government did not think that it should pay any interest, he proposed the payment of one per cent.

Eventually the Secretary said that the best way to leave the matter was that if suggestions should occur to either side which might be considered helpful, they would be brought to the attention of the other side.

Following the conference the attached statement was read to the press.

R[OBERT] F. K[ELLEY]

[Annex 1]

The Ambassador of the Soviet Union (Troyanovsky) to the Secretary of State

MEMORANDUM

The Soviet side is convinced of the correctness of its understanding of the Gentlemen's Agreement initialed on November 15, 1933 by President Roosevelt and Commissar for Foreign Affairs Litvinoff, and is prepared to substantiate the complete justness of its interpretation.

Desirous, however, of reaching a friendly settlement of the questions at issue, the Soviet side is prepared to take one further important step to meet the wishes of the American side.

The Soviet side is willing to accept one half of the total amount of credit, i. e., \$100,000,000, in the form of commercial credits to be advanced on conditions especially arranged, and only \$100,000,000 in the form of a financial credit with a maturity of twenty years.

This signifies that a credit account for \$100,000,000 would be opened for the Soviet Government at the Export-Import Bank, which credit would be repaid in twenty years. The Soviet side would draw upon this account to pay for goods purchased by it in the United States.

The other \$100,000,000 of credit would be placed at the disposal of the Soviet Government through the same Export-Import Bank in the form of commercial credits to be used in accordance with conditions especially agreed upon.

The Soviet Government furthermore expresses its agreement that the Export-Import Bank should finance the purchases made by the Soviet side against this commercial credit account to the extent of 75 per cent only of the purchase price, on condition that the remaining 25 per cent should be financed by the seller. The Soviet Government also agrees to the establishment of different maturities of credit for different categories of goods purchased against this second \$100,000,000. The minimum period for such credits, however, should in no case be less than five years, and should be established in advance in the main agreement between the State Department and the Embassy of the U. S. S. R.

This second \$100,000,000 credit should be placed at the disposal of the Soviet Government in the form of a revolving credit, renewable during twenty years as partial repayments of the credit are made.

The Soviet side will pay on the first as well as on the second \$100,000,000 an aggregate interest of 7 per cent a year.

From the time of the conclusion by the contracting parties of an agreement on the lines of this memorandum, all claims of the Government and nationals of the United States of America based on pre-revolutionary debts and obligations and all analogous claims of the Soviet side against the Government and the nationals of the United States of America, will be considered mutually eliminated as provided by the Gentlemen's Agreement of November 15, 1933.

[WASHINGTON,] 24 August, 1934.

[Annex 2]

Statement Read at Press Conference by the Under Secretary of State (Phillips), August 24, 1934

Secretary Hull was in this morning and, with Assistant Secretary Moore and Mr. Robert F. Kelley, Chief of the Division of Eastern European Affairs, met the Soviet Ambassador, Mr. Troyanovsky, in the Secretary's office.

The matter of the settlement of the claims of the United States and its nationals against the Soviet Government has been under discussion in Moscow and Washington for many months. Very promptly our government presented a written proposal of a basis for the negotiation of an agreement. Since then there has been a discussion of details rather than of principal questions involved. Today, however, the Soviet Ambassador presented a counter-proposal in writing, in view of which it is not possible to be optimistic that any agreement will be reached.

861.51/2657a

*The Assistant Secretary of State (Moore) to President Roosevelt,
Temporarily at Hyde Park, New York*⁶⁰

WASHINGTON, August 29, 1934.

DEAR MR. PRESIDENT: Enclosed are copies of telegrams⁶¹ to Messrs. Long and Bullitt. In my letter to Bullitt it was stated that he is authorized to leave Moscow about the middle of October and arrive in Washington the latter part of December; that his suggestions as to the stops he shall make in the Orient will be approved, and instructions issued accordingly, and that his salary will be taken care of. I also wrote Mr. Long explaining that there will be no difficulty in splitting up his one month consultation period, so as to avoid its being continuous, should that be his desire.

There is also enclosed an article that appeared in the *New York Herald Tribune* this morning.⁶¹ It was written after the correspondent had an interview with Mr. Troyanovsky which he reported to us. One interesting point is that Troyanovsky did not limit the debt payment to a hundred million dollars, but talked about one hundred and fifty million dollars. Another interesting point is that Troyanovsky, after beating about the bush, admitted that he seeks a loan, his reference being made to the proposal that we shall give him an open credit of a hundred million dollars to be repaid in twenty years, in addition to ordinary credit transactions through the Export-Import Bank.

Troyanovsky is so anxious for a settlement as to make me rather hopeful that in further conference with him we might be able to agree (a) on the payment of a hundred million dollars in twenty or twenty-five years with interest, say, at the rate of not less than two percent, or the payment of a hundred and fifty million dollars in that time without interest; (b) on credits extended by the Bank and subject to its approval totalling at any one date not more than two hundred million dollars, and with a repayment plan stipulating five years as the ordinary limit and a longer time on unusual transactions as, for instance, the purchase of all the equipment of a factory.

I have not talked with Troyanovsky since he was here last week and would not trouble you now except to ascertain whether you wish to have the matter brought to a conclusion, if that can be done, as quickly as possible, or would prefer to delay, unless Troyanovsky should take the initiative, until after the election, and I will thank you to write or wire me as to this. On the one hand there are, of course, many producers of American goods who are eager to find

⁶⁰ Photostatic copy obtained from the Franklin D. Roosevelt Library, Hyde Park, N. Y.

⁶¹ Enclosures not attached to file copy.

markets, while on the other hand there are politicians who, in case of an agreement prior to the election, would try to impress a belief that we should exact payment of a larger sum on account of debts and that we should not pledge the credit of the Government at the risk of incurring loss, and that thus the general interest is being sacrificed. I hesitate to raise the question, since you may think I should assume that we should go forward as if there were no election approaching.

Very sincerely,

R. WALTON MOORE

861.51/2662½

President Roosevelt to the Assistant Secretary of State (Moore)

[HYDE PARK, N. Y.,] August 31, 1934.

DEAR WALTON: I see no reason why you should not go ahead with the general suggestions in your letter and try to bring the Russian matter to a conclusion. I do not think the coming election presents a valid reason for delay and I am inclined to think that an honorable settlement between us and Russia would help rather than hurt. At all times it should be made very clear, of course, that the credits we extend will result in immediate orders for American goods and thus put American workmen to work.

As a matter of fact, even if we resume the conversations with Troyanovsky, the chances are that no final agreement would be made for a good many weeks.

Always sincerely,

FRANKLIN D. ROOSEVELT

711.61/509

The Ambassador in the Soviet Union (Bullitt) to the Assistant Secretary of State (Moore)

Moscow, September 1, 1934.

[Received October 17.]

DEAR JUDGE MOORE: Just a line to reply to your note of July 13⁶² with regard to Doctor Jacques Clement Maguite's proposal. I do not believe that the suggestion made is practicable. You will recall that the President personally was interested in the question of gold mining by Americans in Eastern Siberia. Many months ago I discussed the matter with Litvinov and he replied that the Soviet Government was definitely opposed to granting any concessions whatsoever for gold mining in Siberia, that the gold mining industry of the Soviet Union was being developed with all possible speed, and that the Government proposed to keep all mining of gold in its own hands.

⁶² Not printed.

It is true that the Soviet Government has been making every effort to increase its gold production and although no statistics have been published, I believe it has succeeded in nearly doubling its output of gold.

I do not believe there is the slightest chance of a concession being granted to an American corporation and even if such a concession could be granted I do not believe that an American corporation could operate successfully in Eastern Siberia in view of the extraordinary difficulties connected with the handling of Russian labor.

Should you desire me to take the matter up again with Litvinov I will, of course, be glad to do so.

With all good wishes [etc.]

WILLIAM C. BULLITT

800.51W89 U.S.S.R./1164

*Memorandum by the Chief of the Division of Eastern European Affairs (Kelley)*⁶⁸

[WASHINGTON,] September 5, 1934.

Conversation: The Ambassador of the Soviet Union,
Mr. Troyanovsky;
The Assistant Secretary of State, Mr. Moore;
Mr. Robert F. Kelley.

Mr. Moore opened the conversation by stating that, without standing on ceremony, he had taken the initiative in proposing this conference, since he felt that both sides were anxious to reach a settlement of the matter of debts and claims. He pointed out that when recognition was accorded, it was hoped that it would contribute both to the promotion of world peace and to the development of trade between the two countries, and while we had no illusions as to the amount of trade which might be developed, he thought that every effort should be made to realize the objectives which had been had in view. He referred to Mr. Troyanovsky's last proposal and said that the main point at issue was the loan demanded by the Soviet Government. He did not think there would be great difficulty in reaching an agreement in respect to the amount of indebtedness, interest rates, et cetera, but that it was hardly worth while discussing these matters so long as the Soviet Government insisted upon the granting of a loan as a condition of its paying the indebtedness which might be agreed upon. Mr. Moore emphasized that it was out of question for the Government of the United States to extend a loan to the Soviet Government, either as proposed by Mr. Litvinoff or as proposed by Mr. Troyanovsky. If

⁶⁸ Photostatic copy obtained from the Franklin D. Roosevelt Library, Hyde Park, N. Y.

the Soviet Government insisted on this requirement, there was no possibility of reaching a settlement of the matter.

It was stated to Mr. Troyanovsky that the Bank had contemplated financing credits of varying lengths according to several categories of goods—possibly a year to a year and a half for consumers' goods, two to three years for light capital goods, and four to five years for heavy capital goods. It was pointed out to him that these terms were much more favorable than the Soviet Government was receiving in other countries. It was suggested that it was possible that the President might agree to grant special terms in exceptional cases, say for equipment for large industrial projects; but it was emphasized that the maximum terms even in such cases could not possibly exceed six to seven years, and such terms would be granted only in very extraordinary cases. It was made clear to Mr. Troyanovsky that this matter had never been discussed with the President, and it was not known whether he would approve of any exceptions to the five year maximum. The suggestion was set forth merely as a possibility.

Mr. Troyanovsky argued at great length that the main difficulty was the effect of any agreement with the United States on the relations of the Soviet Union with other countries, and that what the Soviet Government granted the United States would have to be accorded to other countries. This was the reason, he said, that the Soviet Government desired a loan. It was suggested to him that, since it was impossible for the United States to grant a loan, some other device might be worked out which would serve this purpose just as well. He was asked whether he could not give thought to this and propose some other formula which would meet the difficulty in question. Mr. Troyanovsky replied that he had exhausted his powers of invention in his last proposal, but that he would be glad to consider, of course, any proposal along this line which we might suggest.

There was a brief discussion of the rates of interest, and Mr. Troyanovsky stated that his Government was prepared to pay a total interest rate on credits of seven per cent, four and a small fraction of which would cover the interest charges and expenses of the Bank, two and a half per cent constitute a sinking fund to liquidate the agreed indebtedness, and the remaining fraction would be sufficient to liquidate the interest of one per cent which the Soviet Government proposed to pay on the agreed indebtedness. He declared that we had been willing to accept a similar low interest rate in the case of our debt agreements with other countries.

In concluding, Mr. Troyanovsky said that he would be very glad to have another meeting if any suggestions occurred to us, but he did not hold out the slightest possibility of his Government yielding on the question of a loan.

800.51W89 U.S.S.R./114a : Telegram

The Acting Secretary of State to the Ambassador in the Soviet Union (Bullitt)

WASHINGTON, September 7, 1934—6 p. m.

233. Efforts to reach an agreement with Troyanovsky have failed. There is no difficulty in fixing the amount of the debt to be paid by his Government. But he demands from us an open credit of \$100,000,000, payable in 20 years, which is equivalent to a straight loan, and also a guarantee of a similar amount to be used in Export-Import Bank credit transactions, which would of course properly become a revolving fund. He also asks for a longer time on the credit transactions, not being satisfied with a limit of 5 years. We can only for the present let the matter ride.

I have suggested to the Executive Committee of the Bank the expediency of rescinding or modifying the Resolution which prevents credit transactions pending debt negotiations, with added interest, to become a special fund in the Treasury for the benefit of our claimants, and the Committee is now in session considering that question.

I have just had a telephone talk with the President, who approves our course. He asked me whether I had advised you of what had occurred, and I am now doing this, notwithstanding you have probably already been informed through the press.

MOORE

800.51W89 U.S.S.R./115 : Telegram

The Ambassador in the Soviet Union (Bullitt) to the Secretary of State

Moscow, September 8, 1934—noon.

[Received September 8—7:23 a. m.]

291. Your 233, September 7, 6 p. m. Greatly regret your efforts to reach agreement with Troyanovsky have failed. Hope you will inform me by cable with regard to decision of Executive Committee of the Bank in respect of your suggestion as to credits with added interest to become special fund. Has Troyanovsky indicated that his Government might accept such a proposal?

BULLITT

800.51W89 U.S.S.R./115 : Telegram

The Acting Secretary of State to the Ambassador in the Soviet Union (Bullitt)

WASHINGTON, September 8, 1934—3 p. m.

235. Your 291, September 8. There is grave difficulty in fact that Congress when considering Johnson bill was assured there would

be no credit transactions in advance of debt agreement satisfactory to the President. Nothing said to Troyanovsky on any subject since conversation Wednesday night⁶⁴ and it is up to him to take the next step.

MOORE

800.51W89 U.S.S.R./116: Telegram

*The Ambassador in the Soviet Union (Bullitt) to the Secretary
of State*

Moscow, September 9, 1934—5 p. m.
[Received September 9—12:55 p. m.]

292. In the course of a long conversation last night Radek expressed the opinion that Litvinov had not informed Stalin accurately as to the points of difference between our agreements with regard to the settlement of debts and claims. He strongly advised me to have a talk with Stalin and said that he felt sure Stalin would not support Litvinov's refusal to settle on the basis of participation by the Export-Import Bank in credits extended by American exporters.

Radek expressed the opinion that if we could find a formula to avoid explicit recognition of the debt the only real obstacles would be length of credits and height of interest rates. He added that he thought Litvinov's objection to our suggested basis of negotiation was due to a desire to obtain a personal triumph as a bargainer.

Radek said that he would visit Stalin's secretariat today and find out exactly what Litvinov had reported. He suggested that we should then have another conversation and that he should take up the entire matter in detail with Stalin whom he expects to visit in the Caucasus in about 2 weeks.

In the absence of Litvinov, Radek is likely to have considerable influence and if I should receive word from him that Stalin would like to talk the matter over personally it might be advisable for me to make an airplane tour of the Caucasus and drop in casually on the boss.

I believe there is sufficient possibility of obtaining results via Radek and Stalin to make it unwise for the moment to take any drastic action such as dissolving the Bank.

BULLITT

⁶⁴ September 5.

800.51W89 U.S.S.R./121 : Telegram

The Ambassador in the Soviet Union (Bullitt) to the Secretary of State

Moscow, September 13, 1934—11 a. m.

[Received 1:20 p. m.]

298. Skvirsky who is here on vacation called on me obviously under orders from the Foreign Office. He described what he alleged was the exact point of view of the Soviet Government with regard to settlement of debts and claims. The main point of his argument was that the Soviet Government could not make any settlement with us which would cause at this time a revival of the claims of England and France. He argued that the payment of extra interest on credits from American exporters even though our Government should carry a large part of the credit risk would produce immediate revival of the claims of other nations. He said he had advised his Government that the President could obtain easily the support of public opinion for a settlement along the lines of Troyanovsky's last proposal to you.

I replied that I believed he was totally in error, that public opinion in the United States had been so outraged by the defaults of France, Great Britain, *et al.*, that any direct loan or unrestricted credit to any nation on earth was a political impossibility and that I hoped he would inform his Government that this was the fact.

He answered that I had been so long away from America that I was out of touch with the present state of public opinion, that he was in close touch with American public opinion and that if the President should accept Troyanovsky's last proposal he would have the almost unanimous approval of public opinion. I replied that I felt sure that public opinion would approve only a sharing of the credit risks of American industry and that I had no reason to believe that the President had deviated from the position he had taken in his negotiations with Litvinov or that he would alter that position. I should be obliged if you would inform me if my view of American public opinion and that point of view of the President is a mistaken one.

I was somewhat surprised by the vehemence with which Skvirsky insisted that the Soviet Government was even more anxious today to reach a settlement than it had been when Litvinov was in Washington.

I see no reason to disbelieve Skvirsky's assertion that the chief obstacle in the minds of the members of the Soviet Government is the difficulty of devising a method of distinction between the claims of our Government and of other governments at a moment when the Soviet Government is making every effort to establish intimate relations with England and France.

I venture to suggest that we should exercise whatever ingenuity we may possess in attempting to devise a basis of settlement which while acceptable to us could not be acceptable to France, Great Britain and other claimants.

BULLITT

800.51W89 U.S.S.R./121 : Telegram

The Secretary of State to the Ambassador in the Soviet Union (Bullitt)

WASHINGTON, September 15, 1934—2 p. m.

246. Your 292, September 9, 5 p. m. There can be no objection to your talking with Stalin.

In view of fact that apparently there will be no difficulty in agreeing total amount of indebtedness to be paid us, (a) the time within which it shall be paid, and (b) the rate of interest it shall carry, the vital differences are as follows, it being assumed that Stalin will acquiesce as to (a) and (b) :

1st. We are willing until debt is paid to support credit transactions through the Export-Import Bank equal to the amount of the debt, that to constitute a revolving fund. The credits are to carry an interest rate of around $4\frac{1}{2}$ percent for the benefit of the Bank which will include its expenses and such an added interest rate to be applied on the principal of the debt as will give some assurance of the debt being paid within the time specified. This added rate should be not less than 5 percent. The counter proposal of the Soviets, which cannot be accepted, provides that \$100,000,000 shall be an open credit available for the purchase independently of the Bank at any and all times of supplies in this country. That would make possible, for example, the use of say \$100,000,000 for the immediate purchase of munitions of war. Our insistence is that anything of this kind would be a departure from the original intention which was simply for the Bank to support credit transactions. The proposal further provides that another \$100,000,000 shall be used to support credit transactions.

2d. We are willing to grant a maximum of 5 years for the repayment of the Bank credits, the term to vary according to the categories of goods, say 1 to $1\frac{1}{2}$ years on consumers' goods, 2 to 3 years for light capital goods and 4 to 5 years for heavy capital goods, which are more advantageous than terms granted by any other country under a government guarantee arrangement. We are also willing to agree that the President may exceed the 5-year limit in exceptional cases, that being left to his discretion. Should Stalin decline to consider dividing the 5-year period according to the character of the goods purchased, the President might possibly allow that length of credit on all purchases, but this, you will recognize is undesirable since there

is no reason whatever why goods belonging to the first two categories above mentioned should not be paid for in much less than 5 years.

If you can reach an understanding with Stalin on the essential questions indicated, you can advise of any details that should be considered here.

Of course, any general plan approved by the two Governments should embody a provision affording us proper exemption from extending credits during the progress of a possible war.

The President has approved the above.

You can, of course, feel free to discuss all features of the matter with Stalin. The amount to support credit transactions might be increased.

With reference to your No. 298, September 13, you are entirely correct in your view of the opinion in this country. It is rather surprising that Skvirsky is raising the difficulty at this late day which was not urged by Litvinoff when here and has not been made pivotal by Troyanovsky.

Personally I have little idea that the Soviet officials will come to any reasonable agreement. Litvinoff won his victory when he obtained recognition and regards everything else as of minor importance.

I am sure the Executive Order relative to the exchange matter⁶⁵ will become effective as soon as the President returns to Hyde Park in a few days. Moore mentioned it to him when he was there Thursday⁶⁶ but it had not then been approved by the Attorney General.

HULL

800.51W89 U.S.S.R./123 : Telegram

*The Ambassador in the Soviet Union (Bullitt) to the
Secretary of State*

Moscow, September 15, 1934—3 p. m.
[Received September 15—10:35 a. m.]

303. Rubinin yesterday reiterated Skvirsky's statement to me that the essential difficulty for the Soviet Government in accepting our proposal with regard to settlement of debts and claims was the necessity of making an agreement which could not possibly serve as the basis for an agreement with England and France. He said that the French had recently attempted to revive discussion of their claims against the Soviet Union and that the Soviet Union had refused flatly to discuss the matter. He insisted that any agreement based solely on extra interest on commercial credits would be immediately used

⁶⁵ See Executive Order No. 6850 of September 18, 1934: *Amendment of Executive Order No. 6657-A Dated March 27, 1934.*

⁶⁶ September 13.

by the British and the French to demand settlement of their claims by similar mechanism. He said the Soviet Union would have to refuse to make such a settlement with the French and British as the sums involved were enormous and added that at a moment when the Soviet Government was working for a *rapprochement* with France and England it was impossible to risk creating bad blood by refusing them a basis of settlement accorded to us.

BULLITT

800.51W89 U.S.S.R./124 : Telegram

The Ambassador in the Soviet Union (Bullitt) to the Secretary of State

Moscow, September 15, 1934—9 p. m.
[Received September 16—10:50 a. m.]

304. My telegram No. 292, September 9. Radek informed me today that he had read the entire dossier on debts and credits in Stalin's office. He said that in so far as he could judge Litvinov had reported the facts to Stalin without noteworthy distortions.

Radek added that Voroshilov, after a long conversation with me about 6 weeks ago had made a detailed report to Stalin on our position and had demanded that our proposals should be accepted. He said that Stalin had replied:

(1) that he agreed with Voroshilov that removal of all obstacles to close cooperation between the United States and the Soviet Union was of prime importance for the maintenance of peace in the Far East,

(2) that at the moment however it was even more important to arrange for the protection of the rear of the Soviet Union in case of Japanese attack by putting through the understanding with France and establishing a friendly relationship with England,

(3) that therefore nothing should be done at the moment which might anger France and England,

(4) that the Soviet Union could not possibly agree to pay the colossal claims of France and England by extra interest on commercial returns,

(5) that if an arrangement were made to pay the United States' claims by extra interest on commercial credits the Soviet Union could not refuse to make a similar arrangement with France and England without greatly angering them and jeopardizing the relationship of the Soviet Union with them,

(6) that therefore he could not accept an agreement based solely on extra interest on commercial credits but could accept only an agreement which he could offer to France and England also with the certainty that they would not be in a position to accept it.

Radek added that Stalin's position was so clear that he believed the present moment was one to be employed in working out a new

formula which though satisfactory to us would be unacceptable to France and England.

Radek this afternoon talked with such frankness and intimacy about many other subjects that I am convinced that his statement with regard to Stalin's position was accurate. Under the circumstances it seems to me that it would be most unwise for me to have a conversation with Stalin now.

If we can contrive a formula to meet this particular difficulty I feel that we shall be on our way to a solution although the Soviet Government will doubtless continue to haggle over interest rates.

BULLITT

800.51W89 U.S.S.R./125 : Telegram

The Secretary of State to the Ambassador in the Soviet Union
(Bullitt)

WASHINGTON, September 17, 1934—6 p. m.

247. Your 304, 305 and 306.⁶⁷ Considering that Litvinoff when here made no objection to added or extra interest feature, and further that we are not responsible for the Soviet's relations with England and France, it would seem now obligatory on the Soviet to propose some plan that may conceivably be acceptable, but of course not including a loan or open credit. Hackworth, Kelley and Moore are unable to vary the concessions we have already made.

If you think it worth while trying to work out with Soviet Government an acceptable formula, it may be possible for Kelley, should you so desire, to be in Moscow around October 1.

Have just mailed the President proposed amendment of his Executive Order designed to relieve you of the exchange trouble.

HULL

800.51W89 U.S.S.R./126a : Telegram

The Secretary of State to the Ambassador in the Soviet Union
(Bullitt)

WASHINGTON, September 21, 1934—6 p. m.

254. At his suggestion conversations were resumed with Troyanovsky this morning and will be continued after he communicates with Moscow. Will advise you fully when we have talked with him again.

HULL

⁶⁷ Telegrams Nos. 305 and 306 not printed.

800.51W89 U.S.S.R./126 : Telegram

The Ambassador in the Soviet Union (Bullitt) to the Secretary of State

Moscow, September 21, 1934—9 p. m.

[Received 10:44 p. m.]

316. Your 246 of September 15, 2 p. m. I should of course be delighted to see Kelley here at any moment and consult. Regretted greatly that he has not already come. The sooner he arrives the better I shall be pleased. On the other hand as I cabled you in my 304 of September 15, 9 p. m., I believe it would be inadvisable for me to attempt to carry this matter to Stalin until we have devised some method of overcoming the objection of the Soviet Government with regard to complicating its relations with France and England. Krestinski this morning reiterated to me that this was the chief difficulty of the Soviet Government. I asked Krestinski if he himself had been able to devise as to method of meeting this difficulty which might conceivably be acceptable to the Government of the United States. He threw out various suggestions in a manner so casual that I desire to have them in much more official form before bothering the Department with regard to them. If he should develop these suggestions further during the next few days I shall not fail to inform the Department at once.

Pending further developments in this matter I am not in a position to advise the Department definitely whether or not Mr. Kelley will find it worth while to come to Moscow at the moment.

BULLITT

800.51W89 U.S.S.R./131 : Telegram

The Ambassador in the Soviet Union (Bullitt) to the Secretary of State

Moscow, September 27, 1934—10 a. m.

[Received 3:30 p. m.]

328. In the course of a conversation with Krestinski and Rubinin yesterday reference was made to the matter of debts and claims. Krestinski said that he hoped I would urge my Government to accept the proposal submitted recently by Troyanovsky. I replied that it was impossible for the Government of the United States to give a loan in any form or in any amount. Krestinski then said that an appropriate solution would be to let the matter drop[;] thereupon with considerable emphasis I expressed the opinion that the people of the United States had little confidence in the Soviet Government and that the failure of the present negotiations might well be a death blow

to the development of really friendly and intimate relations between our countries.

Krestinski and Rubinin seemed to be somewhat disturbed by my remarks.

I then requested them to cease asking impossibilities and to attempt to collaborate with the Government of the United States in finding a solution acceptable to both parties. I asked for suggestions on the understanding that anything said on either side should be considered merely an expression of personal opinion which might be withdrawn at once, not a proposal from government to government.

Krestinski first suggested that two entirely separate agreements might be made:

(a) An agreement on the basis of commercial credits which would bear an interest rate sufficient to cover our demands for repayment of our claims and debts but without any statement to this effect.

(b) An entirely separate agreement annulling all claims of both Governments and/or their nationals.

I replied that the President had no constitutional right to cancel debts, that any agreement would have to be submitted to Congress, that the President would have to say to Congress that interest above 4½% would be applicable to debts and claims, that the two documents might be separate but would have to be simultaneously adopted, that the President would have to explain to Congress why the commercial agreement constituted a satisfactory debt settlement. Krestinski said that in case of settlement via a commercial credit his Government would have to deny that any extra interest had been paid in settlement of American indebtedness, that the position of his Government remained that a payment of indebtedness could only be acknowledged in return for a loan. He seemed much interested by this line of thought and said that he would try to think of ways to escape the obvious American objections.

Further conversation developed another line of thought which Krestinski discussed as a possibility which he might submit to higher authorities. I have no idea whether he will do so or not but I feel that I should attempt to inform the Department with regard to this idea so that I may know if under any circumstances it might be acceptable to our Government. In the statement which follows I have attempted to reduce a diffused conversation to concrete terms and I must warn the Department that I may have been unable to present accurately all features thereof: [See *infra*.]

BULLITT

800.51W89 U.S.S.R./131 : Telegram

The Ambassador in the Soviet Union (Bullitt) to the Secretary of State

Moscow, September 27, 1934—11 a. m.

[Received 3 p. m.]

329. Continuing my 328.

The Government of the United States agrees to make available during the period of 12 years for the financing of purchases in America by the Soviet Government or its agencies credits of \$200,000,000 in the form of a revolving fund in the Export-Import Bank to be used in the following manner.

After the Bank has approved a specific transaction the Bank on the basis of an Amtorg acceptance for the amount involved will pay the American exporter cash up to 75 percent of the total amount of the transaction. Amtorg acceptances held by the Bank will bear an interest rate of 10 percent per annum, the maturities of such acceptances will vary according to different categories of goods with final maturity in no case to exceed 5 years.

The Soviet Government agrees to keep this credit continuously utilized to 90 percent of the total amount.

In consideration of the foregoing the Government of the United States and the Government of Union of Soviet Socialist Republics agree mutually to waive all demands or claims of each country and/or its nationals against the other.

I should be greatly obliged if the Department would let me know if there might be any possibility of agreement along this line.

BULLITT

800.51W89 U.S.S.R./132 : Telegram

The Ambassador in the Soviet Union (Bullitt) to the Secretary of State

Moscow, September 27, 1934—noon.

[Received 3:15 p. m.]

330. Continuing my telegram No. 329, September 27, Krestinski informed me that he had requested Troyanovsky to return to Moscow for consultation and that Troyanovsky would leave the United States after September 29. At the same time he informed me that Litvinov would return to Moscow by October 5.

I had previously informed Krestinski that I expected to return to the United States by way of the Far East and that in order to reach home before Christmas and have 10 days in Japan and 10 in China I should have to leave Vladivostok on October 20 which would mean leaving Moscow on October 8. Krestinski said that Troyanovsky

would presumably reach Moscow sometime between October 10 and 15 and expressed the hope that I would remain in Moscow long enough to have a number of discussions with Troyanovsky on the subject of debts and claims. I replied that I could see no advantage in such conversations if the Soviet Government adhered to its position of no settlement without a loan.

I should naturally be pleased to be able to carry out my plans as established. I shall have one or two conversations with Litvinov before October 8 and Troyanovsky will certainly have nothing to say to me on arriving in Moscow that he has not already said to you but if in the opinion of the Department it is in the public interest for me to remain in Moscow for conversation with Troyanovsky I am, of course, ready to abandon the trip via the Far East. It might be useful if I should remain here attempting to work closely with Troyanovsky through October and November; but our interests might also be furthered if I should leave before his arrival after conveying the impression that I was so disgusted with the behavior of the Soviet Government that I felt that collaboration between our countries had been made almost impossible.

As traveling arrangements in this part of the world must be made far in advance I hope that the Department will advise me as soon as possible if it desires to alter in any way its instructions to me No. 186 of August 28, 1934.⁶⁸

BULLITT

800.51W89 U.S.S.R./136a : Telegram

*The Secretary of State to the Ambassador in the Soviet Union
(Bullitt)*

WASHINGTON, September 27, 1934—5 p. m.

260. Troyanovsky surprised us this morning by stating that he had been instructed to leave immediately for Moscow for the purpose of a further discussion of the question still in disagreement. He expects to leave on October 3d, reaching Moscow in about 10 days.

He has been repeatedly told that if the Soviet demand for a straight loan or an open credit, which would be the equivalent of a loan, is abandoned there will be no difficulty in our opinion in arriving at a settlement. If on receiving this you should desire any additional information as to what has occurred in the course of our conversations with Troyanovsky please advise.

HULL

⁶⁸ Not printed.

800.51W89 U.S.S.R./133 : Telegram

The Ambassador in the Soviet Union (Bullitt) to the Secretary of State

Moscow, September 28, 1934—5 p. m.
[Received September 28—3:15 p. m.]

333. Your No. 260, September 27, 5 p. m. Rubinin informed me today that Troyanovsky had cabled to him that you would instruct me to remain in Moscow for conversation with him. I replied that I had as yet received no such instruction and that neither you nor I could see any point in my talking with Troyanovsky provided the Soviet Government intended to adhere to its position of no settlement without a loan. Rubinin replied that Troyanovsky had informed his Government that you had told him that a loan of any amount was absolutely out of the question. I asked him if the Soviet Government had decided to alter its stand on this point. He said that the Soviet Government was excessively reluctant to relinquish its position and that Krestinski had become worried because we had had the conversation reported in my number 328.⁶⁹ I told him that I had regarded the suggestions discussed as purely personal and not as government proposals.

Rubinin finally said that Troyanovsky would report to Litvinov and all the other leaders of the Soviet Government and that it was the hope of the Soviet Government that Litvinov, Troyanovsky and myself could sit down and reach at least an agreement in principle. He added that the Soviet Government desired either to reach a conclusion swiftly or to come to the decision that no settlement could be made.

Rubinin then informed me that Litvinov probably would arrive in Moscow on the 1st of October.

BULLITT

800.51W89 U.S.S.R./137a : Telegram

The Secretary of State to the Ambassador in the Soviet Union (Bullitt)

WASHINGTON, October 1, 1934—noon.

264. The President concurs with our view that it will not be necessary for you to remain in Moscow until Troyanovsky's arrival. You and we have done all that is possible in the way of making a most liberal proposal. Our information is to the effect that Troyanovsky believes it should be accepted and that his trip to Moscow is on his own initiative to endeavor to persuade his Government to accept it.

⁶⁹ Dated September 27, 1934, 10 a. m., p. 149.

This being assumed, you may consider that it is best to let him talk the matter to a conclusion without our further intervention. Accordingly, you can leave Moscow whenever you may think proper to do so.

HULL

800.51W89 U.S.S.R./138 : Telegram

The Ambassador in the Soviet Union (Bullitt) to the Secretary of State

Moscow, October 2, 1934—noon.
[Received October 2—10:53 a. m.]

336. Your 264, October 1, noon. Litvinov delayed, will return to Moscow 3d or 4th. He will doubtless bring up the matter of Troyanovsky's recent conversations with you.

In view of certain palpably inaccurate statements that Rubinin has made to me recently with regard to these conversations I should be greatly obliged if you would let me know before Litvinov's return the exact terms of the "most liberal proposal" referred to in your telegram under reference. I shall emphasize to Litvinov that a loan in any form or amount is impossible.

BULLITT

800.51W89 U.S.S.R./138 : Telegram

The Secretary of State to the Ambassador in the Soviet Union (Bullitt)

WASHINGTON, October 2, 1934—5 p. m.

266. Your 336. Troyanovsky understands that our Government will not make a loan or provide an open credit equivalent to a loan. He also understands that debt can be fixed at 100,000,000 payable in 20 or 25 years with a small interest rate or 125,000,000 without interest, the payment of this to be an obligation of the Soviet Government; that credits through the Bank will be granted up to a total outstanding at any one time of 200,000,000; that extra interest will be charged on the credits applicable to the payment of the debt or instead of extra interest, should his Government so desire, debt can be paid in annual installments, and that 5 years will be allowed on all credits without regard to the character of the commodities with longer time given in exceptional cases at the President's discretion. Unnecessary to mention details such as suspension of credit transactions when default occurs, or at the option of our Government during any possible war, and a fair arrangement as to the use of American ships and the method of insuring cargoes.

Since Troyanovsky is fully advised you can determine whether it is wise to have any further conversations with Litvinoff in advance of Troyanovsky seeing him.

HULL

800.51W89 U.S.S.R./140 : Telegram

The Ambassador in the Soviet Union (Bullitt) to the Secretary of State

Moscow, October 5, 1934—7 p. m.

[Received 11:25 p. m.]

342. Continuing my No. 341, October 5, 6 p. m.,⁷⁰ Litvinov asserted that he had not yet had time to read Troyanovsky's telegrams with regard to his recent negotiations in Washington. He expressed the hope that I would remain in Moscow for at least 3 weeks after Troyanovsky's arrival. I told him that it was your view and that there was no point in further conversations unless he was ready to agree that the matter of a loan or unrestricted credit was out of the question.

He said that until he had talked with Troyanovsky he could make no such promise, that the matter was most difficult.

I then developed at considerable length and as seriously as possible the effect on relations between the Soviet Union and the United States which would be produced by a total failure of the negotiations.

Litvinov instead of replying in his usual belligerent manner sat silent looking profoundly discouraged. He said that the only obstacle to a settlement was the difficulty of finding a formula which would not make trouble for the Soviet Union with England and France. He said that the proposals that Krestinski had discussed with me (reported in my No. 328) had been left by him in Krestinski's hands as alternative proposals to be brought forward if everything else should fail. He asked me if it might not be possible to settle the entire question by way of a transaction with the Export-Import Bank, no mention being made in any formal agreement that extra interest was being paid in settlement of debts and claims.

I replied that the President would have to explain in detail to Congress that the interest over and above a certain amount paid to the Export-Import Bank was in effect a payment on debts and claims and asked him if that would not make his proposal impossible. He replied that it would make the matter more difficult but that it might be acceptable. I told him as personal opinion that I felt that the interest rate charged by the Bank in any such settlement would have to be at least 9½%. He said that the Soviet Union had recently been offered

⁷⁰ *Foreign Relations, 1934, vol. I, p. 516.*

credits by Germany at 7%. I told him that so far as I knew the Soviet Union had never yet got credits below 11%.

Litvinov spent all yesterday in the Kremlin and had obviously not had time to talk with either Rubinin or Krestinski. I did my [best?] to produce in him as complete a state of gloom as possible with regard to the future of Soviet-American relations if no settlement should be made and I hope that I may have prepared somewhat the ground for Troyanovsky's arrival. I shall see Litvinov again to say goodbye before I leave Moscow on October 10th.

I propose to take steamer from Vladivostok to Tsurugu, Japan, on October 20th, proceeding from Tsurugu to Tokyo and thence to other points in Japan. I shall inform the Department by cable with regard to my future movements. It is impossible to determine at this distance if it is desirable to proceed to China by way of Shanghai or Tientsin. It seems necessary to me to avoid under all circumstances entering the territory of the so-called state of "Manchukuo."

I desire, unless the Department disapproves, to take with me Mr. Offie who has been acting as my private secretary. I shall be glad to pay his traveling expenses. I assume that his salary might continue to be paid as usual.

BULLITT

811.00B/1566 : Telegram

The Ambassador in the Soviet Union (Bullitt) to the Secretary of State

Moscow, October 5, 1934—midnight.

[Received October 5—9 p. m.]

344. In accordance with the instruction contained in your 202, August 14, I protested today to Litvinoff orally and informally with regard to direction from Moscow of the activities of the Communist movement in the United States. I informed Litvinoff that if at the Comintern Congress, which is scheduled to take place in the month of January, there should be attacks on the Government of the United States or indications that the Communist movement in the United States was being directed by Moscow the most serious consequences might result; that the Government of the United States was as sensitive as the people of the United States to any interference in our internal affairs by agencies of foreign countries. Litvinov replied that he did not even know that the Comintern Congress would take place and that he was not aware of any activities of this nature.

I shall take up the matter again with Litvinoff before I leave Moscow and I should be glad to know if the Department desires me to present any written protest. I believe that Litvinoff will do what he can to prevent any activities of the Comintern which might be in conflict with his pledge to the Government of the United States and

I have been reliably informed that the Soviet Government is keeping an extremely tight rein on the Comintern and that the Comintern will not be permitted to do anything which might jeopardize good relations of the Soviet Union with friendly countries.

I think I might go so far as to intimate to Litvinoff verbally that we might sever diplomatic relations if the Comintern should be allowed to get out of hand. It is my own opinion that this matter may be handled better by verbal representation than by written notes. I would appreciate a comment from the Department.

BULLITT

800.51W89 U.S.S.R./140 : Telegram

*The Secretary of State to the Ambassador in the Soviet Union
(Bullitt)*

WASHINGTON, October 8, 1934—4 p. m.

273. Your 340,⁷¹ 341,⁷² 342 and 344. Believe you are wise in adhering to your plan to leave Moscow Wednesday.⁷³

Department already informed of suggestion discussed in your 340 and unnecessary for you to express any opinion to Litvinoff.

Without making any statement to Litvinoff that diplomatic relations might under certain circumstances be severed, it is highly desirable to give him the impression that in case of violation of pledges he made when here and failure to agree to debt settlement on such reasonable terms as we have proposed, the relations between the two governments will inevitably be less close and friendly than anticipated and the reason for our Government doing many things contemplated may disappear. I have in mind the fact that our present annual outlay to Moscow is considerable, and that we are thinking of costly construction work and the establishment of additional consulates. Hope you will have a very satisfactory trip.

HULL

800.51W89 U.S.S.R./143 : Telegram

*The Ambassador in the Soviet Union (Bullitt) to the Secretary
of State*

Moscow, October 10, 1934—5 p. m.

[Received 10:20 p. m.]

354. (Continuing my No. 353, October 10, 5 p. m.),⁷⁴ I then got up to leave and Litvinov said that he had something which he wished to

⁷¹ *Foreign Relations*, 1934, vol. I, p. 154.

⁷² *Ibid.*, p. 516.

⁷³ October 10.

⁷⁴ *Foreign Relations*, 1934, vol. III, p. 291.

say to me before my departure. He then embarked upon a series of declarations which were obviously intended to impress me with the determination of the Soviet Government to make no concessions whatsoever to the Government of the United States. He first read me what he alleged were the interest rates on credits paid now by the Soviet Government in various foreign countries. He asserted that the Soviet Government was now obtaining credits from the Chase National Bank of New York at $4\frac{1}{2}\%$ and from various large English banks at 5% . I replied that I had no knowledge of such interest rates, that Rosengoltz had admitted to me yesterday that the Soviet Government had not yet been able to obtain credits in England at less than 11% . This Litvinov denied vehemently and stated that the memorandum in his hand had been prepared by Rosengoltz. I again started to leave and he said that there was something which he wished I would make very clear to my Government. He alleged that he had heard that officials of the Department of State were spreading the report that he had broken his agreement with the President. He said that his position was that the President had broken the agreement. A discussion then followed in which I thought it advisable to preserve equanimity but which became extremely acrimonious on the part of Litvinov. He finally grew purple and said that if there was any more talk of this sort he would publish the memorandum of his conversation with the President. I replied that it was obvious that he had no wish for friendly relations with the United States. I went on to say that if a negative attitude with regard to a settlement of debts and claims should be followed by activities of the Comintern directed against the United States our relations would become so difficult as to be almost impossible. He replied "no nation ever starts talking about the activities of the Comintern unless it wishes to have as bad relations as possible with us. The activities of the Comintern are merely an excuse for breaking diplomatic relations". I told him that the people of the United States as well as the Government of the United States were extremely sensitive about any interference in our internal affairs and that he might expect the most drastic reaction in case the Comintern Congress should take place and there should be evidence of interference in the internal affairs of the United States.

Litvinov, reverting to debts, stated that he would discuss matters with Troyanovsky and that he would give Troyanovsky explicit orders, which would be definite and final, that any alterations made in the Soviet proposal would not differ greatly from the recent proposal made by Troyanovsky. I called his attention to the fact that a loan was impossible, had always been impossible, and always would be impossible. He replied that the Soviet Government had no desire even for a loan except at a very low interest rate; that it desired to

let the entire matter drop; that if the question of payment of debts and claims were settled in any way whatsoever he would have grave difficulties in his relations with England and France. I told him that it was indeed curious that he was in the habit of saying to me that there were no difficulties in the matter of debts and claims except his relations with England and France; that there were no difficulties in the question of our consular districts except his relations with Japan and Germany; that there were no difficulties with regard to the use of our airplane[s] except his relations with Germany, Poland, and England. I told him that I considered it deplorable that he should allow the relations between our two countries to be controlled by his relations with those countries which he considered to be his enemies.

He finally said that he would make a final proposal through Troyanovsky and then would refuse to discuss the matter further. I replied that I deeply regretted that he seemed determined to kill all possibility of really close and friendly relations between our countries.

I had the impression today that I was talking with the traditional bazaar bargainer of the Near East.

BULLITT

800.51W89 U.S.S.R./146 : Telegram

The Chargé in the Soviet Union (Wiley) to the Secretary of State

Moscow, October 20, 1934—8 p. m.

[Received 8:25 p. m.]

368. Your 283, October 16, 11 a. m.⁷⁵ Troyanovsky lunched with me today. He stated that he expected to leave Moscow for Washington about the 10th or 11th. He has not yet decided which ship he will take. He wishes to be present for the celebrations in Moscow on the 7th of November, the annual commemoration of the revolution. I asked him what progress he had made in discussing the question of the settlement of debts and claims with his Government. He replied that he had seen Litvinov and Molotov briefly; Stalin, Voroshilov, Kaganovich, and others had not yet returned to Moscow. He stated that he intends to confer with all of these and that he has the "conviction" that a settlement should be accepted by his Government substantially on the basis of the last proposals of the Department. He added that in these proposals the rate of interest was fixed at 4% plus a fractional interest charge for the small expenses of Export-Import Bank and 2½% extra interest to be applied to a capital sum of \$100,000,000; should, however, the debt be fixed at [\$]125,000,000 the extra interest rate would be proportionately increased. Whether

⁷⁵ Not printed.

the interest payments would extend over 20 or 25 years was still an open question. Troyanovsky has some variations in mind which he has not taken up with the Department. These seem largely questions of drafting, except that the total amount of interest payments might be substituted for any mention of the total amount of the debts and claims. I replied that I had no information on the subject and expressed great surprise over the interest rates he had cited.

Troyanovsky conveyed an impression of confidence that he would be able to bring the Soviet Government to his point of view but showed concern over the fact that Mr. Bullitt would not be in Washington when he returned. I believe he considers the first part of December the critical period in the negotiations with the Department. From one or two facetious remarks it is evident that his relations with Litvinov are not good.

At Litvinov's request I called on him this afternoon. We had an animated but amiable debate of 1 hour with much give and take. In respect of the question of a debt settlement, much the same ground was covered as in his previous conversations with the Ambassador. Litvinov showed me the undated memorandum of his conversation with the President in which the term "loan" was employed. I pointed out to him that "loan" without any modifying adjective was not sufficient to substantiate his thesis. He replied that had anything but a straight loan been considered in Washington he would have left without recognition rather than subscribe to a proposal so disadvantageous to Soviet relations with both France and England. It had taken many years for the question of Russian debts to France to reach their present stage of lethargy and he could not accept anything at this late and critical date which would revise [*revive?*] the whole question. I replied it would take at least as many years for Soviet indebtedness to the United States to reach a state of lethargy and I doubted whether it would be in the Soviet interest to make this investment in time. I refused to believe that the proposals of the State Department would require any great ingenuity on his part in order to meet the situation with the other creditors of the Soviet Union.

Litvinov volunteered the information that a plethora of credits was available to the Soviet Union from many sources at low rates of interest, a great deal more in fact than the Soviet Government could possibly accept. The Soviet Government was not paying and would not pay more than 6%. I asked him where he got these figures. He replied, from the Soviet Credit Department. I suggested ingenuously that he have them checked, as personally, I did not believe them. He replied somewhat weakly that of course there might also be indirect extra payments; he asserted, however, that if the American Government so desired he would be willing to sign a statement that the Soviet

Government would neither seek nor accept credits from the United States for the next 30 years. I suggested that this might not be in the best interests of Soviet economy, particularly the Soviet railways. He admitted that of course there were many purchases that could be advantageously made in America.

Litvinov reverted to the question of visas, hoped the American Government had established a large Embassy and a very large Consulate General in Moscow. The fact that it was still impossible for Soviet citizens proceeding to the United States to obtain visas in Moscow was "insulting". I replied quite calmly that it was purely a practical question; that without readjustment of quarters and personnel we were not as yet in a position to bring in a visa control bureau; and that as a matter of fact we were encountering administrative difficulties with the Soviet authorities which were certainly far more aggravating and difficult than our present method of issuing visas was to them. This method was provisional and had been worked out on the basis of causing the least inconvenience possible. Litvinov let the matter drop without further argumentation. Rubinin has asked me to discuss the matter in detail with him and I shall report further on this subject.

I do not feel that the question of solving our differences with the Soviet Government is at all hopeless. Indeed, I think, though without tangible evidence, that the Soviet Government would like to reach an agreement on the subject of debts within the relatively near future and that the present stage of the negotiations is, on the part of Litvinov, in the obstreperous stage which is characteristic of his method of approach to financial problems.

WILEY

800.51W89 U.S.S.R./148 : Telegram

The Chargé in the Soviet Union (Wiley) to the Secretary of State

Moscow, November 10, 1934—10 a. m.

[Received 12:35 p. m.]

380. My 368, October 20, 8 p. m. Troyanovsky intends to leave Moscow November 15 and to sail on the *Olympic* on 21st.

I recently sat next to him at lunch when Lamoureux, the French Minister of Commerce, was supposedly en route to Moscow. Troyanovsky told me that the question of a settlement of debts and claims with the United States was encountering serious difficulties. The French had again raised the question of war and Czarist debts and had proposed a settlement on the basis of credits at 7 percent inclusive, running from 15 to 20 years. The Soviet Government intended to make only one financial settlement abroad. While he hoped that

the settlement would be made with the United States it would be impossible for the Soviet Government to enter into an agreement with the American Government on terms less favorable than those offered by France. To do so would constitute discrimination. I denied this vigorously.

From discreet inquiries it appears that the French Embassy has no knowledge of any new financial proposal having been formulated by its Government.

However, I understand Lamoureux intended while in Moscow to revive the question of Russian debts and to endeavor to stimulate Soviet purchases in France as a condition precedent to effective political cooperation.

The Cabinet crisis in France seems to have altered matters considerably and from the Soviet viewpoint most disappointingly. Lamoureux has given up his trip. The present domestic political difficulties in France which are seriously viewed here may somewhat facilitate our negotiations. In any event they make it more difficult for the Soviet Government at present to try to play France off against the United States in an endeavor to extract substantially longer credits from us.

It is reported that Troyanovsky's relations with Litvinov since his return have been stormy. As Troyanovsky has postponed his departure I presume that he has not yet completed his conversation with the party leaders many of whom, including Kalinin, have recently gone out of their way to show cordiality to the Embassy.

WILEY

800.51W89 U.S.S.R./151 : Telegram

The Chargé in the Soviet Union (Wiley) to the Secretary of State

Moscow, November 18, 1934—8 a. m.

[Received 10:55 a. m.]

389. In telegram No. 368, October 20, 8 p. m., I reported Troyanovsky's concern that Mr. Bullitt would not be in Washington when he returned and that he clearly considered the first part of December the critical period in his negotiations with the Department. In my telegram 380, November 10, 10 a. m., I reported that Troyanovsky had postponed his departure and planned to sail from Cherbourg on the 21st. In my 382, November 13, 1 p. m.,⁷⁶ I reported that Troyanovsky planned again to postpone his departure.

The inference has been that Troyanovsky desired further opportunity to confer with Kremlin leaders, the atmosphere for his activities here having perhaps been improved by Litvinov's departure on the

⁷⁶ Not printed.

15th for Geneva. It has been an open secret that Troyanovsky and Litvinov have long been working at cross purposes.

Today at a small lunch at the French Embassy Troyanovsky casually told me that he would not leave Moscow until about the 22nd. Instead of proceeding direct to the United States he intended to visit the Far East. He was eagerly desirous of seeing Honolulu where he planned to have his wife meet him. As I did not appear impressed by this explanation of his change of plans he remarked "While I was stationed in Tokyo I was never wrong in my diagnosis of things".

Litvinov has unquestionably been under fire centered chiefly on the results, so far largely negative, of his policy of *rapprochement* with France and the sale, practically consummated, of the Chinese Eastern Railway. Troyanovsky is understood to be an outspoken opponent of Litvinov's American and Far Eastern policies. In view of the prestige gained by Troyanovsky when in Tokyo it is not impossible that the Kremlin wishes, at the expense of several weeks' delay in resuming the debt negotiations, to have the benefit of his views with regard to the effect in the Far East of the Chinese Eastern Railway negotiations.

However, French diplomacy continues to be most active in respect of the Soviet Union. The French are insisting that their domestic political difficulties do not constitute an impediment to the development of French policy towards the Soviet Union; that Marchandau, the Minister of Commerce, will shortly proceed to Moscow to fulfill the mission which was to have been undertaken by his predecessor Lamoureux. It may therefore be more likely that before renewing negotiations in Washington the Kremlin wishes to see what concrete offers if any the French Government is prepared to make.

WILEY

800.51W89 U.S.S.R./152 : Telegram

The Chargé in the Soviet Union (Wiley) to the Secretary of State

Moscow, November 22, 1934—3 p. m.

[Received 6:20 p. m.]

396. My 394, November 21, noon.⁷⁷ Skvirsky will probably be unable to leave for the United States in the immediate future as his wife has apparently contracted diphtheria. Troyanovsky who probably will not get away before the end of the month is pressing for Skvirsky's departure at the earliest possible moment. I calculate that Troyanovsky will not reach Washington before the 7th of January if then.

⁷⁷ Not printed.

Supplementing the last paragraph of my 389, November 18, 8 a. m., French diplomacy has become feverishly active in the last few days. Soviet policy has I understand been playing off both the United States and Germany against France. The Kremlin is now clearly gratified that the French Government has in consequence been spurred into energetic action but to my information it remains skeptical that the Flandin government at present can consummate an effective Eastern pact or wishes or is able to propose a large scale financial settlement on acceptable terms. Indeed the suspicion has been awakened in respect of the latter question that recent intimations of French willingness to extend generous credits are a tactical maneuver to delay the conclusion of a Soviet settlement of debts and claims with the United States.

In private conversation a Soviet official who is close to the Kremlin and out of sympathy with Litvinov complained that France was pursuing a dog-in-the-manger policy. He made the surprising suggestion that it would be highly opportune for the United States to bring pressure on the French franc. I exhibited no sympathy whatsoever with this.

I am reliably informed that Troyanovsky in conversation with another party member expressed optimism that on his return to Washington he would be able successfully to conclude an agreement with the United States.

It is probable that the Soviet Government will not definitely formulate its position until after Marchandean's visit to Moscow which is scheduled for the first half of December.

WILEY

800.51W89 U.S.S.R./153 : Telegram

The Chargé in the Soviet Union (Wiley) to the Secretary of State

Moscow, November 28, 1934—8 a. m.

[Received 8:20 a. m.]

397. Troyanovsky leaves today via Vladivostok. He expects to reach Honolulu by January 1st. He will acquaint Ambassador Grew with his plans when he books passage. Skvirsky expects to proceed direct to the United States in about a fortnight.

I lunched with Troyanovsky yesterday. He is much perturbed over a recent despatch to the *Chicago Daily News* which he states entirely misrepresents remarks made by him November 14 at the Old Bolsheviks Club. He complained in particular that his references to the President were entirely distorted. He would be very grateful if the President could be so informed.

Troyanovsky informed me that since his arrival here the question of a settlement of debts and claims with the United States has become progressively more difficult. There have been "suggestions" from other countries of credits on terms more favorable than offered by the American Government. He suspected that these "suggestions" might not be entirely sincere and that possibly they were being made chiefly to thwart the negotiations with the United States. I have encountered the same suspicion in other Soviet authorities (see my telegram No. 396, November 22, 3 p. m.). It is apparently widely entertained.

Troyanovsky indicated that France in particular was bringing heavy pressure to bear to prevent further developments of Soviet relations with the United States and that also England and Germany were manifesting an interest in the matter which was disquieting. Troyanovsky spent last evening with Stalin viewing a Soviet film in the Kremlin. He insisted that Stalin's sentiments toward the President and the United States were most friendly; that it was desired to conclude a financial settlement with the United States and with no other country and that though the situation was most difficult "a way must be found".

This morning's press announces that Marchandean will leave for Moscow on December 1st.

WILEY

800.51 W89 U.S.S.R./154 : Telegram

The Chargé in the Soviet Union (Wiley) to the Secretary of State

Moscow, December 1, 1934—5 p. m.
[Received December 1—2: 10 p. m.]

401. My 398.⁷⁸ Survi, a Soviet official who is in intimate relations with the Kremlin, came to see me last night. He stated that Troyanovsky had been entrusted with a special mission in Japan and had been directed on his return to Washington to adopt a "positive policy". My informant explained that the principal Soviet leaders were determined to pursue a friendly policy towards the United States.

My interpretation of the foregoing is that it confirms that Troyanovsky was unable to elicit any specific instructions and that specific instructions either positive or negative will not be formulated until sometime after the Marchandean visit. In the light of this uncertainty it may be significant that Troyanovsky on his departure from Moscow parried all queries regarding the probable date of his arrival in Washington.

WILEY

⁷⁸ Not printed.

1935

FAILURE OF NEGOTIATIONS TO IMPLEMENT THE AGREEMENTS OF
NOVEMBER 1933, IN REGARD TO CLAIMS AND CREDITS BETWEEN
THE UNITED STATES AND THE SOVIET UNION;¹ REDUCTION OF
EMBASSY PERSONNEL AND ABOLITION OF THE CONSULATE GEN-
ERAL AT MOSCOW

800.51WS9 U.S.S.R./167

*Memorandum by the Secretary of State of a Conversation With the
Ambassador of the Soviet Union (Trojanovsky)*

[WASHINGTON,] January 28, 1935.

The Soviet Ambassador called by appointment at his request. He was slow to mention the pending debt and other negotiations between this Government and his. I thereupon inquired as to what impressions he gathered on his trip through the Orient. He said that he had a very interesting trip; that he did not visit China but only Japan, where he had a much better acquaintance and background, including numerous personal friends, than the resident Soviet Ambassador;² that he found that among his army and navy friends there was an attitude of decided coolness because of the fact that he is now Ambassador to the United States. He stated that he had a conference with the Emperor and members of the Emperor's Court, all of whom are friends of peace and indicated every disposition to promote and preserve peace; that the army and navy people, however, are in complete control and they have the opposite disposition within certain limitations. He added that the Japanese in control have about the same unfriendly attitude towards Russia and the United States alike. The Ambassador said that he was asked by numbers of Japanese persons, some of whom were his friends, why Soviet Russia was arming to the extent she was reported to be arming, and that he replied that they were afraid of war with Japan; that Japan had refused to enter into a non-aggression treaty with Russia and was otherwise indulging in actions and utterances that suggested military preparations by Russia.

¹ For previous correspondence regarding claims and credits with the Soviet Union, see pp. 63 ff.

² Konstantin Konstantinovich Yurenev.

The Ambassador then said to me that these are times when important countries should be prepared so far as Japan is concerned. I remarked that the Japanese were very curious to know the size of Russian armaments. He promptly stated that they had about 900 aeroplanes, between three and four hundred thousand troops and some submarines in the Siberian-Vladivostok region or locality. I do not know whether the Ambassador was telling me this for effect to be passed on or whether he intended to be accurate. In view of his promptness in volunteering the information, I suspected the latter.

The Ambassador referred to Japanese movements down near the caravan route, across from the Peiping section, through Outer Mongolia, and into Soviet Russia. He seemed not to underestimate the full significance of these threatened activities of Japan. He also stated that the Japanese are very much disappointed in the expected fruits of their Manchurian adventure from an economic and trade standpoint; that the returns are nothing like what they had expected or hoped for; that the Chinese in that locality are still embittered against them; and that the Japanese are expending more than they are getting out of it in return.

The Ambassador also stated that the peacefully-inclined statesmen of Japan are frequently threatened with assassination by the opposition in control, or rather by its supporters; that those advocating peace are still hoping that the pendulum will later swing back, although the Ambassador said that he sees no signs at present, and that therefore it is important to be prepared. He said that if the United States, Great Britain and Russia, without any alliance whatever, should speak or act simultaneously along similar lines on appropriate occasions, it would be more calculated to quiet and restrain than any other steps the wild movements of conquest on the part of the army and navy people now in control of Japan.

Finally, after I inquired about business in his country and we had commented generally on business in this country, the Ambassador said that he called today just to pay his respects, but that soon we should have a talk about our negotiation affairs which are still pending. He then stated that the British and French are watching these negotiations very closely on account of their debt situation, and that it is very difficult to make progress in these circumstances. I then said that I had gone to the outside limit in making the last proposal for debt settlement, which I made to him before his departure last fall; ³ that I knew I would be more or less criticized, but that I felt it was better

³ See telegrams No. 246, September 15, 1934, 2 p. m., and No. 266, October 2, 1934, 5 p. m., to the Ambassador in the Soviet Union, pp. 145 and 154.

in the long run for both countries to get the matter closed up and settled once and for all, and that I would make an offer that his Government could not well turn down if it was in any position at all or in any state of mind disposed to make a settlement. I said that we are being criticized in this country on the theory that neither he nor we have the capacity to settle a comparatively minor business relationship between our two Governments after more than twelve months of conversations and negotiations, and that this is having a very bad effect on both the situation of his country here, as well as the situation of the Roosevelt Administration before the American people; that therefore we must have an early meeting this week and agree on some sort of final disposition of the matter, either one way or another; and that I desire this meeting to be held before the end of the week in order that Ambassador Bullitt may be present. The Soviet Ambassador promptly agreed, with the result that he will call for a final conference on Thursday next at 11:00 A. M.⁴

As he was leaving and in reply to a casual inquiry of mine as to whether there is anything new from the Soviet standpoint with respect to this settlement of the debt due us, the Ambassador stated that there is little or nothing new.

C[ORDELL] H[ULL]

124.611/273

*Memorandum by the Ambassador in the Soviet Union (Bullitt),
Temporarily in Washington*

[Extract]

[WASHINGTON,] January 30, 1935.

At the insistence of Ambassador Troyanovsky I took lunch with him today. In the course of a conversation of one and one-half hours we discussed the following matters:

(8) As I rose to leave Mr. Troyanovsky referred to the negotiations between the Soviet Government and the Government of the United States with regard to debts, claims and credits. I replied that he would have an opportunity to discuss that question with the Secretary of State tomorrow. He laughed nervously and said that he was afraid to discuss the question with the Secretary of State, that he feared their conversation might result disastrously, that it might end the possibility of establishing close friendship between

⁴ January 31. The conference was held at 3 p. m.

the Soviet Union and the United States. He then said, "Could I not, instead of going to the Department of State, just have private conversations with you here?" I replied that private conversations with me on the subject were absolutely out of the question and that he would have to come to the Department of State and take the consequences of Litvinov's policy. He appeared to be greatly depressed by this remark. He then said, "You know, when I got back to Moscow I was scolded very severely by Litvinov, Rosengoltz and Grinko for making my last offer to the Secretary of State;⁵ that is to say, for offering to take one hundred million dollars as a loan and one hundred million dollars in credits." He then alleged that France had offered to settle on the same basis that we had offered. I expressed my belief that such a settlement would be impossible for France as it would necessitate either a reduction of French claims to an impossible minimum or a magnifying of French credits to astronomical figures. Troyanovsky replied, "No. The French have offered to settle all their claims against the Soviet Union for a payment of five hundred million dollars and have offered to give us a credit of one billion dollars for purchases in France at a total rate of seven percent interest, a portion of the interest rate to be applied to extinguish the acknowledged indebtedness of five hundred million dollars. We have refused this French proposal."

He then said that he would like me to understand the actual state of mind of the Soviet Government with regard to credits. He said that Stalin had told him that in the future he intended to have the Soviet Government pay cash, gold, for all ordinary purchases made abroad and desired credits only if they could be obtained in such a way as to raise greatly the standard of living in the Soviet Union. He insisted that Stalin was intensely interested in increasing the production of consumers' goods and alleviating the general condition of the Russian people. He once more said that Stalin earnestly desired close friendship with the United States. I replied that it was too bad that responsible members of the Soviet Government did not seem to share Stalin's views and added that I had warned Litvinov as earnestly and vigorously as I could that his present policy might easily bring to an end all possibility of intimate and fruitful cooperation between our countries.

Troyanovsky again seemed most depressed.

Respectfully submitted,

WILLIAM C. BULLITT

⁵ See annex 1 to memorandum by the Chief of the Division of Eastern European Affairs, August 24, 1934, p. 136.

800.51W89 U.S.S.R./186

Memorandum by the Chief of the Division of Eastern European Affairs (Kelley)

[WASHINGTON,] January 31, 1935.

Conversation: The Ambassador of the Union of Soviet Socialist Republics, Mr. Troyanovsky;
The Secretary of State, Mr. Hull;
The Assistant Secretary of State, Mr. Moore;
The American Ambassador to the Union of Soviet Socialist Republics, Mr. Bullitt;
Mr. Robert F. Kelley.

After some hesitation the Soviet Ambassador, in response to an inquiry by the Secretary, stated that he had discussed at length with officials of his Government in Moscow the proposal made by the United States with regard to the settlement of the question of debts and claims. He said that it was very hard for his Government to deal with this matter, since acceptance of the American proposal would make the relations of his country with other countries more difficult. Furthermore, he declared that other countries were now offering his Government much better terms than those contained in the American proposal. His Government, while desiring to have friendly relations with the United States, could not go beyond the proposal which he had presented to the Department prior to his departure.

The Secretary stated that he was greatly disappointed at the attitude of the Soviet Government. With regard to the Ambassador's statement to the effect that a settlement of the question of debts and claims between the United States and the Soviet Union could not be reached because it would make difficult the relations of the Soviet Union with other countries, he said that Mr. Litvinoff had not mentioned this consideration when he was in Washington. If he had, the Secretary thought that possibly there might have been a different story. He said that he had sought in every way to cooperate with the Soviet Government, but had not met with much response. A settlement of the outstanding questions would have furnished a basis for cooperation in important matters of world significance. If the two Governments, however, could not deal in a statesmanlike way with what, after all, was a minor problem, there was little expectation of their being able to cooperate in larger matters.

The Ambassador stated that there was a big difference with regard to only one point. While there had been no agreement with regard

to the amount of the indebtedness or the interest rates, the differences were not great. Furthermore, his Government was prepared to take half of the proposed financial assistance in the form suggested by the United States. But his Government could not but insist on the extension to it of a \$100,000,000 loan.

The Secretary said again that he was profoundly disappointed. The United States had gone to the limit to which it could go and had made considerable concessions. In view of the position taken by the Soviet Government the negotiations would seem to have come to an end.

The Ambassador agreed and said he had no proposals to make.

800.51W89 U.S.S.R./167b : Telegram

The Secretary of State to the Chargé in the Soviet Union (Wiley)

WASHINGTON, January 31, 1935—6 p. m.

24. Troyanovsky this afternoon rejected my proposal of last September for settlement of the question of debts, claims and credits and made no new proposal. I am issuing a statement for publication 9 P. M. this evening which is being cabled to you.

It is anticipated that the Export-Import Bank will be abolished immediately, that the Naval and Air Attachés will be withdrawn, the Consulate General abolished, and the personnel of the Embassy reduced. Instructions will be cabled covering these matters.

In discussing these actions with members of the Soviet Government and others in Moscow you should endeavor to convey clearly the fact that the Government of the United States has desired and does desire the most friendly cooperation with the Soviet Union but that Litvinov has shown so little disposition to permit the development of friendly relations with the United States that the Government of the United States is convinced that no real friendship can be developed so long as he adheres to his present attitude.

Ambassador thinks it desirable that both Nimmer and White in their farewell conversations with Voroshilov should refer to the numerous unnecessary obstacles to the development of Soviet-American friendship which have been created by Litvinov.

The Ambassador will return to Moscow as soon as he has recovered from his present illness, which is not a diplomatic invention but a streptococcus infection.

HULL

800.51W89 U.S.S.R./167c: Circular telegram

*The Secretary of State to the Chargé in the Soviet Union (Wiley)*⁶

WASHINGTON, January 31, 1935—7 p. m.

Department is issuing following statement for publication 9 P. M. January 31st

“The Secretary of State had a conversation today with Ambassador Troyanovsky. Assistant Secretary Moore, Ambassador Bullitt, and Mr. Kelley, Chief of the Eastern European Division of the Department of State were also present. This evening Secretary Hull made the following statement to the press.

‘You will recall the fact that in an effort to arrive at an agreement with the Soviet Government with respect to debts, claims and credits for trade, negotiations were begun more than a year ago in Moscow and continued in Washington, but that no understanding had been reached when Ambassador Troyanovsky left Washington in October to visit Moscow. In our last conversations with Ambassador Troyanovsky prior to his departure, we submitted for the consideration of his Government a proposal representing the limit to which we believed we could go without complete sacrifice of the interests of American claimants and without unduly pledging the credit of our Government for the purpose of facilitating trade between the United States and the Soviet Union.

The Government of the United States indicated its willingness to accept in settlement of all claims of the United States and its nationals against the Soviet Government and its nationals (and of all claims of the Soviet Government and its nationals against the United States and its nationals) a greatly reduced sum to be paid over a long period of years. The Government of the United States indicated that it would accept payment through the application of a rate of interest beyond the ordinary rate of interest on credits extended to the Soviet Government with the financial assistance of the Government of the United States. To facilitate the placing of orders in the United States by the Soviet Government on a long-term credit basis, the Government of the United States was prepared to make, through the Export-Import Bank, to American manufacturers and producers requiring financial assistance in connection with the granting of credit on such orders, loans to a very large percentage of the credit granted. It was contemplated that the length of the credit extended would vary according to the different categories of goods and the Soviet Government was advised that the Government of the United States was not averse to making special terms in exceptional cases at the President’s discretion. It was intended that the loans extended to American manufacturers and producers should constitute a revolving fund for the continuous maintenance of Soviet purchases in the United States.

We hoped confidently that this proposal would prove entirely acceptable to the Soviet Government and are deeply disappointed at its rejection. In view of the present attitude of the Soviet Govern-

⁶The same telegram was sent to all diplomatic missions in Europe, to the American Embassy in Tokyo, and to the American Legation in Peiping.

ment, I feel that we can not encourage the hope that any agreement is now possible. I say this regretfully because I am in sympathy with the desire of American manufacturers and agricultural producers to find a market for their goods in the Soviet Union, and with the American claimants whose property has been confiscated. There seems to be scarcely any reason to doubt that the negotiations which seemed so promising at the start must now be regarded as having come to an end.

It will be for the Board of Trustees of the Export-Import Bank to determine whether or not there is any good reason for continuing the existence of the Bank.' ”

Inform consuls.

HULL

800.51W89 U.S.S.R./168 : Telegram

The Ambassador in France (Straus) to the Secretary of State

PARIS, February 1, 1935—6 p. m.

[Received February 1—2:30 p. m.]

87. Department's circular January 31, 7 p. m. Marchandau, Minister of Commerce, lunched at the Embassy today and I discussed with him the breakdown of commercial negotiations with the Soviet Government reading to him the text of the statement given out in Washington.

He said that the American offer appeared to him more favorable than anything the French were prepared to offer at this time particularly with respect to a revolving fund for credit and that he was sure that the negotiations had broken down on the question of any recognition of debts no matter what their origin. He said that the Soviet authorities had naturally endeavored to play France off against the American group and vice versa in the matter of these negotiations and that he was very pleased to have the definite information of our positive attitude.

STRAUS

800.51W89 U.S.S.R./170 : Telegram

The Chargé in the Soviet Union (Wiley) to the Secretary of State

Moscow, February 2, 1935—noon.

[Received February 2—11:50 a. m.]

41. For Ambassador Bullitt from Faymonville.

“Confidential information from Wiley reference possible transfer of personnel requires me to submit to you my views on probable value of future military contacts here. I believe Red Army offers possibility of developing understanding and friendship which no other group here offers. If contacts with Red Army chiefs are further

fostered it seems likely that we may secure in them a group of friends who in party discussions might effectively present case for American friendship. These probable friends would be weakened and not strengthened in their stand if contemplated withdrawal of personnel includes any member of army staff here. From strictly military standpoint essential to maintain Military Attaché for contact with world's largest army, and Air Attaché to observe world's largest air force, which is even now changing rapidly. White has had exceptional opportunities for observation and is intimately and favorably known by large circle of commanders. Opportunities, however, are largely dependent on maintenance here of airplane and air detachment and the advantages thereby secured should not be sacrificed. Recommend retention here of all members of present army contingent." [Faymonville.]

Foregoing without comment.

WILEY

800.51W89 U.S.S.R./171 : Telegram

The Chargé in the Soviet Union (Wiley) to the Secretary of State

Moscow, February 3, 1935—4 p. m.

[Received February 3—1:40 p. m.]

45. My 39, February 1, 6 p. m.⁷ The Soviet papers this morning have published in full your press release of January 31, 1935, together with a statement by Litvinov. The translation of this explanation as set forth in the *Moscow Daily News* is as follows:

"The basic principles of the agreement for the liquidation of the mutual Soviet American monetary claims were worked out during my personal negotiations with President Roosevelt about a year ago.⁸ These principles were in full accord with the reiterated statements of the Soviet Government of its readiness to discuss the question of old debts only provided its counter claims were recognized and a monetary loan was advanced to it. I therefore left Washington with the full confidence that the further negotiations would affect only the details of the agreement and would not therefore present any difficulties.

To our regret in the subsequent negotiations begun by Mr. Bullitt, American Ambassador, with me in Moscow and continued subsequently by the State Department with Comrade Troyanovski, one of the basic factors of the agreement reached in Washington, namely, that of a loan, was placed in doubt. The Soviet side in its proposals strictly remained within the confines of this agreement, making concessions to a point beyond which the whole of the Washington agreement would begin to be revised. We refused to enter this path which might have led to the complete annulment of the results secured in Washington and the necessity of new negotiations on the principles of the agreement. We naturally regret very much that the negotia-

⁷ Not printed.

⁸ See pp. 1 ff.

tions have so far failed to bring the desired results but, nevertheless, believe that this fact must not affect the relations between the two states including trade relations,⁹ the development of which has been rather hampered by the negotiations conducted up to this time. Besides the Soviet Union and the United States as other peace loving states are confronted with more serious general objects for which it is possible to work without injuring the material claims of this or that state. The difficulty of solving the problem of mutual monetary claims between states has now become a general phenomenon of international life but it does not interfere with international co-operation in the development of trade relations or in the preservation of peace."

This translation has been checked with the Russian text by the Embassy and has been found satisfactory.

Soviet newspapers also state that in response to an inquiry whether the breakdown of the debt negotiations might affect diplomatic relations, you replied that you had not heard such a possibility mentioned. When questioned whether the Department planned any further move you are quoted as replying you knew of no other move for us to make.

Soviet newspapers also publish a United Press message from Washington to the effect that State Department officials have denied reports that Mr. Bullitt intends to resign.

Impression from Rubinin and other Soviet officials is that they consider present development to be of routine nature. Am reliably informed that Soviet tactics are based on conviction that American business interests will bring effective pressure on Government to extend credits irrespective of results of our negotiations.

Am lunching with Karakhan today and will privately and discreetly present our point of view.

WILEY

800.51W89 U.S.S.R./172 : Telegram

The Chargé in the Soviet Union (Wiley) to the Secretary of State

Moscow, February 3, 1935—7 p. m.

[Received February 3—4 p. m.]

46. Discreetly reviewed and analyzed developments with Karakhan (who is an outstanding opponent of Litvinov). He declared that the way Litvinov had acted towards United States was "filled with dark spots". I suppose he will discuss matter with Kremlin. By another Soviet official, a reliable source, am informed that your press release came as complete surprise to Litvinov, that his position was not improved thereby.

⁹ See pp. 192 ff.

Rubinin in conversation with me emphasized Molotov's and Rosengoltz's references to excellent credit position of Soviet Union. This would indicate Soviet determination to conduct campaign for cheap long-term credits and loan.

In my Soviet conversations I am emphasizing following paradox: since simultaneously and daily Soviet spokesmen warn of great danger of war of conquest being waged against Soviet Union, Soviet Union is thereby branded as very dubious credit risk.

For Ambassador Bullitt: Would it not be well to have foregoing paradox discreetly ventilated in American press? It should be easy to deflate Litvinov-Rosengoltz credit balloon.

WILEY

800.51W89 U.S.S.R./173 : Telegram

The Chargé in the Soviet Union (Wiley) to the Secretary of State

Moscow, February 4, 1935—5 p. m.

[Received February 4—12:43 p. m.]

48. Soviet press of February 4 printed excerpts from American newspapers particularly Scripps-Howard (Simms)^{9a} in criticism of action of the United States Government in precipitating rupture of debt negotiations. *Washington Daily News* was quoted on brevity of visit of Soviet Ambassador as action unprecedented in the history of the State Department. No Soviet press editorial comment on break-down of negotiations or on statements of Secretary of State and Litvinov with the exception of an editorial in *Za Industrializatsiyu* February 4 on Soviet successes in foreign trade which stated, *inter alia*, that among governments not according the necessary conditions for trade with the Soviet Union is the United States which unjustifiably applied the Johnson bill¹⁰ to the U. S. S. R. "It is obviously impossible to accuse the Soviet Government of not having fulfilled any of its undertakings to the United States."

WILEY

800.51W89 U.S.S.R./179 : Telegram

The Chargé in the Soviet Union (Wiley) to the Secretary of State

Moscow, February 5, 1935—9 p. m.

[Received February 6—7:22 a. m.]

50. Litvinov said that he had long since accepted the rupture of the negotiations with the United States for a settlement of debts and claims as a foregone conclusion. That was why he had consented to

^{9a} William Philip Simms, columnist for Scripps-Howard press.

¹⁰ Approved April 13, 1934; 48 Stat. 574.

have the negotiations transferred to Washington. He claimed that when the American Government decided to abandon the "letter of the agreement," namely a loan, he had "capitulated" just as far as possible. However, it was not possible for the Soviet Government to accept a settlement which involved the extension of credits to the manufacturers instead of direct to Soviet agencies. He added that he thought it was a good thing for the negotiations to be "put on ice" for a while. Perhaps at some later date they could be resumed with better chances of success. I asked what inspired his optimism. He replied that political conditions would change and might greatly influence matters. I answered that the possibility of any such political change in the United States was indeed remote. He explained he had Europe in mind; not the United States. He did not clarify his cryptic allusion.

Though Litvinov appears both serene and intractable, I am reliably informed that high quarters are much disturbed over the rupture of negotiations and that a new and more favorable Soviet orientation is not entirely impossible.

Litvinov expressed regret that you had gone into "so much detail" in your press release. In consequence he was under heavy pressure from the press. He was reluctant to yield to it as he did not wish to embarrass either the President or you. I intimated that neither the President nor you feared embarrassment in the matter.

WILEY

121.5561/22a : Telegram

The Secretary of State to the Chargé in the Soviet Union (Wiley)

WASHINGTON, February 6, 1935—1 p. m.

26. The following announcement will be made to the press at 12:30 p. m. today:

"The following changes in our representation in Moscow have been ordered:

The Naval Attaché will be withdrawn.

The Air Attaché will be withdrawn.

The Consulate General will be abolished.

Reductions will be made in the personnel of the Embassy."

Inform Nimmer and White.

HULL

125.631/22a : Telegram

The Secretary of State to the Chargé in the Soviet Union (Wiley)

WASHINGTON, February 6, 1935—2 p. m.

27. Consulate General is hereby abolished. You are instructed to establish immediately in the Embassy a Consular Section to handle consular work hitherto performed by the Consulate General. It is

expected that the Consular Section will consist of the organization and staff of the former Consulate General.

Ward and Durbrow assigned to Embassy and designated Second and Third Secretaries respectively. In informing Foreign Office of these assignments you should state that Ward will be chief of the Consular Section.

Inasmuch as Ward and Durbrow will function in the eyes of this Government in both diplomatic and consular capacity they should sign all documents of a consular nature in their consular capacity. A consular seal should be used in performing technical consular services.

HULL

800.51W89 U.S.S.R./188

The Chargé in the Soviet Union (Wiley) to the Secretary of State

No. 378

Moscow, February 6, 1935.

[Received February 21.]

SIR: Confirming my telegram No. 50 of February 5, 9 p. m. I have the honor to report that, in my conversation yesterday with the People's Commissar for Foreign Affairs, which followed an appointment of a purely routine nature, he gave no indication of perturbation over the rupture of the negotiations in Washington for a settlement of debts and claims nor any reason to believe that he contemplated a change of front.

Indeed, Mr. Litvinov calmly stated that he thought it was a good thing for the negotiations to be "put on ice" for a while; that at some future time they might be resumed with greater hope for successful conclusion. He suggested that the political situation should in the meantime alter in such a way as to make it easier to reach an agreement. Outside of assurances that he did not have the United States in mind in connection with the anticipated political change, I was unable to elicit any clarification of his somewhat veiled allusion. My only and somewhat obvious conjecture is that he hopes, through the development of the Franco-Soviet *rapprochement* and his negotiations with the Japanese Government, to effect a political *détente* which would serve to improve substantially the credit position of the Soviet Union.

The Moscow factors which have obstructed a successful conclusion of the negotiations appear mainly to be:

An eastern or even Asiatic mentality in respect of financial and economic negotiations.

Policy of caution in respect of extensive foreign commitments, in the form of short or middle term credits, in excess of normal trade exchanges.*

* This factor will be the subject of a separate despatch. [Footnote in the original.]

Disinclination to recognize even tacitly debts and obligations not directly incurred by the Soviet regime.

Fear of the possible resuscitation of dormant claims in third countries.

Resistance to any attempt at or implication of regimentation of foreign trade by other countries as a counterpoise to Soviet regimentation by means of the Soviet trade monopoly.

My impression from Mr. Litvinov's remarks and attitude is that significance at this moment may be attributed chiefly to the first and last of these factors. The trading instinct predominates in Mr. Litvinov. While there is, of course, reluctance to settle "bourgeois" debts and claims, even more in evidence is resentment that, according to the American proposal, the American Government would not extend loans or credits direct to Soviet agencies but would make loans to manufacturers and producers, which in turn would extend credits to the Soviet Union. This has undoubtedly implied, to the Soviet mind, the intention of the American Government to exercise an effective—and repressive—control over the business to be transacted by virtue of such credits. The Soviet mind envisages authority only as an agency for repression.

As the Department is aware, the Soviet Government has consistently refused to admit that what was sauce for the goose was admissible for the gander. While Soviet exports and purchases are strictly regimented by means of the Soviet foreign trade monopoly, the Soviet Government has resolutely resisted any attempt at counter-regimentation elsewhere. The Department may recall the success with which the Soviet foreign trade monopoly combatted various specific examples of this; for example, the efforts of the Russische Ausschuss of the Reichsverband der Deutschen Industrie to act as a counterpoise to Soviet state control.

I have observed no indications that the Soviet Government has recently been under any pressure from third states to restrain it from concluding a settlement of debts and claims with the United States.

From various sources, I have been informed since the beginning of November that Mr. Litvinov was under fire; that his prestige was waning. This has been reported to me on many occasions by Soviet and foreign diplomatic contacts. From various reliable sources, I have now been told that the rupture of the negotiations in Washington has been grist to the mill of his opponents. Moreover, I have been given to understand that his veracity has been questioned in high Soviet quarters which seem to doubt that, on his return from Washington, he reported accurately regarding his commitments to Mr. Roosevelt. I must add, however, that he gives no impression of being perturbed or in any fear that he would not, if necessary, defend his position. In fact, I believe he is convinced that, if any attempt were made to put his good faith in question, he could readily vindicate himself.

He has intimated to me, when insisting on his good faith, that his position was juridically impeccable.

Though I have been assured by Soviet contacts that the Soviet Government is most desirous of concluding an agreement with the United States and that it was not impossible that a "directive" might be given by the Kremlin for Mr. Litvinov to alter his position, I am not particularly sanguine that this will be the case in the near future. The Soviet Government has recently been waging a determined fight, probably at considerable sacrifice, in Germany, France and England in order radically to improve the Soviet credit position and to relax credit terms. The results, so far, have been most unsatisfactory. Important credit negotiations in Germany, instead of advancing, are reported to have been retarded. The French attitude in respect of credits has, as previously reported to the Department, changed from positive to negative within the last few weeks. In Great Britain, the Soviet Government has paid cash rather than accept British credit terms. It may, therefore, be assumed that, until this credit struggle has been decisively concluded, the Soviet Government might be averse to setting the precedent, so long resisted, of accepting controlled credits, such as those offered by the American Government.

Despite Mr. Litvinov's attitude of indifference, even satisfaction, the breaking off of the negotiations must represent a grievous disappointment to him. Credit negotiations in third countries will become more difficult and credit terms will stiffen; opponents in France to *rapprochement* with Russia will be encouraged and the Japanese may readily become more exacting.

Respectfully yours,

JOHN C. WILEY

125.631/23 : Telegram

The Chargé in the Soviet Union (Wiley) to the Secretary of State

Moscow, February 7, 1935—5 p. m.
[Received February 7—11:30 a. m.]

53. In compliance with your 27, February 6, 2 p. m., the Consulate General has been abolished as of February 6, 1935, and Consular Section has been opened as of February 7th, 1935.

WILEY

121.5561/23 : Telegram

The Chargé in the Soviet Union (Wiley) to the Secretary of State

Moscow, February 7, 1935—6 p. m.
[Received February 7—11:30 a. m.]

54. Your 27, February 6, 2 p. m., have notified Foreign Office as instructed. Your 26, February 6, 1 p. m. As Captain Nimmer's orders provide for his departure within the next few days I have requested

through the Foreign Office farewell interview with Voroshilov for both Nimmer and White explaining in note that office of Naval Attaché has been abolished and that latter is to be withdrawn.

WILEY

800.51W89 U.S.S.R./177 : Telegram

The Chargé in the Soviet Union (Wiley) to the Secretary of State

Moscow, February 9, 1935—1 p. m.

[Received 3:30 p. m.]

56. Your 24, January 31. Litvinov, in reply to queries from various diplomatic representatives, has belittled significance of rupture of negotiations. In social contact with us he is demonstratively friendly in attempting of course to convey impression in Diplomatic Corps that cordiality is unimpaired. Others, however, such as Karl Radek and Umansky, chief censor, are being definitely provocative. They are attempting to discredit rupture as childish and empty gesture by the American Government reflecting only petty irritation, and to excite American correspondents with allusions to an alleged exchange of confidential letters between the President and Litvinov and an important memorandum (in respect of latter, see my telegram No. 368, October 20,¹¹ third paragraph), the publication of which was held up only because of Litvinov's promise and their desire to shield the President from "embarrassment"!

Am informed very confidentially by a Soviet official close to the Kremlin that Litvinov is merely endeavoring to put good face on bad situation. The successful conclusion of proposed Eastern pact was still uncertain, likewise the development of Franco-Soviet relations. Moreover, credit terms in third countries had hardened and the attitude of Japan had already become more aggressive following rupture. In consequence, he thought next 3 months would be most critical for Litvinov personally.

Informant also stated that bulk of Soviet orders would now be placed in Great Britain.

WILEY

800.51W89 U.S.S.R./180 : Telegram

The Chargé in the Soviet Union (Wiley) to the Secretary of State

Moscow, February 11, 1935—5 p. m.

[Received February 11—4:40 p. m.]

59. Radek, editor of *Pravda*, and Doletski, chief of Tass, in private conversation have stated to a member of staff that the Soviet press

¹¹ *Ante*, p. 159.

would refrain from engaging in attacks at this time on the American Government since Soviet leaders did not wish any action to be taken which might increase tension in Soviet-American relations.

Soviet press, however, is almost daily quoting American newspaper articles criticising American Government and officials.

Today's *Izvestiya*, for instance, quotes New York *Post* as attributing failure of negotiations to anti-Soviet attitude of officers of the State Department and as suggesting that if Secretary of State does not publish the details the Senate should conduct an investigation for the purpose of ascertaining why anti-Soviet elements were entrusted with the negotiations. It also quotes the *Baltimore Sun* as denouncing the Government for acting like a spoilt child in abolishing the Consulate General in Moscow after the break-off in the debt negotiations, and as pointing out that the impression might be created in Moscow that recognition of the Soviet Union was extended for the purpose of obtaining pecuniary profit rather than in the interests of elementary sound relations.

WILEY

800.51W89 U.S.S.R./184: Telegram

The Chargé in the Soviet Union (Wiley) to the Secretary of State

Moscow, February 14, 1935—7 p. m.

[Received 7:55 p. m.]

61. Your 24, January 31, 6 p. m. Captain Nimmer was received by Voroshilov today. The following is a close paraphrase of a report of the interview prepared by Captain Nimmer:

"Voroshilov was extremely friendly and detained me about 25 minutes listening to my remarks and making comments of his own. Conversation in substance was as follows: In his opening remarks he expressed regret at my leaving 'just about the time we had begun to understand each other'. I thanked him and stated that I personally regretted strongly and was sorry that matters turned out as they did though it was no fault of ours! This evoked 'How's that and just what is all this that is going on, I am afraid I do not quite understand it all'. I replied that of course he realized that Ambassador Bullitt came here with the most open of minds, friendliest of feelings and most sincere desire to promote genuinely friendly American-Soviet relations [and] that the Ambassador personally selected a staff who entertained like sentiments. He then interrupted to say that he considered Mr. Bullitt one of his best friends but that the Ambassador had not quite played the game, for the recent break must have been provoked by the reports and telegrams he sent to his Government. He did not know of course what the reports were but the results indicated that their nature must have been most unsatisfactory. Mr. Bullitt should have presented the picture in respect of debts, Czarist, Kerensky, et cetera, from an angle which by no stretch of the imagination

could have led anyone to expect the Soviet Union to acknowledge such debts. The Soviet Union had no objection whatsoever to paying extra interest on loans but if it were placed in a direct position of acknowledging indebtedness then everybody would have to be paid. This they could not possibly do. The only solution in such a case would be to sell the whole of the Soviet Union or parcel it out in settlement. I remarked that I knew that the American Government was disturbed in respect of debt negotiations. It had made a liberal offer. After 4 months it had received a negative reply with no counterproposal. This could be likened somewhat to criticisms in military circles where an officer after criticising a plan or an order not only offers no better solution but no solution at all. He seemed to appreciate this analogy and asked pointblank just what was the difficulty or difficulties. I told him that from my point of view our difficulties dated back from almost the moment of our arrival. He said 'All of you seemed to be so sincerely friendly and we reciprocated this friendliness and then suddenly out of a clear sky you slap us in the face. What did you mean by your reference to difficulties arising almost immediately after your arrival here.' I replied that his spirit of friendliness was unfortunately not reflected by organs of the civil branches of the Government. He asked specifically which branches. I told him that the Commissariats for Foreign Affairs and Foreign Trade seemed to be leagued to obstruct us. 'Well in what respect?' I replied 'To begin with your Mr. Rosengoltz from the very beginning was quite definitely indifferent to Soviet-American relations and the Commissariat for Foreign Affairs has shown little disposition to develop solid relations between us or be cooperative'. Voroshilov was very much interested and made a point throughout our conversation of stressing the fact that lack of cooperation on the part of Rosengoltz or any person in the Commissariat for Foreign Affairs was absolutely inexcusable and that he was sorry for any lack of courtesy which the Embassy had experienced.

Voroshilov in conversation seemed sincerely hurt at the turn of affairs between America and the Soviet Union and at various times dwelt on the possibility of their not understanding us and our not understanding them; that we should both make efforts to remedy this defect.

He said the action of my Government in withdrawing me would make it most embarrassing for them to leave Oras and his assistant¹² in Washington. The only thing they could honorably do in this or other moves of this kind that we might make would be politely to make corresponding moves. He added that he was saying this in all friendliness.

Voroshilov then talked briefly about their navy plans. He said that work was progressing—slowly but progressing nevertheless—on what he termed four fleets. Black Sea, Baltic, Northern and Far Eastern and that they had a few ships in the Caspian Sea and Amur River.

My impressions were that: (1) Voroshilov was honestly seeking further light on the events leading up to the recent actions of the American Government; (2) he sincerely hopes that we can really reach an understanding—he is our outstanding friend; (3) he seemed

¹² Alexander Mikhailovich Yakimichev.

much interested in the fact that we felt that most of our difficulties were to be attributed to perturbations by the Commissariats for Foreign Affairs and Foreign Trade.”

It is expected that Voroshilov will receive Lieutenant White before the latter's departure.

WILEY

800.51W89 U.S.S.R./185 : Telegram

The Chargé in the Soviet Union (Wiley) to the Secretary of State

Moscow, February 18, 1935—4 p. m.
[Received February 18—11:51 a. m.]

71. My 56, February 9, 1 p. m. Saturday afternoon¹³ Litvinov received Duranty. He showed him in “confidence” the undated memorandum initialed by the President relative to settlement of debts and claims and vigorously attacked American policy. He rejected Duranty's suggestion to permit publication of memorandum in *New York Times* but I understand that the Foreign Office censorship passed a despatch from Duranty based on his conversation with Litvinov which was of a provocative nature. The despatch was presumably published in the *Times* this morning.¹⁴

The American correspondents are urging me to hold regular press conferences. I would be grateful if the Department would indicate to me the attitude to adopt when queried regarding “unpublished documents”.

WILEY

800.51W89 U.S.S.R./185 : Telegram

The Secretary of State to the Chargé in the Soviet Union (Wiley)

WASHINGTON, February 19, 1935—2 p. m.

39. Your 71, February 18, 4 p. m. Department does not consider it advisable for you to hold regular press conferences.

If you are queried with regard to understandings stated to have been reached between the President and Mr. Litvinoff, you should state that you were not present at the conversations between the President and Mr. Litvinoff and that therefore you are not in a position to state what took place in the discussions in question.

HULL

¹³ February 16.

¹⁴ *New York Times*, February 18, 1935, p. 1, col. 4.

800.51W89 U.S.S.R./192 : Telegram

The Chargé in the Soviet Union (Wiley) to the Secretary of State

Moscow, February 27, 1935—4 p. m.
 [Received February 27—10: 55 a. m.]

82. My 71, February 18, 4 p. m. Foreign Office summoned Duranty this morning. Reference was made to allegations in the American press that the negotiations in Washington between the President and Litvinov concerned credits, not a loan, and that the Soviet Government had insisted on disposing freely of such a loan even for purchases outside of the United States.

Duranty was authorized to state on the "most competent authority and most categorically" that the word credit was not even mentioned in the negotiations, only the word loan was employed. Though there was no mention of any limitation of the right of the Soviet Government to dispose of the "loan" as it pleased, the Soviet Government in the course of conversations in Moscow with Ambassador Bullitt offered to stipulate that the loan be used exclusively to finance Soviet purchases in the United States. The Soviet Government never requested that the loan be paid over. It had merely expected that the "loan" would be placed at the disposal of the Soviet Government in order to cover purchases.

Duranty is filing a dispatch to the *Times* in the sense of the foregoing.¹⁵

WILEY

800.51W89 U.S.S.R./194 : Telegram

The Chargé in the Soviet Union (Wiley) to the Secretary of State

Moscow, March 6, 1935—10 a. m.
 [Received March 6—8: 09 a. m.]

88. My telegram No. 71, February 18, 4 p. m. Duranty confirms my impression that Soviet authorities are becoming increasingly perturbed over relations with the United States and that equanimity with which the termination of the Washington negotiations was first greeted is being rapidly transformed into uneasiness. This is probably attributable to growing realization of the fact that termination was not a mere tactical maneuver. Duranty has just seen his "number one Soviet contact" who is presumably high in party hierarchy. Latter suggests possibility that as Stalin attaches so much importance to Soviet-American relations he might in the near future grant Duranty an interview on the subject.

WILEY

¹⁵ *New York Times*, February 28, 1935, p. 10, col. 2.

711.61/521

The Chargé in the Soviet Union (Wiley) to the Secretary of State

No. 499

Moscow, March 25, 1935.

[Received April 17.]

SIR: I have the honor to report that Mr. P. L. Mikhailski, whose pen name is "Lapinski", a foremost authority of the Soviet press on America, came to my apartment today. In the course of a protracted conversation, he expressed great regret over the unfavorable development of American-Soviet relations following the return of Ambassador Troyanovski to Washington. He thought that the American Government was pursuing a policy of greatest unwisdom in deliberately casting off Russian friendship which could present incalculable advantages to the United States. I suggested that the shoe might be on the other foot, that it was perhaps the Soviet Government that had followed a course of impolicy. He insisted, however, that the American Government had adopted a provocative attitude. I asked in what way. He stated that the State Department's announcement that the interview with Mr. Troyanovski had lasted only four and a half minutes and that the Soviet Ambassador had left the Department with a dejected face had been gratuitously designed to wound Soviet sensibilities and prejudice relations. I expressed surprise that anyone who professed to know America and at the same time was a journalist himself could err so grievously. He had confused legitimate American press comments with the press release of the State Department. The latter had been most carefully worded in order not to injure Soviet pride.

Mr. Mikhailski thereupon attacked the attitude of the American Government for "inconsistency". In Washington Mr. Litvinov had been assured that there would be political collaboration. Since the arrival of the Embassy in Moscow, there had been no sign of political collaboration on the part of the American Government. I replied that the fact that the large Embassy was established in Moscow, at a time when the Soviet Union was apprehensive of Japanese aggression, was in itself effective political collaboration. Moreover, it showed undue optimism on his part to believe that political collaboration would continue on an intimate basis when the Soviet Government had failed to live up to its commitments in respect of debts and claims.

Mr. Mikhailski reiterated that the policy of the American Government towards the Soviet Union had been a mistaken policy from the outset. The American Government had endeavored in every way to exert pressure and to force the Soviet hand. This has provoked a most unhappy reaction in Soviet official circles. Moreover, American policy had been clearly discriminatory. I asked him in what way.

He said that there had been no question of having "four and a half minute" interviews with the French or British Ambassadors or of describing them as having "dejected faces" notwithstanding the fact that their debts were enormous compared to the Soviet debt and that they had been most categorically repudiated. I emphatically denied that there had been any discrimination whatsoever.

The foregoing gives but a brief outline of Mr. Mikhailski's views as expressed to me. What I found of particular interest was that Mr. Mikhailski undoubtedly came to see me under orders and that his attitude, which doubtless reflects that of the highest Soviet quarters, gave evidence of marked uneasiness over the course of American-Soviet relations.

The initial enthusiasm with which the Soviet Government viewed the possibility of establishing friendly intercourse with the United States was, of course, inspired by fear of aggression in the Far East, a fear which was greatly tranquilized during the first half of 1934, with a corresponding decline in interest in furthering relations with the United States. Recently, however, acute fear of aggression from the West has arisen; that Germany was preparing to embark on a policy of conquest at the expense of the Soviet Union. Interest in consolidating foreign relations has in consequence revived. Though this interest is chiefly centered in the development of political relations with France and Great Britain, it is not impossible that the Soviet Government is beginning to regret its intransigent attitude towards the United States.

Mr. Mikhailski in a somewhat minatory tone referred to the reticence of Soviet press comment in respect of the United States and the termination of negotiations, the implication being that at a given moment its fury might be unleashed against the United States. In reply I suggested that it might be helpful rather than harmful if the Soviet press were to give full expression to what it really felt and thought. The American Government might then be able to appraise the situation more precisely.

I have the further honor to report that, from conversation with Dr. Yen, the Chinese Ambassador, who has just returned to Moscow after a prolonged absence, it appears that Mr. Litvinov has discussed American-Soviet relations with him at some length and has attempted to give a distorted view of the reasons for the termination of the negotiations with Mr. Troyanovski. Dr. Yen's remarks implied that Mr. Litvinov had attributed matters to a deliberate change of policy on the part of the United States. They tend to confirm my impression that Mr. Litvinov feels himself very much on the defensive in respect of his policy towards the United States.

Respectfully yours,

JOHN C. WILEY

751.6111/77 : Telegram

The Ambassador in the Soviet Union (Bullitt) to the Secretary of State

[Extract]

Moscow, May 16, 1935—3 p. m.

[Received 7 p. m.]

200. In discussing Laval's visit with me this afternoon Litvinov said that he felt the visit had done much to start Franco-Soviet collaboration in a friendly atmosphere. He denied flatly that either he or Stalin had made any promise to Laval that the Czarist debts would be discussed. He stated; "exactly the contrary is true, Stalin refused flatly to discuss the matter". Parenthetically he stated that Stalin had also refused to discuss British debts and claims with Eden.

In this connection he said that Troyanovsky had written to him to say that Senators Brookhart, and Wheeler, the latter alleging that he had been sent by the President, had proposed to Troyanovsky just before my departure from the United States that as it was impossible for the American Government to give a 20-year loan to the Soviet Government the American Government should give four successive 5-year loans binding itself in advance to give a new loan at the end of each 5-year period, the Soviet Government to make only one purchase of \$100,000,000 worth of goods at the beginning of the 20-year period thus covered. He asked me if my Government was still interested in this proposal. I replied that I had never been informed that any such proposal had ever been made or contemplated by any responsible official of the American Government and added that I was certain that if the President had wished to make any new proposals he would have made them through the Secretary of State and not through any Senator or ex-Senator.

Litvinov then said that while he was not averse to reopening the question of debts and claims he could see no point in reopening it unless there was some possibility of agreement. He added that as the difference between our Governments was one of principle that the Soviet Government insisted on a loan and we refused to give a loan—he felt that at the moment the difficulties were insurmountable.

BULLITT

611.6131/375

*Memorandum by the Chief of the Division of Eastern European
Affairs (Kelley)*

[WASHINGTON,] May 24, 1935.

Conversation: The Ambassador of the Soviet Union,
Mr. Troyanovsky;
The Assistant Secretary of State, Mr. Moore;
Mr. Robert F. Kelley.

A discussion took place with the Soviet Ambassador with regard to various matters affecting trade relations between the United States and the Soviet Union. The question of debts and claims was touched upon. The Ambassador said that he had had a telegram from Litvinoff stating that he had discussed this question briefly with Ambassador Bullitt and that Ambassador Bullitt had rejected very strongly the idea of a renewable five-year credit. Mr. Moore stated that Ambassador Bullitt had reported briefly his conversation with Litvinoff and he informed Mr. Troyanovsky of the substance of Ambassador Bullitt's account of the conversation.

The Ambassador said that, while the Soviet Government insisted on a loan, it might be willing to agree to a loan for five years with the understanding that it would be extended for a further term of five years at the end of three successive five-year periods. It was pointed out that such an arrangement was in effect a twenty-year loan, and it was emphasized that there had been no agreement reached in the discussions between Mr. Bullitt and Mr. Litvinoff that the United States would extend the Soviet Government a twenty-year loan.

It was suggested to Ambassador Troyanovsky that as a temporary *modus vivendi* the Export-Import Bank might be willing to finance Soviet purchases in the United States on a basis similar to that upon which financial assistance is being extended in connection with exports to other countries, provided a certain additional charge were paid for such financing facilities. The proceeds from this charge would be deposited in the Treasury in a special fund for the future indemnification of American claimants against the Soviet Union. It was pointed out that there might not even need to be any written agreement with regard to this matter. The Department would have to announce, of course, that an additional charge was being made and indicate the disposition of the proceeds from this charge. In response to an inquiry, Mr. Troyanovsky said he did not think that Mr. Boiev would be willing to discuss this matter without special authority from Moscow. Mr. Moore stated that it would be best if

Mr. Troyanovsky did not consult Moscow with reference to this question until Mr. Moore had had an opportunity to discuss the matter with higher authorities.

The question of the generalization of tariff reductions to the Soviet Union was also discussed.¹⁶ The present status of the matter was explained to the Ambassador. It was explained to him that the Government of the United States considered it necessary to be in a position to make some statement with regard to the specific increase in Soviet purchases in the United States which would result from the generalization of tariff reductions to the Soviet Union. He was told that Litvinoff said the Soviet Government could not agree to the inclusion of a specific figure (\$30,000,000) in the exchange of notes. The United States was willing, however, to agree to its inclusion in a separate communication. Mr. Troyanovsky suggested the possibility of Boiev being authorized to send a note to the Department stating that Soviet purchases would amount to at least \$30,000,000 in 1935.

ROBERT F. KELLEY

611.6131/376

Memorandum by the Chief of the Division of Eastern European Affairs (Kelley)

[WASHINGTON,] June 19, 1935.

Conversation: The Ambassador of the Soviet Union,
Mr. Troyanovsky;
The Assistant Secretary of State, Mr. Moore;
Mr. Robert F. Kelley.

Mr. Moore outlined briefly the developments which had taken place in the matter of the settlement of the question of debts and claims outstanding between the United States and the Soviet Union. Inasmuch as it did not appear possible at the present time to arrive at a final settlement of the matter, he thought that it might be desirable to reach a temporary working agreement which would permit the Export-Import Bank to function in respect to purchases of the Soviet Government in the United States. He suggested that, without coming to an agreement as to the total amount to be paid in settlement of debts and claims, and without the Bank undertaking any obligation with regard to the amount of credit which would be made available, it might be possible for the Bank to extend financial assistance in connection with Soviet purchases in the United States provided that the rate of interest which would be paid on money advanced by the Bank were sufficiently large to permit the deposit of a certain amount of money

¹⁶ See DD. 192 ff.

in connection with each transaction into a special fund which would be used by the United States Government for the satisfaction of claims against the Soviet Union. Mr. Moore said that, of course, there would have to be an agreement as to the rate of interest and the term of the credits. There would also have to be a statement issued with regard to the Bank's engaging in such activities. Mr. Moore said that he thought that the President would be willing to give consideration to an arrangement along these lines if the idea met with the approval of the Soviet Government.

The Ambassador said he did not know what attitude Moscow would take, but, of course, he would communicate immediately with his Government. He intimated that it would be difficult for his Government to agree to such a proposal, since other Governments which were guaranteeing credits extended to the Soviet Union and had claims against the Soviet Government would undoubtedly be inclined to have recourse to this procedure if the Soviet Government did not object to it. He thought that the chief difficulty would be the working out of the phraseology of the statement which would be issued relative to the matter. Mr. Moore stated that he thought that the statement need merely recite that it was not possible at the present time to reach a final settlement of the question of debts and claims, and that, with the object of facilitating the development of trade in the meantime, it was deemed advisable to permit the Bank to function in connection with such trade on the condition that the participation of the Bank in transactions with the Soviet Union involved the accumulation of funds which could be used by the United States Government to indemnify claimants against the Soviet Government. The Ambassador indicated that he was not optimistic, but said that he would discuss the matter with his Government.¹⁷

[For incidental consideration of the question of debts, claims, and credits in subsequent years, see sections under the years 1936, 1937, 1938, and 1939, entitled "Reports on Developments of Significance Concerning Soviet Relations With Other Countries, Especially With the United States," pages 281 ff., 357 ff., 504 ff., and 731 ff. For the temporary revival of this discussion in consequence of the interview on June 5, 1938, between Ambassador Davies and Stalin, see despatch No. 1348, June 9, 1938, page 567, and the unnumbered despatch from Ambassador Davies at Brussels, January 17, 1939, page 594.]

¹⁷ No record of any reply from the Soviet Government to this proposal has been found in the Department files.

AGREEMENT TO FACILITATE AND INCREASE TRADE BETWEEN THE UNITED STATES AND THE SOVIET UNION, EFFECTED BY AN EXCHANGE OF NOTES SIGNED AT MOSCOW ON JULY 13, 1935

611.6131/303 : Telegram

The Secretary of State to the Chargé in the Soviet Union (Wiley)

WASHINGTON, March 27, 1935—9 p. m.

71. You are instructed to seek an early interview with the Commissar for Foreign Affairs¹⁸ and to tell him informally that, in connection with the trade agreements which are now being negotiated by the United States with various countries, the Government of the United States is examining the treatment accorded by foreign countries to the importation of products of the United States with a view to determining whether tariff concessions specified in such agreements may be extended to imports from other countries. You should point out to Mr. Litvinoff that, as he is aware, there is no commercial treaty between the United States and the Soviet Union providing for the extension of such concessions to the Soviet Union. The Government of the United States, however, is favorably disposed towards extending to the Soviet Union tariff concessions granted other countries. But it is not in a position to generalize these concessions to the Soviet Union unless it has assurances that the policies and acts of the Soviet Government with respect to purchase of products of the United States will not defeat the purpose of the trade agreement program, namely, the expansion of foreign markets for products of the United States by affording increased market opportunities for foreign products in the United States.

You should state that you are, therefore, approaching him to ascertain authoritatively the attitude of the Soviet Government with regard to the purchase of products of the United States, in particular, whether, if the Government of the United States generalizes to the Soviet Union modifications of duties and other import restrictions, specified in trade agreements with other countries, such action on the part of the United States would be reciprocated on the part of the Soviet Government by a substantial increase in the purchase of products of the United States. A trade agreement recently signed with Brazil,¹⁹ for instance, provides for a 50 percent reduction in the rate of duty on manganese ore. You should emphasize that it would be difficult for the Government of the United States to justify the generalization of this and other tariff concessions to the Soviet Union if such action on its part did not lead to a continuing and substantial increase in the exports of American goods to the Soviet Union.

¹⁸ Maxim Maximovich Litvinov.

¹⁹ For text of the agreement signed on February 2, 1935, see Department of State Executive Agreement Series No. 82, or 49 Stat. 3808.

In view of the necessity of an early decision by this Government regarding the countries to which the generalization of tariff concessions will not be extended, a prompt reply from the Soviet Government is desired. If, as this Government hopes, the Soviet Government's attitude toward the purchase of American products is such that increased American exports to the Soviet Union will result, the Government of the United States will extend to the Soviet Union concessions granted to other countries.

For your information and guidance. 1. Department considers it essential that the assurances of the Soviet Government be given in writing. 2. An offer on the part of the Soviet Government to extend most favored nation treatment to American imports or not to discriminate against American goods, would, in view of the Government monopoly of foreign trade, be valueless, and consequently completely unacceptable. In the opinion of the Department, the expansion of the market for American products in the Soviet Union as a result of increasing the market opportunities for Soviet products in the United States can be assured only through a commitment on the part of the Soviet Government to increase substantially its purchases in the United States.

Inform Department promptly by cable of results of your conversation with Commissar for Foreign Affairs.

HULL

611.6131/305 : Telegram

The Chargé in the Soviet Union (Wiley) to the Secretary of State

Moscow, April 2, 1935—5 p. m.

[Received April 2—6:50 a. m.]

133. Your 71, March 27, 9 p. m. Saw Litvinov this afternoon. He stated that he would confer with Rosengoltz and give me written reply. He attempted to assume that "vague" assurances would suffice. I insisted that you would expect a definite commitment.

WILEY

611.6131/306 : Telegram

The Chargé in the Soviet Union (Wiley) to the Secretary of State

Moscow, April 5, 1935—7 p. m.

[Received April 5—2:45 p. m.]

135. Your 72 [71], March 27, 9 p. m., and my 133, April 2, 5 p. m. Litvinov sent for me this afternoon. In a particularly amiable mood he assured me that the Soviet Government was prepared in principle to meet your desires in order to obtain tariff concessions on most fav-

ored nation basis. He stated that it would be impossible to stipulate "rigidly" the volume of future Soviet purchases in the United States but declared that they would be substantially increased; for example, in 1935 purchases would approximately double those of last year and would probably amount to some \$30,000,000. He suggested if agreeable to you an exchange of notes and proposed to hand me his draft note within the next several days.

WILEY

611.6131/315

*Memorandum by the Chief of the Division of Eastern European Affairs (Kelley)*²⁰

[WASHINGTON,] April 6, 1935.

If Mr. Litvinoff confirms in writing that Soviet purchases in the United States in 1935 will probably amount to some \$30,000,000, I think that we should consider that such assurance is quite adequate and furnishes a satisfactory basis for generalizing to the Soviet Union tariff concessions accorded other countries.

You will note from the following figures that purchases in the amount of \$30,000,000 will involve a considerable increase over Soviet purchases in the United States in recent years:

American Exports to the Soviet Union

1932—	\$12, 640, 891
1933—	8, 997, 307
1934—	14, 866, 515

ROBERT F. KELLEY

611.6131/307 : Telegram

The Chargé in the Soviet Union (Wiley) to the Secretary of State

Moscow, April 10, 1935—2 p. m.

[Received 4:45 p. m.]

140. My 135, April 5, 7 p. m. I was called to the Foreign Office last evening where Rubinin handed me two drafts for an exchange of notes. The first of these would be addressed by the Embassy to the People's Commissar and would offer unconditionally and without limit in time to the Soviet Union tariff concessions specified in the trade agreement between the United States and Belgium²¹ and in all respects to give Soviet products most-favored-nation treatment.

The second note, a reply to the Embassy, would agree "to take measures for a substantial increase of purchases by the USSR in the

²⁰ Addressed to the Secretary of State, the Under Secretary of State, Assistant Secretary of State Moore, and Assistant Secretary of State Sayre.

²¹ For text of the agreement signed February 27, 1935, see Department of State Executive Agreement Series No. 75, or 49 Stat. 3680.

United States". The Department will note that in the Soviet draft there is no reference to a "continuing" increase, a point which I emphasized in my conversation with Litvinov or indication of the amount of increase or that purchases in the United States would be of products of American origin.

In my conversation with Rubinin I expressed doubt that my Government would care to effect an exchange of notes as proposed. The texts in careful translation are as follows :

"Mr. People's Commissar: I have the honor to inform you that on the basis of the decision of the President of the United States of America the Treasury Department has extended to the products of the soil and industry of the Union of Soviet Socialist Republics imported into the territory of the United States of America the customs privileges granted to Belgium on the basis of the trade agreement between the United States of America and Belgium signed on February 27th, 1935.

By authority of my Government I have the honor to confirm that also in the future the products of the soil and industry of the Union of Soviet Socialist Republics imported into the territory of the United States of America will in all respects enjoy the regime of the most-favored-nation; in particular the levying of customs duties on these goods will be effected at the most privileged rates established by the Government of the United States on the basis of the provisions of the customs legislation or in pursuance of treaties and agreements with third countries.

In view of the fact that the policy of tariff concessions pursued at the present time by the Government of the United States has for its purpose the extension of the trade of that state the Government of the United States expresses the hope that the Government of the Union of Soviet Socialist Republics taking into consideration the above stated consent of the United States to extend to the products of the soil and industry of the USSR the regime of the most-favored-nation will take measures for a substantial increase of purchases by the USSR in the United States.

I would be very grateful to you, Mr. People's Commissar, if you inform me within the shortest possible period of time regarding the attitude of the Government of the Union of Soviet Socialist Republics towards the question indicated above.

Accept, et cetera."

"Mr. Chargé d'Affaires: Confirming the receipt of your note of this date I have the honor in the name of my Government to take cognizance of your communication to the effect that on the basis of the decision of the President of the United States of America the Treasury Department has extended to the products of the soil and industry of the USSR imported into the territory of the United States of America the customs privileges granted to Belgium on the basis of the trade agreement between the United States and Belgium signed on February 27, 1935, and that also in the future the products of the soil and industry of the USSR imported into the territory of the United States will enjoy in all respects the regime of the most-favored

nation in particular that the levying of customs duties on these goods will be effected at the most privileged rates established by the Government of the United States on the basis of the provisions of the customs legislation or in pursuance of treaties and agreements with third countries.

"In reply to your inquiry I have the honor to state that in connection with the above-mentioned decision of the Government of the United States, the People's Commissariat for Foreign Trade expresses its consent to take measures for a substantial increase of Soviet purchases in the United States.

Accept, et cetera."

WILEY

611.6131/307 : Telegram

The Secretary of State to the Chargé in the Soviet Union (Wiley)

WASHINGTON, April 20, 1935—3 p. m.

79. Your 140, April 10, 2 p. m. Department desires that you propose as a substitute for the two drafts suggested by the Foreign Office, which for self-evident reasons are unsatisfactory to this Government, the following draft of an identic note to be exchanged between the Ambassador and the People's Commissar for Foreign Affairs with reference to the question of the generalization of tariff concessions to the Soviet Union.

[For paraphrased text of the draft identic note as delivered to the Soviet Commissariat for Foreign Affairs, see telegram No. 81, April 22, 1935, 8 p. m., to the Ambassador in the Soviet Union, *infra*.]

With regard to the exception made with regard to Cuba, you may state, if any question is raised with respect thereto, that an exception with regard to Cuba is made in all commercial agreements concluded by the United States. This can be readily confirmed by the Soviet authorities by consulting Department's Treaty Series, which you may make available to them.

If objection is raised to the insertion in the note of the statement with regard to the amount of purchases during 1935, it is desired that you emphasize, without stating specifically that you are doing so under instructions from the Department, that such a statement is essential in order to enable the Department to meet the considerable opposition which has developed to the generalization of tariff concessions to the Soviet Union. While this opposition comprises elements with which you are familiar, a not unimportant rôle is being played by certain business interests, including manganese interests, which maintain that it is futile to generalize concessions to the Soviet Union since such action would not lead to increased market opportunities for American goods in the Soviet Union and consequently would not further the purpose of the trade agreements program. In these circumstances

the Department desires to be in a position, when justifying the generalization of tariff concessions to the Soviet Union, to indicate specifically the increase in trade which will take place and not to be restricted to referring to a general commitment substantially to increase purchases.

HULL

611.6131/313 : Telegram

The Secretary of State to the Ambassador in the Soviet Union
(Bullitt)

WASHINGTON, April 22, 1935—8 p. m.

81. Your 156, April 22, 7 p. m.²² Paraphrase note as follows:

"I have [the] honor to refer to recent conversations in regard to commerce between the United States of America and the Union of Soviet Socialist Republics in relation to the trade agreements program of the United States, and to confirm and to make of record by this note the following agreement which has been reached between the Governments of our respective countries:

The duties proclaimed by the President of the United States of America pursuant to trade agreements entered into with foreign governments or instrumentalities thereof under the authority of the Act entitled, 'An Act to amend the Tariff Act of 1930', approved June 12, 1934,²³ shall be applied to articles the growth, produce or manufacture of the Union of Soviet Socialist Republics as long as this agreement remains in force. It is understood that nothing in this agreement shall be construed to require the application to articles the growth, produce or manufacture of the Soviet Union of duties or exemptions from duties proclaimed pursuant to any trade agreement between the United States of America and the Republic of Cuba²⁴ which has been or may hereafter be concluded.

On its part, the Government of the Union of Soviet Socialist Republics will take steps to increase substantially the amount of purchases in the United States for export to the Soviet Union of articles the growth, produce or manufacture of the United States of America. Such purchases will amount to not less than \$30,000,000 during 1935. The two Governments will consult together regarding the amount of such purchases to be made during each ensuing year.

This agreement shall come into force on the date of signature thereof. It shall continue in effect for 12 months and, if not less than 30 days prior to the expiration of the aforesaid period of 12 months neither Government shall have given notice to the other of intention to modify or terminate it, shall continue in effect thereafter until 30 days from the date on which notice of intention to modify or terminate it shall have been given by either Government."

HULL

²² Not printed.

²³ 48 Stat. 943.

²⁴ For text of the agreement signed August 24, 1934, see Department of State Executive Agreement Series No. 67, or 49 Stat. 3559.

611.6131/312 : Telegram

The Ambassador in the Soviet Union (Bullitt) to the Secretary of State

Moscow, April 25, 1935—8 p. m.
 [Received April 25—2:30 p. m.]

158. Your 79, April 20, 3 p. m. When calling to pay my respects to Litvinov today I mentioned the fact that I had a draft of a note to present to him with regard to the extension of most favored nation treatment to the Soviet Union in exchange for a promise in respect of Soviet purchases in the United States. Litvinov replied "I thought the matter was already settled. I assured Mr. Wiley we would increase our purchases in the United States to double the amount of our purchases last year." I replied that in our opinion a written understanding was more desirable than a verbal agreement. I mentioned the figure you gave of \$30,000,000 worth of Soviet purchases and he replied that it might be possible for the Soviet Union to buy that much this year but that the Soviet Union would find it difficult to agree in writing to do so. I told him that I did not wish to go into the matter in detail as my call was merely one of courtesy but that I would call on him with the draft of note within the next 2 days.

BULLITT

611.6131/314 : Telegram

The Ambassador in the Soviet Union (Bullitt) to the Secretary of State

Moscow, May 4, 1935—9 p. m.
 [Received 9:40 p. m.]

176. Your 79, April 20, 3 p. m. Discussed draft of note granting most favored nation treatment to Soviet products in exchange for definite written promise to purchase \$30,000,000 worth of goods this year in the United States with Litvinov today. He stated that he did not wish to indicate that the Soviet Government would not buy as much as \$30,000,000 worth of goods and that he was ready to express the opinion that the purchases of the Soviet Government would approach that figure but that his Government was not ready to make any promises to purchase any fixed amount.

I pointed out to him that if his Government should adhere to this attitude the Government of the United States would find it most difficult, if not impossible, to extend most favored nation treatment to the products of the Soviet Union. He replied abruptly, "We shall not do it," then added that he desired before giving a definitive answer to discuss the matter further with various Commissariats.

BULLITT

611.6131/317 : Telegram

The Ambassador in the Soviet Union (Bullitt) to the Secretary of State

Moscow, May 16, 1935—5 p. m.

[Received May 17—9:20 a. m.]

202. My 192, May 14, 1 p. m.²⁵ Litvinov this afternoon handed me a counter draft of note reading as follows:

"I have the honor to refer to recent conversations in regard to commerce between the United States of America and the Union of Soviet Socialist Republics and to the trade agreements program of the United States and to confirm and to make of record by this note the following agreement which has been reached between the governments of our respective countries:

As long as this agreement remains in force, articles the growth produce or manufacture of the Union of Soviet Socialist Republics imported into the United States of America will enjoy there in all respects the most favored nation treatment and especially with respect to customs duties proclaimed by the President of the United States of America pursuant to any trade agreement ratified or having come into force under the authority of the Act entitled 'An Act to amend the Tariff Act of 1930' approved June 12th 1934. It is understood that nothing in this agreement shall be construed to require the application to articles the growth produce or manufacture of the Soviet Union of duties or exemptions from duties proclaimed pursuant to any trade agreement between the United States of America and the Republic of Cuba which has been or may hereafter be concluded.

On its part the Government of the Union of Soviet Socialist Republics will take steps to increase substantially the amount of purchases in the United States for export to the Soviet Union of articles the growth produce or manufacture of the United States of America.

This agreement shall come into force on the date of signature thereof. It shall continue in effect for 12 months. Both parties agree that not less than thirty days prior to the expiration of the aforesaid period of twelve months they shall start negotiations regarding the extension of the period during which the present agreement shall continue in force.

Accept Excellency, et cetera".

He stated positively that the Soviet Government would not under any circumstances agree to purchase a definite quantity of American goods and added that as Soviet purchasing plans are now made on a one year basis the Soviet Government would undertake no obligations for a longer period than a year.

I said to Litvinov that I regretted this decision greatly as I considered that it meant the death of the proposal and that the Soviet Union would not get most favored nation treatment. He made no reply.

BULLITT

²⁵ Not printed.

611.6131/317 : Telegram

*The Secretary of State to the Ambassador in the Soviet Union
(Bullitt)*

WASHINGTON, May 27, 1935—6 p. m.

111. Your 202, May 16, 5 p. m.

1. While Department would prefer to have statement with regard to the amount of Soviet purchases to be made in the United States in 1935 contained in the identic note to be exchanged with reference to the generalization of tariff concessions to the Soviet Union, it is prepared to agree to the omission of this statement provided Soviet Government will address you a separate note referring to the undertaking of the Soviet Government to increase substantially purchases in the United States of articles the growth, produce, or manufacture of the United States and informing you that it is contemplated that such purchases during the year 1935 will amount to \$30,000,000. Department would like to be in a position to publish this note, together with the identic note. If, however, the Soviet Government will agree to send such a note only on condition that it will be treated as confidential, Department is willing to do so and withhold it from publication, provided the Soviet Government has no objection to the Department making at the time of the publication of the identic note a statement to the effect that the Department has been informed that Soviet purchases in the United States will amount to at least \$30,000,000 in 1935.

For your information. For reasons stated in last paragraph of its 79, April 20, 3 p. m., it is important that Department be able to indicate specifically the increase in trade which will take place. It is not fixed on any one method and if you are unable to reach an agreement along the lines mentioned above, Department will be glad to consider counter-proposals. In an informal discussion of this matter at the Department on May 24,²⁶ Ambassador Troyanovsky suggested the possibility that Boiev might be authorized to address a communication to the Department stating that purchases of the Soviet Government in the United States in 1935 will amount to a minimum of \$30,000,000.

2. The Department is unable to agree to the text of the Soviet counter-draft providing for general most favored nation treatment. You should point out that, under the language of the Department's draft, the Soviet Union would be assured of the benefit of all tariff reductions made in agreements with foreign countries (Cuba excepted, of course), since the only reductions which have been, or are likely to be, made in the American tariff under agreements with foreign coun-

²⁶ See last paragraph of memorandum of May 24, 1935, by the Chief of the Division of Eastern European Affairs, p. 189.

tries are those which will be made under the authority of the Foreign Trade Agreements Act of 1934. In view of the fact that the occasion for the exchange of notes with the Soviet Union is a question of generalizing tariff reductions made under the Trade Agreements Act, it is desired that the proposed exchange of notes be definitely related thereto.

For your information in the event that the Soviet Government should advance as a reason for proposing general most favored nation treatment the desire to eliminate the tax now imposed on Soviet coal. Section 601 (c) (5) of the Revenue Act of 1932²⁷ provides that the tax imposed on imported coal shall not apply to countries whose imports of this product from the United States are greater than its exports to the United States. Under this provision, directly or through operation of the most favored nation clause of treaties, coal from certain countries is exempt from this tax, while coal from the Soviet Union is not. As a matter of municipal law, it is questionable whether an exemption from this tax through the operation of the most favored nation clause could be obtained by the Soviet Union by an executive agreement of the kind under consideration rather than by formal treaty. In the event that the Soviet authorities raise the question of the treatment of Soviet coal, you should inform them of this situation and explain that for legal reasons this Government could not agree to a general most favored nation clause as contained in the Soviet counter-draft, emphasizing that if such a clause were contained in the note, effect very possibly could not be given to it with regard to the tax on Soviet coal.

HULL

611.6131/319 : Telegram

The Ambassador in the Soviet Union (Bullitt) to the Secretary of State

Moscow, June 3, 1935—10 p. m.

[Received June 4—6:37 a. m.]

219. Your 111, May 27, 6 p. m. This afternoon I discussed with Litvinov the question of the extension of most-favored-nation treatment to the Soviet Union in exchange for a promise to purchase at least \$30,000,000 worth of American products this year. I explained to him the reasons for our desire to follow the wording of our original note and said that we desired not an expression of an intention to purchase but a statement that the Soviet Government would purchase at least \$30,000,000 worth of products this year. Litvinov replied that every government in the world had attempted to obtain a similar

²⁷ Approved June 6, 1932; 47 Stat. 169, 260.

promise from the Soviet Union and that he did not wish to create an undesirable precedent.

He suggested that we should exchange notes specifying that the Soviet Government intended to increase its purchases in the United States this year and that a few days later I should write him a note asking how much the Soviet Government intended to purchase in the United States during the coming year and that he should write a reply expressing the intention of the Soviet Government to purchase in the United States at least \$30,000,000 worth of American products. I replied that an expression of intention meant little as an intention could be changed immediately. He agreed and said that he did not wish to make any binding promise. I said that we desired a definite statement that the Soviet Government would purchase a specific amount and suggested that if he desired to separate the transaction into two notes I should first write him asking how much the Soviet Government would purchase in the United States this year, that he should reply immediately that \$30,000,000 worth of American goods would be purchased and that a week later or as long thereafter as he might desire we should exchange notes with regard to most-favored-nation treatment. After that he would try to work out a formula and would discuss the matter with me within a few days.

BULLITT

611.6131/320 : Telegram

The Ambassador in the Soviet Union (Bullitt) to the Secretary of State

Moscow, June 19, 1935—10 p. m.

[Received June 20—1:20 p. m.]

243. Litvinov handed me today the following draft of note:

“Excellency: I have the honor to refer to recent conversations in regard to commerce between the United States of America and the Union of Soviet Socialist Republics and to the trade agreements program of the United States and to confirm and to make of record by this note the following agreement which has been reached between the Governments of our respective countries:

“1. With respect to customs duties or charges of any kind imposed on or in connection with importation or exportation, and with respect to the method of levying such duties or charges and with respect to all rules and formalities in connection with importation or exportation and with respect to all laws or regulations affecting the sale, taxation or use of imported goods within the country, any advantage, favor, privilege or immunity which has been or may hereafter be granted by the United States of America to any article originating in or destined for any third country shall as long as this agreement remain in force be accorded immediately and unconditionally to the like

article originating in or destined for the Union of Soviet Socialist Republics.

This treatment shall especially be applied with respect to customs duties proclaimed by the President of the United States of America pursuant to any trade agreement ratified or having come into force under the authority of the Act entitled 'An Act to Amend the Tariff Act of 1930' approved June 12th, 1934. It is understood that nothing in this agreement shall be construed to require the application to articles, the growth, produce or manufacture of the Soviet Union of duties or exemptions from duties proclaimed pursuant to any trade agreement between the United States of America and the Republic of Cuba which has been or may hereafter be concluded.

2. On its part the Government of the Soviet Socialist Republics will take steps to increase substantially the amount of purchases in the United States for export to the Soviet Union of articles the growth, produce or manufacture of the United States of America.

3. This agreement shall come into force on the date of signature thereof. It shall continue in effect for 12 months. Both parties agree that not less than 30 days prior to the expiration of the aforesaid period of 12 months they shall start negotiations regarding the extension of the period during which the present agreement shall continue in force. Accept Excellency the renewed assurances of my highest consideration."

He also handed me the following draft of a supplementary letter:

"Dear Ambassador: In reply to your inquiry regarding the intended purchases by the Union of Soviet Socialist Republics in the United States of America within the next 12 months, I have the honor to bring to your knowledge that, according to information received from the People's Commissariat for Foreign Trade, it is intended to purchase in the United States of America goods to the value of 30 million dollars.

"Accept dear Ambassador the renewed assurances of my highest consideration."

Litvinov said that his note had been drafted in the language of a treaty which had been signed in 1935 by the United States and Czechoslovakia.²⁸

I replied that I did not wish to comment on his draft note before having studied it but should like to ask him certain questions which a cursory glance raised in my mind: (1) Would the Government of the Soviet Union have any objection to repeating the pledge in article 1 of his note *mutatis mutandis* replacing the words "United States of America" by "Union of Soviet Socialist Republics" and "Union of Soviet Socialist Republics" by "United States of America"?

He replied that the Soviet Government would have no objection to making such a pledge; but that just as we had insisted on withdrawing

²⁸ For text of the treaty signed on March 29, 1935, see Department of State Executive Agreement Series No. 74, or 49 Stat. 3674.

the application of the agreement to Cuba so the Soviet Government would be obliged under its habitual treaty practice to reserve from the application of the agreement Estonia, Latvia, Lithuania, Turkey, Iran, Afghanistan, Sinkiang and Outer Mongolia.

It is my understanding, therefore, that between articles 1 and 2 of the draft note the Soviet Government is ready to include the first paragraph of article 1 *mutatis mutandis* and a second paragraph reading "It is understood that nothing in this agreement shall be construed to require the application to articles the growth, produce or manufacture of the United States of America of duties or exemptions from duties proclaimed pursuant to any trade agreement between the Soviet Union and Estonia, Latvia, Lithuania, Turkey, Iran, Afghanistan, Sinkiang and Outer Mongolia which have been or may hereafter be concluded. ["]

(2) I then asked Litvinov if he could define for me more exactly the meaning of the words in his supplementary letter "it is intended to purchase, et cetera". He said that it was the genuine intention of the Soviet Government to purchase this amount of goods in the United States this year and that this amount of goods would be purchased unless entirely unforeseen circumstances should arise. I pointed out that it would be much more satisfactory in every way if he could replace the words "will". He replied that it was absolutely out of the question for the Soviet Government to make a definite pledge of this nature.

With regard to the expression of intention in the supplementary letter, I venture to call to the attention of the Department the statement made to me yesterday by the German Commercial Attaché here to the effect that in spite of the fact that the German Government had extended large credits to the Soviet Government and that the Soviet Government had expressed its intention to utilize these credits the Soviet Government was purchasing almost nothing in Germany and was not utilizing those credits.

Nevertheless, I have reason to believe that Stalin has recently told all the commissar[s] that he is most dissatisfied with the present state of relations between the Soviet Union and the United States and has directed them to pursue a policy of greater friendliness and if the note of Litvinov to me should be published and commented on by the American press as a pledge to purchase \$30,000,000 worth of goods this year the Soviet Government would risk jeopardizing the remnant of its good will in the United States by failing to adhere to its expressed intention.

BULLITT

611.6131/320 : Telegram

*The Secretary of State to the Ambassador in the Soviet Union
(Bullitt)*

WASHINGTON, July 1, 1935—7 p. m.

142. Your 243, June 19, 10 p. m.

1. Department desires that you make every effort to persuade Soviet Government to accept proposal contained in second paragraph its 81, April 2 [22], 8 p. m. instead of Litvinov's proposal for general most-favored-nation treatment based on American-Czechoslovak agreement. For reasons set forth in part 2 of Department's 111, May 27, 6 p. m., which you are authorized to bring to the attention of the Soviet Government, Department is unable to agree to incorporate in exchange of notes with Soviet Union provision for general most-favored-nation treatment as incorporated in exchange of notes with Czechoslovakia. You should state that the considerations set forth in the above-mentioned telegram were not of practical importance in the case of Czechoslovakia as coal is not imported from that country.

2. For your confidential information. In the event that the Soviet Government should insist on a general most-favored-nation clause it would be necessary for the Department to make an exception with respect to the tax imposed on coal from the Soviet Union. For reasons of general foreign trade policy the Department desires to avoid employing the general most-favored-nation clause when an exception of this sort is necessary.

3. Parts 2 and 3 of Litvinoff's draft are acceptable to the Department. Words "Union of" should, of course, be inserted before "Soviet Socialist" in part 2.

4. Draft of supplementary letter is acceptable to the Department which assumes that Soviet Government has no objection to the publication of this letter. Department desires insertion of word "American" before the phrase "goods to the value of \$30,000,000."

5. Department does not desire to make provisions of part 1 of draft note reciprocal.

6. Wherever the United States is mentioned in the agreement use full title "United States of America."

7. It is important to expedite action since question of generalization of tariff reductions to Soviet Union must be settled prior to proclamation of trade agreement with Brazil which it is hoped will be ratified by Brazilian Government in the very near future, perhaps this week.²⁹

HULL

²⁹ Brazil ratified this agreement November 30, 1935.

611.6131/322 : Telegram

The Ambassador in the Soviet Union (Bullitt) to the Secretary of State

Moscow, July 4, 1935—4 p. m.
[Received July 5—2:48 a. m.]

264. Your 142, July 1, 7 p. m. I discussed with Litvinov today our draft of note. There was agreement on all points except the paragraph reading:

"It is understood that nothing in this agreement shall be construed to require the application to articles the growth, produce or manufacture of the Soviet Union of duties or exemptions from duties proclaimed pursuant to any trade agreement between the United States of America and the Republic of Cuba which has been or may hereafter be concluded."³⁰

I explained to Litvinov the difficulty caused by section 601 (c) (5) of the Revenue Act of 1932 and asked him to accept our language assuring him that the only reductions which have been made or are likely to be made in American tariff articles in agreements with foreign countries (Cuba excepted) are those which will be made under the authority of the Foreign Trade Agreements Act of 1934 and that the Soviet Union therefore would be assured of the benefit of all American tariff reductions made as a result of agreements with foreign countries.

Litvinov said that the Soviet Union did not desire to claim the special exemption under section 601 (c) (5) of the Revenue Act of 1932. He called in the Economic Adviser of the Soviet Foreign Office Rosenblum who stated that in addition to the special exemption under section 601 (c) (5) of the Revenue Act 1932, referred to above, the Government of the United States accorded by unilateral act special lowered tariffs on coal to countries which had trade agreements with the United States. He said that these special lowered tariffs had existed before June 12, 1934, that they still existed and that under your wording of the paragraph quoted above coal from Great Britain and various other countries would enjoy lower tariffs on entering the United States than coal from the Soviet Union.

I replied that my knowledge of our coal tariffs was insufficient for me to comment of [on] his statement but that I was certain that our Government had no desire to discriminate against the Soviet Union and that I would telegraph you immediately asking for clarification with respect to this point.

If the paragraph of our draft note quoted above can be clarified or supplemented to meet this objection I believe that we may consider

³⁰ Quotation of this passage is apparently an error. See paragraph 4, telegram No. 144, July 6, 1935, 4 p. m., to the Ambassador in the Soviet Union, *infra*.

this negotiation close to conclusion. Litvinov will be in Moscow all this week ready for action.

BULLITT

611.6131/322 : Telegram

*The Secretary of State to the Ambassador in the Soviet Union
(Bullitt)*

WASHINGTON, July 6, 1935—4 p. m.

144. Your 264, July 4, 4 p. m.

1. While statement of Soviet Economic Adviser is not clear, Department believes that he refers to the proviso which was in paragraph 1650, dealing with coal of the Tariff Act³¹ to the effect that "if any country . . . imposes a duty on any article specified in this paragraph, when imported from the United States, an equal duty shall be imposed upon such article coming into the United States from such country". This proviso was repealed by the Trade Agreements Act of June 12, 1934, and since that date, of course, no duties have been collected under that proviso.

2. The only charge now levied specifically on importations of coal is the tax imposed under Section 601(c) (5) of the Revenue Act of 1932, as amended, in the case of coal imported from a country which exports more coal, coke and briquettes to the United States than it imports from the United States and which does not have a most-favored-nation treaty with the United States.

3. Canada is exempt from the tax under Section 601 (c) (5) because it imports more coal and coke from the United States than it exports to the United States. Great Britain, Belgium, and certain other countries are exempt from the tax on coal or coke through the operation of the most-favored-nation clause contained in treaties, between the United States and those countries. As stated in second paragraph of section 2 of Department's 111 May 27, 6 p. m., coal from the Soviet Union is not exempt from this tax and for reasons there set forth exemption cannot be obtained through the operation of the most-favored-nation clause in an executive agreement of the kind under consideration. The Revenue Act in question provides for the imposition of the tax "unless treaty provisions of the United States otherwise provide."

4. The Department assumes that you intended to quote the first sentence in second paragraph Department's 81 April 22, 8 p. m., rather than the second sentence quoted in first paragraph of your telegram. Since the Soviet Economic Adviser's objection is based on a misunderstanding, no change in the wording of the second paragraph Department's 81 April 22 is necessary.

HULL

³¹ Tariff Act of 1930, approved June 17, 1930; 46 Stat. 590, 676.

611.6131/323 : Telegram

The Ambassador in the Soviet Union (Bullitt) to the Secretary of State

Moscow, July 8, 1935—6 p. m.
 [Received July 8—3:30 p. m.]

271. Your 144, July 6, 4 p. m. I explained to Litvinov today our reasons for desiring to adhere to our text of the draft of note, I also sent Henderson to explain the matter to Rosenblum, Economic Adviser to the Foreign Office.

Litvinov did not appear to be upset but ended our conversation by saying "Well we shall see what we can do."

I gathered the impression that for political reasons he would like to accept our proposal but that he felt he would have to take up the matter again with Rosengoltz and Stalin.

BULLITT

611.6131/324 : Telegram

The Ambassador in the Soviet Union (Bullitt) to the Secretary of State

Moscow, July 8, 1935—8 p. m.
 [Received July 9—3:45 p. m.]

272. My 270, July 8, 5 p. m.³² We have just received from the Soviet Foreign Office the draft of note quoted below with an indication that the Soviet Government is prepared to sign at the earliest possible moment. As this note is on all fours with our proposal I request authority to sign the identic notes *mutatis mutandis* with Litvinov.

The Soviet Government has suggested informally that the notes should be signed on July 11th and I venture to suggest that the Department should reply to this telegram immediately so that I may inform the Soviet Foreign Office tomorrow that I shall be prepared to sign on the 11th. I shall of course expect Litvinov's letter to me with regard to the intention of the Soviet Government to purchase in the United States in the next 12 months \$30,000,000 worth of American goods, to be signed simultaneously with the signature of the notes.

Inasmuch as the American newspapermen here have repeatedly complained that all news from Moscow is first issued in Washington, I venture to suggest that we should be permitted to give this news to the American correspondents in Moscow immediately after the signature of the notes:

"Moscow July (Blank) 1935. Dear Ambassador: I have the honor to refer to recent conversations in regard to commerce between the Union [of] Soviet Socialist Republics and the United States of Amer-

³² *Post*, p. 221.

ica and to the trade agreements program of the United States of America, and to confirm and to make of record by this note the following agreement which has been reached between the Governments of our respective countries:

The duties proclaimed by the President of the United States of America pursuant to trade agreements entered into with foreign governments or instrumentalities thereof under the authority of the Act entitled, 'An Act to amend the Tariff Act of 1930', approved June 12, 1934, shall be applied to articles the growth, produce or manufacture of the Union of Soviet Socialist Republics as long as this agreement remains in force. It is understood that nothing in this agreement shall be construed to require the application to articles the growth, produce or manufacture of the Union of Soviet Socialist Republics of duties or exemptions from duties proclaimed pursuant to any trade [agreement] between the United States of America and the Republic of Cuba which has been or may hereafter be concluded.

On its part, the Government of the Union of Soviet Socialist Republics will take steps to increase substantially the amount of purchases in the United States of America for export to the Union of Soviet Socialist Republics of articles the growth, produce or manufacture of the United States of America. This agreement shall come into force on the date of signature thereof. It shall continue in effect for 12 months. Both parties agree that not less than 30 days prior to the expiration of the aforesaid period of 12 months they shall start negotiations regarding the extension of the period during which the present agreement shall continue in force.

Accept Dear Ambassador the renewed assurances of my high consideration.

Mr. William C. Bullitt,
Embassy of the United States of America,
Moscow."

BULLITT

611.6131/324 : Telegram

*The Secretary of State to the Ambassador in the Soviet Union
(Bullitt)*

WASHINGTON, July 10, 1935—1 p. m.

147. Your 272, July 8, 8 p. m. Department desires that signature of notes be deferred until July 12, if that date is agreeable to the Soviet Government, in order that the Department may have time to prepare statement to be made by you at time of signature. Department considers the publicity that will be given to the signature of these notes a matter of great importance. Department will telegraph not later than 5 p. m. Washington time July 11 statement to be made by you.

As soon as time of signature has been agreed upon, please notify Department so that it can release to the press simultaneously with signature texts of identic notes, Litvinoff's letter to you with regard to Soviet purchases during the next 12 months, and statement made by you.

HULL

611.6131/324 : Telegram

The Secretary of State to the Ambassador in the Soviet Union
(*Bullitt*)

WASHINGTON, July 11, 1935—5 p. m.

149. Department's 147, July 10, 1 p. m. The following is the text of the statement which the Department would like you to make to the press, in particular to representatives of the American press, at time of signing or when releasing for publication, notes relative to the generalization of tariff concessions to the Soviet Union :

"In connection with the trade agreements program of the Government of the United States, conversations were entered into with the Soviet Government with a view to ascertaining the attitude of the Soviet Government with regard to the expansion of trade between the United States and the Soviet Union. It is the purpose of the trade agreements program to bring about an extension of foreign markets for products of the United States by affording increased market opportunities for foreign products in the United States. In return for assurance of the Soviet Government that it will be its policy to increase substantially its purchases of American products, the United States is prepared to extend to the Soviet Union tariff concessions granted in trade agreements with other countries. The identic notes signed today make of record and confirm this agreement.

You will note that it is stated in the letter from the People's Commissar for Foreign Affairs that it is the intention of the Soviet Government to purchase American goods to the value of \$30,000,000 within the next 12 months. Inasmuch as the value of the exports from the United States to the Soviet Union has averaged only \$12,000,000 during the last 3 calendar years, the purchases contemplated by the Soviet Government will result in a very considerable increase in the exports of American goods to the Soviet Union. I hope that, as a result of the extension to the Soviet Union of tariff concessions made in trade agreements with other countries, there will be also an appreciable increase in Soviet exports to the United States, which have averaged somewhat less than \$12,000,000 during the past 3 years. Increased imports of Soviet products into the United States will provide the Soviet Government with greater purchasing power for American products.

The present agreement, in making provision for an increase in the exchange of goods, lays down, in my opinion, a sound basis for the development of trade between the United States and the Soviet Union, and I am personally very pleased at the considerable increase in American-Soviet trade which is in prospect as a result of the notes exchanged today."

Department has noted the following minor errors in text of identic note transmitted with your 272, July 8, 8 p. m. : use in two places of "Dear Ambassador" in place of "Mr. Ambassador"; omission of "of" before "Soviet Socialist Republics" in first paragraph; omission of "agreement" following the words "pursuant to any trade" in last part of second paragraph; failure to begin a new paragraph with sentence

"This agreement shall come into force," et cetera; use of "high" in place of "highest" in subscription.

With reference to text of supplementary letter from Litvinoff transmitted with your 243, June 19, 10 p. m., "Mr. Ambassador" should be substituted for "Dear Ambassador" in the salutation and subscription of that letter.

HULL

611.6131/325 : Telegram

The Ambassador in the Soviet Union (Bullitt) to the Secretary of State

Moscow, July 11, 1935—5 p. m.

[Received July 11—noon.]

275. The Commissariat for Foreign Affairs has just informed us that Litvinov will leave Moscow the 13th for a long period. I expect to see him tomorrow morning the 12th.

We have also been informed that Litvinov has reverted to his position outlined in my telegram No. 219, June 3, 10 p. m., with regard to date and publication of his letter to me so that it will be necessary to iron out this minor difficulty tomorrow morning.

Apparently he now proposes that his letter shall be in reply to a letter from me, my letter to be dated July 11, the notes to be dated and exchanged July 13th, his letter to me to be signed and delivered July 13th but to be dated July 15th.

I shall attempt to persuade him to date his letter to me July 13 and to consent to its publication simultaneously with the publication of the notes. He apparently will have no objection to publication of his letter to me on July 15 or to our publishing simultaneously with the note a statement worded as follows:

"The Government of the Union of Soviet Socialist Republics has assured the Government of the United States of America that during the 12 month period of this agreement it intends to purchase in the United States American products for export to the Union of Soviet Socialist Republics to the value of \$30,000,000."

I should be obliged if the Department would inform me before I see Litvinov tomorrow if a compromise of this sort would be acceptable.

In case the Department should approve I would send Litvinov the following letter dated July 11:

"Excellency: I have the honor to refer to our recent conversations in regard to commerce between the United States of America and the Union of Soviet Socialist Republics and to ask you to let me know the value of articles the growth, produce or manufacture of the United States of America which the Government of the Union of Soviet Socialist Republics intends to purchase in the United States of Amer-

ica during the next 12 months for export to the Union of Soviet Socialist Republics.

Accept Excellency the renewed assurances of my highest consideration."

The Embassy has agreed to number the three paragraphs which contain the substance of the agreement in the notes to be exchanged. It has also agreed to the insertion between the words "America" and "American" in Mr. Litvinov's letter of the words "during the above-mentioned period".

The Commissariat for Foreign Affairs has proposed that the statement to the press should be issued the afternoon of Saturday the 13th. I should be obliged if the Department would give me its views as to this publication date.

BULLITT

611.6131/325 : Telegram

The Secretary of State to the Ambassador in the Soviet Union
(Bullitt)

WASHINGTON, July 11, 1935—5 p. m.

151. Your 275, July 11, 5 p. m. Department has no objection to your sending Litvinoff the letter proposed in your telegram and dating it July 11.

Department would like to have Litvinoff's letter to you dated July 13. If he insists very strongly on dating it July 15, you are authorized to agree, but in such event the notes and your press statement should not be released to the press until Monday, the 15th.

Department approves changes agreed to by Embassy as set forth in next to last paragraph.

HULL

611.6131/323 : Telegram

The Secretary of State to the Ambassador in the Soviet Union
(Bullitt)

WASHINGTON, July 11, 1935—6 p. m.

150. Your 271, July 8, 6 p. m. In anticipation of an early conclusion of the agreement now under discussion with the Soviet authorities with regard to the generalization of tariff concessions to the Soviet Union, the Department has included the Soviet Union in the list of countries to the products of which are to be applied the duties specified in the trade agreement between the United States and Sweden proclaimed by the President on July 8.²³

HULL

²³ For text of treaty signed on May 25, 1935, see Department of State Executive Agreement Series No. 79, or 49 Stat. 3755. For the generalization of tariff concessions, see Department of State, *Press Releases*, July 13, 1935, p. 43.

611.6131/326 : Telegram

The Ambassador in the Soviet Union (Bullitt) to the Secretary of State

Moscow, July 11, 1935—8 p. m.

[Received July 11—3:40 p. m.]

276. My telegram No. 275, July 11, 5 p. m. This evening unexpectedly I saw Litvinov. He refused to publish the notes and his letter to me simultaneously but agreed to sign them simultaneously at noon July 13th post-dating his letter to me July 15th. He has no objection to the publication of his letter on July 15th and no objection to our stating on July 13th that the Soviet Government has assured us that it intends to purchase \$30,000,000 worth of goods in the United States in the 12 months covered by the notes.

He is ready to arrange publication at any time convenient to us. It occurs to me that Sunday evening, July 14th, at 7 p. m. Moscow time (noon, July 14th Washington time) might be preferable to Saturday afternoon July 13th.

On the other hand if the news should be given out here at 4 p. m. Saturday Moscow time (9 a. m. Washington time) it would be possible for you to publish text of Litvinov's letter to me on Monday, July 15th. He desires 48 hours to elapse between publication of the notes and publication of the letter to me.

I believe that this compromise should be accepted.

I should be obliged if you would reply as soon as possible so that formalities may be arranged.

BULLITT

611.6131/327 : Telegram

The Ambassador in the Soviet Union (Bullitt) to the Secretary of State

Moscow, July 12, 1935—11 a. m.

[Received July 12—6:26 a. m.]

279. Your 151, July 11, 5 p. m., just received. As Litvinov informed me yesterday that the Soviet Government would not consent to his letter to me being published or referred to until 48 hours following the announcement of the exchange of notes it would, I feel, be useless for me to approach him on this subject again unless I should be authorized to state that the American Government will reject the entire agreement unless the announcement of the letter and notes may be made simultaneously.

Your 151, July 11, 5 p. m., was presumably written before the receipt of my No. 276, July 11, 8 p. m. Please telegraph me this morning as early as possible whether the proposal contained in my No. 276,

July 11, 8 p. m., is acceptable so that we can communicate with the Foreign Office today. In case you should approve the proposal in my No. 276, July 11, 8 p. m. I venture to suggest that in the announcement for the press the sentence beginning "you will note" might be replaced by the sentence composing the fifth paragraph of my No. 276 [275], July 11, 5 p. m.

BULLITT

611.6131/327 : Telegram

*The Secretary of State to the Ambassador in the Soviet Union
(Bullitt)*

WASHINGTON, July 12, 1935—5 p. m.

152. Your 276, July 11, 8 p. m., and 279, July 12, 11 a. m.

1. Department suggests that you release to the press at 5 p. m. Saturday July 13, Moscow time (10 a. m. Washington time) text of identic notes signed that day, together with your statement to the press. Department will make available to the press at the same time text of these documents.

2. Department approves the substitution of the sentence quoted in the fifth paragraph of your 275, July 11, 5 p. m., for the sentence beginning "You will note" in the second paragraph of your statement to the press as transmitted in Department's 149, July 11, 5 p. m.

3. Department will make available to the press at 10 a. m. Washington time Monday, July 15, and suggests that you do the same at the same time, text of your letter to Litvinoff dated July 11 and of Litvinoff's reply to you dated July 15.

HULL

611.6131/330 : Telegram

*The Ambassador in the Soviet Union (Bullitt) to the Secretary
of State*

Moscow, July 13, 1935—1 p. m.
[Received July 13—6:34 a. m.]

281. I signed today at 1 o'clock with Litvinov notes and letters and will release notes to press at 5 p. m., this afternoon, Saturday July 13th (10 a. m., Washington time). I venture to suggest that in issuing the text of the identic notes the Department should at the same time make the statement made in the fifth paragraph of my 275, July 11, 5 p. m. I will make available to the press on July 15, 5 p. m. (10 a. m. Washington time) the text of my letter to Litvinov dated July 11 and of Litvinov's reply dated July 15th.

BULLITT

611.6131/335a : Telegram

*The Acting Secretary of State to the Ambassador in the Soviet Union
(Bullitt)*

WASHINGTON, July 15, 1935—5 p. m.

154. For Bullitt from Secretary Morgenthau. Congratulations on breaking the log jam between the United States and Russia.

PHILLIPS

[For text of the agreement effected by exchange of notes July 13, 1935, see Department of State Executive Agreement Series No. 81, or 49 Stat. 3805. For text of press release issued by the Department of State, July 13, 1935, see Department of State, *Press Releases*, July 13, 1935, page 45.]

611.6131/359

*The Ambassador in the Soviet Union (Bullitt) to the Secretary
of State*

No. 728

Moscow, July 19, 1935.

[Received August 2.]

SIR: With reference to my despatch, No. 714, of July 15, 1935,³⁴ enclosing copies of two notes addressed by myself to Mr. Litvinov under dates of July 11, 1935, and July 13, 1935, respectively, and the originals of notes addressed by Mr. Litvinov to me under dates of July 13, 1935, and July 15, 1935, respectively, I have the honor to report that the more important Moscow daily newspapers published in full on July 14, 1935, the texts of the two notes dated July 13, 1935. My note of July 11 and Mr. Litvinov's reply thereto of July 15 have not been published in the Soviet Union and no reference has thus far been made in the Soviet press to the fact that Mr. Litvinov had assured me that it was the intention of the Soviet Government to purchase during the next 12 months American goods to the value of 30 million dollars.

A number of Soviet papers have published editorial comment and articles with respect to the significance and scope of the reciprocal trade agreement between the United States and the Soviet Union which had been effected by the exchange of notes. It would appear that the writers of these comments and articles have been endeavoring to give their readers the impression (1) that the present agreement is merely the first step in the direction of solving the problem of Soviet-American trade relations and of placing those relations on a basis mutually advantageous to both countries; (2) that the agreement represents a shift in the attitude of the Government of the United States brought

³⁴ Not printed.

about through the pressure of American industrial circles which have not been satisfied with the attitude displayed by the American Government in the past with respect to Soviet trade; (3) that influential industrial and other groups in the United States are still dissatisfied with the status of American-Soviet commercial relations and are bringing pressure to bear upon the American Government to place extensive credits at the disposal of the Soviet Government; and (4) that until the United States Government is ready to furnish the Soviet Government with extensive credits and to lift certain barriers which at the present time are excluding certain types of Soviet products in the United States, the volume of trade between the two countries will remain limited, and that if barriers against Soviet products are lifted and credits are granted, the amount of Soviet purchases in the United States could be enormously increased.

As of possible interest to the Department, a number of clippings from the *Moscow Daily News*, the English language newspaper of Moscow, and several translations of articles which have appeared in the Russian language press commenting upon the trade agreement, are attached hereto.³⁵

It will be noted that a number of these articles are devoted to reporting the reactions of the press in the United States to the agreement. The American press articles are so chosen as to make it appear that, with the exception of the Hearst newspapers, the American press not only hails the agreement, but is somewhat critical of the American Government for not having brought about such an agreement earlier and for not having taken still further steps to develop closer economic relations with the Soviet Union. The *Journal of Commerce*, for instance, is stated to have published articles emphasizing the potential markets in the Soviet Union for American machine building and other industries, and pointing out that experience has proved that extensive exports to the Soviet Union require long-term credits (Enclosure No. 6). The *Baltimore Sun* and the *New York Post* are reported to have welcomed the trade agreement and to have criticized the United States Government for not having developed trade relations earlier with the Soviet Union (Enclosure No. 6). The *Baltimore Sun* is said to have stated that the United States in its slowness to come to an understanding with the Soviet Union with respect to trade had "dragged at the tail of events".

The *Moscow Izvestiya* of July 15 (Enclosure No. 3) reports that the American Government took the initiative in bringing about the agreement. "Aware of the profitableness of trade with the Soviet Union", that newspaper says, "the Government of the U. S. A. proposed to the U. S. S. R. to conclude a trade agreement on the basis of the new American trade regulation legislation."

³⁵ Nine enclosures not printed.

The Moscow *Ekonomicheskaya Zhizn* of July 18 (Enclosure No. 7) published an analysis made by its correspondents of the trade policy of the United States and the commercial relations between the United States and the Soviet Union. This analysis attributes the desire displayed by the Government of the United States to denounce high protective tariffs and to bring about the practical adoption of most-favored-nation treatment, based on compensation, to the increasing difficulties which the United States is encountering in selling abroad. It points out that the actual volume of foreign trade of the United States has been reduced to almost one-fourth during the years of the crisis.

The writers of the article take the view that the new methods of the trade policy of the United States in the present situation are not likely, in themselves, to result in a considerable increase in American exports to capitalist countries. There are, however, they intimate, considerable possibilities for the development of trade between the United States and the Soviet Union since the latter "is immune from the calamities of the capitalist crisis" and since it is carrying out a gigantic plan of construction which, under favorable conditions, "may present an enormous market for the sale of the products of the various branches of the U. S. A. economy". "Only extensive banking credits in connection with the Soviet purchases, credits granted on unusual [*usual*] terms" they say, "are capable of increasing Soviet imports to such a degree as to make them of substantial importance to the national economy of the United States".

Respectfully yours,

WILLIAM C. BULLITT

611.6131/374

Memorandum by the Assistant Chief of the Division of Eastern European Affairs (Packer)

[WASHINGTON,] November 30, 1935.

American-Soviet trade relations have now been put on pretty much of a "pay-as-you-go" basis, with the Soviet Government acquiring a very sound financial position in the American market.

In the nine months ending September 30, 1935, gold valued at \$13,063,853 and silver valued at \$1,601,058 (total \$14,664,911) were imported into the United States from the Soviet Union.* In addition, Soviet commodity imports into the United States during the same period have totalled \$12,454,577. The grand total of imports is thus slightly more than \$27,000,000. In the same nine-months' period, American exports to the Soviet Union have totalled only \$15,928,231.

* It is understood that most of these imports are concentrates which have been refined at the Tacoma, Washington, smelter of the American Smelting and Refining Company. Soviet gold production in 1934 was estimated at \$150,000,000; the 1935 figure is expected to reach \$225-\$250 million. [Footnote in the original.]

In short, a favorable balance of some \$11,000,000 has been built up in nine months.†

Although it is not known whether the surplus is being left on deposit here or transferred abroad, there would seem to be no reason why the Soviet Government should not be able to pay largely in cash, if desired, for the orders, totalling \$30,000,000, which it must place here, under the July 13, 1935, exchange of notes, within a year from that date; or, perhaps, even for orders totalling the higher figure of \$50,000,000 which Mr. Bullitt has been informed may be placed here.³⁶

Obviously the Soviet Government should have no difficulty in meeting as due the annual interest charge of \$700,000 on the \$10,000,000 worth of seven per cent bonds placed in the United States through the Soviet-American Securities Corporation.³⁷

E. L. P[ACKER]

PROTEST TO THE SOVIET UNION AGAINST ACTIVITIES OF THE SEVENTH CONGRESS OF THE COMMUNIST INTERNATIONAL AS A VIOLATION OF PLEDGED NONINTERFERENCE IN THE INTERNAL AFFAIRS OF THE UNITED STATES³⁸

861.00 Congress, Communist International, VII/10

The Secretary of State to the Ambassador in the Soviet Union
(Bullitt)

No. 375

WASHINGTON, May 13, 1935.

SIR: Reference is made to the last paragraph of the Department's instruction No. 187 of August 29, 1934,³⁹ concerning the information desired by the Department regarding the Seventh Congress of the

†In this connection it is of interest to note that our total imports from the Soviet Union have practically balanced our exports therefrom in the years 1932, 1933, 1934 and so far this year. The figures for nine months in 1935 (given above) are roughly the same, both as to exports and imports, as the 1934 totals and are somewhat higher than the corresponding figures for 1932 and 1933. The latter year is the only year in many years when American imports from Russia (Soviet Union) have exceeded our imports [*exports*] to that country (excess: \$2,600,000). At the present time there is practically no Soviet commercial indebtedness in the United States. The total Soviet commercial indebtedness abroad is now approximately \$100,000,000 as compared with approximately \$700,000,000 (pre-devaluation) in 1931. [Footnote in the original.]

³⁶ Ambassador Bullitt reported in telegram No. 488, November 20, 1935, 9 a. m., that Soviet Ambassador Troyanovsky, then in Moscow, had told him that Soviet purchases in the United States would total more than \$50,000,000 in 1935, and that \$100,000,000 would be purchased during 1936, if the United States, or American bankers, would make the Soviet Union a loan of \$50,000,000 for 5 years at 4½ percent. (861.51 Soviet American Securities Corp./139)

³⁷ On December 9, 1935, Mr. Packer made a marginal note which read: "From later information, it seems probable that Sherover's recent statement re \$10,000,000 of these bonds having been sold here should have stated R[uble]s 10,000,000. E. L. P." Miles M. Sherover was President of the Soviet American Securities Corporation, 30 Broad Street, New York, N. Y.

³⁸ See pp. 28-29.

³⁹ Not printed.

Communist International which was postponed in September to some undetermined future date.

It would appear from the attached copy of an article in the New York *Daily Worker* of April 24, 1935,⁴⁰ concerning a farewell banquet to be tendered in New York on June 8, 1935, to the American delegates to the Seventh Congress that the Congress will be held some time in the near future, presumably towards the end of June. Consequently, in accordance with the provisions of the above-mentioned instruction it would be appreciated if the Embassy would now, if it has not already done so, effect the arrangements outlined therein with respect to reporting to the Department the proceedings of the Congress.

As of interest in connection with the Congress there is enclosed a statement by the Central Committee of the Communist Party of the United States which appeared in the February 5, 1935, issue of the New York City edition of the *Communist International*⁴⁰ setting forth the topics to be discussed among Party members in the United States in anticipation of the Congress.

The Department does not know as yet the names of the American delegates to the Congress but in the event such information becomes available the Embassy will be advised. In this connection information regarding the identity of the American delegate or delegates stationed permanently in Moscow on the Executive Committee of the Communist International would be of great interest to the Department. Persons acting in this capacity now may possibly be identical with either McIlhone, Grossman, or Sherman whose names were contained as signatories to an announcement of the Executive Committee of the Communist International regarding the death of Mr. V. S. Mitskievicz-Kapsukas which appeared in the March 20, 1935, issue of the New York City edition of the *Communist International*. Efforts to identify these signers have been fruitless.

Very truly yours,

For the Secretary of State:

R. WALTON MOORE

861.00 Congress, Communist International, VII/11 : Telegram

The Ambassador in the Soviet Union (Bullitt) to the Secretary of State

Moscow, June 22, 1935—7 p. m.
[Received June 22—3:30 p. m.]

249. It is extraordinarily difficult to obtain any exact information here as to the meeting of the Third International which is scheduled to take place soon in Moscow.

⁴⁰ Not reprinted.

Borodin a few days ago went so far as to say "it will take place on" then caught himself and said "I really do not know the date. It is, you know, to be an absolutely secret conference".

I am told on excellent authority that William Z. Foster is now in a rest home near Moscow in a condition of such acute nervousness that he is incapacitated for work.

Any indications that you can give me as to the sailing dates of American delegates to this Conference will be appreciated.

BULLITT

861.00 Congress, Communist International, VII/13 : Telegram

*The Ambassador in the Soviet Union (Bullitt) to the Secretary
of State*

Moscow, July 2, 1935—7 p. m.

[Received July 3—4:45 p. m.]

262. Louis Fischer called on me today obviously under the instructions of some agency of the Soviet Government. He informed me that an unexpected result had been produced by the secret meetings of the leaders of the Third International now in progress in the country near Moscow. It had been decided that a full Congress of the Third International should be held in Moscow at the end of July or the beginning of August. Fischer said that while no outsiders would be admitted to the meetings of the Congress it had been decided that an account of the proceedings should be published.

He then asked me whether or not the United States would protest to the Soviet Foreign Office if Browder or some other American Communist should attack the United States in the Congress. I replied that I could not answer such a hypothetical question.

He then said that he had just been rereading the notes exchanged between the President and Litvinov⁴² and that he felt personally that such a speech at such a Congress would constitute a violation of Litvinov's pledge with regard to propaganda and that he was most disturbed because of the possible effect on Soviet-American relations.

I should be glad to have the Department's advice as to the line I should take if Litvinov or anyone else should by chance ask me a similar hypothetical question.

BULLITT

⁴² See pp. 27-29.

861.00 Congress, Communist International, VII/13 : Telegram

*The Secretary of State to the Ambassador in the Soviet Union
(Bullitt)*

WASHINGTON, July 3, 1935—4 p. m.

143. Your 262, July 2, 7 p. m. You will note from Department's 202, August 14, 1934, 3 p. m.,⁴³ that the Department considers that (1) the discussion of policies and activities of the Communist Party of the United States at meetings in the Soviet Union of organs of the Communist International, (2) the adoption of resolutions at such meetings containing proposals pertaining to activities in the United States, and (3) the participation of representatives of the Communist Party of the United States in the proceedings of such meetings constitute violations of the propaganda pledges contained in Litvinoff's note to the President of November 16, 1933.⁴⁴ In the event that the question of the attitude of this Government in this matter is brought up by Litvinoff or anyone else, you should not hesitate to set forth clearly the position of this Government as indicated in the Department's 202, August 14, 1934, 3 p. m., emphasizing that the American people are most sensitive with respect to interference of foreign countries in their domestic affairs and that the American Government expects that the Soviet Government will take appropriate means to prevent acts in disregard of the solemn pledges given by Mr. Litvinoff on behalf of the Soviet Government.

HULL

861.00 Congress, Communist International, VII/15 : Telegram

*The Ambassador in the Soviet Union (Bullitt) to the Secretary
of State*

Moscow, July 8, 1935—5 p. m.

[Received 6 : 50 p. m.]

270. I learned last night from a Soviet source that I consider authoritative that the Congress of the Third International would begin on or about July 20 and close on or about August 5. I was further informed that speeches made and resolutions adopted would be published and it was alleged that the resolutions and directives had already been prepared in final form.

This afternoon at the close of a conversation Litvinov said that he regarded the general international outlook with extreme pessimism. I replied that in addition to my concern over the present international

⁴³ *Ante*, p. 132

⁴⁴ *Ante*, p. 28.

situation I was gravely concerned with regard to the impending meeting of the Third International. Litvinov said: "What? Is there to be one?" I answered: "Yes, on the 20th of this month." Litvinov replied with a broad grin: "You know more about the Third International than I do. The other day when I was talking with Stalin I said that I had heard there was to be a meeting of the Third International on the 10th of this month. Stalin replied: 'Is there?' He knew no more about it than I do."

I answered: "You will have to tell that one to somebody else. You cannot expect me to believe that Stalin knows nothing about the Third International." Litvinov replied: "No, I assure you." I then said: "Well, I feel that I ought to say at least that if the Third International does meet and if it concerns itself in any way with the United States our relations will be so gravely prejudiced that it is impossible to predict the consequences." Litvinov with another broad grin and a wave of the hand passed off my statement with the remark: "I know nothing about it."

It seems to me clear from Litvinov's demeanor today that he intends to take the attitude that the Soviet Government has no connection with the Third International and knows nothing whatsoever about its activities.

In accordance with the Department's telegram No. 143, July 3, 4 p. m., I have indicated on several occasions that the United States Government would take the gravest view of a violation of the pledges contained in Litvinov's note of November 16, 1933 to the President.

I feel that there is a possibility that if I continue to intimate that a disregard by the Soviet Government of Litvinov's pledges to the President may result in a severance of diplomatic relations a restraining hand may be placed on the activities of the Congress of the Third International with respect to the United States.

Nevertheless, I have small hope that the Soviet Government will exclude American Communists from this Congress or except the United States from the resolutions and directives of the Congress and I venture to suggest that it is not too early to consider the precise course of action we should take if Litvinov's pledges should be violated.

The next time I see Litvinov I shall attempt to draw him down from his jocosse attitude toward the question. It may be, of course, that the remarks I have let drop already have led to a decision to make the Congress entirely secret and that Litvinov's levity was due to this fact but I do not believe that this is the case and think we should be prepared for any eventuality.

BULLITT

861.00 Congress, Communist International, VII/16 : Telegram

The Ambassador in the Soviet Union (Bullitt) to the Secretary of State

Moscow, July 9, 1935—9 p. m.

[Received July 10—4:20 a. m.]

273. My No. 270, July 8, 5 p. m., and [No.] 272, July 9 [8], 8 p. m.⁴⁵ I have just received definite information that the remarks I have let drop with regard to the effect on Soviet-American relations of the scheduled meeting of the Third International have caused Litvinov, Voroshilov and Molotov to protest vigorously to Stalin against the holding of the Congress. In view of this fact I feel that the decision to hold the Congress may be reversed and in any event believe that the possibility that the Congress will be held should not make us hesitate to sign at once the notes with respect to trade.

BULLITT

861.00 Congress, Communist International, VII/18 : Telegram

The Ambassador in the Soviet Union (Bullitt) to the Secretary of State

Moscow, July 13, 1935—2 p. m.

[Received July 13—1:50 p. m.]

282. My telegram No. 281, July 13, 1 p. m.⁴⁶ After signing the notes and letters today I had a moment of conversation with Litvinov. He said that he had again telegraphed to London and Paris this morning asking whether or not he was to expect an appeal from Abyssinia to convoke immediately the Council of the League of Nations and that he was waiting for a reply.

I then said to Litvinov that I hoped before he left Moscow he could assure me that the Congress of the Third International would not take place. He replied "What Congress? I know nothing about it."

I said to him that the Government of the United States had not forgotten and was recalling vividly at this moment the promises contained in paragraph 4 of his note to the President on the subject of propaganda signed by him just before the resumption of relations and that the Government of the United States expected the promises of the Soviet Government to be respected.

He mumbled with distinct signs of annoyance and rising temper: "I remember I said I could not promise anything about the Third International." I answered that I feared most serious consequences if the pledge of his Government should not be respected.

BULLITT

⁴⁵ *Ante*, p. 208.

⁴⁶ *Ante*, p. 214.

861.00 Congress, Communist International, VII/20: Telegram

The Ambassador in the Soviet Union (Bullitt) to the Secretary of State

Moscow, July 19, 1935—9 p. m.
[Received July 20—3:20 p. m.]

293. This afternoon I was informed by a member of the Soviet hierarchy, whose statements to me in the past usually have been reliable, that the Congress of the Communist International will meet today. He stated that the Congress would be brief and predicted that all resolutions and declarations would be published before August 1st. He asserted that no direct or indirect reference to the United States would be permitted. The delegates to the Congress, with the exception of Cachin, have remained in hiding and undoubtedly it will be most difficult for us to obtain authoritative information. It seems to me essential that I should remain in Moscow until the close of the Communist Congress and I have therefore canceled my arrangements to meet my daughter in Odessa this week.

BULLITT

761.00/260

The Ambassador in the Soviet Union (Bullitt) to the Secretary of State

[Extracts]

No. 730

Moscow, July 19, 1935.
[Received August 2.]

SIR: I have the honor to report that the contemplated meeting of the Communist International has caused violent discussions in the Kremlin during the past two weeks and that the entire position of the Soviet Union in world affairs has been discussed by Stalin with his chief political and military assistants.

I have no reliable information as to the content of these discussions; but I have had so many talks with leaders of the Soviet Union during the past few months that it occurs to me the Department perhaps might be interested in a statement of the conclusions I have reached with regard to the present and future policy of the Soviet Union.

Contrary to the comforting belief which the French now cherish, it is my conviction that there has been no decrease in the determination of the Soviet Government to produce world revolution. Diplomatic relations with friendly states are not regarded by the Soviet Government as normal friendly relations but "armistice" relations and it is the conviction of the leaders of the Soviet Union that this "armistice" can not possibly be ended by a definitive peace but only

by a renewal of battle. The Soviet Union genuinely desires peace on all fronts at the present time but this peace is looked upon merely as a happy respite in which future wars may be prepared.

If this basic postulate of the Soviet Government is understood, there is little or nothing in Soviet domestic or foreign policy that is not clear.

I feel sure that the Department must have received many reports that the Soviet Government has abandoned the idea of world revolution and that the convictions I have expressed above may seem ill-founded. I can only say that my own observations, without exception, have convinced me of the accuracy of my statements. I have yet to converse with a single leader of the Soviet Union who has not expressed his belief in the necessity of world revolution.

For example, a few evenings ago I said to Karl Radek that I hoped his communist friends at the meeting of the Third International would not behave in such a way as to break Litvinov's pledge to the President and make the continuance of diplomatic relations between our countries impossible. Radek leaped to his feet with the most violent anger and shouted, "We have lived without the United States in the past and we can continue to live without the United States in the future and we shall never permit you or anyone else to dictate to us what we shall do in Moscow." Upon his departure, Mikhailsky, one of the oldest of the Bolsheviks, who overheard Radek's remarks, said, "You must understand that world revolution is our religion and there is not one of us who would not in the final analysis oppose even Stalin himself if we should feel that he was abandoning the cause of world revolution."

I have had so many conversations of this nature, though not of this violence, that I am sure that the present restraint of the Soviet Government with regard to world revolution does not mean abandonment of this aim, but is merely tactical policy, "*reculer pour mieux sauter*."

The Soviet Union is, therefore, in a favorable position for defense but in no position to attack and will not be in a position to attack for a number of years. The present strength of the Soviet Union is, in the eyes of the Soviet Government, weakness compared to the strength which will be the Soviet Union's at the end of a decade. Everything possible, therefore, is being done to postpone the conflict which is regarded as inevitable. It is the primary object of the Soviet Foreign Office to maintain peace everywhere until the strength of the Soviet Union has been built up to such a point that it is entirely impregnable to attack and ready, if Stalin should desire, to intervene abroad.

. . . The Soviet Union fears nothing so much as a general reconciliation of European hatreds, especially a reconciliation between Germany and France. The key to the desire of the Soviet Government to be present at all possible conferences and to have a finger in every pie is its desire to prevent any real agreement among the states of Europe. The reasons for this policy are two fold: (a) The Soviet Union fears that reconciliation in Europe may be based upon permission to Germany to obtain the economic outlets which she needs by acquisition of the Ukraine; (b) War in Europe is regarded as inevitable and ultimately desirable from the Communist point of view. The Soviet Government fears war in Europe at the present time because the Soviet Union is unprepared and it is feared that war this year or next in Europe would grow into world war with simultaneous attacks on the Soviet Union by Germany, Poland and Japan. But it is the conviction of the leaders of the Soviet Union that if war in Europe can be postponed until the Red army is prepared and the railroads of the Soviet Union rebuilt, the Soviet Union will be able to intervene successfully in such a war, and will be able to protect and consolidate any communist government which may be set up as a result of war and ensuing revolution in any European state. To keep Europe divided and to postpone the war which will certainly come if Europe remains divided, is the substance of Russian policy in Europe.

The most conspicuous example of action proceeding from this policy was the conclusion of the Treaty of Mutual Assistance with France.⁴⁷ The fundamental cause of the desire of the Soviet Government to conclude this Treaty was the fear that France might welcome reconciliation with Germany. To keep the flames of Franco-German hatred burning brightly is regarded as a vital interest of the Soviet Union.

The single nightmare of the Soviet Government is, of course, the fear that if Japan attacks in the Far East, Germany and Poland will attack in the west. The policies of the Soviet Union vis-à-vis Japan are also clear. They are: (1) to build up as large and effective a fighting force as possible in the Far East; (2) to avoid war so long as possible by making the minimum concessions necessary to make sure that Japan will not attack. It is the conviction of the Soviet Government that within ten years the Soviet Union will be so much more powerful than Japan that Japan for all future time will be as unable to attack the Soviet Union as Mexico is to attack the United States. But there is considerable doubt in the minds of the leaders of the Soviet Union that the Far Eastern Provinces of Siberia can be defended suc-

⁴⁷ Signed on May 2, 1935; for text, see League of Nations Treaty Series, vol. CLXVII, p. 395.

cessfully against Japanese attack and today any necessary concessions will be made to Japan which do not involve the cession of Soviet territory.

It is, of course, the heartiest hope of the Soviet Government that the United States will become involved in war with Japan. If such a war should occur it would be the policy of the Soviet Union to remain outside the conflict and to gain whatever wealth might be acquired by supplying the United States with war materials via the west and supplying Japan with war materials in the east. To think of the Soviet Union as a possible ally of the United States in case of war with Japan is to allow the wish to be father to the thought. The Soviet Union would certainly attempt to avoid becoming an ally until Japan had been thoroughly defeated and would then merely use the opportunity to acquire Manchuria and Sovietize China.

The final conviction of the leaders of the Soviet Union with regard to the war they desire so ardently between the United States and Japan is that Japan would be defeated, that a Communist Government would then be set up in Japan, and Japan and the Soviet Union would then move happily hand in hand to establish communism in China.

There is genuine admiration in the Soviet Union for American technical efficiency and there is full realization of the fact that the Communist movement in the United States is still completely impotent; but it is believed that the people of the United States will not have sufficient political sense to cope with the problems of the productivity of the modern machine and modern agriculture and that after a series of recoveries and crises the United States too will fall (or rise) into the "heaven" of Communism.

To summarize: The aim of the Soviet Government is and will remain, to produce world revolution. The leaders of the Soviet Union believe that the first step toward this revolution must be to strengthen the defensive and offensive power of the Soviet Union. They believe that within ten years the defense position of the Soviet Union will be absolutely impregnable and that within 15 years the offensive power of the Soviet Union will be sufficient to enable it to consolidate by its assistance any communist government which may be set up in Europe. To maintain peace for the present, to keep the nations of Europe divided, to foster enmity between Japan and the United States, and to gain the blind devotion and obedience of the communists of all countries so that they will act against their own governments at the behest of the Communist Pope in the Kremlin, is the sum of Stalin's policy.

Respectfully yours,

WILLIAM C. BULLITT

861.00 Congress, Communist International, VII/23 : Telegram

The Ambassador in the Soviet Union (Bullitt) to the Secretary of State

Moscow, July 26, 1935—6 p. m.
[Received July 26—3:30 p. m.]

306. The Congress of the Communist International met yesterday evening. The Congress was opened by Wilhelm Pieck, a German. A Presidium of 42 was then unanimously elected. It included the American citizens Browder and Foster. Stalin, Manuilski and Pyatnitski were among the Soviet subjects elected to the Presidium.

Thaelmann, the German Communist who is now in prison, was then elected honorary chairman of the Congress. A credentials committee of 18 including the American citizen Sherman and an editorial committee of 11 including a Jackson who may be an American citizen were then elected.

The following agenda was then offered by the Plenum of the Executive Committee of the Communist International and approved unanimously.

1. Report on the activity of the Executive Committee of the Communist International; speech of Comrade Pieck.
2. Report concerning the work of the International Control Commission.
3. The growth of Fascism and the problems of the Communist International in the struggle for the unity of the working class against Fascism; speech of Comrade Dimitrov.
4. The problem of the Communist International in connection with the preparation by imperialists for a new world war; speech of Comrade Ercoli.
5. The victory of Socialism in the Union of Soviet Social Republics and its universal historical meaning; speech of Comrade Manuilski.
6. Election of the directing organs of the Communist International.

The keynote of the Congress and of comments in all Soviet newspapers is "United Front with [*against?*] Fascism."

Notable passages from Pieck's keynote speech read:

"In those countries where there still remain the remnants of parliamentarism and democratic freedom the proletariat in spite of the heavy oppression of the capitalist system has nevertheless a certain or be it [*albeit?*] pathetic possibility of organizing itself and openly defending its class interests. In those countries where the Fascist dictatorship is supreme the proletariat is deprived of all even the lesser important rights and possibilities of legally defending its class interests.

"Therefore we Communists with all our might are struggling for every bit of democratic freedom together with those who in whatever measure remain true to the principle of bourgeois democracy in order to amplify this freedom and on this basis to carry on a fight for a real proletarian democracy for the destruction of exploitation of man by man. Together with the real supporters of bourgeois democracy we

are ready to defend the remains of parliamentarism and democracy against Fascism in order that we may fight for proletarian democracy . . .⁴⁸

"If German Fascism makes any attempt against the national independence and unity of the present independent small peoples of Europe then war of the national *bourgeoisie* of these countries as a defense against this attack will be a just war in which the proletariat and the Communist cannot help but participate . . .⁴⁸

"During these 7 years we have seen great strike movements in the development and control of which we have taken a significant part. During these 7 years the proletariat has often raised itself in the political struggle against its *bourgeoisie*.

"Remember the heroic struggle of the toilers of Germany (applause). Remember the mutiny on the cruiser *Sieben Provinzen*. Remember the strike of the sailors of the British Navy. Remember the movement of the veterans in the United States. Remember the peasant uprisings and the tremendous political strikes in Poland. Remember the historic battles of the Austrian and Spanish proletariat against Fascism. Remember the fights of the Chinese Red Army reflecting the numerous campaigns against the Chiang Kai Shek government of national shame and treachery (applause)."

Aside from the reference to the "bonus marchers" quoted above and the election of the Americans whose names are given above to the Presidium and committees there was no reference to the United States or to any American and it is noteworthy that in commenting on the Congress *Pravda* states "here in this hall proletarian solidarity, revolutionary unity, the high aims of Communism have united in one great family—Frenchmen, Germans, Chinese, Japanese, Russians, Englishmen, negroes" carefully avoiding the word "Americans".

BULLITT

861.00 Congress, Communist International, VII/27 : Telegram

The Ambassador in the Soviet Union (Bullitt) to the Secretary of State

Moscow, July 29, 1935—3 p. m.

[Received July 29—11:35 a. m.]

316. Speech of Comrade Browder, United States of America. [Title,] "In the Ascent":

Comrades: The Sixth All World Congress⁴⁹ has placed before the Communist Party of the United States the task of the decisive liquidation of the factional struggle and the strengthening of the tie with the masses. For that purpose our Party was obliged to go through two cleansings. The first cleansing in 1928 concerned the Trotskyists. The Party quickly gave them a rebuff, isolated and excluded them. The second cleansing concerning the right opportunists Lovestone

⁴⁸ Omission indicated in the original.

⁴⁹ Held in Moscow, August 17–September 1, 1928.

faction was more difficult but was nevertheless completely carried out. The Seventh Congress of our Party in 1930 was able to report definitely the complete liquidation of the factions in our Party.

We can characterize our work beginning with 1930 as paving the way for the expansion of Bolshevik mass work and strengthening the position of the Party with the masses. The Party has increased its membership by more than 3 times and numbers more than 30,000 members. The Party has trained large cadres for mass work moving the center of gravity more and more from immigrants to native American workers. In 1930 native American-born citizens constituted less than 10 percent of the Party, now they constitute more than 40 percent. In 1930 there were less than 100 negroes in the ranks of our Party, now there are over 2,500. The number of active working factory cells totals more than 500 and numbers 4,000 members (that is, about one-third of all working members of the Party). Moreover, the cells are functioning in enterprises embracing more than 1,000,000 workers.

The Party took upon itself the responsibility of directing the creation of mass organization of the unemployed. It began the fight for the uniting of all organizations of unemployed in the United States.

The Party began seriously the work of expanding its leadership in the nonproletarian layers of the population—among the farmers, the students, the laboring elements of the city including people in free professions and the intelligentsia.

Our Party was the moving force in a wide revolutionary cultural movement.

We developed the movement against war and Fascism, drawing into the struggle more and more of the wide masses. During the past half year we developed and brought into prominence agitational and organizational work for the creation of a wide workers party in the United States.

The influence of our Party on the masses brought forth a cleavage within the Socialist Party and American Federation of Labor and even penetrated into those movements which up to now have continued to exist within the framework of the bourgeois parties, as for example the creation by Upton Sinclair of the EPIC movement (End Poverty in California), the movement of the Utopists, the Technocrats, et cetera.

In what manner was our Party able to come out of its sectional isolation and penetrate to the masses? A tremendous role was played by our leadership of the strike movement and the work of the Party among the unemployed.

In a few of the more important strike battles, particularly in the general strike of workers in San Francisco, to the Communist Party belonged the leadership, the decisive influence.

We pushed forward the demand for unemployment insurance and introduced it into Congress in the form of a law project. This law project was printed in millions of copies and was distributed among workers' organizations throughout all parts of the country. We won over a colossal support for this project although the American Federation of Labor fought against it together with the leaders of the Socialist Party.

The Party actively led the movement of youth. We established the united front of the Union of Communist Youth and Socialist Youth in a number of progressive youth organizations. This united front gave

battle to the Fascist elements on the most simple question—the question of the right of the Congress of Youth to elect a chairman in its own discretion. The Fascists attempted to name their chairman but were defeated.

The Communist International must give serious attention to the work among youth of all parties in capitalist countries. Without this a serious fight against Fascism is impossible.

A few words concerning the work among the negro population of the United States. The most important thing is the fight for the freedom of the prisoners of Scottsboro. We have been able to prevent the “legal” murder of those nine negroes.

The second fight was the Herndon affair: a young negro Communist was sentenced to 20 years imprisonment for organizing a meeting of white and black workers in the State of Georgia. We carried on a long mass campaign throughout the whole country drawing into it wide masses of the population and aroused around this affair a fight for the rights of the negroes.

We adopted the revolutionary traditions of 1776 and 1863 and came forward as the successors of those revolutionary movements out of which was born the United States.

In the United States there are present all the grounds for a fast growth of Fascism. This closely approaching danger is not properly evaluated even by the Communists in view of its specific American peculiarities at this particular stage: American Fascism does not only try to keep aloof from European Fascism but even puts forward anti-Fascist slogan similar to the following “down with the entry into America of Fascism and Communism,” the Hoover Republicans decry the regime of Roosevelt for its Fascist tendencies. The followers of Roosevelt in their turn decry Huey Long and the priest Coughlin as demagogues leading the country on the road of Fascism, and altogether consider the Liberty League—the coalition of right Republicans and Democrats—as the guide of Fascism in the United States.

The Fascist demagogy of the *bourgeoisie* can find for itself many victims in the masses. When a great people unexpectedly finds itself brought to the abyss of the most desperate poverty there is created a basis not only for the fight of the masses against capitalism but for Fascist demagogy among the masses.

Before the American Communist Party stand the problems of mobilization and organization of the millions of the masses of the people.

BULLITT

861.00 Congress, Communist International, VII/32 : Telegram

The Ambassador in the Soviet Union (Bullitt) to the Secretary of State

Moscow, July 30, 1935—2 p. m.

[Received July 30—11:15 a. m.]

320. Speech of Comrade Darcy (United States). Title, “The Fighting Baptism of the Revolutionary Sailors”:

“The past 5 years witnessed a new fighting baptism of the American working class. More than a hundred workers were killed by the

police and the troops in street fighting, thousands were crippled and wounded, imprisoned for terms up to 14 years and many are threatened with sentences up to 20 years.

Comrades Pieck and Browder have already spoken of the strike of sailors and dock workers on the western seaboard and of the general strike in San Francisco. As late as 1933 the workers in water transport on the western seaboard were unorganized in trade unions. We began to convince the workers not only [to enter into the American Federation of Labor, but] to become its active and leading members. The stream of those entering into the federation was great. We placed ourselves at the head of many thousands of workers. After the decision on the strike there was elected a strike committee. Our comrades headed this strike.

But the local trade union bureaucrats were, nevertheless, able to get to the head of the strike and in the last analysis to betray it. During the strike we laid the foundations for ties with the unions of foreign sailors and dock workers (Australia and Holland) and their solidarity and assistance evoked a tremendous enthusiasm among our workers.

The international ties of the working class acquire a particular meaning in connection with the danger of imperialist war. It is necessary to win over the wide influence of sailors and dock workers who are occupied with the loading and transport of military armament.

The interesting thing in the strike of the sailors was that we succeeded in bettering the position of the negro longshoremen. We induced the negro longshoremen to enter our Party and the negro paper came into our hands (applause).

In September there expires the period of the agreement of the dock workers, and the ship owners are already preparing for the struggle for the purpose of destroying the revolutionary leadership of the labor union. It is clear that the latter will not willingly give up a single inch of what has been won. All this prophesies the most terrible struggles.

It is very probable that this will be the beginning of a strike struggle of tremendous proportions. The outcome of the struggle will not only depend on the work which will be done by us on the western seaboard. We consider that by the strength of all sections of the Communist International there will be assured a close cooperation of sailors and port workers of all countries in the general decisive struggle against the *bourgeoisie*."

BULLITT

861.00 Congress, Communist International, VII/33 : Telegram

The Acting Secretary of State to the Ambassador in the Soviet Union
(Bullitt)

WASHINGTON, August 2, 1935—11 a. m.

174. Glad to have your reports on Third International meeting now in progress. Please continue to advise and when meeting closes, quickly give your carefully considered view of the extent to which Litvinov's pledge to the President was violated and what action you think should be taken.

PHILLIPS

861.00 Congress, Communist International, VII/35 : Telegram

*The Ambassador in the Soviet Union (Bullitt) to the Secretary
of State*

Moscow, August 2, 1935—7 p. m.

[Received August 2—4: 15 p. m.]

326. *Pravda*, August 2, 1935, publishes the following :

“Resolutions of the Seventh All World Congress of the Communist International accepted on August 1, 1935, on the report of Comrade William Pieck concerning the work of the Executive Committee of the Communist International.

1. The Seventh All World Congress of the Communist International approves the political line and the practical work of the Executive Committee of the Communist International.

2. The Seventh All World Congress of the Communist International approves the appeal of the Executive Committee of the Communist International of March, 1933; October, 1934; and April, 1935, to the national sections and leadership of the Second International with an offer of united action in the struggle against Fascism and the attack of capital and war. Expressing its regret that all these offers were declined by the Executive Committee of the Second International and by the majority of its sections to the harm of the interests of the working class, and noting the historical significance of the fact that the Social Democratic workers and a series of Social Democratic organizations are already fighting hand to hand with the Communists against Fascism and for the interests of the toiling masses, the Seventh All World Congress of the Communist International obliges the Executive Committee of the Communist International and all parties which enter the Communist International to strive in the future by all possible means to bring about a united front both on a national as well as an international scale.

3. The Seventh All World Congress of the Communist International recognizes the growing revolutionary influence of the work and slogans of the Communist Parties on the wide working masses including members of the Social Democratic Party. Proceeding from this premise the Congress obliges all sections of the Communist International in the shortest possible time to overcome the survivals of sectarian traditions, preventing access to Social Democratic workers and to change the methods of agitation and propaganda which up to the present have often borne an abstract and inaccessible character for the masses, giving them a doubly concrete direction tied with the immediate needs and daily interests of the masses.

4. The Seventh All World Congress of the Communist International notices the serious shortcoming in the work of a number of sections of the Communist International: the delay in conducting the tactics of the united front; the inability to mobilize the masses around the partial demands of both a political and economic character; the failure to understand the necessity for the struggle to protect the remnants of bourgeois democracy; the failure to understand the necessity for the creation of an anti-imperialist people's front in colonial and dependent countries; the indifference to the work in reformist and Fascist

labor unions and mass organizations of toilers created by the bourgeois parties; the failure to evaluate the work among toiling women; the failure to evaluate the significance of work among the peasantry and the petit bourgeois masses of the city, as well as the delay in rendering political assistance to these sections on the part of the Executive Committee. Taking into account the ever growing role and responsibility of the Communist Parties called to head the movement of the masses who are being revolutionized, taking into account the necessity for concentrating the active leadership in the sections themselves, the Seventh All World Congress of the Communist International offers to the Executive Committee of the Communist International: (1) to transfer the center of gravity of its activity to the working out of the fundamental political and tactical aims of the world workers movement, in deciding all questions to proceed from the concrete conditions and peculiarities of each country and to avoid as a rule direct interference of [*in?*] the intra-organizational affairs of the Communist Parties; (2) systematically to assist in the creation and education of cadres and real Bolshevik leaders in the Communist Parties in order that the Parties, on the basis of the decisions of the Congresses of the Communist International and the plenums of the Executive Committee of the Communist International in times of a sharp turn of events, could quickly and independently find a correct solution of political and tactical problems of the Communist movement; (3) to render active assistance to Communist Parties in their ideological struggle with political opponents; (4) to assist in the utilization by the Communist Parties both of their own experience as well as the experience of the world Communist movement, avoiding, however, the mechanical transfer of the experience of one country to another and avoiding the substitution of concrete Marxist analysis by conventionality and general formulas; (5) to insure a closer tie with the directing organs of the Communist International with the sections of the Communist International by means of a more active participation in the daily work of the Executive Committee of the Communist International of authoritative representatives of the more important sections of the Communist International.

5. The Seventh All World Congress of the Communist International points out the failure both on the part of the Communist Unions of Youth as well as the Communist Parties to evaluate the importance of mass work among youth and the weakness of this work in a number of countries, and proposes to the Executive Committees of the Communist International and the Communist International of Youth to take active measures for overcoming sectarian reticence in a number of Comsol⁵⁰ organizations, obliging Comsol members to enter all mass organizations of toiling youth (labor union, cultural and sport) created by bourgeois, democratic, reformist and Fascist parties as well as religious societies, and to carry on a systematic struggle in these organizations to exert an influence on the wide masses of youth, mobilizing youth for the struggle against militarization, forced labor camps, for the amelioration of its material position, for the rights of the young toiling generation, to acquire by these means the establishment of a wide united front of all non-Fascist mass organizations of youth.

6. The Seventh All World Congress of the Communist International

⁵⁰ Communist Union of Youth (Kommunistichesky Soyuz Molodezhi).

observes that during recent years under the influence of the victory of Socialism in the U. S. S. R., of the crisis in capitalist countries of the fury of German Fascism and the danger of a new war, that there has commenced throughout the whole world a turning of the wide working and in general toiling masses from reformism toward revolutionary struggle, from a lack of unity and dispersion to a united front. The Seventh All World Congress of the Communist International considering that the tendency of the toilers toward united action will increase in the future, in spite of the opposition of separate leaders of social Democracy—proposes to all sections of the Communist International, in the process of the struggle for the united front of the proletariat and the peoples front of all toilers against the onslaught of capital, against Fascism and the danger of a new war, to concentrate its attention on the further strengthening of its ranks and the winning over of the majority of the working class to the side of Communism.

7. The Seventh All World Congress of the Communist International points out that only on the strength and influence of the Communist Parties in the wide masses of the proletariat, on the energy and self-denial of Communists depends the transformation of the gathering political crisis into a victorious proletarian revolution. Now when in a series of capitalist countries the political crisis is ripening, the most important and decisive task of the Communists consists in not resting on the successes which have been achieved but to go forward to new successes, to increase the ties with the working class, to win over the confidence of the millions of toilers, to turn the sections of the Communist International into mass parties, to embrace through the influence of the Communist Parties the majority of the working class and to insure in this manner the conditions which are necessary for the victory of the proletarian revolution."

BULLITT

861.00 Congress, Communist International, VII/39 : Telegram

The Ambassador in the Soviet Union (Bullitt) to the Secretary of State

Moscow, August 6, 1935—4 p.m.
[Received August 6—12:20 p.m.]

336. *Pravda*, August 6, 1935, reports the following excerpts from the speech of Dimitrov on August 2d:

"In each country there are knotty problems which are agitating the wide masses at the present stage around which must be formulated the struggle for the establishment of the united front. The correct solution to the approach to these knotty problems is by insuring and hastening the establishment of the united front.

(a) United States of America. Let us take for example an important country of the capitalist world such as the United States of America. The crisis has put into motion the millions of the masses. The program for reviving capitalism has collapsed. The great masses are beginning to leave the bourgeois parties and find themselves now at the parting of the ways.

The embryo American Fascism is attempting to direct the disenchantment and discontent of these masses along reactionary Fascist lines. Moreover the originality of the growth of American Fascism consists in the fact that at the given stage it is proceeding in general under the guise of opposition to Fascism, as a current which is not American, imported from abroad. In opposition to German Fascism which is growing under anti-constitutional slogans, American Fascism is attempting to clothe itself in the robe of defender of the constitution and 'American democracy'. Up to the present it does not represent an immediate threat. But if it is able to penetrate into the wide masses, disillusioned by the old bourgeois parties, it can become a serious threat in the immediate future.

And what would the victory of Fascism in the United States signify? For the toiling masses it would signify naturally an unrestrained strengthening of the regime of exploitation and breakup of the working movement. And what would be the international significance of this victory of Fascism? The United States as you all know is neither Hungary nor Finland, neither Bulgaria nor Latvia. The victory of Fascism in the United States would change very materially the whole international situation.

Under such conditions can the American proletariat satisfy itself with the organization only of its class-conscious advanced guard which is ready to march along the road of revolution? No.

It is completely clear that the interests of the American proletariat demand the immediate estrangement of all of its forces from the capitalist parties. It must find the road and the appropriate forms in order not to permit the simultaneous seizure by Fascism of the dissatisfied wide masses of the toilers. At this point it is necessary to state that the creation of a mass party of toilers a 'farm labor party' could become the appropriate form under American conditions. Such a party could become the specific form for the wide popular front in America which must be placed in opposition to the parties of the trusts and banks as well as against the growing Fascism. Such a party naturally will be neither socialistic nor communistic but it must be anti-Fascist and must not be an anti-Communist party. The program of this party must be directed against the banks, the trusts and monopolies, against the principal enemies of the people, speculating on its distress. Such a party will justify its designation only in case it fights for the urgent needs of the working class, fights for real socialist legislation, for unemployment insurance; if it will fight for land for the white and black share-croppers and for their relief from the weight of debts; if it succeeds in nullifying the indebtedness of the farmers; if it will fight for the equality of the negro, for the protection of the requirements of the war veterans, for the protection of the interests of the representatives of the free professions, the small tradesmen and merchants. And so forth.

Naturally such a party will struggle to push its representatives into local governing organs, into the representative organs of the separate states and into the Congress and Senate.

Our comrades in the United States have acted correctly, showing initiative in the creation of such a party. But they must still take active measures in order that the creation of such a party should become the affair of the masses themselves. The question of the organi-

zation of the 'farm labor party' and its program must be decided in the mass popular gatherings. It is necessary to develop the widest possible kind of movement for the creation of this party and to lead it.

In no case can there be permitted a transfer of initiative in the organization of the party to the hands of those elements which wish to make use of the dissatisfaction of the millions of the masses, disillusioned by both of the bourgeois parties, the Democrat and the Republican, for the creation of a 'third' party in the United States, such as an anti-Communist party or a party directed against the revolutionary movement. . . .⁵¹

We hail the leader of the Spanish Socialists Caballero who has been imprisoned by the counterrevolutionists; Tom Mooney who has been languishing in prison for 18 years and the thousands of other prisoners of capital and Fascism (stormy applause) and we say to them, 'Brothers in struggle and in arms you are not forgotten. We are with you. Every hour of our lives, every drop of our blood we will give for your liberation and the emancipation of all toilers from the disgraceful Fascist regime.['] (Stormy applause, all in the hall rise.)

Comrades you remember the ancient story of the taking of Troy. Troy was protected from the army which was attacking her by impenetrable walls and the attacking army, having sacrificed not a few victims, could not succeed in the attack until, with the help of the famous horse of Troy, it was able to penetrate into the heart of the enemy.

We, revolutionary workers, it seems to me, must not hesitate to adopt the same tactic in respect of our Fascist enemy, protected from the people by the living wall of his executioners (applause).

He who fails to understand the necessity of the adoption of such a tactic with regard to Fascism, who considers such an approach 'beneath him', such a person can be the finest of fellows but if you will allow me, he is a 'gas bag' and not a revolutionary; such a fellow is unable to lead the masses to the overthrow of the Fascist dictatorship (applause)."

BULLITT

861.00 Congress, Communist International, VII/40 : Telegram

The Ambassador in the Soviet Union (Bullitt) to the Secretary of State

Moscow, August 9, 1935—5 p. m.

[Received August 9—11:30 a. m.]

342. *Pravda* today reports the following speech by Green, a delegate from the United States, at the August 4th session of the Congress of the Communist International.

"The Struggle for Youth (Comrade Green's speech). The report of Comrade Dimitrov, whose name enjoys deep love and respect within the ranks of working youth, is of great significance for our work.

⁵¹ Omission indicated in the original.

An energetic struggle is going on for the younger generation in the United States. Never has the *bourgeoisie* manifested such activity in its attempts to conquer youth. Never has the *bourgeoisie* been so worried by the growth of political consciousness and activity among youth.

Nobody can tell our youth, as in Germany: 'We are poor because we have suffered defeat.' American youth understands that it lives in the richest country of the world and the youth of America can draw lessons from the experience of Germany and Italy.

The initiative has passed over to the hands of anti-Fascist youth which has united its forces, has put forward a wide program and has appealed to the younger generation: it has correctly made use of the wealthy revolutionary traditions of the American people; it has understood the natural love of youth for its fatherland and has tied this with the necessity of tearing the country and its wealth from the hands of the plutocrats. As a result of all this it has succeeded in causing great enthusiasm and activity among youth.

A year ago a fascisizing group organized the convocation of a Congress of Youth for the support of a reactionary program; together with the remaining anti-Fascist youth we defeated the fascisizing elements and turned the Congress of Youth into a demonstration of a wide united front of defense of the immediate needs of youth.

In this connection of great significance to the Komsomol is the proper approach to the wide mass organizations of youth which are under the control or influence of the *bourgeoisie*.

Another question which has great significance is our attitude toward the leadership of Socialist youth. The resolution which was proposed to the Congress pointed out the necessity for a differentiated approach to the various groups and individual persons from the leadership of Socialist youth. This is perfectly correct.

In the United States the working youth during the past 3 years has played an active role in the strike battles and in the battles of the unemployed. It is becoming more active also in the labor unions. Youth which is engaged in production must become the backbone of the united front and by its activity must insure the hegemony of proletarian youth. In this movement we have realized this important truth and as a result 140 labor unions and 6 large central labor union councils participated in the Second American Congress of Youth.⁵²

At the Second American Congress of Youth many complicated questions were posed before the Komsomol delegation and had we not approached them with the necessary flexibility it would have resulted in a rupture of the united front. Thus, for example, many religious young men regarded sceptically the possibility of unity with the Communists fearing that unity was a trap to force on them our atheistic opinions. However, the question was decided very simply: all religious participants in the Congress were allowed to hold a church service on Sunday morning. This did not in any way obligate Communist youth and at the same time show[ed] the masses of religious youth that the united front was directed not against their convictions but against reaction."

⁵² Held in Detroit, Michigan, in July 1935.

Pravda of today reports the following remark in the speech delivered on August 8 by Chemodanov, Soviet subject, member of the Executive Committee of the Communist International of Youth: "Great successes have also been achieved by the Komsomol of the United States which has found the right approach to the masses of youth."

BULLITT

861.00 Congress, Communist International, VII/46 : Telegram

The Ambassador in the Soviet Union (Bullitt) to the Secretary of State

Moscow, August 15, 1935—noon.

[Received 12:22 p. m.]

350. *Pravda* of August 15, 1935, reports the following speech by the American delegate Browder at the morning session of August 11, of the Congress of the Communist International.

"The speech of Comrade Dimitrov gives a clear answer to all of the principal questions which stand before the working class and the toiling masses. Our line is winning over wide support of the masses and will serve to join together the working class, will hasten the creation of a wide popular front against reaction and Fascism. Our Party has already laid the foundations for this policy leaning on those traditions of the mass movement which have existed among the American workers since 1920.

Considering that in the period from 1929 to 1934 there was no mass departure from the two principal capitalist parties, we did not pose the question of the foundation of a wide workers party. We developed mass work on the basis of special questions, wages, the working day, the rights of the workers and unemployment insurance.

But in 1934 particularly in the period of the elections it became clear to us that it was necessary to reexamine this question. The wide masses—hundreds of thousands and even millions—began to move. They began to break away from the old bourgeois leaders and programs.

After the elections we posed the question of the creation of a workers party. In January of this year we began a wide campaign for the creation of such a party. However in our politics there soon were disclosed errors—the result of sectarian remnants and prejudices. The thing was that we understood the workers party only as a proletarian party although this was a contradiction to our practical proposition to include in it the farmers and all toilers. This served to obscure the character of this kind of party of the united front as an extended coalition of workers, farmers and the middle classes of the city.

A too narrow understanding of the party of the united front led to the fact that we categorically renounced the name of the 'farm labor party', although this name was already an established tradition particularly in the agrarian northwest. Moreover the movement of the poor and middle [groups of] farmers masses, their struggle against

poverty which had overwhelmed them as a result of the crisis, their hatred of the general enemy—Wall Street and the monopolists—all these were factors assisting in the creation of a party of the united front. We have no foundation for refusing the name 'Farm Labor Party', a name which will help to create a union of the working class with the farmers movement.

We do not deceive ourselves with illusions; we know that before us in the immediate future there stands a severe struggle for the creation of a party of the united front. We know that the *bourgeoisie*, the crest of the bureaucracy of the American Federation of Labor, the Right Socialists, many liberal bourgeois politicians, not to speak of Hearst, Coughlin and Long, are doing everything possible to separate the Communists from the movement of the masses toward the united front. However the growing wave of strikes, the more and more pronounced political character of these battles, the growing tendency toward solidarity, the breakup of illusions connected with the 'New Deal' et cetera—all this shows that the millions of workers who are working are already ripe for such a movement. In the United States there are ripening the conditions for a wide anti-Fascist popular movement, the central nucleus of which will be the party of the united front.

A favorable attitude toward the Communists and a growing hatred toward Fascism is also noticeable among the farmers organizations. This caused one of the principal reformist leaders, Milo Reno, on the 25th of July [*June*] to make the following significant declaration: 'I say frankly that if I will be obliged to make a choice between the Fascist dictatorship or the Communist idea, that is the idea of the destruction of the old system for the purpose of building the new, I will lean to the latter.'

For the success of the party of the united front as a solid coalition of workers, farmers and the middle strata of the city, of the party carrying on the struggle against the threatening economic catastrophe, political reaction, Fascism and the danger of war, it is necessary all the more energetically to fight for the unity of the working class. The central problem of the unity of the working class is the creation of a powerful united labor union movement. I would like to emphasize [that] the decisive question for the creation of such a party of the united front is the support of the party of the organized workers.

The development of the movement for unity of the labor unions became possible thanks to the powerful impetus of the workers movement, to the significant changes in the composition of the members of the American Federation of Labor, the worsening of the situation of the workers under the blows of the crisis, and thanks to the growing radicalization of the native American workers.

As a result a significant number of lower and middle labor union functionaries, who formerly constituted the backbone of the labor union bureaucracy now reflecting the radicalization of the working class, are beginning to turn toward the masses of semi-skilled and unskilled workers. They are beginning to move toward unity and solidarity of the workers. We know a number of facts, when the lower and middle labor union workers who not long ago demanded the exclusion of Communists from the labor unions, are now becoming our open ad-

herents in the serious struggles with the top bureaucracy and the entrepreneurs.

As a result of the improvement in the work in the labor unions the Communists have moved forward not only as the leading fighters for unity but as the most energetic recruiters of the unorganized workers in the American Federation of Labor.

It is necessary to pose the question concerning the organizational union into one party of all partisans of Socialism. It is necessary to consider with the Socialist workers the conditions of such unity and the means with which it will be able to achieve this.

In all our differences of opinion in connection with the road to Socialism we will pronounce the slogan of unity of action of all adherents of Socialism, unity of struggle for the immediate interests of the toiling masses, for the defense of democratic rights and the means of stopping the growing Fascism. We place this slogan in opposition to the slogan of those Socialist leaders who call for a united front with the obvious adherents of capitalism.

We will explain to the members of the Socialist Party that, without renouncing our principal position in the question of the road to be taken toward power or the construction of Socialism, we at the present moment do not stipulate that the united front is the absolute recognition by the Socialists of the principle of the proletarian dictatorship and the Soviet power.

We propose to create a coalition of all anti-Fascist forces in order to prevent the advance to power of the more reactionary, more predatory circles of monopolist capital in order not to permit the extension to America of the wave of Fascist reaction, in order to deliver the American laboring masses from a repetition of those horrors and atrocities, from⁵³ the victim of which has been the masses of the population of Germany”.

BULLITT

861.00 Congress, Communist International, VII/50 : Telegram

The Secretary of State to the Ambassador in the Soviet Union
(Bullitt)

WASHINGTON, August 16, 1935—noon.

185. Your 345, August 12, 10 a. m.⁵⁴ American press in general appears to be publishing regularly despatches reporting developments in the proceedings of the Congress of the Communist International relating to the United States, such as speeches of American delegates and statements made with reference to the United States. Hearst press is continuing its endeavors to mobilize public opinion against the Soviet Union by emphasizing that the undertaking with regard to non-interference is being violated in the proceedings of the Congress. Department has been receiving communications protesting against alleged violation of Soviet Government's pledge.

⁵³ According to the original printed in *Pravda*, August 15, 1935, the word "from" should be omitted from the text.

⁵⁴ Not printed.

Department is awaiting conclusion of Congress before taking any action in the matter, and expects to receive your recommendations and suggestions immediately upon close of Congress.

HULL

861.00 Congress, Communist International, VII/52 : Telegram

The Ambassador in the Soviet Union (Bullitt) to the Secretary of State

Moscow, August 19, 1935—11 a. m.

[Received August 19—6:42 a. m.]

359. My 336, August 6, 4 p. m. Charles, British Counsellor, called at the Chancery this morning and inquired with regard to the attitude of the American Government towards the Comintern Congress. He was informed that the Embassy had not received any instructions in the matter and expected none until after the close of the Congress.

Charles stated that his Government had been much annoyed by Dimitrov's speech and had called in the Soviet Chargé d'Affaires⁵⁵ for a severe "wiggling". His Ambassador⁵⁶ had now been instructed to repeat the performance with Krestinski and to state that pronouncements such as those made by Dimitrov were incompatible with Soviet protestations that the Soviet Government desired the development of friendly relations with the British Government.

BULLITT

861.00 Congress, Communist International, VII/53 : Telegram

The Secretary of State to the Ambassador in the Soviet Union (Bullitt)

WASHINGTON, August 19, 1935—6 p. m.

188. Telegraph names and positions of officials of Soviet Government attending or speaking at Congress of Communist International. Supplement by mail giving published source in each instance.

HULL

861.00 Congress, Communist International, VII/54 : Telegram

The Secretary of State to the Ambassador in the Soviet Union (Bullitt)

WASHINGTON, August 19, 1935—7 p. m.

189. Your 357, August 18, 3 p. m.⁵⁷ In view of departure of the President shortly from Washington, perhaps at end of present week

⁵⁵ Samuyl Bentsyanovich Kagan.

⁵⁶ Viscount Chilston.

⁵⁷ Not printed.

Department would like to have your recommendations and suggestions immediately upon close of Congress, by Wednesday the 21st if possible. In view of information which you have already forwarded, Department doubts that speeches and resolutions of concluding sessions of the Congress will be of material importance in connection with your consideration of the matter.

HULL

861.00 Congress, Communist International VII/55 : Telegram

The Ambassador in the Soviet Union (Bullitt) to the Secretary of State

Moscow, August 21, 1935—9 a. m.
[Received August 21—6:18 a. m.]

361. Your 188, August 19, 6 p. m. List of delegates attending Seventh Congress has not yet been published. It is impossible therefore at this time to furnish names of all Soviet officials who participated. The names of the following Soviet nationals who are connected with the governmental apparatus have appeared in the Soviet press as having taken part in the proceedings of the Congress or having been appointed to various committees of the Congress (the Soviet governmental positions of the following are set forth in the personnel chart of March 15th, 1935).

Stalin (member of Presidium, *Pravda*, July 26th). Andreev (Commission on Speech of Ercoli, *Pravda*, August 17th). Zhdanov (referred to as being present in *Pravda*, July 26th). Ezhov (member of Commission on Speech of Dimitrov, *Pravda*, August 17th). Krupskaya (referred to as being present in *Pravda*, July 26th). N. N. Hohov (Commission on Speech of Ercoli, *Pravda*, August 17th). Pyatnitski (member of Presidium, *Pravda*, July 26th). Manuilski (member of Presidium, *Pravda*, July 26th, and member of Commission on Speech of Dimitrov, *Pravda*, August 17th). Lozovski (made a speech summarized in *Pravda*, August 10th). Knorin (member of Editorial Committee, *Pravda*, July 26th).

Other Soviet nationals reported by Soviet press participating in Congress who are not listed in chart are: Thal (editor of the *Bolshevik*, member of Editorial Committee, *Pravda*, July 26th). Chemo-danov (made a speech summarized in *Pravda*, August 9th). Sokolov (made a speech summarized in *Pravda*, July 26th).

American delegates reported by Soviet press to have participated are as follows: Browder (member of Presidium, *Pravda*, July 26th, delivered two speeches, one summarized in *Pravda*, July 29th, and [the] other in *Pravda*, August 15th; acted as Presiding Officer on July 28th, *Pravda* July 29th, member of Committee on Speech of

Dimitrov, *Pravda*, August 17th). Foster (member of Presidium, *Pravda*, July 26th; made speech referred to in *Pravda*, August 5th). Green (member of Committee on Credentials, *Pravda*, July 26th, delivered speech summarized in *Pravda*, August 9th). Sherman (member of Committee on Credentials, *Pravda*, July 26th). Caruthers (delivered speech referred to in *Pravda*, August 2d). Darcy (delivered speech summarized in *Pravda*, July 13th, member of Commission on Speech of Dimitrov, *Pravda*, August 17th). Ford (delivered speech referred to in *Pravda*, August 15th, member of Commission on Speech of Ercoli, *Pravda*, August 17th). Hudston [*Hudson*] (delivered speech referred [to] in *Pravda*, August 17th). Martha Stone (delivered speech referred to in *Pravda*, August 10th).

Information in parenthesis does not set forth all activities of persons listed.

BULLITT

861.00 Congress, Communist International, VII/56-62 : Telegram

*The Ambassador in the Soviet Union (Bullitt) to the Secretary of State*⁵⁸

Moscow, August 21, 1935—noon-6 p. m.
[Received August 21—9:10 a. m.—3:40 p. m.]

363-369. Your 189, August 19, 7 p. m. The Congress of the Communist International which closed last night was a flagrant violation of Litvinov's pledge to the President.

The mere holding of the Congress in Moscow under control of the Soviet Government would have constituted a technical breach of Litvinov's pledge. The violation, however, was far more serious.

The participation of American delegates in the Congress, the inclusion of Browder and Foster in the Presidium, together with Stalin, Manuilski and Pyatnitski, the inclusion of Americans in other committees of the Congress, the numerous speeches by American delegates in which Stalin was referred to as their leader, the numerous references to the United States in other addresses and the election at the last session of the Americans Browder, Green and Foster to the Executive Committee of the Communist International, place beyond the question of fact that the Government of the United States would be juridically and morally justified in severing diplomatic relations with the Soviet Government.

In mitigation the Soviet Government can plead only that attacks on the Government of the United States were less severe than attacks on other governments and that no direct attacks were made personally by members of the Soviet Government. There is of course, no doubt

⁵⁸ The seven sections of this message, transmitted as telegrams Nos. 363-369, are printed as one document.

concerning it, also no proof that the entire course of the Congress was dictated in advance by Stalin.

To break relations would satisfy the indignation we all feel and would be juridically correct; but in my opinion this question should be decided neither on emotional nor juridical grounds but on the basis of a cold appraisal of the wisest course to pursue to defend the American people from the efforts of the Soviet Government to produce bloody revolution in the United States.

If we should sever relations now on the ground that the Soviet Government has broken its pledged word to us and cannot be trusted, resumption of relations would be inordinately difficult and we should almost certainly not be able to reestablish relations with the Soviet Union during this decade. In this decade the Soviet Union either will be the center of attack from Europe and the Far East or will develop rapidly into one of the greatest physical forces in the world. In either event an official observation post of the United States Government in Moscow will be desirable, not only to gather information on conditions in the Soviet Union and relations of the Soviet Union with the nations of Europe and the Far East, but also, and more important, to inform the Government of the United States with regard to activities of the Soviet Government directed against the lives and interests of American citizens.

American diplomatic representatives in the Soviet Union are harassed and restricted; but there is no way in which a sense of reality with regard to the Soviet Union may be obtained and preserved except by the painful process of living within its confines. As the Soviet Union grows in strength it will grow in arrogance and aggressiveness and the maintenance of an organization in Moscow to measure and report on the increasingly noxious activities and breach of faith of the Soviet Union seems definitely in the interest of the American people.

Moreover, unless we should expel from the United States along with the Soviet diplomatic representatives all Soviet citizens including officials of such organizations as Amtorg⁵⁹ and Intourist,⁶⁰ the Soviet Government for all practical purposes would still have representation in the United States, while the Government of the United States would be without representation in the Soviet Union.

I have no adequate information regarding the reaction of American public opinion to the Congress of the Communist International and my recommendations, therefore, may be so totally out of touch with the feelings of the American people, the President and yourself, that they may seem absurd. But as you have instructed me to cable you my suggestions and recommendations I must venture to do so.

⁵⁹ Amtorg Trading Corporation, 261 Fifth Avenue, New York, N. Y.

⁶⁰ Official travel agency for the Soviet Union.

I believe that we should not now break relations with the Soviet Government.

I believe that we should not make a written protest to the Soviet Government. Such a protest would produce only a violent and insulting reply and a fruitless exchange of notes.

I believe that an oral protest to Troyanovsky and the Commissariat for Foreign Affairs in Moscow would be inadequate to meet the menace set forth in the new "united front" tactics of the Soviet Government and its servant the Comintern.

I believe that we should employ this occasion to make clear to the American people the aims of the Soviet Government which lie behind the mask labeled "united front against Fascism and war."

I believe we should revoke the exequaturs of all Soviet Consuls in New York and San Francisco, leaving only the Consular Section in the Soviet Embassy at Washington.

I believe that we should restrict to a minimum the granting of American visas to Soviet citizens.

And after most careful thought I venture to suggest that the President either before he leaves Washington or in the first of his addresses on the tour he is about to undertake should give utterance in his own words to a sequence of thoughts of the following nature:

1. The solemn character of Litvinov's pledge before recognition.
2. The facts with regard to the Communist International and the present Congress. (The boasts with regard to Communist leadership of the San Francisco and other strikes should not be forgotten.)
3. Although Litvinov stated at the time of recognition that his Government hopes that relations between the peoples of the United States and the Soviet Union might "forever remain normal and friendly" the rulers of the Soviet Union under the mask of friendship are directing preparations for the overthrow of our system of government and democratic liberties.
4. The leading orator of the Congress (Dimitrov) laid down the course to be pursued by Communists of the United States and all other democratic countries. Communists in all democratic countries have been ordered by the Communist Congress in Moscow to worm their way into the labor unions, farmers organizations, the women's peace organizations, all organizations of youth, all liberal, political, social and religious organizations, and into the ranks of the intellectuals, there to work as bosom friends of their fellow members of these organizations until the day comes when they hope to be able to establish Soviet tyranny in the United States and destroy their fellow workers who have trusted them. The American Communists are also directed to work especially among our negro fellow citizens to the end that they may be incited to a massacre of their white brothers. And all this is to be accomplished by Communists wearing the mask of peace and anti-Fascism while the intended victims of the Communists are to be lulled into brotherly friendship by appeals to their American devotion to peace and love of democratic liberty.

[5.] There can be no question that if the Government of the United States should break relations with the Soviet Government it would be juridically and morally justified and, if we do not today take this course, it is because of a consideration which lay close to our hearts when we recognized the Soviet Union, and still lies close to our hearts, that is, the cause of world peace. At a moment when the peace of the world is threatened in many quarters, a government like ours which deeply cares for peace must hesitate to shake the unstable structure of international peace by withhold action [*withholding?*] diplomatic relations with any other government.

6. It is clear however that the people of the United States must be warned of the intentions of the Soviet Government and of the American and foreign Communists who take their orders from the dictator of the Soviet Government. Steps must be taken for the protection of our lives and liberties. To permit Soviet Consuls to remain in American cities after the boasts of the Communist Congress with regard to fomenting strikes in the United States is impossible. As a first protective action the Secretary of State today has directed that the exequaturs of all Soviet Consuls in the United States shall be cancelled. He has also directed that all Soviet citizens who desire to come to the United States must be scrutinized with greater care than heretofore. We must prepare further methods of protection. And we must be vigilant in watching for the intrusion of those American and foreign agents of the Soviet Government who, in the simile of Dimitrov, will adopt the tactics of the Trojan horse and sneak into our midst, concealed by a covering of anti-Fascism and peace to destroy our institutions, liberties and lives.

With reference to the statement above about scrutinizing more carefully Soviet citizens who desire to visit the United States, I venture to suggest that henceforth the law excluding Communists from the United States should be applied rigidly and that you should instruct all American Missions to refuse visas to Soviet citizens unless they present entirely satisfactory evidence proving that they are not and have never been members of the Communist Party or Communist International and are not candidates for admission to the Communist Party or Communist International and are not members of the Profintern.⁶¹

The two steps of canceling the exequaturs of the Soviet Consuls in the United States and rigorously enforcing the law with regard to visas to Communists should become an irreducible minimum.

I have considered carefully whether or not it would be advisable to withdraw our Military Attaché⁶² in Moscow and to request the withdrawal of the Soviet Military⁶³ and Naval⁶⁴ Attachés in Washington. I believe this action should not be taken at present. It might be held in reserve in case the Soviet Government should retaliate or

⁶¹ Red International of Labor Unions.

⁶² Maj. Philip R. Faymonville.

⁶³ Vladimir Alexandrovich Burzin.

⁶⁴ Naval Attaché not in residence; Capt. Alexander Mikhailovich Yakimichev was the Assistant Attaché in the United States.

should take further offensive steps. Some sort of violent Soviet reprisal or replay is to be expected. As the Military and Naval Attachés are not in the direct diplomatic line and as the Red Army representatives are unquestionably on a higher plane as human beings than other Soviet citizens, and as Voroshilov (for his own purposes to be sure) desires genuinely friendly relations with the United States, I consider that this step may be held in abeyance.

It must be foreseen that Soviet reprisals to such steps as we may take may assume specific form in addition to dialectic violence. There will probably be first a demonstrative reduction in Soviet purchases in the United States. We must therefore reconcile ourselves and prepare public opinion as well to accept a material loss which however will be relatively negligible in our national economy and a small price to pay in order to defend ourselves against Communist encroachment. In case the President should wish to refer to this probability I venture to suggest a statement of the following nature:

"It is conceivable that the Soviet Government, which never hesitates to use its monopoly of foreign trade for political purposes may curtail orders in the United States in an effort to prevail upon certain American business circles to rally to the defense of its agents in this country. I have sufficient confidence in the patriotism and public spirit of American businessmen to believe that few of them in pursuit of personal gain will permit themselves to be used as tools of enemies of the American people."

The question of reducing to a skeleton the staff of the Embassy in Moscow is one which depends entirely on the amount of work that the Department of State and other departments of our Government intend to demand of this mission. I expect to return to the United States as usual to spend Christmas with my daughter and I feel that extremely radical reduction of the Embassy staff should be the subject of discussions at that time.

I regret deeply that I cannot be in Washington this evening, as within the limits of a telegram I am unable to give you fully my reasons for the views outlined above. I can assure you that they have been considered most carefully and that they are concurred in by the officers of this mission.

In conclusion I venture to express the opinion that a statement by the President to repeat the thought expressed above, not in my words but his own, might have a powerful influence in stripping the mask from the united front movement, not only in America, but also in Europe.

BULLITT

861.00 Congress, Communist International, VII/63 : Telegram

*The Ambassador in the Soviet Union (Bullitt) to the
Secretary of State*

Moscow, August 21, 1935—7 p. m.
[Received August 21—3:05 p. m.]

370. Personal for the President. I have just written an indecently long telegram on the Communist Congress. I wish I could have talked with you, the Secretary, Moore and Kelley instead. The main point is to handle the matter from the domestic, not the foreign, political viewpoint. If by any chance you decide to follow the line I have recommended, do have Kelley in on all drafting. The technical complexities of Soviet organization are so great that his encyclopedic knowledge will be indispensable. Whatever you do, the Bolsheviks will make it hot for us here. But, as Judge Moore says, we are already accustomed to Hades and acclimated. Love to your whole White House family and yourself.

BULLITT

861.00 Congress, Communist International, VII/72 : Telegram

*The Secretary of State to the Ambassador in the Soviet Union
(Bullitt)*

WASHINGTON, August 23, 1935—7 p. m.

195. 1. Your 363 to 369, August 21, have been carefully considered by the Department and the President.

2. The President and I feel that it is necessary to make a formal written protest to the Soviet Government. Accordingly there is quoted below the text of a draft note which the President has approved and which it is desired you present to the Acting Commissar for Foreign Affairs at earliest possible date. Please telegraph hour after appointment made.

3. Should you have any suggestions as to wording of draft note please cable them immediately for Department's consideration.

4. In presenting note to Foreign Office you may desire to state that in accordance with instructions from your Government the text of the note will be given to the press. You should release text promptly after completing call and telegraph Department time of release in order that Department may make text available to press here at same time.

[Here follows draft text of the note. For the text with minor verbal changes as delivered to the Soviet Foreign Office, August 25, 1935, see the press release issued August 25, page 250.]

HULL

861.00 Congress, Communist International, VII/78 : Telegram

The Ambassador in the Soviet Union (Bullitt) to the Secretary of State

Moscow, August 25, 1935—4:15 p. m.

[Received August 25—10:30 a. m.]

384. I handed our note of protest to Krestinski this afternoon at 4 o'clock without comment, except the statement that we should make it public at once. Krestinski replied: "If your note is a protest with regard to the Congress of the Communist International I can tell you before reading it that it will be rejected." He added "I will, however, read it."

BULLITT

861.00 Congress, Communist International, VII/81

Press Release Issued by the Department of State, August 25, 1935

The following is the text of the note presented today to the Acting People's Commissar for Foreign Affairs at Moscow by Ambassador Bullitt and thereafter made available to the press at Moscow by Ambassador Bullitt:

"Under instructions from my Government, I have the honor to call attention to the activities, involving interference in the internal affairs of the United States, which have taken place on the territory of the Union of Soviet Socialist Republics in connection with the VII All-World Congress of the Communist International, and, on behalf of the Government of the United States, to lodge a most emphatic protest against this flagrant violation of the pledge given by the Government of the Union of Soviet Socialist Republics on November 16, 1933, with respect to noninterference in the internal affairs of the United States.

"That pledge, which was given by the Government of the Union of Soviet Socialist Republics as a result of the discussions which took place prior to the establishment of diplomatic relations between the United States and the Union of Soviet Socialist Republics, reads in full as follows:

[For text of the note of November 16, 1933, from Litvinov to President Roosevelt, see page 28.]

My Government invites particular attention to the obligations of the Government of the Union of Soviet Socialist Republics contained in the paragraph numbered 4.

"In view of the fact that the aim and activity of an organization, such as the Congress of the Communist International, functioning on the territory of the Union of Soviet Socialist Republics, cannot be unknown to the Government of the Union of Soviet Socialist Republics, it does not seem necessary to present material to show the aim of the Congress of the Communist International with respect to the political

or social order of the United States or to quote from the published proceedings of the Congress to show its activity relative to the internal affairs of the United States, as evidenced in the discussion at the Congress of the policies and activities of the communist organization in the United States and the determination and formulation by the Congress of policies to be carried out in the United States by the communist organization in the United States. Nor does it appear necessary to list the names of representatives or officials of the communist organization in the United States who were active at the above mentioned Congress and whose admission into the territory of the Union of Soviet Socialist Republics was, of course, known to the Government of the Union of Soviet Socialist Republics.

"As I have pointed out to the People's Commissar for Foreign Affairs when discussing earlier violations of the undertaking of November 16, 1933, the American people resent most strongly interference by foreign countries in their internal affairs, regardless of the nature or probable result of such interference, and the Government of the United States considers the strict fulfillment of the pledge of non-interference an essential prerequisite to the maintenance of normal and friendly relations between the United States and the Union of Soviet Socialist Republics.

"The Government of the United States would be lacking in candor if it failed to state frankly that it anticipates the most serious consequences if the Government of the Union of Soviet Socialist Republics is unwilling, or unable, to take appropriate measures to prevent further acts in disregard of the solemn pledge given by it to the Government of the United States.

"I may add that it is a source of regret that in the present international situation the development of friendly relations between the Russian and American peoples will inevitably be precluded by the continuance on territory of the Union of Soviet Socialist Republics, in violation of the promise of the Government of the Union of Soviet Socialist Republics, of activities involving interference in the internal affairs of the American people."

861.00 Congress, Communist International, VII/85 : Telegram

The Ambassador in the Soviet Union (Bullitt) to the Secretary of State

Moscow, August 27, 1935—5 p. m.
[Received August 27—11: 30 a. m.]

392. I called on Krestinski at 4 this afternoon. Whereupon he said that he had a reply to the note which I had handed him on the 25th. I took the document and said merely "thank you." He then asked if I would read the note at once and would discuss it with him. I replied that, as the note was in Russian, and as I did not trust my Russian sufficiently to be sure that I should understand all its implications, I would prefer to have a translation made before discussing it.

He then said that he or Weinberg who was present would be glad to translate it into either French or German. I answered that as the matter was of such importance I preferred to have my own translation made and communicate with my Government before entering into any discussion whatsoever and thereupon left.

Krestinski was obviously somewhat disappointed that I did not remain for a personal conversation.

The text of the note follows as my number 393, August 27, 6 p. m. I should be grateful for immediate instructions.

BULLITT

861.00 Congress, Communist International, VII/87 : Telegram

The Ambassador in the Soviet Union (Bullitt) to the Secretary of State

Moscow, August 27, 1935—6 p. m.
[Received August 27—2:40 p. m.]

393. My 392, August 27, 5 p. m. The following is the text of the note handed to me by Krestinski this afternoon :

“Moscow, August 27, 1935.

Mr. Ambassador : By note of August 25th of this year you invited my attention to the activity of the [VII] Congress of the Communist International which took place at Moscow, and referring to the note of the People's Commissar for Foreign Affairs, Litvinov, to the President of the United States of America, Mr. Roosevelt, under date of November 16th, 1933, protested against this activity, considered by your Government as a violation of the obligations of the Government of the Union of Soviet Socialist Republics concerning non-interference in the internal affairs of the United States provided for in the note of November 16th, 1933.

In connection therewith, I consider it necessary to emphasize with all firmness that the Government of the Union of Soviet Socialist Republics has always regarded and still regards with the greatest respect all obligations which it has taken upon itself, including naturally the mutual obligation concerning non-interference in internal affairs, provided for in the exchange of notes of November 16, 1933, and discussed in detail in the conversations between the President of the United States of America, Mr. Roosevelt, and the People's Commissar, Litvinov.

There are contained no facts of any kind in your note of August 25th which could be considered as a violation on the part of the Soviet Government of its obligations.

On the other hand it is certainly not new to the Government of the United States that the Government of the Union of Soviet Socialist Republics cannot take upon itself and has not taken upon itself obligations of any kind with regard to the Communist International.

Hence the assertion concerning the violation by the Government of the Union of Soviet Socialist Republics of the obligations contained in

the note of November 16, 1933, does not emanate from obligations accepted by both sides, in consequence of which I cannot accept your protest and am obliged to decline it.

The Government of the Union of Soviet Socialist Republics, sincerely sharing the opinion of the Government of the United States of America that strict mutual non-interference in internal affairs is an essential prerequisite for the maintenance of friendly relations between our countries, and steadfastly carrying out this policy in practice, declares that it has as its aim the further development of friendly collaboration between the Union of Soviet Socialist Republics and the United States of America, responding to the interests of the people of the Soviet Union and the United States of America and possessing such great importance for the cause of universal peace.

Taking advantage of the occasion, I invite you to accept the assurances of my high esteem.

(Signed) N. Krestinski."

BULLITT

861.00 Congress, Communist International, VII/86 : Telegram

The Ambassador in the Soviet Union (Bullitt) to the Secretary of State

Moscow, August 27, 1935—7 p. m.

[Received August 27—1 : 40 p. m.]

394. My No. 393. Careful perusal of Krestinski's note leads me to recommend that the measures suggested in my numbers 363 to 369 of August 21^{64a} should be put into effect without delay.

I venture to suggest that if the President should touch the question of the connection between the Soviet Government and the Communist International he should state clearly the simple fact that both the Soviet Government and the Communist International are merely different aspects of Stalin's mind and will.

BULLITT

861.00 Congress, Communist International, VII/92 : Telegram

The Secretary of State to the Ambassador in the Soviet Union (Bullitt)

WASHINGTON, August 28, 1935—2 p. m.

204. For your information there is quoted below, as published in *Washington Post*, August 27, the text of a statement to the press, issued by Ambassador Troyanovsky on August 26 :

"I have no intention of saying anything about the note of protest lodged by Ambassador Bullitt with our foreign office.

A satisfactory reply will be made in Moscow by my government. I wish to refer only to a campaign which has been conducted by some persons in this country against our government and against our form of government.

^{64a} *Ante*, p. 244.

I recall the biblical injunction: 'And why beholdest thou the mote which is in thy brother's eye, but perceivest not the beam that is in thine own eye?'⁶⁵

Anything said in Moscow by American citizens about the United States is very insignificant compared to continuous propaganda in the United States against the Soviet Union.

I have even seen suggestions that our government should somehow stop the activity of American organizations and American citizens in the United States.

It is obvious that my government will not interfere in the internal affairs of the United States in this or any other way."

HULL

711.61/540a : Telegram

The Secretary of State to the Ambassador in the Soviet Union (Bullitt)

WASHINGTON, August 28, 1935—6 p. m.

205. I discussed briefly with the President today action to be taken with respect to Soviet note of August 27. He is not in favor of writing another note to the Soviet Government but thinks that a succinct statement setting forth position of this Government should be issued by me. Such a statement is now being prepared in the Department and will be submitted to the President for his approval tomorrow. He seems to feel that the action suggested by you, such as the withdrawal of the exequaturs of the Soviet consuls in the United States, should be held in reserve. Please give any information you deem pertinent, and do not hesitate to express your opinion.

HULL

861.00 Congress, Communist International, VII/91 : Telegram

The Secretary of State to the Ambassador in the Soviet Union (Bullitt)

WASHINGTON, August 28, 1935—7 p. m.

206. Press reports from Moscow state that in connection with the recent Congress of the Communist International oral protests have been made to the Soviet Government by Italian and Latvian representatives there. Please consult them promptly and report facts fully by cable.

HULL

⁶⁵ Luke 6: 41.

861.00 Congress, Communist International, VII/90 : Telegram

The Ambassador in the Soviet Union (Bullitt) to the Secretary of State

Moscow, August 29, 1935—3 p. m.

[Received August 29—10:20 a. m.]

399. Your 206, August 28, 7 p. m. The Latvian Minister made an oral protest at the outset of the Congress against the attacks on the Latvian Government made by a Latvian delegate. He considers that his action prevented further attacks in subsequent speeches by Latvian delegates.

The Italian Chargé d'Affaires orally protested against the Congress in general and the speeches of Ercoli, an Italian delegate, in particular.

The British Ambassador also protested orally (see my telegram No. 359, August 19, 11 a. m.). He was informed that Sokolnikov received oral assurances from the British Government in 1929 that Comintern activities would not constitute ground for any British action against the Soviet Government. The British Ambassador denies that such assurances were ever given.

The Foreign Office censorship has insisted that foreign correspondents in referring to the foregoing protests should add that they were "rejected" by the Soviet Government.

The Japanese Counselor of Embassy informed me last night that the Japanese Government had made no protest.

BULLITT

861.00 Congress, Communist International, VII/94 : Telegram

The Secretary of State to the Ambassador in the Soviet Union (Bullitt)

WASHINGTON, August 29, 1935—6 p. m.

207. Please keep Department informed of gist of Soviet press references to recent exchange of notes. To what extent have texts of notes been published?

HULL

861.00 Congress, Communist International, VII/95 : Telegram

The Ambassador in the Soviet Union (Bullitt) to the Secretary of State

Moscow, August 30, 1935—10 a. m.

[Received August 30—8:10 a. m.]

400. Your 207, 29th. *Pravda*, August 28, published following Tass communiqué:

"On the 25th of August the Ambassador of the United States of America in Moscow, Mr. W. Bullitt, handed the Acting People's Commissar for Foreign Affairs, Comrade N. N. Krestinski, a note in which he invited the attention of the Soviet Government to the activity of the Seventh Congress of the Communist International which took place at Moscow and, referring to the exchange of notes of November 16, 1933, between the People's Commissar for Foreign Affairs, Comrade M. M. Litvinov, and the President of the United States of America, Mr. Roosevelt, lodged a protest against this activity considered by the Government of the United States of America as a violation of the obligations of the Government of the U.S.S.R. concerning non-interference in the internal affairs of the United States of America.

On the 27th of August, Comrade Krestinski handed Mr. Bullitt a note in reply in which it is emphasized that the Government of the U.S.S.R. has always regarded, and continues to regard with the greatest respect, all obligations which it has taken upon itself, including the mutual obligation concerning non-interference in internal affairs. Considering that in the note of Mr. Bullitt there are contained no facts which would attest to a violation of its obligations on the part of the Soviet Government, Comrade Krestinski also points out that the Government of the U.S.S.R. cannot take upon itself, and has never taken upon itself, any obligations whatsoever in connection with the Communist International. Therefore, Comrade Krestinski declares that he cannot accept the protest of Mr. Bullitt, and is obliged to decline it.

In conclusion, Comrade Krestinski affirms the steadfast striving of the U.S.S.R. toward the further development of friendly collaboration between the U.S.S.R. and the United States of America, responding to the interests of the peoples of both countries and having a great significance for the cause of universal peace."

No other references to exchange of notes have been published in Soviet press.

BULLITT

861.00 Congress, Communist International, VII/96: Telegram

The Ambassador in the Soviet Union (Bullitt) to the Secretary of State

Moscow, August 30, 1935—1 p. m.

[Received August 30—9:15 a. m.]

401. The full resolutions of the Congress of the Communist International were published yesterday by *Pravda*. There is no important reference to the United States. The resolution on Dimitrov's report contains a full general program for world revolution.

BULLITT

711.61/547

*Statement by the Secretary of State*⁶⁶

In connection with the protest lodged by Ambassador Bullitt against the violation by the Soviet Government of its pledge of November 16, 1933, with regard to non-interference in the internal affairs of the United States and the reply of the Soviet Government thereto, the Secretary of State today⁶⁷ made the following statement:

The recent note of this Government to the Government of the Soviet Union and the reply of that Government raises the issue whether that Government, in disregard of an express agreement entered into at the time of recognition in 1933, will permit organizations or groups operating on its territory to plan and direct movements contemplating the overthrow of the political or social order of the United States. For sixteen years this Government withheld recognition—as did many other Governments—mainly for the reason that the Soviet Government had failed to respect the right of this nation to maintain its own political and social order without interference by organizations conducting in or from Soviet territory activities directed against our institutions.

In 1933 this Government, observing the serious effects upon peace and prosperity of the many partial or dislocated international relationships throughout the world, took up anew the question whether the United States and the Soviet Union, two of the largest nations, could not find a way to establish more natural and normal relations, which would afford a basis for genuine friendship and collaboration to promote peace and improve material conditions both at home and abroad. After various stipulations in writing had first been carefully drafted and agreed upon by representatives of the two Governments, recognition was accorded to the Government of the Soviet Union by this Government, in November, 1933. One of the most important provisions of the agreement thus reached was the pledge of the Soviet Govern-

⁶⁶ Issued by the Department as a press release August 31, 1935, for publication September 1.

⁶⁷ Sunday, September 1, 1935.

ment to respect the right of the United States "to order its own life within its own jurisdiction in its own way and to refrain from interfering in any manner in the internal affairs of the United States, its territories or possessions." The essence of this pledge was the obligation assumed by the Soviet Government not to permit persons or groups on its territory to engage in efforts or movements directed towards the overthrow of our institutions. The representative of the Soviet Government declared in writing that

"coincident with the establishment of diplomatic relations between our two Governments it will be the fixed policy of the Government of the Union of Soviet Socialist Republics: . . .

4. Not to permit the formation or residence on its territory of any organization or group—and to prevent the activity on its territory of any organization or group, or of representatives or officials of any organization or group—which has as an aim the overthrow or the preparation for the overthrow of, or the bringing about by force of a change in, the political or social order of the whole or any part of the United States, its territories or possessions."

The language of the above-quoted paragraph irrefutably covers activities of the Communist International, which was then, and still is, the outstanding world communist organization, with headquarters at Moscow.

In its reply of August 27, 1935, to this Government's note of August 25, 1935, the Soviet Government almost in so many words repudiates the pledge which it gave at the time of recognition that "it will be the fixed policy of the Government of the Union of Soviet Socialist Republics . . . not to permit . . . and to prevent" the very activities against which this Government has complained and protested. Not for a moment denying or questioning the fact of Communist International activities on Soviet territory involving interference in the internal affairs of the United States, the Soviet Government denies having made any promise "not to permit . . . and to prevent" such activities of that organization on Soviet territory, asserting that it "has not taken upon itself obligations of any kind with regard to the Communist International." That the language of the pledge, as set out above, is absolutely clear and in no way ambiguous and that there has been a clean-cut disregard and disavowal of the pledge by the Soviet Government is obvious.

The American Government, having previously made oral complaints of failure by the Soviet Government to carry out its pledge and being deeply concerned over the growing instability of international relations and the dangerous consequences thereof to peace and economic recovery, sought most earnestly in its note of August 25 to impress upon the Soviet Government the sanctity of its pledge to the end that there might be between the two nations continued development of friendly and official relations and valuable collaboration in many beneficial ways. When in its reply the Soviet Government indicated an intention entirely to disregard its promise "to prevent" such activities as those complained of it struck a severe blow at the fabric of friendly relations between the two countries.

To summarize, in view of the plain language of the pledge, it is not possible for the Soviet Government to disclaim its obligation to prevent activities on its territory directed toward overthrowing the political or social order in the United States. And that Government does not and cannot disclaim responsibility on the ground of inability to carry out the pledge, for its authority within its territorial limits is supreme and its power to control the acts and utterances of organizations and individuals within those limits is absolute.

It remains to be seen to what extent the intention indicated by the Soviet Government's reply, which is directly contrary to "the fixed policy" declared in its pledge, will be carried into effect. If the Soviet Government pursues a policy of permitting activities on its territory involving interference in the internal affairs of the United States, instead of "preventing" such activities, as its written pledge provides, the friendly and official relations between the two countries cannot but be seriously impaired. Whether such relations between these two great countries are thus unfortunately to be impaired and co-operative opportunities for vast good to be destroyed, will depend upon the attitude and action of the Soviet Government.

711.61/544 : Telegram

*The Ambassador in the Soviet Union (Bullitt) to the
Secretary of State*

[Extract]

Moscow, September 3, 1935—noon.

[Received September 3—9:50 a. m.]

406. The Moscow papers of this morning carry the following statement transmitted by Tass from Washington.

"There has been published in the American press the declaration of the Secretary of State (Minister of Foreign Affairs) of the United States of America, Cordell Hull, in connection with the exchange of notes between the Ambassador of the United States of America at Moscow, W. Bullitt, and Comrade Krestinski on the question of the activity of the Communist International.

The contents of this exchange of notes were published in the Tass communiqué of August 27th. The declaration of C. Hull comments in detail on the point of view of the American Government which was formulated in the above-mentioned note of the Government of the United States of America."

No details as to the statement of the Secretary of State have been published and no comment has been made.

I am informed, though not authoritatively, that the Soviet Government is anxious now not to envenom further its relations with the United States and that it is not likely that hostile comments will appear in the press. If such comments should be published they would presumably be published tomorrow or the following day.

BULLITT

800.00B Communist International of Youth/16 : Telegram

*The Chargé in the Soviet Union (Shantz) to the
Secretary of State*

Moscow, September 26, 1935—1 p. m.
[Received September 26—10:25 a. m.]

439. Sixth Congress of Communist International of Youth opened in Moscow September 25th. Following United States delegates were elected to Presidium: Green, Lightfoot and Porter. Pieck, Dimitrov and Kuusinen were present at the first session. Raymond Guillot [*Guyot*] (French) made opening speech.

Embassy will follow sessions closely.

SHANTZ

811.00B/1683

*Memorandum by the Assistant Chief of the Division of Eastern
European Affairs (Packer)*

[WASHINGTON,] October 9, 1935.

The Soviet Ambassador asked me to lunch with him alone today. After luncheon we had a long and frank conversation which was throughout carried on in a very friendly atmosphere. The Ambassador repeatedly indicated that the conversation was personal and that the views he expressed were personal.

The Ambassador then referred to the decisions of the VII Congress of the Communist International and pointed to the significance of the change in the policy of that organization with respect to collaboration with socialist, liberal, and even bourgeois groups in other countries and to the fact that the Communist International now desires communists to render support to and collaborate with such groups to preserve democracy. He said the communists are sincere in this. I said that personally I was inclined to view this entirely as a tactical maneuver; that, of course, communists could be sincere in adopting such a maneuver, since it meant they would follow this line only as long as it was advantageous—it might, of course, be advantageous for many years. I referred to Dimitrov's speech in which he said that this change does not mean the communists are changing their fundamental principles. The Ambassador said that of course they were not ceasing to be communists and they could not say that they were. I said that it was quite easily understandable that communists might very well endeavor to work in certain countries with other groups which they had only recently opposed, in view of developing Fascist movements in such countries, since it was only in Fascist countries that

success in suppressing communist activities had been achieved; it was purely a matter of self-preservation for the communists. He indicated his agreement but said that he could not agree that this was not a change of policy. Such a change of policy, he added, could have been accomplished only with Stalin's approval. I said I thought that if the change was in fact a change in policy, not a tactical maneuver,* it was, of course, significant; that communist leaders in this country and other countries might, however, find it somewhat difficult to explain to the communist party membership a change in policy involving support of and collaboration with groups hitherto considered bitter enemies, even to the extent of attempting to form what amounted to coalition governments. He said that might be the case. I remarked further that the world had before it an example of what communists had done, and might do, in a given situation by what had happened in Russia, after the formation of the Soviet Government, to other groups which had worked with the Bolsheviks; that in the early days there had been members of the Soviet Government who were not Bolsheviks, such as Steinberg,† and that there was some reason to suppose that whenever it might be convenient for communists elsewhere to do so they would follow the Bolshevik example.

The Ambassador mentioned as being very interesting that portion of Dimitrov's speech relating to the United States, particularly the portion relating to Fascism in this country. The Ambassador thought there was no Fascist movement of importance here. I said I thought it unfortunate that the Hearst press had incorrectly quoted Dimitrov as urging communists to support President Roosevelt. I remarked that the instructions contained in Dimitrov's speech to communists to work for the formation of a Farmer-Labor Party here might be almost as objectionable to us, in view of our objection to interference by organizations abroad in purely American matters, as activities with respect to which we had recently protested. He said the interesting situation now exists that communists are instructed to preserve the existing order in this country, not to bring about its overthrow. I said we object to any interference from abroad. He referred to Fascist activities here and to the presence of German Nazi representatives in this country and said that similar representatives are not coming here from Russia. I said that evidently the Nazis are not as well organized as the communists, who have had persons travelling to and from Moscow frequently for the purpose of receiving instructions; that Browder has been to Moscow two or three times since

* In Dimitrov's closing speech at the VII Congress, he stated: "Ours has been a Congress of a *new tactical orientation for the Communist International.*" (Emphasis in original.) [Footnote in the original.]

† Steinberg, a Left Social Revolutionary, was the first Commissar of Justice. [Footnote in the original.]

November 1933. He said he did not know about Browder, that he thought from his picture he might be a very interesting man; that he would like personally to meet him, but realized that he could not. I said I thought if he did and it became known it would be likely to cause difficulties.

The Ambassador commented also on Darcy's speech at the Congress, thinking Darcy took too much credit on behalf of the communists for the San Francisco strike.

Further reference was made to the resolutions of the VII Congress of the Communist International and in particular to one containing instructions of the Congress to the Executive Committee of the Communist International that the latter should as a rule avoid direct intervention in the internal organizational matters of the various Communist Parties. I said that I thought the American correspondents in Moscow had given the Communist International better than an even break on this, since they had omitted an important part of the instructions which went on to direct the Executive Committee to ensure closer contact between the Executive Committee and the various communist parties by more active participation on the part of the representatives of the parties in the work of the Executive Committee; this, I thought, by no means indicated there would be a diminution of control from Moscow over the various parties. Practically all of the resolutions, I said, contained instructions to the various communist parties. The Ambassador said that this was only "advice". I answered that the resolutions used the expression "dolzhni" (must).

E. L. PACKER

800.00B Communist International of Youth/22

The Chargé in the Soviet Union (Shantz) to the Secretary of State

No. 941

Moscow, October 11, 1935.

[Received October 31.]

SIR: I have the honor to report that the Embassy has been following the Sixth Congress of the Communist International of Youth with as close attention as is permitted by the *Komsomolskaya Pravda*, only Soviet publication that has so far reported in any detail on the Congress. With the exception of the opening announcement and an extremely brief résumé of the speech of Kuusinen in the *Pravda* and *Izvestiya* of September 29 (see telegrams Nos. 439 and 442 of Sept. 26 and Sept. 30⁶⁸), the Soviet press, exclusive of the *Komsomolskaya*

⁶⁸ Telegram No. 442, September 30, 1935, not printed.

Pravda, has failed to mention the Congress in any way whatsoever.

This latter publication has carried brief daily accounts of the sessions and condensed résumés of the speeches of the various delegates. In general, the speeches dealt with the struggle for a united front in the ranks of the youth of the countries represented at the Congress, the growth of the communist organizations of youth, the need to fight for the political, economic and cultural rights of the younger generation, and the battle against fascism and war. Vitriolic attacks on fascism, the enemy of humanity and civilization, and the extolling of the virtues of communism with the USSR held as a shining example were usually the order of the day. Many of the speeches related to the *rapprochement* and consolidation of socialist and communist youth organizations, especially in France and Spain. The most prominent parts in the Congress were played by Comrades Raymond Guyot (Secretary of the French Communist Union of Youth), Chemodanov (member of the Russian Communist Union of Youth) and Mikhal (member of the Executive Committee of the Communist International of Youth). No mention whatsoever was made of the speeches of Green, Porter or Lightfoot, American delegates elected to the Presidium.

James, the only delegate from the United States to be mentioned in the press as having spoken, declared at the morning session of October 8 that "the accomplishments and successes of the Soviet Union and the conditions under which the youth live cannot but help to arouse the admiration of the young toilers in America". This is obviously not his whole speech but is all that was reported in the press and as far as the Embassy is aware, is the only time the United States was mentioned. The Congress closed on October 8⁶⁹ after several days' discussion on the closing speech of Comrade Mikhal and Chemodanov's report. Mikhal stated that the presence at the Congress of five Spanish socialists was exceedingly important as it witnessed the tendency of the Comintern of Youth towards unification. In general, his speech was but a review of the work of the Congress and a repetition of appeals for unity. Chemodanov, the reporter of the Congress, spoke on the education of youth in the Soviet Union, racial equality and economic advances of the U.S.S.R.

Inasmuch as the proceedings of the Congress received little publicity and caused little, if any, interest in Moscow circles (foreign press correspondents were in the beginning unaware of the existence of the Congress), the Embassy is at a loss to draw many conclusions

⁶⁹The Ambassador corrected the closing date of this Congress to October 11, in his despatch No. 987, October 26, 1935. He also reported that a "leading editorial" in the *Komsomolskaya Pravda* of October 14 had claimed that "the Communist International of Youth had grown from 46 sections (2,064,207 members) in 1928 to 56 sections (3,855,404 members) in 1935." (800.00 B Communist International of Youth/23)

thereon. In general it may be stated that the Congress followed closely the dictums and tenets of its elder brother, the Seventh Congress of the Comintern, but was relegated to darkness by the Soviet press, either because of the international annoyance caused by the Comintern Congress, or because of the reported decreasing popularity in the U. S. S. R. of the Communist Union of Youth, probably occasioned by its insistence on clinging too closely to the old theoretical line of communism in contrast to the more liberal interpretations of the Soviet Government. The only difference between this child of the Seventh Congress and the latter appears to be that a certain amount of unity with socialism was realized by the presence of an official delegation of young Spanish socialists at the Sixth Congress of the Communist International of Youth.

Respectfully yours,

HAROLD SHANTZ

711.61/573 : Telegram

The Ambassador in the Soviet Union (Bullitt) to the Secretary of State

Moscow, November 9, 1935—10 p. m.

[Received November 10—7:40 a. m.]

478. Kelley and I lunched with Litvinov alone today. He expressed once more the conviction that the British had decided to eliminate Mussolini. He said that Mussolini himself knew that he was beaten; that he had summoned Drummond on November 4th and had begun his conversation by the words: "I know that I have done wrong but I ask you to recognize that there have been extenuating circumstances." Litvinov said that he believed the British would blockade the Suez Canal, if and when necessary. He said that he thought that Mussolini in the end would be forced to suicide.

Litvinov said that he felt that as soon as the British had finished Mussolini they would finish Hitler. He asserted that he felt certain that the British would work with the French and would under no circumstances work with Hitler. He again expressed the conviction that the Japanese were intent on dominating China and had no intention of advancing against Outer Mongolia or the Soviet Union.

Litvinov said that he wished he had been in Moscow when I had presented our note of protest against the actions of the Third International. He then asserted that he had an entirely clear conscience; that I must know that he had said to the President that he could not be responsible for the Third International; and that the President had replied that he would hold the Soviet Union to its pledge only in case of important injury to the interests of the United States.

I replied that my memory was entirely different: that I recalled that he had said he could make no promises about the Third Inter-

national, but that the President had told him that he would hold him to strict accountability with regard to the Third International and that he, Litvinov, had subsequently signed the pledge. He replied that he had made his statement to the President after signing the pledge.

As this statement made his position even weaker, and as the conversation was growing acrimonious, I suggested that a discussion of present relations might be more valuable than further remarks about the past. Litvinov then made it clear that the Soviet Government would not in any way restrain the activities of the Communist International in the United States or the Soviet Union, or of American Communists connected with the Communist International in the Soviet Union. He expressed with his customary cynicism the view that there was no such thing as friendship or "really friendly" relations between nations.

Both Kelley and I had told him that the United States had desired really friendly relations with the Soviet Union but now felt that the direction of the activities of the Communist International by Stalin was incompatible with really friendly relations. Litvinov then expressed his views in almost exactly the words reported in my despatch 980, October 26,⁷⁰ saying that the truth about the United States was that we desire to remain aloof from all active interest in international affairs. He did not add aloud but implied that therefore really friendly relations with the United States were of small importance to the Soviet Union.

BULLITT

800.00B Communist International of Youth/25

*The Second Secretary of Embassy in the Soviet Union (Henderson)
to the Secretary of State*

No. 1071

Moscow, November 23, 1935.

[Received December 4.]

SIR: With reference to the Embassy's despatch No. 987 of October 26, 1935,⁷⁰ and previous correspondence concerning the Sixth Congress of the Communist International of Youth (KIM), I have the honor to forward herewith the resolutions⁷⁰ on the report of Wolf Michal, unanimously adopted by the Sixth Congress of the Communist International of Youth, and published in the *Komsomolskaya Pravda* of November 12, 1935. The resolutions are published under the heading of "tasks of the United Front of Youth." Accompanying the resolutions there is also published a notice giving the composition of the Secretariat, Presidium, Executive Committee and candidates to the KIM, a translation of which is attached hereto as enclosure No. 1.⁷⁰

⁷⁰ Not printed.

The tenor of the resolutions follows very closely those passed on other speeches of the Comintern and the Youth Congresses of this year. The usual pictures of the distress and despair confronting capitalist youth, together with eulogies on the position of youth in the Soviet Union, present no new themes. The same slogans are put forward for the struggle against fascism and the necessity for penetrating to fascist youth through the various youth organizations in fascist countries.

In conformity with Soviet policy concerning the Comsomol, a demand is made for a radical reorganization of the International of Communist Youth together with a complete renunciation of imitation of the parent organizations, i. e., the Communist parties. The functions and interests of youth are to remain completely divorced from Communist Party politics and to be devoted exclusively to education. Of interest in this respect is that henceforth it will be necessary "to renounce such high demands upon youth as are usually made upon members of the Communist Party." Nevertheless, "lasting ties" are demanded between all youth organizations and the Communist Party. "The cause of toiling youth demands this." "The Congress considers the task of convincing all members of this to be extremely important, and considers the ties between the International of Youth and the Communist International also to be necessary."

As in the case of the Comintern the Congress considers that the primary task of communist youth unions is to achieve organic unity with socialist youth unions. This unification must be founded on the fact that socialist youth has also taken an anti-fascist stand, that it is also interested in an amelioration in the life of youth, in freedom, in peace, and is likewise working towards socialism. The chief obstacle, as always, is the Socialist International which is hostile toward the idea of union with the Communist International. The Congress recommends to all organizations belonging to the Communist International of Youth that the "consent" of socialist youth be obtained for the formation of a United Front, and that the basis and plan for joint action on both local and national scales, as well as individual questions and the basic platform, be worked out "jointly" with socialist organizations. The same tactics are called for in connection with socialist members of parliaments as in the case of the Comintern. On the basis of the examples set by the "committees of coordination" in France, and the "liaison" committees of Spain, the Congress calls for constant cooperation and the formation of "joint associations" with all parties in the hope of achieving a United Front. With the formation of such associations, the unions can remain independent and can preserve their ties with the corresponding parties and internals. But in the last analysis the Communist International of Youth "declares its firm

decision to fight for the unification of revolutionary youth of the whole world, for the creation of a single International of Youth."

The resolutions state that the sections of the Communist International of Youth in France and the United States have understood the great importance of uniting the forces of youth. This is evident from their participation in the United Front movement of youth developing in these countries. Success in these countries has been possible as a result of the fact that youth from all organizations has been drawn into the discussion and development of a common platform of collaboration. The tactics in the United States and France have required that non-Comsomol youth organizations are not to be considered as mere adversaries, but as temporary "fronts" which must not have forced upon them stereotyped ready made Communist platforms. The same kind of common ground must be obtained at all costs, namely: opposition to the militarization of youth, to compulsory labor camps, to labor exchanges, military schools, et cetera (Dimitrov). Realizing the role of the intelligentsia in the more advanced capitalist countries, particular attention must be devoted to work among students. The former abstract phrases of the Comsomol are to be replaced by the "living language of youth."

The Congress of the Communist International of Youth "notes with alarm that only an insignificant part of laboring youth is organized into labor unions, and that the growing younger generation of toilers is not being brought up and hardened in the ranks of the labor union movement, in the spirit of militant class solidarity and devotion to the cause of the working class." The success of the youth movement is impossible without the help of the labor unions. As in the "storm" years of the first Five Year Plan in the Soviet Union members of the Youth International are to be the "udarniks"⁷³ within the labor unions, to win respect by their exemplary work.

Very significant in the resolutions is the cry for open warfare against holding the Olympic Games in fascist Germany. Realizing the hold of the Nazis on German youth through the medium of sport organizations, the old tactics of "boring from within" in fascist sport organizations become once more the order of the day.

Nationalism as opposed to chauvinism is to play a role in connection with "national-revolutionary" and "national-reformist" organizations of youth. "Co-operating with these and with other mass youth organizations, taking into consideration the differences between the various sections of youth and between different regions of one and the same country, it is essential, for the purpose of uniting the forces of the younger generation, to create various types of peasant, Indian, negro, student and other organizations of youth." These organiza-

⁷³ Shock workers.

tions should carry on their work on the basis of the satisfaction of the vital demands and requirements of youth and should educate them in the spirit of "revolutionary hate" for the imperialist oppressors, in the spirit of devotion to the cause of freeing their people from all exploitation and enslavement.

The Embassy is unable to identify a number of the delegates elected to the Presidium, the Executive Committee and its candidates. Raymond Guyot, a member of the French delegation, reported previously, is elected General Secretary of the KIM. Gil Green, the American, and Chemodanov, Soviet spokesman, are members of the new Secretariat. Among the candidates to the Secretariat is Prokofev, Soviet citizen. On the Presidium are Green, Chemodanov, Prokofev, General Secretary of the Soviet Comsomol. These four are also elected to the Executive Committee. Among the candidates to the Executive Committee is Lightfoot, an American.

Except for the issue of the *Komsomolskaya Pravda* quoted above, no other Soviet newspaper has made mention of either the resolutions or the notice.

Respectfully yours,

LOY W. HENDERSON

POSTPONEMENT OF CONSTRUCTION OF AN AMERICAN EMBASSY IN MOSCOW BECAUSE OF INABILITY TO ARRIVE AT SATISFACTORY AGREEMENTS REGARDING BUILDING

124.611/230a : Telegram

The Secretary of State to the Chargé in the Soviet Union (Wiley)

WASHINGTON, December 18, 1934—2 p. m.

305. Reference Department's 148, July 5, 6 p. m., and 177, July 27, 1 p. m.⁷⁴ The following questions on which information is desired by cable remain unanswered:

1. Written assurances from proper authorities that (a) 4,000,000 Lindeberg bricks may be purchased at \$5 per thousand; (b) 1,200 tons of Portland cement may be purchased at \$6 a ton, subject to standard tests; (c) 3,500 cubic meters of clean washed river sand at \$1 per cubic meter; (d) 400 tons of lime at \$6 per ton; (e) 5,000 cubic meters of clean washed river gravel at \$1.50 per cubic meter. For all foregoing materials, prices to include delivery at site. In this connection Department has noted your 224, July 28, 4 p. m.,⁷⁵ stating that Embassy believes a reduction in Torgsin⁷⁶ estimates can be obtained through negotiations with Mezhlauk and Department desires that these nego-

⁷⁴ Neither printed. The Department requested information relative to problems involved in the proposed construction of United States Embassy buildings in Moscow. (124.611/182b, 195b.)

⁷⁵ Not printed.

⁷⁶ All-Union Combine for Trade with Foreigners, an official organization selling merchandise only for foreign currency.

tiations be concluded as soon as possible so that Lindeberg may have the information for consideration with Ambassador Bullitt before he is obliged to return.

2. Written assurances that we may pay wages for Russian workmen in roubles at regular wage scales by giving dollars converted at the minimum rate of 30 roubles to the dollar: or alternatively obtain maximum fixed wage scale for all workers in dollars.

3. Written assurances that all transportation and trucking costs may be similarly paid for: or alternatively obtain maximum fixed prices in dollars per ton from Leningrad dock to Moscow site.

4. Written assurances that material shipped into the country and consigned to American Ambassador to be incorporated in new construction will be admitted duty free and free from all taxes of whatsoever nature.

5. Written decision as to entry and sojourn of foreign laborers whom we would import and maintain for skilled and semi-skilled work.

As soon as you cable you have obtained these written assurances it will be possible to go forward as the Department earnestly desires by calling another meeting of the Commission⁷⁷ to obtain their final approval of the detailed plans and working drawings now practically complete.

This cable has been read and approved by Ambassador Bullitt.

HULL

124.611/231 : Telegram

The Chargé in the Soviet Union (Wiley) to the Secretary of State

Moscow, December 23, 1934—4 p. m.

[Received 7:25 p. m.]

423. Department's 305, December 18, 2 p.m. As stated in Embassy's 332, September 27, 4 p. m.,⁷⁸ Mezhlauk promised to have assurances desired by the Department in the shortest possible time. These promises were reiterated personally to Ambassador Bullitt on October 8th prior to his departure. Subsequent communications with Mezhlauk's office failed to produce more than assurances that the desired information would be forthcoming shortly. On November 29th Mezhlauk's secretary informed the Embassy that any further inquiries should be made of the Foreign Office as Mezhlauk had turned the entire matter over to it. A full report of the situation was forwarded to the Department by despatch No. 277, December 3rd.⁷⁸ As it was on the advice of Litvinov and other Soviet officials that the Ambassador approached Mezhlauk as the one Soviet official competent to handle the matter with the maximum of efficiency and authority the sudden decision to place it in the hands of the Foreign Office implies

⁷⁷ Foreign Service Buildings Commission, Independent Offices and Establishments; Sam D. McReynolds, Representative from Tennessee, was Chairman.

⁷⁸ Not printed.

not only failure by Mezhlauk and others to carry out promises to the Ambassador but will make it most difficult to obtain effective action. With this in view I have considered it advisable to await the Department's instructions before establishing the precedent of dealing through the Foreign Office on the questions relating particularly to costs of local labor, transportation and materials.

WILEY

124.611/231 : Telegram

The Secretary of State to the Chargé in the Soviet Union (Wiley)

WASHINGTON, January 8, 1935—2 p. m.

4. Your 423, December 23, 4 p. m. You are instructed to present personally to Litvinov a formal note embodying the questions contained in the Department's 305, December 18, 2 p. m.

In order to be of any value, Litvinov's reply must be in formal written form. It is the desire of this Government to proceed with the construction of the Embassy and to begin work in the month of April or even sooner if practicable, but work cannot begin until this Government is assured in writing that the Soviet Government will make the arrangements necessary to enable the work to be completed in accordance with American standards.⁷⁹

If you derive from Litvinov the impression that the Soviet Government is attempting to make the construction of the Embassy impossible you might intimate that such action would be peculiarly inappropriate at the present moment. You should also endeavor to convince Litvinov that the Soviet Government should give us the written assurances requested within a fortnight if work is to be begun in the Spring. In view of Mezhlauk's assurances that complete information would be available by September 25, 1934, there should be no difficulty in obtaining the necessary information immediately.

HULL

124.611/234 : Telegram

The Chargé in the Soviet Union (Wiley) to the Secretary of State

Moscow, January 10, 1935—3 p. m.

[Received January 10—1:35 p. m.]

9. Your 4, January 8, 2 p. m. Litvinov has left for Geneva. Am personally presenting note to Krestinsky who however cannot receive me until tomorrow.

He dined with me last night when I had the opportunity to discuss matter with him briefly. He assured me that building materials could

⁷⁹ Funds for construction were available from the appropriations by Congress under the Foreign Service Buildings Act of May 7, 1926, 44 Stat. 403.

be purchased at reasonable prices, indeed that all points could be readily clarified save that of labor. It would not be feasible for the American Government to pay wages in rubles nor for the Soviet Government to permit Soviet workmen to be paid in *valuta*.⁸⁰ He thought, therefore, that it would be necessary for us to enter into a contract with a Soviet construction organization which would erect the buildings with materials furnished by us and labor supplied by it. There would be a Soviet engineer responsible to the Moscow Soviet and an American architect responsible to the State Department. After some discussion he expressed the opinion that the matter could be worked out in such a way that we could have authority to control the building operations. I manifested pessimism.

I intend to ask him tomorrow if some Soviet agency could act as intermediary in the matter of wages in such a way that we could employ labor furnished by the Soviet authorities and/or labor engaged by us. We could pay such agency at predetermined wage scales in dollars and the agency would pay the Soviet workmen in rubles.

WILEY

124.611/236 : Telegram

The Chargé in the Soviet Union (Wiley) to the Secretary of State

Moscow, January 11, 1935—3 p. m.

[Received 4:22 p. m.]

12. Your 4, January 8, 2 p. m. Handed note to Krestinsky this morning. Copy going forward next pouch.⁸¹ Rubinin was present. Went over the 5 points. Krestinsky reiterated objections to American employment of Soviet labor in either rubles or dollars. As for a Soviet intermediary to receive dollars from us and pay labor in rubles he felt this would be impossible unless such intermediary were at the same time responsible for construction. American architects and engineers were not conversant with Russian Soviet conditions or Soviet laws. If they were permitted to go ahead on their own they would run afoul of the law and their Soviet employees would be held responsible and run serious risk of prison sentences. I replied that we did not plan to undertake Embassy construction with criminal intent but with every respect for Soviet law and with whatever might be necessary in the way of Soviet technical advice. I represented your views most energetically and pressed for prompt answer. I was only able to elicit the assurance that Krestinsky would promptly study the note and examine every possibility of acceding to our wishes.

⁸⁰ i. e., foreign currency.

⁸¹ Not printed; transmitted to the Department in despatch No. 337, January 12, 1935; received February 6.

I gain the impression that there is no desire per se to prevent the construction of an American Embassy but most stubborn Soviet bureaucratic resistance to letting us run our own show. I fear that the reply when forthcoming will be drafted with so many reservations that you will hardly find it satisfactory.

WILEY

124.611/237 : Telegram

The Chargé in the Soviet Union (Wiley) to the Secretary of State

Moscow, January 23, 1935—5 p. m.

[Received January 23—4 p. m.]

29. Your 14, January 21, 6 p. m.⁸² Have continued since the delivery of note to press Foreign Office for reply. Saw Rubinin again this morning and urged necessity of its being delivered by tomorrow. Rubinin replied that yesterday was a holiday, also tomorrow, that moreover all branches of the Government were in a state of "feverish" preparation for the All Union Congress.⁸³ Nevertheless the questions involved had been referred to the several competent authorities and everything possible had been done to expedite matters and to have them considered in most friendly spirit possible.

I replied that I was obliged to telegraph fully and precisely tomorrow and suggested that he arrange a meeting today of the authorities concerned in an endeavor to reach a decision at least in respect of the more important questions involved. He promised to see Krestinski at once and to do everything possible. He will communicate with me later today or tomorrow.

Rubinin repeated that the employment of labor presented so many difficulties that it might be necessary to confide construction to a Soviet organization with stipulations governing the carrying out of the work. American foremen, et cetera, could be put at its disposition. I replied that my Government would most certainly not undertake the construction unless it were in entire charge of its every phase. Perhaps it would not object to an intermediary Soviet organization—in addition to paying Soviet labor—functioning in an advisory capacity particularly in respect of Soviet legal matters and building regulations.

If the reply is not forthcoming by tomorrow which is not unlikely I shall endeavor to learn definite date when it may be expected as well as any further information that may be available. Will telegraph promptly.

WILEY

⁸² Not printed.

⁸³ The Seventh All-Union Congress of Soviets met in Moscow between January 28 and February 6, 1935.

124.611/253 : Telegram

The Chargé in the Soviet Union (Wiley) to the Secretary of State

Moscow, March 4, 1935—4 p. m.

[Received March 5—6:23 a. m.⁸⁴]

87. My 63, February 15, 1 p. m.⁸⁵ Following reply received from Foreign Office to the Embassy's note of January 11th on proposed construction. Paragraphs are numbered for the Department's convenience.

"Dear Mr. Wiley:

1. In your letter of January 11th, 1935, you expressed the desire to obtain 'explanations' on several questions which are of interest to the Government of the United States of America in connection with the proposed construction in Moscow of a building for the American Embassy. I did not fail to bring these questions to the attention of the competent organizations which have given them careful consideration with the aim of acceding insofar as possible to the 'interests' of the American Government. I am at present able to convey to you the following.

2. The Government of the Soviet Union is prepared to free from the payment of customs duty materials whose importation in the opinion of the Government of the United States of America is necessary for the construction of the Embassy building of the United States Government in Moscow.

3. Likewise no objections are raised to the entry and residence in the Soviet Union naturally on the general basis of, and in full conformity with, the existing laws of the Soviet Union of such workmen and employees of the American Government, citizens of the United States of America, who will work on the construction of the building in question in Moscow. Of course, Soviet organs do not assume any obligations to provide these workmen and employees with apartments or with facilities.

4. With reference to the question raised in your note concerning the employment and payment of local labor necessary for the said construction, the competent organizations consider that all questions concerning the employment, dismissal, and payment of labor must be decided only on the basis of the general regulations and laws in force in the Soviet Union. The competent organs do not consider it possible to form a special Soviet economic organization for the employment and payment of labor for the above-mentioned construction.

5. In regard to the proposed local purchase of building materials, the People's Commissariat for Foreign Affairs and the competent organizations will not fail to cooperate with the American Embassy in facilitating these purchases. The People's Commissariat for Foreign Affairs, since it is not an economic organization, is unable to give the American Embassy information on the prices of various types of material as that is a question of a purely commercial nature. I suppose that the Embassy could obtain information on this question from the Torgsin Company.

⁸⁴ Telegram in two sections.

⁸⁵ Not printed.

6. Finally the payment of railroad and local transportation in connection with the hauling of the above-mentioned materials and equipment for the construction according to the 'explanations' received from the competent organizations must be made in accordance with the existing rates.

7. I hope that the above explanations make it possible to recognize the presence of all conditions necessary to guarantee successful construction. Accept, et cetera, (signed) N. Krestinski".

With the exception of the right to import materials reply throughout completely unsatisfactory and in view of oral assurances of Mezhlauk to Ambassador and the representations of the Embassy the concluding sentence (paragraph 7) is particularly cynical.

The following points may be specially noted :

(1) Right to bring in "foreign workmen" was requested but only "American citizens" mentioned in reply.

(2) Request for facilitating employment and payment of local labor flatly denied which is clearly designed to force American Government to confide construction to a Soviet agency.

(3) Refusal of Soviet Government to give desired quotations or estimates on prices of local material and costs of transportation. Torgsin prices already submitted to Department were unsatisfactory. Existing rates of transportation in paper rubles prohibitive at legal rate of exchange. The purpose of course of requesting such quotations was to avoid dealing with subordinate organizations and becoming involved in intricacies of Soviet exchange system.

I will await Department's instructions before proceeding further in this matter.

WILEY

124.611/266 : Telegram

The Ambassador in the Soviet Union (Bullitt) to the Secretary of State

Moscow, June 3, 1935—11 p. m.
[Received June 4—11:15 a. m.]

220. This afternoon I discussed with Litvinov the question of building our new Embassy which he had asked me to take up with him in specific form. In order to make clear our difficulties I insisted that Litvinov should read the inter-office memorandum prepared for me by Mr. Bohlen which gives in detail the reasons we believe that the note from the Foreign Office dated March 3, 1935, makes the construction of an American Embassy building in Moscow technically impossible. (See Embassy's telegram No. 87 of March 4, 4 p. m.) For your information I am sending the memorandum under reference in a subsequent message.⁸⁶

⁸⁶ See *infra*.

Litvinov noted our objections in detail. He said that he thought it might be possible for us to bring in such foreign workmen as we might require and not confine imported workmen to Americans. He said that the Soviet Government would have no objection whatsoever to our paying all our local labor in Soviet rubles purchased illegally in Moscow. When I objected he replied: "This is the same old question. You wish to behave legally always and we have not the slightest objection to your making payments in Soviet rubles that you obtain in any way that you please although it may mean that your Embassy will cost you much less than it would cost otherwise." He said that the United States Government would of course have full right to employ and discharge any workmen it might wish and to inspect and control every detail of the work during the process of construction. He commented that although the prices quoted by Torgsin were in excess of those suggested by the Department of State the question was still subject to negotiation. He suggested that the difficulty about transportation rates on the Soviet railroads could be overcome by making all such payments in Soviet rubles purchased anywhere at any price which would make all transportation expenses considerably less.

I pointed out to Litvinov that there was no competent building organization in the Soviet Union today and called his attention to the fact that the Mokhovaya Building which was completed only 12 months ago now requires 2 months of repair. He admitted that there was no competent building organization in the Soviet Union and said that he personally was confronted by much the same problem that confronted us. He asserted that he had received permission from his Government to build a new Foreign Office and that he did not know what organization could build a decent building. He remarked incidentally that he was having great trouble in finding an adequate building site and added that if we did not use the Lenin Hills site for our Embassy he would certainly ask for it at once for the new Foreign Office as it is unquestionably the best building site in Moscow. This happens to be true and I believe that Litvinov's remark was sincere and not made for effect.

At the close of our conversation I said to Litvinov that until today I had been convinced that the Soviet Government had changed its attitude toward the United States to such an extent that it no longer wanted us to build an Embassy. He replied that on the contrary the Soviet Government was most anxious for us to build.

A number of signs seems to indicate that the Soviet Government is a trifle worried about the relations it has created with the United States and I suspect that momentarily pinpricking our Government is considered not good policy.

124.611/267 : Telegram

The Ambassador in the Soviet Union (Bullitt) to the Secretary of State

Moscow, June 4, 1935—4 p. m.
[Received June 4—11:45 a. m.]

223. Reference last sentence first paragraph my No. 220, June 3, 11 p. m., following is memorandum under reference:

"The following are the reasons why the reply of the Foreign Office dated March 3, 1935, in reply to the Embassy's note of January 11, 1935, make the construction of the proposed Embassy building technically impossible.

While the United States Government requested the right to bring in such foreign workmen as it saw fit for the construction, the Soviet Government qualified this by saying that only citizens of the United States of America would be so admitted.

As there is every reason to believe it will be necessary to import workmen other than Americans, such as Finnish bricklayers, et cetera, this qualification is unacceptable.

The refusal of the Soviet Government to make any exception regarding the employment and payment of local labor necessary for the construction and their refusal to form a special Soviet economic organization for this purpose means that the American Government will be forced to incur large obligations in Soviet rubles which will have to be purchased illegally.

An additional statement that the employment, discharge and payment of such labor must be decided on the basis of general regulations and laws enforced in the Soviet Union would mean that this labor force would not be under the control of the United States Government or any organization which it may appoint to construct the proposed Embassy.

With regard to the purchase of local material, the Soviet Government refuses to give assurances that the requisite materials could be purchased at the prices decided on in Washington. The prices quoted by Torgsin which were forwarded to the Department did not include delivery at site and would be considerably in excess of the prices quoted by the Department of State.

As the experience of the Embassy has been that prices in *valuta* in the Soviet Union are purely arbitrary in character and based solely on the basis of charging 'what the traffic will bear,' to deal with Torgsin without written assurances of the Soviet Government will involve the American Government in endless haggling on prices.

Finally the refusal of the Soviet Government to quote transportation rates in dollars and the statement that these rates will be assessed in accordance with the regulations enforced will either mean that such transportation costs will be prohibitive if the conversion of the Soviet currency is made at the legal rate or, as in the case of payment of local labor, the United States Government will incur obligations payable in illegally procured currency.

The peculiar conditions existing in the Soviet Union and in particular the uncertainty of the currency system make it imperative that written assurances be obtained from the Soviet Government on

the question of employment of local labor, cost of materials and transportation.

Without these written assurances it is impossible to foresee under what conditions the Government of the United States might be forced to undertake the proposed construction since these conditions could at any time be arbitrarily altered by the Soviet Government or any of its organizations. In addition the physical difficulties and complications of dealing with subordinate Soviet organizations (Torgsin, et cetera) would be such on the basis of our experiences as to make successful construction impossible. This belief is based on the experience of the Embassy in its dealings here. Therefore the categorical refusal of the Soviet Government to give these written assurances render the construction of the new Embassy in Moscow technically impossible."

BULLITT

124.611/274a : Telegram

The Secretary of State to the Consul at Venice (Corrigan)

WASHINGTON, September 19, 1935—2 p. m.

For Ambassador Bullitt. As there is great need for permanent construction in certain unhealthful missions in Central America, and as there would seem to be no immediate prospect of initiating Moscow construction, I would like your comments by cable as to the possible diversion of the fund that was proposed to be used at Moscow. I believe that if we subsequently find it practicable to proceed with Moscow buildings we will have ample time to make good by future appropriations whatever we may now use in Central America for the immediate protection of our officers.

HULL

124.611/275 : Telegram

The Consul at Venice (Corrigan) to the Secretary of State

VENICE, September 27, 1935—11 a. m.
[Received September 27—8:50 a. m.]

Referring to Department's telegram September 19, 2 p. m., following from Ambassador Bullitt:

"I favor heartily transfer Moscow building funds to construction at unhealthy posts in Central America."

CORRIGAN

[With the abandonment of plans to build an Embassy in Moscow, consideration was given to reallocation of the appropriated funds for needed construction elsewhere. In a conversation with Ambassador Troyanovsky on December 2, 1936, Acting Secretary of State Moore, in order "to illustrate the entire lack of cooperation with us by the

Soviet authorities," repeated the reasons which had obliged the abandonment of the plan of constructing buildings in Moscow (123 Bullitt, William C./293). It was late in 1937 before Soviet authorities again mentioned the subject of an Embassy building there.]

ADHESION OF THE SOVIET UNION TO THE SPITZBERGEN TREATY OF FEBRUARY 9, 1920, WITH THE CONSENT OF THE UNITED STATES⁸⁷

857H.01/101

Memorandum by the Under Secretary of State (Phillips) of a Conversation With the French Ambassador (Laboulaye), November 23, 1934

Under instructions from his Government the French Ambassador inquired "as a matter of courtesy", as he put it, whether the United States Government had any objection to the French Government approaching the Soviet Government with a view to securing the Soviet Government's adhesion to the Treaty of Spitzbergen, signed in Paris on February 9, 1920. This treaty, according to the Ambassador, merely legalizes the existing situation in Spitzbergen. The United States has already signed and presumably ratified this treaty. I could not ascertain very definitely from the Ambassador precisely why the French Government made the above inquiry. I replied that personally I could not imagine that we had any objection to the proposed French action, but that I would gladly look into the matter and telephone him in the course of the day.

WILLIAM PHILLIPS

857H.01/102

Memorandum by the Chief of the Division of Eastern European Affairs (Kelley)

[WASHINGTON,] November 23, 1934.

The French Government has approached the Department on three different occasions during the past ten years with a view to obtaining our agreement to the adherence of the Soviet Government to the Spitsbergen Treaty of February 9, 1920. In 1924, after a long discussion with the French Embassy of a draft of an agreement between the signatory Powers to the Treaty which would authorize the Soviet Government to adhere to the Treaty, the Department eventually in-

⁸⁷ For previous correspondence concerning the adherence of the Soviet Union to the treaty, see *Foreign Relations*, 1932, vol. I, pp. 901 ff. For text of treaty, see *ibid.*, 1920, vol. I, p. 78.

formed the French Government that the United States had not recognized the Soviet Government and in these circumstances it could not see its way to consent to the adherence of the Soviet régime to the Treaty.⁸⁸

In November, 1931, following the adherence of the Soviet Union to the Kellogg Pact,^{88a} the French Ambassador took up the matter again⁸⁹ and we informed him that the adherence of the Soviet Government to that Pact had not altered the situation with respect to our non-recognition of that Government, but that should other parties to the Spitsbergen Treaty desire to permit the Soviet régime to adhere to this Treaty, the Government of the United States would not raise any objection, provided it was clearly understood that the absence of such an objection should not be construed as constituting recognition of that régime by the United States.

In May, 1932, in response to an inquiry from the French Ambassador whether the United States would be prepared to enter into an agreement to be drawn up by all the signatory Powers to the Spitsbergen Treaty under which the Soviet régime would be permitted to adhere to that Treaty, the Department stated that while still adhering to the position taken in its last note on the subject, it was not in a position to become a party to an agreement such as that proposed by the French Government.⁹⁰

Inasmuch as our attitude in the past with regard to the adherence of the Soviet Government to the Spitsbergen Treaty has been determined solely by the fact that we had not extended recognition to the Soviet Government, there would seem to be at the present time no grounds for raising objection to the French Government taking steps to secure the Soviet Government's adherence to the Treaty of Spitsbergen.

ROBERT F. KELLEY

857H.01/103

The French Ambassador (Laboulaye) to the Secretary of State

[Translation]

WASHINGTON, June 26, 1935.

MR. SECRETARY OF STATE: Pursuant to instructions from our Government, I have the honor to advise Your Excellency that following the invitation which had been addressed to the Government of the Union of Soviet Socialist Republics, the Ambassador of the Union

⁸⁸ See *Foreign Relations*, 1924, vol. 1, pp. 1-6, and *ibid.*, 1925, vol. 1, pp. 201-209.

^{88a} For text of treaty, see *ibid.*, 1928, vol. 1, p. 153.

⁸⁹ See note of November 17, 1931, from the French Ambassador, *ibid.*, 1932, vol. 1, p. 901.

⁹⁰ No record of such a communication has been found in Department files.

at Paris ⁹¹ has notified the Minister of Foreign Affairs ⁹² that his country adhered to the Treaty on Spitzbergen signed at Paris, February 9, 1920. This adherence was expressed by an Act dated May 7th last, a certified true copy of which is enclosed ⁹³ with the present letter.

Please accept [etc.]

ANDRÉ DE LABOULAYE

857H.01/104

The Minister in Latvia (MacMurray) to the Secretary of State ⁹⁴

No. 1025

RIGA, December 30, 1935.

[Received January 14, 1936.]

SIR: I have the honor to report that the *Collection of Laws and Orders of the U.S.S.R.*, in its No. 17, Part II, of November 29, 1935, contains as item 138, the Treaty Concerning the Archipelago of Spitsbergen, together with additions and an annex, signed at Paris, February 9, 1920, with a note that the adhesion of the U.S.S.R. to this Treaty was approved by the Central Executive Committee of the U.S.S.R. February 27, 1935, and came into effect May 7, 1935.

Respectfully yours,

J. V. A. MACMURRAY

**AGREEMENT BETWEEN THE UNITED STATES AND THE SOVIET UNION
RELATIVE TO THE EXECUTION OF LETTERS ROGATORY, EFFECTED
BY EXCHANGE OF NOTES SIGNED AT MOSCOW ON NOVEMBER 22,
1935**

[For texts of notes exchanged, see Department of State Executive Agreement Series No. 83, or 49 Stat. 3840.]

⁹¹ Vladimir Petrovich Potëmkin.

⁹² Pierre Laval.

⁹³ Not attached to file copy.

⁹⁴ Similar information was sent to the Department by the Chargé in the Soviet Union in his despatch No. 1232, January 2, 1936; received January 20.

1936

REPORTS ON DEVELOPMENTS OF SIGNIFICANCE CONCERNING SOVIET
RELATIONS WITH OTHER COUNTRIES, ESPECIALLY WITH THE
UNITED STATES

124.614/136

*Memorandum by the Chief of the Division of Eastern European
Affairs (Kelley)*

[WASHINGTON,] January 9, 1936.

In accordance with the suggestion of Assistant Secretary Moore, I discussed with Mr. Skvirsky the situation confronting our Embassy in Moscow in connection with the closing of Torgsin stores¹ and the proposed monetary changes,² in particular the question of the increase demanded by Intourist³ in the rental of a garage. I told Mr. Skvirsky that we had been paying to Intourist a rental of \$80 a month for a garage, and that Intourist had informed the Embassy that it could not accept dollars in the future and that commencing January 1st the rental would be 1730 rubles. I said that this represented an increase from \$80 to approximately \$346,—converting the rubles at the official rate of five rubles to the dollar,—or over 300 per cent. I said that I hoped Mr. Skvirsky realized that such a rental was exorbitant and that the American Government would not submit to extortion of this nature. I said that we had instructed our Embassy to tender \$80 and, if the dollar payment were declined, the equivalent number of rubles at the recently established official rate of five rubles to the dollar.

I said that I was bringing the matter to his attention in the hope that he would make clear to his Government our attitude in the matter. I said that the garage rental was the first concrete case arising out of the proposed monetary changes, and that, while the situation had not yet entirely clarified itself, the Department was confronted with a serious problem, since the Embassy had reported that, if the announced plans were carried into effect, the expenses of the Embassy and the American personnel would be increased five to six times. I

¹ All-Union Combine for Trade with Foreigners.

² By decree of November 14, 1935, the Soviet Government announced plans for closing the Torgsin stores and for the stabilization of the ruble. A decree of February 29, 1936, established an exchange rate of one ruble equal to three French francs, effective April 1, 1936.

³ The official Soviet Travel Agency.

pointed out that the Department would have to go before Congress in order to get any additional funds needed to meet increased expenditures in Moscow, and I was sure that Mr. Skvirsky would appreciate that raising the matter in Congress at the present time, especially the explanation of the cause of the increased expenses, would afford very effective ammunition to persons opposed to the maintenance and development of relations between the United States and the Soviet Union. I pointed out in this connection that the cost of the various municipal services, such as light, heat, and electricity, to the Embassy on the basis of five rubles to a dollar would be fantastic. I said that we had to work on the basis of five rubles to the dollar because members of the Soviet Foreign Office had informed our Embassy that it would be impossible to get rubles at any other rate. I did not see how Congress and the American public could avoid getting the impression that the Soviet Government was bent upon exploiting the American Government and Americans resident in Moscow.

I said that we were convinced that, if there were good will on the part of the Soviet Government, things could be so arranged that the difficulties referred to above would disappear. Prices could be fixed for municipal services at a reasonable rate in rubles, or some Soviet agency could be authorized to contract for such services in foreign currency. Burobin,⁴ for instance, could take over the renting of the garage. I said that it was quite possible, of course, that his Government, engrossed in the working out of the monetary changes, had not as yet had time or opportunity to give consideration to the difficult situation in which would be placed foreign Missions in Moscow as a result of the proposed changes. I hoped that he would impress upon his Government that the situation was giving serious concern to the American Government, and urge that steps be taken promptly to alleviate it.

Mr. Skvirsky said that he would immediately take the matter up with his Government.

ROBERT F. KELLEY

761.00/264 : Telegram

The Chargé in the Soviet Union (Henderson) to the Secretary of State

Moscow, January 11, 1936—1 p. m.

[Received 3:15 p. m.]

16. My 15, January 11, noon.⁵ The latter part of Molotov's speech^{5a} was devoted to the international situation. He said that in

⁴ Central Bureau for Service to Foreigners.

⁵ Not printed.

^{5a} Speech of January 10, 1936, at Second Session of the All-Union Central Executive Committee.

general Soviet relations with other countries had developed normally in the last year. The references to England, France and Czechoslovakia contained nothing of special interest.

“The relations of the Soviet Union to the United States of America have in general developed normally, principally in the commercial and economic field. In addition one cannot pass over the repeated attempts to develop anti-Soviet campaigns artificially in a certain portion of the American press—attempts being made by certain reactionary and Fascist-inclined circles with the purpose of disrupting the policy of *rapprochement* between the U.S.S.R. and the United States of America which has enormous significance from the point of view of the preservation of general peace.”

After noting that during the past year Belgium, Luxembourg and Colombia had recognized the U.S.S.R. he discussed the break with Uruguay in sarcastic and contemptuous words which were greeted with much laughter and applause.⁶ Lengthy passages discussing relations with Germany and Japan contained little that is new. He stated that the Soviet Government desired an improvement in relations with Germany but that the German Empire had made no attempt to remove the plans of territorial acquisition at the expense of the Soviet Union mentioned in Hitler's writings. In discussing Japan he said that it was clear “that the playing with fire along our Far Eastern borders is not ceasing and that the Japanese military caste is creeping up to our border not only directly but also through other territories.” He saw nothing unexpected in the reported military agreement between Japan, Germany and Poland. Japan and Germany had left the League “in order to free their hands.” Germany was “feverishly preparing to occupy a dominant position in the Baltic Sea.” All these factors necessitated increased defense appropriations for the Soviet Union.

In discussing the League and the Italian-Abyssinian war he said that superficially it might appear that there were differences in principle among the various powers with respect to the policy of colonial acquisition but that this was not the case. “The difference in the position of the various capitalist states members of the League . . .⁷ is explained above all by the extent of their interest in the degree of the strengthening of the imperialist power of Italy. This can be said just as well with respect to the powers not members of the League of Nations. Among the capitalist powers there are no powers which would place the independence of any weak country above the interests of their own selfish participation in the distribution of colonies. With respect to the Italian-Abyssinian war, only the Soviet Union has taken

⁶ Relations were established between the Soviet Union and Belgium on July 12, 1935, Luxembourg on August 26, 1935, and Colombia on June 25, 1935; but Uruguay had broken relations on December 27, 1935.

a special position founded on principle far from every sort of imperialism, far from every sort of policy of colonial seizures. Only the Soviet Union has stated that it based itself on the principle of equality of rights and the independence of Abyssinia . . .⁸ this policy of the Soviet Union . . .⁸ has a unique international significance and will yet yield great fruits.”

Soviet entrance into the League⁹ had justified itself in practice. While the League had not done sufficient in the Italian-Abyssinian war and had done nothing to prevent this war, one could not ignore the fact “that in the present case the League of Nations had hindered not those who were serving the cause of peace but those who wished to help the aggressor.” He added that in certain cases in the past, imperial cliques relying on the passivity of the masses of the people had suffered failures at the most unexpected moments and that those who involved themselves in a new imperialist war might break their necks before their rapacious plans had been realized. The Bolsheviki knew that the masses in the capitalist countries were far from sharing the rapacious plans of the imperialists. “But we the toilers of the Soviet Union in defending our own cause must count on our own forces and in defending our fatherland . . .⁸ above all on our Red Army.”

HENDERSON

711.61/591 : Telegram

The Chargé in the Soviet Union (Henderson) to the Secretary of State

Moscow, January 13, 1936—noon.

[Received 12:53 p. m.]

18. My 16, January 11, 1 p. m. I should like to invite the Department's attention to the special importance of Molotov's statement to the effect that the *rapprochement* between the U.S.S.R. and the United States of America “has enormous significance from the point of view of the preservation of peace”. In this connection reference is made to Litvinov's statements referred to in the Ambassador's¹⁰ telegram 478, November 9, 10 p. m.¹¹ and the statements of Troyanovski reported in the Ambassador's telegram 526 [506], November 23, 9 p. m.¹² with respect to the unimportance of relations with the United States in view of American determination to remain aloof from world affairs. Troyanovski told me several days ago that he felt that he was making headway in his efforts to offset tendencies in certain Soviet circles to belittle the importance of the United States as a factor in world affairs at the present time but that he was being handicapped

⁸ Omission indicated in the original.

⁹ The Soviet Union entered the League of Nations on September 18, 1934.

¹⁰ William C. Bullitt.

¹¹ *Ante*, p. 264.

¹² Not printed.

by recent developments in American neutrality policies which tended to curtail still further the influence of the United States in international politics.

Molotov's words would seem to indicate that the efforts of Troyanovski and others who hold his views had not been without success. It is probable that the President's message¹³ and particularly his condemnation of autocracy and aggression played an important part in this development.

HENDERSON

861.51/2722 : Telegram

The Chargé in the Soviet Union (Henderson) to the Secretary of State

Moscow, January 15, 1936—11 a. m.

[Received January 15—10:05 a. m.]

21. Last night, at the session of the Central Executive Committee, Grinko spoke on the budget for the current year. The total budget is 82,900,000,000 rubles. The consolidated state budget is 78,500,000,000 rubles, representing an increase of 21.5 per cent over last year. Military expenditures are to be increased enormously rising from 8,200,000,000 rubles in 1935 to 14,800,000,000 rubles this year. Nearly one-half of the total increase falls to purely military items, which will constitute 17.9 per cent of the total budget in 1936, as compared with 14.8 per cent last year. Furthermore, many of the expenditures classified as economic (civil aviation, railway construction, capital investment in munitions industries, et cetera) are of course partly military in character.

HENDERSON

861.20/369 : Telegram

The Chargé in the Soviet Union (Henderson) to the Secretary of State

Moscow, January 16, 1936—2 p. m.

[Received January 16—12:50 p. m.]

24. There are indications that the motives behind the increased military budget and the increased emphasis on military affairs are the same as those which prompted Molotov to say in his speech of January 10^{13a} that from now on the Soviet Union could count only on its own strength. "The friends of peace" said the *Journal de Moscow* on January 14, "can already no longer count on the policy of certain great powers who have always during the years since the war been the supporters of collective security and the League." The paper

¹³ Delivered on January 3, 1936, before a Joint Session of the two Houses of Congress. For text, see *Congressional Record*, vol. 80, pt. 1, p. 27.

^{13a} See footnote 5a, p. 282.

went on to sum up as follows: the factors leading the Soviet Union to place its faith exclusively on its own armed forces: "the incessant acts of aggression of Japan, the aggressive plans of Germany, the passage—which is becoming more and more probable—of Italy into the camp of the aggressors and at the same time the hesitations which have manifested themselves in the case of certain great powers with respect to the positions which they occupy—powers which formerly were considered as partisans of the collective security of the League," these passages are apparently intended to give the impression that the Kremlin has finally abandoned hope of being able to rely for its defense against attack from without, on the League of Nations or on those collective security arrangements which Litvinov has cultivated so assiduously for the last 3 years and for which he has made so many sacrifices. Our usual emissary from the Kremlin told me yesterday that the Soviet Government had become convinced that it could not rely on French military assistance; that the French shopkeeper would not be willing to fight unless France was attacked. Although it is impossible to gauge at the present time the extent to which this represents a shift in Soviet policies the Embassy has the impression that while the Soviet Government will continue to push the program of collective security the Kremlin in the future will place little dependence on the success of that program in making decisions of a military or international political character.

HENDERSON

861.20/370 : Telegram

The Chargé in the Soviet Union (Henderson) to the Secretary of State

Moscow, January 16, 1936—4 p. m.
[Received January 16—2:15 p. m.]

25. At last night's meeting of the Central Executive Committee of the U.S.S.R., Tukhachevski, Assistant Commissar of Defense, described progress of Red Army during 1935. Notes of his remarks made by Kuniholm who was present are: We are prepared to fight on Far Eastern and Western frontiers simultaneously. 1935 [budget?] of Red Army increases percentage of divisions which will be maintained at war strength and decreases percentage of skeleton divisions. Red Army at present 77% cadre and 23% territorial.¹⁴ Reorganization based on principle of greater preparedness and faster mobiliza-

¹⁴ Marshal Mikhail Nikolayevich Tukhachevsky explained further in his speech that prior to 1935 there had been a proportion of 26% cadre (regular) divisions to 74% territorial divisions in the army. This was now being reversed. Increasing regular divisions and "creating cadres faithful to the cause of the Party and highly skilled in military-technique" was a very expensive development, but this system would be "most perfect from the point of view of both mobilization and military preparedness." (861.20/372)

tion in case of sudden attack. Production of airplanes has increased tremendously.

Naval policy is now based upon submarine flotilla. Coast defenses have been considerably increased. Construction of hydroplanes has received particular attention during the past year and the number of planes produced increased by several times.

At the beginning of 1936 the total strength of the Red Army has reached 1,300,000 men actually under arms. Red Army has now 13 military academies as well as 6 military faculties in civil schools. Total number of students in war academies over 16,000.

Pay of members of the Red Army was increased during 1935 by 57%. Direct mention made of only three countries: Germany, Japan and Finland. Germany and Japan labelled as positive future opponents of Red Army. German attack expected through Poland and Baltic countries. Japanese railroad network in Manchuria purely strategic and not economic commercial. Japanese air force increased by over 5 times in last 4 years, heavy artillery by 3 times and field artillery by 10 times. System of landing fields in Finland stated as being far greater than necessary for Finnish aviation.

Profuse excuses offered to the country for tremendous increases in military budget.

The account of speech in today's *Pravda* agrees with above.

HENDERSON

711.61/592 : Telegram

*The Chargé in the Soviet Union (Henderson) to the
Secretary of State*

Moscow, January 17, 1936—2 p. m.

[Received 6:25 p. m.]

29. My 18, January 13, noon, regarding Molotov's speech. Soviet official close to Kremlin has informed me that Molotov's references to the United States were intended as a friendly gesture and the Soviet Government hoped that they would be considered as such. He added that it would be very helpful to those elements in the Soviet Union, who are particularly interested in improving Soviet-American relations, if the American Government or a responsible American official could at the present time make some kind of a friendly gesture in return which would indicate that the United States Government does not share the anti-Soviet views of the Hearst press.

I told him that I would be glad to transmit his suggestions but pointed out that the attitude which the Soviet Government had assumed with respect to the Communist International^{14a} made friendly

^{14a} See pp. 218 ff.

gestures on the part of responsible American officials somewhat difficult. Since the Soviet Government maintained that it had no control over the actions of the Communist International there was no guarantee that a friendly gesture on our part might not be followed immediately by some outrageous act on the part of the Comintern which would leave the American Government in a most embarrassing position. He said that he appreciated the difficulties of the situation but felt that the possibility was remote that the Comintern would take any step in the near future which might tend to embarrass Soviet-American relations. I refrained from pointing out that he had made similar remarks to me just prior to the Seventh Congress of the Communist International.

HENDERSON

711.61/595 : Telegram

*The Ambassador in the Soviet Union (Bullitt) to the
Secretary of State*

Moscow, March 2, 1936—6 p. m.

[Received March 2—3 p. m.]

76. I was able to arrange for Mr. Roy Howard to interview Stalin yesterday.

In the course of the interview Stalin made the flat statement that if the Japanese invaded Outer Mongolia Russia would fight. He also expressed fear of German aggression against the Soviet Union. He cleverly evaded the issue of his direction of the Communist Party of the United States and expressed hopes for excellent relations between the United States and the Soviet Union. Howard talked with Litvinov today; the conversation was without interest with the possible exception of a statement by Litvinov that no difficulties would have arisen between the Soviet Union and the United States if it had not been for my hostility to the activities of the Comintern Congress.

I feel that it might be worth while to impress on Troyanovsky and especially Umansky when he arrives that resentment of interference in the internal affairs of the United States by the Comintern acting under orders of Stalin is felt not only by myself but by the entire Government of the United States and the American people.

Howard informed me that he had [stated] to Stalin that in his opinion as a newspaperman a repetition of Soviet interference in the internal affairs of the United States similar to the interference during the Comintern Congress last August would produce an immediate break in diplomatic relations.

Howard during his entire visit in Moscow conducted himself as a most loyal American and I feel that the officials of the Department will find conversations with him valuable.

I should be obliged if you would bring this telegram to the attention of the President.

BULLITT

124.61/105

The Ambassador in the Soviet Union (Bullitt) to the Secretary of State

No. 1436

Moscow, March 4, 1936.

SIR: I have the honor to submit herewith certain personal observations on conditions in this country.

I believe that what follows presents an accurate picture of life in Russia in the year 1936, but a regard for truth compels me to admit that the remainder of this despatch was written not by myself but another American envoy, The Honorable Neil S. Brown of Tennessee, in his despatches to the Secretary of State in the years 1851, 1852, and 1853. *Plus ça change, plus c'est la même chose.*

This is a hard climate, and an American finds many things to try his patience, and but few that are capable of winning his affections. One of the most disagreeable features that he has to encounter, is the secrecy with which everything is done. He can rarely obtain accurate information, until events have transpired, and he may rely upon it, that his own movements are closely observed, by eyes that he never sees. The Russian mind seems naturally distrustful, and this is especially so with the Government officials. Everything is surrounded with ceremony, and nothing is attainable, but after the most provoking delays. Nothing is more striking to an American here on his first arrival, than the rigor of the police. It would seem that the capital¹⁵ was in a state of siege; and among all the astringents put into requisition for the preservation of peace and order none is so abhorrent, as the censorial power. As a proof of the extent to which it is carried I may mention, that the late message of the President of the United States, was not regarded in all its parts as a safe document for Russian readers, and came to their hands scathed with the censors' knife.

It is difficult in many instances to see the reason of the application of this power, and no doubt it is often capricious. I know but one book on Russia, of foreign origin, that is admitted into the Country. Nor do I know of a single one of domestic production, from which a stranger can derive any certain information, touching the revenue, the expenditures, the strength of the army and navy, or any other matter having a political bearing. Whether all this is wise or unwise, belongs more properly to Russian statesmanship to determine.

¹⁵ St. Petersburg.

It presents however to the Russian mind the most unpalatable part of Russian tyranny. This is the best school in which to Americanize our countrymen, perhaps there can be found.

During the last year it has been evident, that the policy of Russia towards foreigners, and their entrance into the Country, was becoming more and more stringent. I heard of several Americans during the past summer who were unable to procure visas from the Russian Legations at different points, and were therefore compelled to abandon their journey. This arises mainly from political considerations, and a fear of foreign influence upon the popular mind. To this may be added, that there is a strong anti-foreign party in Russia, whose policy would exclude all foreigners, except for mere purposes of transient commerce. They conceive that the motive which induced Peter the Great to open the door to traders and artisans, has been answered, and that they have learned sufficiently the lessons of civilization to maintain its craft and its maxims by themselves. And yet Russia cannot boast of a single invention in mechanics, that has been practical or copied out of the Country. All they have is borrowed, except their miserable climate, and even upon that, they are paying an enormous rate of usury, in the defences, and privations of winter. They fight their battles on borrowed capital, and make loans to build their railways. Their best vessels are built in England and the United States. And all their arts and pursuits, though cultivated and pressed, with commendable diligence and a good degree of success, are the products of foreign genius, and duplicates of inventions and discoveries of a people wiser than themselves. No nation has more need of foreigners, and none is so jealous of them. These remarks have no special reference to Americans. On the contrary the Americans rank as high here as any other people, and though republicans they are known and acknowledged not to be propagandists.

I had a good deal during last winter to try my patience, for the Government possesses in an exquisite degree, the art of worrying a foreign representative without giving him even the consolation of an insult. The position as an Ambassador here is far from being pleasant. The opinion prevails, that no communication, at least of a public nature, is safe in the Post Office, but is opened and inspected as a matter of course. Hence those Legations that can afford it, maintain regular couriers, and never send anything by mail. The opinion also prevails, that Ministers are constantly subjected to a system of espionage, and that even their servants are made to disclose what passes in their households, their conversations, associations, et cetera. Of all this I have had no positive evidence, but I believe there is some foundation for such charges. To be made to apprehend such a state of things is exceedingly annoying. If therefore I do not write as often as may be desired, this is my apology. And if I do not furnish

matter of more interest it must be attributed in part at least, to the great difficulty of obtaining correct information. No courtesy or liberality whatever, is shown in this particular by this Government. But I do not believe that I have any grievances on this subject, which are not common to other Legations. Secrecy and mystery characterize everything. Nothing is made public that is worth knowing. You will find no two individuals agreeing in the strength of the army and navy, in the amount of the public debt, or the annual revenue. In my opinion it is not intended these things should be known.

Display is a policy as well as a passion with the Russian Government. The popular mind is well adapted to this sort of finesse. A strange superstition prevails among the Russians that they are destined to conquer the world: While appeals to the soldiery founded upon the idea of fatality, and its glorious rewards, are seldom made in vain. To a feeling of this sort has been attributed that remarkable patience and endurance which distinguish the Russian soldier in the midst of the greatest privations.*

Respectfully yours,

WILLIAM C. BULLITT

861.01/2120

The Ambassador in the Soviet Union (Bullitt) to the Secretary of State

[Extracts]

No. 1537

Moscow, April 20, 1936.

[Received May 18.]

SIR: I have the honor to submit my views as to the policies the United States should follow with respect to the Soviet Union and Communism. I apologize for the length of my observations.

Today Stalin considers it sound strategy to support democratic forms of government in countries in which communism is still weak; but the meaning of that support was displayed by Dimitrov at the Comintern Congress in August, 1935, when he pointed out that at the moment the cause of communism could be promoted best by use of the tactics of the Trojan horse and warned his communist comrades that they were not good communists if they felt that it was indecent or unduly hypocritical to become the collaborators and pretended friends of democrats in order the better eventually to lead those democrats to the firing squad.

*The above extracts are verbatim except for several inconsequential omissions, and for the fact that in three instances the word "Empire" has been changed to "Country" and in one instance the word "Minister" has been changed to "Ambassador". [Footnote in the original.]

The problem of relations with the Government of the Soviet Union is, therefore, a subordinate part of the problem presented by communism as a militant faith determined to produce world revolution and the "liquidation", (that is to say, murder), of all non-believers.

There is no doubt whatsoever that all orthodox communist parties in all countries, including the United States, believe in mass murder. Moreover, the loyalty of a believing communist is not to the nation of which he is technically a citizen but to his faith and to the Caliph of that faith. To such men the most traitorous betrayals are the highest virtues.

In the history of the human race many nations have had to deal with citizens whose loyalty lay beyond the boundaries of their native land. To deal with such men by means of secret police and firing squads is traditional. But to deal with them while preserving the liberties which have been gained so painfully by western peoples since the Middle Ages is extraordinarily difficult. To adopt the methods of the Nazis is to sacrifice the freedom from fear of the State which is among the most precious conquests of civilization, and to slay our heritage in attempting to defend it.

Yet it must be recognized that communists are agents of a foreign power whose aim is not only to destroy the institutions and liberties of our country, but also to kill millions of Americans. Our relations with the Soviet Union, therefore, involve questions of domestic policy which can not be answered except on the basis of a careful estimate of the strength of world communism and the reality or unreality of its threat to our liberties and lives.

Moreover, the time is not distant when the Soviet Union will become a dangerous factor in the field of international trade. The Soviet Government has not the slightest intention of abandoning its monopoly of foreign trade. It is attempting to make itself as self-sufficient as possible and it will use its monopoly of trade ruthlessly to undersell and injure its enemies and to assist its friends. It will not, in good faith, enter into any international agreements which have as their object improvement of the general economic condition of the world. It will, on the contrary, try to produce as much chaos as possible in the economies of capitalist countries in the hope that misery may beget communist revolution.

The standard of living in the Soviet Union is still extraordinarily low, lower perhaps than that of any European country, including the Balkans. Nevertheless, the townsfolk of the Soviet Union have today a sense of well-being. They have suffered so horribly since 1914 from war, revolution, civil war, and famine that to have enough bread to eat, as they have today, seems almost a miracle. Moreover, in each of

the past three years, the quantity and variety of their food has increased and many varieties of merchandise which have been missing from Russia for years are now making their appearance in the shops.

The condition of the peasants has been but little improved; indeed, physically it seems to be worse than their condition in 1914. There are, of course, certain showplaces: highly successful and well organized *kolkhozes*¹⁶ and *sovkhozes*.¹⁷ But the peasants have not yet adjusted themselves to the system by which the leaders of the Soviet Union hope to "proletarianize" them. Moreover, all that is being done to improve conditions in the cities, to build up industries, communication and the war machine, is being done at the expense of the peasants. Eighty-one percent of the revenues of the Soviet Government in 1935 were taken from the peasants by the simple means of keeping the price paid them for their products atrociously low—the Government taking the resulting profit on sales. Nevertheless, the land itself is rich, the peasants have been given some education and have been encouraged to develop an interest in sports; and among the young, at least, there is hope.

Russia has always been a police state. It is a police state today. The authority of the Kremlin rests on the strength of its army and the omnipresence of its secret police, no less than on the fervor of the convinced communists.

The secret police and the army are better fed, housed, and entertained than any other portion of the population. Their loyalty to the Soviet regime is unquestionable. And there is no longer reasonable doubt as to the strength of the Red Army. It numbers today nearly a million and a half men. Its material equipment in artillery, airplanes, and tanks is abundant in quantity though deficient in quality. It can not undertake offensive operations due to the fact that the railroads are still inadequate for the peace time needs of the country and to the equally important fact that there are literally no modern highways in the entire Soviet Union. But on the defensive, the Red Army would fight hard, well and long.

The only actual threat to the Soviet Union is the Japanese. All Litvinov's propaganda trumpetings to the contrary, the Soviet Government knows very well that Germany can not be in a position to make war on the Soviet Union for many years. Every feasible route for German attack leads across Polish territory and the whole basis of Polish policy is never to permit the foot of either a German or a Russian soldier to be placed on her soil.

The Japanese threat is actual. But the Japanese have so bungled their relations with the Mongols, and the strength of the Soviet Far

¹⁶ A collective farm.

¹⁷ A state farm.

Eastern Army has increased so fast, that the Russians today are confident that a Japanese attack would end in destruction of the Japanese Army.

The single real fear of the communists is that their bureaucratic machine might break down under the strain of war. Dread of the Kremlin is so great that all Russian officials, except the highest, hesitate or refuse to make decisions. The life of the entire Soviet Union might well be clogged hopelessly in time of war by unsigned papers.

The chief weakness of the Soviet State today is, indeed, the inefficiency of the bureaucracy. The communist form of State requires a bureaucracy of exceptional ability. The Russians have always been and are bad bureaucrats. In consequence, extraordinary numbers of Jews are employed in all the Commissariats. Only one out of each sixty-one inhabitants of the Soviet Union is a Jew; but twenty of the sixty-one Commissars and Vice-Commissars are Jews.

What then should be the policy of the United States with regard to the Soviet Government and the world communist movement?

We should not cherish for a moment the illusion that it is possible to establish really friendly relations with the Soviet Government or with any communist party or communist individual.

We should maintain diplomatic relations with the Soviet Union because it is now one of the Greatest Powers and its relations with Europe, China, and Japan are so important that we can not conduct our foreign relations intelligently if we do not know what is happening in Moscow. Moreover, in spite of all efforts to conceal the truth from foreigners, it is possible to obtain in Moscow considerable information as to the Soviet Union and the world communist movement.

We should use our influence quietly to oppose war in the Far East between the Soviet Union and Japan not only because of our moral opposition to war but also because, if there is a war, someone may win it. In case the Soviet Union should win, a Communist China would be inevitable. In case Japan should win, China would be completely subjected to Japan. If war comes between Japan and the Soviet Union, we should not intervene but should use our influence and power toward the end of the war to see to it that it ends without victory, that the balance between the Soviet Union and Japan in the Far East is not destroyed, and that China continues to have at least some opportunity for independent development.

We should instruct our diplomatic representatives in Europe to use all opportunities in personal conversations to point out the danger to Europe of the continuation of Franco-German enmity and to encourage reconciliation between France and Germany.

We should attempt to promote our trade with the Soviet Union by

direct bargaining of the sort involved in our agreement of July 13, 1935.¹⁸ But we should have no illusion that our trade with the Soviet Union may ever be stable or permanent. It may be cut off for political reasons at any minute. Therefore, we should not make loans or give long-term credits to the Soviet Union and should advise American industrialists against putting in expensive machinery to produce for the Soviet market.

We should realize that with every year that passes the products of the Soviet Union and the United States will become less complementary and more competitive. Soviet oil and grain will compete increasingly with our oil and grain. The Russian market for our cotton will decrease as the new Soviet cotton plantations increase their productivity. The market for our machines may increase until Russian industry improves in quality and productivity and is able to produce complicated machines of the highest quality. For a few years we may be able to sell the Soviet Union more than we buy from her but in the long run a fairly even balance of trade will be insisted on by the communists, and if we are not ready to buy more than today we shall not be able to sell so much as we sell today.

Our Federal Government should inform itself as to the membership of the Communist Party in the United States and as to the relations between the American communists, the Soviet Diplomatic and Consular Representatives, and the other agents of the Soviet Government and the Communist Party in the United States: Amtorg,¹⁹ Intourist, Voks,²⁰ International Red Aid,²¹ etc.

In our domestic policies, we should act on the realization that there is one fatal blow which can be struck at communism, not only in the United States but also in every other country in the world. The final argument of the believing communist is invariably that all the battle, murder, and sudden death, all the spies, exiles, and firing squads are justified because communist dictatorship is the only method which permits a modern economic machine to run at full speed and to find always an unsatisfied buying power, whereas the maldistribution of the national income in our system causes inevitably recurrent crises and unemployment. (The recent conclusions of the Brookings Institution of Washington as to the causes of our crises are, curiously enough, the same.) If we can achieve such continuous increases in the buying power of the masses of our population that our fullest possible production may find demand, the single effective plea of the communists will disappear. To turn a much greater proportion of our national income each year into the pockets of those who have little so that

¹⁸ See pp. 192 ff.

¹⁹ Amtorg Trading Corporation, 261 Fifth Avenue, New York, N. Y.

²⁰ Society for Cultural Relations with Foreign Countries.

²¹ A Soviet controlled "united front" international organization to aid in the struggle for the revolution (M.D.P.R.).

there may be effective demand for the products of our fields and factories is, therefore, not only the moral obligation of a democratic people but also the most certain method of destroying the single intellectual justification of the Communist Faith.

The keynote of our immediate relations with the Soviet Union should be patience. The communist movement in the United States today constitutes a potential danger but not an actual threat. We do not need to get excited about it. Our political relations with the Soviet Union are negative; but our trade is increasing. It is difficult to conduct conversations with the Soviet Foreign Office because in that institution the lie is normal and the truth abnormal and one's intelligence is insulted by the happy assumption that one believes the lie. But patience and diplomats exist for just that sort of difficulty.

We should neither expect too much nor despair of getting anything at all. We should be as steady in our attitude as the Soviet Union is fickle. We should take what we can get when the atmosphere is favorable and do our best to hold on to it when the wind blows the other way. We should remain unimpressed in the face of expansive professions of friendliness and unperturbed in the face of slights and underhand opposition. We should make the weight of our influence felt steadily over a long period of time in the directions which best suit our interests. We should never threaten. We should act and allow the Bolsheviks to draw their own conclusions as to the causes of our acts.

Above all, we should guard the reputation of Americans for businesslike efficiency, sincerity, and straightforwardness. We should never send a spy to the Soviet Union. There is no weapon at once so disarming and effective in relations with the communists as sheer honesty. They know very little about it.

Respectfully yours,

WILLIAM C. BULLITT

661.1111/48

*The Chargé in the Soviet Union (Henderson) to the
Secretary of State*

No. 1612

Moscow, May 25, 1936.

[Received June 10.]

SIR: With reference to the Embassy's despatch No. 1425 of February 28, 1936,²² and previous correspondence regarding the efforts of the Soviet Government to transfer to the Soviet Union the negotiations effecting foreign trade transactions involving Soviet organizations, I have the honor to transmit herewith a translation of an article on that subject published in *Foreign Trade of the U.S.S.R.*, No. 5, March 15, 1936.²²

²² Not printed.

It will be observed from the enclosed article that during the year 1935, 541 export transactions were concluded in the Soviet Union as compared with 7 in 1934, and that in 1935, 76.3 percent of the total value of orders were placed with the import combines (not including orders placed jointly with commissions of principals*) as compared with 8.1 percent in 1934. The writer of the article also states that, whereas during the first 9 months of 1934 only 193 representatives of foreign firms visited the Soviet Union, over 570 visited the country in the corresponding period of 1935. According to the article a great deal has been done in the direction of making the Soviet Union, rather than foreign countries, the place of delivery of export goods. It states that, whereas in 1934 only 19 deliveries of export goods took place on Soviet territory, there were 222 such deliveries in 1935. Even the work of drawing up bills and of making collections is apparently being transferred to the Soviet Union.

Particularly interesting are the writer's statements with respect to the inclusion in foreign trade contracts of clauses providing that disputes arising from such contracts are to be settled by the Arbitration Commission of the All-Union Chamber of Commerce. He says that of the 461 transactions concluded prior to October 1, 1935, 290 contained such clauses.

Conversations with members of other diplomatic missions in Moscow tend partly to confirm the statements contained in the enclosed article. Soviet export organizations exporting raw and semi-finished products have become particularly insistent during the last year that all transactions effecting the sale of such products should be concluded in the Soviet Union. This applies particularly to purchasers from Northern, Eastern, and Central Europe. These organizations have been somewhat more flexible, apparently, in their treatment of English buyers and decidedly more lenient towards American purchasers who, for the most part, have been considered as belonging to a special class. Nevertheless, a number of American buyers have been warned that next year they will be expected to complete all purchasing transactions, including the taking of delivery of merchandise, in the Soviet Union.

It is understood that most of the foreign import transactions effected in the Soviet Union have been with Northern, Eastern, and Central European firms, although of late more English firms are understood to be concluding transactions in Moscow. According to such information as the Embassy has been able to obtain, however, most transactions involving the sale of complicated merchandise are still effected abroad. So far as is known no American firms have

*It is believed that "orders placed jointly with commissions of principals" refers to orders placed jointly by representatives of the appropriate foreign trade combines and members of commissions representing trusts which are clients of such combines. [Footnote in the original.]

as yet concluded contracts in the Soviet Union providing for the sale of merchandise. Such contracts are still being signed in the United States with Amtorg.

It would be erroneous to assume that Moscow has been or is crowded with foreign business men eager to engage in foreign trade transactions with the Soviet Government. It is, in fact, surprising that a country with a population of 166,000,000 persons should have been visited in the first nine months of 1935 by only 570 representatives of foreign firms. In this connection it should not be overlooked that approximately 50 percent of these visitors were participants in the fur auctions which are held semi-annually in Leningrad.

In previous despatches the Embassy has touched upon some of the motives which prompt the Soviet Government to endeavor to make the Soviet Union the locality of most of its import transactions. Conversations with visiting business men and with responsible Soviet officials lead the Embassy to believe that the following constitute some of the reasons which cause the Soviet Government to desire the transfer of export transactions also to Soviet territory:

- 1) The desire to cut down costs, which are in foreign currency, of maintaining sales representatives abroad;
- 2) The desire to avoid paying out foreign currency abroad for transferring cargo, warehousing, and so forth;
- 3) The hope that if goods are sold f. o. b. production point, or sea-port, certain ad valorem duties on transportation costs may be saved;
- 4) The desire to transfer to the purchaser all responsibilities connected with tariff increases, ocean freight charges, and so forth;
- 5) The desire that disputes arising from contracts be settled according to Soviet law and in Soviet courts or by Soviet Arbitration Commissions;
- 6) A feeling that, if prospective purchasers expend the time and money to come to the Soviet Union to negotiate, they will prefer to pay slightly higher prices or to accept somewhat less advantageous terms rather than to return empty handed;
- 7) The belief that the position of the buyer will be weakened since he will be cut off from all private communication with his home office and since he will be unable to obtain proper legal advice.

Respectfully yours,

LOY W. HENDERSON

661.1111/57 : Telegram

The Chargé in the Soviet Union (Henderson) to the Secretary of State

Moscow, August 12, 1936—10 a. m.

[Received August 12—9 a. m.]

181. Referring to speech of Rosengolts regarding Soviet foreign trade policy made on July 17 and reported in my despatch 1786 of

August 7, 1936,²⁴ responsible official of the People's Commissariat for Foreign Trade has informed me orally that the Soviet Government does not contemplate changing in the near future its purchasing procedure in the United States. It will continue as hitherto to make the bulk of its purchasing through Amtorg. Sales of commodities to American firms will be made either in the Soviet Union or through Amtorg in the United States as seems most advantageous in individual cases. No pressure is to be brought on American firms to appoint representatives in Moscow.

HENDERSON

861.2222/7

The Chargé in the Soviet Union (Henderson) to the Secretary of State

No. 1810

Moscow, August 18, 1936.

[Received September 5.]

SIR: I have the honor to enclose a copy of a decision of the Central Executive Committee and the Soviet of People's Commissars of the Union of Soviet Socialist Republics dated August 11, 1936, as published in the *Moscow Daily News* of August 12, 1936, reducing the draft age for active military service in the Red Army from twenty-one to nineteen years.²⁴ In order to effect this change, there will be drafted annually between the years 1936 and 1939, inclusive, one and one-half yearly draft contingents.

Since the Embassy has no figures available indicating the average yearly draft, and since it is understood that there is a considerable variation in the percentage of men actually called to the colors each year from the entire eligible contingent, it is impossible for the Embassy to estimate accurately the size of the new draft contingents or to determine with any degree of certainty the significance of the decision under discussion. According to the decision itself, the measure was adopted because of the "rise in physical level of Soviet youth" in order to enable young men to complete their military service at an earlier age thereby permitting them to "work without interruption in the chosen specialty or to study". It is, however, possible that since during the years 1936 to 1939, inclusive, men will come of age who were born during the war years 1915-1918 when the birth rate was much lower than normal, the decision may have been prompted by the desire of the Red Army to have as large an eligible draft contingent from which to select as it has had in previous years. On the other hand, several military Attachés of foreign countries on duty in Mos-

²⁴ Not printed.

cow have expressed the opinion to members of the Embassy staff that the decision is evidence of a plan to increase the size of the Red Army during the next four years from 1,300,000 men * to between 1,500,000 and 2,000,000.

Respectfully yours,

LOY W. HENDERSON

861.00/11630 : Telegram

The Chargé in the Soviet Union (Henderson) to the Secretary of State

Moscow, August 27, 1936—noon.

[Received 2 p. m.²⁵]

195. Reference Department's 117, August 24, 6 p. m.²⁶ The few foreign journalists and diplomats permitted to attend the trial of Zinoviev, Kamenev and others were puzzled and astonished at the manner in which the defendants denounced themselves and Trotsky and dragged in the names of other prominent Soviet leaders who in the past have been opposed to Stalin.

It is difficult to state with any degree of certainty the extent to which the accused were guilty of the crimes to which they confessed or to explain the motives prompting their behavior at the trial.

Most of the foreigners present during the proceedings were of the opinion that:

(a) Zinoviev, Kamenev and other prominent defendants have had conversations regarding the advisability of assassinating Stalin and regarding their course of action in case of his death.

(b) The prominent defendants may have come into contact at times with some of the less well known so-called terrorists who stood trial with them.

Many such observers were not convinced however, that:

(c) Zinoviev, Kamenev and other prominent defendants had entered into a concrete plot to assassinate Kirov, Stalin or any other persons.

(d) Trotsky had sent instructions as alleged to the accused to engage in terroristic acts.

(e) The German police were involved.

The other Secretaries of the Embassy and I believe (a) and (b) and disbelieve (c), (d), and (e).

* It will be recalled that Tukhachevski, Assistant People's Commissar for Defence, in a speech delivered on January 15, 1936, set the numerical strength of the Red Army at that figure. [Footnote in the original.]

²⁵ Telegram in two sections.

²⁶ Not printed; it asked for interpretive reports on the Zinoviev-Kamenev trial (861.00/11629).

It is the opinion of the Embassy, based on its own analysis of the situation, that the trial was staged at the present time :

(1) To prevent expression being given to a wave of dissatisfaction with the Kremlin policy which has recently welled up in certain Party circles. There is a growing fear that Stalin is leading them away from Communism in the direction of state capitalism. The growing differentiation of wages which is becoming more pronounced with the raising of production norms; the tendency to organize collective farms along capitalistic lines; the steady growth in influence of the so-called new intelligentsia, technicians, high state officials, and even persons connected with the former *bourgeoisie*; the encouragement by Party and State of patriotism; and similar trends have caused some alarm among the old or ideologically inclined Party members. This alarm has been sharpened by the belief that the Kremlin is not sufficiently supporting the Spanish proletariat and as a result of passivity is losing hegemony over the revolutionary movement.

(2) To correct the mistaken impression obtained by some members or former members of the Party that the announcement of the new constitution²⁷ signifies the beginning of a new era in which they may safely criticise certain of Stalin's policies to which they may be opposed.

(3) To eliminate or nullify the influence of former leaders whom Stalin distrusts.

(4) To render it possible to ascribe certain failures in the realization of economic and financial plans to the sabotage of Trotsky and his adherents.

(5) By branding Trotsky as an ally of the German Fascists to endeavor to kill the influence of himself and his adherents in the united front and in the international revolutionary movement as a whole. It is understood that Trotsky's organizations which employ tactics similar to those used by the branches of the Communist International in seeking leadership are seriously hampering the efforts of the Kremlin to obtain domination over the united front.

(6) Incidentally still further to increase the hatred of foreign Soviet sympathizers for German Fascists.

It is also the belief of the Embassy that the prisoners testified as they did with the hope of escaping torture or obtaining commutation of sentence or from fear that failure so to testify would result in harm to members of their families or friends.

The opinions expressed above are shared by a number of the better informed foreigners in Moscow.

It is understood that hundreds of active or former Party members are being arrested and that discontented whispers in Party circles have been effectively hushed.

²⁷ The Presidium of the Central Executive Committee of the Soviet Union on June 11, 1936, approved the draft of the constitution, and fixed November 25, 1936, for the convocation of the VIII (Extraordinary) All-Union Congress of Soviets to examine the draft. The constitution was formally adopted by this body on December 5, 1936.

A usually well-informed Soviet official states in confidence that Bukharin, Pyatakof, Radek and Rykov will probably be exonerated to varying degrees from complicity in terroristic plots but that the stigma which has been attached to them will render them politically harmless for years to come.

I was present during all sessions of the trial and will report my personal impressions by despatch.

HENDERSON

861.00/11636

The Chargé in the Soviet Union (Henderson) to the Secretary of State

[Extracts]

No. 1850

Moscow, September 1, 1936.

SIR: With reference to my telegram No. 195, August 27, 1936, relating to the trial and execution of Zinoviev, Kameney, and their alleged co-conspirators, I have the honor to inform the Department that a despatch setting forth the personal impressions obtained by myself at the trial and submitting summaries of evidence not published in the Soviet press is in course of preparation and will be forwarded to the Department at a later date.²⁸

As stated in my telegram under reference, I have not been convinced from what I saw at the trial or from a careful study of the evidence presented that the accused were really implicated in a specific plot to kill Stalin, Kirov, or other prominent Soviet leaders, that Trotski ever gave instructions to his adherents to assassinate Stalin, or that the German police had connections with any of the defendants. In this connection it may be pointed out that the various defendants who allege that they had any connections in Germany with the German police were Jews of a pronouncedly eastern European type and that it is difficult to imagine that there should have been any relations between them and officials of the German Fascist Government. It may be added that eleven of the sixteen defendants were Jews and that all of the accused spoke Russian so well that if not of Russian origin they must at least have lived in Russia many years. The views expressed by myself are those of all the foreign diplomats present at the trial, as well as of the other Secretaries of this Mission and of the foreign journalists whom I consider to be most competent to judge matters pertaining to the Soviet Union. The Minister of Norway,²⁹ who at-

²⁸ Not printed.

²⁹ Dr. Andreas Urbye.

tended certain sessions of the trial and whose opinion is of particular interest since he is the representative of the country in which Trotsky is now residing, has informed me that he considers the trial to be a farce and that in his opinion the charges that Trotsky had participated in a plot to kill Soviet leaders had not been substantiated.

From such contacts as the Embassy has among the Russian population, it would appear that many Soviet citizens are also inclined to look upon the trial with skepticism. They are, naturally, careful not to reveal their true feelings except to persons in whom they have explicit confidence and at places where they are sure that they will not be overheard.

It is reported to the Embassy from sources believed to be reliable that hundreds of persons have been arrested on charges of disloyalty to Stalin and the Party and that some of them are being tried in secret at the present time. The announcement of the execution of all sixteen of the condemned men within 24 hours of the passing of the sentence has made a profound impression, and a wave of fear, almost equal to that noticeable following the assassination of Kirov in December 1934, is said to be sweeping over the country. It is understood that members and former members of the Communist Party who at some time may have been on friendly terms with persons now branded as adherents of Trotsky or with any of the persons accused or mentioned in the trial are now terror-stricken. The effect upon that section of Soviet officialdom charged with dealing with foreigners is particularly marked. Foreigners have noted that many Soviet officials who a few weeks ago spoke to them with an air of self-confidence are now most diffident and are apparently afraid to come to any decisions without protracted consultations with their superiors.

Respectfully yours,

LOY W. HENDERSON

124.611/297

Memorandum by the Assistant Secretary of State (Moore)

[Extract]

[WASHINGTON,] November 8, 1936.

The Soviet Ambassador, at my request, called this morning.

The Ambassador, in discussing the situation abroad was very pessimistic, expressing the belief that while no war is now in prospect between the Soviet and Japanese, he believes that in less than two years there will be a war in western Europe.

R. W[ALTON] M[OORE]

761.00/275

*Memorandum by the Chargé in the Soviet Union (Henderson)*⁸⁰

[Extract]

The following is a summary of a conversation which I had on October 6, 1936, with a Soviet official who is known to enjoy the confidence of the Kremlin.

B. The Meaning of Party Democracy.

I told my informant that I would appreciate it if he would tell me what was his understanding of the term "Party democracy." I said that I had read statements made by prominent Bolshevik theoreticians to the effect that the Bolshevik conception of "democracy" was quite different from the meaning given to that word in the so-called capitalist world. He replied that at the present time the Bolshevik conception of the term "Party democracy" was:

1. First of all an absolutely monolithic Party containing no trace of factions or opposition blocs;
2. Freedom of discussion of matters with respect to which no Party decision had as yet been made;
3. Absence of critical comment with respect to any decision which had been made and an enthusiastic endeavor on the part of all Party members to carry out to the full all Party decisions;
4. Wholehearted loyalty to the Party leaders.
5. An attitude more sympathetic than that which has been entertained in the past towards, and a deeper understanding of the value of, the democracies of the West.

He added that the question of genuine loyalty towards the Soviet leaders was playing just as important a role in the present purging of the Party and the persecutions of the enemies of the State as the question of Trotskiism. Persons who formerly had been connected with Trotski and who had been able to convince the responsible authorities that they had been sincere in transferring their allegiance to Stalin were not being molested at the present time. Rakovski, the former Soviet Ambassador to France, for instance, had been one of Trotski's closest friends. During the last few years, however, he had conducted himself in such a manner that his loyalty was unquestioned and he was being given increasingly important positions in the Party and the State apparatus. Men like Radek, however, whose loyalty to Stalin was believed to be more that of the mouth than of the heart were likely to fare badly. From now on if a man once lost the confidence of the Party, he would probably never be given another chance to redeem himself. The Party had at its disposal so large a number of able men that it no longer found it necessary to make use

⁸⁰ Copy transmitted to the Department by the Chargé in his despatch No. 1978, October 12, 1936; received October 28.

of the services of persons regarding the integrity of whom there was the slightest doubt. The people who were being removed from the Party were to be replaced by a more vigorous element which would give the Party additional impetus in the direction towards which it was moving.

C. *The Future Composition of the Party.*

I stated that I had been present at a number of discussions in which members of the Party had participated regarding the composition of the Party of the future, and I would like to have his views on that point. I said that I had been given to understand that the members of the Party of the future were to be chosen from those elements of each stratum of Soviet life which could prove themselves most capable of carrying on the work of constructing a powerful socialist State. I had been informed that for instance the keenest and most effective workers at the bench, the most alert and competent foremen, the best executives, the cream of the intelligentsia, the most capable and influential collective farmers, and the most progressive and intelligent employees of the State and labor unions were in the future to be the material of which the Party was to be composed. My informant replied that in essence my understanding was correct, but that nevertheless the basis of the Party would continue to be the proletariat. I stated that the meaning of the term "proletariat" was no longer clear to me. Did the proletariat in his opinion embrace important officials of the Government who had risen from the ranks of the workers even though they had not actually engaged in physical labor for many years? Did it also include the children of the former *bourgeoisie* who, by their ability had won for themselves important positions in the State apparatus? Did the Soviet Government feel that it was still possible to divide the employees of the State into proletarians and non-proletarians? Did the statement that the Party of the future was to be based upon the proletariat mean that a certain fixed percentage of the Party should be workers at the bench? Unfortunately the answers to these questions were evasive, and I felt that my informant, just as perhaps the most advanced theorists of the Party, was not in a position to answer them. He said that in his opinion the term "Proletariat" applied to all conscientious builders of the Soviet State who had proletarian sympathies and who understood and sympathized with the psychology of the worker regardless of the position which they might be holding at the present time. He added that the Party considered as loyal proletarians even those persons who were of bourgeois origin and who had never actually performed common labor providing such persons had acquired the new mentality and had cooperated and were cooperating to the full in converting the Soviet Union into a powerful socialist State. On the other hand the Party did not consider

as members of the proletariat certain elements of proletarian origin which were attempting to ape the former *bourgeoisie* and which had an attitude towards the common workman similar to that of the middle and upper classes before the revolution. The "new *bourgeoisie*," as distinguished from the "new intelligentsia," represented the most disliked and despised elements existing at the present time in the Soviet Union and their elimination from the body of politics was inevitable.

He emphasized particularly his point that the term "Party democracy" had external as well as internal significance. In the future, he repeated several times, the members of the Party would be expected to view the democratic principles still adhered to by a number of Western countries not only with tolerance but with sympathy and respect. This new attitude of the Party, he added, should eventually have an important effect upon the relations between the Soviet Union and countries in which democracies still exist.

861.00 Party, All-Union Communist/185

The Chargé in the Soviet Union (Henderson) to the Secretary of State

No. 2063

Moscow, November 10, 1936.

[Received December 1.]

SIR: I have the honor to report that the admission of new members into the Communist Party, which was suspended in December 1932, was resumed on November 1 of this year.

The suspension of admission to the Party in 1932 was undertaken in connection with the Party purge which was inaugurated in that year.* Since the purge was originally supposed to have been carried out and completed during the course of the year 1933, it was evidently the intention of the Party leaders to resume admission to the Party by the beginning of 1934. The resumption of admission, however, was postponed time and time again. The XVII Party Congress fixed it for the "second half of 1934," but when the time came nothing was done in this direction. Instead, the Kirov murder obviously removed all question of such a step being taken in the immediate future. In the spring of 1935, the resumption of admission was again postponed pending the completion of the verification and exchange of Party documents. On December 25, 1935, the Central Committee, in its resolution concerning the results of the verification of Party documents, placed the date for the resumption of the admission of new members as June 1, 1936. Even this decision, however, was not adhered to and admissions were finally resumed only on November 1,

*Resolution of the Central Committee of the All-Union Communist Party of December 10, 1932. [Footnote in the original.]

1936, in accordance with a resolution of the Central Committee dated September 29, 1936.

The long delay in the resumption of the admission of new members to the Party is an eloquent testimonial to the conditions prevailing in the Party in 1933, as they were revealed to the leaders by the purge which was begun in that year. At the time when the admission of new members was stopped, the Party ranks contained approximately two million members and 1,200,000 candidates.† It is doubtful whether there was any intention at that time of cleaning out more than five or ten percent of the Party members before resuming admissions to the Party. By the beginning of 1935, however, the number of Party members had been reduced to 1,655,000 and the number of candidates 334,000. At the present time the number of members must be well below 1,500,000. Thus it is evident that during the period when admission to the Party was closed, an average of more than one out of four of the members were expelled or left the Party.

The resumption of admission of new members is evidence of the fact that Stalin now feels that he has whittled away most of the useless or politically unreliable elements in the organization and has reduced the membership to persons who are believed to be loyal to him. His chief concern at the present moment apparently is that the resumption of admissions shall not lead to a renewed entrance into the Party of elements upon which he cannot unreservedly depend. From his point of view failure wholeheartedly to follow his leadership is disloyalty and this disloyalty is inexcusable, regardless of whether it is motivated by causes not connected with political doctrines (as in the case of numerous careerists and shady elements who have made nests in the Party in the past), or by a too-sincere devotion to the original Communist tenets, as in the case of some of the so-called Trotskiists and certain dissatisfied industrial workers. For this reason the press for the moment is full of admonitions to the local Party officials to observe the statutes of the Party very strictly in the admission of new members and not to allow any wholesale enlistments in the Party ranks.

Respectfully yours,

LOY W. HENDERSON

711.61/611

The Chargé in the Soviet Union (Henderson) to the Secretary of State

[Extracts]

No. 2042

Moscow, November 16, 1936.

[Received December 24.]

SIR: I have the honor, upon this the third anniversary of the establishment of diplomatic relations between the United States of America

†Resolution of the Central Committee and the Central Control Commission of the All-Union Communist Party, dated April 28, 1933. [Footnote in the original.]

and the Union of Soviet Socialist Republics,³¹ to submit herewith certain comments with respect to developments which have taken place in these relations since their origin.

Even with a maximum of good will upon both sides it is not an easy task for two countries which, like the United States and the Soviet Union, represent not only quite dissimilar systems but also conflicting philosophies with respect to the duties and obligations of members of the family of nations, to maintain mutually satisfactory relations. There can be no doubt that if a mutual desire for understanding exists, it is easier for countries with dictatorial forms of Government, even though the Government may be of a so-called fascist nature, to maintain good relations with the Soviet Union than it is for countries possessing democratic forms of Government. Practically every contact which a democratic Government like that of the United States has with the Soviet Government brings into still bolder relief the differences in structure, aims, and methods that exist between them. [The Soviet Government in the conduct of international relations has shown a remarkable degree of flexibility.] It has thus far, however, displayed a fixed determination not to sacrifice any of the principles upon which it is based, and in my opinion it has no intention of doing so. For purposes of convenience, however, it has found it desirable at times temporarily to bridge some of the gaps which separate it from the Western Powers. The bridging of these gaps has consisted for the most part in (a) working out formulas which can be interpreted in one manner by the Soviet Government and in another manner by the Government of the particular country concerned, or (b) making certain concessions of a minor nature in return for corresponding advantages received. A Government which, like that of the United States, must constantly face the criticism of a strong opposition press at home and must satisfy a public opinion too enlightened to be satisfied with explanations of a general or ambiguous nature, finds it difficult to agree to such formulas or to give special advantages in return for treatment to which, according to international law as customarily interpreted or to international practice, it is already entitled.

Although, as pointed out above, certain definite advantages have accrued to both Governments as the result of recognition, the policies and attitudes of each of the two Governments have failed in a number of important respects to meet the expectations or at least the hopes of the other. Among the disappointments experienced by the American Government are the following:

³¹ See pp. 1 ff.

1. The refusal of the Soviet Government to agree to a settlement of the debts and claims questions on what would seem to the American Government to be a reasonable basis.³²

2. The refusal of the Soviet Government to consider that its pledges relating to non-interference in American internal affairs applied to the Communist International and affiliated organizations, and the continuance of the headquarters of the Communist International and affiliated organizations to direct from Moscow the work of the branches of those organizations in the United States.³³

3. The failure of the Soviet Government to increase to the extent hoped for its purchases in the United States.*

The following represent some of the Soviet disappointments:

1. The fact that the American Government has not come to some kind of understanding with the Soviet Union vis-à-vis Japan in the Far East and has not supported Soviet policies in Europe to the extent apparently hoped for by Soviet officials charged with the conduct of foreign affairs.

2. The refusal of the American Government to accept the Soviet thesis that the Soviet Government is in no way responsible for the activities of the Communist International and kindred organizations.

3. The refusal of the American Government to give or at least to guarantee large long term financial credits to the Soviet Government.

4. The apparent unwillingness of the American Government to enter into a general commercial treaty with the Soviet Union which would not only guarantee that Soviet merchandise would be given the treatment accorded to most-favored-nations and that Soviet citizens would be granted the treatment accorded to either American nationals or nationals of most-favored-nations but which would also take into account, and make allowances for, the special economic system existing in the Soviet Union.

It is only natural that the disappointments referred to above should cause a considerable strain in American-Soviet relations. This strain has been increased at times by a series of irritations of a more or less minor nature.

It can be seen from an examination of the various points at issue and of friction between the two Governments that American-Soviet relations, although of a formally friendly nature, are not entirely cordial and expressive of mutual confidence. Persons interested in the con-

³² See pp. 166 ff.

³³ See pp. 218 ff.

*In this connection it should be pointed out that even though the Soviet Government has not bought American merchandise in the amount hoped for, its purchases of American goods have steadily increased since 1933. It should also not be overlooked that the American Government had not expected an astronomical increase in trade as the result of recognition. It had hoped, however, that consequent to a settlement of the debts and claims question and the granting of credits, Soviet purchases, for a time at least, would considerably increase. [Footnote in the original. For the agreements to facilitate and increase trade, see pp. 192 ff. and pp. 322 ff.]

duct of American foreign relations who happen to read this despatch may obtain the impression that the points at issue and the sources of irritation do not appear to be of a really serious nature and may wonder if after all there is not a possibility, in case a sincere effort is made by both sides, to bring about mutually satisfactory relations between the two Governments without imposing upon either too great sacrifices in interests or principles. They may feel that if each of the two Governments would show a somewhat more tolerant attitude towards the other and if each would be willing to relax somewhat its demands upon the other they should be able to work together in harmony.

It is my feeling, based particularly upon almost three years of experience in Moscow, that most of the differences between the two Governments go much deeper than might first appear to the casual observer. In my opinion, the relations between the American and Soviet Governments are not likely to be what might be regarded as cordial unless at least one of them displays a willingness to make several radical shifts in its general foreign policies and to abandon certain principles to which it has thus far steadfastly adhered.

One of the major difficulties in maintaining satisfactory relations with the Soviet Union arises from the fact that the demands of that country upon other Powers as the price for such relations increase from year to year as the economic position of the country improves and as its international prestige as a Great Power grows. It seems to me that the Soviet Government in general pursues much more of a progressively aggressive foreign policy than do most Powers which are endeavoring by peaceful means to satisfy their international ambitions. In my opinion, the aggressive characteristics of Soviet foreign policy are largely due to the fact that that policy, to a greater extent than the foreign policies of most other Powers, has before it a series of definite objectives, and that the work of Soviet officials responsible for the conduct of that policy is judged by the progress which those officials are able to make in the direction of these objectives. In view of the influence which these objectives exert on Soviet foreign policy and upon the character of the demands which the Soviet Government makes upon Governments with which it maintains relations, it might be well briefly to touch upon them.

I am convinced, despite opinions to the contrary held by a number of persons who, I feel, are qualified to talk with a considerable degree of authority with respect to matters relating to the Soviet Union, that the establishment of a Union of World Soviet Socialist Republics is still the ultimate objective of Soviet foreign policy. Although this objective might be somewhat dimmer than it was a few years ago, and although the possibility persists that the Soviet leaders might

eventually become so engrossed in the accomplishment of their more immediate objectives that they will lose sight of it altogether, it is my belief, nevertheless, that this objective is a real one at the present time and is a factor not to be ignored in any discussion of Soviet-American relations. A much nearer but not an immediate objective, to my mind, is the establishment of Moscow as the capital of the foremost world Power and as the director in peace or war of the activities of the world revolutionary forces † in all countries.

The present immediate objective, as I see it, is that of warding off, without a sacrifice of basic principles, military attacks from without upon the Soviet Union until that country, as a result of its rapidly growing economic and military might, shall have become a great impregnable fortress. In order to attain this objective the foreign policy of the Kremlin expresses itself at the present time, in my opinion, along three lines. It endeavors:

(1) By setting up a system of so-called collective security, including a number of pacts of mutual military assistance, to discourage acts of armed aggression on the part of the Powers, particularly Germany and Japan, which it feels are most likely to attack the Soviet Union;

(2) To obtain and maintain the hegemony of Moscow over the international revolutionary or potentially revolutionary forces in other countries in so far as this can be done without rendering too precarious the international position of the Soviet Union; and

(3) To make use of Soviet relations with foreign countries for the purpose of obtaining the merchandise and the technical and financial assistance necessary for converting the Soviet Union into a self-sufficient world Power capable of withstanding assaults from any one Power or group of Powers.

I am inclined to believe from statements made on various occasions by Soviet officials either publicly or to members of the Embassy staff or other Americans that the Soviet Government desires the American Government to cooperate with it in carrying out the lines of foreign policy referred to in paragraphs number (1) and number (3) above and to place no obstacles in the way of the pursuance by it of the line of policy set forth in paragraph number (2), and that the course of American-Soviet relations is not likely to be smooth until the American Government complies with these desires. In fact, an examination of the sources of disappointment and irritation listed in the earlier part of this despatch will show that the most important of them are due to the failure of the American Government to accede to these desires of the Soviet Government.

Soviet officials, for instance, have expressed deep disappointment because the American Government has not cooperated with the Soviet

†When speaking of "revolutionary forces" in this despatch, I am, of course, referring to the "leftist" revolutionary forces. [Footnote in the original.]

Government to the extent desired by the latter in the Far East and in Europe in curbing the Powers which are most likely to attack the Soviet Union.

Soviet officials usually refer to the Soviet policy of isolating the so-called aggressive Powers, such as Japan and Germany, as the "Soviet policy of peace", and frequently express the view that all nations which, like the United States, are anxious for the preservation of world peace should assist in the furtherance of that policy. In conversations with members of the Embassy staff and with American scholars and journalists, certain Soviet officials have taken the attitude that the Government of the United States, by adopting a policy of neutrality and by refusing to become involved in the struggle which they state is going on between the "peace-loving Powers" and the "aggressive Powers" in Europe and Asia, is failing to assume its share of responsibility for the maintenance of world peace.

It appears that they desire first of all that the "peace-loving Powers" of Europe, as well as the "aggressive Powers" be given definitely to understand that the Government of the United States sympathizes with what they are accustomed to refer to as "the efforts of the Soviet Government to preserve world peace". They seem to feel that this could be done by a series of statements and acts showing solidarity between the two Governments in matters relating to peace.

It seems quite clear, however, that such demonstrations of solidarity will not in themselves be sufficient. Some of these officials suggest that the American Government, as a next step, should give the "aggressive Powers" to understand that in case of an act of aggression the American Government would favor the injured party by furnishing financial and technical assistance and military and other supplies. It would, of course, be preferable, they point out, if the United States were to enter at once into definite treaties of mutual military assistance in case of unprovoked attack and thus greatly strengthen the whole collective security structure. They admit, however, that it would probably be necessary for a considerable amount of preparatory educational work to be done in the United States before American public opinion would tolerate the assumption of obligations of so serious a nature.

It would appear that the Soviet demands upon the American Government for cooperation in the pursuance of the Soviet "policy of peace" are of a distinctly progressive nature. It seems to me that even the partial satisfying of them would involve radical changes in American foreign policy.

Disappointments with respect to the Communist International and associated organizations result from the tendency of the American Government to take exception to the policy of the Kremlin, in so far

as that policy affects the United States, of endeavoring to obtain and maintain hegemony over the international revolutionary or potentially revolutionary forces in other countries.

On numerous occasions in the past the Kremlin has shown that it prefers offending countries, the cooperation of which it stands sorely in need of, to severing the links (namely, various international organizations, including the Communist International) which connect the Soviet State with the discontented and revolutionary elements of those countries. In certain international situations the Kremlin has displayed a willingness temporarily to curtail or to make less noticeable the activities of these organizations. At the same time it seems always to have insisted that these organizations shall so conduct themselves as not to lose control over the more militant revolutionary forces abroad or to lose contact with those dissatisfied elements which look to Moscow for inspiration.

I wish to emphasize here that in my opinion the Kremlin is not demanding at the present time that the international organizations subordinate to it shall endeavor to stir up immediate revolution in all countries. The tasks which it imposes on these organizations vary with respect to particular conditions in, and the foreign policies of, the countries in which they are operating. There is one common task, however, which they are all called upon to perform, namely, to endeavor to organize the revolutionary-minded, the discontented, and even certain so-called liberals into compact well-disciplined groups willing unquestioningly to follow the lead of Moscow.

I am inclined to believe that the determination of the Kremlin to maintain control or at least influence over the revolutionary and potentially revolutionary forces of the world is due not only to the fact that it feels that the assistance of those forces is almost essential to the attainment of both immediate and less immediate objectives, but also to its fear that if it loses all guidance over those forces they are likely to develop into implacable foes of the Soviet Union and the Soviet system. That this fear is not without basis is demonstrated by the fact that revolutionary groups, such as the so-called Trotskiists, which no longer look to Moscow for inspiration, are now charging that the Soviet Union has become a nationalistic reactionary state in which the workers are being exploited for the benefit of the bureaucracy and a new *bourgeoisie*.

It is possible that in return for certain compensatory advantages the Kremlin might agree to keep under cover the activities in the United States of the international organization subordinate to it, but such an arrangement, in my opinion, is not likely to be of more than a temporary nature. There is even a possibility that if the international situation of the Soviet Union should become extremely pre-

carious, the Kremlin might endeavor by establishing the ostensible headquarters of these international organizations in other countries to make less noticeable the fact that they are subordinate to Moscow. Nevertheless, I am convinced that unless the whole system of the Soviet State and the ideology of its leaders should undergo a complete change—and this does not seem likely in the foreseeable future—the Kremlin will continue to express certain of its foreign policies through the Communist International or similar organizations. It seems likely to me, therefore, that the question of interference in American internal affairs will continue to disturb American-Soviet relations as long as the Government of the United States is unwilling to close its eyes to the fact that the Kremlin is exercising control over certain revolutionary groups in the United States.

Most of the disappointments and irritations relating to debts and claims, loans and credits, and foreign trade matters arise, in my opinion, from the fact that the American Government thus far has not taken an attitude sufficiently cooperative to satisfy the Kremlin with respect to the latter's policy of endeavoring to utilize Soviet relations with foreign countries for the purpose of obtaining merchandise and technical and financial assistance necessary for converting the Soviet Union into a great self-sufficient world Power.

The right of revolutionary governments to repudiate debts, international or internal, and to nationalize all property in the territory under their control is a basic revolutionary principle which I do not believe the Soviet Government will be willing to renounce. On various occasions in the past, however, it has announced itself to be prepared to make certain payments to foreign governments on old Russian indebtedness and on claims in return for advantages received. Usually the compensatory advantages proposed have been loans or credits. It was understood at the time of the establishment of relations that the Soviet Government would be willing to make payments on Russian debts to the United States and on American claims arising from property destruction or confiscation during and since the Revolution, provided the American Government would be willing to arrange for the granting of large credits to the Soviet Government. Subsequent to the failure of negotiations instituted for the purpose of reaching a definite agreement in regard to this matter, Soviet officials have made statements to the effect that they are now under orders not to discuss questions relating to debts and claims in connection with those relating to loans or credits.

The Soviet Government is aware that, if it so desired, it could settle with the American Government the question of debts and claims at relatively little cost to itself. It further realizes, however, that if it should do so, other countries would insist on being given no less favor-

able treatment. The claims of some of these countries—particularly of several countries the maintenance of good relations with which the Soviet Government considers more important at the present time than the maintenance of good relations with the United States—are considerable. In view of this situation there is, in my opinion, little likelihood that the Soviet Government will come to an understanding with the American Government providing for payments on debts and claims unless it should find itself much more in need of American assistance and support than it is at present.

With respect to the matter of American loans or credits, it may be stated that for years the Soviet Government has regarded the United States as being the reservoir from which it might best obtain the equipment and the technical assistance necessary for converting the Soviet Union into a self-sufficient highly industrialized country. It has not been able to pay for its needs in cash, however, and therefore has desired the United States to accept in lieu of cash Soviet merchandise and Soviet promises to pay. At one time, when apparently the need for American credits was greater than it is now, Soviet officials intimated that in return for such credits they were prepared to make certain concessions with respect to the debts and claims question. Soviet officials now point out that the economic and financial position of the country has improved to such an extent that not only are they no longer willing to consider debts and claims in connection with loans and credits, but they are also not willing to accept loans or credits from the United States except upon terms more favorable than those upon which credits have been accepted from other countries in previous years. They maintain that a sufficiently broad basis has already been laid for Soviet industrial development to enable the country to carry out its plans without any foreign merchandise or assistance other than that which it is able to purchase with the proceeds of exports and gold production.

I am inclined to believe that Soviet officials, despite their attempts to assume an attitude of indifference with regard to American credits, would be glad to receive such credits at the present time, provided the terms would be of a nature satisfactory to themselves. These credits would be extremely useful to them in connection with the feverish preparations which they are now making for war which, they feel, may break out at any time in Europe or Asia.

It is apparent from various statements made by Soviet officials that, for the terms of a proposed American credit to be satisfactory, such credit must be of a financial character, granted or guaranteed by the American Government, for a period of more than five years, bearing rates of interest at less than six percent.

Soviet officials have pointed out to American business men that other countries have issued credits to them on similar terms and they see no reason why the United States, with which the Soviet Union usually has a negative trade balance and which has plenty of credit at its disposal, should not be willing at least to adopt a liberal attitude with respect to the granting of credits to the Soviet Union.

In my opinion the Soviet Government will continue to be dissatisfied with the state of Soviet-American relations so long as the American Government does not grant to it credits upon terms satisfactory to it. Since for the American Government to accede to the desire of the Soviet Government would mean a reversal of the general American policy, expressed in the so-called Johnson Act,³⁴ of refusing to assist in the issuance of loans or credits to Governments which have refused to come to a debt settlement with the American Government, it seems likely to me that the solution of the question of American credits for the Soviet Union must at least await the solution of the general question of European debts of the United States.

The extent to which American-Soviet foreign trade has increased since the establishment of diplomatic relations has been a source of disappointment to American business men but cannot be said to be an issue between the two Governments. Persons acquainted with Soviet foreign trade policies did not base their hope for trade increases upon the fact that political relations were being established between the two countries but upon the expectation of the settlement of the debts and claims question followed by the granting of American credits to the Soviet Union. Since recognition there has been a steady and healthy increase in the trade between the two countries and, in my opinion, unless some unforeseen developments take place, this trade should continue to develop during the next few years in a satisfactory manner. I do not believe, however, that in the absence of American credits any spectacular increases of American-Soviet trade are to be expected.

It will be seen from an examination of the various sources of disappointment and irritation already listed that the Soviet Government is dissatisfied with various aspects of American-Soviet commercial relations which are not directly connected with the volume of trade.

Although Soviet officials are reserved in discussing the matter, there can be no doubt that they have been disappointed at the unwillingness of the United States to conclude with it a commercial treaty similar to the commercial treaties which have been concluded between the Soviet Union and a number of other countries. In my opinion, they would like to enter into such a treaty not only out of considera-

³⁴ Approved April 13, 1934; 48 Stat. 574.

tions of prestige, but also because they desire assurance that the American Government will not place an embargo upon exports to the Soviet Union, restrict the import of Soviet merchandise, or discriminate against Soviet goods at a time when such action might seriously affect Soviet economic life.

An examination of these treaties and of the manner in which they are generally applied has shown that they usually offer considerably more advantages to the Soviet Union than to the other parties signatory to them. The American Government, therefore, may not find it desirable to change in the near future the attitude which it has in the past adopted with respect to this matter, namely, not to enter into a commercial treaty of the kind desired by the Soviet Government unless such a treaty should be an integral part of a general settlement of problems outstanding between the two countries.

It is difficult for me to comment with respect to the extent to which it might be possible to remove some of the other Soviet irritations in the field of American-Soviet commercial relations since most of these irritations appear to be due to certain regulations and practices of branches of the American Government with the work of which this Embassy is not thoroughly acquainted. I assume, however, that during the course of time the American and Soviet officials concerned will be able jointly to work out devices whereby some of the petty differences which are disturbing American-Soviet trade relations may be wholly or partially eliminated.

It will be noted that a number of irritations between the two Governments are due to causes other than the failure of the American Government to cooperate with, or at least to place no obstacles in the way of, the Soviet Government in its pursuance of various lines of the latter's foreign policy. It will be observed, for instance, that several of them are related to matters connected with American representation in the Soviet Union. I attribute this to the fact that that representation is in a position particularly to feel the shock of the contact between the American and Soviet systems. Irritations arising from the arbitrary exchange rates established for Soviet currency, from lack of housing space, from the practice of isolating members of the Mission's staff from the local population, from the Soviet determination to limit the size of American consular districts, and from the attitude of Soviet customs officials, can be traced for the most part to the fact that representatives of foreign governments, regardless of what might be their personal feelings towards the Soviet regime, or the extent to which they may be in the good favor of the Soviet Government, are nevertheless products of what is deemed to be a hostile system and therefore automatically subjected to suspicion and restriction. Some of these irritations, particularly those relating to

currency matters and housing, will probably tend to disappear as economic conditions in the Soviet Union improve. Others are so deeply imbedded in the Soviet system that they may continue to exist for an indefinite period. The practice of isolating members of the foreign missions, for instance, was borrowed by the Soviet Government from the old Tsarist Government. It has been the custom since the days of Ivan the Terrible for foreign diplomats stationed in the Soviet Union to complain because of their inability to meet Russian officials and private citizens.

With respect to Soviet irritations relating to the performance of certain Russian visa and reporting work by the American Legation at Riga, it may be stated that if, following the improvement of the general housing situation in Moscow,³⁵ the Soviet Government should place more housing space at the disposal of the Embassy, all of that work might advantageously be transferred to Moscow.

Unless, however, Congress is willing to make certain changes in the immigration laws, I do not see how it will be possible entirely to allay Soviet irritation arising from the fact that without reference to Washington visas cannot be granted in Moscow to Soviet business men who are members of the Communist Party.

Soviet resentment at this Mission's practice of giving advice and information relating to the Soviet Union to American citizens applying to it for assistance is largely due, in my opinion, to the feeling of Soviet officials that all diplomatic missions should be entirely isolated. They are inclined to chafe at their inability to prevent American citizens from ascertaining at the Embassy certain facts which the Soviet Government would prefer foreign visitors not to know and which they could learn elsewhere in the Soviet Union only with difficulty. It is probable that, unless Soviet officials change their attitude in this respect, this source of irritation will continue to exist for an indefinite period since it hardly seems possible that the American Embassy in Moscow will make it a practice to withhold from American citizens advice and information which they need and which is of a kind generally furnished to American citizens by American Governmental representations in other countries.

I am furthermore inclined to believe that for many years to come American officials will find that one disagreeable feature connected with the handling of affairs relative to the Soviet Union arises from the fact that they may at any time find themselves victims of Soviet-instigated campaigns waged by their fellow citizens. This method of bringing pressure to bear upon officials of other Governments some-

³⁵ Regarding the impracticability of constructing an American Embassy building in Moscow, see pp. 268 ff.

times proves rather effective and I doubt if Soviet officials will abandon it.

Respectfully yours,

LOY W. HENDERSON

123 Bullitt, William C./293

Memorandum by the Acting Secretary of State

[WASHINGTON,] December 3, 1936.

When at my request the Ambassador called yesterday, I handed him a note³⁶ containing information he desired with reference to payment of tariff duties on rugs.

I then read him the first page of a letter written me by Ambassador Bullitt³⁷ denying the correctness of a report, which Troyanovsky had heretofore brought to my attention, that Mr. Bullitt has recently made disparaging remarks about Stalin and food conditions in Russia.³⁸ I added that we know that a systematic effort is being made to discredit Mr. Bullitt by throwing on him all responsibility for the failure of establishing closer relations between our Government and the Soviet Government and in that connection I referred to the conversation between Henderson and Krestinsky. I said that should the campaign against Mr. Bullitt continue, I might be forced to make a public statement of the truth. Troyanovsky thought that might call for a counter statement. I believe that the Soviet authorities will now quiet down and that no action by us will be necessary. I reminded Troyanovsky that any trouble in Moscow was caused by the breach of the agreements made here by Litvinov at the time recognition was accorded his government.³⁹ Further, in order to illustrate the entire lack of cooperation with us by the Soviet authorities, I gave the reasons why we were obliged to abandon the plan of constructing buildings in Moscow.⁴⁰

I again referred to the arrest of the Russian Translator⁴¹ at our Embassy last September and the refusal of the authorities to tell his American wife where he is or even whether he is still alive. I told Troyanovsky that that case is not discussed in the way of making representations or protest in behalf of a Russian citizen but as a case which is being dealt with as it would not be dealt with in any other civilized country. I expressed my astonishment that the practice pur-

³⁶ Not printed.

³⁷ Not found in Department files.

³⁸ The Soviet Ambassador called attention to these reported remarks by Bullitt, now the American Ambassador in France, in a conversation with Acting Secretary Moore on November 6, 1936. (123 Bullitt, William C./292)

³⁹ See pp. 1 ff.

⁴⁰ See pp. 268 ff.

⁴¹ Valentine Sergey Malitsky.

sued in that and similar cases is continued in effect at the very time that the world is being informed that the Soviet is about to adopt a constitution that as written is perhaps the most democratic ever heard of. He talked vaguely about this thing and really had nothing to offer that could be taken seriously as a defense.

R. W[ALTON] M[OORE]

361.6221/49

*The Chargé in the Soviet Union (Henderson) to the
Secretary of State*

No. 2182

Moscow, December 31, 1936.
[Received January 25, 1937.]

SIR: With reference to my confidential despatch No. 2085 of November 19, 1936,⁴² to which was attached a memorandum setting forth a conversation between the German Ambassador⁴³ and myself with regard to the arrest of German citizens in the Soviet Union, I now have the honor to transmit herewith a memorandum⁴² containing certain information relating to the same subject furnished to me by a Secretary of the German Embassy.

From the information obtained from this Secretary as well as remarks made on several occasions by the German Ambassador, himself, and other members of the German Embassy, I have obtained the distinct impression that the German Ambassador is moving slowly and cautiously in his efforts to protect the interests of the thirty-four German nationals who have been arrested during the last two months. The German Embassy apparently realizes that if the Soviet Government is made to feel that the final disposition of the prisoners is a matter of prestige, the German Government will be able to do little on their behalf.

Although the Germany Embassy has endeavored to present an outward appearance of calm, it is plain that it considers that the treatment to which German citizens in the Soviet Union are being subjected at the present time is a matter of the utmost seriousness. One of the counselors of the German Embassy informed me in the middle of December that the German Embassy was preparing to send out a warning to all German citizens to leave the Soviet Union informing them that if they intended to remain in that country the German Government could not take responsibility for their safety. He said that this warning had not as yet been broadcasted and would not be if the Soviet Government would show a tendency to moderate its present attitude towards German citizens. He added that the Ger-

⁴² Not printed.

⁴³ Friedrich Werner, Count von der Schulenburg.

man Embassy had, however, advised a number of German engineers and representatives of German firms to return to Germany as soon as practicable.

He stated further that the question had been discussed of the desirability of breaking off German-Soviet relations in the event that German citizens should be executed following one or more farcical trials.⁴⁴ It had been decided, however, that no matter how disagreeable the attitude of the Soviet Government might be towards German citizens residing in the Soviet Union or towards the German Embassy and German Consulates scattered throughout the country, the German Government, in view of the fact that the Soviet Union was an important factor in German foreign policies, had decided that it would be wiser to leave a diplomatic mission and consulates in the Soviet Union so long as it would be at all possible for them to carry on. The attitude displayed towards the Embassy and towards German Consulates in the Soviet Union indicated that the Soviet Government was perhaps hoping that the Consulates would be closed and that the Embassy staff would be drastically reduced. He pointed out that the recent treatment accorded by the Soviet Government towards Dr. Schiller, the German Agricultural Attaché, had of late become so disagreeable that it had been decided to withdraw Dr. Schiller and not to appoint a successor so long as German-Soviet relations were so unsatisfactory.

The question still remains unanswered as to why the Soviet Government at this time should apparently deliberately endeavor to increase the strain on German-Soviet relations by arresting so many German citizens and by charging or at least insinuating that German officials had encouraged the arrested persons to engage in acts injurious to the Soviet State. Some of the foreign observers here who have been following Soviet developments for many years continue to advance the motives referred to in my despatch under reference, namely, that the Soviet Government feels that the time has come when some nation in Europe should take the lead in "calling Hitler's bluff" and show that Nazi Germany is no more to be feared than any other European State. These and other competent observers in Moscow feel that a further reason for the arrests might be a desire on the part of the Soviet Government to stir up the Soviet public against Germany and the Germans so that in case of an outbreak of war there would be a real spontaneous feeling of hostility on the part of the Russian population. This Embassy is inclined to believe that both of these motives may be partly

⁴⁴ One of the defendants at the trial of the Kemerovo Mine Wreckers, held in Novosibirsk, November 19-21, 1936, had been the German citizen and engineer Emil Ivanovich Stueckling (Stickling). He had been condemned to be shot; but, following the intercession of the German Ambassador, the sentence was commuted to 10 years in prison.

responsible for the arrests. It also considers that it is quite possible that the Soviet authorities feel that the German Government, through its representation and German citizens in the Soviet Union, has been able to keep itself too well informed regarding developments taking place in that country and that they are therefore taking energetic measures to cut all contacts between the German representation and the local Soviet population and to terrorize or get rid of German citizens who for one reason or another have continued to reside in the Soviet Union.

It seems probable that this decision was taken at a period when the Soviet Government felt that there was a possibility of its coming to an understanding with Japan on most of the important questions outstanding between the two countries. It remains to be seen whether or not, following the conclusion of the recent agreement between Japan and Germany and the consequent worsening of Japanese-Soviet relations, the Soviet Government may not adopt a more conciliatory attitude towards the German Embassy and consular offices and German citizens living on Soviet territory.

Respectfully yours,

LOY W. HENDERSON

COMMERCIAL AGREEMENT BETWEEN THE UNITED STATES AND THE SOVIET UNION CONTINUING IN FORCE UNTIL JULY 13, 1937, THE AGREEMENT OF JULY 13, 1935, EFFECTED BY EXCHANGE OF NOTES SIGNED ON JULY 11, 1936⁴⁵

611.6131/377

Memorandum by the Assistant Secretary of State (Sayre)

[WASHINGTON,] January 14, 1936.

Ambassador Bullitt, in the course of a conversation concerning the situation in Russia, spoke, among other subjects, of the trade situation. He adverted to the agreement entered into last June [July] under which the United States agreed to extend to Russia most-favored-nation treatment in return for an agreement by Russia to increase its purchase of American goods so as not to fall below a certain amount. Mr. Bullitt said that he felt confident that Russia is in a position to buy large quantities of American goods. Russia lacks and needs American goods. Mr. Bullitt gave it as his opinion that if the present agreement should be renewed for another year Russia should be asked

⁴⁵ For previous correspondence, see pp. 192 ff. For text of the exchange of notes signed on July 13, 1935, see Department of State Executive Agreement Series No. 81, or 49 Stat. 3805.

to increase substantially the amount of American goods to be bought by her. He suggested that in his opinion we should ask Russia to buy a minimum of \$50,000,000 worth of American goods for the year.

F[RANCIS] B. SAYRE

611.0031/2047

Memorandum by the Secretary of State

[WASHINGTON,] February 7, 1936.

The Soviet Ambassador⁴⁶ called to pay his respects on his return from a protracted visit to Moscow, and had no business in particular. He asked something about the neutrality legislation here, and I said that it was in a chaotic situation and he would have to await results at the Capitol.

I emphasized the vital necessity for the carrying forward of our trade agreements program and of other nations joining in it, in order that 12 or 14 million unemployed wage earners in countries like Italy, Germany, Great Britain and the United States, might be put back to work and the possibility or probability of European war thereby greatly minimized. I elaborated at some length on the reasons why world trade restoration, in addition to the development of domestic economy policies, marked the difference between probable war and possible peace, adding that when people were employed and comfortable they did not follow off after unwise and sinister leadership and were not susceptible of being easily hurled into wars. Some illustrations were suggested as to what a solid front on the part of the more important countries would accomplish in discouraging desperado nations from embarking on hostilities for aggressive purposes. The Ambassador agreed to all of these phases, as I knew he would.

I illustrated further to him what happens when the great nations, like Great Britain, the Soviet Union and America, undertake complete isolation or virtually so, saying that desperado nations get on the march and then these great nations are obliged to spend literally billions of dollars in big, defensive armaments, and that this is the penalty paid for economic isolation, to say nothing of the dangers of destructive war. The Ambassador said that he felt substantially better about the outlook for trade development between our countries than he did when he left here for Moscow some months ago, and that he would be in to see me from time to time for discussions. He spoke generally and not specifically.

C[ORDELL] H[ULL]

⁴⁶ Alexander Antonovich Troyanovsky.

611.6131/381

*The Ambassador in the Soviet Union (Bullitt) to the
Secretary of State*

No. 1549

Moscow, April 27, 1936.

[Received May 18.]

SIR: I have the honor to attach hereto a memorandum⁴⁸ setting forth the substance of a conversation which took place on April 20, 1936, between Mr. Henderson, Second Secretary of the Embassy, and Mr. Rosenblum, Chief of the Economic Section of the People's Commissariat for Foreign Affairs of the U.S.S.R., regarding American-Soviet trade relations.

It is apparent from the remarks made by Mr. Rosenblum that the Soviet Government is preparing, when the question of the renewal of the provisional trade agreement effected by the exchange of notes last July arises, again to insist that steps be taken to bring about a cessation of the import duties imposed in the United States upon Soviet coal.⁴⁹ Several months ago the Assistant Chief of the Foreign Trade Policies Division of the People's Commissariat for Foreign Trade⁵⁰ informed Mr. Henderson that that Commissariat would not have approved the drafts of the notes exchanged last July if it had understood that they did not provide for the extension of full most-favored-nation treatment to Soviet coal. Since that Commissariat is frequently willing to sacrifice immediate trade opportunities rather than to submit to any treatment which it considers as discriminating, there is a likelihood that the duty on coal may prove a serious obstacle to the renewal of the agreement in question.

It will be observed from an examination of the table attached hereto as enclosure No. 2⁴⁸ that during the eight months period ending February 29, 1936,* the Soviet Government imported from the United States merchandise to the value of 23,561,000 rubles or \$20,734,000, whereas during the same period in 1934-1935 such imports amounted to 12,404,000 rubles or \$10,915,520, and during the entire twelve month period ending June 30, 1935, they amounted to 23,239,000 rubles or \$20,450,400. If Soviet imports from the United States during the last four months of the year ending in July, 1936, do not reach a level higher than that attained during the preceding eight months, such imports will not greatly exceed the [\$]30,000,000 mark established.

According to information obtained from foreign sources in close

⁴⁸ Not printed.

⁴⁹ Duty was levied at the rate of 10 cents per 100 pounds in accordance with section 601 (c) (5) of the Revenue Act of 1932 (47 Stat. 169, 259).

⁵⁰ A. N. Kaminsky.

* Later Soviet statistics are not available. [Footnote in the original.]

contact with Soviet manufacturing organizations, the Soviet Government was planning last summer to purchase in the United States equipment for automobile manufacturing plants of a value of approximately \$21,000,000, but on account of its increased fear of war it decided during the winter to postpone such purchases, and either to turn over the gold or gold equivalents available for such purchases to its war chest or to use them in purchasing materials, which would be more immediately useful in case of war. If this information is accurate, Soviet purchases in the United States, according to these informants, will be less by several million dollars during the year ending June 30, 1936, than had been anticipated.

Respectfully yours,

WILLIAM C. BULLITT

611.6131/381a : Telegram

The Secretary of State to the Chargé in the Soviet Union (Henderson)

WASHINGTON, June 4, 1936—6 p. m.

80. Department desires that you seek at once an interview with the Commissar for Foreign Affairs,⁵¹ or with the Acting Commissar⁵² in the event that Litvinoff has not returned or will not return within the next few days, and state that you have been instructed by your Government to ascertain for its information in connection with its consideration of the question of the extension of the term of the agreement embodied in the notes exchanged between Ambassador Bullitt and Mr. Litvinoff on July 13, 1935, (1) the total value of the American goods purchased in the United States by the Soviet Government since July 13, 1935, and the probable amount of the purchases that will be made in the remainder of the 12-month period, and (2) the intentions of the Soviet Government with regard to the purchase of American goods during the ensuing 12-month period.

For your information and guidance. With respect to the information requested under (2), it would be of great help to the Department to know whether the plans of the Soviet Government with regard to purchases in the United States in the period subsequent to July 13, 1936, provide for at least the maintenance of the substantially increased amount of Soviet purchases of American goods which has taken place since July 13, 1935. For reasons indicated in the Department's telegram No. 71 of March 27, 1935,⁵³ it would be difficult for this Government to justify the continued generalization of tariff concessions to the Soviet Union if such action on its part did not lead at

⁵¹ Maxim Maximovich Litvinov.

⁵² Nikolay Nikolayevich Krestinsky.

⁵³ *Ante*, p. 192.

least to the continuance of the substantially increased exports of American goods to the Soviet Union.

Telegraph promptly the results of your conversation.

HULL

611.6131/383 : Telegram

The Chargé in the Soviet Union (Henderson) to the Secretary of State

Moscow, June 9, 1936—2 p. m.

[Received June 9—1:15 p. m.]

141. Your 80, June 4, 6 p. m. On June 7th I asked Krestinsky, Acting Commissar for Foreign Affairs, for the information requested in your No. 80 of June 4, 6 p. m. He replied that Soviet purchases during the 12 months period would probably reach \$36,000,000 and that he would endeavor to obtain a more precise estimate of them as well as an estimate of purchases for the ensuing year. He stated that in his opinion the Soviet Government would be willing to extend the agreement on the basis of Soviet purchases at \$30,000,000 provided the United States would cease to discriminate against Soviet coal. He has been advised by his experts, he said, that the United States had extended full most-favored-nation treatment with respect to duties to other countries on the basis of the Trade Agreements Act⁵⁴ and could grant similar treatment to the Soviet Government if it so desired. I replied that I was not in a position as yet to enter into a discussion regarding the amounts which the Soviet Government should purchase and would not be until I had received instructions from the American Government following the receipt by it of the information which I had just requested. I added that basing myself upon such information as was in my possession I was of the opinion that the duties on Soviet coal could not be lifted except by an act of Congress or by a treaty ratified by the Senate, either of which were out of the question during the present year.

Rosenblum, the Economic Adviser of the Foreign Office, on the same day also referred to the question of coal duties. He said that the Commissariat for Foreign Trade had strongly criticized the Foreign Office and particularly him for having consented to an agreement which did not provide for the removal of duty on Soviet coal and that the Commissariat took the position that no agreement was preferable to one which consented to even an indirect discrimination against Soviet merchandise.

In the course of a conversation which I had yesterday with Kaminisky, Assistant Chief of the Foreign Trade Policy Division of the Com-

⁵⁴ Approved June 12, 1934; 48 Stat. 943.

missariat for Foreign Trade, he also mentioned the matter of coal, stating that the legal experts of the Commissariat who had given much study to the question insisted that the American Government could give most-favored-nation treatment to the Soviet Union by virtue of the Trade Agreements Act as it had already done to several countries such as Sweden. He read aloud article I of the Swedish agreement⁸⁵ and pointed out that it would appear from the proclamation of the President that the treaty was based entirely upon the Tariff Act of 1930 as amended by the Act of June 12, 1934. I replied that I did not have sufficient background regarding the negotiation of the Swedish and similar treaties to discuss the matter with authority but that it was quite possible that the clauses in the series of treaties signed under the Trade Agreements Act providing for most-favored-nation treatment were based on previously existing treaties and might be considered as mere reiterations of existing treaties. In any event I felt positive that the American Government did not feel itself to be in a position in view of existing laws to include in an agreement of this kind a provision which would eliminate duties on coal. He said that the only value which the Soviet Government had received from the agreement was the saving of approximately \$200,000 on manganese duties. The Soviet Government on its part, as the result of the good will manifested in the agreement, had transferred several million dollars worth of orders from other countries to the United States. Duties on coal at the present time were costing the Soviet Government approximately \$600,000 a year. He said that he hoped that the American legal authorities would not be so conservative in interpreting the Trade Agreements Act insofar as the Soviet Union was concerned. Would appreciate being advised for my own guidance whether it is possible to remove duties on Soviet coal only by congressional act or treaty ratified by the Senate.

HENDERSON

611.6131/383 : Telegram

*The Acting Secretary of State to the Chargé in the Soviet Union
(Henderson)*

WASHINGTON, June 15, 1936—7 p. m.

86. Your 141, June 9, 2 p. m. While the Department thought that the situation with respect to the imposition of a tax on Soviet coal was fully clarified in the discussions which took place prior to the exchange of notes of July 13, 1935, the Department desires that you make every effort to ensure that the Soviet authorities correctly under-

⁸⁵ For text of the agreement signed May 25, 1935, see Department of State Executive Agreement Series No. 79, or 49 Stat. 3755.

stand the matter. You should make clear that the imposition of a tax on Soviet coal is not the result of any desire or policy to discriminate against Soviet coal, but the result of the operation of a law enacted by the legislative branch of the Government, and that the executive branch of the Government does not have the power to abolish the tax imposed under that law. In discussing this question with Soviet officials you should stress the points set forth below. It is suggested that it may be advisable to take particular pains to make the situation clear to the appropriate officials of the Commissariat for Foreign Trade, since it appears to be that Department which is raising the question.

1. The Revenue Act of 1932⁵⁶ provides that a tax of 10 cents per 100 pounds shall be imposed on coal imported into the United States from countries to which exports of coal from the United States have not exceeded during the preceding calendar year the imports of coal therefrom, unless "treaty provisions of the United States otherwise provide." This provision of the law has been extended to June 30, 1937.

2. According to Treasury Decision 48146, imports of coal from the following countries are not subject to the tax in 1936: Belgium, Canada, China, Colombia, Cuba, France, Italy, Japan, Netherlands, Netherlands West Indies, Norway, Peru, Sweden, and United Kingdom. Coal imported from Canada, Colombia, Cuba, France, Italy, Netherlands, Netherlands West Indies, Norway, Peru, and Sweden is exempt from the tax by virtue of the fact that the exports of coal from the United States to each of these countries exceeded in 1935 the imports therefrom, in which circumstance the tax is not applicable in 1936 under the law. Coal imported from Belgium, China, Japan, and United Kingdom (as well as from Poland from which coal has been imported subsequently to Treasury Decision 48146) is exempt from the tax by virtue of the operation of the most-favored-nation clause contained in treaties with those countries.

3. Although the United States has concluded trade agreements with Belgium, Canada, Colombia, Cuba, France, Netherlands (including Netherlands West Indies), and Sweden, the exemption from the tax of coal imported in 1936 from any of these countries is based, not upon any provision in the trade agreement, but upon the fact either that the exports of coal from the United States to such country exceeded in 1935 the imports therefrom or (in case of Belgium) that the United States has a treaty with that country containing a most-favored-nation clause.⁵⁷

⁵⁶ Approved June 6, 1932; 47 Stat. 169.

⁵⁷ For text of the Treaty of Commerce and Navigation between the United States and Belgium, signed at Washington, March 8, 1875, see William M. Malloy (ed.), *Treaties, Conventions, etc., Between the United States of America and Other Powers, 1776-1909* (Washington, Government Printing Office, 1910), vol. I, p. 90.

4. In accordance with the law, imports of coal from the following countries listed in Treasury Decision 48146 are subject to the tax in 1936 because (1) exports of coal thereto did not exceed in 1935 imports therefrom, and (2) no treaties containing the most-favored-nation clause are in force with these countries: French Indo-China, Germany, Mexico, Spain, Soviet Union.

5. The Trade Agreements Act does not give the President power to proclaim the abolition of any tax on imports, such as the tax on coal.

6. It is doubtful that a most-favored-nation clause in an executive agreement would be held by the courts to be a "treaty provision" within the meaning of those words as used in the safeguarding clause of the Revenue Act of 1932 referred to above, since under our Constitution "treaties" are made by and with the advice and consent of the Senate. Moreover, even if the words "treaty provisions" were held to cover executive agreements, it is highly improbable that this interpretation would apply to agreements concluded after the enactment of the Revenue Act of 1932. This is probably the case, since "treaties" made after the Revenue Act of 1932 would require no such safeguarding provision inasmuch as subsequent treaties under the Constitution override prior conflicting statutes. Because of these considerations and in order to avoid the possibility of international claims arising out of a court decision that exemption from the tax could not be afforded by a most-favored-nation clause in an executive agreement, the Department has insisted on the insertion in trade agreements with countries from which exports of coal to the United States are or might be subject to the tax under the law, a clause reserving to the United States the right to impose the tax in question on coal from those countries. Reference is made in this connection to the fifth paragraph of Article I of the trade agreement with the Netherlands⁵⁸ and the second paragraph of Article II of the trade agreement with France.⁵⁹ No such reservation was inserted in the trade agreement with Sweden because of the improbability that imports of coal from Sweden would exceed exports of coal to Sweden.

7. It will be seen from the foregoing that there are only three sure ways in which the tax on Soviet coal could be removed: (1) as a result of an excess of exports of coal from the United States to the Soviet Union over imports therefrom; (2) through the operation of a most-favored-nation clause contained in a treaty with the Soviet Union; and (3) by congressional action.

8. The Department hopes that you will be able to induce the Soviet authorities without protracted discussion to drop the question of the

⁵⁸ For text of the agreement signed December 20, 1935, see Department of State Executive Agreement Series No. 100, or 50 Stat. 1504.

⁵⁹ For text of the agreement signed May 6, 1936, see Department of State Executive Agreement Series No. 146, or 53 Stat. 2236.

removal of the tax on Soviet coal and agree to the extension of tariff reductions to the Soviet Union on the basis provided in paragraph one of the exchange of notes of July 13, 1935.

PHILLIPS

611.6131/386 : Telegram

The Chargé in the Soviet Union (Henderson) to the Secretary of State

Moscow, June 17, 1936—11 p. m.
[Received June 18—9:20 a. m.⁶⁰]

148. Your 86, June 15, 7 p. m.

1. The following is the translation of a memorandum handed to me today by Neymann and Rosenblum which they stated was the reply to the questions put by me to Krestinski :

"In connection with the questions posed by the American Chargé d'Affaires the Assistant People's Commissar for Foreign Affairs, Mr. Krestinski, after making appropriate inquiries states that :

(1) Purchases of American merchandise as a result of measures which have been carried out in connection with the agreement of 1935 by Soviet economic organizations will constitute for the period beginning July 13, 1935, to July 13, 1936, not less than \$37,000,000.

(2) Mr. Krestinski is of the opinion that the amount of purchases mentioned in the letter of Mr. Litvinov of July 13 [15], 1935,⁶¹ might be preserved for the next year.

However, Mr. Krestinski invites the attention of Mr. Henderson to the fact that the question concerning the taxation of Soviet coal, which has served as a subject of several conversations at Moscow and Washington, has not been regulated up to the present time. Mr. Krestinski is of the opinion that this question must be settled in the trade agreement to be concluded. In connection with this Mr. Krestinski proposes to prolong for the next year the trade agreement of 1935 substituting for the formulation of restricted most-favored-nation treatment in this agreement a full formulation of most-favored-nation treatment which at the desire of the American side can be given a bilateral character.

Mr. Krestinski will await from Mr. Henderson information concerning the attitude of the Government of the United States of America to the proposal outlined above."

2. I pointed out that answer 2 was not a direct reply to my question 2. They said that Mr. Krestinski was not in a position to make any statement other than that contained in the memorandum with regard to the amount of purchases to be made next year. It was possible such purchases would exceed \$30,000,000 but the Soviet Government could not obligate itself to buy more.

⁶⁰ Telegram in two sections.

⁶¹ Printed in Department of State Executive Agreement Series No. 81 and 49 Stat. 3807.

3. I said that I was surprised in view of my letter of June 16 to Mr. Rosenblum⁶² (in this letter was incorporated most of the contents of the Department's 86, June 15, 7 p. m.) that Mr. Krestinski should again raise the question of coal. Both the Department at Washington and the Embassy at Moscow on numerous occasions have pointed out that the American Government could not in an agreement of this character undertake to lift the tax on Soviet coal. They replied that the matter was of so much importance to them that they felt that a way must be found to settle the matter to the satisfaction of both parties.

4. Rosenblum said that in signing the Swedish agreement the American Government had shown that it had the power to grant full most-favored-nation treatment through an agreement of this nature. He felt that similar treatment should be promised the Soviet Union. If the American courts should later decide that the Government had exceeded its powers, claims could then be made for uncollected taxes. I replied that it was not the practice of the Executive Branch of the American Government to make any promises to foreign governments which it did not believe itself to have the authority to make.

5. Neymann suggested that the Governments might negotiate and submit immediately to the Senate a most-favored-nation treaty of only two or three paragraphs. I replied that this was impracticable for several reasons. In the first place it was physically impossible for the negotiation and ratification of even a short treaty to be effected before January, 1937. In the second place if the contents of the treaty would be similar to those of the existing agreement the treaty could be in force for only 1 year unless the Soviet Government was prepared to state its intentions with regard to purchasing in the United States for a period of several years in advance. The procedure of submitting a trade treaty to the Senate every year would prove burdensome and generally unsatisfactory to both parties.

6. Neymann then suggested that such a treaty might contain nothing except a provision for most-favored-nation treatment on the basis of reciprocity. I replied that I was sure that my Government would not be interested in such a treaty since in view of the existence of the Soviet Foreign Trade Monopoly, a pledge on the part of the Soviet Government to grant most-favored-nation treatment with respect to import duties would have little value.

7. He thereupon suggested that it might be possible for the two Governments to sign at once an agreement similar to that already in force with the understanding that pending the convening of Congress in 1937 they should negotiate a treaty for submission to the Senate containing the following clauses:

⁶² Not found in Department files.

(1) The American Government would agree to extend most-favored-nation treatment to the Soviet Government.

(2) The Soviet Government would agree to inform the American Government shortly before the end of each year regarding the purchases of American merchandise which it intended to make during the ensuing year.

(3) The treaty could be terminated if at any time the American Government should feel dissatisfied with the amount of purchases specified by the Soviet Government.

(4) Any other clauses which both Governments might desire to have inserted pending the negotiation at a later date of a full commercial treaty.

This idea he said had just occurred to him and he did not know whether his Government would approve it. In the meantime I might suggest it tentatively to my Government.

8. I replied that if he desired I would repeat his suggestion. I was of the personal opinion however that my Government might be reluctant to submit a Soviet treaty to the Senate in the near future in view of the strong feelings which still prevailed as the result of the failure of the two Governments to come to an understanding with regard to certain outstanding questions.

9. Rosenblum stated that he had been so sharply criticized by officials in other branches of the Government for not insisting upon full most-favored-nation treatment last year that he did not see how he could place his approval on any agreement this year without some assurances from the American Government that the situation with respect to coal would not continue indefinitely. If the American Government was unable immediately to eliminate the taxes in question, could it not agree at least orally to take steps to see that such taxes would be removed before July 1937? An assurance even of this nature would be helpful.

10. I replied that according to my understanding the Executive Branch of the Government could not give any undertaking whatever which would involve action on the part of the Legislative Branch but that I would submit his inquiry to my Government.

11. I have not as yet had an opportunity to discuss the contents of the Department's telegram 86, June 15, 7 p. m., with officials of the Commissariat for Foreign Trade but expect to see them within the next few days.

12. *Le Journal de Moscow* of June 16, 1936, publishes a long article regarding the present agreement and its effect on American-Soviet trade. Although generally friendly in tone, it points out that the only advantage of practical importance derived from the agreement by the Soviet Government is the reduction of duties on manganese. After discussing the situation with regard to coal the article states:

“ . . .⁶³ The Soviet Union is the only one of the coal exporters which suffers from the effects of the Revenue Act. Thus it has the effect of placing Soviet coal exports in an unfavorable position. Without dwelling on the fact that such a situation is inadmissible in principle, it is impossible not to point out the immediate commercial damage which the discrimination existing in the United States costs Soviet exports.”

In conclusion the article states that the agreement has nevertheless justified itself, it has resulted in an increase of American exports to the Soviet Union and despite the reservations above-mentioned has brought about a certain increase in Soviet exports to the United States. It has, furthermore, furnished a stable judicial basis for the development of Soviet-American commercial relations.

My personal impressions gained from statements made to me by Soviet officials during the last year are that it is possible that they may refuse “on grounds of principle” to sign any agreement unless they can obtain at least some assurances that the coal tax will not be maintained indefinitely. Their attitude causes me to believe that they will feel that insult is being added to injury if the American Government not only fails to give any such assurances but at the same time asks that they promise to purchase goods in excess of \$30,000,000.

HENDERSON

611.6131/386 : Telegram

The Acting Secretary of State to the Chargé in the Soviet Union
(Henderson)

WASHINGTON, June 24, 1936—11 a. m.

92. Your 148, June 17, 11 p. m.

1. Please arrange an interview with Neymann and Rosenblum as soon as possible and inform them that you have been instructed by your Government to make the following reply to the proposal outlined in Mr. Krestinsky's memorandum :

(1) The Government of the United States is prepared to continue during the 12-month period commencing July 13, 1936, to generalize to the Soviet Union all tariff concessions granted in trade agreements concluded with other countries (Cuba excepted⁶⁴) provided that the Soviet Government will at least maintain during this period the increased volume of purchases of American goods in the United States made in the period from July 13, 1935 to July 13, 1936.

⁶³ Omission indicated in the original.

⁶⁴ For text of the agreement with Cuba, signed August 24, 1934, see Department of State Executive Agreement Series No. 67, or 49 Stat. 3559.

(2) With respect to the proposal of Mr. Krestinsky that the question of the removal of the tax on Soviet coal be settled in the agreement now under discussion, the Government of the United States is obliged to point out that the executive branch of the Government of the United States does not have the power to remove this tax and that, for the legal reasons set forth in your letter to Mr. Rosenblum, the solution of this question does not lie, as Mr. Krestinsky suggests, in the inclusion of a general most-favored-nation clause in the agreement under consideration. In this connection, it is desired to draw Mr. Krestinsky's attention particularly to the fact that the United States, in order to preclude any misunderstanding with regard to obtaining exemption from the tax on coal through a most-favored-nation clause in an executive agreement, has insisted on the insertion in trade agreements with countries with which it does not have most-favored-nation treaties and from which exports of coal to the United States exceed or may exceed imports therefrom, a clause reserving to the United States the right to impose the tax in question on coal from those countries.

In view of the foregoing, the Government of the United States hopes that the Soviet Government will agree to the extension of tariff reductions to the Soviet Union on the basis provided in paragraph 1 of the exchange of notes of July 13, 1935.

2. You are authorized to leave in your discretion an *aide-mémoire* incorporating the foregoing.

3. In discussing paragraph (1), it is desired that you emphasize that it would be difficult for this Government to meet the opposition which is manifesting itself to the continuance of the agreement of July 13, 1935 and to justify the continued generalization of tariff concessions to the Soviet Union if Soviet purchases in the United States are to be curtailed.

4. In discussing paragraph (2), you should point out the pertinent reservations contained in the fifth paragraph of Article I of the trade agreement with Netherlands and the second paragraph of Article II of the trade agreement with France. You should explain that no reservation was included in the trade agreement with Sweden because of the improbability that imports of coal from Sweden would exceed exports of coal to that country and that no reservation was necessary in the case of Belgium in view of the fact that imports of coal from that country were exempt from the tax by virtue of a most-favored-nation clause contained in an already existing treaty.

5. With regard to the question of the indefinite continuance of the tax on coal raised by Rosenblum (numbered paragraphs 9 and 10 of your telegram), you may state that the Department is fully aware of the fact that a tax of this character is inconsistent with its commercial

policy of equality of tariff treatment. The Department is considering at this time the possibility of seeking the removal of at least the discriminatory features of the tax by legislative action at the next session of Congress. It is not possible, of course, to forecast what action Congress might take.

6. In the event that the question of the conclusion of a treaty is raised again, you should not only point out the impracticability of such action insofar as obtaining the elimination of the tax on Soviet coal during the next 12 months period is concerned, but express the opinion that Mr. Neymann, in particular, should appreciate that it is extremely improbable the Senate of the United States would give its advice and consent to any treaty with the Soviet Government which did not include a settlement of the question of debts and claims as foreseen in the conversations between Mr. Litvinoff and the President.⁶⁵ It may be stated for your information that this Government would not find it practicable to enter into any treaty with the Soviet Union which did not include such a settlement.

7. For your information and guidance, Department would very possibly be willing to accept, if the Soviet Government should insist, and if it yields on the coal question, Mr. Krestinsky's proposal contained in paragraph (2) of his memorandum with regard to the amount of purchases to be made next year.

PHILLIPS

611.6131/408 : Telegram

The Chargé in the Soviet Union (Henderson) to the Secretary of State

Moscow, July 3, 1936—4 p. m.

[Received July 3—3:45 p. m.⁶⁶]

161. Your 92, June 24, 11 a. m.

1. On June 26, I presented to Neymann and Rosenblum an *aide-mémoire* incorporating the substance of paragraph 1 of the telegram under reference and stated orally the points set forth in paragraphs 3, 4 and 5. I did not mention the point contained in paragraph 6 since the question regarding the possibility of the conclusion of a treaty was not again raised. They expressed regret that the American Government was unable to include a general most-favored-nation clause as suggested by Krestinski and stated that in the circumstances the Soviet Government could not obligate itself to buy American merchandise valued at more than \$30,000,000 during the coming year. They said that they would refer the American Government's proposal to the appropriate officials and discuss the matter with me later.

⁶⁵ See pp. 1 ff.

⁶⁶ Telegram in four sections.

2. In the afternoon of the same day during the course of a conversation with Kaminski of the Commissariat for Foreign Trade, I asked if he had received a copy of my letter to Rosenblum of June 16 explaining the position of the American Government with respect to the coal tax. He replied that he had examined this letter with care but that opinions in his possession of lawyers employed by American firms importing Soviet coal still continue to believe that the Executive Branch of the American Government was not using to the full the powers granted it under the Act of June 12, 1934.

3. I am not giving in detail my replies to the remarks of Neymann, Rosenblum and Kaminski since they were along the lines suggested by the Department.

4. I called on Neymann at his request on July 1st and found Rosenblum and Kaminski with him. They asked that I convey to the Department their proposal that the wording of the Embassy's note this year be somewhat different from that of the note of July 13, 1935. The wording of the second paragraph should be broadened so that Soviet merchandise should be promised not only equal treatment with regard to duties but also equal advantages and facilities in other respects. They stated that they had reason to believe that despite the views of the Executive Branch of the American Government the President had the right by virtue of the Trade Agreements Act to lift taxes on imported goods as well as to modify duties. They said that their belief was based not only on the opinion of American lawyers but also upon the wording of the Act which contained a reference to excise treatment. They felt that an alteration of the wording along the lines suggested would give the American courts an opportunity of deciding whether they or the American governmental lawyers were correct. The lawyers for the coal importers would be in a position to argue that under the Swedish treaty Swedish goods were entitled to receive unconditional most-favored-nation treatment and that Soviet merchandise therefore could not be subjected to any treatment less advantageous than that accorded to Swedish goods.

I gave them a number of reasons why the American Government could not consent to an arrangement of the kind proposed and told them that I felt it would be useless to convey their suggestions to Washington. I added that I was sure that as soon as I had an opportunity to reexamine the text of the Act I could convince them that any passage which might be in it containing reference to excise treatment could not be interpreted as giving the President the power to lift the taxes on coal. They suggested that we consider the matter further and discuss it on the following day.

5. At the meeting on July 2 in order to eliminate useless discussion I handed them a written statement containing my views with regard

to their suggestions to which was attached an analysis of the sentence of the Act which referred to excise treatment. The statement read in part as follows:

"In view of the statements already made to me by my Government I feel that it would be useless for me again to make any proposal to it relating to the possibility of the tax on coal being removed as the result of any proclamation issued by the President on the basis of the Act in question. . . .⁶⁷ It is not the policy of my Government to sign any agreement of an equivocal nature. In all agreements entered into on the basis of the Act of June 12, 1934, it has taken especial care to see that there is an absolute meeting of the minds on all points. . . .⁶⁷ I know that my Government would be unwilling to incorporate in its agreement with the Soviet Government any clause or phrase which may have the slightest appearance of giving privileges or rights which it feels it is not empowered to give or which might be so unclear as to make necessary an interpretation by the courts."

After some discussion Neymann again suggested that conversations be discontinued until the following day.

6. At today's meeting they appeared to be finally convinced that they could accomplish nothing towards lifting the coal tax at the present time. They insisted, however, that they could not face the higher Soviet authorities charged with conducting foreign trade with an agreement permitting the present coal tax situation to continue unless they had in their possession something more tangible than the oral statement which I had made on June 26th along the line of paragraph 5 of your telegram under reference. They asked if I could not write them a letter incorporating the substance of my oral statement.

I replied that I was sure that my Government would not authorize me to make either orally or in writing any statement which could be considered as a promise that it would make a recommendation to Congress at its next session. I then read to them the appropriate passage from the telegram, in order that there should be no misunderstanding regarding the nature of my previous statement. Kaminski said that he was of the opinion that the Soviet authorities would be satisfied if they had an informal letter from me to the effect that it was my understanding that the appropriate authorities in Washington were considering at the present time the possibility of seeking removal of at least the discriminatory features of the Act in action at the next session of Congress but that it was, of course, impossible to forecast what action Congress might take. He said that the Soviet Government would undertake not to publish such a letter if written. I agreed to submit his suggestion to the Department for consideration.

7. All three stated that it was out of the question for the Soviet Government to agree to buy more than \$30,000,000 worth of American

⁶⁷ Omission indicated in the original.

merchandise during the coming year. I again emphasized the difficulty which the American Government would encounter in justifying the agreement in case Soviet purchases in the United States would be curtailed. Mr. Neymann said that in his opinion this difficulty could be partially overcome if the American Government when announcing the continuance of the agreement would issue a press release stating that in 1935-36 the Soviet Government had purchased more than its obligations had called for and that this circumstance gave rise to the hope that during the coming year its purchases would also exceed the amounts for which it has obligated itself.

8. Rosenblum thereupon handed me the drafts of the two notes which his Government proposed sending the Embassy with the request that in order to save time I submit them immediately to my Government for approval. A careful translation of these notes is appended. He suggested that the Foreign Office and Embassy exchange identic notes similar to note A and that the Foreign Office send note B in reply to an inquiry similar to that of the Embassy of June 15th, 1935.⁶⁸ The inquiry and note B would be dated 2 days later than note A.

9. If the Department can devise some form of letter for me to write regarding the coal tax along lines similar to those proposed, not only would negotiations be facilitated but some of the resentment which undoubtedly exists in influential Soviet foreign trading circles would be considerably allayed.

Note A. "Mr. Chargé d'Affaires: In accordance with conversations which have taken place, I affirm that an agreement has been reached between us relative to the prolongation for another year i. e. until July 13, 1937, of the validity of the agreement regarding mutual trade relations between the Union of Soviet Socialist Republics and the United States of America recorded in the exchange of notes between the People's Commissar for Foreign Affairs M. M. Litvinov and the Ambassador of the United States of America Mr. W. Bullitt on July 13th, 1935.

Receive the assurances, et cetera."

Note B. "Mr. Chargé d'Affaires. In reply to your inquiry regarding the intended purchases of the Union of Soviet Socialist Republics in the United States of America in the course of the forthcoming year I have the honor to inform you that according to information received by me from the People's Commissariat for Foreign Trade the economic organizations of the Union of Soviet Socialist Republics intend in the course of the forthcoming year to buy in the United States of America goods in the amount of \$30,000,000.

Accept the assurances, et cetera."

HENDERSON

⁶⁸ Presumably reference is made to the inquiry of June 3, 1935; see telegram No. 219, June 3, 1935, 10 p. m., from the Ambassador in the Soviet Union, p. 201.

611.6131/408 : Telegram

The Secretary of State to the Chargé in the Soviet Union (Henderson)

WASHINGTON, July 7, 1936—10 p. m.

98. Your 161, July 3, 4 p. m.

1. Your numbered paragraph 6. Department has no objection to your writing the following informal letter to either Neymann or Rosenblum :

“Referring to our conversations concerning the tax imposed on coal imported into the United States from the Soviet Union I may say informally and for your strictly confidential information that it is my understanding that the Department of State is considering at the present time the possibility of seeking the removal of at least the discriminatory features of the tax by legislative action at the next session of Congress. It is not possible, of course, to forecast what action Congress may take.”

This letter should be considered as part of the discussions leading up to the agreement and accordingly should not be published under any circumstances until further definite authorization.

2. Your numbered paragraphs 8 and 9, in respect to note B. Department approves text of proposed note B with following changes: (1) the substitution in two places of “next 12 months” for “forthcoming year”; (2) the transposition of the phrase appearing towards the end of the note “in the course of the next 12 months” to follow “America”; and (this is important) (3) the insertion of the adjective “American” before the word “goods.”

Department desires you to endeavor to have the words “at least” inserted before “\$30,000,000”. While the insertion of this phrase does not increase the obligation assumed by the Soviet Government, it offers a basis for the American Government pointing out, as suggested by Neymann (your numbered paragraph 7), that Soviet purchases may exceed the amount for which Soviet Government has obligated itself. If the Soviet Government is strongly opposed to agreeing to this proposal you are authorized to drop the matter.

While note B may be dated 2 days later than note A, it is desired that your inquiry be dated several days prior to the date of note A. Your inquiry should follow the phraseology of that of Ambassador Bullitt of July 11, 1935,⁹⁹ except that reference should be made to recent conversations “in regard to the prolongation of the agreement of July 13, 1935, concerning commercial relations between” et cetera.

3. Your numbered paragraphs 8 and 9, in respect to note A. Department would prefer the following phraseology which is more precise :

⁹⁹ See Embassy's telegram No. 275, July 11, 1935, 5 p. m., p. 211.

"In accordance with the conversations which have taken place I have the honor to confirm on behalf of my Government the agreement which has been reached between the Governments of our respective countries that the agreement regarding commercial relations between the Union of Soviet Socialist Republics and the United States of America recorded in the exchange of notes between the People's Commissar for Foreign Affairs and the American Ambassador on July 13, 1935, shall continue in force for another year, that is, until July 13, 1937."

4. Department suggests that the identic notes be dated July 11 and that they be released in Moscow to the press at 5 p. m., that day, Moscow time (10 a. m., Washington time). Department will make available to the press at the same time text of the notes together with an explanatory statement. Department assumes that Soviet Government has no objection to the Department pointing out in this statement that the Soviet Government has given assurances that it intends to purchase during the next 12 months American goods to the value of \$30,000,000.

Department will release to the press at 10 a. m., Washington time Monday, July 13, and suggests that you do the same at 5 p. m., that day, Moscow time, texts of your letter of inquiry with regard to Soviet purchases and of reply of the Soviet Government which should be dated July 13.

Please telegraph as soon as possible full text of notes so that Department will be able to make them available to the press.

HULL

611.6131/409 : Telegram

The Chargé in the Soviet Union (Henderson) to the Secretary of State

Moscow, July 9, 1936—3 p. m.
[Received July 9—11 : 44 a. m.]

163. Your 98, July 7, 10 p. m.

1. The following is the full text of exchange of notes to be signed by Krestinski and myself on July 11, 1936, at 3 p. m.

Note A.

"Moscow, July 11, 1936.

Excellency: In accordance with the conversations which have taken place, I have the honor to confirm on behalf of my Government the agreement which has been reached between the Governments of our respective countries that the agreement regarding commercial relations between the United States of America and the Union of Soviet Socialist Republics recorded in the exchange of notes between the American Ambassador and the People's Commissar for Foreign Affairs on July 13, 1935, shall continue in force for another year, that is, until July 13, 1937.

Accept, Excellency, the renewed assurances of my highest consideration. Signed Loy W. Henderson, Chargé d'Affaires ad interim of the United States of America.

His Excellency N. N. Krestinski,
Assistant People's Commissar for Foreign Affairs, Moscow."

Note B.

"Moscow, July 11th, 1936.

Mr. Chargé d'Affaires: In accordance with the conversations which have taken place, I have the honor to confirm on behalf of my Government the agreement which has been reached between the Governments of our respective countries that the agreement regarding commercial relations between the Union of Soviet Socialist Republics and the United States of America recorded in the exchange of notes between the People's Commissar for Foreign Affairs and the American Ambassador on July 13, 1935, shall continue in force for another year, that is, until July 13, 1937.

Accept, Mr. Chargé d'Affaires, the renewed assurances of my highest consideration. Signed N. Krestinski Assistant People's Commissar for Foreign Affairs.

Mr. Loy W. Henderson,
Chargé d'Affaires ad interim of the United States of America,
Moscow."

Note C.

"Moscow, July 9, 1936.

Excellency: I have the honor to refer to our recent conversations in regard to the prolongation of the agreement of July 13, 1935, concerning commercial relations between the United States of America and the Union of Soviet Socialist Republics and to ask you to let me know the value of articles the growth, produce, or manufacture of the United States of America which the Government of the Union of Soviet Socialist Republics intends to purchase in the United States of America during the next 12 months for export to the Union of Soviet Socialist Republics.

Accept, Excellency, the renewed assurances of my highest consideration. Signed Loy W. Henderson, Chargé d'Affaires ad interim of the United States of America.

His Excellency N. N. Krestinski,
Assistant People's Commissar for Foreign Affairs, Moscow."

Note D.

"Moscow, July 13, 1936.

Mr. Chargé d'Affaires: In reply to your inquiry regarding the intended purchases by the Union of Soviet Socialist Republics in the United States of America in the course of the next 12 months, I have the honor to inform you that, according to information received by me from the People's Commissariat for Foreign Trade, the economic organizations of the Union of Soviet Socialist Republics intend to buy in the United States of America in the course of the next 12 months American goods in the amount of at least \$30,000,000.

Accept, Mr. Chargé d'Affaires, the renewed assurances of my highest consideration. Signed N. Krestinski, Assistant People's Commissar for Foreign Affairs.

Mr. Loy W. Henderson,
Chargé d'Affaires ad interim of the United States of America,
Moscow."

2. The Foreign Office has no objection to the notes being released as suggested in your numbered paragraph 4.

3. I would appreciate it if the Department would find it possible to prepare a short statement for me to give to the American journalists here on July 11 immediately after the release of notes A and B. Although they have realized that conversations have been taking place they have been loyal in not endeavoring to obtain advance information and it would be helpful if the Embassy in return could assist them in writing their stories.

4. The Soviet Government desires that the reference in the Department's statement of July 11 to Soviet assurances be changed to read somewhat as follows: "The Soviet Government has informed the American Government that the appropriate Soviet economic organizations intend to purchase during the next 12 months American goods to the value of at least \$30,000,000."

5. I have written an informal letter as authorized in your numbered paragraph 1 to Mr. Rosenblum under date of July 8 and am to hand it to him on July 11 under the conditions laid down by you.

6. Krestinski is signing the notes as Assistant People's Commissar for Foreign Affairs because Litvinov may arrive in Moscow on July 12.

HENDERSON

611.6131/409 : Telegram

The Secretary of State to the Chargé in the Soviet Union (Henderson)

WASHINGTON, July 10, 1936—5 p. m.

99. Your 163, July 9, 3 p. m.

1. Your paragraph 3. Instead of handing out a prepared statement, Department prefers that you assist the American journalists in writing their stories by furnishing them with the following pertinent data:

(a) A considerable increase in American-Soviet trade, particularly in American exports to the Soviet Union, has taken place during the period covered by the agreement which is now being prolonged for another year. As shown by American customs returns, American exports to the Soviet Union, which amounted to \$14,100,000 in the

period from July 1, 1933, to June 30, 1934, and \$16,800,000 from July 1, 1934, to June 30, 1935, have amounted to \$33,900,000 in the 11-month period from July 1, 1935, to May 31, 1936. American imports from the Soviet Union increased from \$12,500,000 and \$14,000,000 in the same periods in 1933-34 and 1934-35, to \$18,300,000 in the 11-month period mentioned above.

(b) The Soviet Government has informed the American Government that the appropriate Soviet economic organizations intend to purchase during the next 12 months American goods to the value of at least \$30,000,000.

(c) You may express the hope that the prolongation of the agreement of July 13, 1935, will result in the further development of American-Soviet trade which so markedly improved during the last 12 months, and point out in this connection that whereas the Soviet Government signified its intention of purchasing \$30,000,000 worth of American goods during the expiring 12-month period, it actually purchased more than \$37,000,000 worth.

2. Your paragraph 6. Department would prefer to have the notes of July 9 and 11 addressed to, and signed by, Krestinski as Acting People's Commissar for Foreign Affairs. If Litvinoff should return on the 12th or 13th, Department has no objection to having the note of July 13 signed by Krestinski as Assistant People's Commissar for Foreign Affairs; otherwise it is desirable that it also be signed by him as Acting People's Commissar. Dep[artmen]t must be informed of decision on this point by 9 o'clock Saturday morning.⁷⁰

HULL

611.6131/410 : Telegram

The Chargé in the Soviet Union (Henderson) to the Secretary of State

Moscow, July 11, 1936—noon.

[Received July 11—6:37 a. m.]

165. Your 99, July 10, 5 p. m., paragraph numbered 2. Foreign Office says that Litvinov's plans are changed and that he will not arrive until some days later. It states, however, that when Litvinov left he expected to be away for only a few days and did not take steps to have Krestinski designated as Acting Commissar. Krestinski has no title at the present time other than that of Assistant People's Commissar for Foreign Affairs which title will be used in all notes. They maintain, however, that he has full power to sign agreements or treaties in his present capacity.

HENDERSON

⁷⁰ July 11.

[The text of the agreement effected by exchange of notes on July 11, 1936, printed as Department of State Executive Agreement Series No. 96, and in 50 Stat. 1433, is the same as the text of the draft notes quoted in telegram No. 163, July 9, 1936, 3 p. m., from the Chargé in the Soviet Union, printed on page 340. For text of press release issued by the Department July 11, 1936, see Department of State, *Press Releases*, July 11, 1936, page 18.]

611.6131/419

The Chargé in the Soviet Union (Henderson) to the Secretary of State

No. 1721

Moscow, July 17, 1936.

[Received August 7.]

SIR: With reference to the telegrams exchanged between the Department and the Embassy during the months of June and July, 1936, relating to the prolongation of the American-Soviet commercial agreement of July 13, 1935, I have the honor to enclose herewith, with annexes, a number of memoranda⁷¹ summarizing various conversations which have taken place between Soviet officials and myself with respect to the terms under which the agreement should be prolonged.

It will be observed from an examination of these memoranda that during the course of the conversations it was necessary for me to go over the same ground again and again. Although the memoranda, in view of their repetitious character, do not make interesting reading, they are being submitted to the Department with the thought that they may be useful for background purposes when the question of prolongation again arises and in obtaining an idea with respect to the manner in which Soviet officials negotiate.

The experiences of the Embassy in carrying on these negotiations is to an extent similar to the experiences as related to members of this Mission of the representatives of other Governments and of business firms in Moscow which have negotiated agreements with the Soviet Government or Soviet organizations. Soviet negotiators apparently make a practice of repeatedly advancing an argument in support of a point favored by themselves, regardless of the fact that the argument already may have been answered several times irrevocably. Persons experienced in dealing with Soviet officials take the view that these tactics can best be combatted by patiently replying to each argument irrespective of the number of times it may have been advanced.

As foreseen in this Embassy's despatch No. 1549 of April 27, 1936, the matter of the coal tax proved to be the chief stumbling block to the conclusion of the agreement. I doubt if the Soviet Government

⁷¹ Ten enclosures not printed.

will agree to another prolongation of the agreement so long as the present provisions of the Revenue Act of 1932 which result in the present discrimination against Soviet coal continue to be effective.

The attention of the Department is drawn in particular to the statement made by Mr. Krestinski (see Enclosure No. 10) to the effect that he will insist, in case the agreement is again prolonged, that the notes of the People's Commissariat for Foreign Affairs shall be in the Russian language.

Respectfully yours,

LOY W. HENDERSON

CLARIFICATION OF THE ASSIGNMENT OF NOVEMBER 16, 1933, BY WHICH ASSETS IN THE UNITED STATES OF FORMER RUSSIAN GOVERNMENTS HAD BEEN ASSIGNED TO THE UNITED STATES BY THE SOVIET UNION⁷²

411.61 Assignments/82a : Telegram

The Secretary of State to the Chargé in the Soviet Union (Henderson)

WASHINGTON, May 1, 1936—5 p. m.

61. In connection with the suits being instituted by this Government to obtain possession of assets assigned to the United States by the Soviet Government,⁷³ it is urgently desired to obtain all possible information with regard to the question whether the Soviet decrees confiscating all assets of dissolved Russian corporations were intended to transfer to the Soviet Government all assets of such corporations irrespective of the place where they were located, or only such assets as were located in Russia. Inasmuch as this question arises particularly in connection with the suit to recover assets in the United States of the Moscow Fire Insurance Company (a corporation of the Imperial Russian Government which was operating in the United

⁷² For the text of the assignment by the People's Commissar for Foreign Affairs of the Soviet Union, Maxim Maximovich Litvinov, to President Roosevelt on November 16, 1933, see p. 35.

⁷³ By the autumn of 1934 the United States had instituted suits in seven cases, and eight more cases were to be started after additional facts had been ascertained, ranging in amounts from \$1,433.01 to \$4,976,722.28 (411.61 Assignments/19½). These suits were for the assets assigned to the United States by the letter to President Roosevelt from the People's Commissar for Foreign Affairs of the Soviet Union, Maxim Maximovich Litvinov, dated November 16, 1933. It was contemplated that such amounts as might be realized from this assignment, and which might be paid to the Government of the United States by the Soviet Government in final settlement of the debts and claims of the United States and its nationals, would constitute a fund for the satisfaction of the just claims of the United States and its nationals against the Soviet Government (461.11F44/11). The recoveries obtained from these assigned assets were deposited from time to time in a special account in the Treasury Department, (411.61 Assignments/158). The eventual allocation and distribution of the realized gains would probably be contingent upon the enactment of appropriate legislation by Congress.

States) this inquiry is made with special reference to the decree of December 8, 1918, which provided for the liquidation of private insurance companies and for the transfer to the Soviet Government of all assets of such corporations which remained after the liquidation.

For example, the Department desires you to make every effort to ascertain instances, if any, in which the Soviet Government (a) recovered, and (b) asserted title to, or attempted to obtain possession of, property or assets, located outside the territorial confines of the Soviet Union, of dissolved Russian corporations. Any statement bearing on these points made particularly at the time the decrees were issued or shortly thereafter by Soviet officials or legal authorities, would be of help. It is suggested that the matter be not taken up formally with the Foreign Office at the present time, since it is thought advisable to approach at first informally the competent Soviet authorities, and also, of course, other informed sources that may be available in Moscow.

Please report briefly by cable any information obtained. Full report should be forwarded promptly by mail.

HULL

411.61 Assignments/83 : Telegram

The Secretary of State to the Chargé in the Soviet Union (Henderson)

WASHINGTON, May 5, 1936—6 p. m.

63. Department's 61, May 1, 5 p. m. At the request of the Department of Justice, Department discussed with Soviet Ambassador⁷⁴ yesterday possibility of bringing to the United States a Soviet legal expert, preferably a competent Soviet Government official, to give testimony on the point mentioned in the Department's telegram under reference. Ambassador was informed that the presence of such a person was desired in May or June and that one week's sojourn in New York would be sufficient. The Government would, of course, pay traveling expenses and appropriate remuneration for services rendered. Ambassador thought that it would be possible to obtain the services of a qualified person for the purpose indicated and said he would take the matter up with his Government.⁷⁵ The Department desires that you make certain that the Foreign Office realizes the Department's interest in this matter and endeavor to expedite favorable action.

HULL

⁷⁴ Alexander Antonovich Troyanovsky.

⁷⁵ It was subsequently arranged that Mark Abramovich Plotkin, the Assistant Chief of the Juridical Department in the People's Commissariat for Foreign Affairs, would come to the United States in the summer of 1936 in the private capacity of a Soviet legal expert. Plotkin made a second trip, December 1938—January 1939; but when his presence was desired again later in 1939, it was learned that he had been purged.

411.61 Assignments/97

The Ambassador of the Soviet Union (Trojanovsky) to the Secretary of State

The Ambassador of the Union of Soviet Socialist Republics presents his compliments to the Secretary of State and referring to the conversations concerning the suits instituted by the government of the United States to recover assets of former Russian corporations nationalized by the government of the Union of Soviet Socialist Republics, has the honor to state that the 1933 agreement has in view those rights of the government of the Union of Soviet Socialist Republics which are subject to realization on the territory of the United States and which have passed to the government of the Union of Soviet Socialist Republics by virtue of its succession to former governments of Russia or by virtue of its succession to private companies on the basis of legislation concerning nationalization.

The basic nature of the amounts which were assigned by the government of the Union of Soviet Socialist Republics in favor of the government of the United States is given in the exchange of communications between the President of the United States and Maxim M. Litvinoff, People's Commissar for Foreign Affairs of the Union of Soviet Socialist Republics on November 16, 1933, in the words: "for the amounts admitted to be due or that may be found to be due it, as the successor of prior Governments of Russia, or otherwise, from American nationals. . . ." ⁷⁶ These words define these amounts as amounts passing to the government of the Union of Soviet Socialist Republics by virtue of succession, either succession to "prior governments of Russia", or succession "otherwise", for instance, to pre-revolutionary organizations and companies which were nationalized in accordance with Soviet legislation.

WASHINGTON, July 21, 1936.

411.61 Assignments/100b : Telegram

The Secretary of State to the Chargé in the Soviet Union (Henderson)

[Extracts]

WASHINGTON, September 1, 1936—6 p. m.

124. 1. The defendant ⁷⁷ in the suit to recover assets in the United States of the Moscow Fire Insurance Company is raising the question as to the right of the Government of the Union of Soviet Socialist Republics to have assigned title to assets of corporations nationalized

⁷⁶ Omission indicated in the original.

⁷⁷ Bank of New York and Trust Company, New York, N. Y.

by and placed under the jurisdiction of the Government of the RSFSR⁷⁸ prior to the establishment of the Union. It is probable that it will be contended that the right to assign title to such assets has not been shown by the Government making the assignment, either by acquisition of title or by virtue of power to act for the Government of the RSFSR.

[The omitted sections concerned legal technicalities, requests for interpretations of certain resolutions, regulations, and decrees of Soviet governmental bodies, and the meaning in law of a few Russian words.]

4. For your information and such discreet use as you may find advisable, the Department is requesting Soviet Ambassador here to supplement his note of July 21, 1936 (copy of which was transmitted to you without covering despatch July 27) by stating in effect that the Government of the USSR by virtue of the assignment of November 16, 1933 transferred to the United States claims which any of its constituent or component republics might conceivably have had, either as "the successor of prior Governments of Russia," or "otherwise," for instance, by virtue of decrees of nationalization issued by such republics. In this connection it is conceivable that you may have an opportunity discreetly to raise the question whether title to assets located abroad of nationalized corporations passed from the RSFSR to the USSR on the occasion of the organization of the latter (if so, is there any law which may be cited?) or insofar as insurance companies are concerned by virtue of the USSR decree of September 18, 1925?

HULL

411.61 Assignments/102 : Telegram

The Chargé in the Soviet Union (Henderson) to the Secretary of State

[Extract]

Moscow, September 8, 1936—4 p. m.

[Received September 8—4 p. m.⁷⁹]

207. Your 124, September 1, 6 p. m.

1. Reference [to] sections 1 and 4. During the course of a conversation with respect to other points of your telegram under reference Plotkin informed me that in his opinion the title to unassigned assets situated abroad of nationalized Russian corporations was still

⁷⁸ Russian Socialist Federated Soviet Republic.

⁷⁹ Telegram in two sections.

vested in the R.S.F.S.R. Insofar as he knew no law had been passed which provided for the transfer of such title from the R.S.F.S.R. to the Soviet Union. Furthermore, he did not believe that the decree of September 18, 1925, could be interpreted as providing for the transfer from the R.S.F.S.R. to the Soviet Union of the assets abroad of nationalized insurance companies. There could be no doubt, however, that the assets of a constituent republic were *ipso facto* the assets of the Soviet Union and that the Union Government alone had the right to exercise ownership over or to dispose of the property situated abroad of a constituent republic since the powers and functions of the governments of the constituent republics were fused beyond the Soviet frontier in those of the Union Government. The fact that the Union Government was the owner of assets situated abroad of the constituent republics was so generally accepted that he was sure that no court or Soviet writer on legal subjects had even considered it necessary to touch upon this point. He added that even though in a strict sense the Union Government might not have acquired its claim to the assets in the United States of the insurance company as a "successor of prior governments in Russia" the Union Government, nevertheless, considered that it had had such a claim and that it had assigned such claims to the Government of the United States by virtue of Litvinov's note of November 17 [16], 1933.

I said that although this matter might be clear to a Soviet court, and undoubtedly in time could be clarified to the satisfaction of the American court, it was so involved that unless the Department of Justice would be able to adduce some official Soviet statement in point it might be compelled before satisfying the American court to spend much time and effort in preparing argumentation on the subject. I suggested that in view of this circumstance and of the element of time involved it might be possible for Troyanovski to simplify the whole matter by writing a supplementary letter to his letter of July 21, 1936, which would be so worded as to leave no doubt as to the right of the United States Government to the assets in the United States of nationalized Russian companies. Plotkin said that his personal opinion was that a supplementary letter might well be a satisfactory solution to the problem. If, he said, the matter was causing concern to the Department of Justice the State Department [could?] suggest the wording of such a letter from Troyanovski who could submit the suggestion to the Foreign Office for approval.

[The portion here omitted was in partial answer to the questions concerning legal interpretations and meanings not printed in telegram No. 124, September 1, 1936, *supra*.]

HENDERSON

411.61 Assignments/122

The Ambassador of the Soviet Union (Troyanovsky) to the Secretary of State

The Ambassador of the Union of Soviet Socialist Republics presents his compliments to the Honorable the Secretary of State and, referring to conversations concerning suits to recover assets of, or amounts due to, nationalized former Russian corporations, to which the Government of the United States is or may become a party, has the honor to state that all assets of, or amounts due to, the Soviet State within the United States, its territories or possessions, whether recoverable on the basis of legislation or acts concerning nationalization of the Union of Soviet Socialist Republics or of any constituent Republic of the Union, constituted assets of, or amounts due to, the Union of Soviet Socialist Republics and were assigned to the United States by the communications exchanged between the People's Commissar for Foreign Affairs of the Union of Soviet Socialist Republics and the President of the United States, dated November 16, 1933.

WASHINGTON, September 14, 1936.

411.61 Assignments/106a : Telegram

The Secretary of State to the Chargé in the Soviet Union (Henderson)

WASHINGTON, September 16, 1936—6 p. m.

134. Please deliver following message to Plotkin from Munroe:

"Referring to Moscow Fire Insurance trial Komar has moved to dismiss Government's petition for failure of proof to title in that confiscation of Moscow's foreign assets in 1918 occurred through decree of R.S.F.S.R. whereas assignment in 1933 was by U.S.S.R. and hence Government's proof does not connect title of R.S.F.S.R. and title of U.S.S.R. Yesterday referee gave Government until September 24 as final date on which to present its proof on this point.

Government regards following as best form of proof under the circumstances:

1. A declaration by Commissariat of Justice of R.S.F.S.R. or other appropriate R.S.F.S.R. official to effect that upon formation of the Soviet Union foreign assets of R.S.F.S.R. including foreign assets of nationalized insurance companies became *ipso facto* assets of U.S.S.R. It is not necessary to state that such assets are also assets of R.S.F.S.R. even if such is the case.

2. Similar declaration by appropriate official of Soviet Union Government. Can you procure such declarations and forward by cable through American Embassy Moscow at earliest possible moment?

3. Your own statement to same effect as a matter of Soviet law which could be offered to referee as substance of your testimony if you were called as witness.

4. To offer as witness at trial Zhukhovitsky or other Soviet legal expert in United States to be suggested by Soviet Embassy who can state as his opinion that Soviet law is in accord with the declarations referred to above.

We ask your fullest cooperation since otherwise referee might dismiss Government's petition for failure of proof on this point, thus rendering your testimony on other points futile. [Munroe.]”

Department desires you make every effort to obtain documents desired by Department of Justice.

Please wire translations of statements immediately upon receipt.

HULL

411.61 Assignments/110 : Telegram

The Chargé in the Soviet Union (Henderson) to the Secretary of State

Moscow, September 22, 1936—7 p. m.

[Received—7:20 p. m.⁸⁰]

221. Your 134, September 16, 6 p. m.

1. Plotkin stated to me yesterday:

(a) The only organ of the Union which appears competent to make a declaration along the lines desired is the Supreme Court. It can make declarations only upon the request of the Soviet of People's Commissars or the Central Executive Committee and much time would be required for such a request to be issued and acted upon.

(b) He does not believe any Soviet legal expert in the United States is sufficiently versed in Soviet constitutional law to testify on the point and is of the opinion that it is preferable to have no Soviet witness rather than one who might become entangled by Komar's shrewd cross examination. Zhukovitsky is a specialist in commercial law rather than in matters of the kind at issue.

2. I have received a note this evening from the Foreign Office dated September 22, 1936, enclosing a copy of an interpretation of the People's Commissariat for Justice dated September 22, 1936, and a statement of the same date by Plotkin.

3. The English transitional [*sic*] interpretations of the People's Commissariat for Justice reads as follows:

“To the People's Commissariat for Foreign Affairs.

In reply to the inquiry of the People's Commissariat for Foreign Affairs of the U. S. S. R. of September 19 of the current year, the People's Commissariat for Justice of the R. S. F. S. R. states:

In accordance with article 3 of the Constitution of the R. S. F. S. R. ‘in harmony with the will of the peoples of the R. S. F. S. R., which peoples at the Tenth All-Russian Congress of Soviets made the deci-

⁸⁰ Telegram in five sections.

sion concerning the formation of the U. S. S. R., the R. S. F. S. R. in entering into the composition of the U. S. S. R., transfers to the Union the powers which in accordance with article 1 of the Constitution of the U. S. S. R. have been assigned to the competence of the organs of the U. S. S. R.' (*Collection of Laws of the R. S. F. S. R.*, 1925, No. 30, article 218).

Article 1 of the Constitution of the U. S. S. R. assigns to the competence of the U. S. S. R., in the person of its supreme organs, among other questions 'the representation of the Union in international relations, the conduct of all diplomatic relations, the conclusion of political and other treaties with other states' (*Vestnik of the Central Executive Committee, the Soviet of People's Commissars, and the Soviet of Labor and Defense of the U. S. S. R.* 1923, No. 2, article 45).

Thus from the moment of the formation of the U. S. S. R., the disposal of all properties situated abroad and nationalized under the laws of the R. S. F. S. R. passed to the exclusive competence of the U. S. S. R. in the field of relations arising with other States, and only the U. S. S. R. through its organs may conclude treaties with foreign states in regard to these properties.

Hence, the rightfulness of the transfer to the ownership of the Government of the U. S. A. by the Government of the U. S. S. R. of property situated abroad, nationalized according to the laws of the R. S. F. S. R., in particular the property of the insurance companies recognized as nationalized by virtue of the decree of the Soviet of People's Commissars of the R. S. F. S. R. of November 28, 1918, is perfectly obvious. People's Commissar for Justice of the R. S. F. S. R. (N. Krylenko)."

4. The translation of the statement signed by Plotkin reads as follows:

"Opinion of Professor M. A. Plotkin, Vice-Director of the Legal Department of the People's Commissariat for Foreign Affairs.

If I had been questioned concerning the right of the Government of the U. S. S. R. to execute in 1933, an act of disposition of properties nationalized by virtue of the decree of the Government of the R. S. F. S. R. of November 28, 1918, I would have made the following answer:

From the standpoint of Soviet law there is no doubt that the Government of the Union, in concluding in November 1933 the accord with the Government of the U. S. A., had the right to assign to the Government of the U. S. A. the properties of the former Moscow Insurance Company in the U. S. A. nationalized by virtue of the decree of the Soviet of People's Commissars of the R. S. F. S. R. of November 28, 1918. This is indisputable. Never, insofar as I am aware, from the moment of the formation of the Union has a question arisen concerning such right of the U. S. S. R. The U. S. S. R. repeatedly has entered into agreements with foreign States regarding property nationalized by acts of the republics entering into the composition of the Union. Thus, in the convention concerning the basic principles of mutual relations between the U. S. S. R. and Japan of January 20, 1925,⁸¹ the Government of the U. S. S. R. agreed to grant certain con-

⁸¹ For text, see League of Nations Treaty Series, vol. xxxiv, p. 31.

cessions with respect to objects nationalized by the Government of the R. S. F. S. R. It is also possible to cite a number of concession contracts concluded directly by the Government of the U. S. S. R. in the name of the U. S. S. R. with foreign companies relating to objects nationalized by decrees of the governments of the constituent republics. Such for instance was the concession contract concluded by the Government of the U. S. S. R. with the American company Harriman ('The Georgian Manganese' Stock Company) of June 12, 1925, relating to objects nationalized by decrees of the Georgian Soviet Socialist Republic. Such also was the treaty with the English company 'Lena-Goldfields' of April 30, 1925, relating to objects nationalized by decrees of the Government of the R. S. F. S. R., and so forth and so on.

These principles found reflection both in the Constitutions of the constituent Soviet republics and in the Constitution of the Union. In article 3 of the Constitution of the R. S. F. S. R. it is provided that to the exclusive jurisdiction of the U. S. S. R. in the person of its supreme organs belongs the competence provided for in article 1 of the Constitution of the U. S. S. R., namely: 'The representation of the Union in international relations, the conduct of all diplomatic relations, the conclusion of political and other treaties with other States.'

This provision is understood to mean that the U. S. S. R. in relations with foreign States has the exclusive right to determine the fate of any object of property regardless of whether the property is nationalized by virtue of an act issued by the Government of the U. S. S. R. or as the result of a resolution of the government of a constituent republic.

In this connection it is indisputable that property abroad nationalized by the decrees of the R. S. F. S. R. should be handed over (*podlezhit vydache*) to the U. S. S. R. which alone has the right to dispose of this property.

It would be incorrect to draw any analogy between acts of sovereign power and private law titles. The transfer of certain rights by the Government of the U. S. S. R. to the Government of the U. S. A. in the accord of 1933 was based on the sovereign rights of the Government of the Union established in the Constitution of the Union. The provisions of the constitutions of the constituent republics correspond to these general Union rules.

This circumstance alone renders superfluous further disquisition with respect to the titles to any property which the U. S. S. R. disposed of in the accord of 1933. M. A. Plotkin."

5. I am disappointed although not surprised at the failure of both Plotkin and the Commissariat to make the type of statement desired. From a conversation with Plotkin yesterday I gained the impression that both he and the Commissariat were unwilling, in the absence of precedents, to take the responsibility of stating formally that the foreign assets of the R. S. F. S. R. had become *ipso facto* the assets of the Union. He said that he believed such to be the case but felt that certain considerations might make it impossible to furnish written statements to that effect. Although the Foreign Office had already closed by the time the two documents arrived, Plotkin returned late

this evening at my request to discuss them with me. I told him that I feared that they would not serve the purpose and suggested that if he could not make the statement required with respect to the ownership of assets he might be able to incorporate in his declaration a statement to the effect that any amounts which might have been due to the Government of the R. S. F. S. R. by nationals of foreign countries became due of [to] the Union Government upon the latter's formation. He replied that he had gone just as far in this direction in the ante-penultimate paragraph of his declaration as he felt himself to be justified to go. According to the principles set forth in that paragraph, the property of the insurance company in the United States nationalized by laws of the R. S. F. S. R. was subject to delivery to the U. S. S. R. and therefore due to the U. S. S. R. I asked if he could not state bluntly in his declaration what he had just told me and he answered that he has been careful to word his declaration so that he could back up with law or precedent every assertion contained in it. If he made his assertions any broader he would be venturing into ground which as yet had not been explored by the Soviet judicial legislative system. He added that if a statement of the Supreme Court should be deemed necessary it could probably be obtained within the course of a month or so.

HENDERSON

411.61 Assignments/145 : Telegram

The Chargé in the Soviet Union (Henderson) to the Secretary of State

Moscow, January 9, 1937—1 p. m.

[Received January 9—9:40 a. m.]

6. Your 6, January 8, 5 p. m.⁸² The following notes were exchanged between Maxim Litvinov and myself on January 7, 1937:

“Embassy of the United States of America,
Moscow, January 7, 1937.

Mr. People's Commissar: I have the honor to inform you that it is the understanding of the Government of the United States that the Government of the Union of Soviet Socialist Republics considers that by and upon the formation of the Union of Soviet Socialist Republics and the adoption of the Constitution of 1923 of the Union of Soviet Socialist Republics, the Union of Soviet Socialist Republics acquired the right to dispose of the property, rights, or interests therein located abroad of all corporations and companies which had theretofore been nationalized by decrees of the constituent republics or their predecessors.

⁸² Not printed.

The Government of the United States further understands that it was the purpose and intention of the Government of the Union of Soviet Socialist Republics to assign to the Government of the United States, among other amounts, all the amounts admitted to be due or that may be found to be due not only the Union of Soviet Socialist Republics but also the constituent republics of the Union of Soviet Socialist Republics or their predecessors from American nationals, including corporations, companies, partnerships, or associations, and also the claim against the United States of the Russian Volunteer Fleet, in litigation in the United States Court of Claims, and that the Government of the Union of Soviet Socialist Republics did release and assign all such amounts to the Government of the United States by virtue of the note addressed by you to the President of the United States on November 16, 1933.

Will you be good enough to confirm the understanding which the Government of the United States has in this matter concerning the law of the Russian Socialist Federated Soviet Republic, the Constitution and laws of the Union of Soviet Socialist Republics, and the intention and purpose of the Government of the Union of Soviet Socialist Republics in the above mentioned assignment?

I am, Mr. People's Commissar, Very sincerely yours, (signed)
Loy W. Henderson, Chargé d'Affaires ad interim of the United States of America."

"Moscow, January 7, 1937.

Mr. Chargé d'Affaires: In reply to your note of January 7, 1937, I have the honor to inform you that the Government of the Union of Soviet Socialist Republics considers that by and upon the formation of the Union of Soviet Socialist Republics and the adoption of the Constitution of 1923 of the Union of Soviet Socialist Republics, the Union of Soviet Socialist Republics acquired the right to dispose of the property, rights, or interests therein located abroad of all corporations and companies which had theretofore been nationalized by decrees of the constituent republics or their predecessors.

You are further informed that it was the purpose and intention of the Government of the Union of Soviet Socialist Republics to assign to the Government of the United States, among other amounts, all the amounts admitted to be due or that may be found to be due not only the Union of Soviet Socialist Republics but also the constituent republics of the Union of Soviet Socialist Republics or their predecessors from American nationals, including corporations, companies, partnerships, or associations, and also the claim against the United States of the Russian Volunteer Fleet, in litigation in the United States Court of Claims, and that the Government of the Union of Soviet Socialist Republics did release and assign all such amounts to the Government of the United States by virtue of the note addressed by me to the President of the United States on November 16, 1933.

I have the honor, therefore, to confirm the understanding, as expressed in your note of January 7, 1937, which the Government of the United States has in this matter, concerning the law of the Russian Socialist Federated Soviet Republic, the Constitution and laws of the Union of Soviet Socialist Republics, and the intention and purpose

of the Government of the Union of Soviet Socialist Republics in the above-mentioned assignment.

I am, Mr. Chargé d'Affaires, Very sincerely yours, (signed) M. Litvinoff, People's Commissar of Foreign Affairs, Union of Soviet Socialist Republics."

HENDERSON

[By instruction No. 127, June 8, 1937 (411.61 Assignments/156), the Chargé in the Soviet Union was requested, on behalf of the Department of Justice, to obtain from the People's Commissariat of Justice of the R.S.F.S.R. and, if possible, also from the Supreme Court of the Soviet Union, rulings which would establish as a matter of Soviet law that the decrees of nationalization were intended to reach nationalized property of corporations located abroad. In telegram No. 314, December 3, 1937, 4 p. m. (411.61 Assignments/170), the Chargé transmitted a translation of an interpretation by the People's Commissariat of Justice of the R.S.F.S.R., dated November 28, 1937, received through the People's Commissariat for Foreign Affairs. The text in translation reads as follows:

"The People's Commissariat for Justice of the R.S.F.S.R. certifies that by virtue of the laws of the organs of the Soviet Government all nationalized funds and property of former private enterprises and companies, in particular by virtue of the decree of November 28, 1918 (Collection of Laws of the R.S.F.S.R., 1918, No. 86, article 904), the funds and property of the former insurance companies constitute the property of the State, irrespective of the nature of the property and irrespective of whether it was situated within the territorial limits of the R.S.F.S.R. or abroad. People's Commissar for Justice of the R.S.F.S.R. Dmitriev.]"

1937

REPORTS ON DEVELOPMENTS OF SIGNIFICANCE CONCERNING SOVIET
RELATIONS WITH OTHER COUNTRIES, ESPECIALLY WITH THE
UNITED STATES¹

800.51W89 U.S.S.R./231

Memorandum by the Acting Secretary of State

[WASHINGTON,] December 16, 1936.

The gentlemen listed on the attached memorandum² came in this afternoon to talk about the Soviet debts. They seemed to think that, now that Mr. Bullitt's successor³ has been appointed, he is to be expected to initiate further negotiations with the Soviet authorities. I outlined to them what occurred in Moscow and here when the debts were discussed and explained the attitude of the Soviet Government in declining to agree to payment of any amount unless they could obtain a straight loan from us.⁴ I briefly indicated what liberal conditions we offered and that the representatives of the Soviet always gave as a reason for not settling with us, unless they could obtain a loan, that they would be brought into controversy with the British and French. I expressed the very definite opinion that nothing is to be gained by our Government approaching the Soviet Government on the subject.

The gentlemen wished to know whether the Department would object should they talk informally with the Soviet Ambassador here⁵ and suggest that he advise his Government to take up the debt question with our new ambassador and that I answered in the negative. They went away from my office, stating that they would see Mr. Kelley.

R. W[ALTON] M[OORE]

¹ Continued from pp. 281-322.

² Not printed. The participants listed were: J. Harry Covington; Milton C. Lightner, vice president, Singer Mfg. Co.; Allen W. Dulles, counsel, New York Life Assn.; Mr. Savage, counsel, Vacuum Oil Co.; John A. Kratz, International Harvester Co.; R. S. Hotchkiss, Parke, Davis & Co.; M. K. Robinson, assistant secretary, Eastman Kodak Co.; and Alexander Otis, of counsel for other claimants.

³ Joseph E. Davies, Ambassador in the Soviet Union. William C. Bullitt was now Ambassador in France.

⁴ For the failure of negotiations in regard to claims and credits, see pp. 166 ff.

⁵ Alexander Antonovich Troyanovsky.

123 Davies, Joseph E./38

The Ambassador in the Soviet Union (Davies) to the Secretary of State

[Extracts]

No. 1

Moscow, January 19, 1937.

[Received February 9.]

SIR: I have the honor to report that prior to sailing from the United States I had several conferences with Mr. Troyanovsky, the Soviet Ambassador in Washington. On their face, these conferences were of a social character. It may or may not be significant that Mr. Alex Gumberg, who was very helpful to me and is apparently close to the Soviet Embassy in Washington, on the day before my departure rather pressed (avowedly in my interest) that I should be sure to call upon Ambassador Troyanovsky before leaving. On this last occasion, Troyanovsky (speaking "personally") suggested that he was apprehensive that my stay in Moscow might be embarrassed at the beginning by some little coolness on the part of Soviet officials arising out of differences and misunderstandings which he had heard had developed between Mr. Litvinov, People's Commissar for Foreign Affairs, and Ambassador Bullitt. To this I, of course, rejoined that I was entirely sympathetic with the very great disappointment which Ambassador Bullitt had experienced in the failure of the Soviet Government to live up to what appeared to me to have been a plain commitment. I did not permit the subject to develop controversially, but expressed the hope that my Mission might be helpful in improving relations between the two countries.

The second point which Ambassador Troyanovsky made (and it seemed to me quite pointed in view of previous talks) was that he felt that the best opportunity for the development of friendly relations now lay in the interchange of visits by prominent persons of each country and that it would be best to let bygones be bygones in so far as controversial matters were concerned. To this I made no rejoinder.

On the occasion of a previous meeting, Ambassador Troyanovsky had suggested that he felt and hoped that we might be able to adjust and smooth over some of the controversial matters of the past and by clearer understandings adjust some of these matters to the mutual satisfaction of both parties. This attitude seemed to be completely the reverse of the attitude above described in the previous meeting. Upon the same previous occasion I had frankly touched lightly upon what appeared to me to be a regrettable fact, to wit: that a very great man, the President of the United States, had agreed in principle with

the representative of the Soviet Government upon a broad-gauged settlement,⁶ the terms of which settlement, in the light of existing conditions, were well known to all parties and, in my opinion, were unequivocally clear under the express terms of the written memorandum; that this agreement had not been fulfilled; and that a situation had developed which indicated to my mind confusion over non-essentials and an attempted gradual whittling away of the broad principle of the agreement to which the Soviet Union had been committed. The writer did not amplify upon this except to express his regret, pointing out at the same time the relative unimportance of the matter to the United States and the supreme importance to the Russian people of having in the future a body of liberal public opinion in the United States sympathetic to the Russian people, particularly in view of the uncertain international situation. The writer stated to Ambassador Troyanovsky that if the surprising history of these subsequent negotiations as disclosed in the files of the State Department were known to the American public as they were to me it would result, in my opinion, in a most serious destruction of the confidence and good will which the general public of the United States now felt towards Russia, and I then stated also that it was fortunate that there was no probability of such disclosure. The Ambassador appeared somewhat downcast but made no attempt at rejoinder. The writer developed the foregoing thought after extended conferences with Judge Moore, and with design.

A further significant incident occurred at the diplomatic reception at the White House on January 3, when Umansky, the Counselor of the Russian Embassy at Washington, made a point of approaching the writer, apparently with one idea in his mind which he immediately stated in a very short conversation, to wit: that he wished to suggest to me that which his Chief, Litvinov, had suggested to him when he left for his post in the United States, to wit: that his conduct should be addressed to future relations and not to past controversial matters.

A third incident which may possibly be illuminating (or not) arose on the steamer. Mr. Walter Duranty, the Moscow correspondent of the *New York Times*, was aboard and I had many occasions to visit with him which I was naturally anxious to do as he has a fund of Russian information. I asked him specifically what he thought could be done by an American Ambassador to the Soviet Union at the present time. He stated that the debt question was "out", and generally his ideas were in substance the same as the Troyanovsky-Umansky observations.

⁶ For the recognition by the United States of the Soviet Union under the agreements reached on November 16, 1933, see pp. 1 ff.

These three incidents seem significant of the attitude of the Soviet Government relative to debt discussions. Duranty also stated that the real difficulty, so far as the debt question was concerned, lies in the fact that any direct settlement of the American debt would necessarily involve the settlement of much larger debts with France, Great Britain, and twenty-three other countries, under present treaty arrangements with those countries. Of course, the indisputable fact remains that these objections obtained quite as clearly prior to the agreement as they did subsequent thereto and that the only purpose of an agreement among honorable parties in difference was to establish a new promise in settlement thereof and with specific regard to their abilities to perform their honorable commitments. Throughout these discussions the writer has for the most part merely listened with the single exception above noted of the talk with Troyanovsky.

Mr. Barkov, the Chief of the Protocol Division of the People's Commissariat for Foreign Affairs, informed me on arrival (morning of January 19) that in the absence of Mr. Litvinov, who is in Geneva, Mr. Krestinski, the Assistant People's Commissar for Foreign Affairs, would be glad to receive me at 3:00 o'clock of the same afternoon.

Accompanied by Mr. Henderson, the First Secretary of the Embassy, the writer called at the appointed hour upon Mr. Krestinski and found with him Mr. Neymann, Chief of the Third Western Political Division, the Division of the Foreign Office which handles American affairs. The writer stated that he brought greetings to the Foreign Office and to Mr. Krestinski from the Secretary of State. A copy of letters of credence were left with him as was also a note requesting an appointment with Mr. Kalinin in order to present the letters of recall of the writer's predecessor and his own letters of credence. At the same time the writer told Mr. Krestinski that he was happy to be in the Soviet Union and stated that he was looking forward with pleasure towards the task of assisting in the maintenance of friendly relations between two great countries and of observing the interesting developments which were taking place in the Soviet Union. Mr. Krestinski replied in a most courteous manner, expressing pleasure at welcoming me to the Soviet Union and regret that Mr. Litvinov (who is at Geneva) was not in the Soviet Union in order also to receive me. He said that in view of the fact that a Congress of the R. S. F. S. R.¹ was in session and that there was to be a meeting of the Central Executive Committee of the R. S. F. S. R., Mr. Kalinin's time was almost completely occupied but that he hoped that it would be possible for Mr.

¹ Russian Socialist Federated Soviet Republic.

Kalinin to receive me on either January 23 or January 25. The writer rejoined that there was no need for haste and that he would not wish to occasion Mr. Kalinin inconvenience, particularly in view of the important public matters that were pressing.

The writer told Mr. Krestinski that he had been impressed by the appearance of the people whom he had seen in the trains and on the streets and at the amount of construction work which appeared to be going on everywhere. Mr. Krestinski replied that the construction work which the writer had seen in Moscow was indicative of what was taking place everywhere in the Soviet Union and that although this work was useful it somewhat destroyed the beauty of the vicinities in which it was taking place. He added that within a year or two the face of Moscow and many other Soviet cities would be completely changed. After an exchange of remarks on various other subjects relating to economic and political developments in the Soviet Union, our conversation terminated, and, accompanied by Mr. Henderson and Mr. Neymann, the writer called immediately upon Mr. Stomoniakov, the Second Assistant People's Commissar for Foreign Affairs. Mr. Stomoniakov specializes on Far Eastern, Middle Eastern, and Eastern European Affairs. He also received us most courteously.

On that evening, the Embassy staff, which has impressed me most favorably, dined with us at the Embassy. The gentlemen of the press (from the United States) and their wives dined with us the following evening.

The Constitutional Convention of the R. S. F. S. R. was holding its final session on January 21 and, upon the request of the writer, Mr. Barkov of the Protocol Division of the Foreign Office arranged for us to attend. The report of my impressions with reference thereto will follow in the next pouch.⁸

I cannot conclude this report without expressing the appreciation of the excellent and efficient help which I have received from the members of the Embassy staff, a fine group of men, efficient and loyal.

Mr. Ward has been particularly helpful in connection with administrative details pertaining to getting the house in order.

Mr. Henderson, the First Secretary, met us at the Polish border station and has been exceptionally helpful and considerate both prior to and after our arrival. He has been as effective and able in this situation as the fine character of his past reports to the Department would indicate that he would be.

Respectfully yours,

JOSEPH E. DAVIES

⁸ Ambassador Davies gave some description of the Constitutional Convention in a letter of January 25, 1937, to Stephen Early, Secretary to President Roosevelt. Joseph E. Davies, *Mission to Moscow* (New York, 1941), p. 20.

861.00/11675

*Memorandum by the Second Secretary of Embassy in the Soviet Union (Kennan)*⁹

Moscow, February 13, 1937.

During the trial of Zinoviev, Kamenyev, and others held in August 1936,¹⁰ evidence was given that in addition to that group, labeled as the "Trotskiite-Zinovievite Terrorist Center," there also existed a so-called reserve center. This reserve center was supposed to have taken up the leadership of illegal activities in the case of the exposure of the first group. It was said to have been made up of Pyatakov, former Assistant Commissar for Heavy Industry; Karl Radek, famous journalist and publicist; Sokolnikov, formerly Ambassador in England and subsequently Assistant People's Commissar for Foreign Affairs and Commissar for the Timber Industry; and L. P. Serebryakov, a prominent Party official who had held important posts in the Government apparatus, including at one time that of Assistant People's Commissar for Ways of Communication.

On January 23, 1937, these four men were brought to public trial in Moscow before the Military Collegium of the Supreme Court of the U. S. S. R. Together with them, on the defendants' benches, there was a somewhat motley company of other accused persons. These included four other fairly well-known Trotskiists: Muralov, Drobnis, Boguslavski and Livshits, and nine lesser lights. The fact that some of these lesser defendants—evidently spies and stool pigeons—were people whom Radek and the other leading defendants had obviously never seen before in their lives or even heard of, caused little surprise among the public. It had long since been a practice of the Soviet Government—as was well illustrated in the Zinoviev-Kamenyev trial—to emulate the practice of the old Romans and to crucify its most dangerous oppositionists in company with common thieves.

The defendants were accused of treason, of espionage, of committing acts of diversion,* of wrecking activities and of the preparation of terrorist acts. Although all of the defendants immediately confessed in full to the charges against them, the State's Attorney

⁹ Transmitted to the Department in despatch No. 63, February 18, 1937. A companion appraisal of this trial was sent in despatch No. 57, February 17, 1937 (861.00/11676), by Ambassador Davies and has been reproduced with few significant deletions in his book, *Mission to Moscow* (New York, 1941), pp. 32-46. Mr. Kennan acted as interpreter for the Ambassador at the sessions of the trial.

¹⁰ For appraisal of the trial held in Moscow, August 19-24, 1936, and sentencing of the defendants led by the veteran members Lev Borisovich Kamenyev and Grigory Evseyevich Zinovyev see pp. 300-303.

*The Soviet term referring to acts designed to make trouble in the rear of an army, with the aim of diverting the army's attention away from the front on which it is fighting. [Footnote in the original.]

found it necessary to make them repeat in great detail before the assembled public the confession of their digressions. Only after this questioning and after a lengthy concluding speech by himself, did he ask the court for their deaths. The proceedings occupied approximately eight hours a day over a period of seven days. At the end of this time, the court sentenced four of the defendants, including Sokolnikov and Radek, to terms of imprisonment of eight or ten years and the remainder to be shot.

As in previous public Soviet trials, the evidence adduced during the proceedings consisted almost exclusively of the testimony of the defendants themselves. The two or three witnesses who were introduced had little to say of any importance and were themselves men awaiting trial for offenses equally as serious as those under discussion, so that their position differed very little from that of the defendants. A small amount of expert testimony introduced in connection with the alleged wrecking activities played no great part in the main questions of the trial.

In view of this situation, the question immediately arose in the minds of the public—as it has arisen in connection with many other Soviet trials—as to whether the accused were telling the truth or whether, for certain inscrutable reasons of their own, they had chosen to make themselves mouthpieces of the State in the promulgation of its political propaganda.

The answer to this question is not a simple one. It requires no very extensive acquaintance with the background and the proceedings of the trial to appreciate that the great mass of evidence produced in the court room was neither entirely true nor entirely false. Anyone who witnessed the magnificent verbal duel between the State's Attorney¹¹ and Radek and who saw the repressed excitement which took possession of these two men when certain subjects were brought up, could not fail to realize that this was not the mere recitation by an intimidated prisoner of recantations which he had learned by heart, but that very real things were involved. Radek, on the other hand, made it perfectly evident through his testimony that he had never really committed some of the crimes for which he accepted such sweeping responsibility, and was confessing to them for ulterior motives. The question which presents itself, therefore, to the experienced observer is not one of whether or not the trial was bona fide; it is a question of to what extent it was bona fide and of what actually did lie behind it.

A cursory study of the published record of the proceedings is sufficient to show that the evidence given before the public was not only incomplete and conflicting but was also strangely ambiguous. Those

¹¹ Andrey Yanuaryevich Vyshinsky, Chief Prosecutor of the Soviet Union.

who attended the sessions and watched the bearing and the faces of the State's Attorney and the defendants had the distinct impression that they were talking in symbols,—that many of the expressions which they used repeatedly throughout the proceedings had different meanings in their minds than in the minds of the spectators,—that these expressions, in other words, were algebraic equivalents, behind which the real values were concealed.† It seems almost certain, for example, that the phrase "terrorism," which was used so frequently throughout the proceedings, was understood by all the participants in the spectacle to mean simply illegal opposition activity. Vyshinski endeavored to demonstrate, in his concluding speech, that when Trotski said the Stalin group could be removed "only by force", this was the equivalent of a political platform of terrorism. Hence any underground Trotskiist activity was "terrorist" activity. This use of such dialectic "equivalents" is by no means peculiar to the trial in question. It has long been a standard method of Soviet publicity,‡ and the average communist would probably fail to see anything out of the ordinary in its being applied in judicial proceedings.

If the use of such symbols be accepted as a working hypothesis (and only in this light do the proceedings begin to make some sense), then a more comprehensible general picture of the results of the trial presents itself.

Let us start first with the small fry among the defendants, who were accused of espionage, sabotage, et cetera. Some of these were quite probably guilty of a great deal. While the wrecking acts to which they confessed in open court did not all seem very convincing, the espionage connections are plausible enough. It is probable that they had on their consciences certain espionage activities in connection with military industries, which were the real cause of the death sentences.§ Plenty of people of this sort get shot in Russia every year. That

† A direct hint, to the effect that this system was practiced, was given by Pyatakov, during his testimony on the morning of January 25. Vyshinski tried to make him admit that he had instructed Rataichak to get into touch with agents of the German intelligence service. Pyatakov denied that he had given a specific instruction of this sort. "I gave the instruction," he said, "in a more algebraical formulation, in a general form, without being specific, because I also had in mind the remnants of the former wrecking groups among the specialists and other . . ." To this, Vyshinski replied: "It is not this that I want to know. I know what you mean by algebra, but I must now deal not with algebra but with facts." [Footnote in the original.]

‡ It might be recalled that for years the foreign socialists were uniformly referred to in the Soviet press as "Social-Fascists". This designation was likewise based on the conclusion that opposition to the communists was "dialectically" equivalent to fascism, and therefore the use of the stronger—and really misleading—term was justified. [Footnote in the original.]

§ A number of the plants in which these men were employed were chemical plants, said to have been built largely by German engineers. Under these circumstances, espionage—in the Soviet sense—is almost inevitable. The wrecking activities seem less plausible. [Footnote in the original.]

these particular ones should have ended up in this particular trial, was largely a matter of chance.

In the cases of the four important Trotskiists from the provinces—Muralov, Drobnis, Boguslavski and Livshits—it is highly probable that these men were active in the maintenance of the skeleton of a Trotskiist organization in Russia and had in that sense continued their opposition activity up to the time of their arrests. No evidence was produced, other than their own vague and unconvincing confessions, to show that they had any real connection with specific acts of wrecking and sabotage.

The testimony of the four leading defendants is the most revealing and the most interesting. In actuality, there is no real evidence,—nothing, in fact, except vague and general assertions,—to show that these men ever constituted anything resembling an organization. They saw each other extremely rarely. They appear to have consulted together only on two occasions (July, 1935, and January, 1936), and then only in a most informal way. Three of them were prominent Trotskiists; the fourth, Sokolnikov, was a man who had opposed Stalin on several occasions on intellectual grounds. It seems to have been agreed some years ago that it would be much too risky for them to have anything to do with any underground activities. It was realized that if they did so and got caught, the loss to the cause would be enormous. For this reason they kept in the background and the underground activities were left to other people.|| This was sufficient, in the eyes of the State, to justify the accusation that they constituted (again a “dialectic equivalent”) a “reserve center.”

Each of these four men was in a different position.

Serebryakov seems to have been included in this group merely because he lived in Moscow and saw the others on rare occasions. He met Radek, according to the latter's unchallenged testimony, only three times in four years. It was not shown that he had anything whatsoever to do with the alleged foreign connections of Radek and Pyatakov. The charges against him seem to have been confined to directing “wrecking” activities on the railways and keeping track of the underground opposition movements in the Transcaucasus.

Pyatakov was in a sense the center of the trial, and the real measure of his guilt is more obscure than in the case of any of the others. Whereas the other defendants were charged directly, as a rule, with only one or the other of the general categories of crime, Pyatakov was charged with everything, and confessed to everything.

|| In the stenographic report of the trial, the passage was included in which Radek tells of learning that his secretary, Tivel, belonged to a counter-revolutionary group. Radek asked Tivel if he had gone out of his mind. This passage was omitted in the text of the proceedings published by the Moscow press. [Footnote in the original.]

Sokolnikov's part is also a mysterious one. If Pyatakov was charged with practically everything, Sokolnikov may be said to have been charged with almost nothing. Except for one extremely cryptic conversation with a foreign diplomat, which might or might not have been criminal and which has been denied by the diplomat in question, he seemed to have nothing more on his conscience before 1935 than having heard certain rumors and hints of the existence of underground organizations. He, too, saw Radek only three times in the course of several years preceding the trial.

The central figure of the trial was Radek, and it was Radek's testimony that came nearest to revealing the truth. Radek had evidently scrupulously refrained from having any direct contact with the underground Trotskiist movement until July 1935. At this time, for reasons which are not clear, he consulted with the other three defendants and they all came to the decision that it would be necessary for them to ascertain the character and strength of the underground Trotskiist organization, with which none of them was apparently familiar. Possibly they took this step because they felt that the danger of a military defeat had passed and with it much of the justification for the maintenance of this dangerous weapon. Possibly they did it because they were worried about the trend taken by the other oppositionists, the Zinovievites, and felt that they had to know something about the forces on which they could depend in case of emergency. In any case, Radek, in agreement with the others, took steps to get into touch with the man who appears to have been actually running the Trotskiist organization, Dreitser. This mysterious character, a former Trotski bodyguard, executed with the Zinoviev-Kamenev group in August 1936, was at that time in the Ukraine and was apparently either arrested or under police surveillance. It looks as though it were Radek's unsuccessful attempts to get into touch with him and to get him to come to Moscow which led eventually to his own arrest. Before this arrest, however, Radek's doubts as to the wisdom of maintaining an underground organization had so increased, for one reason or the other, that he was actually considering whether he should not urge the other Trotskiists, when he finally established contact with them, to join him in unburdening their consciences voluntarily before the Central Committee of the Party.

This is as much as can really be made out of Radek's testimony. His alleged connections with Trotski and with a plot to sell out the Soviet Union to the Nazis can hardly be taken seriously. He himself pointed out that all the evidence regarding this angle of the indictment rested exclusively on the testimony of two persons, himself and Pyatakov. He based his own testimony on certain letters which he claimed to have received from Trotski and subsequently burned and

which could not be produced in court.¶ The basis of Pyatakof's testimony in this respect was his account of a visit which he claimed to have paid Trotski in December 1935 and which involved a flight in a mysterious airplane from the Tempelhof airport in Berlin to Oslo and back. The truth of this story has been seriously questioned. The Norwegian and German authorities have denied that such a flight ever took place. The practical difficulties which such an exploit would have encountered are such as to render the story highly implausible in any case.

Radek himself took occasion on more than one instance to emphasize to the audience the flimsiness of the evidence regarding the alleged international conspiracy. When, at one point during the taking of his testimony, the State's Attorney cast doubt on the veracity of his statements in certain other respects, Radek slyly reminded him that "you learned about the program and about Trotski's instructions only from me," thus implying that if anyone were to question the truth of his testimony, this whole angle of the proceedings would collapse. Again in his last words, after calling attention to the fact that the whole story of the foreign connections rested only on the testimony of himself and Pyatakof, he put the following daring question to the court: "If you were dealing with mere criminals and spies, on what can you base your conviction that what we have said is the truth, the firm truth?" He then went on to point out that while the court and the prosecutor knew very well the reasons why he and Pyatakof had told this story, the "diffused, wandering Trotski elements in the country" might have their own ideas on this subject.

Thus the story of the international conspiracy is based on a very shaky foundation, and cannot be regarded as in any sense proved by the evidence given at the trial.

The question remains—and it is one which has occasioned considerable speculation abroad—: Why did the defendants all confess so readily to all the charges on which they were indicted,—even to those on which their own evidence partly absolved them? The answer to this question may never be revealed to the outside world. The most probable explanation is that they hoped by playing the game with the State to save their own lives or at least the well-being of persons near to them.** In doing so, they would only be relying on good Soviet precedents; for more than one person has saved his neck in the past, as a defendant, by turning himself into an organ for the

¶ There is nothing to show that all these "letters" were actually addressed to Radek personally. It seems possible that some of them were open letters addressed by Trotski to his followers and published abroad, copies of which were smuggled into Radek by friends. This would justify the use of the term "letter." [Footnote in the original.]

**Pyatakof's wife was said to have been arrested before he was. [Footnote in the original.]

propaganda of the Soviet regime, and a still greater number have probably lost theirs for refusing to do so. It is true that this was not the case in the Kamenev-Zinoviev trial, where all the defendants were executed, despite abject confessions; but there is nothing to show that the defendants in that case did not presume that they had good chances of saving their own lives. If they were double-crossed, in effect, by the State, that proves nothing. Nor is it any reason why a number of the defendants in the later trial should not have hoped for clemency as a reward for public self-chastisement. For some of these unfortunate people were already in jail at the time when the earlier trial took place. They had probably been in solitary confinement, and may never have known the fate of the Kamenev-Zinoviev group. It is perhaps significant that no reference to this fate was made at the trial, although the names of the persons concerned were mentioned on many occasions.

Astonishment is sometimes expressed at the unanimity of contrition which these trials reveal. People ask: "How is it that they get every single person to confess?" The answer to this question is comparatively simple: they don't. The "G. P. U."¹² has no shortage of raw material for this sort of affair. There are doubtless many who refuse to play the part, and who for this reason are never brought to public trial. It has been evident in this, as in former trials, that many of those who, judging from the evidence, should have been among the leading defendants, did not appear in court at all; nor was any mention made of their fate. For this reason, it cannot be said that all Soviet prisoners have been universally prepared to make complete confessions. The fact is simply that those who have been so prepared have been the ones who were brought to public trial. It is this particular feature of Soviet justice which called forth the diplomatic *bon mot* to the effect that the new Constitution, to be really effective, should have granted the Russians the right to be tried without having confessed.

If the above considerations have cast certain doubt on the accuracy of the published confessions, let this not be interpreted as an attempt to give any of the defendants a clean moral bill of health. They have probably done plenty, from the point of view of the regime, to warrant their humiliation and punishment. But it should be borne in mind that their real sins are probably not those to which they confessed in public. However much truth there may have been in the testimony produced before the court, it was by no means the whole truth. The main considerations which were in the minds of both the State and the leading defendants from the start were never mentioned in so many words before the public.

¹²The State Police Administration, the secret police, included within the People's Commissariat of Internal Affairs (N. K. V. D.) since 1934.

What had gone on behind the scenes may never be known, but it probably involved provocation and deceit on both sides. If it be true that some of the defendants had worked for Trotski and foreign espionage services while pretending to be in the loyal service of the Soviet Government, it is equally possible that others had really worked for the Soviet Government while pretending to be loyal adherents of other masters.

Even if all of the facts of the case were available, which they certainly are not and never will be, it is doubtful whether the western mind could ever fathom the question of guilt and innocence, of truth and fiction. The Russian mind, as Dostoevski has shown, knows no moderation; and it sometimes carries both truth and falsehood to such infinite extremes that they eventually meet in space, like parallel lines, and it is no longer possible to distinguish between them.

800.51W89 U.S.S.R./232

*The Ambassador in the Soviet Union (Davies) to the Secretary
of State*

No. 68

Moscow, February 18, 1937.

[Received March 6.]

SIR: I have the honor to report the following with respect to an informal conversation which I recently had with certain prominent Soviet officials.

The People's Commissar for Foreign Trade, Rosengolts, invited us to his country house ("dacha") for lunch on February 5th. To our surprise we found there Marshal Voroshilov, the People's Commissar for Defense; Mikoyan, the People's Commissar for Food Industries; Vyshinsky, the Prosecutor who conducted the recent Radek trial; and Rostov [*Rozov*], who is the new head of Amtorg¹³ in New York.

After lunch and over the coffee and cigars, the conversation was obviously turned by Rosengolts from a discussion of trade into a discussion of the debt situation. Rosengolts stated that he thought the matters in difference could be settled if practically approached; that their Government recognized no moral obligation to pay the Kerensky debt¹⁴ but even so that he hoped that the matter could be settled; that the matter of the debts to other nations was embarrassing his Government; that with Great Britain and France they had arrived at a

¹³ Official purchasing and sales agency in the United States of the Soviet Union, 261 Fifth Avenue, New York, N. Y.

¹⁴ The loans made by the United States to the Russian Provisional Government under the leadership of Alexander Fedorovich Kerensky, July–November 7, 1917, amounting in principal sum to \$187,000,000.

modus vivendi that left debt settlements independent of credit situations. He stated that the matters in difference between our countries could probably be furthered by a similar approach, and asked whether I had any ideas as to how we should approach the matter. My rejoinder was that I had no express instructions from my Government to initiate any debt discussions or to project any plan. He then suggested that he thought the matter might be worked out through negotiations with private parties by Rostov [*Rozov*] as head of the Amtorg, rather than to take up the matter through the Foreign Offices. To this I replied that I could not speak for my Government but that I would take it up with the Secretary of State and of course would naturally desire to know more of the specific plan which they had in mind in connection with the settlement of the whole matter through such process of private negotiation. He stated that he thought it was advisable that Rostov [*Rozov*] should explore the situation and return sometime in July and report what he might have been able to develop. My rejoinder was that, speaking personally, I could see no harm in Rostov [*Rozov*] making such explorations as his superiors desired. Rosengolts pressed the position which France and England had taken in recognizing their domestic difficulties and separating the debt question from the credit situation. To this I replied that I was not a diplomat by training and that I was not certain but what my first obligation was to discuss the debt problem through Mr. Litvinov and the Foreign Office when he saw fit to take the matter up with me, but that inasmuch as they were responsible members of the Soviet of People's Commissars and interested in the problem, that I would speak quite frankly to them, particularly inasmuch as the discussions had originated with them. I then stated that I appreciated that there were difficulties which confronted statesmen of both countries by reason of the peculiar conditions which were imposed by forces independent of what simple common sense might require, to wit: perhaps provisions of the Johnson Act ¹⁵ in the United States which I explained in detail on the one hand, and the embarrassment which Russia might find by reason of treaty obligations to treat all their debtors the same as they treated the United States; but that, speaking personally, it was my opinion that the debt obligation to us was peculiarly important to them by reason of special circumstances; that there was a very vital distinction between their relation to England and France and their relations with the United States in this situation; that their obligations to treat all creditor nations the same had confronted them, and their difficulty with reference thereto was as well known to them prior to the Litvinov agreement as it is now; that the irrevocable fact is that the President of the United States, in a very large-minded and big

¹⁵ Approved April 13, 1934; 48 Stat. 574.

way, had projected a plan which was of great value to the Soviet Government at that time, and that an agreement between gentlemen¹⁶ had been entered into with full knowledge of the facts on their part and under conditions where there could be no misunderstanding as to what that gentlemen's agreement was in principle; that I had examined a memorandum of the gentlemen's agreement with care and that it had provided that a loan should be made by either the national Government or its nationals; that the matter of the debt which might run up to \$200,000,000 or more was, in our national economy, relatively but a flyspeck upon a great wall and something that meant little to us except as a matter of principle was involved; but that it was a serious matter to them to retain the confidence of our Government in the performance of their agreement; that we had no aggressive militaristic neighbors threatening our peace; that we did have a great body of humanitarian democratic thought which did have great influence upon world opinion among liberal minded men everywhere which might be of inestimable value to Russia at some time in the future; and that, speaking as a friend of the humanitarian impulses and purposes of the Russian people, personally I felt compelled to say that in my opinion it would be a great pity if a cloud were to be permitted by the Soviet Government to dim the confidence which my Government might have in the integrity and character of the men who were running affairs here; that this was particularly true in my opinion because there was no leadership of any of the great nations of the earth that viewed with as much sympathy the fundamental humanitarian purposes of the Russian people to the degree that President Roosevelt and Secretary of State Hull did; that it would be too bad if a condition were to be permitted by the Soviet Government to exist which would dampen or destroy their confidence in the integrity of Russian leadership; that financial credits and business considerations in importance faded into nothing in contrast with this matter of the principle involved. To this Voroshilov replied that the financial amount involved was relatively small and that the matter should be settled on big, broad, general principles and that a way should be found, that he appreciated the greatness of the President of the United States, and that there was much force in what I had said. He then stated that, although he was a friend of Ambassador Bullitt, it was his belief that a great many difficulties had been created by him. To this I immediately replied, and in no uncertain terms, that I had the greatest admiration for Ambassador Bullitt, knew him to be a strong, forthright man who dealt directly and with the belief that honorable obligations would be fulfilled in the spirit in which they were entered

¹⁶ For memorandum of the "gentlemen's agreement" between President Roosevelt and People's Commissar for Foreign Affairs Litvinov, November 15, 1933, see p. 26.

into, and that the important fact was the continued existence of the condition and not the causes therefor. Rosengolts also suggested that they had been informed that there was serious opposition to working out any agreement with Russia in certain quarters of the State Department and asked whether that were true. My reply was that I did not believe it to be true, that I had not found it to be the fact; that it might possibly be true "down below" just as it might possibly be true that "down below" in the Foreign Office of Russia there might be men who were bitterly hostile to the American Government as a representative of the hated capitalist order of society, but that I knew of no such attitude; and that I did know that such was not the fact so far as my President, the Secretary of State, Judge Moore or other responsible men in the Department, or I myself were concerned. In conclusion I made it very clear that I had no instructions to project the debt question. The attitude of my Government was that it was up to the Soviet Government in view of the commitments made; that the problem was in their lap; that my disposition was friendly; that I was here and available for use by them if they saw fit to take the matter up; that I would advise the Department of Mr. Rostov's [*Rozov's*] plans and would await their further wishes in the situation.

Voroshilov, Rosengolts and Vyshinsky stated that they all appreciated my frankness, were very happy that my past experience and what they were convinced was my objective outlook, characterized the American diplomatic representation here; that in any event they hoped that I would enjoy my stay in Russia which I assured them I was doing.

The general net result was that these leaders of the Government are acquainted with the facts first hand; that it was our position that an honorable agreement had been made with full knowledge of all facts prior to entering into it; that it had not been performed by them; that it was a matter of relatively little importance to us and might be of vital consequence to them in the future; that it was their problem and their next move. Of course it all went back to Litvinov as I intended it should.

Respectfully yours,

JOSEPH E. DAVIES

123 Davies, Joseph E./47

The Ambassador in the Soviet Union (Davies) to the Secretary of State

No. 79

Moscow, February 19, 1937.

[Received March 9.]

SIR: I have the honor to report a conversation which I had with Mr. Litvinov, People's Commissar for Foreign Affairs, on February 15th, on the occasion of a luncheon at this Embassy, extended to Mr. Litvinov

and his staff—a return courtesy to the formal luncheon extended to us upon our arrival.

In the conversation had between the two of us alone, Litvinov commented upon the Runciman visit to the President and asked directly whether discussions were had with reference to participation in economic aid to Germany. To this I replied that I was not informed except through the press. He appeared to be very much disturbed about it and again voiced his almost bitter attitude that France and England should be engaging in discussions at all with Germany. My rejoinder was that, without any express knowledge of the facts, my opinion would be that both the President of the United States and the Secretary of State would be concerned with any plan that would look to the establishment and restoration of normal international trade and stabilized conditions that would preserve peace in Europe, but I felt sure that they would exact reasonable assurances that any plan proposed would involve a more or less permanent solution which would consider not only the economic and trade conditions but a mutual disarmament program as well. I then asked him whether he did not see an indication in Hitler's speech of a differentiation between the Russian people and the Russian Government and an opening that would permit some statement from an official spokesman of the Russian Government to the effect that it would engage itself not to project propaganda in Germany provided Germany would not project its propaganda into Russia and ventured the opinion that such a statement would deprive Hitler of his chief argument against Russia, which he is constantly hammering home. His reply was negative; that Germany was concerned solely with conquest and it was a mistake to magnify Hitler's importance by engaging in discussions of the character which France and England were projecting. In that connection I wish to report that I have very carefully probed the opinion of some of the diplomats who have been here longest as to their views as to whether or not an arrangement between Russia and Germany was within the realm of possibility, despite their apparent bitter attitude at the present time, and the opinion is general that both sides would compose any difficulty if there were advantages to be gained.

The other matter which Litvinov brought up and concerning which he seemed much disturbed was the matter of pending neutrality legislation in the United States.¹⁷ He urged that all neutrality laws were designed as a protest against war; that at the present time such neutrality legislation from that point of view was misdirected and that it was not an agency of peace for, he urged, as in the present Spanish situation the effect of such neutrality legislation would be to project

¹⁷ Neutrality Act of August 31, 1935, as amended February 29, 1936; 49 Stat. 1152.

still greater dangers of war in Europe. To this I rejoined that the overwhelming public opinion in the United States, as I sensed it, was in favor of some form of neutrality legislation; that it was founded upon two ideas; one, to preserve peace, and the other to prevent the United States from being drawn into war; that I had not studied the various proposals in Congress but that undoubtedly the President and the Secretary of State were giving it very great attention and that I was confident that the Executive branch of the Government is provided with such measure of discretion as was reasonable and would be effective.

I did not project any topic of discussion as it was under my roof, and awaited his initiative.

Respectfully yours,

JOSEPH E. DAVIES

361.00/12

The Chargé in the Soviet Union (Henderson) to the Secretary of State

[Extracts]

No. 293

Moscow, May 14, 1937.

[Received May 25.]

SIR: With reference to my despatch No. 286 of May 12, 1937,¹⁸ setting forth certain developments affecting the position of foreigners in the Soviet Union, I have the honor to report that at the present time practically all Soviet citizens who have had occasion during recent years to have relations with members of foreign diplomatic missions or with foreigners who keep in touch with their diplomatic missions appear to be in constant fear of being arrested on charges of espionage or terrorism. This alarm extends apparently even to those Soviet citizens who, as agents for the People's Commissariat for Internal Affairs, have been specially authorized to maintain contacts with foreigners.

There is hardly a diplomatic mission in Moscow which does not have some story to relate regarding efforts of the Soviet Government to eliminate still further the various channels with which in the past it has come into contact with Soviet life.

Among the various forms in which the campaign of isolation has manifested itself, the following are worthy of note:

1. The arrest or sending into exile of Soviet citizens who have had relations with foreign diplomats or with foreigners who are in contact with a diplomatic mission.
2. The terrorizing of Soviet citizens who hitherto have had some form of contact with foreigners to such an extent that they have dropped such contacts or, if such contacts are necessary, have found

¹⁸ Not printed.

it advisable to exercise such discretion in maintaining them as not to give rise to suspicion.

3. Arrest or expulsion from the Soviet Union of foreign citizens who may possibly serve as bearers of information to one or more diplomatic missions.

4. A closer surveillance of the movements of members of the Diplomatic Corps and of foreigners in general.

The arrest of Mr. Boris Steiger which was reported in my despatch No. 249 of April 28, 1937,¹⁹ is an illustration of one way in which this campaign of isolation manifests itself. It will be recalled that Mr. Steiger was generally considered by members of the Diplomatic Corps as one of the most valuable contacts between themselves and the Soviet Government. In this connection it should be pointed out that officials of the People's Commissariat for Foreign Affairs have usually shown themselves too timorous to make any statements regarding Soviet foreign or internal affairs, other than those to be found in the Soviet press.

This Mission, like missions not only of the so-called "war-mongering countries" like Germany and Japan, but also of the democratic countries, has not been overlooked during the course of this campaign. It will be recalled in this connection that in the Soviet press attention has been given to the fact that the citizens not only of hostile countries but also of countries with which the Soviet Union maintains friendly relations are likely to be engaged in espionage. Of the four Soviet citizens who for the last two or three years have been giving Russian lessons to members of the Embassy staff, two have been arrested during the last three weeks. The two teachers who thus far are still at large frankly express their fear of arrest but take the attitude that it would probably be more dangerous for them to cease giving lessons in present conditions than for them to continue calling at the Embassy, since a sudden change in their routine might cause police officials to believe that they have guilty consciences. Although no Soviet employees of the Embassy have been arrested since the case reported in my despatch No. 1991 of October 14, 1936,¹⁹ the Soviet citizens now working for the Embassy are extremely concerned and some of them state quite frankly that they are in constant fear of being arrested or having withdrawn the permit which entitles them to live in Moscow.

The arrest of the husband of Mrs. Shkiantz, reported in my despatch No. 277 of May 11, 1937,¹⁹ is not believed to have any connection with the fact that she is employed at the Embassy. Nevertheless, arrests of this kind have a tendency of lowering the morale of the other Soviet members of the staff.

¹⁹ Not printed.

In view of the increased displeasure with which the Soviet Government appears to be looking upon Soviet citizens who have relations with foreigners, the American members of the staff of this Embassy hesitate to continue or to develop such contacts as they already have since they do not wish to be instrumental in causing misfortune to innocent persons.

It may be added that during the last six months the Lutheran clergyman who generally performs services for the Protestant members of the Embassy staff, the only qualified dentist who was willing to perform dental work for the staff, and a Soviet physician who frequently paid calls upon members of the Embassy staff during the absence of Dr. Rumreich, have been arrested. In this connection it should be pointed out, however, that these persons were accustomed to perform services not only for members of this Embassy but also for those of other diplomatic missions.

In various conversations with officials of the People's Commissariat for Foreign Affairs, I have referred to the systematic manner in which the Soviet Government is ridding the country of resident foreigners. The subject apparently is a somewhat embarrassing one to these officials, particularly in view of repeated announcements by spokesmen for the Soviet Government of the desire of that Government to cooperate with the democratic countries of the world. The officials in question usually state in discussing the expulsions that the evidence brought out during the recent Zinoviev-Kamenev and the Radek-Piatakoff trials has so aroused popular indignation throughout the country that it is considered advisable for the time being to reduce the number of foreigners residing in the Soviet Union.

In reply to statements of this kind it should be pointed out that in the opinion of the Embassy the campaign is the result more of Stalin's tirade against the capitalist encirclement and espionage and the subsequent series of articles in the Soviet press advising Soviet citizens to beware of foreigners than of any popular reaction to the evidence brought out at the trials.

Respectfully yours,

LOY W. HENDERSON

861.20/385 : Telegram

The Chargé in the Soviet Union (Henderson) to the Secretary of State

Moscow, June 8, 1937—2 p. m.
[Received June 8—1:20 p. m.]

105. In view of the tense situation in Europe and of the many rumors which undoubtedly are reaching the Department regarding

shifts in Red Army personnel, I feel that it might be helpful to the Department to have from the Embassy a brief account of events which seem to involve the Red Army and the Embassy's interpretation of them.

1. The demotion of Marshal Tukhachevsky²¹ and the suicide of Gamarnik^{21a} who, as head of the political work of the army, has held rank almost equivalent to that of a marshal have been reported in the Soviet press.

2. The Soviet press has also announced the revival of the institution of Military Political Commissars by establishment of military Soviets each composed of three members in the various military districts, in the Far Eastern Army, and in various naval units.²² It appears that the composition of each Soviet will include the ranking military or naval officer and the ranking political officer. It is not as yet clear who the third member will be.

3. Although not yet announced there seems little doubt that Tukhachevsky has been arrested and that the following persons have been arrested or at least removed in disgrace from their posts: Army Commander Kork, Head of the Frunze Academy (the equivalent of which in the United States is the Army War College); Corps Commander Eideman, Head of Civilian Defense Work and Chief of the organization Osoaviakhim;²³ Corps Commander Gorbachev, Assistant Commander and in active charge of the Moscow Military District; Corps Commander Gekher who until recently was Chief of the Foreign Relations Section of the People's Commissariat for Defense; Muklevitch, a newly appointed Assistant Commissar for Defense Industry who since the revolution has held various important military positions including the post of Commander of the Soviet Navy and Air Forces.

4. It appears that many officers more junior in rank including protégés of some of the general commanders mentioned above have also been arrested.

5. The Embassy agrees with the view of a number of competent foreign observers in Moscow that the arrests and shifting of army personnel and the changes which are being made in the army struc-

²¹ Mikhail Nikolayevich Tukhachevsky was demoted on May 11, 1937, from Vice Commissar in the People's Commissariat for Defense to commander of the troops of the Volga Military District.

^{21a} Yan Borisovich Gamarnik, first Assistant Commissar for Defense, and Chief of the Political Administration of the Red Army, committed suicide on May 31, 1937. The Embassy reported that "the reason for his suicide is not known and probably never will be." (861.20/398.)

²² Military commissars and military Soviets were again instituted by resolution of May 11, 1937, and approved by regulations of May 17, 1937. The statutes of the military commissars of the Red Army were approved by the Central Executive Committee and the Council of People's Commissars of the Soviet Union on August 15, 1937.

²³ Society for Air and Chemical Defense, a huge military society created in 1931, chiefly concerned with strengthening the defense of the Soviet Union.

ture are prompted by a lack of confidence on the part of Stalin and the little Party group around him in the absolute loyalty to themselves of certain sections of the Red Army. Whether the Kremlin will go so far as to charge that there has been a gigantic Red Army plot remains to be seen. If so it is likely that the utterances of charges will be of espionage, treason to the Fatherland and Trotskyism rather than of anti-Stalinism. The press is already commencing to charge Gamarnik with Fascist espionage and treachery the usual synonyms for lack of enthusiasm over Stalin's leadership.

6. It seems likely that the system of Military Soviets may adversely affect the efficiency of the army in that it is contrary to the principle of individual command and responsibility and will probably result in a diminishing of the respect of officers and men for their superiors. It is thought that at least one member of each Soviet will be chosen because of his proven loyalty to Stalin and will exercise vigilance in checking any order or movement which might threaten the power or prestige of the dictator. Stalin apparently prefers an army upon which he can personally rely to one which while perhaps more efficient technically is inclined to consider itself something of a professional autonomous organization which can afford to take an attitude of neutrality towards the internal political struggles which are now taking place. It would seem that the test of loyalty in the Red Army of the future will be its attitude toward Stalin and his henchmen rather than that towards the Soviet State, the Communist Party, Communism and so forth.

7. It is the consensus of opinion of competent observers here that the morale and self-confidence of the armed forces from top to bottom has received a severe shock from which they cannot recover for some time.

HENDERSON

861.20/387 : Telegram

The Chargé in the Soviet Union (Henderson) to the Secretary of State

Moscow, June 11, 1937—2 p. m.
[Received June 11—11:30 a. m.]

113. Reference my telegrams number 105 of June 8, 2 p. m., and 111 of June 9, 9 p. m.,²⁴ this morning's *Pravda* contains the following announcement:

"The invariable rule of the case of Tukhachevski, Yakir, Uborevich, Kork, Eideman, Feldman, Primakov, and Putna who had been arrested by the Commissariat for Internal Affairs at various dates, has been completed and the case has been turned over to the court.

²⁴ Latter not printed.

The above-mentioned prisoners are charged with violation of their military obligations (oath of allegiance), treason to the Fatherland, treason to the peoples of the U.S.S.R., and treason to the workers and peasants Red Army.

The investigation has established that the accused, and also Gamar-nik, who committed suicide, participated in anti-State connections with leading military circles of a certain foreign nation which follows an unfriendly policy in regard to the U.S.S.R. Being in the military secret service of this nation, the accused systematically supplied the military circles of this nation with espionage information concerning the condition of the Red Army, conducted wrecking work designed to weaken the Red Army, and endeavored to prepare the defeat of the Red Army in case of an armed attack upon the [U.S.S.R.], and it was their purpose to facilitate the restoration of the power of the land-owners and capitalists in the U.S.S.R.

All of the accused have pleaded guilty in the fullest measure to the charges brought against them.

The hearing of the case will take place today June 11 at a closed special judicial session of the Supreme Court of the U.S.S.R., consisting of the Chairman V. Ulrich, Chief of the Military Collegium of the Supreme Court, and the following members of the court."

There follow the names and titles of Alksnis, Budenny, Bleucher, Shaposhnikov, Corniv, Dybenko, Kashirin and Goryachev. All of these have been mentioned in my telegrams under reference and despatches on this subject except Division Commander Goryachev who is Commander of the Sixth Cossack Cavalry Corps, Army Commander Kashirin who is in charge of the North Caucasus Military Okrug and Army Commander Alksnis who is Chief of Soviet Air Forces.

The announcement ended with the statement that the case would be heard in the manner prescribed by the law of December 1, 1934. This law which was passed on the day of the Kirov murder referred only to cases involving terrorism and the grounds for its invocation in the present instance where no charges of terrorism have been made are not apparent. It provides for hearings without counsel either for the state or the defendants. Death sentences are to be executed immediately after they are passed.

As far as the accused are concerned all of them have been mentioned in the Embassy's telegrams and despatches except Feldman and Primakov. Feldman was a corps commander and Chief of the Field Officers Administration. Primakov was also a corps commander and was second in charge in the Leningrad Military Okrug.

The announcement was accompanied by an editorial which consisted largely of epithets and of a polemic against the German press which had claimed that the present wave of shifts in [*and*] arrests in high military circles in the U.S.S.R. amounted almost to a "crisis of the Soviet power". The editorial ended with generous praises for the Soviet intelligence service and its leader Ezhov. It was stated that

the intelligence service was growing and increasing in strength and would soon show what it was capable of.

It is generally assumed that Germany is the "foreign nation" involved. It should be noted however that both Yakir and Feldman are Jews and the former has a reputation of being an extreme Jewish nationalist.

HENDERSON

861.00/11692 : Telegram

The Chargé in the Soviet Union (Henderson) to the Secretary of State

Moscow, June 13, 1937—3 p. m.

[Received 8:30 p. m.]

116. The following is a summary of an estimate of the Soviet internal situation reported in despatch number 365 of June 10, 1937,²⁵ which went forward yesterday.

1. The wave of dismissals and arrests of Soviet officials which have been swelling since last July has pervaded every field of Soviet official, political, technical and cultural life. According to information received from usually reliable sources it has resulted in the dismissal, arrest or execution of no less than 5 People's Commissars including a vice president of the Soviet of People's Commissars, 17 vice commissars, 2 former ambassadors; dozens of general officers of the army, as well as hundreds of officers of lower rank; hundreds of high officials attached to the central apparatus of the Government; thousands of lesser officials throughout the country; scores of the more important Party officials and thousands of less important Party officials; numerous prominent officials of such Government or Party sponsored organizations as the labor unions, the Communist Union of Youth, the powerful civilian military training society called Osoaviakhim; hundreds of the so-called new intelligentsia, including professors, writers, theatrical people, physicians, musicians and so forth.

2. The whole situation is veiled in secrecy and it is impossible therefore to state categorically the reasons for that which is transpiring. The statement made below, based upon the Embassy's own studies and on conversations with well-informed foreign observers and Soviet citizens, may assist in gaining an understanding of the more important factors entering into the complex responsible for recent events:

(a) Stalin has been haunted for many years by the fear that Trotsky, whose resourcefulness and intelligence he appears to overrate, will in some manner contrive to discredit him and eventually to bring about his downfall and the fear that he may be assassinated, a fear that has been growing since the murder of Kirov 3 years ago.

²⁵ Not printed.

(b) He is aware that many sincere Communists, particularly the so-called Leftists, are becoming increasingly more suspicious that he has entirely abandoned the principles of Communism and is betraying the world revolution and that among these Communists are fanatics who, when once convinced of betrayal, would stop at nothing in order to remove the betrayer.

(c) He is beginning to realize that even the so-called new intelligentsia, his own creation, are becoming cynical in their attitude to the Kremlin and displeased with the increasingly severe censorship upon their activities.

(d) Ezhov, who is now Stalin's closest adviser, does not exercise upon him the restraining influence of previous advisers. Some believe that Ezhov by playing upon Stalin's fears and prejudices is responsible for what seems to be the decision of the Dictator to eliminate not only all opponents, former, present, potential, or fancied together with their friends and adherents, but also all persons whose unconditional loyalty to Stalin is at all in doubt.

(e) Stalin hoped through the two political trials to discredit Trotsky at home and abroad and at the same time to eliminate a number of personalities who in case of a *coup d'état* might become influential overnight.

(f) He was infuriated when he found that the trials resulted in increasing Trotsky's prestige abroad and were even greeted with considerable incredulity in the Soviet Union particularly on the part of the new intelligentsia. In his anger he struck wherever whispers of criticism were heard or where he imagined persons to be whispering. When he discovered that his blows tended to increase rather than to silence these whispers he became really alarmed and has set out with the aid of Ezhov to demonstrate the fury of his wrath to the whole country. No one knows how much further he will go. It is the belief of some foreign observers that his sense of balance will return before it is too late, and his past record tends to confirm that belief.

(g) The official reasons given for most arrests are treason, Trotskyism and sabotage. Some of the persons arrested, however, have been charged with graft, sexual crimes and so forth.

3. The effect upon the country of the purging process is believed to be somewhat as follows:

(a) The great masses of the peasantry are in general indifferent.

(b) Inexperienced industrial workers who comparatively recently have arrived in the factories from villages and who have not yet developed the cynicism of their more experienced co-workers are inclined to condemn those who have been arrested as traitors and saboteurs.

(c) Seasoned industrial workers who have suffered considerable disappointment during recent years and who, for the most part, resent the growing gulf of living standards between themselves and the more highly qualified employees of the state, are said to have little sympathy for their superiors who have been arrested and now disgraced. They are taking advantage of the situation, however, to express their discontent and their jealousy of specialists and white collar workers.

(d) The bureaucracy, engineers, and technicians, are, for the most part, in a state approaching that of panic. Most of them at some unguarded moment have made remarks which might be construed as indications of disloyalty or lack of admiration for Stalin. In their efforts to escape attention, these people are endeavoring to dodge responsibility and to avoid making decisions. Below them are workers who are showing lack of respect and discipline, and above them are officials who are trying to pass on to them blame arising from shortcomings in the work. As a result many branches of industry are falling behind in plan fulfillment.

(e) The members of the new intelligentsia are both frightened and resentful and now fear to discuss almost anything.

(f) The developments in the Red Army have already been reported to the Department and a further telegram is in preparation. It may be stated, however, that its prestige and self-confidence [are] greatly diminished.

(g) Many of the activities of the Foreign Office are apparently suspended. No one there seems willing to make important decisions. Suggestions have been made by the Soviet Government that the number of German, Japanese and Polish Consulates in the Soviet Union be reduced. The campaign to rid the country of resident foreigners continues. Foreigners regardless of political complexion are being avoided more than ever.

(h) It would be going too far to state that the disquiet and alarm resulting from the purging process is of a nature which might represent an immediate menace to the Soviet Government. There is apparently no organization other than the Red Army, which appears powerless at present, through which dissatisfaction or discontent can be expressed.

I am convinced, however, and the other Secretaries of Mission concur with me, that the prestige of Stalin at present is lower than at any time since his assumption of power 13 years ago.

HENDERSON

861.20/390 : Telegram

The Chargé in the Soviet Union (Henderson) to the Secretary of State

Moscow, June 13, 1937—11 p. m.

[Received June 14—12:35 p. m.]

117. Reference my 115, June 12, 1 p. m.,²⁶ relating to the Red Army.

1. This morning's press carried the announcement that the death sentences on Tukhachevski and the other defendants were carried out yesterday.

2. Today's *Pravda* published a proclamation addressed by Voroshilov to the officers, men and political workers of the Red Army concerning the executions which was of a redundant nature and contained little of interest. The editorial comment in the *Pravda* was also evasive. It contained, however, an interesting admonition to the population in the words: "There is no limit to the indignation of the people but there is no place for confusion or alarm".

3. In so far as the Embassy is aware there have been no disturbances in Moscow and no signs of unusual anxiety or alarm can be noted on the faces of persons in the streets. The Embassy has no means of knowing what has been taking place in military posts and garrisons throughout the country. Thus far it has received no information which would cause it to believe that there have been disturbances.

4. It should be borne in mind that the value of the views of the Embassy regarding the extent if any of the guilt of the condemned officers is limited by the fact that it is in possession of no information regarding the nature of the evidence advanced during the investigations and the trial. The Embassy's opinions therefore are based merely upon its observations of the events which have unrolled here during the last 6 months, its own estimation of the officers in question, some of whom were personally known to members of the staff, the reputation of these officers, the foreign observers and Soviet citizens for whose views it has respect.

5. It is the opinion of the Embassy that

(a) There is some truth in the reports which have circulated for years to the effect that the feelings toward Germany of many of the higher officers of the Red Army are friendlier than those held by those responsible for the present Soviet foreign policy.

(b) Most if not all of the condemned (except Putna who has served as Military Attaché in Berlin) were trained in the German General Staff College when German Soviet relations were in the Rapallo stage²⁷

²⁶ Not printed.

²⁷ Diplomatic relations were established between Germany and the Russian Socialist Federated Soviet Republic by the Treaty of Rapallo, signed April 16, 1922; for text of treaty, see League of Nations Treaty Series, vol. xix, p. 247.

and there acquired a respect for the efficiency and fighting power of the Reichswehr and considerable admiration for German military traditions.

(c) Most if not all of the accused would have liked to have seen better relations established between Germany and the Soviet Union under conditions which necessarily would have included certain alterations in Hitler's own policies. They have been known to express their feelings of friendliness for Germany in public. At a farewell party given at the German Embassy 2 years ago for the departing German Counsellor,²⁸ Tukhachevski in the presence of other guests frankly stated that it was too bad that "the politicians were disturbing German-Soviet relations". Voroshilov is reported to have made similar remarks at a farewell dinner several years ago for von Dirksen. No one has attached great significance to statements of this kind since army have been accustomed in a bluff way to bemoan the manner in which "politicians" spoil good relations between the Soviet Union and other countries. They have on occasions even made remarks of this nature with respect to Soviet-American relations, see for instance my telegram No. 227, September 22 [28], 2 p. m., 1936.²⁹

(d) It is the practice of the Kremlin to stretch into heinous crimes certain known views of persons whom it has decided to destroy. So in the present instance the Embassy believes that it distorted the known friendly feelings for Germany shared by the condemned officers into treason.

(e) The character and reputation for professional integrity of the condemned are such that it does not seem possible that all of them could have been guilty of the crimes for which they have been condemned. Their intelligence and experience made them extremely valuable and their loss is a severe blow to the efficiency and morale of the Red Army.

(f) It seems more likely that the real reason for their downfall was that Stalin had become suspicious of them; that he had been led to feel that they and other army officers were becoming too independent in their attitude and that he could not be sure of their unconditional loyalty to himself.

(g) There is reason to believe that Tukhachevski and at least most of the other condemned had acquired while in Germany a tendency to regard an army as a professional organization standing above politics and untouched by all but the most profound political changes, that they had therefore systematically endeavored to resist the penetration into the army of the agents and *provocateurs* of the Commissariat for Internal Affairs and had tried to prevent the officers and men of the

²⁸ Dr. Fritz von Twardowski.

²⁹ Not printed.

army from taking part in party squabbles even those involving Stalin. They may even have further annoyed Stalin by showing disapproval of some of his present intemperate policies. At any rate Stalin must have decided once for all to demonstrate to the army its full dependence upon himself.

(h) Some credence should be given to the rumors prevalent in Moscow that Bleucher, Budenny, et cetera, did not pass upon the guilt of their former colleagues and friends at a formal secret trial but that they were merely shown the alleged confessions and commanded to sign the verdict.

6. There is a rumor among the Soviet population that the intelligence service of the French Army first discovered that the Red Army officers were involved in a conspiracy with agents of the German Government to overthrow Stalin and communicated their findings to the Soviet Government. The Embassy is not in a position to state whether there is any foundation for this rumor, which is ridiculed by the French Embassy here. Even though the French military intelligence service may have found cause to be concerned at friendly relations existing between certain Soviet and German officers and the prevalence of friendly feelings for Germany among the higher officers of the Red Army, the Embassy nevertheless is not convinced that the condemned men were guilty of the crimes attributed to them.³⁰

HENDERSON

861.20/406 : Telegram

The Chargé in the Soviet Union (Henderson) to the Secretary of State

Moscow, June 23, 1937—5 p. m.
[Received June 23—2:40 p. m.]

131. Reference my 117, June 13, 11 p. m.

1. Insofar as the Embassy can ascertain not one diplomatic mission here, nor a single foreign observer in Moscow whose opinion bears weight, believed that the executed Red Army officers were guilty of the crimes attributed to them.

2. Opinions differ as to how the officers in question offended Stalin. Practically all diplomatic missions and foreign observers believe, however, that one or more of the possibilities listed below is responsible for the destruction of these officers.

³⁰ In his despatch No. 598, September 30, 1937, the Chargé returned to this point and wrote that "neither I, nor any of the other Secretaries on duty in the Mission, have as yet been convinced that the eight generals were guilty of the crimes attributed to them. . . . In the meantime, [the Embassy] continues to adhere to the view that the downfall of the generals was due to the fact that Stalin did not feel sure of their unconditional loyalty to himself." (861.20/429.)

(a) The officers had shown a tendency not wholeheartedly to approve certain of Stalin's recent actions and particularly to object to his attitude that the welfare of the State was identical with the continued success of his own political career.

(b) The officers had become alarmed at the havoc which the growing disposition of Stalin to distrust and destroy those about him was creating in all spheres of Soviet life and had made remarks to each other showing their disapproval thereof.

(c) In some instances these remarks had developed into conversations regarding the desirability of executing some kind of *coup d'état* for the purpose of either getting rid of Stalin or curbing his power. These conversations did not go so far, however, as to result in a formal conspiracy.

3. The French Ambassador³¹ has told me in confidence that he has been given formally to understand from certain Soviet sources that certain military leaders including Tukhachevsky, Yakir and Uborevitch had engaged in conversations along the lines indicated in 2 (c) above and that these discussions were known to but not reported by at least some of the other executed officers. He added that he was convinced that no formal conspiracy had evolved and that he did not believe that the executed officers had formed treasonous contacts with Germany or any other foreign power.

4. The Lithuanian Minister³² states that some of his Russian acquaintances have given him to understand that several of the executed officers had actually discussed ways and means of seizing power and of converting Stalin into a tool of the Red Army. He also says that according to his understanding the conversations had not developed into a specific plot. The Minister has also heard that the position of Voroshilov has been greatly weakened and that he also may eventually be deprived of all power if not removed from office.

5. Although the number of prominent persons arrested is swelling daily conditions in Moscow and, insofar as the Embassy can ascertain, elsewhere in the Soviet Union are quiet. The press continues to report confusion in various spheres of industry and agriculture and to demand that the officials responsible therefor be punished.

HENDERSON

740.00/193 : Telegram

The Ambassador in the Soviet Union (Davies) to the Secretary of State

Moscow, July 10, 1937—4 p. m.

[Received 4:05 p. m.]

164. In the course of a confidential conference Litvinov spoke freely on the European situation and conditions here and with appar-

³¹ Robert Coulondre.

³² Dr. Jurgis Baltrusaitis.

ent frankness. He stated that the recent visit of Rumanian Royalty to Poland was distinctly anti-Soviet but was not of serious consequence.³³ Insofar as it played into the hands of Germany, it weakened the Little Entente, and thereby adversely affected France and European peace. That in the last analysis, however, it was not serious, for the actions of smaller states or blocks of smaller states were realistically of little importance as in his opinion European developments depended upon the actions of larger nations. In commenting on the Czechoslovakian situation he stated that the Weigel incident³⁴ in his opinion was part of a deliberate plan on the part of Germany to create a record in justification for future hostile acts against Czechoslovakia at a time when it would be opportune for her to act. In answer to my direct question he stated it as his opinion this would not be this year. With reference to Spain he stated that conditions were bad and that the outlook was very dark due to "cowardly conduct" of European democracies who were running away from the situation which they refused to face while the Fascists were definitely and aggressively smashing forward with the immediate result that the Non-Intervention Committee was probably destroyed which was no great loss because it was ineffective and a smoke screen anyway; that the objective of Fascist countries was to procure belligerent rights for Franco on the sea and to deny belligerent rights to the Spanish Government on soil; that such a plan would be seriously prejudicial to the Spanish Government for it was obvious that England on the one hand could not physically furnish war material and that because of national policy and law United States on the other hand would not furnish war material; while the Fascist States usually supply Franco without limit. He stated that England was so intent upon preserving peace at any cost and seemed to be so anxious to appease Germany in this situation that there was danger of yielding to the Fascist States in the course of pending discussions although he could not think that England would recognize belligerent rights to Franco. In reply to my question as to whether in his opinion France would permit the establishment of a Fascist Franco state on southern border of France, he stated, "What can they do about it." They will not do anything without England and they are doing nothing now while later it may be too late. I asked him whether he saw indication of the weakening of the London-Paris-Moscow axis by reason of reactions in Western Europe because of events here—alleged treason in Red Army and alleged confusion and weakness of Government disclosed by necessity for wide-spread purge of Party. To this

³³ King Carol II and Crown Prince Michael visited in Warsaw and Cracow at the end of June 1937.

³⁴ Bruno Weigel, a German, had been arrested in Prague in November 1936 on a charge of Nazi activities. He had been released on May 20, 1937, but Czechoslovakia had been forced by Germany to reinvestigate the case.

he made no direct response but intimated strongly that he did not think such an opinion could obtain or that it would affect the situation. He asserted vigorously that there was no governmental weakness here but actual strength which in his opinion was demonstrated by the fact that probably no other country in the world could have sustained the loss through death and removal of so many heads of military and civil branches of Government because of treason and still preserve its stability, direction, and force to the degree where "business went on as usual every day". In reply to my question as to the possibility of England agreeing that Germany should have free hand in Eastern Europe in consideration for concessions to preserve peace in Western Europe he stated that the English Ambassador in Berlin³⁵ was violently pro-German; that Eden meant well but that there were indications that Eden did not have the same "free hand" with Chamberlain as he had with Baldwin, but that he still believed in the assurance which Eden gave him in London that England would not be a party to any such arrangement. In reply to final question, he stated that, while the outlook for peace in Europe was very dark, he did not think there was danger of military aggression this year.

DAVIES

711.61/623

The Chargé in the Soviet Union (Henderson) to the Secretary of State

No. 506

Moscow, August 20, 1937.

[Received August 31.]

SIR: With reference to my telegram No. 197 of July 29, 1 p. m.,³⁵ summarizing two articles appearing in the Moscow *Pravda* and Moscow *Izvestiya*, respectively, of that date, which relate to the visit of the American naval vessels to Vladivostok in the latter part of July, I have the honor to enclose full translations of those articles.³⁷

It may be observed that for more than three years no articles so friendly in tone towards the United States have been published in the Soviet press. It is believed that among the factors responsible for these expressions of friendliness for the United States are:

(a) A growing feeling that the formulators of Soviet foreign policy underestimated the potential importance for the Soviet Union of the friendship of the United States, and overestimated their ability to build dependable alliances for the Soviet Union in Europe;

(b) A belief that the United States is planning to take a more active interest in world affairs, particularly in the Far East;

³⁵ Sir Neville Henderson.

³⁶ Not printed.

³⁷ Neither printed.

(c) A desire to strengthen Soviet prestige, which has sharply declined of late, by making it appear to the world that there is a *rap-prochement* between the United States and the Soviet Union.

It may be pointed out that the expressions of friendliness towards the United States which have appeared in the Soviet press have not been accompanied thus far by a noticeable change in attitude of the Soviet authorities towards this Mission or towards American citizens in general.

The anti-foreigner campaign which continues to be waged unceasingly makes no exceptions, in so far [as] American citizens are concerned. At no time since the establishment of this Mission have foreigners, including Americans, been so isolated from Soviet life as they are at the present time. Even American citizens, such as Louis Fischer, who have served and who still serve as propaganda and information-gathering agents for the Soviet Union, state that many of their Soviet acquaintances now make it plain that they desire to have no dealings with any foreigners whatsoever.

During the months of July and August more than fifty American citizens who came to Leningrad on cruise ships for the purpose of spending several days in the Soviet Union were not permitted to land, notwithstanding the fact that they were in possession of valid Soviet visas.³⁸ The Soviet Government in July, for the third consecutive summer, refused to permit representatives of the Department of Agriculture to visit Soviet Central Asia even though those representatives had pointed out that their visit was in connection with their endeavor to develop a new type of sugar cane which could grow in northerly climates, a development which would be of value to the Soviet Union as well as to the United States. During the last few weeks the Embassy has received dozens of telegrams from more or less prominent American citizens requesting aid in obtaining Soviet visas. Many of these persons had visited the Soviet Union previously and had never before encountered visa difficulties. Even the American Military Attaché at Riga failed to receive any reply to his application for a Soviet visa which would permit him to visit the city of Leningrad. The Soviet Legation in Riga did not issue a visa to Mr. Page, the Secretary of the American Legation there who had been assigned to Moscow, until several days after his application therefor, and then

³⁸ The Chief of the Consular Section of the Embassy at Moscow, Angus I. Ward, reported in despatch No. 687, October 29, 1937, that difficulties regarding Soviet visas had increased during the summer of 1937. "The Soviet authorities repeatedly refused to state any reason for the refusal of a visa or the admission of a tourist after he had arrived at a border post with a valid Soviet visa issued after preliminary communications had been conducted with Moscow by the Soviet Consulate abroad." It was presumed that the unreasonable actions of the Soviet authorities were attributable "in some way" to the "general internal political situation and the campaign against foreign espionage." (861.111/738)

did so apparently only after this Mission had made strenuous representations to the People's Commissariat for Foreign Affairs.

Among the numerous articles appearing in the Soviet press relating to the manner in which foreigners engage in espionage was one to the effect that an American cotton specialist and an agent of the intelligence service of a foreign Power, had endeavored to introduce the boll weevil into the cotton fields of Turkestan. The Embassy has informally requested the People's Commissariat for Foreign Affairs to furnish it with details regarding this case. So far the Commissariat has been unable to supplement the information set forth in the article in question.

One is inclined to wonder whether, in view of the manner in which the Soviet Government is inculcating hatred for, and suspicion of, all foreigners regardless of nationality in the minds of its citizens, that Government seriously desires genuinely friendly relations between the Soviet Union and any other country. It remains to be seen whether the inhabitants of a totalitarian State can be so disciplined and subordinated that that State may at will have friendly or unfriendly relations with other states regardless of the fact that the masses of its populations have not been permitted to have any direct or indirect contact with the inhabitants of other countries and have been taught to hate and distrust all foreigners.

Respectfully yours,

LOY W. HENDERSON

811.3361/37

The Chargé in the Soviet Union (Henderson) to the Secretary of State

No. 553

Moscow, September 14, 1937.

[Received September 27.]

SIR: With reference to this Embassy's telegram No. 197 of July 29, 1937,³⁹ and its despatch No. 506 of August 20, 1937, relating to the visit of Admiral Yarnell and several vessels of the United States Asiatic Fleet to Vladivostok during the period July 28 to August 1, 1937, I have the honor to enclose a memorandum³⁹ regarding the visit prepared by Lieutenant-Colonel Faymonville, the Military Attaché of this Mission, who went to Vladivostok in order to participate in the festivities attendant to the call. It is regretted that pressure of other work rendered it impossible for one of the Secretaries of the Mission also to be present. It is understood, however, that Lieutenant-Colonel Faymonville was able to render the Admiral and his staff valuable assistance and that he was particularly useful in helping them to orient themselves in the surroundings peculiar to the Soviet

³⁹ Not printed.

Union and in giving them advice with respect to Soviet currency conditions, manner of entertaining, and so forth.

As of possible interest both to the State and Navy Departments, I am also submitting herewith translations of three articles which appeared in the Soviet press relating to the visit.⁴⁰ These three articles were selected for translation as being typical of numerous accounts of the visit published in various Soviet newspapers.

At the request of Admiral Yarnell, I have addressed a letter to the Acting People's Commissar for Foreign Affairs expressing the appreciation of the Admiral and of the American Government for the courtesies shown by Soviet officials during the course of the visit.⁴¹

Respectfully yours,

LOY W. HENDERSON

361.00/19

The Chargé in the Soviet Union (Henderson) to the Secretary of State

[Extracts]

No. 574

Moscow, September 20, 1937.

[Received October 8.]

SIR: With reference to my despatch No. 442 of July 23, 1937,⁴² concerning the anti-foreigner campaign in the Soviet Union and to previous despatches on the same subject, I have the honor to state that the campaign as reflected in the press, in the activities of the Commissariat for Internal Affairs, and in the unfriendly treatment of foreigners, including members of foreign missions, continues with little relaxation. This campaign may be considered as one phase of the broader campaign of terror which has been sweeping the country for months.

The anti-foreigner campaign is manifesting itself for the most part in warnings issued through the press to the population to beware of foreigners, in private warnings issued to individual Soviet citizens who have been accustomed to having contacts with foreigners to the effect that the continuation of such contacts is likely to bring them under suspicion, in the arrest or exile of Soviet citizens who have been known to have personal relations with foreigners, in the arrest or exile of many Soviet citizens who were compelled in the performance of their official duties to have relations with foreigners, in the

⁴⁰ None printed.

⁴¹ With the passing of time the good effects of this visit diminished, and Mr. Henderson, when he was Assistant Chief of the Division of European Affairs in the Department of State, in a memorandum of January 16, 1939, advised against the desirability of American warships paying a visit to Leningrad in 1939, because the Vladivostok visit of 1937 had not brought about "an increase of understanding between the hosts and guests and did not arouse feelings of mutual esteem." (811.3361/41)

⁴² Not printed.

arrest and exile of foreigners, in the refusal of visas or residence permits to foreigners, in making living conditions of certain foreigners almost intolerable by creating for them difficulties with respect to housing, servants, supplies, transportation, and so forth, and in the employment of numerous other devices to segregate foreigners from the Soviet population and to decrease their number in the country.

Attached hereto is a memorandum prepared by Mr. Thayer of this Mission⁴³ relating to certain aspects of the press campaign which is being waged at the present time against foreign spies. This memorandum touches but briefly upon the articles which have been appearing by the hundred in newspapers, magazines, and pamphlets warning the Soviet citizen against the foreigner. These warnings are also propagated by posters, by speakers in labor unions and in factories, by the teachers in the schools, by radio broadcasts, and so forth.

Although the American Embassy is probably permitted to have more contacts with Soviet citizens than any other diplomatic mission, with the exception of the Spanish Embassy and perhaps the Lithuanian Legation, nevertheless during the last few months one by one most of the few Soviet citizens who from time to time have been willing to see members of the Embassy staff have either pointedly avoided continuing their relationships or have reluctantly stated that because of certain developments they must sever all relations with foreigners. Several of them have frankly stated that they have been questioned by the police with regard to their motives for having anything to do with foreigners. The Soviet employees of this Mission state in confidence that their position is gradually becoming worse. Their former friends avoid seeing them for fear that they themselves may be charged with engaging indirectly in espionage. Although only two of them have been arrested during the last year, a number of them to the knowledge of the Mission are summoned to the police from time to time for questioning. The husbands of two Soviet employees of the Mission have been arrested as well as relatives of others. In each case it is emphasized by the Soviet authorities that the arrests have nothing to do with the American Embassy.

It has already been reported to the Department that practically all of the Soviet physicians, dentists, lawyers, clergymen, and so forth, who have been accustomed to serve foreigners in Moscow, including members of this Mission, have disappeared during the course of the anti-foreigner campaign. Soviet language teachers, hairdressers, and athletic instructors who have had contacts with foreigners have also been arrested.

The official organizations with which this Embassy has the most contact are (1) the People's Commissariat for Foreign Affairs; (2)

⁴³ Not printed.

Intourist; ⁴⁴ and (3) Voks (The All-Union Society for Cultural Relations with Foreigners). Among the numerous officials of the People's Commissariat for Foreign Affairs who have dropped out of sight might be mentioned Mr. Krestinski, former Assistant Commissar who on behalf of the Soviet Government signed the commercial agreement of 1936 with the United States;* Mr. Neymann, former First Secretary of the Soviet Embassy in Washington and until recently chief of the division in the Commissariat which handles American affairs; and Mr. Golkovich, who recently returned from San Francisco, where he has been acting as Soviet Consul General, in order to take a desk in the Press Section of the Commissariat. With respect to Intourist, it might be stated that one of the Vice Presidents has been removed from the Party and has disappeared, and the President is reported, although still retaining his position, to have been ejected from the Party. According to reports received by the Embassy from reliable sources dozens of Intourist guides and scores of Intourist officials have been arrested during the last few months. With respect to Voks, it may be stated that that organization has been gutted as the result of arrests during the last few months to such an extent that it is hardly able to function.

Fortunately thus far during the purge, no American citizens have been arrested. In so far as can be ascertained this fact places this Embassy in an almost unique position in that practically every other diplomatic mission in Moscow is at present engaged in endeavoring to ascertain why citizens of the country which it represents have been arrested and to learn what the fate of these citizens has been. According to information received from the German Embassy the number of German citizens now in prison, most of whom have not as yet been tried, amounts to more than three hundred. The Iranian Embassy states that hundreds of Iranian citizens are under arrest. According to the Chinese Embassy, a number of Chinese citizens have also been arrested. The Austrian Legation reports that over forty Austrian citizens are in Soviet prisons awaiting trial. The arrest of the foremost Italian technician in the Soviet Union, Patrone, who has been chief of the Italian shipbuilding concession in Leningrad (Ansaldo) has already been reported to the Department. The British Embassy, under instructions from its Government, is vigorously protesting the arrest for espionage of a British subject employed as a technician in the Red Dawn Telephone Factory. According to the information of

⁴⁴ All Union Corporation for Foreign Tourism in the Soviet Union, the official Soviet travel agency.

*Mr. Krestinski was at first transferred to the Commissariat for Justice but he has subsequently disappeared from that Commissariat. [Footnote in the original.]

the Embassy hundreds of other foreigners have been arrested during the course of the campaign, including Poles, Japanese, Czechs, Hungarians, Bulgarians, Hollanders, Belgians, Swedes, Greeks, Afghans, and Rumanians. A number of the arrested persons appear to have been workers in the local offices of the Communist International and of other international revolutionary organizations.

The result of the anti-foreigner campaign, in so far as the members of this Mission are concerned, has already been brought to the attention of the Department. It seems, therefore, hardly necessary to point out that the Embassy's contacts with the "main stream of Soviet life" are limited. Members of the Embassy are nevertheless still able to see from time to time those Soviet officials whose duties make it necessary for them to receive foreigners, to have conversations with a few Soviet citizens who apparently are still permitted by the agents of the political police to frequent the society of foreigners, to talk with the Soviet employees of the Mission and their own household servants, and to chat occasionally with those few persons who still are not alarmed to find a foreigner sitting by them at the theater, in a tram-car, on a park bench, and so forth. One of the veteran members of the diplomatic corps remarked some time ago that at one time the isolation of foreigners in Turkey was so complete that foreign diplomats communicated even with Turkish officials charged with the conduct of Turkish foreign affairs only through the medium of dragomen, and suggested that if the present campaign continues in the direction which it has followed during the last six months a condition is likely to develop not unlike that which once existed in the Mohammedan Near East.

Respectfully yours,

LOY W. HENDERSON

361.11 Employees/349

The Chargé in the Soviet Union (Henderson) to the Secretary of State

No. 597

Moscow, September 29, 1937.

[Received October 15.]

SIR: I have the honor to enclose herewith a copy of a memorandum⁴⁵ regarding the difficulties experienced by American engineers in connection with the examination of their drawings, technical data and documents by the Soviet customs authorities prior to their departure from the Soviet Union.⁴⁶

⁴⁵ Not printed.

⁴⁶ The Embassy reported in telegram No. 302, July 24, 1935, 5 p. m., that a memorandum had been received from the People's Commissariat for Foreign Affairs on July 22, 1935, which declared: "It is self-understood that the competent authorities intend in the future to permit foreign citizens to be present during the examination of documents which these persons take out." (861.602/267)

It will be noted from an examination of the memorandum that in February, 1937, an American engineer was required to turn over to the Soviet customs authorities all of his detailed drawings of an electric furnace which he had installed in Leningrad on behalf of another American firm. It appears that the customs authorities stated that it would be necessary to examine the documents carefully and forward them to the engineer in the United States at a later date by post. Although there is no definite evidence showing that the drawings were used or photostated, there appears to be little doubt, in view of the circumstances outlined in the memorandum, that the Soviet authorities actually made use of the documents to construct an electric furnace similar to the one purchased in the United States.

It will be further noted that apparently the practice of acquiring [*requiring*] foreign engineers to turn over their documents, drawings and data to the Soviet authorities for examination without the engineers being permitted to be present during the examination is still being carried out.

Reference is made in this connection to the Embassy's despatch No. 761 of July 25, 1935,⁴⁷ regarding the assurances given by the Soviet authorities to the effect that American citizens would be permitted to be present at the customs examination of documents which they brought with them to the Soviet Union and which they desire to take out of the country.

On the basis of the information contained in the attached memorandum it appears that the promises given by the Soviet authorities in this regard are no longer in force. The care with which the Soviet authorities are examining documents of foreigners is undoubtedly connected with the present political difficulties through which the country is passing. As has already been reported by the Embassy the political situation is closely tied up with an anti-foreigner movement which undoubtedly accounts for the present attitude of the Soviet customs authorities in regard to the examination of documents and technical data. This attitude however does not change the fact that in their vigilance to run down spies the Soviet authorities also may find it convenient to use certain confidential information obtained during the examination of the documents which they could not otherwise obtain at any cost or could only obtain after the conclusion of a contract specifically providing that such information should be furnished.

Inasmuch as Mr. Van Keuren, the engineer of the Radio Corporation of America who informed the Embassy regarding these developments, does not wish the Embassy to bring his case to the attention of the Soviet authorities at this time, the matter will be held in abeyance for the time being. Developments in this matter, however, will

⁴⁷ Not printed; it confirmed the telegram quoted in preceding footnote.

receive the continued attention of the Embassy pending a suitable opportunity to take the question up with the appropriate authorities.

Respectfully yours,

LOY W. HENDERSON

740.00/216

*Memorandum by the Secretary of State of a Conversation With the
Ambassador of the Soviet Union (Trojanovsky)*

[WASHINGTON,] October 26, 1937.

The Ambassador came in to pay his respects after a protracted visit in Russia, and he had nothing especially new in mind.⁴⁸ He spoke of the bad international situation, and I replied that the situation is bad and that the nations inclined to be lawless are still going forward upon the assumption and even in the belief that they will not in any way be interfered with by peacefully disposed nations. I said that, as he was aware, for nearly four years this Government has been striving to prevail upon other governments, especially those standing for peace, to organize and unify themselves behind a basic program for the restoration of peaceful and normal international relationships and world order generally; that it has been virtually impossible thus far to induce many of them to proceed actively and cooperatively in this direction; that each government seems to have a microscope and to be devoting its time to looking about for penny advantages in cutthroat, bilateral trading, utterly oblivious and indifferent to the world situation either present or prospective; that this state of affairs is all that a lawless nation desires, and that we can visualize clearly the steady expansion of international lawlessness as a result. I then emphasized the fact by saying that the situation is well illustrated by the experience of his country and mine, who have been standing apart in almost every real cooperative way on account of a trivial, measly, insignificant item of indebtedness. I said that since desperado-inclined nations see two great countries, like his and mine, floating along for a period of years on account of that sort of a trifling item of difference, while burying their great combined moral influence for peace and order, it is not surprising that international lawlessness is rapidly growing. The Ambassador remarked that if they could know what Great Britain has in mind to do they would be in a better situation to take active steps or adopt concrete policies. I replied that that was exactly what each peaceful country was saying about the other, namely, that none of these countries seemed to be disposed to do anything, that the people of none of them are willing to do anything affirmatively, and that that again is all the assurance desperado nations want. I said that I was

⁴⁸ Previously, on October 22, 1937, the Ambassador had a conversation of quite similar content with Under Secretary Welles, with some general discussion about Spain. The memorandum of this conversation is not printed.

not referring to any policy which would involve military force or economic coercion; that I was referring to the creation of a combination of all possible moral and other influences which would be calculated to outlaw war, which would make war utterly abhorrent, and would exalt peace, and so forth and so forth.

The Ambassador made some reference to the present spy situation, as he termed it, in Russia. I remarked that as a matter of curiosity I would be interested to know why it was and how it was that all of these accused persons spontaneously rose up before the tribunal trying them and fairly shouted their own personal guilt, when they knew it would mean death, and then proceeded to censure themselves almost as much as the prosecutor. He said he had thought about that himself and had made some inquiry; that he had been informed that many of these disloyal persons were associated together in their treasonable acts and over a period of time after being subjected to long sessions of cross-questioning, with steady increases in the numbers of contradictions which the utterances of each resulted in with respect to others, their spirit would finally give away. He then added that very amazing facts had been brought out and they would be so considered if and when made public. I remarked that in this country my observation had been that most criminals guilty of a capital offense never confessed, and if and when they did it was in most all instances after their conviction and when they started into the room for electrocution. The Ambassador replied that he had talked with Mr. Hoover of the Department of Justice, who informed him that most of such criminals did actually confess. I said that this at least was not in accordance with my experience or my observation, although I would not place it against Mr. Hoover's experience and observation.

C[ORDELL] H[ULL]

361.11 Employees/349

The Secretary of State to the Ambassador in the Soviet Union (Davies)

No. 236

WASHINGTON, October 27, 1937.

SIR: The Department has received and read with interest the Embassy's despatch no. 597 of September 29, 1937 concerning the difficulties experienced by American engineers in taking their documents and drawings out of the Soviet Union.

The action taken by the Soviet authorities at the port of Leningrad in the case of the three engineers of the Radio Corporation of America, who apparently left the Soviet Union in September of this year, constitutes a clear violation of the written assurances given to the Embassy by the People's Commissariat for Foreign Affairs on July 22, 1935, a copy of which was submitted as enclosure no. 2 to the Embassy's

despatch no. 761 of July 25, 1935.⁴⁹ When it has been ascertained that Mr. Van Keuren has received a reply to the protest he has made to the Soviet authorities, you are requested to protest against the action taken by the authorities at Leningrad. In doing so, you may point out that if the assurances given by the Soviet Government to the effect that American nationals about to depart from the Soviet Union would be permitted to be present during the examination of drawings, plans, and similar documents in their possession are again violated, this Government will have to consider whether measures should not be taken to bring the practices of the Soviet authorities in this respect to the attention of American business men prior to their departure for the Soviet Union.

Very truly yours,

For the Secretary of State:
HUGH R. WILSON

124.61/119

Memorandum by Mr. George F. Kennan of the Division of European Affairs

[Extract]⁵⁰

[WASHINGTON,] November 24, 1937.

The observation and espionage to which a foreign ambassador is subjected in Moscow can be understood only in the light of the efforts made by the Government to convince the population that all foreign representatives are nothing more than "accredited spies", engaged chiefly in endeavoring to inveigle unsuspecting Soviet citizens into entanglements. These efforts naturally create an atmosphere which contributes neither to the prestige nor to the peace of mind of foreign envoys in the city.

At the present moment a deliberate anti-foreign campaign of almost unparalleled intensity has been in progress for some time and shows no signs of abating. In this campaign few efforts are made to distinguish between various states in the "capitalist environment" and thus to spare the feelings of the representatives of those powers whose policy can in no sense be considered as anti-Soviet. The effect of this has been to extend to neutral foreigners, including Americans, all of the fear and suspicion on the part of the populace which would otherwise attach chiefly to Germans, Japanese, et cetera, who might normally be expected—in present circumstances—to be carrying on espionage in Russia.

⁴⁹ Not printed, but see footnote 46, p. 394.

⁵⁰ For other portions of this memorandum discussing the position of the American Ambassador and difficulties experienced by the Embassy in Moscow, see p. 446.

In addition to inculcating into the population the impression that all foreigners are secret agents, the Soviet Government has made it clear to the average citizen that it is the foreign diplomats in Moscow who are the active organizers and directors of this espionage work. Soviet textbooks on international law, drawn up in part by Foreign Office officials, refer to the "espionage work of diplomats"* and explain that the functions of certain diplomatic representatives "are inevitably entangled with functions of an espionage nature".† It is a rare Soviet propaganda trial which does not contain some reference to contacts of the accused with the representatives in Russia of foreign powers. Even the *Journal de Moscou*, reputedly the organ of the Foreign Office and evidently published partly for the edification of those diplomats who do not know Russian, did not hesitate to begin an editorial article, in the spring of this year, with the statement that not all the spies entered the Soviet Union by slipping across the border with false passports; many of them, the paper explained, came in comfortable sleeping cars and carried diplomatic passports.

In addition to broadcasting these admonitions to the population to beware of foreign diplomats, the regime has added considerable cogency to its arguments by seeing to it that most of the Soviet citizens who have had sufficient temerity to associate with foreign representatives—whether with official permission or not—eventually encounter misfortune. Statistics are not available, but foreign observers who have been in Moscow during the last few months have noted that the great majority of those Soviet citizens who have had anything approaching extensive social or official relations with diplomats during the last few years have now disappeared. There is reason to believe that they have been intimidated, arrested, exiled, or executed. With respect to the American Embassy, nearly every one of the Soviet nationals who could be said to have constituted the Embassy's important contacts with the Soviet world from 1934 to 1936 has since suffered at the hands of the Government. Many of those who were in official position have been disgraced and removed. These include, among others, Neiman, long head of the American Section of the Foreign Office; Krestinski, Assistant Commissar for Foreign Affairs; Bubnov, Commissar for Education; Rosengolts, Commissar for Foreign Trade; Arosev, head of the official Society for Cultural Relations with Foreign Countries; Kurts, head of the Intourist company, et cetera. Many others could be added to this list. In addition to these

**Diplomatic and Consular Law* (Russian) Moscow, 1934, written by Sabanin, Chief of the Legal Section of the Soviet Foreign Office. [Footnote in the original.]

†*Essays on International Law* (Russian) Moscow, 1935, written by Pashukanis, subsequently Assistant Commissar for Justice of the U. S. S. R., with the collaboration of a number of Foreign Office officials. This reference was to military attachés, but naturally applies by implication to their chiefs as well. [Footnote in the original.]

persons whose official capacity brought them into contact with the Embassy, there have been a number of others whose connections with the Embassy were more of a personal nature. Bukharin and Radek were outstanding among this category. Bukharin has disappeared; Radek's fate is too well known to need description. Another conspicuous figure was Boris Steiger, who served for many years as unofficial contact man between the diplomatic corps and certain influential Soviet circles. Here, again, many other examples could be cited.

To these social acquaintances of our Ambassadors must be added those Soviet employees of the Embassy who themselves have been arrested or who have seen members of their family suffer in this way. Three members of the Soviet staff have been arrested at various times by the secret police. The arrest in each case was sudden and without warning or advance explanation to the Embassy. None of the arrested persons has been released or permitted to resume his work at the Embassy. In addition to this, the husband of one of the employees has been arrested in a similar fashion. In all cases of the arrest of employees of the mission, the Foreign Office has been unable to give satisfactory explanations. It has merely assured the Embassy that the measures taken had nothing to do with the activities of the employee in question as a member of the Embassy staff.

There is nothing to prove that any one of these people—whether an official, a personal acquaintance, or an employee—has been arrested or persecuted on account of his connections with the American Embassy. But the fact remains that the Soviet public is very actively aware that most of those who have had relations with diplomats sooner or later come to a bad end.

In consideration of all these facts it seems reasonable to conclude that the Soviet Government is engaged in a deliberate and successful effort to undermine any prestige and popularity which foreign envoys might otherwise enjoy in the eyes of the Soviet public.

861.00/11740 :Telegram

The Chargé in the Soviet Union (Henderson) to the Secretary of State

Moscow, December 20, 1937—5 p. m.
[Received December 20—11:55 a. m.]

332. The Soviet press announces today the sentencing by the Military Collegium of the Supreme Court and the execution of seven prominent Party or State officials including Enukidze, formerly member of the Central Committee of the Party, and Secretary of the Central

Executive Committee; Karakhan, formerly Ambassador to China and Turkey as well as Assistant Commissar for Foreign Affairs; Tsukerman, until recently Chief of Division of the Foreign Office handling Near Eastern Affairs; and Boris Steiger, for many years non-Foreign Office contact man between the Soviet Government and the Diplomatic Corps.

All have been accused of "betraying their country, terrorist activities and systematic espionage on behalf of a certain foreign power" and to have pleaded guilty.

According to the press some of them have been charged with crimes of a more specific nature. Karakhan, for instance, of having sold "to Fascist intelligence circles secrets of exceptional State importance"; Steiger and Tsukerman of having "sold information to intelligence circles of a certain foreign power"; Steiger of having "carried on active espionage work since 1918"; and Enukidze of having been connected with "the general staff of a certain Fascist country." With respect to Steiger please see my despatch number 249 of April 28, 1937.⁵¹

HENDERSON

861.00 Supreme Soviet/1

*The Chargé in the Soviet Union (Henderson) to the
Secretary of State*

[Extracts]

No. 829

Moscow, December 22, 1937.

[Received January 10, 1938.]

SIR: I have the honor to transmit herewith a memorandum⁵¹ on the recent electoral campaign and elections to the Supreme Soviet of the Union of Soviet Socialist Republics and to discuss in the present despatch some of the most important features thereof.

Although the Soviet elections were a farce from the American or Western European conception of what elections are, several important factors should be pointed out which might give one to believe that certain initial steps have been taken along the path toward a more democratic form of government. The pre-election campaign, proclaimed by the Soviet press as a politico-educational campaign, was in fact nothing more than a pure propaganda drive for the purpose of popularizing Stalin and his adherents and consolidating their power and for persuading, at times by intimidation, the electorate to go to the polls and register their approval of the Stalinist regime. However, it should be emphasized that the seeds of a primitive democracy were planted in the minds of the electorate when the masses were

⁵¹ Not printed.

given to believe that they were playing a direct part, exceedingly limited it is true, in the administration of the state which was to represent them. That this seed may germinate in the foreseeable future is problematical, especially when the personal dictatorship of Stalin over the Soviet State is taken into consideration. But it is important to note the implanting of this first vestige of primitive democracy.

An examination of statements made before and during the discussions on the draft constitution in 1935 and 1936 might lead one to believe that the Kremlin originally had planned to conduct elections in which more semblance of free expression of the wishes of the population would be present than were actually so in the recent elections. For instance, there can be little doubt that it was originally intended to have more than one candidate for each constituency, as was the case on December 12. It is possible that in future elections, as the government gains more confidence in its ability to manipulate the elections, there may be more than one candidate for each constituency. The Embassy does not believe, however, that the present rulers of the Soviet Union contemplate in the near future granting to the population the opportunity of freely expressing its views, likes or dislikes of either Stalin or his cohorts. It is obvious that in the present elections the "Stalinist" Party interpreted certain of the electoral regulations in such a way as to keep the elections well within its control. Possibly the Kremlin feared that if the population was permitted to express disapproval of any of Stalin's adherents, it might acquire a dangerous sense of political power and therefore decided on the open system of nomination and on the single candidate.

Notwithstanding the plebiscitarian aspect of the elections in which the voter could cast his ballot only for the candidate chosen in advance by the Kremlin or court disaster by boycotting the elections or deleting the single name on the ballot, it is the opinion of the Embassy that the decision to introduce the secret ballot, admittedly of little significance in the present case, and the inculcation in the masses of the belief that they were playing a part in the administration of the State, are of considerable importance in any discussion of the Soviet elections. Certain Moscow observers are of the opinion that international considerations had a deciding influence on the decision to grant the above-mentioned limited rights to the electorate, for with the present growth of fascism as opposed to democracy, it is contended that the Kremlin, in grouping itself with the democratic states, decided to give an outward democratic dress to the elections, although always careful to keep in its hands, through the hand picked electoral commissions, complete control over the choice of candidates and the final elections. There is little doubt that the Soviet desire to in-

gratiate the Soviet Government with the believers in democracy of the western countries played a role in causing the Soviet leaders to have the elections conducted somewhat along the lines of elections in democratic countries.

Although at present subject to considerable conjecture, a second significant feature of the Soviet elections is believed to be the widening of the popular basis of the Government by the establishment of the so-called Party-non-partisan alliance. During the elections no distinction was made between the candidates in or out of the Communist Party. In other words, many observers believed that the leveling off of the political barriers between the Party and the non-Party masses, which has been going on for many months, was accelerated during the election campaign and that actual steps were taken to eliminate the Communist Party as a favored aristocracy. However, it should be emphasized that a new aristocracy is being formed of those members of the Party and of the non-partisan masses who are supremely loyal to Stalin and his associates. Naturally, this new grouping of Stalinites would only tend to strengthen all the more the personal dictatorship of Stalin over the nation, a dictatorship which has been functioning during recent years more through the Narkomvnucl (formerly G. P. U.) than through the Communist Party, and which has held sway over a people terrorized into obedience.

In recapitulation, it may be categorically stated that the Soviet elections were a gigantic dumbshow in which the voters were not permitted to have any voice whatsoever. The Party, apparently disliking to put its strength to a test, did not permit the nomination of opposition candidates but in place advanced the theory of a united Party-non-partisan bloc to be represented by common candidates and the voter was offered one candidate to vote for. Aptly defined by the London *Times*, the elections were "no more than a shotgun wedding between Liberty and the proletariat, with dictatorship standing proxy for the goddess."

Taking into consideration the manner in which the candidates were nominated and the opposition eliminated, it is almost unthinkable that the Supreme Soviet can be anything but a mechanical and pompous tool of the ruling Stalin clique. The Supreme Soviet will be made up exclusively of Stalin men to whom Stalin in his cynical speech of December 11 gave to understand that if anyone of them should dare to wander from the path of the Stalinist line, he would be cast from office, and, in all probability, arrested.

The ease with which all opposition was removed during the nomination period of the electoral campaign may be considered a tribute to the efficiency of the Party controlled electoral commissions and

the People's Commissariat for Internal Affairs. All opposition, actual or potential, was carefully eliminated in order to present Stalin with a rubber stamp government. Such notable Soviet officials as Mezhlauk, former Chairman of the State Planning Commission; Alksnis, Assistant Commissar for Defense Industries and Chief of the Air Forces of the Red Army; Velikanov, Commander of the Trans-Caucasian Military Okrug; and, Bokis, Chief of the Tank and Armored Division of the Red Army, as well as many lesser party and government officials were nominated for the Union Soviet but were scratched at the last moment because of some unexplainable reason, presumably "political doubtfulness", and were replaced by practically unknown and unimportant candidates. It has consequently been assumed that these men, as well as Krylenko, who was never nominated, have fallen into disgrace. It is even possible that some, if not all, of them have been arrested.

In the early days of the electoral campaign, it was believed by certain foreign observers in Moscow that the reign of arrests, executions and demotions, which has continued undiminished during recent months and which was in fact increasing as far as the man on the street was concerned, would come to a stop upon the election of the Supreme Soviet. The speeches of some of the most prominent delegates during the latter part of the electoral campaign in which repeated warnings to the Trotskiist-Bukharinist enemies of the people were made left little doubt, however, that the purge would continue. Marshal Voroshilov, to quote a typical example of such a warning advised his constituents in Minsk to remember "that those who desire to stand in the way of the victorious march of the millions of fighters for a new life would be crushed like worms." The events during the first days following the elections (the reported arrest of various Soviet officials; the announced execution of Karakhan, Ehlukidze, Steiger, *et al.*) were sad omens of the continuation of the reign of terror, even after the proclamation of the "triumphant success" of the most democratic elections in the world.

Now that the elections have been carried out according to schedule, observers of the Soviet scene are looking forward with interest to the meeting of the first Supreme Soviet which is set for January 12, 1938. The question which is paramount—and to which no categorical answer can as yet be made—is whether Stalin will permit himself to be elected to the Presidency of that body and thus in a sense transfer the real power from the exclusive Party organs through which he has ruled the country for so many years to the higher bodies of the governmental apparatus.

Respectfully yours,

LOY W. HENDERSON

COMMERCIAL AGREEMENT BETWEEN THE UNITED STATES AND THE SOVIET UNION, EFFECTED BY EXCHANGE OF NOTES SIGNED ON AUGUST 4, 1937⁵³

611.613 Coal/20

*The Soviet Embassy to the Department of State*⁵⁴

MEMORANDUM

During last year's conversations regarding the tax on coal imported from the U. S. S. R. into the United States,⁵⁵ the Department of State indicated to us that the exemption which was granted Holland could not be extended to us since Holland received this exemption not through a trade treaty but because Holland imports more American coal than it exports of its own to the United States.

Meanwhile, according to the explanation of the Treasury Department given to the firm of "Curtis & Belknap,"⁵⁶ Dutch coal was freed from duty not by a special law but because of a special trade treaty with Holland (1935, article 1),⁵⁷ and independent of the existence or not of a favorable trade balance in coal for the United States.

The viewpoint of the Treasury Department is confirmed in that the customs figures of the United States for ten months of 1936 show that the United States exported no coal whatsoever to Holland during this period and that import of coal from Holland into the United States amounted to \$10,500,000.

The facts indicated show that the exemption of Holland from the duty on coal was made because of a special treaty with it, and therefore the exempting of the coal from duty should be extended as well to the U. S. S. R.

The Embassy of the U. S. S. R. would appreciate it if the Department of State would make these facts clear to the Treasury Department.

⁵³ For previous correspondence, see pp. 322 ff. For text of the exchange of notes signed on July 11, 1936, see Department of State Executive Agreement Series No. 96, or 50 Stat. 1433.

⁵⁴ Handed by the Soviet Ambassador to Assistant Secretary of State Moore on February 3, 1937.

⁵⁵ Duty was levied at the rate of 10 cents per 100 pounds in accordance with section 601 (c) (5) of the Revenue Act of 1932 (47 Stat. 169, 259).

⁵⁶ The General Counsel of the Treasury Department, Herman Oliphant, wrote to Curtis & Belknap, 61 Broadway, New York, N. Y., on September 5, 1936, stating that after consideration the Department had decided that coal of all sizes and grades, except culm and duff, would be entitled to enter the United States from the Netherlands without payment of the excise tax, in view of article I of the trade agreement with the Netherlands, as long as all existing factors remained unchanged.

⁵⁷ For text of the agreement with the Netherlands signed December 20, 1935, see Department of State Executive Agreement Series No. 100, or 50 Stat. 1504.

611.613 Coal/29 : Telegram

*The Secretary of State to the Ambassador in the Soviet Union
(Davies)*

WASHINGTON, May 15, 1937—1 p. m.

50. Your 89, May 8, 1 p. m., and 93, May 13, 11 a. m.⁵⁸ Soviet Ambassador,⁵⁹ in calling upon me yesterday,⁶⁰ inquired what we were doing or could do about the discriminatory tax on coal imports from his country. I told him that the discrimination against coal imports from the Soviet Union was opposed by me and others, much more strongly, if possible, than by the Soviet Government, for the reason that we feel that the success of our broad economic program should not be delayed or impeded by such "sore thumbs" as the discriminatory tax on Soviet coal. I said that I would be glad for his Government distinctly to understand that we were now striving in the most earnest manner, day by day and week by week, to get rid of the discriminatory coal tax complained of, and that we would continue so to strive. I emphasized that we have been fighting vigorously for many years against discriminations such as this in international trade practices and methods, whether carried on by this Government or other Governments; that there was no more paramount purpose of our present broad program of liberal commercial policy, and that this attitude of mind and purpose on our part constituted a vastly different attitude from one of permitting a discrimination to stand with more or less partiality towards it and with indifferent disposition relative to the question of its removal.

When the Soviet authorities again raise the question of the removal of the discriminatory tax on Soviet coal you should make clear to them our attitude with regard to the matter.

For your information, the Executive Committee on Commercial Policy has been working for some months on the problem involved in removing the discrimination against Soviet coal. All interested governmental departments are agreed as to the desirability of eliminating the discriminatory features of the coal tax. The matter is being actively pursued at the present time and I hope that a satisfactory settlement of this question can be worked out within the next 4 weeks.

HULL

⁵⁸ Neither printed. Representations were made by the Soviet Government to the American Embassy in Moscow similar to those made by the Soviet Embassy in Washington to the Department of State regarding the import tax on coal (611.613 Coal/27, 28).

⁵⁹ Alexander Antonovich Troyanovsky.

⁶⁰ The conversation occurred on May 12, 1937.

611.613 Coal/39 : Telegram

The Acting Secretary of State to the Ambassador in the Soviet Union
(Davies)

WASHINGTON, June 23, 1937—6 p. m.

70. Your 295, November 26, 1936, 4 p. m.,⁶¹ and subsequent with regard to excise duty on Soviet coal. The Soviet Ambassador was informed on June 14 that the Department is prepared to include in the renewal of the commercial agreement with the Soviet Union provisions for unconditional most-favored-nation treatment of imports from the Soviet Union with a reservation in respect of coal, similar to the most-favored-nation provisions and the reservation in respect of coal contained in our trade agreement with The Netherlands by virtue of which imports of Netherland coal are at present exempt from the tax in question. (It was made clear to the Ambassador that, although the inclusion of such provisions in our commercial agreement with the Soviet Union would lead to the exemption of Soviet coal from the tax by the Treasury Department, nevertheless it is possible that the ruling by the Treasury Department in this regard might later be reversed by the courts.)

The Ambassador was further informed, however, that the modification of the agreement indicated above would be conditional upon assurances in writing from him that exports of Soviet coal to the United States during the 12 months' term of the agreement would not exceed 400,000 tons. The communication from the Ambassador to that effect need not be made public, but at the time of the renewal of the commercial agreement, this Government would issue a statement that it had been assured by the Soviet Government that exports of Soviet coal to this country would not exceed the quantity specified above.

In view of the urgency of this matter, you are requested to endeavor to expedite the reply of the Soviet officials. In discussing this proposal with Soviet officials, you should make it clear that this Government must insist upon the restriction of Soviet coal exports to the United States to 400,000 tons for the 12 months' period covered by the agreement. You may inform the Soviet officials, if the point is raised, that, in accordance with your confidential letter to Rosenblum of July 8, 1936,⁶¹ the Department has given consideration to the possibility of seeking a removal of at least the discriminatory features of the tax in question by legislative action, but that it recently abandoned its endeavors in this connection when it became clear that it would not be possible, in view of the attitude of various interests

⁶¹ Not printed.

involved, to effect at this time a change in the existing law. To indicate the sentiment in Congress in regard to this matter, you may refer to the proposed amendment to increase the present tax on imports of coal from 10 cents to 25 cents per 100 pounds. It was accepted by the House of Representatives on the first vote and was eventually defeated by a majority of only three votes.⁶³

Please ascertain from the Soviet authorities the amount of purchases made in the United States from July 13, 1936 to date and amount of orders that will be placed in remaining period up to July 13.

WELLES

611.613 Coal/42 : Telegram

The Ambassador in the Soviet Union (Davies) to the Secretary of State

Moscow, June 28, 1937—7 p. m.
[Received June 28—3:25 p. m.]

137. Your 70, June 23, 6 p. m.

1. Foreign Office advised this afternoon that purchases during the treaty year up to June 15th are estimated at \$36,000,000. They hoped within next few days to obtain the precise figures and also the estimated figures from June 15th to July 13th.

2. It also stated that it had instructed Troyanovski to inform the Department that its answer to the suggestions made to him would be sent through the American Embassy in Moscow.

3. It added that before stating whether the suggestions made to Troyanovski would be satisfactory to the Soviet Government it needed certain clarifications with respect to them. In particular it desired answers to the following questions:

(a) Does the American Government propose merely to extend the present agreement accompanying the exchange of notes, effecting the extension with an interpretative letter worded similarly to article I of the Netherlands agreement or does it contemplate concluding an entirely new executive agreement?

(b) In case the American Government is proposing to include the clauses providing for most-favored-nation treatment of imports in the exchange of principal notes, does it desire the reservations with respect to coal to be contained in the principal notes or in a supplementary letter?

4. (a) Embassy has the impression that the Foreign Office hopes that the State Department is proposing an extension of the present agreement with a new interpretation thereof for the reason that the Soviet Government considers it would have in such case a better basis

⁶³ See *Congressional Record*, vol. 81, pt. 5, p. 5616.

for presenting a claim for the excise duties paid during the last 2 years.

(b) Embassy considers that in case the Department desires to insert most-favored-nation treatment provisions in the exchange of notes Foreign Office would prefer that the coal reservations be included in a supplementary letter rather than in the principal notes.

5. Foreign Office intimates that, if it could come to a satisfactory agreement with the American Government regarding the form of the agreement, there would be no difficulty about the written promise not to export coal to the United States during the treaty year in excess of 400,000 tons.

6. In view of the late date and in order to expedite the negotiations, suggest that the Department furnish us immediately, telegraphic, full text of agreement acceptable to it.

DAVIES

611.6131/442a : Telegram

*The Secretary of State to the Ambassador in the Soviet Union
(Davies)*

WASHINGTON, July 1, 1937—3 p. m.

77. Your 137, June 28, 7 p. m.

(1) The following is the full text of the proposed commercial agreement to be embodied in an exchange of notes:

“With reference to recent conversations which have taken place in regard to commerce between the Union of Soviet Socialist Republics and the United States of America, I have the honor to confirm and to make of record by this note the following agreement which has been reached between the Governments of our respective countries:

1. With respect to customs duties or charges of any kind imposed on or in connection with importation, and with respect to the method of levying such duties or charges, and with respect to all rules and formalities in connection with importation, and with respect to all laws or regulations affecting the sale, taxation or use of imported goods within the country, any advantage, favor, privilege or immunity which has been or may hereafter be granted by the United States of America to any article originating in any third country shall be accorded immediately and unconditionally to the like article originating in the Union of Soviet Socialist Republics.

It is understood that so long as and insofar as existing law of the United States of America may otherwise require, the provisions of the foregoing paragraph, insofar as they would otherwise relate to duties, taxes or charges on coal, coke manufactured therefrom, or coal or coke briquettes, shall not apply to such products imported into the United States of America.

It is understood, furthermore, that the advantages now accorded or which may hereafter be accorded by the United States of America, its territories or possessions, the Philippine Islands, or the Panama

Canal Zone to one another or to the Republic of Cuba shall be excepted from the operation of this Agreement.

Nothing in this Agreement shall be construed as a limitation of the right of the United States of America to impose on such terms as it may see fit prohibitions or restrictions (1) imposed on moral or humanitarian grounds, (2) designed to protect human, animal or plant life, (3) relating to prison-made goods, or (4) relating to the enforcement of police or revenue laws.

2. On its part, the Government of the Union of Soviet Socialist Republics will take steps to increase substantially the amount of purchases in the United States of America for export to the Union of Soviet Socialist Republics of articles the growth, produce, or manufacture of the United States of America.

3. This Agreement shall come into force on the day of proclamation thereof by the President of the United States of America. It shall continue in effect for 12 months. Both parties agree that not less than 30 days prior to the expiration of the aforesaid period of 12 months they shall start negotiations regarding the extension of the period during which the present Agreement shall continue in force."

(2) It will be noted that the points raised in paragraphs 3*a* and 3*b* of your telegram under reference are covered in the above text.

(3) The following comment with regard to the several numbered sections will be of value to you in your negotiations with the Foreign Office:

Section 1. The Soviet Government may be assured that if the wording of this section is included in the agreement the Treasury authorities will hold that Soviet coal will be exempt from the excise tax. No such assurance can be given if any modification is made in the language of this section. As was pointed out in the second paragraph of Department's 70, June 23, 6 p. m., the inclusion of section 1 granting most-favored-nation treatment to the Soviet Union depends upon assurances in writing from the Soviet Government that exports of Soviet coal to the United States during the 12 months of the proposed agreement will not exceed 400,000 tons.

Section 3. The Department desires that the agreement be proclaimed by the President with a view to giving it, from the standpoint of municipal law, as nearly as possible the same status as the Netherlands' Agreement which is the precedent for exempting Soviet coal from the tax.

Section 2. The undertaking of the Soviet Government in regard to the amount of its intended purchases under the proposed agreement should be contained in an exchange of communications similar to that of last year.

(4) With regard to the amount of such purchases, the Department desires that you make every effort to obtain an undertaking from the Soviet Government to purchase not less than \$40,000,000 worth of American goods during the 12 months of the proposed agreement.

In this connection you should point out that the proposed agreement will accord to the Soviet Union full most-favored-nation treatment, and that the removal of the excise tax on Soviet coal will result in appreciable financial benefit to the Soviet Government. You will recall that last year at the time of the renewal of the original agreement the unwillingness of the Soviet officials to agree to any increase of Soviet purchases in the United States was largely influenced by the failure to include a most-favored-nation clause in respect to Soviet products. You should point out that there exists considerable opposition in the United States to the importation of Soviet coal and emphasize that this Government in order to justify the removal of the tax, must be in a position to show some increased tangible benefit to American industry under the new agreement. You should further point out that the stipulated figure of \$40,000,000 would be very little more than the actual amount of Soviet purchases during the present agreement year, and that in agreeing to this figure the Soviet Government would in fact merely be agreeing to continue its present rate of purchase.

HULL

611.6131/443 : Telegram

The Ambassador in the Soviet Union (Davies) to the Secretary of State

Moscow, July 2, 1937—6 p. m.

[Received July 2—2:40 p. m.]

144. In personal conference with Litvinov today discussed commercial agreement at length and strongly emphasized points suggested in Department's telegrams numbers 70, June 23, 6 p. m., and 77, July 1, 3 p. m., and instruction No. 114, May 24.⁶⁴ I left with him drafts of proposed communications to be interchanged covering specific provisions enumerated in Department's 77 of July 1, 3 p. m., for consideration of Foreign Office and as basis for discussion in order that agreements on specific points might be speedily reached.

I am advised [*advised him?*] that Mission would give this matter first consideration in hope of arriving at agreement in principle prior to July 7th so as to insure execution of agreement prior to July 13th. Litvinov assured me that he would give necessary directions to expedite negotiations. I explained at length domestic difficulties confronting the Secretary of State in the situation and presented reasons why the Soviet Union should agree to a substantial increase in its obligations to purchase American goods. Litvinov made notes and I

⁶⁴ Instruction not printed, but see Department's telegram No. 50, May 15, 1937, 1 p. m., p. 406.

believe will cooperate in view of fairness of your offer. Will follow matter up diligently.

DAVIES

611.6131/445 : Telegram

The Ambassador in the Soviet Union (Davies) to the Secretary of State

Moscow, July 6, 1937—10 a. m.

[Received July 6—9 a. m.]

150. Reference my 144, July 2, 6 p. m.

1. Representatives of the Embassy had a conference yesterday evening with officials of the Foreign Office during which the officials suggested the following changes in the text of the principal notes proposed in your telegram 77 of July 1, 3 p. m.

(a) That the granting of most-favored-nation treatment be on a bilateral basis; that is, that the Soviet Union also agree to grant most-favored-nation treatment to the United States.

(b) That in place of the first paragraph of the first section of the Department's draft, a paragraph almost identical with the first four paragraphs of article No. 1 of the American-Netherlands agreement be substituted.

(c) That in place of second paragraph of the first section of the Department's draft a paragraph similar to the fifth paragraph of article 1 of the Netherlands agreement be substituted; the last sentence of the latter having been changed to read somewhat as follows:

"If it should be decided by the appropriate authorities of the United States of America that the law of the United States of America would not permit the complete operation of the above provisions with respect to the above-mentioned products, the Union of Soviet Socialist Republics reserves the right within 15 days after such decision has been put into effect to terminate the agreement in its entirety on 30 days notice."

(d) That in addition to the third paragraph of section 1 of the Department's draft making exceptions with regard to American territories, possessions, et cetera, the paragraph usually found in Soviet most-favored-nation agreements making exceptions with regard to certain countries of Central Asia and the Baltic States be inserted.

(e) That the fourth paragraph of section 1 of the Department's draft be omitted since in an informal agreement of the kind contemplated it is unnecessary to list such exceptions; if, however, a paragraph of the kind is insisted upon that it be drafted along the lines of paragraph 3 of article 12 of the American-French agreement of May 6, 1936,⁶⁵ which they preferred because of its bilateral and more liberal nature.

⁶⁵ For text of this agreement, see Department of State Executive Agreement Series No. 146, or 53 Stat. 2236.

(f) That the first sentence of section 3 of the Department's draft be altered to read somewhat as follows: "This agreement shall be proclaimed simultaneously in both countries and shall come into force on the day of its proclamation."

2. They asked that at the time of the signing of the notes the Embassy present a letter to the Commissariat, not for publication, (a) assuring the Commissariat that in view of the manner in which the notes were worded, the United States Treasury authorities would issue a ruling to the effect that Soviet coal would be exempt from excise tax, and (b) pointing out, if desired, that, of course, there was a possibility that this Treasury ruling might later be reversed by the courts.

3. They suggest that although not yet prepared definitely to say that the Soviet Government was willing to obligate itself not to export more than 400,000 tons of coal to the United States, they would prefer, in case it was decided to give such an undertaking that it be in the form of a letter addressed to the Ambassador by the People's Commissar similar in tone to the Soviet note to the Embassy of July 13, 1936, that is, that it be more an expression of intention rather than a concrete assurance. Such an expression they pointed out would, of course, be equivalent to a concrete assurance.

4. They stated that they felt that by virtue of the two previous agreements Soviet coal was entitled to the same treatment as Netherlands coal and should not therefore have been subjected to excise tax and they requested that the Embassy ascertain from the Department (a) whether there was a possibility that the importers of Soviet coal would be able as the result of governmental executive action to obtain a rebate for the excise taxes paid during the last 2 years or whether it would be necessary for such importers to go to the courts; (b) whether the Executive Branch of the American Government was disposed to lend any assistance in the obtaining of such rebate and what might be the nature of such assistance.

5. With regard to 1 (a) above, it was pointed out to the Soviet officials that the American Government was not requesting most-favored-nation treatment from the Soviet Government in view of the peculiarities of the Soviet foreign trade monopoly. The officials insisted, however, that the Soviet Government was accustomed to grant most-favored-nation treatment whenever such treatment was accorded it. The impression was obtained that they were anxious that the agreement should be so worded as not to make it manifest that the American Government was not interested in obtaining Soviet promises of most-favored-nation treatment. The Department is aware that the Soviet Government has always endeavored to make it appear that such promises had distinct advantages. The Embassy sees no reason why the Soviet offer to make such promises should be rejected.

6. With respect to 1 (b) above, the Soviet officials said that they had two reasons for desiring to follow the text of the Netherlands agreement; namely, the bilateral nature of that text and their feeling that its terms were broader.

7. With respect to 4 above, it was pointed out to the Soviet officials that the questions raised by them were not directly pertinent to the negotiation of the present treaty and if pressed at the present time might perhaps retard such negotiation. It was suggested that matters relating to possible rebates might more advantageously be taken up by American importers of Soviet coal direct with the appropriate American authorities. The officials, nevertheless, insisted that the question raised by them be put to the American Government.

8. The Soviet officials said that no decision had as yet been made with regard to the amount which they should agree to purchase during the coming year. It was again made clear to them that, in view of the distinct advantages which the Soviet Government would gain from an agreement such as that proposed, the American Government would not be satisfied with a pledge of less than \$40,000,000.

DAVIES

611.6131/445 : Telegram

*The Secretary of State to the Ambassador in the Soviet Union
(Davies)*

WASHINGTON, July 8, 1937—6 p. m.

85. Your 150, July 6, 10 a. m. The Department is most appreciative of your promptness in obtaining a reply from the Soviet Government. References are to your numbered sections and lettered paragraphs.

1. Your 1 (a). The Department cannot accept the proposal to grant most-favored-nation treatment on a bilateral basis.

As the Embassy is aware, the extension of most-favored-nation treatment on the part of the Soviet Union is valueless and misleading in view of the Soviet monopoly of foreign trade. For this reason the Department has insisted that the only adequate *quid pro quo* for the extension of tariff concessions to the Soviet Union is an undertaking on the part of the Soviet Government to purchase goods in the United States. The Department is strongly opposed to the inclusion in the present agreement of a pledge which has no real value, but which would give the appearance of a concession to the United States on the part of the Soviet Government and which might therefore be utilized in the future by the Soviet Government as an argument for reducing those of its undertakings which constitute the real *quid pro quo*.

2. Your 1 (b). The Department has no objection to the substitution of the language of the first four paragraphs of Article I of the Neth-

erlands Agreement with, however, the elimination of the bilateral features and references to exportations.

Your 1 (*e*). The Department would object to the inclusion of a termination clause. You should point out to the Soviet officials that the Netherlands Agreement is for an indefinite period, subject to termination after January 1, 1939, on 6 months' notice, whereas the proposed agreement with the Soviet Union will expire automatically after 12 months. Furthermore, in the Netherlands Agreement the right to terminate under the last sentence of Article I, could only have been exercised within the 15 days after September 1, 1936. In view of the assurances to be given by you in writing to the Foreign Office (see Section 4 below) there would seem to be no necessity for the inclusion of a termination clause.

Your 1 (*d*). This paragraph is unnecessary since the bilateral basis is unacceptable.

Your 1 (*e*). The Department must insist on the inclusion of a safeguarding paragraph of this nature and prefers that the paragraph be retained as written; such a paragraph is usually included even in our less formal agreements such as our exchange of notes with Czechoslovakia on March 29, 1935,⁶⁶ and with Ecuador on June 12, 1936.⁶⁷

Paragraph 3 of Article XII of the French Agreement contains a reference to the question of quotas and it is considered inadvisable to introduce this question into the proposed agreement.

The following is the proposed text of Section 1 of the Department's draft, as revised in accordance with the points mentioned in the preceding paragraphs:

"1. The United States of America will grant to the Union of Soviet Socialist Republics unconditional and unrestricted most-favored-nation treatment in all matters concerning customs duties and charges of every kind and in the method of levying duties, and, further, in all matters concerning the rules, formalities and charges imposed in connection with the clearing of goods through the customs, and with respect to all laws or regulations affecting the sale or use of imported goods within the country.

Accordingly, natural or manufactured products having their origin in the Union of the Soviet Socialist Republics shall in no case be subject, in regard to the matters referred to above, to any duties, taxes or charges other or higher, or to any rules or formalities other or more burdensome, than those to which the like products having their origin in any third country are or may hereafter be subject.

Any advantage, favor, privilege or immunity which has been or may hereafter be granted by the United States of America in regard to the above-mentioned matters, to a natural or manufactured product

⁶⁶ For text of the agreement, see Department of State Executive Agreement Series No. 74, or 49 Stat. 3674.

⁶⁷ For text of the agreement, see Executive Agreement Series No. 133, or 53 Stat. 1951.

originating in any third country shall be accorded immediately and without compensation to the like product originating in the territory of the Union of the Soviet Socialist Republics.

It is understood that so long as and insofar as existing law of the United States of America may otherwise require, the foregoing provisions, insofar as they would otherwise relate to duties, taxes or charges on coal, coke manufactured therefrom, or coal or coke briquettes, shall not apply to such products imported into the United States of America.

It is understood, furthermore, that the advantages now accorded or which may hereafter be accorded by the United States of America, its territories or possessions, the Philippine Islands, or the Panama Canal Zone to one another or to the Republic of Cuba shall be excepted from the operation of this Agreement.

Nothing in this Agreement shall be construed as a limitation of the right of the United States of America to impose on such terms as it may see fit prohibitions or restrictions (1) imposed on moral or humanitarian grounds, (2) designed to protect human, animal or plant life, (3) relating to prison-made goods, or (4) relating to the enforcement of police or revenue laws."

3. Your 1 (f). The Department has no objection to the simultaneous proclamation of the agreement in both countries. It will be necessary, however, to retain the wording used in the Department's draft regarding proclamation by the President. This can be followed, if desired, by an appropriate statement regarding proclamation by the Soviet Government. Please telegraph immediately what will be considered as constituting proclamation in the Soviet Union and by what Soviet official or organization it will be proclaimed.

4. Your 2. The Department has no objection to your informing the Foreign Office, at the time of signing, by letter not for publication, that the Embassy has been informed that in view of the wording of Section 1 of the agreement Treasury authorities will hold that Soviet coal will be exempt from the excise tax during the 12 months of the agreement, subject, however, to possible adverse action by the courts.

5. Your 3. The Department has no objection to the Soviet note in regard to the restriction of coal exports to the United States being in the form of the Soviet note to the Embassy of July 13, 1936. Please telegraph as soon as possible for the Department's approval the proposed text of the note to be sent by the Commissar for Foreign Affairs.

As indicated in the second paragraph Department's No. 70 of June 23, 6 p. m., at the time of the publication of the exchange of notes the Department desires to issue a statement along the following lines:

The Government of the United States has been informed by the Government of the U. S. S. R. that the exports of coal from the Union of Soviet Socialist Republics to the United States in the course of the next 12 months will not exceed 400,000 tons.

6. Your 4 (a) and (b). Since it was made definite and clear in previous negotiations (see Department's 111 of May 27, 1935, 6 p. m.,⁶⁸ 86 of June 15, 1936, 7 p. m.,⁶⁹ and 92 of June 24, 1936, 11 a. m.⁷⁰) as well as in a memorandum transmitted to Ambassador Troyanovsky by a letter dated June 5, 1936,⁷¹ that section 1 of the existing agreement was so framed as not to have the effect of exempting Soviet coal from the excise tax, and since it is believed, therefore, that the tax on Soviet coal was properly levied, you should inform the Soviet officials that it would not be possible for the Executive Branch of this Government to take any action or give any assistance to importers of Soviet coal to obtain a rebate of the excise taxes already paid. In this connection, the Department desires that you again emphasize the point you have already made, namely, that the entire question of a rebate is not pertinent to the present negotiations.

HULL

611.6131/448 : Telegram

*The Ambassador in the Soviet Union (Davies) to the
Secretary of State*

Moscow, July 9, 1937—midnight.

[Received July 9—9:20 p. m.]

161. From conference today with Foreign Office officials we obtained the following impressions:

1. They will put up a strong stand for bilateral character of most-favored-nation provision and may possibly reject agreement rather than yield on this point. They demand explanations of our refusal to accept provision from which we stand nothing to lose.

2. They object to promising \$40,000,000 purchases and claim that it will be particularly difficult to induce the Soviet Government to grant this point in view of our attitude regarding rebates. We feel, however, that they may yield in the end if they receive satisfaction on most-favored-nation provision and other minor points. In any case they would probably be willing to agree to more than the \$30,000,000 on which they are still insisting.

3. They claim no decision yet taken on limitation coal exports to 400,000 tons but will almost undoubtedly yield on this point if agreement is reached in other requests.

4. They would like a face-saving formula of termination clause which would permit them to abrogate agreement after lapse of 6

⁶⁸ *Ante*, p. 200.

⁶⁹ *Ante*, p. 327.

⁷⁰ *Ante*, p. 333.

⁷¹ Not printed.

months or thereabouts after signature in case they should be required to pay coal tax.

5. Reference paragraph 4, section 2 of Department's telegram.⁷² They would prefer introductory phrase as in American-French agreement immediately preceding list of safeguards but are not concerned as to actual items on list. Thus quotas need not be mentioned.

6. They would like press release about limitation of coal export to contain approximately same phraseology as letter, i. e. to indicate intention on their part rather than outright promise.

Does the Department desire that we should take final position for the future as set forth in Department's cable, risking negotiations on these points, or does it desire give us latitude here to bring matter to speedy conclusion 13th, as expressed by Department's telegram No. 70, June 13 [23], 6 p. m., by advising us what limit of concessions we can make here. It is, of course, understood we will exhaust every effort to obtain complete acceptance categorically as set forth in Department's cable before any concession is made. I feel that we have good chance of reaching agreement speedily if we have latitude to make concessions. Supplementary telegram follows discussing remaining minor points in the Department's telegram which appear to contain no real difficulties.

DAVIES

611.6131/449 : Telegram

The Ambassador in the Soviet Union (Davies) to the Secretary of State

Moscow, July 10, 1937—10 a. m.

[Received July 10—6:30 a. m.]

162. Department's No. 85, July 8, 6 p. m., and my No. 161, July 9, midnight. With reference to other points in Department's telegram under reference I have to report as follows:

1. Department's section 3. Soviet Government has no objection to retaining the Department's wording regarding proclamation by the President but desires to add following phrase to proclamation sentence "and approval by the Soviet of People's Commissars," with arrangements for simultaneous publication [of] proclamation and approval.

2. Department's section 4. Foreign Office states that the following letter would be satisfactory.

"With reference to the agreement concerning commerce between the United States of America and the Union of Soviet Socialist Republics

⁷² Telegram No. 85, July 8, 1937, 6 p. m., *supra*.

which has been signed today, I have the honor to state that the Embassy has been informed that in view of the wording of section 1 of the agreement, the authorities of the Treasury Department of the United States will hold that Soviet coal will be exempt from the excise tax during the 12 months of the agreement, subject, however, to possible adverse action by the courts."

3. Department's section 5. Embassy has suggested the following draft letter.

"In reply to your inquiry regarding the intended exports of Soviet coal to the United States during the ensuing 12 months, I may state, [that] according to information received by me from the People's Commissariat for Foreign Trade, the economic organizations of the Union of Soviet Socialist Republics intend to export to the United States during the year beginning July 13, 1937, not more than 400,000 tons of Soviet coal."

The Foreign Office has of course approved of this draft in form but not, as was pointed out in my telegram under reference, in substance.

4. Foreign Office suggests that if negotiations are not concluded by July 13th, documents should be appropriately predated in order that no gap ensue between the old and new agreements.

DAVIES

611.6131/451 : Telegram

The Ambassador in the Soviet Union (Davies) to the Secretary of State

Moscow, July 10, 1937—3 p. m.

[Received July 10—11:25 a. m.]

163. Department's 85, July 8, 6 p. m., and my 161, July 3 [9], midnight. For the Department's information, the line taken by the Foreign Office with respect to rebates is that while our position yesterday fully and repeatedly explained to them is perhaps legally correct our Government is nevertheless morally responsible for the losses they have sustained through the coal tax by virtue of the fact that we have refused to conclude with them in past years a most-favored-nation agreement of the type now being offered despite their assurances that they were willing to take their chances on obtaining an interpretation of such an agreement exempting their coal from the tax. They feel that if they had been allowed to conclude such an agreement they would, like the Dutch, have enjoyed exemption from payment of the tax at least throughout the last few months. Therefore, in their view the present proposed agreement is only a tardy correction of discrimination exercised against them in the past with respect to the conclusion of a most-favored-nation agreement.

It was thought that the Department might be interested in knowing this since this argument is also being adduced to back up their reluctance to agree to 40 million dollar purchase sum.

DAVIES

611.6131/448 : Telegram

*The Secretary of State to the Ambassador in the Soviet Union
(Davies)*

WASHINGTON, July 10, 1937—4 p. m.

89. Your 161, July 9, midnight. References are to your numbered sections.

Your 1. For reasons outlined in Section 1 of Department's 85, July 8, 6 p. m., which you may use in your discretion as a basis for your explanations of Department's position, the Department cannot accept the bilateral principle in the extension of most-favored-nation treatment, which would alter the basis heretofore adhered to in our commercial agreements with the Soviet Union.

Your 2. While you should make every effort to obtain an undertaking to purchase \$40,000,000 worth of goods the Department does not insist on this figure as a *sine qua non* of an agreement. You should of course endeavor to obtain a figure as near this amount as possible and you should not accept a figure less than \$36,000,000, approximately the amount of purchases during each of the past 2 agreement years.

Your 3. As has been made clear in the Department's 70, June 23, 6 p. m., 77, July 1, 3 p. m., and 85, July 8, 6 p. m., the agreement of the Soviet Government to restrict its exports of coal to the United States to 400,000 tons is a *sine qua non* for the inclusion of the provisions granting unconditional most-favored-nation treatment to imports from the Soviet Union.

It has been ascertained in the strictest confidence that the American importer of Soviet coal and the Amtorg Corporation have recommended the acceptance of the undertaking to limit Soviet coal exports to the United States to 400,000 tons.

Your 4. The Department is prepared to accept a termination clause worded as follows:

"If the law of the United States of America shall not permit the complete operation of the foregoing provisions with respect to the above-mentioned products, the Union of Soviet Socialist Republics reserves the right, within 15 days after January 1, 1938, to terminate this agreement in its entirety on 30 days' written notice."

Your 5. The introductory phrase in the American-French agreement is acceptable. The wording of the paragraph should be as follows:

"Subject to the requirement that no arbitrary discrimination shall be effected by the United States of America against importations from

the Union of Soviet Socialist Republics and in favor of those from any third country, the foregoing provisions shall not extend to prohibitions or restrictions (1) imposed on moral or humanitarian grounds, (2) designed to protect human, animal, or plant life, (3) relating to prison-made goods, or (4) relating to the enforcement of police or revenue laws."

Your 6. The Department prefers the wording to be used in the press release as given in Section 5 of its 85, July 8, 6 p. m. You should point out that the proposed statement does not state that the Soviet Government has promised to restrict its exports of coal to 400,000 tons, but that it has informed this Government that as a matter of fact such exports will not exceed the figure mentioned.

HULL

611.6131/450 : Telegram

The Ambassador in the Soviet Union (Davies) to the Secretary of State

Moscow, July 10, 1937—7 p. m.
[Received July 10—2: 15 p. m.]

165. Your 85, July 8, 6 p. m. Foreign Office has just applied to Embassy with a request for explanations regarding the Department's unwillingness to include in proposed text the paragraph concerning exportations which was included in [article] I of the agreement between the United States and the Netherlands. They would like to have this provision with the natural exception of the last sentence included in the proposed agreement and, as in the case of the other provisions of section 1, urge that it be taken over in the bilateral form. They state that they are anxious to have the agreement as nearly identical with the Netherlands agreement as possible. Would appreciate the Department's suggestions on these points.

DAVIES

611.6131/452 : Telegram

The Ambassador in the Soviet Union (Davies) to the Secretary of State

Moscow, July 11, 1937—8 p. m.
[Received July 11—2: 20 p. m.]

167. Department's telegram No. 89, July 10, 4 p. m. Conference with Foreign Office officials this afternoon has revealed the following.

1. The Soviet Government is prepared to give the letter regarding limitation of exports of coal to 400,000 tons, as submitted in my telegram 162, July 10, 10 a. m.

2. They accept the termination clauses as worded in section 4 of the Department's telegram under reference.

3. They accept the safeguard clause as worded in section 5 of the Department's telegram under reference.

4. With respect to the press release concerning the limitation of coal exports, they would prefer that the letter itself be published or that the release follow its exact language. They state however that they have no objection to any rendering of the contents of the letter which we may wish to give to the press, as long as this is done on our own responsibility and they are not asked to approve it.

5. They have flatly refused to yield on either the question of the unilateral character of the most-favored-nation provisions or on raising the total sum of their promised purchases for the coming year to a figure higher than \$30,000,000. They state that their instructions on these points are definite and categoric, for the present moment.

We have the distinct impression that they do not intend to yield on the question of unilateral most-favored-nation treatment and are holding out on the total purchase sum as a bargaining point. If we were to yield on the character of the most-favored-nation provisions they would probably be willing in my opinion to grant us the \$40,000,000 figure, or something very close to it as a *quid pro quo*.

It was emphasized by the Soviet officials that they themselves were forced to insist on the bilateral feature on grounds of precedent and principle. They further pointed out, however, that it might have a tangible value for us in at least one specific respect, namely, that of the treatment of transit shipments through the Soviet Union. They stated that they had information to the effect that American interests in Afghanistan and Iran had been investigating possibilities of shipping goods across Soviet territory between those countries and the outside world, and they added that, unless most-favored-nation treatment was provided by international agreement, these American interests would have no right to expect it from the Soviet authorities.

Would appreciate further instructions on these points.

6. I should like to make it clear that the Soviet authorities are awaiting a reply from us, independently of the above points, concerning the exportation clause.

DAVIES

611.6131/449 : Telegram

*The Secretary of State to the Ambassador in the Soviet Union
(Davies)*

WASHINGTON, July 12, 1937—7 p. m.

90. Your 162, July 10, 10 a. m. References are to your numbered sections.

Your 1. In view of the Soviet request, the first sentence of section 3 of the agreement should be changed to read as follows: "This Agreement shall come into force on the day of proclamation thereof by the President of the United States of America and of approval thereof by the Soviet of People's Commissars of the Union of Soviet Socialist Republics, which proclamation and approval shall take place on the same day."

Your 2. The Department desires that the wording of the last part of the letter after the words "will hold" be changed to read as follows: "that coal of all sizes, grades, and classifications (except culm and duff), coke manufactured therefrom, and coal or coke briquettes, imported from the Soviet Union will be exempt from the excise tax provided in Section 601 (c) (5) of the Revenue Act of 1932, as amended, subject, however, to possible adverse action by the courts."

This change is desired to make the wording of the letter correspond more closely to the wording involving similar references contained in the Revenue Act of 1932 and in statements received by this Department from the Treasury.

Your 3. You should insert in the draft letter after the words "I may state" the word "that."

Your 4. The Department has no objection to predating the signature of the agreement, but it would not be possible, for technical reasons, to predate the proclamation thereof, the date of which is the date on which the agreement goes into effect.

HULL

611.6131/452 : Telegram

*The Secretary of State to the Ambassador in the Soviet Union
(Davies)*

WASHINGTON, July 12, 1937—8 p. m.

91. Your 167, July 11, 8 p. m. References are to your numbered sections.

Your 4. The Department does not insist that the Soviet Government approve the wording of the press release as given in Section 5 of Department's 85, July 8, 6 p. m., so long as it is assured there is no objection thereto on the part of the Soviet Government.

Your 5. The Department desires that you make every effort to persuade Soviet Government to abandon its insistence on the bilateral basis of the most-favored-nation provisions and to obtain Soviet commitment to purchase \$40,000,000 or thereabouts in accordance with Section 2 of Department's 89, July 10, 4 p. m.

With reference to the question of goods in transit through the Soviet Union, Department desires to point out for your information that at the present time, according to an official Soviet publication (see en-

closure to Embassy's despatch No. 2073, November 17, 1936⁷³), the United States on the basis of its existing agreement with the Soviet Union is listed among those countries receiving most-favored-treatment in this matter. Furthermore, the question of the treatment of goods in transit is not mentioned in the Netherlands Agreement.

The following is for use if necessary in your negotiations with the Soviet officials. While the Department is fundamentally opposed for the reasons previously given to the acceptance of the Soviet proposal with regard to the inclusion of most-favored-nation treatment on a bilateral basis, it should be pointed out that in addition the Department could not agree, at least at the present time, to the insertion of the usual Soviet reservation in regard to certain countries of Central Asia and the Baltic States. The inclusion of such a clause would involve a question of general commercial policy and considerable time would necessarily be required for the consideration of all factors involved particularly since such a clause would probably be considered as a precedent by other countries with which trade agreement negotiations may be entered into by this Government in the future.

Furthermore, if pressed by Soviet officials, you may point out that you are confident that if your Government could be persuaded to accept the bilateral clause in the proposed agreement, it would insist on making its position on this question a matter of record in a written communication, stating that the bilateral clause was included at the request of the Soviet Government and that the extension to the United States of most-favored-nation treatment by the Soviet Union is not regarded by his Government as any part of the *quid pro quo* for the extension of most-favored-nation treatment to the Soviet Union.

Your 165, July 10, 7 p. m., and Section 6 of telegram under reference. Department omitted exportation clause in Section 1 of the proposed agreement because its inclusion would introduce a new element heretofore not present in the previous commercial agreements with the Soviet Union and thereby raise new issues which would require some time for consideration in the Department.

HULL

611.6131/453 : Telegram

*The Ambassador in the Soviet Union (Davies) to the
Secretary of State*

Moscow, July 13, 1937—11 p. m.
[Received July 13—10:20 p. m.]

170. Department's 91, July 12, 8 p. m.

1. Conference with Foreign Office officials reveals that in case they should be granted the bilateral most-favored-nation provisions they

⁷³ Not printed.

would be forced to insist upon exceptions in favor of Turkey, Iran, Afganistan, China (including Sinkiang and Outer Mongolia), Lithuania, Latvia, and Estonia.

It is not believed that they could yield on this point in view of precedent involved.

2. They stated that the question of the exportation clause is a serious one from their point of view. They are not particularly concerned about the reference to export duties but are anxious to obtain most-favored-nation treatment with respect to taxes, rules, and formalities. They profess to fear that the specific omission of this clause might eventually place them in an unfavorable position with respect to judicial or administrative decisions affecting their imports from the United States.

The Department has also doubtless not failed to note the connotations of such a clause with respect to the possible establishment in the United States of any special system or organization for dealing with the Soviet trade monopoly.

3. They have not changed their attitude with respect to the total sum of their purchases.

4. Stating that they were speaking purely hypothetically, they asked us whether we thought that, if they were to postpone for this year their insistence on the exportation clause and the bilateral character of the most-favored-nation provisions, we would be able to sign the agreement today, specifying a total purchase figure of \$30,000,000. We replied, also speaking purely hypothetically, that if they, on the contrary, were to agree to purchase goods to the value \$40,000,000, there might be more point in our exploring the possibilities of finding some compromise solution with respect to the bilateral feature. We emphasized however, that if their exceptions with regard to the Asiatic border and Baltic provinces were to be maintained, the question of bilateral treatment would become even more difficult than it had been heretofore, and that an early solution would be highly improbable.

5. In my judgment agreement might be concluded reasonably quickly on either one of two bases: first, if we are prepared to grant (a) bilateral treatment, (b) exportation clause and (c) exception applicable to Central Asia and Baltic States, they might agree purchase 38 or 40 million; or second, if we are prepared (a) to grant exportation clause and (b) accept purchases ranging somewhere between 36 and 38 million, they would probably accept unilateral agreement. Would appreciate further instructions. Believe prompt follow-up would aid prospects [of] agreement.

DAVIES

611.6131/454 : Telegram

The Ambassador in the Soviet Union (Davies) to the Secretary of State

Moscow, July 14, 1937—9 a. m.

[Received July 14—5:32 a. m.]

171. Department's No. 90, July 12, 7 p. m. Reference made to Department's numbered sections.

1. Text approved by Soviet officials.
2. Changes acceptable to Soviet side.
3. The word was telegraphed from Moscow.
4. It was explained that agreement could enter into effect only on the date of proclamation.

DAVIES

611.6131/455 : Telegram

The Secretary of State to the Ambassador in the Soviet Union (Davies)

WASHINGTON, July 14, 1937—8 p. m.

93. Your 170, July 13, 11 p. m. References are to your numbered sections.

Your 1. For the fundamental reasons previously given and, in addition, in view of the Soviet insistence upon exceptions in favor of certain eastern and Baltic countries, the Department considers that the inclusion of a bilateral clause is definitely out of the question.

Your 3. You should continue to press for a purchase figure as near \$40,000,000 as possible and not less than \$36,000,000 in accordance with Section 2 of Department's 89, July 10, 4 p. m. You should again point out the increased benefits which the Soviet Union will receive from the proposed agreement as outlined in Section 4 of Department's 77, July 1, 3 p. m., namely, unconditional most-favored-nation treatment and the exemption of Soviet coal from tax, which latter will alone result in a financial benefit of approximately \$1,000,000 to the Soviet Government.

Your 2. As stated in the last paragraph of the Department's 91, July 12, 8 p. m., the Soviet request for the inclusion of an exportation clause introduces a new element and raises issues the necessary consideration of which will seriously delay the negotiations. In pointing this out you should make it clear to the Soviet officials that the exportation clause of Article I of the Netherlands Agreement is accompanied by certain essential exceptions embodied in paragraph 2 of Article XI of that Agreement, and that such exceptions would necessarily form part of any exportation clause which might be considered

for inclusion in the proposed Agreement. You should further point out that the present Neutrality Act ⁷⁴ was enacted after the conclusion of the Netherlands Agreement and that, therefore, consideration would have to be given to a possible revision and extension of certain of the reservations made in paragraph 2 of Article XI of that Agreement, since any such reservations made now after the passage of the Neutrality Act would establish a precedent for future agreements.

HULL

611.6131/456 : Telegram

The Ambassador in the Soviet Union (Davies) to the Secretary of State

Moscow, July 16, 1937—11 p. m.

[Received July 17—8:05 a. m.]

176. Department's 93, July 14, 8 p. m. After extended conference yesterday believe it possible to now close promptly agreement, unilateral in character, with commitment for \$40,000,000 purchases, but only if most-favored-nation principle is applied to exports as well as to imports. The Department's objections to the inclusion of such an exportation clause were emphasized repeatedly to the Foreign Office officials. They replied in what appeared to be a fair spirit but insisted upon the principle involved, and expressed the hope that the situation could be worked out in a manner that would meet the requirements of both sides.

The immediate solution which would be acceptable to the [Foreign Office officials?] would be the incorporation into draft of section 1 as contained in the Department's telegram 85, July 8, 6 p. m., of a paragraph which would be a unilateral version of the paragraph concerning exportations found in article I of the Netherlands agreement, excepting the last sentence thereof, followed by the second paragraph of article XI of the Netherlands agreement. They explained, however, that the exact wording of the exportation clause was not of importance provided that the language would assure that they would not be discriminated against or placed in a worse position than other countries enjoying most-favored-nation treatment.

In order to forward the negotiations two alternatives were discussed.

1. That if agreement aforesaid were acceptable to the Department, they would give us a written undertaking that they would not object to any future change in the language of these provisions, provided only that they were not discriminated against and that this understanding could be incorporated [in?] an exchange of notes in which Litvinov's note might read approximately as follows:

⁷⁴ Approved May 1, 1937; 50 Stat. 121.

"In reply to your letter of today's date concerning the possibility that the Government of the United States may find it necessary at some future time to propose the alteration of the provisions of paragraphs (blank) of article I of the commercial agreement number (blank), I beg to state that the Government of [the] Union of Soviet Socialist Republics will raise no objection to any such alteration, provided that it involves no discrimination in the case of natural or manufactured products exported from the territory of the United States of America to the Union of Soviet Socialist Republics as compared with similar products exported to any third country which enjoys most-favored-nation treatment in this respect."

2. If it were desired to secure an early signature of the principal agreement, the exportation clause might be entirely omitted at the present time and the two parties might, through an exchange of notes, agree to work out in the near future a supplementary agreement assuring the Soviet Union most-favored-nation treatment with respect to exportation taxes, rules, regulations, et cetera, with provision for the abrogation of the principal agreement now signed by the Soviet side should the parties fail to reach an understanding on the supplementary agreement within a period of, say, 60 or 90 days, provided notice of such abrogation is given within 10 days after the expiration of such period.

It is my opinion in connection with this exportation clause [that?] with them it is a matter of national pride and that fact coupled with present difficulties will make it exceedingly difficult to secure [any?] further concession with reference to it. In case the Department cannot accept either of these formulas and has any other suggestion for overcoming the difficulty in question I would appreciate it if the Department could supply me with drafts of the Department's proposals, or any suggestions as to further procedure. They were willing to accept any reasonable formula which will assure them against discrimination and, if such formula could be found promptly, we could close the matter at once; or, if it requires time, we can close the principal agreement promptly and agree to provide supplementary agreement later as aforesaid.

DAVIES

611.6131/456 : Telegram

*The Secretary of State to the Ambassador in the Soviet Union
(Davies)*

WASHINGTON, July 17, 1937—2 p. m.

102. Your 176, July 16, 11 p. m. The Department believes that it may be possible to work out here a draft of an exportation clause which will be satisfactory to both sides, the inclusion of which will of course be contingent upon the undertaking for purchases of

\$40,000,000. However, in order that proper consideration may be given to all the factors involved it will not be possible to forward to you the text before July 19. In the meantime it is desired that you ascertain, without commitment on the part of this Government, whether there would be any objection to the addition to the exceptions contained in paragraph 2 of article 11 of the Netherlands Agreement, of a sentence along the following lines: "It shall be understood that any action which may be taken by the President of the United States under authority of article [section] 2b of the Neutrality Act of 1937 in regard to the passage of title of goods shall not be considered as contravening any of the above provisions of this section relating to exportation."

It would be most helpful if the Department could have your reply before Monday.⁷⁵

HULL

611.6131/457 : Telegram

The Ambassador in the Soviet Union (Davies) to the Secretary of State

Moscow, July 19, 1937—11 a. m.

[Received July 19—5:25 a. m.]

177. Department's 102, July 17, 2 p. m. Yesterday was a rest day and no business could be done with the Foreign Office. The tentative addition to the exceptions to the exportation clause, cited in the Department's telegram under reference, was shown this morning to Neymann and Rosenblum. They stated that while they were not in a position to give a final decision on spot they saw no objection to the inclusion of this exception and did not anticipate that there would be any.

DAVIES

611.5131/457 : Telegram

The Secretary of State to the Ambassador in the Soviet Union (Davies)

WASHINGTON, July 19, 1937—7 p. m.

103. Department's 102, July 17, 2 p. m., and your 177, July 19, 11 a. m. The Department is prepared, on the basis of an undertaking by the Soviet Government for purchases of \$40,000,000, to include in the agreement an exportation clause to be inserted in Section 1 of draft as given in Department's 85, July 8, 6 p. m. as follows:

(a) Insert between paragraphs 2 and 3 of Section 1 the following paragraph:

⁷⁵ July 19, 1937.

"Similarly, natural or manufactured products exported from the territory of the United States of America and consigned to the territory of the Union of Soviet Socialist Republics shall in no case be subject with respect to exportation and in regard to the above-mentioned matters, to any duties, taxes, or charges other or higher, or to any rule or formalities other or more burdensome, than those to which the like products when consigned to the territory of any third country are or may hereafter be subject."

(b) Insert before the last paragraph of Section 1 the following paragraph:

"Nothing in this agreement shall be construed to prevent the adoption of measures prohibiting or restricting the exportation or importation of gold or silver, or to prevent the adoption of such measures as the Government of the United States of America may see fit with respect to the control of the export or sale for export of arms, ammunition, or implements of war, and, in exceptional cases, all other military supplies. It is understood that any action which may be taken by the President of the United States of America under the authority of Section (2) (b) of the Neutrality Act of 1937 in regard to the passage of title of goods shall not be considered as contravening any of the provisions of this agreement relating to the exportation of natural or manufactured products from the territory of the United States of America."

If it is possible to conclude negotiations on this basis, please cable Department as soon as possible the exact date on which it is proposed to sign agreement, and whether approval by the Soviet of People's Commissars can be obtained on same date, so that necessary arrangements can be made for simultaneous Proclamation by the President and release of statement to the press here.

HULL

611.6131/461 : Telegram

The Ambassador in the Soviet Union (Davies) to the Secretary of State

Moscow, July 20, 1937—3 p. m.

[Received July 20—11:25 a. m.]

180. Department's 103, July 19, 7 p. m. Foreign Office officials state that they are prepared to conclude agreement on the basis suggested in the Department's telegram under reference, subject to two further conditions. These are:

(1) that first sentence of the paragraph cited in section (b) of the Department's telegram be prefaced with the words: "subject to the requirement that no arbitrary discrimination shall be effected by the United States of America against exportations to the Union of Soviet Socialist Republics and in favor of those to any third country".

(2) that note containing the Soviet assurance with regard to the intention to purchase goods to the value of \$40,000,000 be supplemented with a reservation to the effect that if, as a result of adverse action by the courts, Soviet coal should nevertheless become subject to the excise tax at any time during the 12 months of the agreement, the plans for purchases in the United States will be altered to envisage a figure of only \$30,000,000. They have not yet worked out a draft of the language in which this idea would be embodied, but want to know whether we would object to it in principle.

It should be explained that some days ago they asked us whether it would be possible to add to our letter about the Treasury action on Soviet coal imports a statement to the effect that if the question of Soviet coal were to be decided adversely by the courts, our Government would use its influence to obtain the reversal of any such adverse decision. We told them that such a statement, which would seem to be equivalent to an undertaking on the part of the Executive Branch of the Government to bring pressure to bear on the Judiciary, was out of the question and that the proposal was not even worth telegraphing to Washington. The present suggestion for a conditional undertaking concerning the \$40,000,000 purchase sum is now being made as an alternative to this earlier proposal.

DAVIES

611.6131/461 : Telegram

*The Secretary of State to the Ambassador in the Soviet Union
(Davies)*

WASHINGTON, July 20, 1937—7 p. m.

104. Your 180, July 20, 3 p. m. References are to your numbered sections.

1. The Department cannot agree to the inclusion of the proposed sentence qualifying the exceptions to the exportation clause as given in Section *b* of the Department's 103, July 19, 7 p. m. You should point out that this paragraph relating to exceptions in regard to the export of arms, et cetera, appears without any such qualifying sentence in the Netherlands and French agreements and also in all trade agreements which contain an exportation clause,⁷⁶ concluded under the authority of the Trade Agreements Act.⁷⁷ The Department perceives no reason

⁷⁶ In telegram No. 114, July 26, 1937, 7 p. m., the Department authorized the Ambassador to make such appropriate corrections to Soviet officials as might be required, because the 16 trade agreements that had so far been concluded had all contained an exportation clause with no reservation in respect of the export of arms, except in the agreement with Colombia. This agreement had been concluded on September 13, 1935, before the policy had become definitely established. (611.6131/463) For text of the agreement, see Department of State Executive Agreement Series No. 89, or 49 Stat. 3875.

⁷⁷ Approved June 12, 1934, as extended March 1, 1937; 48 Stat. 943, 50 Stat. 24.

why an exception of this character should be made in favor of the Soviet Union.

The exceptions relating to the export of arms, et cetera, were of course included in our trade agreements with a view to the possible application of the Neutrality Act. Any such qualification as that proposed by the Soviet officials might possibly be construed as a limitation upon the operation of that Act since application of the Act would almost inevitably be considered discriminatory by the countries to which it might be applied.

Your 2. The Department is not disposed to agree to any reservations in regard to the purchase figure of \$40,000,000 which would permit the Soviet Government to reduce this figure in the event of possible adverse action by the courts in regard to the exemption from the coal tax. The Department had considered this question disposed of by the inclusion of the termination clause under which the Soviet Union would be fully protected against this contingency for the first 6 months of the agreement. In view of the limitation on exports of Soviet coal to the United States, it is considered, as a matter of fact, very improbable that any court action would be initiated at all, and even less likely that it would be taken within the limited period of the last 6 months of the agreement.

HULL

611.6131/463 : Telegram

The Ambassador in the Soviet Union (Davies) to the Secretary of State

Moscow, July 22, 1937—10 a. m.

[Received 11:55 a. m.]

183. Department's telegram No. 104, July 20, 7 p. m.

1. Foreign Office officials continue to insist on modification of our exceptions to exportation clause. They say that they have no objections to any exceptions which we may desire to make regarding most-favored-nation treatment with respect to exports in time of war. They point out however that the first of our proposed exceptions as it now stands could be used to justify discrimination against them in peace times with respect to the export of arms, ammunition, implements of war or other military supplies. They say that the phrases "implements of war" and "military supplies" are subject to wide interpretation and may be construed to include a large proportion of the merchandise which they plan to purchase in the United States. They state that if we would agree to add the desired preface to the first of the exceptions cited in section (b) of the Department's tele-

gram No. 103, July 19, 7 p. m., they would not object to the omission from the second of the exceptions of the words "of section 2 (b)", thus exempting from the action of the most-favored-nation clause not only the provisions of that section but all the provisions of the Neutrality Act in their entirety.

2. They continue to insist on the inclusion of a reservation which will permit them to reduce their undertaking from \$40,000,000 to \$30,000,000 in case the courts should decide adversely on the coal tax. They point out that the termination of the whole agreement in case of an adverse decision might be subjected to misinterpretation regarding the state of American-Soviet relations and that they might prefer therefore merely to reduce the amount of their pledge. Their agreement [*argument?*] is that the cessation of the coal discrimination is the only reason for their increasing their pledge and that if it should transpire that this discrimination is to continue, their pledge should be no greater than that of last year. They suggest that their pledge note read as follows:

"In reply to your inquiry regarding the intended purchases by the Union of Soviet Socialist Republics in the United States of America in the course of the next 12 months, I have the honor to inform you that, according to information received by me from the People's Commissariat for Foreign Trade, the economic organizations of the Union of Soviet Socialist Republics intend, provided that the law of the United States of America shall permit the complete operation with respect to imports of coal from the Union of Soviet Socialist Republics into the United States of America of the most-favored-nation provisions embodied in our exchange of notes of July (blank) 1937, to buy in the United States only in the course of the next 12 months American goods in the amount of at least \$40,000,000.

Should the law of the United States of America not permit the complete operation of the above-mentioned most-favored-nation provisions with respect to imports of coal from the Union of Soviet Socialist Republics into the United States of America, it may become necessary for these economic organizations to modify their plans for purchases in the United States of America, as set forth above, but in no case do they intend [to] purchase American goods in an amount less than \$30,000,000."

3. Although they maintained a firm position with regard to both points mentioned above their insistence upon the inclusion of a clause qualifying the reservations seemed to be stronger than that upon the inclusion of a clause giving them the right to reduce the amount pledged. There is a possibility that if some way could be found to satisfy them with regard to the former question they might be induced to yield on the latter.

611.6131/463 : Telegram

*The Secretary of State to the Ambassador in the Soviet Union
(Davies)*

WASHINGTON, July 23, 1937—1 p. m.

108. Your 183, July 22, 10 a. m. References are to your numbered sections.

Your 1. It is utterly impossible for the Department to agree to the Soviet proposals with regard to modifying the exceptions to the exportation clause relating to the exports of arms, etc. While the Soviet proposals might permit the full operation of the present Neutrality Act, this Government could not assume an obligation which might limit the operation of any legislation enacted by Congress in the future with respect to the export of arms, etc. Although it may not be likely that Congress will enact any such legislation within the 12 months of this agreement, nevertheless, the inclusion of the proposed qualifying phrase would constitute a precedent for future agreements. You should emphasize that the policy of this Government in this matter is definitely fixed, as is shown by the fact, already stated in section 1 of the Department's 104, July 20, 7 a. m., that the exceptions relating to the export of arms, etc. appear without qualification in every Trade Agreement containing an exportation clause.⁷⁸

Your 2. The Department is prepared to accept the reservation regarding the right of the Soviet Government to decrease the purchase figure in the event of adverse court action on Soviet coal, if, in your opinion, this concession will result in the speedy conclusion of the agreement. The text of the proposed letter would then be acceptable to the Department, but the word "only" which appears in the first paragraph immediately preceding "in the amount of" is superfluous and should be struck out.

Please ascertain if there would be any objection on the part of the Soviet authorities to the wording of the following statement which would be included in the Department's press release at the time of Proclamation: "the Soviet Government has informed the Government of the United States that the appropriate Soviet economic organizations will increase their intended purchases during the next 12 months from \$30,000,000 to \$40,000,000 worth of American goods, provided the most-favored-nation provisions of the present agreement are completely operative with respect to Soviet coal."

HULL

⁷⁸ See footnote 76, p. 431.

611.6131/466 : Telegram

*The Ambassador in the Soviet Union (Davies) to the Secretary
of State*

Moscow, July 25, 1937—8 p. m.

[Received July 26—7:15 a. m.]

190. Your 108, July 23, 1 p. m.

1. The representatives of the Commissariat for Foreign Trade were unable to be present at the conference held this afternoon.

2. The representatives of the Foreign Office who received us were informed that it was impossible for the American Government to consider proposals calling for the modification of the clause relating to the exports of arms and were given the reasons therefor.

3. They were also told that although the American Government might be willing to consider some reservation with respect to the amount of purchases in case of an adverse court decision it nevertheless felt that since such a reservation would tend to weaken the effect which the agreement would have upon the American public and to draw undue attention to the situation with respect to coal, it would prefer that no such reservation be included.

4. The Foreign Office officials stated that they had another suggestion, namely, that the Soviet Government would agree to set the limit of coal to be exported to the United States at a figure lower than 400,000 tons and that in return for this concession the American Government would agree to omit from its note regarding the ruling of the Treasury the phrase "subject, however, to possible adverse action by the courts" (see Department's telegram No. 90, July 12, 7 p. m.).

5. They were advised that it would be useless to transmit such a suggestion to the American Government since it was clear that the Executive Branch of the Government could make no promise with respect to duties on coal without simultaneously making reservations with respect to such action as the Judicial Branch might take. The Embassy could therefore state at once that there was no use discussing this suggestion.

6. The Foreign Office officials thereupon stated that in the absence of a representative of the Commissariat for Foreign Trade and in view of our refusal to consider their suggestion regarding the omission of the phrase quoted above they could go no further without additional instructions.

7. Since it was apparent that a flat acceptance of their proposal to reduce their purchase commitments in case of an adverse court decision would not at this juncture expedite the conclusion of an agreement we decided that it would be inadvisable to show at this meeting our willingness fully to accept that proposal.

8. We stated our regret that, as a result of new proposals made by the Soviet Government at this stage of the negotiations, the reaching of an agreement had again been delayed. They stated that they hoped after discussions with their superiors to talk with us again tomorrow.

9. It may be stated that Foreign Office appears to be in a state of considerable confusion. Neymann, principal Soviet negotiator, has "unexpectedly gone away on leave" and his colleagues seem uncertain and afraid to take responsibility.⁷⁹

DAVIES

611.6131/471 : Telegram

The Chargé in the Soviet Union (Henderson) to the Secretary of State

Moscow, July 31, 1937—5 p. m.

[Received July 31—4: 55 p. m.⁸⁰]

202. 1. Soviet officials today agreed: (a) to abandon their demands with respect to the exceptions to the exportation clause; (b) to obligate themselves to purchase merchandise in the amount of \$40,000,000 without any reservation with respect to adverse court action; and (c) to change the wording of their assurance with respect to exports of Soviet coal in such a way as to make it correspond closely to the Department's intended press release. We have, therefore, come to a full agreement on all points at issue.

2. It has been tentatively agreed that all the notes are to be exchanged on August 4. Our note of inquiry, however, is to be dated August 2 and the Soviet reply thereto to be dated August 5. The other four notes are to be dated August 4. It has also been tentatively agreed that the proclamation is to be made on August 6.

3. These dates have been worked out in order to permit the Ambassador to sign the notes while in the Soviet Union between his visits to Helsinki and Stockholm. It is hoped that the Department will find them satisfactory since alterations may involve complications.

4. In order that connections may be made with the Ambassador, it is imperative that the telegrams containing the Department's approval reach the Embassy by the morning of August 2.

The full text of the proposed notes is as follows:

[Here follow the drafts of notes which are the same as the final texts except for the minor changes contained in telegram No. 120, August 1, 8 p. m., page 437.]

HENDERSON

⁷⁹ See Embassy's despatch No. 574, September 20, 1937, p. 391.

⁸⁰ Telegram in three sections.

611.6131/472 : Telegram

The Chargé in the Soviet Union (Henderson) to the Secretary of State

Moscow, July 31, 1937—7 p. m.

[Received July 31—2:10 p. m.]

204. Reference my 202, July 31, 5 p. m.

1. Does Department desire to announce signing on August 4 or August 6? Would appreciate being informed regarding exact Washington time of announcement so Foreign Office can make one simultaneously.

2. The following is from the Ambassador:

“American correspondents here are very anxious of having statement from me under Moscow date line. They have been cooperative in preventing the publication of embarrassing deductions from the fact that no agreement has been reached prior to July 13 and I feel that it might be wise to give them some consideration. If in conformity with the practice of preceding years a statement of some kind is to be given here coincident with the announcement of the signing of the agreement by the Department, I would appreciate suggestions as to subject matter or possibly a complete text.

I personally feel that an achievement has been accomplished in obtaining an increase of $33\frac{1}{3}$ percent in Soviet commitments. You will recall that Great Britain in order to obtain increases in Soviet purchases made a long term loan of 10,000,000 pounds. In my opinion the conclusion of a treaty of this kind tends to emphasize the substantial advantages for American industry which your trade agreement policy is achieving. [Davies.]”

HENDERSON

611.6131/471 : Telegram

The Secretary of State to the Chargé in the Soviet Union (Henderson)

WASHINGTON, August 1, 1937—8 p. m.

120. Your 202, July 31, 5 p. m. The Department desires to commend the excellent work of the Embassy in reaching an agreement on so satisfactory a basis.

The full text of notes A and B, as given in your telegram under reference, are approved with the following minor additions and corrections.

(1) In the fourth paragraph of section 1 after the words “any third country” add “or consigned to the territory of any third country” and in the same paragraph, next line, after the words “originating in” add “or consigned to”. These additions are desirable in view of the inclusion of the exportation clause and since they are to the advantage of the Soviet Government there should be no objection to their inclusion.

(2) In the seventh paragraph, second line, undoubtedly due to a garble in transmission, the word "advance" appears. It should, of course, be "adoption".

(3) In the same paragraph in the sentence referring to the Neutrality Act, the word section should begin with a capital S and the numeral 2 should appear without parenthesis followed by a small *b* in parenthesis so as to read "Section 2 (*b*)". In the same sentence substitute "title to goods" for "title of goods".

The enumerations in the eighth paragraph of section 1 should be indicated by numbers and not written out. In signing note A, the Ambassador should sign as "Ambassador Extraordinary and Plenipotentiary of the United States of America" as this title will appear in the President's Proclamation. The text of notes C, D, E and F are approved without change.

The dates suggested in paragraph 2 of section 1 of your telegram under reference are approved by the Department, that is, the signature of the agreement on August 4 with Proclamation by the President and approval by the Soviet of People's Commissars on August 6. The dates to appear on the supplementary notes are also approved. It is assumed that all the necessary arrangements have been made to have approval by the Soviet of People's Commissars on August 6 as this approval must be on same date as the Proclamation.

Your 204, July 31, 8 [7] P.M. To coincide with the Proclamation, the Department proposes to release the statement to the press at 10 A. M. Washington time (5 p. m. Moscow time) August 6, if this hour is agreeable to the Soviet Foreign Office. In view of the fact that the press release here will not be issued until 2 days after the signature of the agreement, the Department is most anxious that no publicity be given to the agreement in this interval.

With reference to the statement to be made by the Ambassador to the American correspondents in Moscow on August 6, it is preferred that he follow the same procedure adopted last year, as indicated in paragraph 1 of Department's No. 99, of July 10, 1936, 5 P.M.⁸¹ and rather than give out a prepared statement that he supply the American journalists with the following pertinent data:

(a) The Soviet Government has informed the American Government that the Soviet economic organizations intend to purchase during the next 12 months American goods to the value of at least \$40,000,000. This is an increase of 331 $\frac{1}{3}$ percent over the \$30,000,000 which was the intended annual amount of such purchases under the previous agreement of July 13, 1935,⁸² and an increase of 2331 $\frac{1}{3}$ percent over the \$12,000,000 which was the average annual value of American products exported to the Soviet Union in the 3 calendar years, from 1932 to

⁸¹ *Ante*, p. 342.

⁸² See pp. 192 ff.

1934, inclusive, preceding the agreement of July 13, 1935. It may be noted in this connection that the value of American products actually purchased by the Soviet Union under the previous agreement substantially exceeded the value of its intended purchases, amounting in each of the 2 agreement years to more than \$37,000,000.

(b) As shown by American customs returns, the value of the imports into the United States from the Soviet Union during the 11 months ending May 31, 1937, amounted to \$21,186,265, as compared to \$20,701,652 for the entire first year of the previous agreement. This is 150 [*sic*] percent and 168 [*sic*] percent of the imports in the pre-agreement years ending June 30, 1935, and June 30, 1934, respectively. The value of the imports in those years was \$14,000,000 and \$12,500,000, respectively.

(c) The United States undertakes in the new agreement to extend unconditional most-favored-nation treatment to the commerce of the Soviet Union. This means, of course, that the Soviet Union will continue to receive the benefits of the duties proclaimed by the President of the United States pursuant to trade agreements entered into under the authority of the Trade Agreements Act of June 12, 1934.

(d) You may express your gratification with the increase in the trade between the United States and the Soviet Union which has taken place during the 2 years of the previous agreement and the hope that the new agreement will result in further marked development in the trade between the two countries.

(e) It should be pointed out, incidentally, to the American journalists that the new agreement, like the previous one, is not a trade agreement entered into under the authority of the Trade Agreements Act of June 12, 1934, but that it is one of many executive agreements pertaining to international commercial relations entered into under the authority of the President.

HULL

611.6131/474 : Telegram

The Ambassador in the Soviet Union (Davies) to the Secretary of State

Moscow, August 4, 1937—1 p. m.

[Received August 4—10:05 a. m.]

209. 1. Notes exchanged at noon today. With respect to wording and punctuation they are precisely like the notes set forth in my telegram 202, July 31, 5 p. m., altered in accordance with the Department's 120, August 1, 8 p. m., and 121, August 3, 1 p. m.,⁶⁸ and with the following additional alteration: Litvinov in signing his

⁶⁸ Latter not printed.

notes personally insisted on changing the last "in" in his note of August 5 to "to", so that the phrase now reads "to the amount of at least \$40,000,000."

2. Litvinov signed "M. Litvinoff" without using any title.

DAVIES

[The text of the agreement effected by exchange of notes signed August 4, 1937, approved by the Soviet of People's Commissars of the Union of Soviet Socialist Republics on August 6, 1937, proclaimed by the President of the United States on August 6, 1937, and effective on August 6, 1937, is printed in Department of State Executive Agreement Series No. 105, or 50 Stat. 1619. For text of press release issued by the Department August 6, 1937, see Department of State, *Press Releases*, August 7, 1937, page 73.

By Treasury Decision No. 49118 of August 9, 1937 (2 *Fed. Reg.* 1386), the importation of coal from the Soviet Union was exempted from the tax on the import of coal by virtue of the most-favored-nation provision in this commercial agreement signed August 4, 1937.]

DIFFICULTIES FROM SOVIET AUTHORITIES INTERFERING WITH THE PROPER FUNCTIONING OF THE AMERICAN EMBASSY IN MOSCOW

123 Davies, Joseph E./37

*Memorandum by the Chargé in the Soviet Union (Henderson)*⁸⁴

A Soviet official⁸⁵ who is generally considered to have been chosen to act as a direct intermediary between the Kremlin and the American Embassy in Moscow asked if he could have lunch with me on January 15, 1937, to discuss certain matters of importance. During the lunch he stated somewhat as follows:

"The Kremlin has issued a directive to Mr. Litvinov to the effect that the People's Commissariat for Foreign Affairs shall treat Mr. Davies, the new Ambassador, with the utmost consideration and courtesy and that it shall endeavor to see that he receives similar treatment from Soviet officials with whom he may come in contact who are not in that Commissariat. Any irritations which may have arisen during the past three years are to be forgotten and a new book in the relations between the Embassy and the Soviet Government is to be opened.

"The Soviet Government is glad that the American Government has named as Ambassador to the Soviet Union someone who, it is under-

⁸⁴ Transmitted to the Department by the Chargé in his despatch No. 2200, January 16, 1937; received February 9.

⁸⁵ Boris Sergeyeovich Steiger, whose official status was somewhat indefinite, although he was consultant to the Committee for the Affairs of Art. He was arrested during the night of April 17-18, 1937, and executed with six other officials on December 20, 1937.

stood, will approach his work in an objective spirit. It is difficult to say which is worse—an Ambassador who comes to the Soviet Union with a feeling of antagonism or one who does so full of sentimental friendliness. Probably the former is better since he will not be expecting exceptional treatment or personal favors and can be dealt with on a strictly business basis. Almost without an exception Ambassadors or Ministers who have come to the Soviet Union with an attitude of sentimental friendliness have in the end become embittered when they have discovered that such an attitude is embarrassing to the Soviet authorities who can not afford to treat them in a manner markedly different from the manner in which it treats other Chiefs of Mission.

“I hope that you will make two suggestions to the new Ambassador:

1. That he will not take seriously the critical remarks which the members of the Diplomatic Corps are certain to make to him regarding the Soviet Union; and

2. That he approach his tasks in a quiet and unobtrusive manner and not permit small irritations to influence him against the Soviet Union until he may have had time to form balanced opinions for himself.”

I assured the Soviet official in question that I appreciated the spirit in which he made the suggestions to me and would bear them in mind during the course of my conversations with the Ambassador. At the same time, I told him that Mr. Davies had had a wide and varied experience and I was sure that his instinctive judgement and balance were such that he would not be inclined to be unfriendly in his approach to the Soviet Government or to be sentimental in his dealings with Soviet officials or institutions.

124.61/111

The Chargé in the Soviet Union (Henderson) to the Secretary of State

No. 302

Moscow, May 14, 1937.

[Received May 25.]

SIR: I have the honor to attach hereto, as of possible interest to the Department, a memorandum⁸⁶ prepared by Mr. Thayer, of this mission, describing the discovery by Mr. Huntowski, the naval electrician's mate, on duty in this mission, of wires which cannot be accounted for, in the attic of the Ambassador's residence directly above his office.

It will be observed, from an examination of this memorandum, that the wires in question were suspended in the walls of the Ambassador's room so that the ends of them were not more than eight feet from his chair. The nature and position of the wires were such that, in the opinion of Mr. Huntowski, they would not have been used in connection with a buzzer, bell, or telephone system. Both Mr. Thayer and

⁸⁶ Not printed.

Mr. Huntowski are inclined to believe that during recent months some person has used the portion of the attic in which the wiring was found, in order, with the assistance of a microphone, to overhear conversations taking place in the Ambassador's office.

In this connection, it should be pointed out that Mr. Davies was accustomed to dictate a large portion of his correspondence while sitting at the desk in the office in which the microphone equipment was apparently suspended, and also there to receive members of his staff, foreign diplomats, journalists and other persons.

The discovery of the wiring and other traces of eavesdropping is being kept secret and it is hoped that following the Ambassador's return it may be possible to ascertain whether or not Soviet agents have actually been endeavoring from the attic to listen to the various important and frequently confidential conversations which have taken place in the Ambassador's office.

I may state, in this connection, that Mr. Hampel, the naval electrician who left Moscow several weeks ago, has been diligent, in my opinion, in endeavoring to discover hidden wires. I know that in the month of February he particularly examined the walls of the Ambassador's office. It is quite possible, however, that the eavesdropper could pull out a microphone when the examination was taking place and lower it again after the examination had been completed. Furthermore, the wiring was so cleverly concealed in the floor of an out-of-the-way nook of the attic that its discovery would be very difficult. In fact, it is doubtful if Mr. Huntowski would have come across it if he had not noticed the fairly fresh cigarette stubs lying near it.

Respectfully yours,

LOY W. HENDERSON

661.11241/13

Memorandum by Mr. Bertel E. Kuniholm of the Division of Eastern European Affairs

[Extracts]

In general, the problem of free entry of goods for diplomatic officers stationed at Moscow presents no major difficulties. Members of the Embassy staff have always received the merchandise they have ordered, and, except in the case of arms and munitions, no shipments have been withheld by the authorities thus far. No import duties have been levied.

However, if and when consulates are to be opened in the Soviet Union outside of the city of Moscow, the question of customs privileges for consular officers will necessarily require careful attention on the part of this government. In spite of the hardships inherent in a situation requiring the conduct of foreign relations under a white flag,

diplomatic officers in Moscow do receive special treatment and consideration. Consular officers are not so favored. Since the problem of attending to the simple business of living requires so much more time and effort in the Soviet Union than elsewhere, it is incumbent that freedom from unnecessary discomfort and irritation on the part of an arrogant and belligerent Soviet bureaucracy in some measure be assured our consular representatives.

On the other hand, the question of export duties levied at the time of departure from the Soviet Union is a point at serious issue, and one which has been the principal sour note in the relations of the Embassy staff with the Soviet customs authorities. The facts with respect to this question are the following:

At the time of departure of Ambassador Bullitt from the Soviet Union,⁸⁷ a minute inspection was made by the Soviet customs authorities of his furniture, furnishings and effects. Although this was in conformity with established procedure in the case of previously transferred subordinate personnel of the Embassy staff, it was hardly to be expected that a chief of mission were not to be extended the courtesies by usage customary upon departure from a post of duty. Under the circumstances Ambassador Bullitt addressed an informal note to Mr. Krestinski, Acting Commissar for Foreign Affairs, inviting the attention of the latter to the facts at issue.

Mr. Bullitt ventured to suggest that the practice of inspecting baggage of departing diplomats was perhaps not in the best taste and open to serious abuse. He observed that the inspection upon which the Soviet Government insisted was for the purpose of levying an export duty on articles purchased in the Soviet Union. Mr. Bullitt pointed out that it was the practice in all countries which levy export duties to exempt from payment of such duties bearers of diplomatic passports, and to accept from diplomats—in lieu of inspection—certificates that articles to be exported were for personal use and not for sale. He suggested that no harm would come to the Soviet Union if a similar rule were to be adopted. The Ambassador requested in written form a statement of the policy of the Soviet Government in this respect, so that the Government of the United States might consider its policy with respect to the question at issue with full knowledge of the facts.

Two months later, on July 17, 1936, the Commissariat for Foreign Affairs made reply to the Ambassador's note, merely transmitting a text of the rules established for the clearance through customs of the goods and baggage of the members of the Diplomatic and Consular Corps in the Soviet Union. It was officially stated in the note accom-

⁸⁷ Ambassador Bullitt crossed the border leaving the Soviet Union on May 16, 1936.

panying the text that these rules were established and made applicable to the Soviet Union effective February 16, 1933. . . .

Particularly obnoxious and unpleasant are the actions of the various categories of customs inspectors at the time of departure of officers who have been transferred from Moscow. Inspection is insisted upon, even in the case of Chiefs of Mission. The customs officers watch the packing of every article. Inspection of those entitled to diplomatic privileges, that is, those on the diplomatic list, is effected at home,—not at the customs house. In addition to the regular inspectors, there are also present, at some time during the packing, representatives of “Glavlit” (Office of Affairs concerning Literature and Publications), of the People’s Commissariat for Education of the RSFSR,^{87a} which, in addition to its other functions, acts as a bureau of censorship. Officers of this organization inspect all books and publications of the diplomatic officer. All books published in the Soviet Union subsequent to the Revolution are allowed to pass without duty and without question, excluding so-called banned publications. Books published abroad subsequent to the Revolution are also exempt from duty. Books published in Russia prior to 1917 are subject to duty, and are assessed by these representatives of “Glavlit” according to their own tariff. Books published abroad prior to 1917 may be allowed to pass, at the discretion of the Chief of Customs, free of duty, on rare occasions. Generally, however, these latter are subject to the same regulations as books published in Russia prior to the Revolution.

In the case of works and objects of art, special representatives are dispatched from the “Antiquariat” section of the People’s Commissariat for Foreign Trade. These formerly operated under the direction of the “Torgsin”⁸⁸ stores. They examine every object of value, and set appraisals corresponding to their own tariffs.

In all of the foregoing categories it must be proved that only such merchandise, goods and effects which were taken in by the officer are also being taken out. If articles were purchased within the Soviet Union, for rubles, an export tax must be paid, equal to 100 percent, or more. It behooves the officer, therefore, upon arrival in the Soviet Union, to open all of his packing cases in the presence of customs officers and have everything listed and checked as on an inventory. This means that every book, every phonograph record, every piece of jewelry, etc., must be listed, so that subsequently everything can be identified. This necessitates a tremendous amount of work, in fact,

^{87a} Russian Socialist Federated Soviet Republic.

⁸⁸ All Union Combine for Trade with Foreigners, having stores which sold merchandise for foreign currency only at the rate equivalent of the noncirculating gold ruble. These stores were ordered to be abolished effective February 1, 1936.

several days of typing, etc., making out duplicate lists in several copies, by the officer himself.

The so-called import registration book,⁸⁹ besides being an irritant and annoyance of no mean proportions, can be, of course, a most dangerous weapon, if used unscrupulously by the Soviet Government. If possible, in future negotiations for a consular convention, an effort should be made to abolish this provision of the law.

Another matter which would well be taken up in connection with customs procedure, is the present treatment of goods upon arrival at customs. Each package or box is immediately opened at customs before notice is sent to the consignee. Very often this is done carelessly and clumsily, and merchandise is often damaged. The actual examination could much better and more safely be accomplished if the consignee or his agent were actually present during these formalities.

The importation of arms and munitions is always a cause for prolonged and arduous negotiations with customs. Permission must be obtained from the Commissariat for Internal Affairs, through the Foreign Office, in each case. Complete information, including calibres, gauges, munitions serial numbers, etc., must be furnished for each weapon.

At the final customs inspection in the case of a transferred and departing diplomat, each box and case is tied with rope (purchased by the diplomat) in each direction, and the knot at juncture sealed with a customs lead seal. No box or case will be permitted to leave any frontier unless fastened and secured in this manner. These formalities, as all others in the same category, may be effected at the home of the officer. Clerks and others, not entitled to customs courtesies, must submit to the foregoing inspection and sealing at the customs house.

[WASHINGTON,] May 26, 1937.

124.61/114

The Ambassador in the Soviet Union (Davies) to the Secretary of State

No. 478

Moscow, August 10, 1937.

[Received August 21.]

SIR: With reference to despatches Nos. 302 and 383, of May 14, and June 18, 1937, respectively,⁹⁰ from this Embassy, I have the honor to enclose a memorandum⁹¹ describing recent developments concern-

⁸⁹ A special book of registration in which was specified the amount of duty that would be rebated annually by the Soviet authorities to each Chief of Mission. All amounts in excess of this quota were supposed to be payable, although in practice the Soviet Government usually did not endeavor to collect these duties.

⁹⁰ Despatch No. 383 of June 18, 1937, not printed.

⁹¹ Not printed.

ing the installation of a microphone in the Spaso House, the Ambassador's residence.

Since the writing of the last despatch under reference, a microphone has been found and photographed but has since been removed by persons unknown. One member of the Ambassador's household who has long been under suspicion has been discovered in the attic on a questionable alibi.

At present investigations are being continued with a view to determining the identity of the person installing the microphone.

Respectfully yours,

For the Ambassador:

LOY W. HENDERSON

First Secretary of Embassy

124.61/119

Memorandum by Mr. George F. Kennan of the Division of European Affairs

[Extracts]⁹²

THE POSITION OF AN AMERICAN AMBASSADOR IN MOSCOW

I. SCOPE OF ACTIVITY

Soviet policy in general

When this Government has sent Ambassadors to the Soviet Union it has had a right to expect that they would be welcomed with something more substantial than formal words and that they would be accorded by the Soviet authorities that measure of cooperation which is essential if their missions were to contribute to advancing American-Soviet relations. But the experience of the two Ambassadors⁹³ who have represented the United States in the Union impels one to the conclusion that the Soviet Government has made it a policy to place every possible restriction on the activities and contacts of foreign missions in that city. The Soviet leaders appear to welcome the presence of foreign envoys in Moscow as something contributory to Soviet prestige; but they make it very evident that in their opinion these envoys—like well-trained children—should be seen and not heard.

In this they have little cause to fear retaliation on the part of foreign governments. The Soviet diplomatic missions abroad constitute only one (and not always the most important) of the channels through which Russia's foreign affairs are directed. The situation in many countries—and particularly in the United States—is such that it is an easy matter for Moscow to circumvent the governments of these coun-

⁹² For another section of this memorandum describing the growth of the anti-foreign campaign in the Soviet Union and its impact upon the American Embassy in Moscow and its activities, see p. 398.

⁹³ William C. Bullitt and Joseph E. Davies.

tries and to deal directly with private individuals, firms, and organizations. It has its trade delegations, its local communist parties, its foreign newspaper correspondents, and its various disguised agents, to help it in these efforts. Thus the Soviet leaders have been able to proceed to curb the scope of activity of the Moscow diplomatic corps, confident that no retaliatory measures which might follow could effectively disturb their own business with the outside world.

The Foreign Office

In Moscow, as in every other capital, the Ambassador of course enjoys the formal right to have interviews with officials of the Foreign Office. Litvinov himself is relatively seldom to be found there. He spends a great deal of his time abroad, attending sessions of the League of Nations bodies, international congresses, et cetera. He seems to find it advantageous to conduct as much as possible of his diplomatic business directly with the ministers and other leading officials of the European foreign offices; a system which obviates the necessity of taking his own ambassadors or those of other countries into his confidence.

When he can be found in Moscow, Litvinov has frequently shown a reluctance to discuss topics other than those he considers to be major political matters. These seem at present to be the success or failure of efforts to induce other states to take strong measures against Germany, Italy, and Japan. The result is that few of the current problems of Soviet-American relations attract his interest. The same has been generally true of his principal assistants.

The minor Foreign Office officials, to whom most questions of Soviet-American relations are relegated, are not people with whom an Ambassador could have extensive dealings without prejudicing his official and personal dignity. They are largely lacking in influence and they are uncommunicative on principle. The high mortality rate to which they have been subject during the last few years, in the sense of arrest, disgrace, and exile, has done nothing to increase the cordiality and openness with which those who have survived greet the visiting diplomat. In their conversations there is apparent the fear that their rooms contain dictaphone installations. They work in an atmosphere where a resounding rebuff to a capitalist diplomat bears a certain tinge of the heroic, while personal cordiality with a member of a foreign diplomatic mission is a stepping-stone to disgrace and exile. They are given more work than they can possibly do, and develop callousness in the face of the complaints of thwarted and unsatisfied diplomats.

III. PRACTICAL RESULTS OF THE PRESENT SYSTEM

A number of important questions came up for discussion following the establishment of diplomatic relations between the United States

and the U. S. S. R. These matters were: the question of debts and claims, the desire of this Government to construct an Embassy in Moscow, certain questions involving the functioning of the mission in Moscow, and the question of interference in American internal affairs on the part of the Communist International. All of them were the subject of conversations which terminated unsatisfactorily from the point of view of this Government.

The outcome of the controversy over debts and claims is too well known to require restatement here.⁹⁴

In the matter of the construction of an Embassy⁹⁵ the Soviet Government, by refusing to give assurances regarding the cost in dollars of labor and materials needed for construction, made it impossible for this Government to proceed with the execution of this project. The result is that the staff and chancery are still housed in unsatisfactory quarters on a short term lease.

At the time the Embassy was established the purchase of local currency through the ordinary official channels for the needs of the mission and the members of the staff was precluded in practice for the reason that the official rate of exchange of the ruble bore no relation to its buying power. If local currency had been purchased at the official rate the cost of operating the mission and the cost of living for members of the staff would have been prohibitive. For this reason the Ambassador sought to effect arrangements which would permit members of the mission to obtain local currency for official and personal uses through the Soviet Government at a reasonable rate of exchange. He was assured orally by certain Soviet officials that arrangements of this sort would be made. In the end, however, the Soviet Government refused to take any practical steps in this direction. As a result, the mission has been forced to obtain its supplies of local currency from sources outside the country, at rates of exchange which fluctuate highly. It is this situation which is primarily the cause of the difficulties now being experienced with respect to the upkeep of the mission and the compensation of the staff in Moscow.

The Soviet Government declined to allow this Government to determine the districts of its consular offices in the Soviet Union. Since it refused to permit the Consulate General at Moscow to exercise consular jurisdiction over the entire Union, that office was abolished in February 1935⁹⁶ and no consular office has been maintained in the Soviet Union since that time.

The presence of an American Ambassador in Moscow has apparently led to little if any change in the activities carried on in the

⁹⁴ For failure of the negotiations in regard to claims and credits, see pp. 166 ff.

⁹⁵ Concerning the inability to reach satisfactory arrangements for the construction of an Embassy building in Moscow, see pp. 268 ff.

⁹⁶ See Department's telegram No. 27, February 6, 1935, 2 p. m., p. 177.

United States by the Communist International. In 1934 [1935] this Government was compelled to make formal protest in connection with the meetings in Moscow at the VII All-World Congress of the International.⁹⁷ Despite this protest there is evidence that Soviet leaders are continuing to exercise authority over a certain political group in this country and are requiring members of this group to serve political interests which have nothing in common with those of the United States.

In addition to these outstanding problems there have been a number of other points of contact in which the attitude of the Soviet Government has manifested itself.

In the field of commerce definite progress has been made since the establishment of diplomatic relations toward the recovery of that share of Russia's imports (approximately 20%) which the United States enjoyed during the late twenties but which had been largely lost by 1933. Because of the general decline in Soviet foreign trade, the actual volume and value of trade is of course still considerably below what it once was, yet the commercial agreements concluded with the Soviet Government have given American-Soviet trade a stability which it lacked before recognition.⁹⁸

Although the general trend of the trade has been satisfactory, many of the practices of the Soviet Government have proved irritating to American business men and the Embassy frequently has been called on to give advice and assistance in this connection. It is believed that in many instances the Embassy's services in this field have been very useful to American interests. The Soviet Government, however, still clings to practices and methods of doing business which frequently arouse resentment in foreign countries. An example of these practices is provided by the efforts which are frequently made by Soviet officials to utilize business connections in order to get possession of foreign plans, charts, and diagrams, by the use of which Soviet factories can themselves undertake production of commodities previously purchased abroad. In 1935 written assurances were given by the Soviet Foreign Office to the Embassy to the effect that American nationals about to depart from the Soviet Union would be permitted to be present during the examination by the Soviet customs of drawings, plans, and similar documents in their possession.⁹⁹ Nevertheless, in the current year we have witnessed the violation of these assurances in the case of engineers of the Radio Corporation of America working

⁹⁷ For correspondence on this subject, see pp. 218 ff.

⁹⁸ For correspondence concerning the commercial agreement between the United States and the Soviet Union effected by exchange of notes signed August 4, 1937, see pp. 405 ff.

⁹⁹ See footnote 46, p. 394.

in the Soviet Union and the retention by Soviet authorities of drawings, plans, et cetera for periods long enough to permit copies to be made. There is good reason to believe that papers taken by the Soviet authorities from American citizens have led to the infringement of important American patents.

In the field of general protection of the welfare and interests of Americans in the Soviet Union, the United States has fared no worse than any of the other great powers which have recognized the Soviet Union, and considerably better than most of them. In particular, we have been spared the problem of numerous arrests—with subsequent detention incommunicado—of our nationals on vague political charges.¹ Nevertheless, the control of the movements and activities of individuals in the Soviet Union and the methods through which this control is exercised are such that a great many appeals have been made to our representatives to assist Americans in cases where the latter considered themselves to have been mistreated.

A very common source of complaint has arisen in connection with visas to American citizens. Difficulties in this field have been increasing with the increase in suspicion of—and hostility towards—foreigners in general. Soviet officials have shown themselves extremely dilatory in passing on visa applications. It is not unusual for Americans who are willing to pay for the telegraphic handling of visa applications to wait several weeks before receiving a reply. Time after time, Americans traveling in Europe have applied for visas at the Soviet Embassy or Consulate General in a certain city, have been unable to await the issuance of a visa, and have proceeded to some other point after having received assurances that the visa would surely be waiting for them there, only to find that the Soviet mission in the second city knew nothing whatsoever of the matter. During the past summer, many cruise passengers who had been granted Soviet visas were held up at Soviet ports and were refused permission to go ashore during the vessel's stay. No satisfactory explanation of this treatment was forthcoming from the authorities nor were the efforts of the Embassy to assist these people always successful.

Even officers of the Embassy in Moscow and other bearers of American diplomatic passports have at times experienced considerable difficulty in obtaining visas to enter the Soviet Union. Although officials of the Soviet Embassy in Washington have stated that visa applications of bearers of American diplomatic passports do not have to be referred to Moscow, the American Military Attaché at Riga was held up for months during the past summer waiting for action on his application for a Soviet visa. Similarly, Mr. Page, also of the Legation at

¹ For commencement of such arrests and detention of American nationals by the Soviet Government, see pp. 491 ff.

Riga, was forced to postpone his departure for his new post at Moscow because of the failure of the Soviet Legation in Riga to act on his visa application over a period of several days.

The Embassy at Moscow has had to investigate a large number of visa difficulties and to extend whatever assistance it could to the Americans involved. The officers of the Embassy have the impression that the officials of the Foreign Office to whom they are compelled to address themselves are powerless to influence the action of the authorities in most of the cases, and that the matter is almost entirely in the hands of agencies—presumably the secret police—to which the Embassy has no access.

In these matters there is quite evidently no desire to discriminate against Americans, who are generally treated no worse, and sometimes considerably better, than nationals of other countries. Nor is there any reason to believe that instances of this sort represent a deliberate policy of the Foreign Office. On the contrary, it is probable that they are frequently as much of a nuisance to the Foreign Office as they are to the foreign missions. But the helplessness of the Foreign Office, which seems to act merely as a shock absorber against the protests of foreign powers, can not be regarded as relieving the Soviet Government of responsibility for an attitude toward the outside world which it has itself inculcated into the minds of Soviet officials.

[WASHINGTON,] November 24, 1937.

661.11241/15 : Telegram

The Chargé in the Soviet Union (Henderson) to the Secretary of State

Moscow, November 30, 1937—9 a. m.

[Received November 30—8:45 a. m.]

310. Referring to Department's instruction No. 840, October 8, 1936.²

1. The Foreign Office has recently given this Embassy and other Missions to understand that the practice with respect to levying export duties on the effects of departing foreign diplomats will henceforth be as follows:

(a) All effects except those accompanying as baggage are to be inspected by the customs authorities.

(b) Inspection will be made at the residences of Chiefs of Mission and Counselors but effects of all other members of diplomatic missions must be inspected at the customs house and packed there under the supervision of the customs authorities and sealed by them.

(c) All effects except those which the owners are able to convince

² Not printed.

the customs authorities were imported by them will be subject to export duty.

(d) Export duties will be waived in the case of Chiefs of Missions although in lieu of such duties they will be required to pay an "appraisal fee" amounting to 3% of the determined export value of all dutiable effects.

2. This practice differs from the former practice in that hitherto effects of all persons on the Diplomatic Corps [list?] have been inspected, packed and sealed in their residences and Chiefs of Missions have not been required to pay appraisal fees. Past efforts to force Chiefs of Missions to pay export duties have usually been unsuccessful and have resulted in the effects under dispute being passed free of duty.

3. Experiences of departing members of the staff not on the Diplomatic Corps list who have been compelled in the past to have their effects examined and packed in the customhouse have been that

(a) They have not received prompt attention or courteous consideration while undergoing inspection. Several of them have spent days in the crowded and poorly organized inspection rooms while customs officers have leisurely examined their effects.

(b) Their effects have remained unguarded and exposed to dust, vermin and disease germs in the disorderly inspection rooms which are full of miscellaneous effects of all kinds.

(c) The facilities and atmosphere of the inspection rooms are such as not to be conducive to careful packing.

4. The members of the Diplomatic Corps are in general indignant at the announced ruling and a movement is under way headed by the French and British Embassies to formulate a protest to be adhered to by all diplomatic missions and presented by the Dean of the Diplomatic Corps. Pending the receipt of instructions I have refrained from indicating what the attitude of this Embassy would be towards such a joint protest.

5. Since Dr. Rumreich who is listed as an attaché and Mr. Durbrow are leaving Moscow in the immediate future the question arises as to whether or not the Embassy will submit without protest to their effects being inspected and examined in the customhouse. Although I fear that a protest even though vigorous in wording would have little effect upon the Soviet internal authorities who are showing even less inclination than heretofore to treat representatives of foreign governments with the consideration and courtesy prescribed by international custom and practice, I feel nevertheless that the American Government should not acquiesce other than under vigorous protest to the treatment which the Soviet Government contemplates giving to members of this Embassy under the new procedure.

6. Telegraphic instructions would be appreciated.

HENDERSON

661.11241/15 : Telegram

The Secretary of State to the Chargé in the Soviet Union (Henderson)

WASHINGTON, December 4, 1937—noon.

189. Your No. 310, November 30, 9 a. m. It is assumed that the Embassy is familiar with circular instruction dated August 19, 1937, diplomatic serial no. 2829,³ setting forth exemptions from taxation and customs duties enjoyed by foreign diplomatic and consular officers in the United States. It is apparent from this instruction that the practices described in your telegram are not employed by this Government.

With reference to the inspection of effects, the Department is unable to perceive how a system of inspection at the customs house which can only involve expense and delay to the officers to whom it is applied, which can not but result in great inconvenience and irritation, and which does not evidence proper regard for the dignity of the diplomatic office, will serve the interests of the Soviet Government or any agency thereof.

The Department is not aware of any principle of international law that would justify the levying on effects acquired by a chief of mission and taken by him out of the country of any tax, regardless of what the tax may be called. Furthermore, the imposition of such a tax is regarded as being contrary to the long established practice of civilized nations.

Should the chiefs of mission in Moscow decide to make a joint protest please telegraph the pertinent parts of it before you associate yourself with it.

HULL

124.611/344

Memorandum by the Assistant Secretary of State (Messersmith)

[WASHINGTON,] December 30, 1937.

The Soviet Ambassador⁴ came to see me on December 29 and said that he understood that I had to do with our foreign buildings program. We had acquired in Moscow, through the cooperation of the Soviet Government, some years ago, a plot of ground very favorably and suitably located for the erection of a combined office building of our Government. The site was one of the best in the city. He knew it very well and could say that it was unquestionably one of the best building sites for this purpose in Moscow. It was so considered also by his Government and by other diplomatic missions there.

³ Not printed in this volume.⁴ Alexander Antonovich Troyanovsky.

The Ambassador continued that we had apparently made plans to build a building but had abandoned them as no progress had been made for some time. The Soviet Government was very much interested in knowing whether we had any plans to do anything in the near future; it was too good a piece of ground to lie idle, and he intimated that if we did not use it the Soviet Government would be very glad to have it for the erection of a building for its own purposes. He also said they were somewhat embarrassed as several other missions, knowing that we were not doing anything, were expressing an interest in acquiring this property and his Government was at a loss to know what to reply.

In résumé, he was interested in knowing whether we were planning to proceed with building on this plot in the near future, and if in case not, we were prepared to let the site go.

I replied to the Ambassador that the fact that I could not give him very definite information would perhaps indicate to him in itself that the Moscow project was for us at present an inactive one. This I said, however, was due, I believed, to no fault of our own. I had come into the Department in July of this year, and I had given little study to the Moscow project as I understood that we had not been able to make any progress on it due to difficulties which seemed to come wholly from the Soviet authorities. We had become interested in this site in good faith, and an adequate sum out of moneys appropriated by Congress for the foreign buildings program had been allocated for the Moscow project. When we tried to proceed, my understanding was that the Soviet Government made so many difficulties of a technical and other character with respect to actual building operations and materials that our Government had been forced to give up all thought of the project for the present. I was not able to speak more definitely than that I said, as for the foregoing reason the project was not an active one and I had been giving my attention to those projects on which we could make progress. I would be very glad, however, to go into the matter and give him as soon as I could as definite information concerning our intentions as was possible. The Ambassador said that he would be glad to have any information concerning our plans for the Moscow building which we could give him.

I then said to the Ambassador that in an entirely personal way and in no sense speaking officially I could give him a little background which might be interesting to him. I said that our interest in the Moscow project was also somewhat lessened by the fact that our general plans for the Moscow establishment might have to undergo some revision. The reports which we got from our people in Moscow were quite discouraging in the sense that the Soviet authorities placed so many obstacles in their way. It was very difficult for them to have

the usual contacts that the officers of our Government have in capitals. All sorts of difficulties seemed to be put in their way. This obliged us to consider how useful our establishment there was, and whether our present establishment was not too large under the circumstances.

There was, for example, the question of difficulty in getting rubles at a reasonable price. Under an act of Congress the President could issue an Executive order fixing a rate of exchange for various currencies, and we had just been obliged to ask the President to fix a new rate of exchange for the ruble. The rate which we had to fix was so high that it made the cost of our salaries and maintenance in Moscow exceedingly burdensome and all out of proportion with the cost of similar establishments in other capitals. There was, I understood, an understanding with the Soviet Government which had indicated that it would not object to our buying rubles in Paris or elsewhere, and that we had been able to get rubles in a few cities at a more reasonable rate than in Moscow. The Soviet Government, however, was apparently controlling the supply of rubles outside so definitely that the price had gone up so much that they cost practically the same in other cities now as in Moscow. In any event, the exchange allowance which we had to make to our officers was so high, and our maintenance expenses generally were so high, that the cost of our Moscow establishment was a great burden and we were under the necessity of considering reducing it.

I observed to the Ambassador that I never could quite understand why the Soviet Government, realizing this situation, did not make it possible for our and other missions to get what rubles they needed for official purposes at a reasonable rate. If the Soviet Government wanted these missions there, which I assumed it did, and I certainly assumed that they wanted ours, it would only seem a friendly gesture under the known circumstances to make rubles available at a reasonable rate. The situation had become so bad recently that we had a telegram from our Chargé d'Affaires saying that many of our officers had been obliged to borrow money to supplement their salaries in order to get sufficient rubles to cover their living costs.

The Ambassador said that he did not know much about this situation, but had been under the impression that some solution had been reached. He was glad that I had told him about it and he would take it up with his Government to see what could be done.

I said since we were on this subject and as these matters were all more or less related to the building project, I could further inform him, again personally and unofficially, that there were quite a number of things which concerned us about our Moscow establishment. These were so numerous and serious that I understood it had been the Secretary's intention to bring them to his (the Ambassador's) attention recently but that the Secretary had been prevented from doing

so by the pressure of recent events. We had, for example, had a telegram recently from our Chargé d'Affaires to the effect that our officers on being transferred had to send all their effects to the custom-house where they were opened and kept some times for days. Obviously there was great danger, under the best circumstances, for articles to be lost, stolen, or mislaid. It was a most unusual practice of a government to submit the officers of a friendly government to such a control, and it opened our Government to all sorts of claims from officers for articles which might be lost in some way through this control in the Soviet customs. The Ambassador expressed great surprise and said this was the first he had had [*heard?*] of such a regulation. He asked whether it applied to our diplomatic officers. I said that I understood it applied to all of our officers. I gathered the impression that he could hardly believe that such a regulation had been issued. His manner showed that he realized how serious this was. I told him that just as our officers were not permitted to make illegal exchange transactions and we would not tolerate anything of that kind, just so our officers would not engage in smuggling operations. Such controls, therefore, were extremely objectionable. I said that I assumed this question of ruble purchases and customs control were among the rather considerable number of things which the Secretary had contemplated taking up with him.

I remarked to the Ambassador that he would quite appreciate that with our officers experiencing all these difficulties it put a somewhat different complexion on our building project and plans in Moscow. The Ambassador offered very little comment beyond saying that he would take up the two specific things which I had mentioned with his Government. He seemed to be deeply interested in what I told him concerning the difficulties our officers experienced, and by his questions rather than by any comment indicated a certain amount of surprise, the genuineness of which I am not able to judge.

G. S. MESSERSMITH

124.613/853 : Telegram

The Chargé in the Soviet Union (Henderson) to the Secretary of State

Moscow, December 30, 1937—2 p. m.

[Received December 30—10:07 a. m.]

343. 1. Following is for Surgeon General Parran, Public Health Service, from Rumreich:

“Will you authorize the shipment of my household goods as baggage to nearest port of departure of American vessels if the Chargé d'Affaires considers it advisable to resort to this method of their

removal? I am being delayed here indeterminately by the dilatory and obstructionist tactics of irresponsible and obstinate Soviet bureaucrats who thus far have refused to permit me to take out most of my personal effects without the payment of export duty much higher than what I paid for them in the United States. Please reply only in code through the Secretary of State". [Rumreich.]

2. Although customs authorities finally consented to inspecting Rumreich's effects at his apartment, they have thus far refused to give permission for him to take most of them out of the country without the payment of extremely high export duties. Over a week ago I wrote a strong note on the subject to the Foreign Office and almost every day since the early part of the month members of the Embassy staff have taken some step or other in an endeavor to obtain the release of the goods in question. The Foreign Office apparently is trying in a timid manner to help us. The customs authorities, however, are openly treating the representatives of the Foreign Office with contempt and have thus far refused to accept Rumreich's statements, in some cases backed by documentary evidence, regarding the origin of his effects.

3. I feel that Rumreich should refuse to pay any export duty whatsoever on goods introduced into the country by him or to pay any fees for the appraisal of such goods by the Soviet authorities. I feel furthermore that the Embassy should demand the return of appraisal fees of 3 per cent of the value which he has already been compelled to pay upon such goods. Unless the Embassy can prevail upon the pertinent authorities to accept Doctor Rumreich's statements, I may find it necessary to call upon the Department to assist us by making strong representations to the Soviet Embassy in Washington since the Foreign Office here seems to have little influence.⁶

HENDERSON

EFFORTS BY SOVIET AGENCIES TO PURCHASE WARSHIPS, NAVAL ARMAMENT, AND OTHER WAR MATERIALS IN THE UNITED STATES

711.00111 Armament Control/418
Military Secrets

The Embassy of the Soviet Union to the Department of State

MEMORANDUM

The Amtorg Trading Corporation ⁷ wishes to negotiate with different steel companies such as the Midwell Steel Company, the Bethlehem Steel Company, the Carnegie Steel Company and others regarding

⁶ The Chargé reported in telegram No. 4, January 8, 1938, 1 p. m., that the Soviet customs authorities "finally issued the export permit" for Dr. Rumreich's effects on January 5, 1938 (124.613/856).

⁷ Official Soviet Agency for purchases and sales in the United States, 261 Fifth Avenue, New York, N. Y.

the purchase of certain amounts of heavy armor for battleships and cruisers and in this connection the securing of offers with technical specifications. These firms do not find it possible to make offers regarding the sale of heavy armor with technical specifications without the special permission of the Navy Department.

The Embassy of the Union of Soviet Socialist Republics would appreciate it very much if the Department of State could intervene in this matter and discuss with the Navy Department the possibility of giving the necessary permission to the steel companies for negotiating about the sale of heavy armor and the making of offers with technical specifications.

WASHINGTON, November 24, 1936.

711.00111 Armament Control/431
Military Secrets

Memorandum by the Chief of the Office of Arms and Munitions Control (Green)

[WASHINGTON,] December 3, 1936.

Mr. Morris Wolf, an officer of the Carp Export and Import Corporation, 220 Fifth Avenue, New York,⁸ registered with the Department as exporters of arms, called at my office this morning accompanied by Mr. M. H. Thompson and Mr. J. B. Rhodes. It is my impression that Mr. Thompson is a retired officer of the Army and that Mr. Rhodes is a retired officer of the Navy. It is my impression that the Corporation represented by these gentlemen has been set up to act as purchasing agent for the Soviet Government in connection with the transactions concerning which Mr. Wolf came to see me.

Mr. Wolf referred to his conversation with Mr. Moore, recorded in Mr. Yost's memorandum of November 6, 1936,⁹ in regard to his proposal to sell warships to the Soviet Government. He handed me the attached letter of December 2^o and said that he was prepared to sign it if it was sufficient for the purposes he had in mind.

I told Mr. Wolf that the letter seemed to be sufficient for his purposes. I added that the question of his obtaining designs, plans, working drawings, and specifications of United States naval vessels was a matter which would have to be referred to the Secretary of the Navy,¹⁰ and that the Secretary of State would act entirely upon the recommendations of the Secretary of the Navy. I added further

⁸ Sam Carp, president. Mr. Carp's sister was married to Vyacheslav Mikhaïlovich Molotov, president of the Council of People's Commissars of the Soviet Union.

⁹ Not printed.

¹⁰ Claude A. Swanson.

that it was contrary to the policy of the Department to express "approval" of such transactions as he proposed to enter into, and that probably the only reply which he would receive to his request for an expression of approval would be a statement to the effect that the proposed transactions would not appear to be in violation of any existing statute or treaty.

Mr. Wolf said that he understood perfectly that the question in regard to specifications would have to be referred to the Navy Department. He said that he and the gentlemen who were accompanying him had already discussed that phase of the matter with Admiral Standley and with General Embick. He said that he would be entirely satisfied with such a statement as I had suggested in lieu of any expression of "approval", but that if the proposed transactions were legal but at the same time contrary to the policy of this Government, I had only to tell him so and he would immediately withdraw.

I told Mr. Wolf that the proposed transactions would not appear to be in violation of any established policy of this Government. I warned him, however, that I could speak only on the basis of existing laws and policies and on the basis of the present situation, and that he should take account of the fact that if the U. S. S. R. were to become a belligerent, the exportation of naval vessels from this country to the U. S. S. R. would undoubtedly be prohibited under the provisions of Section I of the Neutrality Act.¹¹

Mr. Wolf replied that he had carefully studied the provisions of the Neutrality Act and that in order to avoid the possibility that the Carp Export and Import Corporation might be prevented from delivering the ships which it intended to contract to sell to the U. S. S. R., it was planning to export them not as battleships but in separate parts to be assembled upon their arrival in the U. S. S. R. Mr. Wolf seemed to consider this plan extremely ingenious.

I invited Mr. Wolf's attention to the fact that the list of arms, ammunition and implements of war proclaimed by the President was subject to change and that it might be changed in such a way as to prevent the exportation to belligerents of unassembled warships.

Mr. Wolf stated that he had carefully studied all the pertinent laws and regulations; that he was aware of the risk to which I had referred; that the Corporation would do absolutely nothing in violation of any law or policy of this Government, but that if it were able to obtain the necessary plans and specifications, it would enter into the proposed transactions which would aggregate several hundred million dollars.

JOSEPH C. GREEN

¹¹ Approved August 31, 1935, as amended February 29, 1936; 49 Stat. 1081, 1152.

711.00111 Armament Control/455
 Military Secrets

The Acting Secretary of State to the Carp Export and Import Corporation, New York, N. Y.

WASHINGTON, January 13, 1937.

SIRS: I refer to my letter of December 5, 1936, and previous correspondence,¹² in regard to your desire to obtain non-confidential designs, plans, working drawings and specifications of such vessels as the U.S.S. *Lexington*, *Colorado* and *Mississippi*, and in regard to your proposal to purchase in this country for exportation to the Union of Soviet Socialist Republics arms and equipment for use in the construction and arming of such naval vessels.

I am now in receipt of a letter from the Secretary of the Navy,¹³ in which he states that the preparation of the designs, plans, working drawings and specifications which you desire would involve an amount of work on the part of his Department which he has not adequate personnel to undertake at this time.

There are no treaties or statutes, except the provisions of the Espionage Act of June 15, 1917,¹⁴ in regard to the revelation of information relating to the National Defense, which would constrain private American naval architects from preparing designs, plans, working drawings and specifications for vessels to be exported to the Union of Soviet Socialist Republics, or American companies from manufacturing and selling for export to the Union of Soviet Socialist Republics equipment for naval vessels.

Very truly yours,

For the Acting Secretary of State:

JOSEPH C. GREEN

Chief, Office of Arms and Munitions Control

711.00111 Armament Control/482
 Military Secrets

The Acting Secretary of State to the Ambassador of the Soviet Union (Trojanovsky)

The Acting Secretary of State presents his compliments to His Excellency the Ambassador of the Union of Soviet Socialist Republics and has the honor to refer to the Ambassador's memoranda of November 24, 1936 and January 4, 1937,¹⁵ in regard to the desire of the Amtorg Trading Corporation to negotiate with certain American manufacturers of steel for the purchase of heavy armor for battleships and cruisers to be exported to the Union of Soviet Socialist Republics.

¹² None printed.

¹³ Not printed.

¹⁴ 40 Stat. 217.

¹⁵ Latter not printed.

Mr. Moore informs Mr. Troyanovsky that there are no treaties or statutes which would prevent American companies from manufacturing for export to the Union of Soviet Socialist Republics armor plate in accordance with specifications furnished to them by the Amtorg Trading Corporation. Accordingly, this Government would have no objection in principle to the transactions outlined in the Ambassador's memoranda.

Mr. Moore encloses, for Mr. Troyanovsky's information, a copy of a pamphlet *International Traffic in Arms*¹⁶ and invites his attention particularly to the provision of law set forth under Section V of that pamphlet. In view of that provision of law, American manufacturers entering into contracts to furnish armor plate for export would, if they were at the same time engaged in manufacturing for this Government, be obliged to abide by such rules and regulations designed for the preservation of military secrets of interest to the National Defense as the competent authorities of this Government might find it necessary to prescribe.

WASHINGTON, January 13, 1937.

711.00111 Lic. Carp Export and Import Corp./1

61

Memorandum by the Chief of the Office of Arms and Munitions Control (Green)

[WASHINGTON,] January 25, 1937.

Mr. S. J. Wolf and Commander Rhodes of the Carp Export and Import Corporation called at my office this afternoon. After presenting an application for a license to export two Vultee planes to the U. S. S. R., Mr. Wolf referred to the difficulties he was encountering in attempting to carry out the exportation to the U. S. S. R. of unassembled naval vessels. He said that he had shown the Department's letter of January 13, 1937, to several ship building companies, but that, notwithstanding the statements contained in the final paragraph of that letter, the companies had shown great reluctance to deal with him until they had some more definite and direct statement that the Government would not disapprove of the proposed transaction.

I suggested to Mr. Wolf that the best procedure would probably be for the companies to write directly to the Secretary of State, setting forth what they proposed to do, and asking whether the Secretary had any comments to make.

JOSEPH C. GREEN

¹⁶ Department of State, *International Traffic in Arms: Laws and Regulations Administered by the Secretary of State Governing the International Traffic in Arms, Ammunition, and Implements of War and Other Munitions of War*, 3d ed. (Washington, Government Printing Office, 1936).

711.00111 Armament Control/544a
Military Secrets

The Secretary of State to the Ambassador in the Soviet Union
(Davies)

[Extracts]

No. 32

WASHINGTON, February 25, 1937.

SIR: The Department transmits herewith, for the confidential information of the Embassy, copies of various documents¹⁷ relating to recent activities of Soviet purchasing agencies in the United States with regard to the construction or purchase of battleships, submarines, and armor plate. It would appear from these documents that the Soviet Government is embarking upon an extensive program of rehabilitation and expansion of its naval forces. The attention of the Embassy is invited in particular to the activities of the Carp Export and Import Corporation, the subject of Embassy's despatch No. 2150 of December 18, 1936,¹⁸ which has apparently been established principally for the purpose of facilitating the purchase by the Soviet Government of military and naval equipment in the United States.

The United States Steel Products Company and the Crucible Steel Company have been informed by the Department that there are no treaties or statutes which would prevent American companies from manufacturing or selling for export armor plate manufactured in accordance with specifications furnished by the prospective purchaser or his agents, and that, accordingly, this Government would have no objection in principle to the transactions outlined. The attention of both companies was invited to the provision of law set forth under Section V of the pamphlet *International Traffic in Arms*. In view of that provision of law, American manufacturers entering into contracts to furnish armor plate for export would, if they were at the same time engaged in manufacturing for this Government, be obliged to abide by such rules and regulations designed for the preservation of military secrets of interest to the National Defense as the competent authorities of this Government might find it necessary to prescribe.

An examination of the files of the Office of Arms and Munitions Control indicates that the principal Soviet purchases of arms and munitions in the United States since the establishment of that office have been aircraft, including land and sea planes, propellers, landing gear, motors and accessories, as well as lesser amounts of trench mor-

¹⁷ None printed.

¹⁸ Not printed.

tars and shells, demolition bombs, machine guns and ammunition of various kinds.

Very truly yours,

For the Secretary of State:
R. WALTON MOORE

711.00111 Armament Control/540
Military Secrets

*The Secretary of State to the Electric Boat Company, Groton,
Connecticut*

WASHINGTON, March 9, 1937.

SIRS: I refer to my letter of January 13, 1937, and previous correspondence,¹⁹ in regard to your proposal to assist in the production of a submarine in the Union of Soviet Socialist Republics, and have to inform you that I am now in receipt of a letter of March 3²⁰ from the Acting Secretary of the Navy,²¹ with further reference to this subject. The Acting Secretary of the Navy informs me that, as a result of correspondence and conference between the Navy Department and your Company, an agreement has been reached as to a procedure which should enable you to carry out your proposal without disclosing to foreign interests any military secrets of interest to the National Defense. He states that you have submitted to the Navy Department a plan showing the general arrangement and characteristics of the submarine for which you propose to furnish plans and specifications, and that you have also submitted general data in regard to details of the equipment. He states that you have agreed that any contract which you may enter into relating to the production of a submarine in the Union of Soviet Socialist Republics will specifically exclude:

1. The supplying of any information considered confidential by the Navy Department.
2. Purchase in the United States of any material or machinery for the construction of the submarine except from you.
3. The presence of representatives or agents of the Union of Soviet Socialist Republics in your plant or in the plant of any subcontractor to which access by foreigners is prohibited by or at the request of the Navy Department.

He states further that you have agreed to abide by such rules and regulations designed for the preservation of military secrets of interest to the National Defense as the Secretary of the Navy may find it necessary to prescribe from time to time to prevent inadvertent disclosure of confidential information.

¹⁹ None printed.

²⁰ Not printed.

²¹ Admiral William D. Leahy, Chief of Naval Operations.

The Acting Secretary of the Navy concludes that, in view of the agreement reached with your Company, the Navy Department has no objection, on the ground of military secrecy in its relation to the National Defense, to your proposal to assist in the production of a submarine in the Union of Soviet Socialist Republics.

Very truly yours,

For the Secretary of State:
 JOSEPH C. GREEN
Chief, Office of Arms and Munitions Control

711.00111 Armament Control/584
 Military Secrets

The Ambassador of the Soviet Union (Trojanovsky) to the Chief of the Division of Eastern European Affairs (Kelley)

WASHINGTON, March 23, 1937.

DEAR MR. KELLEY: AS you remember I had a talk with you about the contract which our organizations have with the Consolidated Aircraft Corporation. According to that contract our technicians were to be admitted for visits to the plant if the United States Government gave its permission. Since the work of our technicians would be enormously hampered should they not be allowed to see the plant, I ask that arrangements be made whereby the above-mentioned technicians are given the possibility of visiting the plant where the plane ordered by our organizations is manufactured. I hope that it will be found possible to do this because if our organizations receive the plane I presume that they will be familiar with it in all its parts. I do not believe that visiting of the plant by the technicians can do any harm to the American navy particularly since we can build similar planes only in the distant future. In addition, our orders to the Consolidated Aircraft Corporation can not be enlarged for different kinds of machinery if our technicians are unable to study the processes of production.

There is another question which I desire to have settled. The plane will be delivered to our organization in November of this year but all the blueprints are to be delivered only later. It is desirable that the blueprints be given to our organization simultaneously with the plane. I wish to emphasize again that construction of a similar plane can be carried out only later. I hope that the authorities concerned will not find grounds to prevent our technicians from visiting the plant and receiving the blueprints at the same time as the plane.

With the assurance [etc.]

A. TROYANOVSKY

711.00111 Armament Control/583
Military Secrets

*Memorandum by the Chief of the Division of Eastern European
Affairs (Kelley)*

[WASHINGTON,] March 24, 1937.

The attached letter to the Secretary of the Navy²² involves a question of policy which deserves careful consideration.

The Soviet Government, after rather neglecting its fleet for many years, is now engaged in strengthening its naval forces and building up what the Chief of the Soviet naval forces²³ recently described as "a real big fleet, including ships of all classes and standing on the highest technical level." The Soviet authorities are looking to the United States for technical and material assistance in carrying out their naval program. It is obvious that they have no other resort, since such assistance could not be obtained from Japan, Germany, or Italy; and England and France are apparently fully occupied with their own naval construction.

In June of last year the Soviet Government had organized in New York a company known as the Carp Export and Import Corporation to handle the purchase of material for the construction of battleships and submarines and other naval equipment. The head of this company is the brother-in-law of Molotov, the President of the Soviet of People's Commissars, and one of the most important leaders in the Soviet Union. The present letter arises out of the efforts of this Corporation to purchase plans, materials, and equipment for a battleship to be constructed in the Soviet Union.

In the proposed letter to the Secretary of the Navy objection is raised on the ground of policy to two aspects of the proposed contract between the Corporation and the Bethlehem Shipbuilding Corporation: (1) the construction of sixteen-inch guns, and (2) the utilization of the facilities of our Navy in the testing of guns and armorplate. If these features are eliminated, no objection is seen to the contract.

In view of the circumstance that such foreign technical and material assistance as the Soviet Government needs in the building up of its fleet can, in the present international situation, be obtained only in the United States, the availability of such assistance in the United States is a matter of considerable importance to the carrying out of the plans of the Soviet Government with regard to the building up of a big navy. It would seem, therefore, that the most careful consideration should be given to any action which we may take relative to this matter. Among the questions to which thought should be given are whether the building up of the Soviet fleet as a result of assistance

²² For the letter to the Secretary of the Navy, dated March 26, 1937, see p. 467.

²³ Nikolay Gerasimovich Kuznetsov, Admiral of the Fleet.

received in the United States would conflict with any American interest or policy, whether it would be in our interest to look with favor and possibly facilitate the plans of the Soviet Government in this respect, and whether it would be advisable in the circumstances not to take any position based on considerations of policy.

EE²⁴ has initialed the attached letter, since it is considered that, assuming the evolution of the Soviet Government eventually into a purely national Government, the strengthening of the naval forces of the Soviet Union would not run counter to the national interests of the United States, and since the objections raised to two features of the contract in question appear to be well founded.

ROBERT F. KELLEY

711.00111 Armament Control/607
Military Secrets

The Ambassador in the Soviet Union (Davies) to the Secretary of State

No. 146

Moscow, March 25, 1937.

[Received April 17.]

SIR: I have the honor to acknowledge your confidential instruction No. 32 of February 25, 1937, outlining certain recent activities of Soviet purchasing agencies in the United States with regard to the construction or purchase of battleships, submarines, and armor plate. The information contained in this instruction is useful to me and the members of my staff for background purposes and I appreciate deeply the thoughtfulness of the Department in furnishing it to the Embassy.

It may be of interest to the Department, in this connection, to learn that the Soviet Government has of late been displaying considerable interest in obtaining technical assistance from various American aircraft manufacturing companies. A production engineer of the Vultee Aircraft Division of the Aviation Manufacturing Corporation of Downey, California, arrived in Moscow several days ago in order to assist the Soviet Government in building in Moscow a factory which can turn out light combat planes. This engineer states that he is to be joined in the near future by five or six other engineers and mechanics and that they intend to work in Moscow for at least a year.

The Embassy is also in receipt of a letter from an engineer in the United States employed by the Consolidated Aircraft Corporation, who states that his firm is planning to send a dozen engineers, including himself to Taganrog, on the Sea of Azov, in order to design and supervise the building of aircraft for the Soviet Government. Apparently Taganrog is to specialize in the production of sea-planes.

²⁴ The Division of Eastern European Affairs.

Mr. N. M. Kharlamov, the Director of Tsagi (Central Aero-Hydrodynamic Institute in the Name of N. E. Zhukovski), informed a member of my staff several days ago that during a recent trip to the United States he had made contracts for technical assistance in the building of airplanes in the United States with the Douglas Aircraft Company, the Consolidated Aircraft Corporation, and the Vultee Aircraft Company. He added that the Soviet Government had become convinced that the American manner of building aircraft was best suited to Soviet conditions since the American system of construction could more easily be adapted to mass production than any of the European systems.

Respectfully yours,

JOSEPH E. DAVIES

711.00111 Armament Control/547
Military Secrets

The Secretary of State to the Secretary of the Navy (Swanson)

WASHINGTON, March 26, 1937.

MY DEAR MR. SECRETARY: I have given careful consideration to the various questions dealt with in our recent correspondence²⁵ in regard to the proposal of the Carp Export and Import Corporation to obtain in this country designs, material, and equipment for use in the construction of a battleship in the Union of Soviet Socialist Republics and particularly to those aspects of the proposed transaction which were first brought to my attention by Admiral Leahy in his conversation with me on March 16. On the basis of my present information in regard to this proposed transaction, it would appear that the carrying out of such a contract as the Carp Export and Import Corporation has proposed to the Bethlehem Shipbuilding Corporation would not violate any existing statute or treaty. The material and equipment which would be assembled for export under such a contract would constitute to all intents and purposes a disassembled vessel of war and an export license would therefore be required to authorize its exportation. Barring unforeseen changes in existing treaties or statutes or unforeseen developments in the international situation, I would direct that the necessary export license be issued.

In stating that the carrying out of such a contract as is contemplated would not violate any existing statute, I am not unmindful of the provisions of the Espionage Act of June 15, 1917,²⁶ in regard to the revelation of military secrets of interest to the National Defense. I have assumed that it would be possible for the Navy Department to arrive at some such agreement with the Bethlehem Shipbuilding Cor-

²⁵ Not printed.

²⁶ 40 Stat. 217.

poration in regard to the construction of this battleship as the agreement for the safeguarding of military secrets recently entered into between the Navy Department and the Electric Boat Company in connection with the carrying out of a similar contract relating to the construction of a submarine in the Union of Soviet Socialist Republics.

In dealing with questions relating to the international traffic in arms, I seldom express objection on grounds of foreign policy to a proposed transaction which would not contravene the pertinent treaties and statutes. I express such objection only in exceptional circumstances and in the case of proposed transactions which would definitely and demonstrably interfere with the carrying out of my obligations in the conduct of our foreign relations.

There are two features of this proposed contract to which I feel that I must express objection on the ground of policy.

It is my understanding that it is proposed that the Bethlehem Shipbuilding Corporation furnish for export to the Union of Soviet Socialist Republics 16-inch guns to be intalled on the contemplated battleship. In view of the recent discussions, with which you are familiar, with foreign governments in regard to the maximum caliber of guns to be installed on battleships and in view of the uncertainty as to the ultimate decisions of other Powers and as to the international agreements which may be reached in regard to this subject, I feel that the exportation at this time of 16-inch guns for installation on a battleship of any foreign Power might create a situation which would be definitely inimical to American interests.

Furthermore, it is my understanding that the Bethlehem Shipbuilding Corporation could not manufacture and deliver to the agents of the Union of Soviet Socialist Republics guns and armor without having those articles tested and inspected before delivery and that the United States Navy is the only agency in this country which could carry out the necessary tests and inspection. Thus, if my understanding is correct, the proposed contract could not be completed without the active participation of the Navy. With my letter addressed to you on November 30, 1935,²⁷ I transmitted a copy of a circular instruction,²⁸ in regard to the exportation of arms, ammunition, and implements of war, which I addressed to all diplomatic and consular officers. That instruction embodied a long-standing policy of the Government to disassociate itself from the promotion of the export trade in such articles. It would seem that, if the Navy were to take the active steps necessary to test and inspect the guns and armor designed to be exported for use in the construction of a battleship for a foreign Power, such action might well be considered to be in contravention of this established policy of the Government.

²⁷ Not printed.

²⁸ Not printed in this volume.

In this letter I have set forth fully some of the considerations which will guide me in the drafting of any further correspondence which I may have on this subject with the Carp Export and Import Corporation or the Bethlehem Shipbuilding Corporation. I should appreciate it if you could find it possible to be guided thereby in any further communications which you may have with either of those companies, and I suggest that they should be informed of the two specific grounds on which objection is made to the proposed contract. Should these two specific grounds be removed by modification of the proposed contract, I do not, on the basis of my present information, feel that the Government should interpose further objection.

I shall keep you fully informed of any further developments in this matter and I should appreciate it if you would inform me of the substance of any further correspondence or conversations concerning it which you may have with either of those companies.

Sincerely yours,

CORDELL HULL

711.00111 Armament Control/615
Military Secrets

*Memorandum by the Chief of the Office of Arms and Munitions
Control (Green)*

[WASHINGTON,] April 17, 1937.

Mr. E. R. Leonard, Manager of Sales of the Bethlehem Steel Company, and Washington representative of the Bethlehem Shipbuilding Corporation, called at my office this morning. He handed me clippings from several newspapers of accounts appearing in the press this morning, in regard to the proposal of the Carp Export and Import Corporation to have the Bethlehem Shipbuilding Corporation prepare plans and assemble material and equipment for a battleship to be constructed in the U. S. S. R. He expressed his displeasure at the garbled accounts of the proposed transaction which had appeared in the press.

I told Mr. Leonard that the Department was as much disturbed by the publicity as he was. I gave him a brief account of how some of the essential facts of the proposed transaction had come to the knowledge of the press, and I said that I strongly suspected that the press had first heard of the proposed transaction from some indiscreet officer in the Navy Department.

Mr. Leonard, who is himself a former naval officer, said that he also had reason to believe that the story had leaked to the press from the Navy Department and that he thought that he could, if he wished, name the officer in the Office of Naval Intelligence who had talked about the proposed transaction to representatives of the press. He

said that although Admiral Leahy's attitude in regard to the whole matter had been entirely correct, there were in the Navy Department a number of officers who were so prejudiced against commercial transactions of any character—and particularly transactions involving the sale of arms—with the U. S. S. R., that they might well have instigated this publicity with the idea that it would make the carrying out of any such transaction as was proposed impossible.

Mr. Leonard said that the Bethlehem Shipbuilding Corporation was in a difficult position. On the one hand, the Carp Export and Import Corporation was insistent that it enter into the proposed contract; on the other hand, while the Navy Department would not state definitely that it objected to the proposed contract under any conditions, nevertheless it laid down such regulations to insure the protection of military secrets that it would be impossible for the Bethlehem Shipbuilding Corporation to draw up plans which would be acceptable to the U. S. S. R. He said that he was still trying to obtain from the Navy Department some definite statement of its objections which he could show to the Carp Export and Import Corporation, in order to explain his company's unwillingness to enter into the proposed contract.

In order that the position of the Department of State might be entirely clear, I permitted Mr. Leonard to read a copy of the Secretary's letter of March 26 to the Secretary of the Navy. He said that the crux of the difficulty lay in what was said in the second paragraph of that letter, as the Navy Department was unwilling and probably unable to devise any agreement with the Bethlehem Shipbuilding Corporation which would, in its opinion, safeguard military secrets of interest to the National Defense.

JOSEPH C. GREEN

711.00111 Armament Control/584
Military Secrets

*The Department of State to the Ambassador of the Soviet Union
(Trojanovskiy)*²⁹

The request of the Soviet Ambassador³⁰ covers two items of different character, namely that arrangements be made whereby the Russian technicians can visit the Consolidated plant, and that the blue prints for the PBY-1 plane be delivered at the same time as the plane.

In regard to the visits, the Navy Department would have no objection to allowing the Russians free access to the plane under con-

²⁹ Handed to the Ambassador of the Soviet Union by the Chief of the Division of Eastern European Affairs, April 23, 1937.

³⁰ Reference is to the Ambassador's letter of March 23, 1937, p. 464.

struction for them, nor to the plant machinery used in its construction were it possible to isolate this equipment in such a manner as to protect confidential features of the latest Navy planes, as well as of planes still in the experimental development stage.

The Consolidated plant though covering a large area is constructed as one enormous room. The system of production is such that particular equipment can not be effectively isolated. It is understood that this matter was made very clear to the Russian representatives before the contract was signed. A special visit through the plant was recently permitted to seven Russians. As special safeguards are necessary in the case of each visit authorized for this plant, it is not practicable to grant the request of the Russian Ambassador for repeated visits of Russian technicians to the production facilities of the Consolidated Aircraft Corporation.

In regard to the release of blue prints for the PBY-1 Model Airplane, the present policy for release establishes as a normal period of release an interval of six months after the release for export of the plane itself. It will be noted that this period is just half that prescribed by the former policy. The Navy Department felt that its decision to permit the export of the plans of the PBY-1 plane as early as May 1, 1938 was a very liberal decision in view of the security features involved. In the absence of any new factors affecting the case, it must adhere to this decision.

711.00111 Armament Control/647
Military Secrets

*Memorandum by the Chief of the Office of Arms and Munitions
Control (Green)*

[WASHINGTON,] May 4, 1937.

Mr. E. R. Leonard, Manager of Sales of the Bethlehem Steel Company, and Washington representative of the Bethlehem Shipbuilding Corporation, Limited, called at my office this morning, accompanied by Mr. A. B. Homer, Assistant Vice President of the Bethlehem Shipbuilding Corporation, Limited. Mr. Leonard referred to our conversation on April 17, in regard to the proposed contract between the Carp Export and Import Corporation and the Bethlehem Shipbuilding Corporation, Limited. He said that no progress had been made in connection with the proposed transaction since that conversation, but that the representatives of the Carp Export and Import Corporation were still pressing for a contract, offering to make any modifications in the contract which had been originally proposed which might be necessary to meet the objections of the Government.

I told Mr. Leonard and Mr. Homer that the objections of the Government were clear and specific, and could apparently be met by minor modifications of the proposed contract. I permitted them to read the letter addressed by the Secretary on March 26 to the Secretary of the Navy.

Mr. Homer handed me the attached letter of May 3 from the Bethlehem Shipbuilding Corporation, Limited,³¹ which he said had been written with the idea of obtaining a clear statement in writing of the objections of the Government to the proposed transaction.

I told Mr. Homer that it was contrary to the practice of the Department to express "approval" of proposed commercial transactions, and that the reply to this letter would probably follow closely the text of the letter to the Secretary of the Navy which he had just read.

Mr. Homer and Mr. Leonard said that such a reply would be entirely satisfactory to the Corporation. They expressed the opinion, however, that they would not be able to carry out the proposed contract unless the Navy Department were willing to adopt the same attitude toward it as that which had been adopted by the Department of State, and they expressed anxiety lest the strong prejudices of certain influential Naval officers against all commercial transactions with the Soviet Government, and particularly transactions involving the sale of arms, might result in the Navy Department's creating such a series of difficulties and inspiring such unfavorable publicity for the Corporation that it would be impossible to carry out the contract. They said that they proposed to discuss the matter further with Admiral Leahy in the hope that they might prevail upon him to clarify the position of the Navy Department.

JOSEPH C. GREEN

711.00111 Armament Control/660
Military Secrets

*Memorandum by the Chief of the Office of Arms and Munitions
Control (Green)*

[WASHINGTON,] May 13, 1937.

At the garden party at the British Embassy yesterday, I had a conversation with Admiral Leahy, Chief of Naval Operations. The Admiral told me that at a dinner the other evening the Soviet Ambassador had taken him aside and expressed his dissatisfaction at what he understood to be the attitude of the Navy Department toward the proposal of the Carp Export and Import Corporation to obtain in this country material and equipment for a battleship to be assembled in the U.S.S.R. The Ambassador said that he had been informed

³¹ Not printed.

that the Navy Department was preventing the agents of his Government from obtaining the materials for the battleship, and he expressed surprise at this alleged attitude of the Navy Department, as he said that the battleship if constructed would be used in the Pacific and would tend to act as a balance to the Japanese Navy.

To these remarks of the Ambassador, Admiral Leahy said that he had replied that the Ambassador was entirely mistaken, and that the Navy Department was placing no obstacles in the way of the proposal of the Carp Export and Import Corporation.

The Admiral told me that he understood that the proposition was dead as the Bethlehem Shipbuilding Corporation did not desire to enter into the contract.

I told the Admiral that I thought he was mistaken; that it was my impression that the Bethlehem Shipbuilding Corporation would be glad to enter into the proposed contract if it could be assured that the Navy Department would not place obstacles in the way of its carrying out the proposed transaction; that representatives of the Corporation had called at my office last week to discuss the matter further; and that a letter to him was now in course of preparation setting forth once more the attitude of the Department of State in regard to the matter. I said that apart from the two specific objections referred to in the Secretary's letter of March 26 addressed to the Secretary of the Navy, I could see no reason why the Navy should place any obstacles in the way of the proposed transaction as long as it was conducted in such a way that no treaty or statute would be violated.

The Admiral said that he entirely agreed with me, and that he would make his position clear in any further conversations he might have with representatives of the Bethlehem Shipbuilding Corporation.

JOSEPH C. GREEN

711.00111 Lic. Consolidated Aircraft Corp./1

61

The Chargé in the Soviet Union (Henderson) to the Secretary of State

No. 322

Moscow, May 24, 1937.

[Received June 16.]

SIR: I have the honor to enclose herewith, for the Department's information, a memorandum of statements made by Mr. Etienne Dormoy,³² the chief engineer in charge of the group of engineers of the Consolidated Aircraft Corporation who are to work in the Soviet Union under a technical assistance contract between that company and the Soviet Government. Reference is made, in the above connection,

³² Not printed.

to the Embassy's despatch No. 328 of May 26, 1937,³³ regarding the technical assistance contract between the Vultee Aircraft Division of the Aviation Corporation, of Downey, California.

In regard to the efforts now being made by the Soviet Government to further develop its military air forces, Mr. N. M. Kharlamov, the director of Tsagi (Central Aero-Hydrodynamic Institute), informed an officer of the Embassy staff, that he had recently signed four technical assistance contracts in the United States with American aircraft manufacturing concerns. Besides the above-mentioned contracts he also signed contracts with the Douglas Aircraft Company, Incorporated, of Santa Monica, California, and the Glenn L. Martin Company, of Baltimore, Maryland. He stated that engineers from the Consolidated, Vultee, and Douglas companies, would proceed to the Soviet Union to assist in developing these planes, but he made no mention to the effect that the Glenn L. Martin Company would also send engineers to this country. In this connection, it may be of interest to note that since January 1, 1937, the Embassy granted visas to fourteen Soviet engineers and specialists who are proceeding to Baltimore to the Glenn L. Martin factory. This information would appear to be significant in view of the statements made by Mr. Dormoy, in the attached memorandum, relative to the difference between the contract signed by the Soviet authorities with the Consolidated Aircraft Corporation and the Glenn L. Martin Company, in which he points out that he understands that the Martin Company is to design and develop a new type of large plane for the Soviet air force instead of selling somewhat obsolete models which have been released for export by the American military authorities.

It may be of interest to point out that, in the past months, the Soviet press has carried a number of articles praising the advancements made by Soviet aviation and claiming, in many cases, that their planes have surpassed those of other countries in efficiency.

In this connection, there is attached, a summary, in translation, of an article which appeared in the Moscow *Pravda* No. 45, of February 15, 1937,³³ in which the author claims that Soviet aviation can outstrip that of any other country. The most significant parts of the article are given in quotations, in full translation. Despite the fact that Soviet pilots, in Soviet-made planes, have established a number of world records, it would appear that the military authorities, at least, are not satisfied with the development of Soviet aviation and, therefore, have decided to endeavor to modernize their air fleet through technical assistance contracts with companies such as those enumerated above.

Respectfully yours,

LOY W. HENDERSON

³³ Not printed.

711.00111 Lic. Carp Export and Import Corp./6

61

Memorandum by the Assistant Chief of the Office of Arms and Munitions Control (Yost)

[WASHINGTON,] June 10, 1937.

Major K. K. V. Casey, Director of Sales of the Explosives Department of E. I. du Pont de Nemours and Company, in the course of a conversation with me yesterday mentioned that a certain Mr. Boston had approached several officers of the du Pont Company, including Major Casey himself, in the course of the last two weeks and had proposed to make certain purchases from the Company on behalf of the Carp Export and Import Corporation, which, Mr. Boston declared, was now charged by the Soviet Government with making all of that Government's purchases of arms and munitions in this country. The articles which the Carp Export and Import Corporation desired to purchase, according to Mr. Boston, were chiefly small sample quantities of very recent developments. Since it was clear that the object of the Corporation was merely to attempt to copy the trade secrets of du Pont, Major Casey said that Mr. Boston's proposals had not been accepted.

CHARLES W. YOST

711.00111 Armament Control/715Military Secrets*Memorandum by the Chief of the Office of Arms and Munitions Control (Green)*

[WASHINGTON,] August 19, 1937.

Mr. Renchard of the Secretary's office called at my office this morning and introduced Mr. Scott Ferris, former Representative in Congress from Oklahoma. He said that he was an attorney representing the Carp Export and Import Corporation, and that he had called on the Secretary who had referred him to me. Mr. Ferris said that the Carp Export and Import Corporation had asked him to call at the Department and at the Navy Department, with a view to overcoming the objections of the Government which were preventing the Corporation from carrying out its proposal to purchase in this country material and equipment and armament for one or more battleships to be assembled in the U. S. S. R. Mr. Ferris was only vaguely familiar with the many conversations which officers of the Department and of the Navy Department have had with representatives of the Carp Export and Import Corporation and the Bethlehem Shipbuilding Corporation, Limited, in regard to this matter. I related to him the substance of those conversations and explained to him that the inability

of the Carp Export and Import Corporation to carry out its proposals was due not to the objection of the Government, but to the apparent unwillingness of the Bethlehem Shipbuilding Corporation, Limited, to enter into such a contract as the Carp Export and Import Corporation proposed.

Mr. Ferris asked that I furnish him with a résumé of the situation which he might use in attempting to explain the attitude of the Department to his clients.

JOSEPH C. GREEN

711.00111 Armament Control/754
Military Secrets

*Memorandum by the Chief of the Office of Arms and Munitions
Control (Green)*³⁵

[WASHINGTON,] August 20, 1937.

Several months ago the Carp Export and Import Corporation, acting as agent for the U.S.S.R., communicated with the Department in order to ascertain the attitude of this Government toward the purchase in this country of material, equipment and armament for one or more battleships to be assembled in the U.S.S.R. The Corporation made various tentative but unsuccessful proposals to several American companies with a view to entering into suitable contracts. Eventually its negotiations crystallized in an attempt to persuade the Bethlehem Shipbuilding Corporation, Limited, to enter into a contract to furnish the necessary designs, material, equipment and armament. The proposed transaction has been the subject of numerous conversations and several exchanges of letters between the Department and the Carp Export and Import Corporation and the Bethlehem Shipbuilding Corporation, Limited. From the beginning the Department has frequently consulted the Navy Department and has kept that Department fully informed of all developments. In conversations between officers of the Department and representatives of the two Corporations and in its letters, the Department has endeavored to make clear its position in respect to the proposed transaction. It has made clear that it is contrary to its practice to express approval of commercial transactions. It has been repeatedly stated, however, that on the basis of available information it would appear that the carrying out of such a contract as is proposed would not violate any existing statute or treaty. The attention of the two Corporations was invited to the pertinent laws and regulations printed in the attached pamphlet *International Traffic in Arms* and, in particular,

³⁵ Prepared at the request of the Under Secretary of State, and transmitted to the White House.

to Section 5 (*d*) of the Joint Resolution of May 1, 1937,³⁶ which is quoted on page 2, to Category II of the enumeration of arms, ammunition and implements of war contained in the President's Proclamation of May 1, 1937,³⁷ which is set forth on page 5, and to regulation 26 which is set forth on page 18. It was pointed out that the material, equipment and armament which would be assembled for export under such a contract as that which was proposed would constitute to all intents and purposes a disassembled vessel of war, and that an export license would, therefore, be required to authorize its exportation. It was also pointed out that barring unforeseen changes in existing treaties or statutes, or unforeseen developments in the international situation, it would be the duty of the Secretary under the law to direct that the necessary export license be issued.

The attention of the interested companies was also invited to the provision of the Espionage Act of June 15, 1917, in regard to the revelation of military secrets of interest to the National Defense, which is quoted under Part 5 of the enclosed pamphlet. The Secretary, after consultation with the Navy Department, stated that he assumed that it would be possible for the Bethlehem Shipbuilding Corporation, Limited, or any other corporation with which the Carp Export and Import Corporation might enter into such a contract, to arrive at some agreement with the Navy Department which would adequately safeguard military secrets.

In dealing with questions relating to the international traffic in arms, the Department seldom expresses an objection on grounds of foreign policy to a proposed transaction which would not contravene the pertinent treaties and statutes. Objection is expressed only in exceptional circumstances and in the case of proposed transactions which would definitely and demonstrably interfere with the carrying out of its obligations in the conduct of our foreign relations. The original proposal for a contract between the Carp Export and Import Corporation and the Bethlehem Shipbuilding Corporation, Limited, contained two features to which the Secretary felt constrained to express objection. It was proposed that arrangements should be made whereby some of the material and armament should be inspected and tested by the United States Navy. The Secretary expressed objection to this feature of the proposed contract on the ground that such testing and inspection by an agency of this Government would constitute an infraction of our policy to refrain from the active promotion of the export trade in arms. It is understood that the provisions of the proposed contract relating to inspection and testing by the Navy Department have since been eliminated. The Secretary objected also to the

³⁶ 50 Stat. 121, 125.

³⁷ 50 Stat. 1834.

proposal that 16-inch guns should be exported for installation on a battleship for any foreign power. This objection was made in view of the discussions which were being carried on with foreign powers in regard to the maximum caliber of guns to be installed on battleships and in view of the uncertainty as to the ultimate decisions of other powers, and as to the international agreements which might be reached in regard to this subject. The objection to the exportation of 16-inch guns has since been withdrawn.

In view of what has been stated above, it would appear that the difficulties which the Carp Export and Import Corporation has encountered in connection with this proposed transaction result not from the attitude of any Department of the Government but rather from the inability of the Corporation to persuade the Bethlehem Shipbuilding Corporation, Limited, to enter into such a contract as it desires to negotiate.

711.00111 Armament Control/758
Military Secrets

Memorandum by the Chief of the Office of Arms and Munitions Control (Green)

[WASHINGTON,] August 21, 1937.

I called Admiral Leahy, Acting Secretary of the Navy, by telephone this morning, and referred to the Secretary's letter addressed to him on August 20,³⁸ in regard to the proposal of the Carp Export and Import Corporation to purchase in this country material, equipment, and armament for the construction of one or more battleships to be assembled in the U. S. S. R. I told him that it was evident that the Carp Export and Import Corporation was making another desperate effort to enter into the necessary contract. I said that a request for information on the case had come from the White House yesterday; that a member of Congress had called yesterday asking for information; and that Mr. Scott Ferris had just been in my office again. I gave him the substance of my conversation with Mr. Ferris.

Admiral Leahy said that he felt that the position of the Government in this matter was entirely clear, and that the whole difficulty of the Carp Export and Import Corporation resulted from the unwillingness of the Bethlehem Shipbuilding Corporation, Limited, to enter into a contract. He said that that unwillingness was due to the fact that Bethlehem realized that it could not furnish the necessary plans and specifications or the necessary material and armament without the constant and active cooperation of the Navy Department. He did not believe that Bethlehem could supply armor

³⁸ Not printed.

plate of the proper quality without such cooperation, and he felt certain that it could not manufacture 16 inch guns. He said that he did not believe that 16 inch guns could at present be manufactured in this country except in Naval arsenals. Admiral Leahy added that should any representatives of Carp or of Bethlehem approach him further, in regard to the matter, he would reiterate the position of this Government as fully explained in the Department's several letters to the Corporations. He would also, if necessary, make it clear that the Navy was not prepared to enter into active and prolonged cooperation with Bethlehem in order to enable that Corporation to carry out such a contract as was proposed. Such active and prolonged cooperation in the manufacture of battleships for a foreign power he felt would be definitely contrary to the policy of the Government.

JOSEPH C. GREEN

711.00111 Armament Control/773
Military Secrets

Memorandum by the Chief of the Office of Arms and Munitions Control (Green)

[WASHINGTON,] August 30, 1937.

After the conference in the Secretary's office yesterday morning, I had a conversation with Admiral Leahy, Acting Secretary of the Navy, in regard to recent developments in the attempt of the Carp Export and Import Corporation to purchase in this country material, equipment, and armament for the construction of a battleship to be assembled in the U. S. S. R. I told Admiral Leahy of my recent conversations with Mr. Scott Ferris, recorded in my memorandum of August 24 and 28.³⁹

Admiral Leahy said that the position of the Government was perfectly clear and that the procedure which I had suggested to Mr. Ferris was, he believed, the only procedure by which the Carp Export and Import Corporation could conceivably accomplish its purpose.⁴⁰ He added that he would be pleased to see an American shipbuilding company construct a battleship for the U. S. S. R., and that the President had told him that he also would be pleased if such a contract as was under consideration could be carried out. He believed, however, that no American shipbuilding company could design a battleship without the prolonged and active cooperation of the Navy Department, much less manufacture all of the necessary equipment and armament.

JOSEPH C. GREEN

³⁹ Not printed.

⁴⁰ See the third paragraph of memorandum by the Chief of the Office of Arms and Munitions Control, *infra*.

711.00111 Armament Control/799
Military Secrets

*Memorandum by the Chief of the Office of Arms and Munitions
Control (Green)*

[WASHINGTON,] September 22, 1937.

Mr. Scott Ferris, attorney for the Carp Export and Import Corporation, called at my office yesterday afternoon to discuss further the difficulties encountered by his clients in their attempt to purchase in this country plans, specifications, equipment, material and armament for a battleship to be assembled either in an American shipyard or in the U. S. S. R. He handed me four applications—photostatic copies of which are hereto attached ⁴¹—for license to export various listed items required in the construction of a battleship, and a quantity of ammunition. He said that he did not suppose that the information on some of these applications was sufficiently complete to enable the Department to grant export licenses, but nevertheless he was leaving them with me in the hope that at least some of the applications could be granted.

I told Mr. Ferris that I would examine the applications with care and would submit them to the Navy Department for its consideration. I explained that the only possible obstacle to the issuance of the licenses applied for would be the possibility that some of the items listed were described in such general nontechnical terms that it would be impossible for the appropriate authorities of the Government to ascertain whether or not military secrets of interest to the National Defense were involved therein.

Mr. Ferris then said that he wished to explain to me very frankly why it was that his clients had not been able to enter into contracts with any American designers or builders of naval vessels. He said that they understood thoroughly the procedure which I had suggested, viz: that they should purchase complete plans and specifications and then submit applications for license to export, assembled or unassembled, a battleship built or to be built in accordance with those plans and specifications. He said that they understood further that if such plans and specifications were presented to me, I would transmit them to the Navy Department with a view to ascertaining whether military secrets were involved, and with a view to the elimination of any features of the projected battleship which might involve such secrets, and the substitution of other plans and specifications for those features. He said that with this procedure clearly in mind, his clients had approached the New York Shipbuilding Corporation, the Bethlehem Shipbuilding Corporation, Limited, and Gibbs and Cox, Incor-

⁴¹ Not reproduced.

porated—marine architects—, and offered to pay cash for complete plans and specifications on the understanding that these plans and specifications were not to be communicated to the purchasers until the Secretary of the Navy had ascertained that they contained no military secrets, or until any features which the Navy Department considered to contain military secrets had been eliminated from the plans and specifications. Mr. Ferris said that Carp had not as yet received a definite reply from Gibbs and Cox, Incorporated, but that, notwithstanding the utmost efforts of his clients to persuade the New York Shipbuilding Corporation and the Bethlehem Shipbuilding Corporation, Limited, to sell them plans and specifications, these companies had refused to do so, and had explained their refusal by saying that although the position of the Government in respect to the proposed transaction had been made clear in various letters from the Department, nevertheless, officers of the corporations had been told by several naval officers in the Navy Department, some of whom he named, that they disapproved of the proposed transaction. Mr. Ferris said that Mr. Gilmore, President of the Sperry Gyroscope Company, Incorporated, from whom the Carp Export and Import Corporation had attempted to purchase plans and specifications for fire control apparatus to be installed on the proposed battleship, had been so impressed by the opinions adverse to the proposed transaction expressed by certain naval officers, that he now refused even to communicate with the Department of State or to request information as to whether there was any objection, on the ground of military secrecy, to the exportation of the fire control apparatus in question. Mr. Ferris quoted naval officers as having made to representatives of the two shipbuilding corporations and to Mr. Gilmore various remarks, such as that notwithstanding the official position of the Navy Department they should not make any contract with Carp. One officer was quoted as having said that as long as he occupied his present position, he would prevent the carrying out of the proposed transaction if he possibly could. Mr. Ferris said that the representatives of the three companies mentioned had interpreted the remarks of some of the naval officers with whom they had discussed the proposed transaction as representing to such a degree the opinions of important naval officers, that they feared that if they entered into contracts with Carp, the Navy Department would make “reprisals” against them, and that as the Navy Department was their principal customer they could not afford to take the risk. He said that they felt that as some of the naval officers referred to—whom they credited with strong aversion to any dealings by American arms manufacturers with agents of a communist government—occupied such key positions in the Navy Department that notwithstanding the official position of

that Department, they could and would place obstacles in the way of future contracts with that Department if their warnings were ignored.

This morning Mr. Ferris returned to my office, accompanied by Mr. Carp and Mr. Morris Wolf of the Carp Export and Import Corporation. Our conversation was almost a duplicate of that which I had with Mr. Ferris yesterday. Mr. Wolf reported at length alleged statements to him by representatives of the New York Shipbuilding Corporation and the Bethlehem Shipbuilding Corporation, Limited, in regard to conversations with naval officers, but added little to what Mr. Ferris had already told me. The only new piece of information which I obtained in the course of the conversation was that the Soviet Government had become so impatient at the delays and the inability of the Carp Export and Import Corporation to close the necessary contracts, that Messrs. Carp and Wolf thought it probable that their agency would be cancelled unless they were able to report progress very shortly.

Mr. Ferris expressed the hope that the policy of the Government in regard to this matter might be made so clear to all officers in the Navy Department whose duties related to such matters that the objections which had been expressed to representatives of the shipbuilding corporations and the Sperry Gyroscope Company, Incorporated, would be emphatically withdrawn so that the companies would feel free to proceed to enter into contracts, and he added that he hoped that I might be able to do something to bring about this result.

JOSEPH C. GREEN

711.00111 Armament Control/809
Military Secrets

Memorandum by the Chief of the Office of Arms and Munitions Control (Green)

[Extract]

[WASHINGTON,] September 24, 1937.

In compliance with instructions, I called on Admiral Leahy, Acting Secretary of the Navy, this morning and handed him the Secretary's letter of September 23⁴² enclosing a copy of my memorandum of conversations with representatives of the Carp Export and Import Corporation on September 21 and September 22. Admiral Leahy read the letter and memorandum with care.

In regard to the applications for export licenses the Admiral said that it was his offhand opinion that the Navy Department would

⁴² Not printed.

have no objection, on the ground of military secrecy, to the granting of the applications for licenses to export \$2,505,000 worth of ammunition; nine 16-inch guns, valued at \$2,250,000; and armor plate valued at \$275,100. He thought it possible, though less likely, that the Navy Department would have no objection, on the ground of military secrecy, to the granting of the application for a license to export three turrets with equipment, to the total value of \$5,000,000. He said that he would submit the questions involved to the officers dealing with such matters and would direct that a reply to the Secretary's letter be drafted without delay.⁴³

In regard to the alleged statements of subordinate officers of the Navy Department to representatives of the Bethlehem Shipbuilding Corporation, Limited, the New York Shipbuilding Corporation and the Sperry Gyroscope Company, Incorporated, the Admiral said that it was more than possible that some officers of his Department who were strongly opposed to sales of arms to a communistic government might have made indiscreet remarks expressing their personal opinions in regard to the proposal of the Carp Export and Import Corporation to purchase one or more battleships in this country. He said, however, that such remarks represented nothing more than the personal opinions of the officers who might have made them and that they did not represent the position of the Navy Department which coincided in every respect with the position of the Department of State as expressed in numerous recent letters and conversations. He asked me so to inform Mr. Scott Ferris.

I pointed out that, in view of the attitude of the Government toward the proposed transaction and the favorable attitude of the President as the Admiral had reported it to me in a recent conversation, the expression of a divergent opinion by responsible naval officers to representatives of the interested companies might produce a highly embarrassing situation.

The Admiral reiterated that the President had recently told him that he hoped that the Russians would be successful in their negotiations to purchase a battleship in this country and he admitted that the situation might be embarrassing if the proposed transaction were to fall through as a result of statements made by officers of his Department. He did not, however, appear to be particularly impressed by what seemed to me to be the serious implications of the situation which has arisen as a result of statements made by his subordinates.

JOSEPH C. GREEN

⁴³ Reply not printed.

711.00111 Armament Control/813
Military Secrets

*Memorandum by the Chief of the Office of Arms and Munitions
Control (Green)*

[WASHINGTON,] September 29, 1937.

Mr. Scott Ferris, representing the Carp Export and Import Corporation, and Mr. E. R. Leonard, representing the Bethlehem Shipbuilding Corporation, Limited, called at my office this afternoon. Their joint call was the result of a series of telephonic conversations during the morning in which I had attempted to arrange to have Mr. Ferris and Mr. Leonard make each other's acquaintance and then come together to my office in order that I might attempt to clear up the various misunderstandings which had arisen as the result of the way in which conversations with me and with officers of the Navy Department had been reported by representatives of one company to representatives of the other company. Mr. Ferris and Mr. Leonard had just had lunch together and they said that during their luncheon conversation they had cleared up all misunderstandings . . .

Mr. Leonard said that on behalf of his company he had definitely informed Mr. Ferris that as Bethlehem had recently entered into a contract with the United States Navy to design destroyers, its designing force was so occupied that the company could not possibly undertake to prepare designs for a battleship for the U. S. S. R. at this time.

Mr. Ferris said that he had definitely accepted Mr. Leonard's statement and that there would be no further question of attempting to persuade Bethlehem to submit designs for a battleship to be purchased by Carp on behalf of the U. S. S. R. He said that acting on the information which he had obtained from Mr. Leonard he now proposed to advise his clients to concentrate their efforts upon an attempt to persuade either Gibbs and Cox, Incorporated, or the New York Shipbuilding Corporation to submit plans on the understanding that these plans would not be disclosed to Carp until they had been transmitted to the Department so that the appropriate authorities of the Government might determine whether or not they incorporated any military secrets. Should they be found to incorporate military secrets the plans would then be revised and the secret features eliminated. Mr. Ferris added that the contract which he hoped either Gibbs and Cox, Incorporated, or the New York Shipbuilding Corporation could be persuaded to enter into with Carp would provide that only after all military secrets had been eliminated would the plans be communicated to the latter. Carp would then be in a position to ask the Bethlehem Shipbuilding Corporation, Limited, the New York Shipbuilding Corporation and the Newport News Shipbuilding and

Dry Dock Company to bid competitively for the construction of a battleship according to these plans.

Mr. Leonard said that if the plan which Mr. Ferris had outlined could be carried through he thought it probable that Bethlehem would be willing to enter a bid for the construction of the battleship.

Before leaving, Mr. Ferris said that he proposed to attempt to persuade the president of the New York Shipbuilding Corporation⁴⁴ to authorize a representative of his company to call on me with representatives of Carp, including himself, in order that any misunderstanding created in the minds of officers of the New York Shipbuilding Corporation by Mr. Wolf or other representatives of Carp might be completely cleared up as they had been cleared up in respect to Bethlehem as a result of his conversations with Mr. Leonard.

JOSEPH C. GREEN

711.00111 *Armament Control*/812
Military Secrets

*The Secretary of State to the Carp Export and Import Corporation,
New York, N. Y.*

WASHINGTON, October 1, 1937.

SIRS: The receipt is acknowledged of your application of September 8, 1937, and your applications of September 10, 1937,⁴⁵ for license to export to Mashinoimport,⁴⁶ Moscow, Union of Soviet Socialist Republics, a shipment of armor plate, nine sixteen-inch guns, three triple turrets, exclusive of armament, for mounting sixteen-inch guns, and 900 armor piercing sixteen-inch projectiles, 900 rounds of powder, and 1,000 electric percussion primers.

I have granted these applications upon the understanding that before attempting to export any of the articles referred to therein you will assure yourself that they do not embody any features constituting military secrets of interest to the National Defense, and that to this end you will submit to the Department for examination prior to exportation detailed specifications of the articles in question. In this connection, your attention is invited to Part V of the enclosed pamphlet, *International Traffic in Arms*.

The license for the exportation of the three triple turrets is issued upon the assumption that they fall within Category II of the Presi-

⁴⁴ John F. Metten.

⁴⁵ None printed, but see memorandum of September 22, 1937, by the Chief of the Office of Arms and Munitions Control, p. 480.

⁴⁶ All-Union Combine for the Import of Equipment, Electrical Goods, and Hauling Machinery.

dent's Proclamation of May 1, 1937, as they will constitute parts of a vessel of war to be constructed in the United States or to be assembled in the U.S.S.R.

The completed licenses are transmitted to you herewith.

Very truly yours,

For the Secretary of State:

JOSEPH C. GREEN

Chief, Office of Arms and Munitions Control

711.00111 Armament Control/849
Military Secrets

Memorandum by the Chief of the Office of Arms and Munitions Control (Green)

[WASHINGTON,] October 11, 1937.

After the Secretary had talked over the telephone with Mr. Scott Ferris, counsel for the Carp Export and Import Corporation, I called Mr. Ferris by telephone and told him that with a view to putting an end to the misunderstanding between his clients and the New York Shipbuilding Corporation, I would be glad to see him and a representative of the New York Shipbuilding Corporation at any time and, if they wished, to ask Admiral Leahy on behalf of the Secretary to see them. I told Mr. Ferris that I thought that the suggested procedure would be more likely than any other to clear up any misunderstandings which might still persist, in regard to the questions of law and policy arising as a result of the proposal of his clients to purchase one or more battleships in this country; that at the conclusion of such a conversation the questions which had been under discussion between his clients and the New York Shipbuilding Corporation could be settled one way or the other; and that his clients would know definitely whether the Corporation was or was not prepared to enter into the necessary contracts with them. I pointed out to Mr. Ferris that my information convinced me that the reluctance of the New York Shipbuilding Corporation to enter into such contracts was due fundamentally not to any privately expressed opinions of naval officers as he seemed to suppose, but to the conviction of the Corporation that it would find it extremely difficult to construct a battleship without the active and continuous assistance of the Navy Department and to the very necessary and proper refusal of the Navy Department to promise any American shipbuilding company such cooperation in the construction of a battleship for any foreign power.

JOSEPH C. GREEN

711.00111 Armament Control/871
Military Secrets

*Memorandum by the Chief of the Office of Arms and Munitions
Control (Green)*

[WASHINGTON,] October 25, 1937.

Mr. Scott Ferris representing the Carp Export and Import Corporation called at my office this afternoon to discuss recent developments in connection with the attempts of his clients to enter into contracts for the purchase of a battleship for the U. S. S. R.

Mr. Ferris said that Mr. Beal of the New York Shipbuilding Corporation after his recent conversation with Admiral Leahy had informed Mr. Carp that his company would not enter into the proposed contract. He gave as his reason that the company could not manufacture 16-inch guns and furthermore could not undertake to design or install fire control apparatus without the cooperation of the Sperry Gyroscope Company, Inc., which was not willing to take any part in the proposed transaction. Mr. Ferris said that Mr. Morgan of the Sperry Gyroscope Company, Inc., had explained to him that its refusal to consider supplying fire control apparatus for a battleship to be exported to the U. S. S. R. was due to the expressed opposition of several important officers in the Navy Department. Mr. Ferris said that Mr. Morgan had said that he understood thoroughly the official position of the Navy Department but that he was obliged to take into account in such matters the strong opposition of subordinate officers in that Department who might make it extremely unpleasant for his company if it were to take any action contrary to their wishes.

Mr. Ferris said further that the Bethlehem Shipbuilding Corporation, Limited, although it had apparently reached a decision some weeks ago not to enter into the proposed contracts with his clients under any circumstances, had recently informed them that it would do so if Admiral Leahy could overcome the opposition to the proposed transaction on the part of his own subordinates, and that they would enter into the contracts if the Admiral were willing to inform his subordinates in writing of the policy of his Department in regard to the proposals and to direct their adherence thereto.

Mr. Ferris asked me whether the Department of State could not do something further to induce Admiral Leahy to put an end to the expression of opposition by his subordinates to any transactions by American companies which would increase the armament of the U. S. S. R.

I told Mr. Ferris that I did not believe that the Department could properly do anything further in that matter than it had already done in bringing the statements of his clients to the attention of Admiral

Leahy and in arranging an appointment for him to discuss the matter with the Admiral in person.

JOSEPH C. GREEN

711.00111 Armament Control/919
Military Secrets

Memorandum by the Chief of the Office of Arms and Munitions Control (Green) to the Secretary of State

[WASHINGTON,] November 15, 1937.

In a recent conversation you told me that you might wish to mention in Cabinet recent developments in connection with the proposal of the Carp Export and Import Corporation, agents of the U. S. S. R., to purchase in this country one or more battleships for the Soviet Government.

The facts are:

Carp has for some time had \$200,000,000 on deposit in New York and Philadelphia banks. He has been attempting to close contracts with American naval architects and ship builders, and particularly with the New York Shipbuilding Corporation and the Bethlehem Shipbuilding Corporation, Limited. Several American companies, including the two mentioned, have apparently been disposed to enter into contracts with Carp, but none has done so and Carp has apparently abandoned the attempt to purchase battleships in this country.

During the course of the negotiations over a period of nearly a year, representatives of Carp and of the interested American companies have been fully informed by the Department of the laws relating to such transactions as those proposed and to the policy of the Government in respect to the proposed transactions. In the initial stages, the Department, after consultation with the Navy Department, expressed objection to the proposed installation of 16 inch guns on a battleship to be constructed for export and to the proposal that the Navy Department cooperate extensively with the ship builders even to the extent of inspecting and testing material and armament. The first objection was withdrawn when the Japanese Government refused to enter into an international agreement to limit the caliber of naval guns; the proposed contract was modified so as to eliminate the grounds on which the second objection was made. The ship builders seemed to be convinced that they could construct a ship which would not contain any features considered military secrets. The Department, complying with the mandatory provisions of the law, issued export licenses for material and armament for the proposed battleships to the value of \$10,030,100. All possible obstacles to the carrying out of the proposed transaction seemed to be removed. I have been in-

formed on what appears to be trustworthy authority that the reason why the proposed transaction was abandoned is that subordinate officers in the Navy Department have repeatedly told the ship builders and the representatives of other interested American companies not to enter into contracts with representatives of the U. S. S. R., and that the ship builders and others concerned did not dare to enter into transactions contrary to the desires of naval officers who deal with matters relating to contracts with the United States Navy.

JOSEPH C. GREEN

711.00111 Armament Control/922
Military Secrets

Memorandum by the Secretary of State

[WASHINGTON,] November 27, 1937.

During his call, the Ambassador ⁴⁷ said that he would like to speak to me about the sale by this country of the component parts of a battleship and the obstruction being made by certain influence in this country to its purchase and completion. I replied that within the last 24 hours I had discussed this obstructionist phase with my associates; ⁴⁸ that of course the State Department does not deal with projects of any kind, but only with policies; that it would be consistent, however, for me to call attention to the nature of the reported obstruction to trade in order that those more directly possessing jurisdiction might give the matter such attention as their judgment suggests. I added further that I would call the White House and inform them of the Ambassador's mission here. This I did, and the Ambassador left for the White House on this mission.

C[ORDELL] H[ULL]

711.00111 Armament Control/950
Military Secrets

Memorandum by the Legal Adviser (Hackworth)

[WASHINGTON,] December 18, 1937.

The Soviet Ambassador called on December 11 to inquire whether if his Government should place a contract in the United States for the construction of a war vessel the Neutrality Act would prevent delivery of the vessel, if at the time of its completion his country should be at war.

I told him that it was my judgment that the vessel could not be delivered during the existence of a state of war. He then inquired

⁴⁷ The Ambassador of the Soviet Union, Alexander Antonovich Troyanovskiy.

⁴⁸ The reference is doubtless to the members of the Cabinet.

whether a different situation would obtain if the contract had been let before the issuance of the President's proclamation. I told him that I did not think so but that I would be glad to look into the matter and talk with him again.

He called again on December 16 and I told him that I did not think that the vessel could be delivered, if at that time his country should be at war and the President had issued a proclamation under the Joint Resolution of May 1, 1937. I called his attention to Category II of the proclamation issued February 29, 1936,⁴⁹ listing the articles the exportation of which was prohibited and mentioning specifically "vessels of war of all kinds". He wondered whether it might not be possible to relieve the contract of the effects of the Joint Resolution and of any proclamation by an agreement between the two countries, or otherwise. I answered in the negative, stating that regardless of our own legislation on the subject, it would be contrary to international law, and that the opposing belligerent would have ample grounds for complaint and for a claim for damages against the United States.

He indicated that he might again speak to the Secretary on the subject.

GREEN H. HACKWORTH

711.00111 Armament Control/952
Military Secrets

*Memorandum by the Chief of the Office of Arms and Munitions
Control (Green)*

[WASHINGTON,] December 21, 1937.

Mr. Scott Ferris, attorney for the Carp Export and Import Corporation, called at my office this morning. He said that he had had a conference with his principals in New York yesterday in regard to the proposal to purchase battleships in this country for the U. S. S. R. He said that they were greatly encouraged since the Soviet Ambassador's conversation with the President, and that at present they were attempting to close two contracts—one for the construction of a battleship in this country, and the other for the purchase of plans, material, armament and equipment to be exported and assembled in the U. S. S. R.

Mr. Ferris said that he had been informed that Mr. Edison, Assistant Secretary of the Navy, was planning to hold a conference in his office within the next day or two at which Mr. Gibbs—the naval architect—, representatives of the Bethlehem Shipbuilding Corporation, Ltd., and the New York Shipbuilding Corporation, and officers of the Navy Department would be present. He said that he understood that Mr. Edison's purpose in holding this conference was to thresh the whole

⁴⁹ 49 Stat. 3498, 3500.

proposal out in the presence of the officers of the Department who have heretofore been obstructing the carrying out of the proposed transaction, with a view to explaining the policy of the Government to them and with a view to putting an end to their obstructive tactics.

After Mr. Ferris's departure, I called Admiral Leahy by telephone. He said that he had not heard of any proposal to hold a conference in the Navy Department in regard to this matter.

JOSEPH C. GREEN

711.00111 Armament Control/965
Military Secrets

*Memorandum by the Chief of the Office of Arms and Munitions Control
(Green)*

[WASHINGTON,] January 4, 1938.

After a meeting of the National Munitions Control Board on December 30, I asked Admiral Leahy whether he had any information as to what had happened at the meeting in Mr. Edison's office.

The Admiral said that Mr. Edison had told him that he had explained the position of the Government in regard to the proposed transaction in exactly the same terms in which it has been so often set forth in letters and conversations relating to this matter, and that he had added nothing new to what had already been said to Mr. Gibbs and the representatives of the shipbuilding companies.

Mr. Ferris called me from Oklahoma City by telephone this morning and asked me whether I had as yet any information in regard to what happened at the meeting.

I replied that I had no detailed information. I gave him such information as I had based upon what the Admiral had told me.

JOSEPH C. GREEN

ARREST AND DETENTION OF AMERICAN CITIZENS BY THE SOVIET GOVERNMENT IN CONTRAVENTION OF THE UNDERTAKING OF NOVEMBER 16, 1933⁵⁰

361.1121 Sviridoff, George/8

The Chargé in the Soviet Union (Henderson) to the Secretary of State

No. 510

Moscow, August 26, 1937.

[Received September 21.]

SIR: I have the honor to acknowledge the receipt of the Department's instruction of February 12, 1937 (File No. 361.1121 Sviridoff,

⁵⁰ For text of the undertaking of November 16, 1933, to notify an American Consul in cases of arrest of American citizens and to allow interviews, see the exchange of letters between President Roosevelt and People's Commissar for Foreign Affairs Maxim Maximovich Litvinov, pp. 33-34.

George/5 [6]),⁵¹ enclosing a copy of a letter dated November 24, 1936, from Mr. Kliment Sviridoff with reference to the alleged imprisonment in the Soviet Union of his son, Mr. George Sviridoff,⁵² who is reported to desire to return to the United States, and requesting that the Embassy communicate with Mr. George Sviridoff with the view of informing him that he may be issued a passport valid for his return to the United States provided it is established that since attaining his majority he has performed no act which has resulted in his expatriation. The Embassy was also requested, in the event that no reply is received from Mr. Sviridoff within a reasonable time, to ask the assistance of the People's Commissariat for Foreign Affairs in ascertaining the present whereabouts and welfare of Mr. George Sviridoff and if he is serving a term of imprisonment or is otherwise detained, to take such further steps as advisable with a view to obtaining his release with permission to return to the United States.

Upon receipt of the Department's instruction a letter was addressed by double registered mail to Mr. George Sviridoff, Mine No. 1, Pechorski Camp U.K.H.T., Vorkuta, Northern Krai, Union of Soviet Socialist Republics, regarding his welfare and plans for the future. A return postal registration card was finally received by the Embassy which indicated that the letter addressed to Mr. Sviridoff was delivered to the representative of the mine on August 25, 1937, but it is not known whether Mr. George Sviridoff actually received the communication or was in a position to reply to the letter. A note was, accordingly, addressed to the People's Commissariat for Foreign Affairs on June 26, 1937, requesting information regarding the whereabouts and welfare of Mr. Sviridoff. The People's Commissariat was furnished with Mr. Sviridoff's last known address and pertinent information regarding his residence in this country, but no reply was received to the Embassy's communication. A second note was sent to the People's Commissariat for Foreign Affairs on August 3, 1937, inquiring regarding Mr. George Sviridoff. The Embassy is now in receipt of a communication dated August 21, 1937, from the People's Commissariat in which it is stated that it is impossible to establish the whereabouts of Mr. George Sviridoff.⁵³

It is regretted that the Embassy has been unable to furnish the father of Mr. George Sviridoff with any information concerning the welfare of his son.

Respectfully yours,

For the Chargé d'Affaires ad interim :

A. I. WARD

Chief of the Consular Section

⁵¹ Not printed.

⁵² George Sviridov had attempted to stow away on the Soviet ship *Kim*, outward bound from Novorossiisk, in March 1934, to return to the United States. Upon discovery, he had been returned to the Soviet Union, where he had been sentenced to 10 years of convict labor.

⁵³ The father received a letter from his son subsequent to February 14, 1939, sent from the same address as given above.

361.1121 Hrinkevich, Frank/1 : Telegram

The Ambassador in the Soviet Union (Davies) to the Secretary of State

Moscow, October 18, 1937—11 a. m.

[Received October 18—8:38 a. m.]

268. In a note dated October 16, the Foreign Office advises the Embassy of the arrest on July 19, 1937, under [article] 58 (10) of the Criminal Code of Frank Hrinkevich who is now under detention at Minsk. His passport (number 85071 of March 31, 1934) has been in the custody of the Embassy since March 16, 1937, on which date it was received from the Foreign Office with the request that it be renewed as the Soviet Government desired to expel him from the Soviet Union for having "committed systematic violations of the regulations in force" in that country. Efforts will be made to have Durbrow interview him at Minsk on October 22nd.

DAVIES

361.1121 Hrinkevich, Frank/2 : Telegram

The Ambassador in the Soviet Union (Davies) to the Secretary of State

Moscow, October 21, 1937—2 p. m.

[Received October 21—9:05 a. m.]

274. Embassy's telegram 268, October 18, 11 a. m. Foreign Office stated orally today at 1:00 p. m., that Durbrow, who is en route from Berlin and will arrive this evening in Minsk, may not interview Hrinkevich.

DAVIES

361.1121 Hrinkevich, Frank/3 : Telegram

The Secretary of State to the Ambassador in the Soviet Union (Davies)

WASHINGTON, October 23, 1937—2 p. m.

167. Your 274, October 21, 2 p. m. The Department desires that you address to Mr. Litvinov at the earliest possible moment a note stating that you are instructed by your Government to request that permission be granted for a representative of this Government to interview Hrinkevich and asking for an early reply.

It would be preferable to postpone discussion of this request until a written reply has been received from the Foreign Office. Should you find it necessary, however, to discuss this matter in the meantime with

Soviet officials, you may call their attention to the provisions of Article 11 and the Protocol to Article 11 of the German-Soviet agreement of October 12, 1925⁵⁴ and to the statement made in Litvinov's letter of November 16, 1933, to the President to the effect that most-favored-nation rights with respect to legal protection "will be granted to American nationals immediately upon the establishment of relations between our two countries". You should not, however, say anything that would imply that this letter is the only basis for this Government's request and you should make it plain, if necessary, that this Government would expect the granting of such permission even in the absence of all written guaranties.

HULL

124.613/843 : Telegram

The Ambassador in the Soviet Union (Davies) to the Secretary of State

Moscow, October 29, 1937—11 p. m.

[Received October 30—8:35 a. m.]

283. In the case of the translator Svyadoshch,^{54a} Litvinov stated that he wished to assure my Government that in this arrest there was no reflection upon the American Mission in any respect; that the action was predicated entirely upon the conduct of the accused in connection with facts outside of his work at the Embassy.

In connection with the Hrinkevich case he stated that he would take the matter up at once and hope that it could be disposed of speedily. He stated also that in his opinion there would be no doubt but what we would have an opportunity to confer with the accused.

In connection with both of these cases he stated that he wished to assure my Government that the disposition of the Soviet Government would certainly be to extend most favorable consideration to the U. S. He went on to say that his Government conceived that it was surrounded by enemies and had no friends among other nations and that in the face of this threat it had become necessary for it to drastically clean up all possible treasonable or spying activities at home and that in such a thorough and broad campaign there was the possibility of injustice and that some innocent people might suffer, which fact it regretted, but which could not be permitted to deter its action. He regretted that his absence would prevent his taking up these two matters personally, but that he would discuss it with the deputy in charge and instruct him to take the matter up with me promptly.

DAVIES

⁵⁴ These provisions are quoted in the letter of November 16, 1933, from Commissar for Foreign Affairs Litvinov to President Roosevelt, p. 33.

^{54a} Abraham L. Svyadoshch, a Soviet employee of the Embassy, had been arrested on October 27, 1937.

361.1121 Hrinkevich, Frank/6 : Telegram

The Ambassador in the Soviet Union (Davies) to the Secretary of State

Moscow, November 11, 1937—9 p. m.
[Received November 12—8:10 a. m.]

291. Oral application for permission for member to interview Hrinkevich having been denied, a formal note was sent to Litvinov on October 25 pursuant to instructions of the Department. An acknowledgment was received on November 1st. In the interim I personally discussed matter with Litvinov and Stomonyakov on October 29. Yesterday immediately following the holiday season incident to the anniversary celebration⁵⁵ I called upon Stomonyakov, now acting People's Commissar for Foreign Affairs, and urged immediate action by the Soviet Government in view of the serious invasion of American rights. Stomonyakov stated that Litvinov had personally urged immediate consideration and he, Stomonyakov, would follow it up at once. The Embassy was informed orally this afternoon by the Foreign Office that the Soviet Government desires to effect Hrinkevich's deportation as soon as his American passport is in order. Later, after inquiry, the Embassy was advised that a member of the staff may visit and interview him at once. Durbrow will proceed to Minsk tomorrow.

DAVIES

361.1121 Hrinkevich, Frank/7 : Telegram

The Ambassador in the Soviet Union (Davies) to the Secretary of State

Moscow, November 16, 1937—11 a. m.
[Received 11:45 a. m.]

293. My telegram No. 291, November 11, 9 p. m. Durbrow and Page interviewed Hrinkevich at Minsk and took his application for passport renewal which is being submitted by mail. He states that he desires to retain his American citizenship and would have returned also to the United States had he been able to obtain permission for his Soviet wife and their 2 year old Soviet American son to depart from the Soviet Union. While he has no desire to remain in the Soviet Union he prefers to remain here even under the threat of a trial for criminal action rather than abandon his wife and child. Durbrow and Page were cautioned by the Soviet authorities before being permitted to see Hrinkevich that the interview could be in the Russian language only and that it could not touch upon his arrest, incarceration

⁵⁵ Twentieth anniversary of the Bolshevik revolution, October 25/November 7, 1917.

tion, and examination. They were refused access to the dossier in the case. However, in an aside in English, Hrinkevich succeeded in stating that he had been held incommunicado for the first 65 days of his incarceration. When he stated in Russian during the course of the interview that he was unaware for the first 60 days of his confinement of the reason for his arrest the Soviet official present at the interview stated to him "you know now that you are under arrest for having made remarks against the Soviet regime". The authorities at Minsk, including the Minsk representative of the People's Commissariat for Foreign Affairs, although admitting knowledge of the Roosevelt-Litvinov letters of November 16th, 1933, disclaimed all knowledge of the reasons for the failure of the Soviet Government to notify the Embassy promptly of Hrinkevich's arrest.

DAVIES

361.1121 Hrinkevich, Frank/8 : Telegram

The Secretary of State to the Chargé in the Soviet Union (Henderson)

WASHINGTON, November 26, 1937—2 p. m.

184. Your 293, November 16, 11 a. m. The Department understands that no information has yet been obtained from Soviet authorities concerning the specific charges on which Hrinkevich is being held and the present status of his case. If this is correct please address a note to the Foreign Office calling attention to the restrictions which were placed on the interviewing of Hrinkevich by Durbrow and Page and making inquiry concerning points mentioned.

HULL

361.1121 Hrinkevich, Frank/9 : Telegram

The Chargé in the Soviet Union (Henderson) to the Secretary of State

Moscow, November 30, 1937—4 p. m.

[Received November 30—10:45 a. m.]

312. Department's 184, November 26, 2 p. m. A note has been addressed to the Foreign Office requesting that the Embassy be informed of the specific charges under which Hrinkevich was arrested and is confined. No request is being made at this time however for information regarding present status of his case since the Embassy feels that the Soviet Government desires to continue its "investigation" of his case until such time as he may be deported and then close the matter by effecting such deportation. The Embassy fears that the lodging of inquiry regarding status of the case may result in the Soviet Government changing its plans and bringing him immediately to trial.

HENDERSON

361.1121 Nordeen, Hjalmar S./2 : Telegram

The Secretary of State to the Chargé in the Soviet Union (Henderson)

WASHINGTON, December 3, 1937—4 p. m.

187. Your 301, November 24, noon.⁵⁶ In view of the circumstances under which Nordeen was granted Soviet citizenship,⁵⁷ the Department, as indicated in its instruction of February 5, 1935,⁵⁶ does not consider that he has expatriated himself. You are authorized in your discretion to approach the Soviet authorities in his behalf and, in case they are unwilling to permit his release and departure from the Soviet Union, to request information concerning the charges against him and permission for officers of the Embassy to interview him. As in the Hrinkevich case, it is not desired that you do anything to prejudice the possibility that he may be deported rather than sentenced to imprisonment.

HULL

361.1115 Robinson, Donald L./1 : Telegram

The Chargé in the Soviet Union (Henderson) to the Secretary of State

Moscow, December 9, 1937—6 p. m.
[Received December 9—3:59 p. m.]

317. 1. American journalists informed the Embassy yesterday evening that they had heard a report that an American citizen by the name of Robinson who had been living at the National Hotel had been arrested several days ago.

2. Ward immediately called at the hotel to investigate and found there an American woman who gave her name as Mrs. Donald Louis (Ruth Norma) Robinson, 10 East 48th Street, New York. She said that she and her husband had been in Moscow since November 6th; that he had taken ill in the latter [part?] of November; that on December 2nd he had been taken to a hospital; that she did not know the name of the hospital; and that she had been informed by the hotel officials that she could not go to see him since he was too ill, and had been given to understand that he was in an "iron lung". The hotel

⁵⁶ Not printed.

⁵⁷ Nordeen had applied at the Embassy on December 26, 1934, for a passport for return to the United States, when he alleged that "he was forced into applying for and accepting Soviet citizenship" after his arrival during May 1933. The Department of State held that he had not voluntarily acquired Soviet citizenship, and on February 5, 1935, authorized issuance of a passport valid only for return to the United States. On April 24, 1935, Nordeen began his unsuccessful attempts to renounce Soviet citizenship. His wife, an American citizen, was refused an extension of her Soviet residence permit and was forced to leave on May 13, 1937. She later returned to the United States. Nordeen was arrested in Moscow on November 21, 1937. (361.1121 Nordeen, Hjalmar S./3, 4.)

authorities were evasive when Ward endeavored to obtain more information regarding the case and told him that only the director, who was busy at the time, could discuss the matter.

3. Later in the evening Ward and I went together to see the director, but were received by the vice director who not only would not furnish the name of the hospital in question, but would not even give assurances that Robinson was in a hospital. He insisted that the only person who knew anything about Robinson's whereabouts was an employee not in the hotel at the time.

4. Early this morning we again called at the hotel and learned that Mrs. Robinson also had disappeared. No one in the hotel could tell us where she was or why she had left. They said that they knew nothing except that she had departed with her effects in an unidentified automobile.

5. At my request Ward went immediately to the Foreign Office, told the story to Vinogradov and stated that the Embassy desired to learn today the whereabouts of the two persons. We were promised a reply during the course of the day.

6. At 2 o'clock, in answer to telephone inquiry, Vinogradov said that he had been unable to ascertain from the hotel the whereabouts of the Robinsons and that he was applying to Intourist.⁵⁸

7. I understand that American journalists, who have not been successful in getting into contact with the missing persons, are reporting that they have mysteriously disappeared.

8. We have thus far not been able to learn anything about the persons in question other than what is stated above. The hotel authorities, who were in possession of their passports, have continuously refused to let us have any passport data.

9. The Embassy will continue to pursue the matter vigorously and to keep the Department advised regarding developments.

HENDERSON

361.1115 Robinson, Donald L./13

*Memorandum by the Secretary of State of a Conversation With the
Ambassador of the Soviet Union (Troyanovsky)*

[WASHINGTON,] December 11, 1937.

After some opening remarks on the situation in the Far East, during the call of the Ambassador at my request I stated that just at times when it was all-important for the fullest measure of moral influence by great nations such as his and mine to be exerted in behalf of peace and against the predatory actions of bandit countries, there

⁵⁸All-Union Corporation for Foreign Tourism in the Soviet Union, official travel agency.

seemed to be always some minor occurrences which grated on public opinion, especially in my country, attributed, if not committed, to his government or country. He replied, "Yes". I said, "For illustration, I hand you a memorandum⁵⁹ of all the information this government has to date about the disappearance of Mr. and Mrs. Donald Louis Robinson from their hotel near the American Embassy in Moscow." I continued, "My government and its officials at Moscow do not think it possible for Americans to go into Russia without registering and without their movements being known to the Soviet government; and, therefore, the present whereabouts of this Robinson couple is unquestionably known to the officials of the Soviet Government; foreigners from other countries are reported to have suddenly and suspiciously disappeared when in Russia; other disagreeable experiences on the part of this government or its nationals are enough to make most difficult the preservation of wholehearted relations of understanding and teamwork in support of all peaceful efforts to promote and preserve international order. For instance, the ambassadors and ministers passing back and forth to Moscow are subjected to all of the delays and customs searches and customs duties of a stranger, contrary to the practice of all other nations, so far as I am aware; and Dr. White, a noted professor at the University of Virginia, was detained, wholly needlessly, at Leningrad for some three hours which was very exasperating in its aspects; also, an entire group of American tourists were reported in the press to have been kept from landing at a Soviet port on some entirely inexcusable theory; and neither Americans nor other foreigners can travel in Russia without the OGPU or other such Russian bureau observing their movements incessantly." I said, "I get very much discouraged in my efforts to promote real worthwhile relations, especially at this critical period in world affairs, when all of these irritating practices and methods are being carried on by the Soviet Government,⁶⁰ or at least are believed by the outside world to be thus carried on. This is most unfortunate for all concerned."

The Ambassador did not take issue with me, except to intimate that the Soviet espionage system was not as far-reaching and constant as I had pictured it. He said that on yesterday he had cabled his government for information about the disappearance of the Robinsons. He repeatedly expressed to me his strong suspicion that we would ultimately find that the Robinsons were not American citizens. He said that Mrs. Robinson would have gone to the American Embassy with her story, especially after her husband was missing, instead of sitting around the hotel until her husband's disappearance was acci-

⁵⁹ Not printed.

⁶⁰ For illustrations of these practices of the Soviet Government, see pp. 440 ff.

dentally discovered by some journalist; that, on the contrary, she had kept to herself all facts pertaining both to her husband and herself except the few replies she had made to the American officials who called on her. I replied that of course there was always room for fraud in such cases; that the only information our government has, however, is that the Robinsons are Americans; that it is just as important, therefore, from the standpoint of the relations of our two countries that the matter be cleared up thoroughly, whether the Robinsons are Americans or not. He concurred in this view. He also cheerfully agreed to cooperate in every way possible, in response to my insistent request that his Government develop the full facts and deal with them in accordance with their true nature without delay.

C[ORDELL] H[ULL]

361.1115 Robinson, Donald L./5 : Telegram

The Chargé in the Soviet Union (Henderson) to the Secretary of State

Moscow, December 11, 1937—6 p. m.
[Received December 11—3: 55 p. m.]

320. 1. Vinogradov informed Ward at 5:00 o'clock this evening that the Foreign Office had thus far not obtained any information regarding the whereabouts of the Robinsons but were still making investigations. In reply to a query he said that the Foreign Office was not as yet in possession of the data relating to the Robinsons' passport. Arrangements have been made with the Foreign Office to keep in contact with it tomorrow even though tomorrow is a free day.

2. The hotel director this evening categorically refused to furnish the Embassy any passport data and stated that the Robinsons have departed, and that he could not furnish any other information regarding them.

3. This morning I sent a personal letter to Weinberg expressing the Embassy's appreciation of the efforts which the Soviet authorities are making in order to ascertain the facts in the case. This letter contained the following:

"It hardly seems necessary for me to repeat here the statement which I made to you orally yesterday that I refuse to accept the theory advanced in certain non-Soviet quarters that Mr. Robinson and perhaps Mrs. Robinson have been arrested. I am sure that the Soviet Government would not permit Soviet officials to fail to observe the undertakings made by Mr. Litvinov in his note to the President of the United States on November 16, 1933 to the effect that in case American citizens should be arrested in capital cities of the Soviet Union repre-

sentatives of the American Government would be notified within three times 24 hours."

4. Thus far the Embassy has accepted at face value the statements of various Soviet officials to the effect that they are searching for the Robinsons but have not been able to find them. These officials must of course be aware that we know that the Soviet Government is fully cognizant of the whereabouts of the missing persons and I feel that unless some information concerning them is forthcoming within the next 3 days we should take steps to bring the matter to an issue.

5. I would appreciate it if the Department would inform the Embassy whether it is in possession of evidence indicating that the passports held by the Robinsons had been obtained fraudulently or that they are not American citizens. The Embassy telegraphed the Embassy at Warsaw yesterday requesting it to obtain for us through the Polish Government information as to whether the Robinsons crossed the Polish-Soviet border en route for the Soviet Union in the early part of November and ascertain if there were any records of their returning to Poland from the Soviet Union. In case the Soviet Government endeavors to deny that they have been in the Soviet Union I assume that the Department will approve my sending telegrams to our missions in other bordering countries regarding assistance in checking the movements of the missing persons.

6. I propose on December 14, unless the desired information is forthcoming by that date, to request an interview with Litvinov or in case he is unavailable (Litvinov has not been receiving foreign diplomats for the last week) to Potemkin and to state orally as follows:

(a) My Government has instructed me to state that it is not satisfied with the cooperation which the Embassy is receiving from the Soviet authorities in its endeavor to ascertain the whereabouts of the missing persons.

(b) My Government is satisfied that with the apparatus which the Soviet Government has at its possession it should with no difficulty be able to follow the movements of the persons in question.

(c) As an illustration of the failure of the Soviet authorities to cooperate with the Embassy in solving the mysterious disappearance of the two persons my Government has requested me to point out that apparently the hotel authorities have received instructions from some source to withhold from the Embassy the passport data of the missing couple.

(d) My Government has directed me to request the Soviet Government without further delay to furnish the Embassy all the information at its disposal regarding the travel documents, movements, and whereabouts of the missing persons.

7. I would appreciate receiving the Department's approval of my proposal.

HENDERSON

361.1115 Robinson, Donald L./17 : Telegram

The Chargé in the Soviet Union (Henderson) to the Secretary of State

Moscow, December 15, 1937—6 p. m.
[Received December 15—3:29 p. m.]

326. Your 198, December 12, 2 p. m.⁶¹

1. I saw Litvinov this afternoon and told him that although it appeared from investigations that Mr. and Mrs. Robinson had obtained American passports with the use of false documents, nevertheless, the American Government in view of all the facts continues to desire the cooperation of the Soviet Government in ascertaining the whereabouts of the missing couple and in clearing up the case. I then made a statement along the lines indicated in section 6 of my telegram 320, December 11, 6 p. m.

2. Litvinov said that he failed to understand our interest in the case now that it seemed that the passports had been obtained fraudulently; that apparently we did not even know that the couple were American citizens and that it appeared as though they had not requested our protection and that Mrs. Robinson had left the hotel in order to avoid making further contact with the Embassy.

3. I replied that we would continue to be interested in the case at least until we received satisfactory evidence that the couple were not American citizens, that in certain circumstances the American Government was accustomed to taking steps to protect American citizens who might be in need of assistance without being called upon by them to do so and that we had no information as yet which would indicate that Mrs. Robinson had left the hotel voluntarily in order to avoid making contacts with the Embassy.

4. In reply to my inquiries Mr. Litvinov said that he was not in a position categorically to state that the couple were not American citizens although he doubted that they were and felt that there was even a possibility that they were German spies; that he could not as yet definitely say that Mrs. Robinson left the hotel voluntarily; and that he could not as yet make any statement regarding the identity or whereabouts of the missing persons. He said that he would look into the matter personally and hoped to be able to make some statement.

HENDERSON

⁶¹ Not printed.

361.1121 Hrinkevich, Frank/11 : Telegram

The Chargé in the Soviet Union (Henderson) to the Secretary of State

Moscow, December 27, 1937—7 p. m.

[Received December 27—3:10 p. m.]

340. My 312, November 30, 4 p. m. No reply has been received to the Embassy's note of November 29, requesting that it be informed of the specific charges under which Hrinkevich was arrested and was then confined. In a letter dated December 8, Vinogradov stated "the competent authorities are prepared to deport Hrinkevich beyond the boundaries of the Soviet Union as soon as the documents now at the Embassy, and which are necessary for his departure, will be validated". The "documents" are his expired passport. Vinogradov's statement together with the failure of the Foreign Office to give the Embassy the requested information supports the opinion of the Embassy set forth in the second sentence of the Embassy's telegram under reference.

The Embassy does not desire to hasten his deportation until his Soviet wife and child obtain permission to depart from the Soviet Union.

HENDERSON

1938

REPORTS ON DEVELOPMENTS OF SIGNIFICANCE CONCERNING
SOVIET RELATIONS WITH OTHER COUNTRIES, ESPECIALLY WITH
THE UNITED STATES¹

711.00/814

*Memorandum by the Assistant Secretary of State (Messersmith) to
the Secretary of State*

[Extracts]

[WASHINGTON,] January 3, 1938.

The very pertinent remarks which you made yesterday with regard to the mystery which shrouds what is passing in Russia these days, on the complete uncertainty of what course Russian policy may take, on the difficulty there in getting in touch with those really in control, as well as on the importance which all this mystery and uncertainty may have on major developments at this critical time, were such as to crystallize my own thoughts which have been along this line.

It seems that we are making it clear that we are increasing our armaments in the measure necessary to protect ourselves and our rights and interests in a disordered world in which they are so definitely threatened. I think we must go further and explore certain situations with which we may be faced in case it should come to armed conflict which can no longer be held as out of the question no matter how much we wish to avoid it. The immediate point which I wish to make is that Soviet Russia is a very important factor in the situation. Although we have a very competent Chargé d'Affaires² there and a very considerable establishment, we are, through no fault of their own but because of known conditions there, not receiving any real information concerning the situation in that country nor concerning its present or probable future policy. Our officers have only the most inadequate and ineffective contact with the Foreign Office. The Foreign Office seems to have no influence on policy and apparently little direct touch with those who are making policy. While this is true in the other dictatorships as well as in Russia, it is more true there. We at least know what the objectives and in a measure the

¹ Continued from pp. 357-404.

² Loy W. Henderson.

policies of Berlin and Rome are. We do not know this of Moscow. The English have sent Halifax to Berlin to endeavor to determine more definitely German objectives and policy when we well know what they are. No similar effort seems to have been made by England or France to establish this direct contact or to exchange information with Stalin and his immediate associates in Russia. As in the other dictatorships these are the only ones who can speak with authority.

As in my opinion we are vitally concerned, I think it is of first importance that someone for our Government should have the opportunity of speaking of these fundamental things with Stalin and others. We know how ignorant they are of what is really happening in the world just as we are of what is taking place in Russia. We know that nothing we say here or elsewhere to a Soviet Ambassador gets to the fountain head except in a most attenuated form. All this it seems to me is of increasingly primary importance. I venture to suggest that someone should go for us to Russia, quietly and unostentatiously, who would under very specific instructions from the President and the Secretary get in touch with Stalin and his immediate associates. On account of the language difficulty on both sides, it would be important that one of our most competent officers in Russian be present no matter what interpreter or intermediary may be present on the Russian side. The presence of such a competent officer in Russian on our side is absolutely essential if such a conference should have value. I do not venture here to take up what we might say but I do wish to go on record as believing that we should seriously consider a step in this direction now as a part of that initiative and formulation of clear definite policy which I think we should not delay.

G. S. MESSERSMITH

While we know so little of Russia—it is dangerous to do any thinking that does not take fully into account the force that may be there and how it may be used. G. S. M.

702.4161/13 : Telegram

The Chargé in the Soviet Union (Henderson) to the Secretary of State

Moscow, January 13, 1938—10 a. m.

[Received January 13—6:30 a. m.]

7. The Embassy has learned from confidential and reliable sources that the Soviet Government has recently requested the British, Latvian, Norwegian, Estonian and Swedish Governments to close their consular offices in Leningrad. The Italian and German Consulates in Leningrad have already been closed at the request of the Soviet

Government and it is understood that the Danish Government will be requested in the near future to close its Consulate. It is possible that the Polish and Finnish Consulates will be allowed to function at least for the time being.

I understand that the British Ambassador³ called at the Foreign Office yesterday for the purpose of protesting the order and that several of the other governments concerned have also instructed their Missions to insist that their consular offices in Leningrad be left open in accordance with existing treaties. It appears that the Soviet Government plans to permit no country to maintain more consular offices in the Soviet Union than the Soviet Government maintains in it. Turkey for instance is being requested to reduce the number of its Consulates in the Soviet Union.

HENDERSON

861.111/750

The Chargé in the Soviet Union (Henderson) to the Secretary of State

No. 867

Moscow, January 13, 1938.

[Received February 7.]

SIR: I have the honor to report the unusual circumstances of the departure of certain American citizens from the Soviet Union as an example of the treatment accorded foreign residents of this country who have not acquired Soviet citizenship.

Mr. Alexander Bogrow, a naturalized citizen of Polish origin, the bearer of Departmental passport No. 160486 issued January 4, 1935, was issued an exit visa valid until December 8, 1937, when he recently applied for an extension of his *vid na zhitelstvo* (Soviet residence permit as issued to foreigners). Mr. Bogrow stated that he immediately protested to the appropriate authorities against his forced departure from the Soviet Union but was unable to obtain any information regarding the reason for the issuance of the exit visa in his case.

It appears that Mr. Alexander Bogrow came to the Soviet Union on July 27, 1936, and soon found employment as a chemical engineer in the Central Scientific Research Institute of Aviation Fuels and Lubricants at Moscow. He later married a Soviet girl who is a physician in the reserve list of the Red Army. Mr. Bogrow did not apply for Soviet citizenship, but he planned to continue his residence in this country. His employers advised him that they knew of no reason why he should have been given an exit visa. He wrote to Mikhail I. Kalinin, President of the All-Union Central Executive Committee, requesting to be permitted to remain in the Soviet Union

³ The Rt. Hon. Viscount Chilston, G.C.M.G.

until preparations might be made to take his wife to the United States, but his petition was denied.

Mrs. Martha Louise Schwartz, née Heintz, was also issued an exit visa, on November 24, 1937, by the *militsiya* at Gorki, Union of Soviet Socialist Republics, when she applied for an extension of her *vid na zhitelstvo*.

Mrs. Schwartz was born at Buffalo, New York, June 14, 1908, and came to the Soviet Union in May 1932 as a commercial artist. On April 4, 1933, she married Boris E. Schwartz, a Soviet citizen employed as engineer at the automobile plant at Gorki, Union of Soviet Socialist Republics, but she retained her American nationality and was currently in possession of a valid American passport. Her husband, who had been trained in the United States under the auspices of the Soviet Government, was arrested by the Soviet authorities on October 15, 1937, during a purge of the Gorki automobile plant. The Soviet authorities searched her apartment on November 16, 1937, at 4:30 a. m., and confiscated several American magazines and some American phonograph records, without stating the object of the search. She was transferred to a smaller apartment in the outskirts of the city, and given to understand that her husband would not return soon. Mrs. Schwartz desired to remain in the Soviet Union in order to determine the welfare of her husband who, she believed was possibly accused of some of the usual offenses, such as sabotage, espionage, et cetera, but she was forced to leave the country without any definite information concerning the outcome of his detention.

These cases are only examples of the treatment manifested toward many similar American citizens who have entered into the life of this country but who have at the same time preserved their American citizenship, and are indicative of the policy being adopted by the Soviet Government to eliminate foreign residents who have not proved to be useful in the economic or social structure of this country. There has been a marked tendency on the part of the Soviet officials during the past few months to cause foreign residents in the Soviet Union who are not needed by the Soviet Government as technical experts to depart from the Soviet Union. Many American citizens and other nationals whose contracts have expired during recent months have found that they are unable to obtain a new contract or an extension of their *vid na zhitelstvo*. Residence permits are now being renewed by the Soviet authorities for from one to three months instead of for periods of six months to one year as was the custom previously.

Respectfully yours,

For the Chargé d'Affaires ad interim :

A. I. WARD

861.00 Party, All-Union Communist/194 : Telegram

*The Chargé in the Soviet Union (Henderson) to the
Secretary of State*

Moscow, January 20, 1938—noon.

[Received January 20—10:05 a. m.]

19. 1. Today's Moscow press published the text of lengthy resolution of the Central Committee of the Communist Party regarding the mistakes of the Party organizations in excluding members from the Party.

2. The resolution severely criticizes Party leaders for the manner in which they have permitted "mass exclusions from the Party" and in which they have [been?] assisting in conducting the purging campaign. It would appear from the wording of the resolution that in the past an accused Party member was presumed to be guilty until he could prove his innocence whereas in the future a burden is also imposed upon the accuser to furnish proof of the truth of his charges.

3. A number of both foreign and Soviet observers with whom members of the Embassy have discussed this resolution take the view that it may rank in importance with Stalin's famous dizziness from success statement which in 1930 resulted in curtailing the excesses of the agricultural collectivization campaign and place the blame for these excesses on the shoulders of overzealous Party and governmental workers. In the present instance it is not charged that the excesses were the result of too much zeal, but rather of the distortion of the Party directives either by "masked enemies" or by "Communist careerists" in the Party. Care is taken in the resolution to absolve the Commissariat for Internal Affairs from any responsibility for the excesses of the Party purge. Since the secret police of this Commissariat have played a dominant role in the purging process it would appear that the Kremlin does not desire that the publication of the resolution result in any way in the lowering of the prestige of that Commissariat.

4. It is generally agreed that the resolution is a signal to those who have been carrying on the purge to curtail their activities in regard to the rank and file members of the Party. The strong condemnation of the actions of the Party officials who have been conducting the purge in the past would indicate that at least some of them will suffer the same treatment as that which they have administered to so many others.

5. It is as yet too early to state whether this resolution which concerns itself only with activities within the Party signifies the beginning of the end of the campaign of dismissals, arrests and executions which during the last year has affected every phase of Soviet life.

HENDERSON

861.00 Supreme Soviet/5

Memorandum by the Second Secretary of Embassy in the Soviet Union (Bohlen) ⁴

FIRST SESSION OF THE SUPREME SOVIET OF THE UNION OF SOVIET SOCIALIST REPUBLICS, JANUARY 12-19, 1938

I. Personal Impressions

In appearance the deputies to the Soviet of the Union were more intelligent and in general seemed to be of a noticeably higher type than the members of the previous Soviet bodies, for instance, the All-Union Congress of Soviets in 1935, which I attended. Although the official report of the composition of the Soviet of the Union stated that it was made up of 45.3% workers and 23.7% agricultural workers, it was quite evident that the deputies came, with few exceptions, from a considerably higher stratum than that of the average Soviet worker or peasant. Despite their superiority in appearance, the deputies of the Soviet of the Union showed, during the meetings of that body, no more independence or desire to participate in the real sense of the word in the work of the sessions than the members of the previous Soviet bodies which I have seen. They accepted equally passively the statements of the Government spokesmen, cheered at every mention of Stalin's name in the appropriate manner, and approved unanimously every proposal and every official presented to them by spokesmen.

The deputies to the Soviet of Nationalities, representing thirty-two different races, were of a noticeably more primitive type. The majority of the deputies from the republics of the minor nationalities appeared in their national costumes, giving to the assembly a colorful and varied appearance which was totally lacking in the Soviet of the Union. The body as a whole was considerably more lively, and the deputies appeared to derive considerable simple enjoyment from the proceedings. The appearance of Stalin was greeted with ovations which gave all the indications of being genuinely spontaneous. Each delegation felt called upon to lead a cheer in its native language for Stalin, and, with possibly an Asiatic sense of realism, wasted very little time in cheering the other members of the Politburo ⁵ or the Government, most of whom were present. It was quite apparent that the deputies of the various nationalities had very little idea of the bus-

⁴ Transmitted by the Chargé in the Soviet Union in his despatch No. 913, February 2, 1938; received February 19. Mr. Henderson wrote: "I may state that the personal impressions set forth by Mr. Bohlen are similar to those obtained by me and that I agree with the observations set forth in his memorandum."

⁵ The Political Bureau of the Central Committee of the All-Union Communist Party (Bolsheviks).

iness of the session and were often completely in the dark as to what they were being told to vote for. Indeed, as all of the speeches, proposals, and nominations were in Russian alone, it is doubtful if many of the deputies present were even able to follow what was being said. Foreign observers were inclined to wonder why, since it had been carefully pointed out in the press that the Soviet of Nationalities represented the minority races of the Soviet Union, no attempt was made to translate into at least the principal minority languages the various proposals put before the representatives of these nationalities. An amusing and possibly the only unscheduled incident of any of the sessions was the objection of an Uzbek deputy to the selection of the hours between six and ten in the evening for the sessions of the Soviet of Nationalities, on the grounds that it would interfere with the deputies attending the moving pictures. He pointed out, quite aptly, that it was not often that people like himself, from the outlying districts of the Soviet Union, had the opportunity of seeing life in the capital. His proposal, probably to the great regret of many of the deputies present, was turned down on the suggestion of the chairman of the Soviet.

The two Soviets, sitting separately, completed the election of officers and of certain permanent commissions (see annex) ⁶ and then sat in joint session as the Supreme Soviet of the Union of Soviet Socialist Republics. At the joint sessions the important business of introducing certain changes in the Soviet Constitution, the election of the Praesidium and the Soviet of People's Commissars was transacted. In joint session the two houses presented very much the same aspect as that of the Congress of Soviets which I attended in 1935. It is very probable, therefore, that the appearance of the superiority of the Soviet of the Union described above was due more to the predominance of the Russian element in that body and the absence of the more primitive races of the Soviet Union rather than to any real superiority of its members.

Judged by the accepted connotation of the word "democracy" and by the usual procedure of legislative bodies, the entire proceedings in the sessions of the Supreme Soviet were a farce. Nevertheless, I received the impression that many of the deputies themselves, having no standards of comparison, felt that they were taking an active and responsible part in the government of the Soviet Union. The same can not be said for the prominent men of the Party and Government who did not sit with the deputies but who occupied special seats in the front of the hall. (It was interesting to note that when the newly-elected members of the Praesidium took their places in the

⁶ Not printed.

loge of honor, Dimitrov, although not a member, was given a place among them.) It was apparent that they took little or no interest in the proceedings, made no pretence of listening to the speeches, and even appeared on occasions to be making fun of the speakers. They received the ovations of the crowds with an air of somewhat patronizing benevolence. Their attitude was perhaps a more accurate commentary on the sincerity of the inauguration of "democratic government in the Soviet Union" than the actions of the deputies.

Since diplomats and foreigners residing in Moscow have few chances of seeing the real rulers of the Soviet Union, certain observations of the personalities and individual characteristics of these men may be of interest.

Stalin had visibly aged in appearance during the past two years. His face was more deeply lined and his hair had turned gray. He gave an appearance of general weariness and at times even of strain which was not noticeable in 1935. He not only exhibited little interest in the proceedings, but on one occasion, with an impatient gesture of his hand, signalled to the presiding officer to cut short the demonstration in his honor. Zhdanov during almost all of the sessions sat beside Stalin and from all indications would seem to be Stalin's personal favorite at the moment. Voroshilov, on the other hand, was seeking quite openly to ingratiate himself with Stalin, constantly changing his seat to be near him and endeavoring to engage him in conversation, efforts which, it was noticed, met with no great response from Stalin. Khrushchev also was generally to be seen in the vicinity of Stalin, but was less obviously "boot-licking" than Voroshilov. Kaganovich and Molotov bore themselves with more dignity than the other members of the ruling group. Kaganovich sat by himself and rarely addressed a word to anyone. Molotov spent most of his time writing diligently, presumably preparing his speech, and seemed quite oblivious to his surroundings. Kossior, almost a dwarf in stature, with a pink, shaved head considerably too large for his body, was quite obviously enjoying the limelight. Chubar and Bulganin gave the impression of being of a higher type than most of the other leaders.

To the foreign observer the most striking feature of the Sessions of the Supreme Soviet was the extraordinary docility of the deputies themselves. Not more than one candidate was ever presented for any position, no adverse vote was cast against any candidate or proposal, and no debate other than the explanation of the speakers, especially designated for that purpose, took place at any of the sessions. It was noted, however, that in comparison with meetings of previous Soviet bodies which the Embassy has observed, the sessions of the Supreme Soviet were conducted in a much more businesslike manner.

The speeches were shorter and, while containing the usual eulogies to the achievements of the Soviet Union "under the leadership of Stalin", had considerably more substance than the average Soviet orations. The Soviet press has emphasized the businesslike manner in which affairs of state were disposed of by the Supreme Soviet, in contrast to the long-drawn-out debates and intrigues of bourgeois parliaments. While not disagreeing with this description of the sessions of the Supreme Soviet, a foreign observer would be inclined to apply the adjective "businesslike" to the efficiency of the ruling group in "railroading" through the work rather than to the Supreme Soviet as a whole.

II. Indications as to Future Functioning of Soviet Government under the New Constitution

While as indicated above the sessions of the Supreme Soviet of the Union of Soviet Socialist Republics made it quite clear that the two bodies forming the Soviet would exercise no real power in the Government of the Soviet Union, certain aspects of the proceedings afforded interesting indications of the manner in which the Soviet Government would function under the new Constitution. As the proceedings developed it became obvious that there was a real intention of separating and defining much more closely than in the past the powers and duties of the principal governmental bodies and of the individual officials. The most important indication of this tendency was the announcement by Kossior that members of the Soviet of People's Commissars would not be eligible for election to the Praesidium, and furthermore the statement by Molotov that Vice Presidents of the Soviet of People's Commissars were not to act at the same time as the heads of any Commissariat. It is believed that this separation and definition of powers is based on the desire of the Kremlin to increase the efficiency and simplify the machinery of government, as well as to prevent the concentration in any governmental body of too much power. The repository of power, as in the past, will undoubtedly remain the Political Bureau of the Central Committee of the Communist Party of Bolsheviks (Politbureau), but it seems likely that the decisions of this body will be translated into action not by the Party organizations throughout the country but by Party members acting and speaking as members of one or another of the governmental bodies provided for in the Constitution. It is interesting to note that of the twelve known members of the Politburo four are members of the Presidium (including, however, Stalin), one the President of the Soviet of the Union, and seven are members of the Soviet of People's Commissars. Since it was expressly stated that there shall be no interlocking memberships between the Presidium and the Soviet

of People's Commissars, it would appear that only through the medium of the Political Bureau can the admittedly most powerful men in the Soviet Union meet to consider matters of primary importance.

There have been numerous indications in the Soviet press that the Kremlin has been opposed to the growth of the purely Party organs as a separate administrative apparatus. Local Party committees have been severely criticized in the press and by decisions of the Central Committee of the Party for exercising governmental and administrative functions in their own name. It is quite probable, therefore, that the reformation of the Government machinery has been utilized by the Kremlin to do away with this duplication of functions and to return to the system of control by the Communist Party which prevailed in the early days of the Soviet Union, whereby the control was exercised not by the Communist Party in its own name but through its members placed in key positions in the governmental machinery.

There has been some speculation among foreign observers as to exactly what will be the function of the various permanent commissions (see pages 8-14 of Annex) which were set up by both the Soviets of the Union and of Nationalities. Since they are called "Permanent Committees" it would appear that these committees will meet regularly as a body when the Supreme Soviet is not in session for the purpose of considering the various subjects assigned to them. Since many of the members of these commissions reside in parts of the Soviet Union far distant from Moscow and occupy positions of importance in the local Government of these regions, it is difficult to see how these committees as a whole will be able to meet regularly. It is quite possible, however, that these committees will maintain offices and technical staffs in Moscow, for the purpose of checking up on the work of the executive organs in the specified sphere, namely, legislation, the budget, and Foreign Affairs.

The selection of such important men as Zhdanov and Bulganin to head the Committees on Foreign Affairs would indicate that these two committees at least will have some functions of importance. It will be noted that on each of these committees of Foreign Affairs there is a representative of the Communist International or its affiliated bodies; Manuilsky, from the Soviet of the Union, and Lozovsky, from the Soviet of Nationalities.

III. Work of the Session

There is attached to this memorandum an annex giving a chronological diary of the proceedings of the Supreme Soviet taken from the Soviet press, setting forth the officials elected, measures adopted, and in general all business transacted during the sessions. The following explanatory comment on some of the more important work of the session may be of interest.

Of the amendments to the Constitution, only one was of any importance, i. e., the addition of a clause to Article 49 giving the Praesidium the right, when the Supreme Soviet is not in session, to declare martial law in a part or the whole of the Soviet Union in the interests of national defense or internal security. The present amendment is obviously to provide a legal basis for the use of any measures to put down possible internal disorders or revolt, especially in the outlying regions of the Soviet Union.

In view of the fact that the average wage in the Soviet Union is apparently between 230 and 250 rubles a month, it is of some interest to note that the deputies were granted salaries of 1,000 rubles a month, a daily allowance of 150 rubles while the Soviet is in session, and a free pass on all railroads.

It will be noted that the majority of the thirty-seven members of the Praesidium are comparatively obscure persons (see pages 27-30 of Annex). The election of Kalinin as President of the Praesidium of the Supreme Soviet and hence as titular head of State was not unexpected, although certain foreign observers had believed that Stalin would emerge from the background and occupy the post himself.

The new Soviet of People's Commissars shows few changes from the old (see pages 33-35 of Annex). The only important casualties were Krylenko, an old Bolshevik, former Commissar for Justice, and V. I. Mezhlauk, former President of the State Planning Administration. Because of the decision not to permit the Vice Presidents of the Soviet of Commissars to head industrial commissariats, Mikoyan and Chubar were replaced by their assistants, Gilinski and Zverev, as Commissars of the Food Industry and Finance respectively. The post of Commissar for Foreign Trade, vacant since the removal of Rosengoltz in 1932 [1937], was given to a former assistant Commissar, Chvyaley.

The Assistant Commissars of the various Commissariats were not elected by the Supreme Soviet and, as subsequent appointments have shown, are to be designated by the Soviet of People's Commissars.

761.00/293

*The Chargé in the Soviet Union (Henderson) to the Secretary
of State*

No. 963

Moscow, February 18, 1938.
[Received March 9.]

SIR: I have the honor to report that there have recently been further and more important indications that the Soviet attitude toward its relations with other countries is moving in the direction of gradual

departure from at least the more active aspects of Soviet participation in international affairs which were characteristic of Soviet policy in that period between 1933 and 1936, which may be termed the "Geneva Period". Although it is too soon to state categorically that the Soviet Union is intending a radical alteration of its foreign policy, it is felt that a brief résumé of such indications in that direction will be of interest. Taken individually they are not of any great importance, but together they form an impressive array of evidence to substantiate the opinion that the Soviet Union is gradually receding from the position which it has assumed during recent years. In the belief that this trend will be more apparent when viewed against the background of previous policies, there is given below a brief résumé of certain aspects and manifestations of Soviet foreign policy in the past.

It will be recalled that one of the fundamental tenets of Bolshevik theory in regard to the relations of the Soviet State with the outside world is the doctrine of the two hostile worlds—one capitalist and the other socialist—which was written into the preamble of the first constitution of the U. S. S. R., adopted in 1923. In the practical sphere it has found its manifestation in the maneuvers of Soviet diplomats to exploit, in Europe particularly, the differences between foreign nations for the purpose of preventing the formation of any "capitalist united front", which, in accordance with this concept, must have an anti-Soviet character. This concept, in varying degrees, may be said to be the governing principle of Soviet foreign policy in regard to its relations with European countries. Prior to the rise of Hitler in 1933, the Soviet Union was able to maintain comparatively good relations with certain countries, such as Germany and Turkey, without, however, entering into any alliances or undertaking any commitments in regard to positive military or political action. Following the advent of Hitler to power the Soviet Government, motivated apparently by fear of a *rapprochement* in Western Europe which would permit Germany greater freedom of action in Eastern Europe, while undoubtedly retaining its basic concepts and aim, considered it necessary to make a radical alteration in its policy in regard to international relations. The Soviet Government became reconciled, for the first time in its history, to the assumption of obligations under international agreements which would involve the use of the armed forces of the Soviet Union under certain conditions, not necessarily involving the invasion of Soviet territory. This new policy was expressed by the entry of the Soviet Union into the League of Nations in September 1934, the conclusion of pacts of mutual assistance with France⁷ and Czechoslovakia⁸ in 1935, and, in general, with the adoption of a

⁷ Signed May 2, 1935, League of Nations Treaty Series, vol. CLXVII, p. 395.

⁸ Signed May 16, 1935, League of Nations Treaty Series, vol. CLIX, p. 347.

policy of collaboration with the "peace-loving nations of the world".

This policy found its reflection in other spheres of Soviet life and activity. No effort was spared during this period to portray the Soviet Union as a progressive, "liberal and democratic" country, and particular pains were taken to soften those aspects of Soviet life which might have been repugnant to liberal bourgeois elements abroad. Certain articles in the new constitution are considered by most competent observers to have been inserted largely for foreign consumption with the same end in view.

The altered program of the Communist International as adopted at the 7th World Congress, held in Moscow in 1935,⁹ was undoubtedly primarily influenced by the necessity of conforming to the new orientation of Soviet foreign policy. It will be recalled that left-wing Communists and Trotskiists were particularly incensed with what was termed the betrayal of the international proletariat for the sake of illusory support of bourgeois governments.

The developments of the past year in the Soviet Union, especially in regard to the treatment of foreigners, are in sharp contrast to the attempts outlined above to gain the sympathy and confidence of liberal and democratic elements abroad. Perhaps the first important indication of a changed attitude on the part of the Soviet Government in regard to its relation to foreign countries may be found in Stalin's speech delivered last year at the February-March Plenum of the Central Committee and the Central Control Committee of the Party. It will be recalled that in this speech Stalin emphasized the capitalist encirclement of the Soviet Union without drawing any distinction between the so-called "friendly or democratic countries" and the "Fascist aggressors", which had been so characteristic a feature of Soviet press comment and utterances on the subject of international relations. Stalin further implied that all capitalist nations were engaged in sending hordes of "spies, diversionists, and wreckers" into the Soviet Union and in effect warned Soviet citizens to beware of all foreigners. The anti-foreign campaign which ensued, and on which the Embassy has reported on several occasions, followed closely the lines laid down by Stalin in his speech, in that it was applied indiscriminately to foreigners of all nations, whether officially "friendly" or "hostile". This anti-foreign campaign, which shows no signs of abating, was apparently based on the desire of the Soviet Government to expel from the Soviet Union all foreigners, irrespective of nationality, whose presence is not either officially necessary or directly advantageous, and to bring about, in so far as possible, the complete isolation of those who remain. Perhaps the most striking evidence of the change of the Soviet attitude

⁹ For correspondence concerning this Congress, see pp. 218 ff.

toward foreigners in general and especially the official representatives of foreign governments has been the peremptory and arbitrary demands of the Soviet Government for the closing of a large number of foreign consulates in the Soviet Union. The principle of reciprocity, which is the ostensible reason for the Soviet demands, is somewhat obviously an excuse rather than a reason. Again it may be emphasized that no distinction has been made between friendly and unfriendly nations. For example, the newly-established Czechoslovakian Consulate in Kiev, which had hardly begun to function, was closed at the request of the Soviet Government, as was the British Consulate General in Leningrad. Even Turkey, the oldest friend of the Soviet Union, was given no more courteous treatment on this question.

There may be mentioned also the "purge" in the Soviet Foreign Office and Diplomatic Service, which, whatever its motives, has resulted in the replacement of many of the most-skilled Soviet diplomats by persons who, as far as can be ascertained, have had little or no experience in international affairs.

It is true that most if not all of the actions of the Soviet authorities indicated above were motivated by considerations of internal rather than external policy. Nevertheless, the fact of their occurrence and the manner of their application would seem to indicate clearly that the Soviet Government is becoming increasingly indifferent to the effects that such actions must inevitably have on Soviet relations with other countries.

Indications of the changed attitude on the part of the Soviet Government to its relations with the outside world have been especially noticeable recently in the Soviet press and in the utterances of the Soviet leaders on the question of Soviet foreign affairs. In this connection, mention may be made of the increasing irritation of the Soviet press at the course of French policy, of Zhdanov's attack on France in the Supreme Soviet, and the remarks of M. Litvinov to the Moscow correspondent of *Le Temps*, as reported in despatch No. 910, February 2, 1938.¹⁰ It has been noticeable that, while still proclaiming the adherence of the Soviet Union to the principles of peace and collective security and the League of Nations, the Soviet press has, from time to time, thrown out guarded hints to the effect that the Soviet Union, in view of the failure of the democracies to live up to these principles and to check the aggressive policies of the fascist powers, may possibly find it necessary to reconsider its previous position.

Litvinov's speech at the 100th Session of the League Assembly is of interest in this connection. According to the text quoted in the Soviet press, Litvinov began by absolving the Soviet Union from any

¹⁰ Not printed.

moral guilt in connection with the weakness of the League, pointing out that the Soviet Union had no hand in its creation and for many years was not a member. He stated in the course of his speech that the Soviet Union, perhaps least of any of the nations of the world, needed the help of any international combinations or institutions for the defense of its frontiers and that it supported the League of Nations solely because of its devotion to the principle of peace. He concluded with the implied warning "the Soviet Union will support the League of Nations as long as there is the faintest hope that it will act as an impediment to the aggressors." This last remark implies that at the moment when the Soviet Union for one reason or another considers that the League is not fulfilling the purpose desired by it, it will feel free to withdraw.

The article entitled "The Provocateurs of War", which appeared in the Moscow *Pravda* on February 11 (a full translation of which was forwarded to the Department under cover of despatch No. 962, February 18, 1938¹¹), contains, particularly in its last paragraph, an interesting statement in regard to Soviet foreign policy. While from the context of the article, the statement in regard to the conditions under which the Soviet Union would wage war was presumably intended to apply only to Soviet foreign policy in the Far East, it is nevertheless noteworthy that no such qualification actually accompanied the statement. If taken to refer to Soviet foreign policy as a whole, it constitutes a further and perhaps important confirmation of the trends which form the subject of this despatch.

[Here follows a summary of and comment on Stalin's letter of February 14 reported on at length in Embassy's despatch No. 971, February 19, page 520.]

It must be stated in this connection that officials of the Foreign Office in discussing with me the implications of the article referred to above and Stalin's letter have emphasized that they should not be interpreted as indicating any change in foreign policy, that Soviet policy is not determined "by articles in the press" and that the Soviet Government will, of course, faithfully fulfill its "sacred promises."

Whatever may have been the intentions of the Soviet Government in adopting its present attitude in regard to foreigners in the Soviet Union and its apparent unconcern with reference to its foreign relations, the result has been a deterioration during the past year of its relations with every important European and Near Eastern country, not even excepting those such as France and Turkey which, in principle at least, were considered as being on close friendly terms with the Soviet Union.

Respectfully yours,

LOY W. HENDERSON

¹¹ Not printed.

801.20/439

The Chargé in the Soviet Union (Henderson) to the Secretary of State

No. 966

Moscow, February 18, 1938.

[Received March 9.]

SIR: I have the honor to attach hereto a number of memoranda¹² setting forth the substance of statements made to members of the Embassy during recent months by various Military Attachés in Moscow as to the effect which the purge and establishment of political commissars¹³ has had upon the efficiency of the Red Army.

It will be observed that no attempt has been made to incorporate into these memoranda information of a technical military character. Although the statements summarized are merely general expressions of opinion, it is thought that they may be of interest to the American Government since they come from professional army officers representing countries with widely diverging interests and relate to a matter which has been the subject of considerable discussion among international military circles.¹⁴ It will be noted that all of the Military Attachés whose views are set forth in the enclosures agree that the fighting efficiency of the Red Army has been adversely affected as the result of the purge and the institution of political commissars. It may be added that this opinion is so generally accepted among the circles of Military Attachés in Moscow that discussion in that circle is confined to the extent of injury and the time and manner in which such injury might be remedied rather than as to whether an injury has been received.

The foreign Military Attachés appear to be almost unanimous in expressing the opinion that so long as the political commissars are permitted to exercise the power they now have, the Red Army will not be the effective fighting weapon which a military organization of its size, equipment, and technical level should be. Their opinions differ

¹² Six enclosures not printed.

¹³ Political, or military, commissars were reintroduced into the armed forces of the Soviet Union by resolution of May 11, 1937, and approved regulations of May 17, 1937. In part their duty was to control the military commander, and to supervise the greater political study and education in the training of the Red Army.

¹⁴ In an attached memorandum of March 12, 1938, Mr. George F. Kennan of the Division of European Affairs noted: "The remarks of the Czech Military Attaché have a special significance, not brought out in the accompanying despatch. Certain professors in this country, aided by *Foreign Affairs* [New York; a quarterly periodical], have given wide currency to the rumor that the Red Army generals were really guilty of plotting with the Germans and that it was the French and Czechoslovakians who had discovered this and revealed it to the unsuspecting Russians. . . .

"The Czech Military Attaché [Colonel Frantisek Dastich] makes the following statement to Henderson in this respect: 'I may state in the above connection that I have never been able to find any confirmation of the charges that Tukhachevski and his colleagues were in the service of any foreign Government and I have never believed that they were.'"

as to the length of time which would be required for the wound which the Army has suffered to heal in the event that the principle of unity in command should be restored. Most of them appear to believe that it would be possible within at least two or three years to restore the Red Army to its former level if the rulers of the country would again display full confidence in its commanding personnel and permit its commanders to proceed to reorganize it on a non-political basis.

Respectfully yours,

LOY W. HENDERSON

861.00B/680

The Chargé in the Soviet Union (Henderson) to the Secretary of State

No. 971

Moscow, February 19, 1938.

[Received March 9.]

SIR: I have the honor to enclose herewith translations of Ivanov's letter to Stalin and Stalin's reply, which appeared in the Moscow *Pravda* on February 14, 1938.

It will be noted the views expressed in Stalin's letter in regard to the question of the victory of socialism in the Soviet Union contained nothing which cannot be found in his previous writings and in essence represent merely a restatement of certain fundamental principles of Bolshevik and Stalinist theory. The implications of the appearance of this letter at the present time in regard to Soviet foreign relations have already been discussed in despatch No. 962 [963], February 18, 1938.

Most foreign observers and indeed several Soviet citizens with whom this letter has been discussed are of the opinion that it is intended primarily for internal consumption, with an eye as well to radical groups abroad; that in order to counteract in the field of theory certain "Trotskiist" charges that the Soviet Union has departed from the original principles of Lenin, Stalin considered it necessary at the present time to place a theoretical weapon in the hands of his supporters, both at home and abroad, and to dispel any confusion which may have been existing in their minds on this point. Furthermore, it will be noted that on the basis of the views expressed in this letter any discrepancy between Soviet reality and socialist promise can be attributed not to any defects in policy within the country, but to the existence of a capitalist encirclement. The statement in regard to the necessity of keeping the people of the Soviet Union in a state of "mobilized preparedness" is presumably a means of justifying the rigorous control over its own citizens maintained by the Soviet Government. It can and presumably will be used as a justification of the activities of the secret police, the censorship, and, in general, the absence of civil liberties in the Soviet Union.

With reference to Stalin's statement concerning the necessity of strengthening proletarian ties and the organization of mutual assistance between the international proletariat and the people of the Soviet Union, it can only be said that at the present time it remains to be seen whether this constitutes a statement of policy which will be translated into action or merely a general reaffirmation of first principles. Some observers profess to see in this section of Stalin's letter an announcement of the activization of the policies of the Comintern and a return to the more revolutionary program which prevailed prior to the 7th World Congress in 1935. Others maintain that it may possibly mean the end of the Third International and the substitution of some milder form of organization for the development of the ties mentioned.

The Embassy is inclined to believe that the letter was primarily motivated by questions of internal policy and that the foreign and international implications are of secondary value. However, as indicated in the despatch referred to above, the fact of its publication at this time and the emphasis placed upon the fact of capitalist encirclement, with no distinction between "friendly" and unfriendly nations, bears witness to the growing indifference of the Kremlin to the more formal aspects of its relations with other countries.

Respectfully yours,

LOY W. HENDERSON

[Enclosure 1—Translation]

Letter of Comrade Ivanov

"DEAR COMRADE STALIN, I earnestly request you to explain to me the following question: we have in these parts and even in the oblast committee an ambiguous understanding concerning the definitive victory of socialism in our country, that is, they are confusing the first group of contradictions with the second. In your works concerning the fate of socialism in the Soviet Union reference is made to two groups of contradictions—the internal and the external.

"Concerning the first group of contradictions it is clear that we have solved these—socialism within the country has conquered.

"I wish to receive an answer in regard to the second group of contradictions, that is between the country of socialism and capitalism. You point out that the definitive victory of socialism means the solution of the external contradictions, a full guarantee against the restoration of capitalism. But that group of contradictions is capable of solution only by the efforts of the workers of all countries.

"Yes and Comrade Lenin has taught us 'it is possible to conquer definitively only on a world scale, only through the joint efforts of the workers of all countries'.

“Being at a seminar of staff propagandists in the oblast committee of the All-Union Leninist Communist League of Youth, I, on the basis of Your works, said that the definitive victory of socialism may be on a world scale, but oblast committee workers Urozhenko (First Secretary of the Oblast Committee) and Kazelkov (Instructor for Propaganda) qualified my statement as a Trotskist sally.

“I started to read them citations from Your works on this question, but Urozhenko ordered me to close the three volume work, saying, ‘Comrade Stalin said that in 1926 but this is 1938, then we did not have definitive victory, but now we have it and now we don’t have to think of intervention and restoration at all! He said further, ‘We now have the definitive victory of socialism and we have a complete guarantee against intervention and the restoration of capitalism! And thus I was considered an accomplice of Trotskism and removed from propaganda work, and the question of my membership in the Komsomol has been raised.

“I request you to explain, Comrade Stalin—do we have the definitive victory of socialism, or do we not yet have it? . . .¹⁵

“I also consider to be anti-Bolshevik the declaration of Urozhenko that the works of Comrade Stalin on this question have become somewhat antiquated. And did the workers of the oblast committee do right in considering me to be a Trotskist? That was for me most offensive and insulting.

“I beg you, Comrade Stalin, not to refuse my request and to give me an answer at the following address: Manturovski Raion, Kurskaya Oblast, 1st Zasemski Village Soviet, Ivanov, Ivan Phillipovich.

I. IVANOV

18.1.38”.

[Enclosure 2—Translation]

Answer of Comrade Stalin

“You are of course right, Comrade Ivanov, and your ideological opponents, i. e., Comrade Urozhenko and Kazelkov are not right.

“And this is why.

“There can be no doubt that the question of the victory of socialism in one country, in the given case, in our country—has two different sides.

“The first side of the question of the victory of socialism in our country embraces the problem of the mutual relations of classes within our country. This is the domain of internal relations. Can the working class of our country overcome the differences with our peasantry

¹⁵ Omission indicated in the original.

and arrange an alliance with them, cooperation? Can the working class of our country in union with our peasantry crush the *bourgeoisie* of our country, take away from it land, factories, mines, and so on, and build with its own forces a new classless society, a full socialist society?

“Such are the problems connected with the first side of the question of the victory of socialism in our country.

“Leninism answers to these problems positively. Lenin teaches that ‘we have all that is necessary for the construction of a full socialist society’. Therefore we can and should by our own forces overcome our *bourgeoisie* and build a socialist society. Trotsky, Zinoviev, Kamenev, and other gentlemen who later became spies and agents of fascism, denied the possibility of constructing socialism in our country without the previous victory of the socialist revolution in other countries, in the capitalistic countries. These gentlemen in effect wanted to turn our country backward, on to the path of bourgeois development, hiding their retreatism by false references to the ‘victory of the revolution’ in other countries. It was precisely on this point that our Party’s dispute with these gentlemen took place. The further course of the development of our country showed that the Party was right and that Trotsky and company were not right. For meanwhile we have already succeeded in liquidating our *bourgeoisie*, in arranging brotherly cooperation with our peasantry and in constructing in the main a socialist society, in spite of the absence of the victory of the socialist revolution in other countries.

“Matters stand thus with the first side of the question of the victory of socialism in our country.

“I think, Comrade Ivanov, that your dispute with Comrades Urozhenko and Kazelkov pertains not to this side of the question.

“The second side of the question of the victory of socialism embraces the problem of the mutual relations of our country with other countries, with the capitalistic countries, the problem of the mutual relations of the working class of our country with the *bourgeoisie* of other countries. This is the domain of external, international relations. Can socialism victorious in one country, having in its environment a multitude of strong capitalistic countries, consider itself fully guaranteed against the danger of a military invasion (intervention) and, hence, against attempts to restore capitalism in our country? Can our working class and our peasantry with their own forces, without the serious assistance of the working class of the capitalistic countries, overcome the *bourgeoisie* of the other countries, just as they have overcome their own *bourgeoisie*. In other words: is it possible to consider the victory of socialism in our country to be definitive, i. e. free from the danger of a military attack and from attempts to restore

capitalism under the condition that the victory of socialism is only in one country while the capitalistic environment continues to exist?

"Such are the problems connected with the second side of the question of the victory of socialism in our country.

"Leninism answers these problems negatively. Leninism teaches that 'the definitive victory of socialism in the sense of a complete guarantee against the restoration of bourgeois relations is possible only on the international scale' (see the well-known resolution of the Fourteenth Conference of the All-Union Communist Party). This means that the serious assistance of the international proletariat is a force without which the task of the definitive victory of socialism in one country cannot be solved. This, of course, does not mean, that we ourselves should sit with folded hands waiting for assistance from abroad. On the contrary assistance on the part of the international proletariat should be united with our work of strengthening the defence of our country, of strengthening the Red Army, and the Red Fleet, of mobilizing the whole country to struggle against a military attack and attempts to restore bourgeois relations.

"This is what Lenin said concerning this matter :

"We live not only in a state, but in a *system of states*, and the existence of the Soviet Republic alongside of imperialistic states for a prolonged period of time is unthinkable. In the end of ends, either the one or the other will be victorious. And while this end approaches, a number of most terrible clashes between the Soviet Republic and the *bourgeoisie* are inevitable. This means that the ruling class, the proletariat, if only it wants to and will rule, should prove this in its military organization'. (Volume XXIV, p. 122)

"And further :

"We are surrounded by people, by classes, by Governments, which openly express hatred for us. It must be remembered that we are always only a hair's breadth from an onslaught'. (Volume XXVII, p. 117)

"Sharply and strongly spoken, but honestly and truthfully, without embellishment, as Lenin was able to speak.

"On the basis of these premises the following was said in Stalin's *Questions of Leninism* :

"The definitive victory of socialism is the complete guarantee from attempts at interventions, that means at restoration also, for a somewhat serious support from without, only with the support of international capital. Therefore, the support of our revolution on the part of workers of all countries, and especially the victory of these workers if even in a few countries is a necessary condition to the complete guarantee of the first victorious country against attempts at intervention and restoration, a necessary condition to the definitive victory of socialism'. (*Questions of Leninism*, 1937, p. 134)

“Indeed it would be ridiculous and foolish to shut our eyes to the fact of the capitalistic environment and to think that our external enemies, for example, the fascists would not attempt on occasion to effect a military attack on the U. S. S. R. Only braggarts or hidden enemies, desirous of putting the people to sleep, can think thus. It would be no less ridiculous to deny that in the event of the least success of military intervention, the interventionists would try to destroy the Soviet regime in the regions occupied by them and to re-establish the bourgeois regime. Did not Denikin¹⁶ and Kolchak¹⁷ re-establish the bourgeois system in the regions occupied by them? In what way are the fascists better than Denikin or Kolchak? Only blockheads or hidden enemies, desiring to hide their hostility with boastfulness and trying to demobilize the people can deny the danger of military intervention and of attempts at restoration while the capitalistic environment continues to exist. But is it possible to consider the victory of socialism in one country to be definitive, if that country has around it a capitalist environment and if it is not fully guaranteed against the danger of intervention and restoration? It is clear that it is not.

“Matters stand thus with regard to the question of the victory of socialism in our country.

“It turns out that this question contains two different problems: *a*) the problem of the internal relations of our country, i. e., the problem of overcoming our *bourgeoisie* and constructing full socialism, and *b*) the problem of the external relations of our country, i. e., the problem of the complete protection of our country from the dangers of military intervention and restoration. The first problem has already been settled by us, inasmuch as our *bourgeoisie* has already been liquidated and socialism has already been constructed in the main. This is called in our country the victory of socialism, or to be more precise, the victory of socialist construction in one country. We could say that this victory was definitive if our country were located on an island and if there were not around it a multitude of other, capitalistic countries. But since we live not on an island, but ‘in a system of states’ a considerable portion of which regards the land of socialism with hostility thus creating a danger of intervention and restoration, we say openly and honestly, that the victory of socialism in our country is not definitive. But from this it follows that the second problem has thus far not been solved and that it is yet to be solved. Furthermore: it is impossible to settle the second problem in the same manner that the first problem was solved, i. e., by means of the individual efforts of our country alone. The second problem can be solved only by uniting the

¹⁶ See *Foreign Relations*, 1919, Russia, pp. 750 ff.; also, *Foreign Relations*, 1920, vol. III, pp. 571 ff.

¹⁷ See *Foreign Relations*, 1918, Russia, vol. II, pp. 435 ff.; *ibid.*, 1919, Russia, pp. 195 ff.; *Foreign Relations*, 1920, vol. III, pp. 527 ff.

serious efforts of the international proletariat with the still more serious efforts of our whole Soviet people. It is necessary to strengthen and fortify the international proletarian connections of the working class of the U. S. S. R. with the working class of the bourgeois countries; it is necessary to organize the political assistance of the working class of the bourgeois countries to the working class of our country against the eventuality of a military attack on our country, and equally to organize every assistance of the working class of our country to the working class of bourgeois countries; it is necessary in every way to strengthen and fortify our Red Army, Red Fleet, Red Air Force, Osoaviakhim.¹⁸ It is necessary to keep our whole people in a state of mobilized preparedness in the presence of the danger of a military attack, so that no 'accident' and no tricks of our external enemies may catch us unawares . . .¹⁹

"From your letter it is evident that Comrade Urozhenko holds other, not altogether Leninist views. He, it appears, affirms that 'we now have the definitive victory of socialism and have complete guarantee against intervention and the restoration of capitalism.' There can be no doubt that Comrade Urozhenko is basically not right. This assertion of Comrade Urozhenko can be explained only by incomprehension of surrounding reality and ignorance of the elementary principles of Leninism, or by the empty boastfulness of a conceited young bureaucrat. If we indeed 'have a complete guarantee against intervention and the restoration of capitalism' do we need then, after this, a strong Red Army, Red Fleet, Red Air Force, a strong Osoaviakhim, a strengthening and fortification of international proletarian ties? Would it not be better to divert the billions which go for strengthening the Red Army to other needs and to reduce the Red Army to a minimum or dissolve it altogether? Such people as Comrade Urozhenko, even if they are subjectively devoted to our cause, are objectively dangerous for our cause, for by their boastfulness they voluntarily or involuntarily (it is all the same!) put our people to sleep, demobilize the workers and peasants, and help enemies of the people to catch us unawares in case of international complications.

"As for the fact that You, Comrade Ivanov, it appears, have been removed from propaganda work and that the question of your further membership in the Komsomol has been raised, you need have no fears on this point. If the people from the oblast committee of the All-Union Leninist Communist League of Youth really want to act like Chekhov's *Unter-Offitser Prishibaev*,²⁰ you may be sure that they will lose on this. In our country Prishibaevs are not liked.

¹⁸ Society for Air and Chemical Defense, established in 1931, and chiefly concerned with strengthening the defense of the Soviet Union.

¹⁹ Omission indicated in the original.

²⁰ Title of a story written by Anton Pavlovich Chekhov, in 1885, satirizing military life.

“Now you can judge whether or not the well-known section in the book *Questions of Leninism* with regard to the victory of socialism in one country has become antiquated. I wish very much that it were antiquated, that there were no longer on the earth such unpleasant things as a capitalistic environment, the danger of a military attack, the danger of the restoration of capitalism, and so on. But unfortunately these unpleasant things continue to exist.

I. STALIN

FEBRUARY 12, 1938.”

861.00/11756 : Telegram

The Ambassador in the Soviet Union (Davies) to the Secretary of State

Moscow, March 2, 1938—8 p. m.

[Received March 2—6:15 p. m.]

56. 1. The trial of the so-called Trotskiist bloc of 21 defendants convened today at 12 o'clock noon. Tickets of admission for the Diplomatic Corps were limited strictly to Chiefs of Mission. Opening procedure was the same as in Radek trial heretofore described.²¹ All but three defendants waived counsel. All but two pleaded guilty. Krestinski, former Assistant Commissar for Foreign Affairs, repudiated earlier confession and pleaded not guilty. One other defendant pleaded guilty with minor reservations. Indictment charged that the Rightist bloc for many years was under instructions from British, German, Polish, and Japanese intelligence services and organized terrorism, sabotage, conspiracy to murder for the purpose of overthrowing Government, dismembering the Soviet Republic and restoring capitalism. It charged individual members of this bloc under Trotsky's leadership with having direct relations and receiving financial help from one or more of the above-named intelligence services. It charged systematic sabotage of industry, agriculture, finance, organization of defeatist programs, and projection of plots to kill Stalin, Voroshilov and the actual murders of Gorki, Menzhinski and Kuibyshev. The indictment set forth detailed statements constituting admissions of guilt by virtually all defendants.

2. Krestinski was charged with receiving 250,000 marks from the German Government. Krestinski's withdrawal of plea of guilty, his claim of not guilty, and his repudiation of confession made as late as yesterday was the sensation of the opening session. Prosecution apparently is basing case upon Krestinski and Bukharin as chief

²¹ For appraisal of the trial of the anti-Soviet Trotskyist Center held in Moscow, January 23-30, 1937, see memorandum of February 13, 1937, by George F. Kennan, Second Secretary of Embassy in the Soviet Union, p. 362.

Trotskiist agents. First witness was Bessonov, former Counselor of the Soviet Embassy at Berlin, whose testimony labelled Krestinski as the chief Trotskiist agent in the alleged conspiracy. Krestinski called upon the prosecutor from time to time in the course of Bessonov's testimony, specifically denied alleged statements of fact. Bessonov's testimony was corroborated at the same time by Grinko, former Commissar for Finance, and Rosengolts, former Commissar for Foreign Trade. Krestinski persisted in proclaiming innocence and justified his admitted earlier confession of guilt on the ground that former statements were not voluntary, that his present statements were true and were made in open court so that the Soviet governing powers would be sure to know his position.

3. The defendants closely guarded by soldiers with fixed bayonets were neatly dressed and appeared to be in fair physical condition. Of the four defendants known personally by me three, to wit, Krestinski, Rosengolts and Dr. Pletnev seemed haggard, drawn and under great nervous tension.

Indications are that trial will be replete as in former trials with detailed confessions of guilt by most of the defendants.

My initial impressions of the opening session follow.

1. The procedure obviously is designed to emphasize that the defendants are provided with constitutional protection, viz, they were asked if they received copies of the indictment, if they desired counsel and whether they wished to question witnesses.

2. The indictment was an ex-parte statement of the Government's case and the pleaded admissions and alleged statements of fact give the impression of propaganda. The prisoners in the box, the judges, and the prosecutors all are provided with microphones. Nevertheless, the proceedings are conducted with dignity and a remarkable degree of calm and lack of passion prevails.

3. The formulation of a definite opinion by an unbiased mind depends first on the degree of credence to be attached to the confessions of the various defendants and secondly upon developments in the course of the trial which may reflect the veracity, character and credibility of witnesses, the reasonableness of their testimony and whatever corroborating facts may exist.

4. The natural reaction to the first session is that if the charges are true a terrible sordid picture of human nature at its worst is being unfolded as contrasted with the professedly high aspirations and ideals of the philosophy with which the defendants were identified.

DAVIES

124.61/123

*The Ambassador in the Soviet Union (Davies) to the Secretary
of State*

No. 1007

Moscow, March 4, 1938.

[Received March 21.]

SIR: I beg leave to report that on March 3, I had an extended conference with People's Commissar for Foreign Affairs, Litvinov, at the Foreign Office.

At this meeting I first presented congratulations upon the successful achievement of the Papanin scientific expedition to the North Pole and the rescue of these courageous scientific Russian men. I also advised him of the fact that the President and Secretary of State had both desired that I should return from my visit to the United States to the Soviet Union prior to my transfer to Belgium, in order that I might finish my reports and work here and then take proper leave of the authorities here, upon my official departure. Commissar Litvinov expressed thanks for the congratulations upon the achievement of the North Pole scientists. He was also gracious in his expressions of regret that I was being transferred. He asked particularly after President Roosevelt's health, expressed gratification that he was so well, and again expressed great admiration for the work he was doing for the democratic ideals and peace. He also expressed great admiration for the trade treaty program which Secretary Hull is projecting with such "ability and distinction".

He then stated that he had been much perturbed by reports from Ambassador Troyanovski to the effect that the Department of State had considered that the diplomatic mission here had not received proper consideration from this Government. He stated that he had been so much concerned that he had himself studied the memorandum which Ambassador Troyanovski had received at the Department;²² that after careful study of the memorandum he had reached the conclusion that with the exception of the debt question,²³ practically all the other matters were either trivial or matters that had already been disposed of to the satisfaction of the United States. He stated that he felt particularly aggrieved by the attitude which this situation disclosed, as it seemed a poor return for the exceptional manner in which the Soviet Union and his department had gone out of its way to show the highest consideration for the United States. He stated that the fact was, as he had stated to me, (and which he assumed I had transmitted to the Department) that the Soviet Union had done and was disposed to do more for the United States than for any other

²² See memorandum of January 13, 1938, by the Secretary of State, p. 624.

²³ For failure of the negotiations for the settlement of claims and credits, see pp. 166 ff.

country. In elaborating upon the point he called attention to the fact that more adverse publicity and acclaim had been given to the detention of one American citizen (apparently Mrs. Rubens),²⁴ who was obviously tainted with crime, than had been given to hundreds of German and prisoners of other nationalities who had been detained and who, after months of imprisonment, still had not been interviewed by the diplomatic representatives of their country. He stated that he could not understand why this publicity should have been projected or why the matter should have been handled in the way it was so as to have induced this publicity in view of the fact that within the last six months he had in two cases secured immediate relief in similar cases upon my taking the matters up with him in an informal manner. He emphasized that in the Hrinkevich case (my telegram No. 291, November 11, 1937, 9 p.m.)²⁵ he had immediately complied with my request that Hrinkevich, who was under arrest, should be permitted to be interviewed by the American diplomatic officers. He also referred to the Petty case (Embassy's despatch No. 796, December 3, 1937²⁶) and recalled that here too, under a serious situation, where Petty was not granted a visa because he was needed as a material witness, but was still permitted to depart, upon my representation, despite the fact that Petty had made a serious physical assault upon a Soviet official here. In view of these two recent instances, where all that was necessary to be done was to call the matter informally to his attention, that they should receive prompt action, he found it difficult to account for what had happened. He called attention to the exceptional conditions that confronted his Government and that it felt compelled to arrest hundreds of Germans and other nationals, and to deny them access to their diplomatic officials, and indicated the exceptional contrast this afforded to the attitude toward the United States, which had been demonstrated within recent months. He stated that in view of these facts he regretted matters should have developed as they had. To this I rejoined along the lines of the general situation, so clearly and ably outlined in Secretary Hull's memorandum and also on the specific lines of Mr. Henderson's reply to Mr. Weinberg, set forth in the Embassy's despatch No. 958, February 18, 1938.²⁷

Commissar Litvinov then changed the subject by saying: "Well let's discuss not trivial matters but larger issues," and he inquired as to the effect of the President's speech at Chicago²⁸ and the status of

²⁴ For correspondence concerning the arrest and detention of American citizens by Soviet authorities, see pp. 491 ff.

²⁵ *Ante*, p. 495.

²⁶ Not printed.

²⁷ *Post*, p. 633.

²⁸ For text of the speech by President Roosevelt in Chicago on October 5, 1937, see *Foreign Relations*, Japan, 1931-1941, vol. 1, p. 379.

public opinion in the United States with reference to the policy of isolation. In reply to his question, I stated it to be my opinion, that events in England in the parliamentary Eden-Chamberlain crisis had, at least for the present, intensified the isolationist feeling in the United States. With reference to the Japanese situation he gave me the following very interesting information, which I thought of sufficient importance to transmit by cable forthwith.

He described a meeting last month in Geneva between Delbos, Wellington Koo, Eden, and himself, regarding the Japanese situation. He said the discussion concerned possible renewal of efforts along the lines of the Brussels Conference;²⁹ Delbos would assume no definite stand without England's backing because of fear for Indo-China; that Eden would not take a definite stand without the express assurance of parallel action by the United States; that the situation was left with Eden with the understanding that he would pursue the matter with Washington; that it was recognized that the United States would take part in no alliance, but the conferees hoped that something real might be accomplished through parallel action; that what really was being considered was the imposing of sanctions which would prevent Japanese banks from selling securities in enterprises in Manchukuo and China to nationals of European countries and, secondly, the possibility of sanctions being imposed upon supplies, particularly oil. Litvinov seemed pessimistic regarding the outcome of any such plan and pointed out that to place an embargo on oil would require not only action by the United States but also by Holland. He felt that Holland would most certainly not agree to participate unless she received guaranties of military and naval defense by other powers.

I gathered from Litvinov that the Soviet attitude was similar to the British and French, in as much as neither of them would take action without assurances of support from the other.

Regarding the general European situation, Litvinov expressed the opinion that Hitler and Mussolini had Chamberlain on the spot; that Chamberlain would be required to make good before his public by effecting some sort of arrangement; that the dictators would either drive a hard bargain with him so as to make it impossible, or Chamberlain would be required to make a paper peace that would really amount to nothing more than a sham for home consumption.

Respectfully yours,

JOSEPH E. DAVIES

²⁹ For invitation of the Belgian Government and other documents relating to the Conference of Brussels, see Department of State Conference Series 37: *The Conference of Brussels, November 3-24, 1937, Convened in Virtue of Article 7 of the Nine-Power Treaty of Washington of 1922* (Washington, Government Printing Office, 1938); also see *Foreign Relations, Japan, 1931-1941*, vol. 1, pp. 400-422, *passim*.

861.00/11761 : Telegram

The Ambassador in the Soviet Union (Davies) to the Secretary of State

Moscow, March 13, 1938—3 p. m.

[Received March 13—2 p. m.]

67. For the President and the Secretary of State. Referring to my telegram No. 60, March 4, 11 p. m.³⁰ At approximately 5 o'clock this morning all of the defendants in the treason trial were adjudged guilty and sentences were imposed. Three were condemned to imprisonment, the remainder to death by shooting. Among the condemned to be shot were eight of the most prominent former members of the Soviet Government, including a former Premier, six former Cabinet officers, one of the most prominent Party leaders and member of Politbureau, and also a former President of one of the Constituent Republics. Those condemned to imprisonment were the former Ambassador to England and France, a former Counselor to the Soviet Embassy in Berlin and one doctor, a famous heart specialist.

Despite a prejudice arising because of confession evidence and a prejudice against a system which affords practically no protection for the accused, after daily observation of the witnesses, their most awkward testifying, the unconscious corroborations which developed, and other facts in the course of the trial, together with others of which judicial notice could be taken, but as far as the political defendants are concerned sufficient crimes under Soviet law, among those charged in the indictment, were established by the proof and beyond a reasonable doubt to justify the verdict of guilt of treason and the adjudication of the punishment provided by Soviet criminal statutes. As to the doctors defendants I have reservations. Despite exaggerations induced by possible paranoia and other possible psychological influences among the political defendants and despite the obvious over-zealousness of the prosecution in over-proving the case, my opinion is that not all charges as alleged were proved but that sufficient facts were established to prove that these defendants had plotted to overthrow the present Soviet Government, and were willing to use any means available to overthrow the Union, and were therefore guilty of treason under Soviet law. The opinion of those diplomats who attended the trial most regularly was general that the case had established the fact of a formidable political opposition and an exceedingly serious plot which explained to them many of the hitherto unexplained developments of the last 6 months here. The only difference of opinion that seemed to exist was the degree to which the plot had been implemented

³⁰ Not printed.

by different defendants and the degree to which the conspiracy had become centralized.

Aside from the natural horror instilled by this exhibition of intense drama and human tragedy the trial affords a shocking realization that there does exist still a modern system of jurisprudence which affords so little protection to the accused and to the rights of the individual.

DAVIES

811.91261/142

*Memorandum by the Ambassador in the Soviet Union (Davies) of a Conversation With the Soviet People's Commissar for Foreign Affairs (Litvinov), March 14, 1938*³¹

Pursuant to an appointment made at my request, I had an extended conference with People's Commissar for Foreign Affairs, M. Litvinov, at his office on the day and year first above written.

M. Litvinov spoke very frankly in connection with the views of this Government with reference to the incorporation of Austria into the German Reich. The following paraphrase of the cable immediately sent to the Department³² covers the substance of the interview with reference to this subject:

During the course of a conversation which I had with Litvinov today (March 14, 1938), he told me that the situation in Europe was critically dangerous; that the People's Commissariat for Foreign Affairs had been formally advised that Austria had been incorporated in the German Reich; that several days ago the Austrian Minister had left Moscow, and that the Legation would be practically closed following the departure of the Chargé d'Affaires. He said that he assumed that all countries having diplomatic representation in Vienna would now terminate such representation. Litvinov further stated that he believed that, as a result of the fact that English acquiescence was indicated by the Halifax and similar conversations, the Chamberlain Government was responsible for Austria's predicament; that it was his opinion that Chamberlain would find it difficult, in view of developments, to make a satisfactory arrangement with Mussolini, since Hitler had in all probability agreed to give his support to Mussolini in Spain and the Mediterranean. Litvinov said that he believed that Czechoslovakia was secure for the present although such security was not permanent; that France because of her treaty³³ would undoubtedly come to the aid of Czechoslovakia in case the latter should be attacked by Germany as "otherwise it would also be the end of France"; and that in such cir-

³¹ Transmitted to the Department by the Ambassador in his despatch No. 1037, March 16, 1938; received April 4.

³² Telegram No. 69, March 14, 1938, 9 p. m., not printed.

³³ Treaty of Mutual Guarantee, signed at Locarno, October 16, 1925; for text, see *British and Foreign State Papers*, vol. cxxii, p. 287.

cumstances England "willy nilly" would be obliged to enter the conflict in order to aid France. He stated, in reply to my question, that the world very likely would witness another example of German aggressiveness before the end of the year and that there was a very definite possibility of war this summer.

I was advised today by the Czechoslovak Minister in Moscow that a few days ago his Government had received assurances from Germany that the latter had no hostile intent against Czechoslovakia; that military measures for immediate resistance were not being made by Czechoslovakia; and that actually this was a decision which would have to be made by England and France, not Czechoslovakia.

A member of my staff was informed this evening by the Austrian Chargé d'Affaires in Moscow that he may leave Moscow tomorrow en route to Vienna for a week or two. In this event no diplomatic officer would be left in the Mission. Up to the present time, however, no definite decision as to his departure has been reached.

UNOFFICIAL REPRESENTATIONS

The undersigned then stated to M. Litvinov that he desired to take up with him unofficially three situations in which possibly there was strictly no violation of the legal rights of American citizens, but which nevertheless were possibly prejudicial to the interests of American citizens in the Soviet Union.

Mr. Litvinov was informed that his personal attention was being called to these situations in a friendly way in the hope that they might be relieved. These situations were the following:

- (a) *The Case of Soviet Wives of American Husbands Desiring to Return to the United States.*³⁴

It was pointed out that there were a number of cases where American citizens—engineers, professional men, and the like—residing temporarily in the Soviet Union had married Soviet wives and in some instances had children, and who were now desirous of or were required to leave the Soviet Union and return to the United States, and where

³⁴ The attempts of Soviet spouses of American citizens to obtain permission from the Soviet Government to accompany their mates to the United States, or to join them there if they had preceded, became a serious problem, the urgency of which increased in consequence of the attitude of the Soviet Government after 1937 toward the continued residence of foreigners in the Soviet Union. This situation resulted in repeated representations by the Embassy in Moscow on behalf of the Soviet spouses to the Commissariat for Foreign Affairs over a protracted period of time. The Embassy's efforts were met with delays and inaction on the part of the competent Soviet authorities, with rare exceptions, previous to the arrival in Moscow in August 1939 of Ambassador Laurence A. Steinhardt. Following conversations and personal appeals by the Ambassador to the People's Commissar for Foreign Affairs, at that time Vyacheslav Mikhailovich Molotov, a certain improvement occurred in the granting of permissions to Soviet spouses of American citizens to quit the Soviet Union.

these American citizens found it impossible to obtain permission from the Government for these wives and their children to leave the Soviet Union.

It was made plain that it was quite clear that under Soviet law, the Government was acting strictly within its rights in asserting its jurisdiction over Soviet citizens and preventing their departure from the Soviet Union but that nevertheless such a course did operate as a severe hardship upon normal human relations and had many cruel aspects. For this reason, I ventured to ask unofficially that the Foreign Office interest itself in the situation to see whether some relief could not be accorded. Specifically, the attention of M. Litvinov was called to the case of young Mr. [Edmund] Stevens, who has a wife and a baby child here and a widowed mother in New York and where, despite the urgent need of the son and the son's desire to return to the United States, he cannot do so because his wife does not seem to be able to procure consent to the necessary relinquishment of Soviet citizenship and to leave the Soviet Union. The attention of Commissar Litvinov was called to the fact that last spring this specific case had been brought similarly to his attention and that the Embassy had been led to believe that, in the opinion of the Foreign Commissar, this situation could be cleared up and the necessary permission obtained. M. Litvinov stated that due to the pressure of other matters this specific situation had completely escaped his mind and that he did not even now recall it, but said that he would be glad to look into it and asked me to follow it up with a written memorandum to him. This has been done.

(b) *The Case of the Arrests of Soviet Employees of the American Correspondents.*

The attention of M. Litvinov was called to the fact that during the course of the recent Bukharin treason trial, a Soviet citizen who had been employed as a translator by Mr. Harold Denny, Chief of the *New York Times* Bureau for the last several years and who was taking notes of the trial proceedings, was arrested in the middle of the trial. This, he was told, was illustrative of what had previously happened to the secretary of Mr. Spencer Williams, head of the American-Russian Chamber of Commerce in Moscow, as well as to the secretary of Mr. James Brown, the International News Service correspondent; both secretaries having been arrested. This situation, I stated, causes a great deal of inconvenience to these American interests and also raised the possible implication that these employers had been a party to some violation of Soviet law. M. Litvinov replied that while none of these cases had been specifically called to his attention, and that he did not know positively what the facts were in each case, nevertheless,

he was certain that if there had been any suggestion or any implication that any of these foreign employers had been connected with the criminal activity of their secretaries, respectively, he would have known of it and that, therefore, he would give me assurances that there was no implication as against these American citizens in these cases. He stated that the services of these people as employees of these various American interests were only a part of their activities in the community and that what had happened, undoubtedly, was that, apart from their duties to their immediate employers, they were engaged in unlawful activities on the outside. He also pointed out that in such a situation no distinction could be made as between American or Soviet employers of Soviet citizens who happened to have been engaged in unlawful activities, and were, therefore, subject to arrest. He pointed out that the fact of being employed by foreign nationals could not, of course, afford any immunity to Soviet citizens if they were guilty of a violation of Soviet law. He completely exonerated Messrs. Denny, Brown, and Williams, and their organizations from any implication of being a part of the alleged unlawful activities of their secretaries.

(c) *The Office Quarters for the American-Russian Chamber of Commerce.*

Last week I was advised by Mr. Stevens, who is here in charge of the office of the American-Russian Chamber of Commerce in Mr. Spencer Williams' absence, that notice had been served that the Chamber would be required to vacate the premises immediately and that he had been unable to obtain any other quarters or any postponement of eviction until Mr. Williams got back. I pointed out the extreme inconvenience that this involved to the Chamber of Commerce, which represents a very responsible and influential section of the American public opinion. M. Litvinov pointed out that there was a tremendous shortage of space and that it was impossible to even accord the Diplomatic Corps the space necessary to their proper functioning. He stated, however, that he would look into the matter and asked me to give him details with reference to the situation.

JOSEPH E. DAVIES

861.60/299

The Ambassador in the Soviet Union (Davies) to the Secretary of State

No. 1031

Moscow, March 15, 1938.

[Received April 4.]

SIR: I have the honor to transmit herewith observations on certain factors which are at present observable in connection with the tempo of Soviet industrial production and construction.

An ironic, but by no means surprising, development is discernible in the Soviet Union. At the very time that Stalin is physically destroying the right-oppositional leadership represented by such men as Bukharin and Rykov, he is putting certain of their ideas into practice. Since the inception of the first Five-Year Plan,³⁵ the members of the right opposition have in one way or another criticized the pace of industrialization of the country set by the Kremlin as being both far too rapid and on too large a scale for the primitive basis on which it rested. The Kremlin now appears to be convinced that at least some of the views of the opposition have been correct since it is slowing down the tempo of the country's industrial development.

It will be recalled that this is not the first time that Stalin has stolen the thunder of his opponents. During 1927 and 1928, when he was fighting the Trotskiist left, he criticized Trotski for over-emphasizing the danger of an individual peasant economy and for advocating planned "over-industrialization." Almost immediately after the downfall of Trotski, Stalin adopted a program calling for the elimination of the private peasant and for planned rapid industrialization of the country.

Ever since the inception of the first Five-Year Plan it has been the policy of Stalin to endeavor to bring about the industrialization of the country not only as rapidly as possible but also on as large a scale as the most advanced industrial countries, particularly the United States. Many gigantic plants have been constructed and mammoth factories built, largely for the sake of bigness and without giving due consideration to the question of whether the manufacture of a certain article, never before made in the country, should not first be started on a moderate scale. The industrial slogan on everyone's lips has been "Catch up with and surpass America", and by that phrase bigness was conjured.

It is noteworthy in this connection that in addition to the right opposition, the members of which were against what they considered to be "superindustrialization", many of the American engineers who have assisted in the construction of certain of the gigantic plants in the Soviet Union are of the opinion that certain of the difficulties encountered in Soviet industry could have been avoided, or at least considerably lessened, if construction had been carried out on a smaller scale in the beginning with a view to expansion as ability to operate factories in a satisfactory manner was acquired. Such ideas were ridiculed by Stalin and his followers as "defeatist" and as a counter-revolutionary underestimation of the potentialities of Soviet Socialism. Those who held such ideas were termed by the Stalinists "Right Liquidators" and "Panickers."

³⁵ 1928.

As the industrialization, however, of the country proceeded apace at a dizzy tempo and as the difficulties and high cost of production along what were considered American lines became apparent, the Kremlin has apparently gradually been driven to the conclusion that a deceleration of the pace of construction and production might be in the interest of efficiency.

The decision of the Kremlin to slow down the tempo of production and construction may be ascertained from an examination of the 1938 plans for the People's Commissariats for Heavy Industry, for Machine-Building Industry, and for Food Industry; the conclusion that construction on a colossal scale is undesirable is most evident in a recent decision of the Soviet of People's Commissars of the Soviet Union relating to the building industry which was apparently reached in the face of the fact that in 1937 the construction plan of the People's Commissariat for Heavy Industry was executed only by 80.1 per cent and that the cost of installation and building, which should have decreased by 13 per cent, actually increased by 0.9 per cent.

On February 26, 1938, the Soviet of People's Commissars of the Soviet Union adopted a resolution to establish a "Committee on Construction Affairs" to be under its immediate jurisdiction whose primary functions are to consist of "improving construction work, introducing unity into the norms governing construction and controlling the execution of established norms." The Soviet of People's Commissars resolved at the same time to "improve the organization of preparing estimates and financing industrial construction." The most interesting aspect of this resolution is that, after pointing out a number of serious defects in construction and planning such as the lack of cooperation between neighboring plants, the excessively large amount of floor space in factories, unnecessary marble facing, the overuse of expensive granite, and so on, the following statement is made:*

Finally one of the gravest defects in planning and construction is the mania for mammoth constructions which is widespread among managers and builders. A result of this is the passion for planning industrial giants and complicated industrial combines, regardless of the conditions of the locality and economic necessity, which leads to great delays in construction, to difficulties in mastering production, and the freezing of state funds.

This mania for hugeness in industrial enterprises, which curiously enough is now so vigorously condemned, has been fostered up to the present time by the Soviet authorities in a most thoroughgoing manner. The planners and builders of these giant plants and intricate

* *Pravda*, No. 57, of February 27, 1938. [Footnote in the original.]

combines, it appears, have been receiving salaries based on a certain "percentage of the cost" of these expensive constructions.

It would appear that in the future the builders of Soviet enterprises will be remunerated on the basis of accomplishments rather than in proportion to the amount of governmental funds expended.

Respectfully yours,

JOSEPH E. DAVIES

761.00/297

*The Ambassador of the Soviet Union (Troyanovskiy) to the Secretary of State*³⁶

The Ambassador of the Union of Soviet Socialist Republics presents his compliments to the Secretary of State and has the honor to bring to his attention the enclosed authentic text of a statement made today to the press by Mr. Maxim M. Litvinoff, People's Commissar of Foreign Affairs of the Union of Soviet Socialist Republics.

The views set forth in the enclosed statement represent the position of the Government of the Union of Soviet Socialist Republics in regard to the outstanding problems of international relations.

WASHINGTON, March 17, 1938.

[Enclosure]

Statement to the Press by Mr. Maxim M. Litvinov, People's Commissar for Foreign Affairs of the Union of Soviet Socialist Republics, March 17, 1938

"Having joined the League of Nations for the purpose of organized cooperation with other peace-loving countries the Soviet Government has never missed a suitable occasion to recommend the most effective guarantees of peace which it has seen in the organization of the system of collective security within the framework of the League of Nations as well as in regional pacts of mutual assistance against aggressors.

"The Soviet Government followed this path in practice when it concluded such pacts, with France and Czechoslovakia, pacts, which, in the absence of aggression do not menace any country whatever. The violations of those international obligations which derive from the Covenant of the League of Nations³⁷ and from the Kellogg-Briand

³⁶ Handed to the Secretary of State by the Ambassador of the Soviet Union, March 17, 1938.

An annotation by Pierrepont Moffat, Chief of the Division of European Affairs, stated: "The Secretary decided today that in view of the fact that no formal reply was called for, none need be sent. Ap[ri]l 11, 1938."

³⁷ For text, see *Foreign Relations*, Paris Peace Conference, 1919, vol. XIII, p. 69.

Paris Pact,⁸⁸ as well as the attacks on some states by other states which occurred in the course of the past four years provided occasions for the Soviet Government to demonstrate not only its condemnation of these international crimes but also its readiness to take an active part in all measures aiming at the organization of a collective repulse of the aggressor even disregarding the inevitable prejudice to its relations with the aggressor. At the same time the Soviet Government voiced warnings that international inaction and impunity of aggression in one case would inevitably lead to the repetition and multiplication of similar cases. Unfortunately the international developments have justified these warnings. They received a new confirmation in the armed invasion of Austria and in the forcible deprivation of the Austrian people of their political, economic and cultural independence. While formerly cases of aggression occurred on continents more or less remote from Europe or on the outskirts of Europe and affected, along with the interests of the victim of aggression, the interests of only a few countries situated in the immediate proximity, this time the violence has been perpetrated in the center of Europe and has created an indubitable menace not only for the eleven countries now contiguous with the aggressor but also for all European states, and not only European ones.

“Thus far the menace has been directed against the territorial integrity and against the political, economic and cultural independence of small nations, but the inevitable enslavement of these countries will create prerequisites for pressure and even for attacks against large states as well. In the first place arises the menace to Czechoslovakia, but owing to the contagious character of aggression the danger threatens to grow later on into new international conflicts and this already manifests itself in the alarming situation which has arisen on the Polish-Lithuanian frontier. The present international situation places before all peace-loving states and the great powers in particular the question of their responsibility for the destinies of the peoples of Europe, and, not of Europe alone. The Soviet Government, being cognizant of its share in this responsibility, being also cognizant of its obligations under the Covenant of the League of Nations, under the Kellogg-Briand Pact and under the treaties of mutual assistance concluded with France and Czechoslovakia, I can state on its behalf that on its part it is ready as before to participate in collective action which would be decided upon jointly with it and which would aim at checking the further development of aggression and at eliminating the aggravated danger of a new world massacre. It is prepared immediately to take up, in the League of Nations or outside of it, deliberation with other powers on practical measures which circumstances de-

⁸⁸ Treaty for the Renunciation of War, signed August 27, 1928, *Foreign Relations*, 1928, vol. 1, p. 153.

mand. Tomorrow may be too late, but today time for it is not yet gone if all states and the great powers in particular take a firm and unambiguous stand on the problem of the collective salvation of peace.”

740.00/337

*Memorandum by the Under Secretary of State (Welles) of a
Conversation With the French Ambassador (Saint-Quentin)*

[Extract]

[WASHINGTON,] March 23, 1938.

The French Ambassador called to see me this afternoon. He said in the first place that he was instructed by the French Government to inquire of this Government whether the Government of the United States had received formal notification by the Soviet Government of a suggested conference of the nations of the world, exclusive of Germany, Japan and Italy, to consider the ways and means which might best be taken in order to prevent aggression and maintain peace and if we had received such notification what our reply might have been.

I replied to the Ambassador that such notification had in fact been received through a conversation which the Soviet Ambassador in Washington had had with the Secretary of State, but, so far as I was advised, no reply had as yet been made. I said, however, I thought I could inform the Ambassador for the information of his Government that this Government was not inclined to participate in such a conference as that proposed, in view of our belief that the moment was not propitious and that it was highly doubtful that any practical results could be achieved. I further said the Ambassador knew it was the determined policy of this Government not to involve itself in European political questions and the questions which seemed to be foremost in the mind of the Soviet Government when this notification was issued were European questions of a political character. I said the general policy of this Government, insofar as its foreign relations were concerned, had been very clearly announced by the Secretary of State only a few days ago³⁹ and I was sure the Ambassador would feel the position which I had announced to him was entirely consistent with the policy announced by the Secretary of State.

The Ambassador said he presumed this would be our reply; that he fully understood our position and that he would advise his Government accordingly.

³⁹ Address entitled "Our Foreign Policy" delivered at the National Press Club, Washington, March 17, 1938; for text, see Department of State, *Peace and War: United States Foreign Policy, 1931-1941* (Washington, Government Printing Office, 1943), p. 407.

The Ambassador then inquired whether there was any likelihood of our modifying our present neutrality legislation and whether there was any chance that this Government would modify that portion of our neutrality legislation which had to do with the Spanish situation. I told the Ambassador that that was a matter, as we had officially announced only a few hours before,⁴⁰ which lay within the power of the Congress and was not a matter of executive discretion, but that insofar as I was advised there would appear to be no disposition whatever on the part of the Congress to modify the neutrality legislation at this time.

The Ambassador spoke in general terms with regard to the European situation and seemed to feel that the immediate danger of any war was lessened. He had no information from his Government, however, with regard to any recent developments nor did he indicate any particular interest in the conversations proceeding between Great Britain and Italy.

S[UMNER] W[ELLES]

861.00/11778

The Ambassador in the Soviet Union (Davies) to the Secretary of State

[Extract]

No. 1104

Moscow, April 1, 1938.
[Received April 20.]

SIR: I have the honor to transmit herewith a brief résumé of the situation here.

JAPAN

In the Far East, from what Commissar Litvinov tells me, this Government believes that Japan is having a hard time of it in China and that the Chinese are now putting up substantial resistance. This Government does not conceal its deep sympathy for China, but it is meticulously careful to maintain peace with Japan, at least for the present.

CHINA

The Chinese Chargé d'Affaires,⁴¹ a new man recently from the Chinese Foreign Office and a Cornell graduate, tells me that the policy of

⁴⁰ A statement by the Secretary of State on the bombing of the civilian population in Barcelona was issued March 21, 1938; for text of statement, see Department of State, *Press Releases*, March 26, 1938, p. 396.

⁴¹ Yu Ming.

his Government very definitely is not to give up everything and place its future in Soviet control in consideration of help from the Soviet Union. He states their position and attitude to be that China is essentially individualistic and non-communistic in character; that China has received aid and support from other nations as well as the Soviet Union; that after all it has maintained the burden of the war for almost a year now; that it recognizes that it must pay for Soviet help but that it is not proposed by them to pay at the expense of their independence or their form of government. Sun Fo, the Chinese Special Envoy, has left, leaving this Chargé here in charge. I gathered that conditions had not been too agreeable as between the Soviet officials and this Chinese Mission, but that conditions are improving.

BORDER—NEAR EASTERN AND ASIATIC COUNTRIES

There are serious border and other disputes as between Afghanistan, Persia, and Turkey, respectively, with the Soviet Union. Relations are not good. There are indications of asperities.

BORDER—EUROPEAN AND BALTIC STATES

Since the Soviet diplomat in Rumania escaped to Rome and the fascist regime, Rumanian relations here have been somewhat difficult. Relations with Poland are definitely worse than at any time since I have been here, but both Governments seem intent upon maintaining relations in spite of these conditions. Finland, Estonia, and Latvia have given some indications of being impressed by the success of German aggression. Up to the Lithuanian incident⁴² they were sympathetically definitely falling away still further from this regime. I state this only, however, from impressions obtained from discussions with the diplomatic representatives of these countries here. Since the Lithuanian incident there seems to be a change of attitude and a recognition of the desirability of the friendship of Russia as a bulwark and support to their independence as against possible German or Polish aggression.

EUROPEAN AND WORLD CONDITIONS GENERALLY

As I have cabled you, Litvinov's position and the attitude of this country definitely is that a fascist peace is being imposed on Europe; that ultimately Europe will be completely fascist with the exception of England and the Soviet Union; that finally Italy will desert Germany, as she did during the Great War; that Soviet Russia must count on no outside aid and in fact must be and is completely self-

⁴² Poland demanded on March 17, 1938, that Lithuania reestablish normal diplomatic relations, and 2 days later Lithuania acceded.

contained and independent; that France cannot be depended upon; that there is no hope for the maintenance of law and order based on public morality between nations until the "reactionary elements" in England in power are overthrown; that they see no immediate prospect of this; that your great pronouncement before the National Press Club⁴³ was a great help, but that without practical implementation it would, unfortunately, not be effective against the "ruthless forces of fascism".

INTERNAL CONDITIONS—POLITICAL

Security.

Internally, practically the consensus of the best judgment here in the Diplomatic Corps is that the Stalin regime, politically, is firmly entrenched in power; that the Army is within control of the Kremlin; that the agencies of the Secret Police, press, and all propaganda forces are vigilantly and aggressively building up and supporting the Stalin regime. It is also generally recognized here now that these alleged trials, which are not trials at all, established fairly conclusively that there had existed widespread and serious opposition among the leaders of the Party which was treasonable in character; that this opposition was not closely knit, and therefore was ineffective, but which nevertheless, had it been led by a man of force, might have projected a *coup d'état* last summer when the Army generals were shot.⁴⁴ The general opinion is that there is no danger of an overthrow of the Kremlin group for a long time to come. If there should be such an eventuality it is generally believed that the succeeding government would be a continuation of state socialism.

Industrial Progress.

While there are many evidences and admissions of waste and inefficiencies, and the weaknesses incident to bureaucratic administration of industry and agriculture are obvious, nevertheless, this great bear is lumbering along and with impressive results despite these handicaps. There is such an enormous wealth that these wastes in comparison therewith are relatively small. The wealth of the country is increasing. Last year's crop was the largest in history. The prospect for betterment from a material point of view is improving. Enormous expenditures for war preparations, diverting 25% of total revenues, is holding up distribution of betterments to the masses; but still there are many indications of improvement—notably the appearance of rubbers, boots and shoes.

⁴³ See footnote 39, p. 541.

⁴⁴ Regarding the trial in Moscow, June 11–12, 1937, of the Red Army generals and the execution of eight, see Embassy's telegrams, No. 105, June 8, 1937; No. 113, June 11, 1937; and No. 117, June 13, 1937, pp. 376, 378, and 383, respectively.

Public Works—Schools.

Public improvements—buildings, roads, bridges, canals, and the like are impressive not only in themselves, but in the speed of their projection. The face of certain sections of this city was completely changed during the last year. Stalin, historically, will be recognized probably as the great builder in Russia, following Peter the Great. One hundred and fifty-seven schools are alleged to have been built in Moscow alone during the last year.

The Purge.

There are some indications that the purge is subsiding. The general opinion was that after the elections last fall these activities would abate. The wheels of the Secret Police are, however, grinding constantly, and "exceeding small". This purge situation is nothing new. It was characteristic of many other previous times, to wit, the NEP period,⁴⁵ the liquidation of traders, prosecutions for gold hoarding, the kulak ⁴⁶ situation, and others. The present purge is addressed to the Communist Party itself. It has brought the whole country up on its toes. It has reached and is reaching down into the smallest political sub-division. Arrests are still going forward all over the country, but perhaps not with the violence of a few months ago.

The Treason Trial.

Opinion, both in the Diplomatic Corps and among the journalists who attended the trial, has by this time been generally precipitated into practically a resultant common conclusion; that while there was developed much that was untrue and many crimes [were] alleged that were not proven, nevertheless it was established beyond a reasonable doubt that there was a very strong group of men in the Government itself who during the past five or six years had permitted themselves, from a position of legal opposition, to either drift into or be placed in positions of unlawful and treasonable ⁴⁷ activities; that this situation was caused by the constantly growing oppression of the Stalin regime applied to critical expressions and freedom of speech; that these groups were not a closely-knit organization but that they actually did conspire to act and to overthrow the Stalin Government; that they had been ineffective because of the lack of a single and bold leadership; that the developments of the "trial" clarified and explained the developments of last spring and summer in connection with the feverish activity of the Kremlin, the execution of Army generals, and so forth. It is quite clear that the "Kremlin" last spring believed that there was real necessity for protecting itself,

⁴⁵ The period of the New Economic Policy, 1921-28, a controlled retreat from pure Communism.

⁴⁶ One of the class of well-to-do peasants.

⁴⁷ Marginal note in the handwriting of Orsen N. Nielsen, Assistant Chief of the Division of European Affairs: "i. e., as treason is defined in the Soviet Union."

both against a palace revolution and against the activities of foreign enemies within the U. S. S. R. Stalin and his associates were thoroughly alarmed and acted with great vigor and speed.

The Terror.

The Terror here is a horrifying fact. There are many evidences here in Moscow that there is a terrifying fear that reaches down into and haunts all sections of the community. No household, however humble, apparently but what lives in constant fear of a nocturnal raid by the Secret Police (usually between one and three in the early morning). Once the person is taken away, nothing of him or her is known for months—and many times—never thereafter. Evidences of these conditions come from many sources. They are: statements made to myself or members of the staff from first-hand witnesses; statements based on actual personal observations of members of the staff (as in one instance, the sight of a struggling unfortunate being arrested and torn from his eleven year old child on the street in front of the adjoining apartment house at 3:30 a. m.); or statements made by Russian citizens who for some reason or other come to the Embassy in search of aid. The popular psychology in this situation and the extent of this Terror is again indicated by the fact that, almost daily through the kitchen and servants' quarters, there come reports of whispered and fearful confidences of new arrests, new hardships, new apprehensions and new fears among their friends. The activities of the Secret Police have extended and reached down to the arrest of Soviet employees of foreign missions, including our own.

It is commonly alleged that the Secret Police of this Proletarian Dictatorship are as ruthless and as cruel as any during the old Tsarist regimes. It seems to be an old Russian custom. This particular purge is undoubtedly political. From expressions that I have heard from some of the leaders of the Government it is deliberately projected by the Party leaders, who themselves regretted the necessity for it, but who nevertheless will not permit themselves to be sentimental or weak in the performance of what they regard as their duty. They believe that great revolutions cannot be projected by spraying perfume; that previous movements in the interests of the proletariat have been destroyed by weakness and false sentimentality. They recognize and regret that there must needs be many innocent who suffer in this situation, but they take the position that they must do this to save their cause, which is supreme and that the successful elevation of the condition of life of the proletariat will, in historical perspective, justify their present course. They wrap themselves about in the mantle of the angels to serve the devil. They are undoubtedly a strong, able group of ruthless idealists. But tyranny is tyranny, whatever be its government.

War and War Psychology.

One-fourth of the national revenues were appropriated last year to war purposes. This amounts to approximately twenty-five billion rubles. At the current bootleg gold value of the ruble, this approximates two to two and one-half billion dollars. Expenditures this year will probably be still greater. There are indications of an almost feverish preparation for war. Immense stocks of foods and supplies, including military equipment, tanks, submarine chasers, airplanes, trucks, and so forth, are reported by travelers as being sent to the Far East in an unending stream. There is a shortage of fabrics here in Moscow, which did not exist last year, and which is alleged to be due to war requirements.

Those industrial organizations which are directly connected with war requirements have been recently placed under direct Army control and supervision.

It is variously estimated that the Far Eastern Army consists of from 250,000 to 500,000 men. It is alleged to be completely self-contained with an adequate two-year supply of food and military requirements. Annually 1,200,000 youths are called to the colors for training. There are constant rumors of roads and fortifications being secretly and hurriedly built all along the western frontier. The current strength of the Army is reputed to be 1,200,000 men.

The prevailing opinion of the military attachés here is that in man power the Army is first class; that in technical equipment and mechanization it is very good; that in the air it is excellent in both personnel and equipment; that in officer equipment it is good, but lacking possibly in experienced leadership at the top. The German Military Attaché⁴⁸ has stated that the Army was first class except that its officers were the weakest part, for the primary reason that "they were by tradition and training not of the officer class". It is generally considered that the Army is loyal to Stalin, but that the morale and confidence may have been shaken by the purge. The weakest point is unanimously accepted to be as to whether the second line of defense—industrial conditions—could withstand a long war.

TENDENCY TOWARD SOVIET ISOLATION FROM WORLD AFFAIRS

The Closing of Foreign Consulates.

A most significant development and one fraught with portentous significance for the future has occurred within the last year. It is the rapid development of a policy of ruthless hostility directed against all foreigners in the country—individuals or governments.

The present movement undoubtedly began with Stalin's speech of a year ago, in which he pointed out the hostility of all capitalist states

⁴⁸ Lt. Gen. Ernst Köstring.

and that the U.S.S.R. was surrounded by enemies. It has been stimulated undoubtedly by the disclosures of alleged espionage and spying activity of foreign nations and foreign diplomatic missions in the Soviet Union.

Foreigners all last summer were being expelled from the Soviet Union. Representations even by the French Ambassador in connection with French nationals were unavailing. The Secret Police were implementing this policy and were thoroughly hard-boiled in their attitude and conduct. They have reached into practically every foreign institution, foreign newspaper bureaus, foreign business offices, and even Embassies and Legations to apprehend and arrest Soviet employees on charges of one kind or another.

The consulates of fourteen different nations were closed. The dogmatic and overbearing manner in which these things have been done indicate an almost serene unconcern as to the sensibilities of foreign nations, even—in some instances—to the extent of an apparent indifference as to whether or no it would result in the termination of diplomatic relations. Literally, thousands of foreign nationals, I am told, have been shipped out of the country and returned to Greece, Turkey, Persia, and so forth. Along the entire Afghan border of 2,000 kilometers a strip fifty kilometers in width has been provided as a quarantine zone to afford protection against any infiltration.

The purposes of the fascist governments of isolating the U.S.S.R. among the nations of the world and placing them in quarantine, so to speak, seems to have worked not only successfully from without this country but also seems to have been most effective here. The Soviet Union in retaliation, or for reasons of its own, appears to be perfectly willing to out-Herod Herod in this respect. And they have a faculty for hitting first and hard if they think they are in danger.

Soviet Self-Confidence.

Despite the purge, the terror, war propaganda, and the threats of hostile neighbors, there is no doubt but what this Government has supreme confidence in its ability to take care of itself. Kalinin, the President; Molotov, the Premier; and Litvinov, the Foreign Minister, have each of them expressed to me (and I think sincerely) that attitude. Only recently Commissar Litvinov expressed regret that the democracies of the world were not willing to go along for collective security and international peace, but was very explicit in saying that in the last analysis the Soviet Union was quite content, if the democracies pursued "their course of present folly and indifference to international peace and justice", to rely only upon itself; and that they had every confidence that the Government could maintain itself indefinitely without fear or favor, and quite without fear of the result in the case of outside aggression.

Diplomatic Opinion as to the Permanency of the Regime and Possibility of a Coup d'État.

No foreign diplomat with whom I have talked believes that the Stalin regime is weak politically or in any immediate danger. Expressions are quite generally to the contrary. Stalin's natural death in their opinion would not change the regime, particularly if time were afforded the organization to place his successor in power before the news was generally known. If Stalin's death were by assassination and/or accompanied by a palace *coup d'état* directed and executed by a strong group of the Army, the present regime would probably be overthrown. In such an event, however, it is the prevailing opinion that still a socialist state would persist. It is generally thought that Stalin has the situation well and strongly in hand, with the various elements of strength balanced off each as against the other and each responsible to him. With the enormous power of the Army, the Secret Police, the press, and all propaganda agencies in good working order there is little possibility of an overt act, barring accident. In the long run, however, this regime, in my opinion, cannot survive. He that lives by the sword shall perish by the sword. With tyranny and oppression, denial of human liberty, and destruction of the sanctity of human life a government will inevitably destroy itself. If not by a *coup d'état* such a government will be ultimately overthrown by a revolution that will spring from the very sources of power which this Government itself is creating, to wit, a mass of educated intelligence in the youth of the country. Ultimately the anomaly will present itself here in a condition where there will be the usual revolt of youth against the established order and that movement will take out its radicalism in fighting for the restoration of the conservative concept of individualism and for the restoration of the liberty and freedom which a democratic state will assure.

SOVIET ATTITUDE TOWARD THE UNITED STATES

Despite some irritations, that must needs arise, in my opinion it can nevertheless be safely asserted that the Mission of the Government of the United States here has received more consideration and favor from this Government during the past year than has any other foreign state. I have it on the word of Commissar for Foreign Affairs, Litvinov, himself, that the "Soviet Union would do more for the United States than any other nation". This is probably due to the fact that the officials here, who are a very able and strong group of men, and also the people generally regard the United States with friendly favor. They feel that we are disinterested, friendly, have no direct designs on anything that they have, and have no selfish axes of our own to grind with their immediate enemies at their possible

expense. The leaders, too, have great admiration for President Roosevelt and what they consider "his very wonderful achievements". They also have very high admiration for the efforts of the Secretary of State to project international peace through economic appeasement.

This attitude of friendliness does not deter them in matters affecting their vital interests, as indicated by the debt and Comintern situations. They are thoroughly realistic. It is, however, indicative, I believe, of a real "most friendly" attitude and a disposition which is in direct contrast to the prevailing hostility toward foreigners here generally. There are hundreds of foreign nationals—Germans, Poles, and Italians—who were imprisoned, and to whom the diplomatic staffs of their respective nationalities have been refused access or conference until after trial of the prisoners. In the only two instances that have arisen in connection with our nationals⁴⁹ and where the question has been raised there has been a direct⁵⁰ compliance with our request in direct contrast to precedent; and with surprising speed in contrast to the treatment accorded other Missions. In both of these cases, representatives of this Embassy were permitted to see and confer with the accused before trial.

CONCLUSION

Many fine things are being done under the present regime. Many noble enterprises have been projected which arouse sympathy and inspire intense admiration. The pity of it all is, that one sees these wonderful things corroded, disgraced, corrupted and defiled by a ruthless, mistaken zeal for the betterment of humanity, which is nothing other than a terrible tyranny. For such this Government is. It is, moreover, oriental in its cruelty and in its complete disregard for individual life. "One life, one kopek" seems to be a fact. No degree of altruism, humanitarian effort or high and noble purpose, and no amount of material improvement in providing for things which elevate the standard of living of the proletariat can ever compensate for the denial of freedom, of liberty, and the rights of the individual even as against the king. The price is too high.

Whether this regime continues in power or falls, in my opinion, this Russian situation will continue to grow in international importance—both politically and economically. Enormous and even astounding strides have been made in industrial and scientific development and achievement within the past eight years. And the tiger has tasted blood. Nothing (not even revolution or change of government) can stop the continued exploitation and development of

⁴⁹ For illustrations of the arrest and detention of American citizens by the Soviet authorities, see pp. 491 ff.

⁵⁰ This word has been twice underscored and a question mark placed above it in the Department of State.

this country's enormous resources and wealth. The ambitions of the country youth have been fired. Educational facilities have been afforded. Education, scientific and otherwise, is being extensively projected and made universal. Caste or class barriers to individual advancement have been broken down. The inevitable strength of this relatively young nation and a people, fresh from the soil, will inevitably project and continue this development. This country's present position, economically and industrially, appears to me to be now at a point of development where the United States was about sixty years ago.

The next generation, in my opinion, will see these people here exercising a tremendous influence not only upon European but upon world conditions.

Despite many affronts, and despite what would appear to be obvious insults addressed to certain diplomatic missions of certain governments of Europe, these governments nevertheless persist in maintaining their diplomatic representatives and contacts in Moscow. It is, in my opinion, a wise and prudent policy. Great forces exist here and still greater forces are here in the making. They will inevitably have far-reaching reactions.

Respectfully yours,

JOSEPH E. DAVIES

[For an indication by the Soviet Ambassador that "the time may soon come" to reopen negotiations for the settlement of the debt, claims and credits question, see the memorandum by the Chief of the Division of European Affairs dated April 16, 1938, page 645.]

123 Davies, Joseph E./191 : Telegram

The Ambassador in the Soviet Union (Davies) to the Secretary of State

Moscow, June 6, 1938—1 p. m.
[Received June 6—9:20 a. m.]

143. Yesterday I made my farewell calls upon President Kalinin and Premier Molotov. While with Molotov, Stalin unexpectedly to my great surprise came in to the room and we had a friendly and informal discussion lasting more than 2 hours. Upon his initiative he took up battleship matter,⁵¹ also introduced a definite proposal in principle with regard to settlement of Kerensky debt to the United

⁵¹ For correspondence concerning the efforts of the Soviet Government to purchase warships in the United States, see pp. 670 ff.

States Government.⁵² We also discussed world political problems and talked at length and concretely about the particular matter which was the subject of discussion between the President and myself last January.⁵³ I also brought up Comintern.⁵⁴ There are certain phases of the discussions which I am honorably obligated not to transmit except orally and then only to the President and the Secretary of State. Moreover it would be difficult to adequately report on some of the delicate situations by cable or despatch and therefore I have concluded that I should, if the President and the Department consider it advisable, proceed immediately to Washington⁵⁵ to report on this situation orally and proceed thereafter immediately to Belgium. This would entail deferring my sick leave until after presentation of my credentials in Brussels. If I am called upon for a statement in connection with my return I shall say I am simply returning to the United States in normal course to receive instructions for my new post before going to Brussels. If this is approved kindly advise immediately so I can arrange sail June 15 on the *Europa*.

DAVIES

861.00/11786

The Ambassador in the Soviet Union (Davies) to the Secretary of State

[Extracts]⁵⁶

No. 1341

Moscow, June 6, 1938.

[Received June 25.]

SIR: Supplementary to the oral reports on conditions in the U. S. S. R. and the discussions had with the President, the Secretary of State, and with the Department, with reference to the policy of the United States, which under present conditions in contrast to those of several years ago, would now seem advisable, I respectfully submit the following general review and summary report of the situation here.

⁵² For failure of negotiations for a settlement of claims and credits, see pp. 166 ff.

⁵³ This concerned a prospect looking to the establishment of secret liaison for sharing military information regarding Japan and the Far Eastern situation in general. See numbered paragraphs (6)-(13) in the unnumbered despatch of January 17, 1939, from Ambassador Davies, at that time Ambassador in Belgium, p. 594.

⁵⁴ For the VII Congress of the Communist (Third) International and the United States protest of August 25, 1935, see pp. 218 ff.

⁵⁵ Ambassador Davies departed from the Soviet Union on June 10, 1938, and reached Washington on June 23.

⁵⁶ For a mass of miscellaneous material relating to affairs and conditions within the Soviet Union contained in this despatch, and published with few significant omissions or alterations, see Joseph E. Davies, *Mission to Moscow* (New York, 1941), pp. 377-410.

VI. WHAT ARE THE POSSIBLE SIGNIFICANCES OF THE U. S. S. R. IN WORLD RELATIONS?

The future significance of Russian man power and resources and wealth as a factor in world conditions is obvious from the foregoing facts. Barring war, the future holds possibilities of the continued existence of this regime intact for a considerable time. Based upon the industrial and economic progress of the past eight years and the accretion of wealth during that period, as is evidenced by the fact that the U. S. S. R. has had an actual favorable balance of trade for the past two years, an enormous increase in production of gold, and many other physical indications, it is probable, and it is generally believed here that the wealth and economic power of this situation will continue to increase. The natural wealth is enormous. The technical equipment is excellent. Labor and administrative cost are low and in comparison with the capital investments are relatively negligible. There are no capital charges on investment.

Again in the development of water power, where already the production is second in the world, still greater capital investments are being planned. The agricultural wealth of the country is reproducing itself each year and is also being increased.

There are great inefficiencies and wastes that are necessarily incident to bureaucratic administration. Nevertheless, the resources are so great, that it is probable that the net result will be still further large additions to national wealth and economic power. Such a condition will inevitably have repercussions and far-reaching effects upon both world economy and upon world politics. The effect which the threatened shipments of two hundred million dollars in gold into the London markets last May had upon the exchanges of New York and London is illustrative.*

There is still another factor in the situation. The man power here is comparatively that of a fresh, young race. The Russian country youth for the first time in history are afforded opportunities for education and technical equipment, and they see the opportunity that for the first time gives them "escape" from the restrictions of the peasant

* This gold situation is illustrative of the potential significance of this situation. Gold as a stable measure of value as a medium of exchange has as one of its chief supports for long-range stability the fact that under the operation of the law of supply and demand, the production of gold has responded to the law of supply and demand, dependent upon the cost of production. The supply of gold has adjusted itself to changing conditions dependent upon costs. When gold prices are high, high-cost producing mines come into production. When the price goes down automatically they go out of production. Thus do costs, and the law of supply and demand adjust the gold supply to world commodities and conditions. A new factor in this established equation is possible if any part of the world produces gold without labor costs in money or without regard to costs of production. That factor is of far-reaching significance. Potentially it exists here. [Footnote in the original.]

caste. In the city of Dnieperpetrovsk [*Dnepropetrovsk*] (population 600,000) there is a university in which it is alleged 25,000 students attend. The country boy has come to town and is "on his way". I was deeply impressed by the earnestness, ability, and balance of the men (all young) who are in charge of these huge industrial plants which I visited. This large class of youthful population are fired by the opportunities which open up new vistas to them through the application of science and industry to the great natural wealth of their country. It is quite reasonable to assume that regardless of who might be at the top of this Government this force will not be denied. They have tasted the fruits. With its natural mineral and agricultural wealth, tremendous actual and potential water power, cheap inland water transportation, low labor costs, and the appreciation of the possibilities of the application of science and machinery to natural resources, this situation appears to me to be analogous to that imminence of rapid development, which confronted the United States seventy years ago.

It will probably be a number of years before this production will affect world markets. All that can be produced, for a time, will be required for local consumption, which, as President Kalinin stated to me, was enormous and like a "consuming fire". If, however, this regime, or a similar successor persists for some time, the world will have to reckon not only with the potentialities, but the actualities of a very substantial factor in the world economy. Its repercussions on economic and political developments in Europe and in the world will be far-reaching.

A possible alternative, that the future affords, is that this territory might be subdivided by internal revolution into several large independent autonomous subdivisions. Similarity of interests would group them naturally into White Russia (Western Russia), the Ukraine, the Oriental Caucasus, Mongolia, the Eastern Provinces, and Siberia.

Under these conditions it is interesting to note that the R. S. F. S. R.⁵⁷ comprises that section of Western Russia from Finland to the Caspian and Black Seas, excluding the Ukraine, and is said to contain 50% of the population and 80% of its territory. It has been said that a line drawn from Leningrad to the Caspian Sea would bound on the east that section of Russia that contains 80% of the agricultural productivity, 70% of the population, and a very large part of its water power, coal, steel, and other basic resources. Were this section to be cut in two, nevertheless the potentialities, economically and politically, under the promise of continued development would be very substantial, and would materially affect both European and world conditions.

⁵⁷ Russian Socialist Federated Soviet Republic.

A third alternative that the future affords might be the possible but remote contingency of conquest by, or union of, Germany and Russia. It need scarcely be pointed out that if German scientific and industrial methods and German managerial capacity and discipline were applied to the resources of man power and wealth here the effects upon Europe and the world would be very great.

It is probable that it is, in part, because of these considerations that the great western European powers, as well as other nations, maintain diplomatic representation here; and some of them in the face of well-nigh intolerable conditions.

VII. WHAT ARE THE POSSIBLE SIGNIFICANCES OF THE U. S. S. R. TO THE UNITED STATES?

The traditional relationship between the United States and the Russian people has been one of friendship and good will. Catherine the Great refused the importunities of George the Third to loan or hire her troops for use against the American colonies. Past historical events and other considerations account for the fact that there is undoubtedly great friendliness on the part of the Russian people toward the United States.

As stated in a previous despatch, the authorities of this Government have gone so far as to expressly state to me, that their Government would do more to accommodate the United States than it would do for any other capitalistic country. They have given recently some proof of this attitude (notably in the Hrinkevich and Rubens cases).

As for ourselves—this system is a tyranny, clothed in horror. While a dictatorship of the most ruthless and cruel type exists here, it appears to differ from a fascist dictatorship, at least in one respect. Dictatorship over the proletariat is not the objective or end this system professes to seek, as is the case with fascist ideology. The fact of dictatorship is apologized for here. It is justified on the ground that it is a realistic expedient, resorted to only to protect the masses of the people, until they can themselves rule under a system where ideologically the individual and not the state shall be supreme. Moreover, there is no doubt of the present sincerity of this regime in its desire to maintain Peace.

Considered objectively, and without regard to ideological conflicts, there are certain facts which vitally affect the United States.

The resources of Russia, strategic and necessary in time of war, complement and supply the lack of those existing in the United States.

There are no conflicts of physical interests between the United States and the U. S. S. R. There is nothing that either has which is desired by or could be taken by the other.

The territory of the U. S. S. R. is contiguous to and lies to the west and north of "Manchukuo" and north and east and west of Japan. As stated heretofore, the U. S. S. R. supports in this region a complete and self-sufficient army, variously estimated at from 350,000 to 450,000 men. This armed force is equipped with modern armament, and it is alleged that it has sufficient supplies, independent of western Russia for a two-year aggressive campaign. It is reported to be the fixed policy of this Government to constantly maintain in this region two Soviet soldiers for every one Japanese soldier in "Manchukuo". (This was stated to me by the Japanese Ambassador.⁵⁸)

The Soviet Union is making great efforts to build up its Navy. It is now claimed that they have 40 submarines in Pacific waters.

Vladivostok and the Eastern Provinces are the bases for a large number of Russian bombing planes and pursuit planes (probably 1,500), all within cruising radius of Japanese cities that are largely built of wood.

Consul Blake, of our Service, arriving here from Japan recently, advised that there is much discussion among Japanese business men of the danger arising from Russian airplanes.

The London *Times* of April 8, 1938, under a Tokyo date line stated: "To adduce Japan's refusal to give information on her naval building plans as the reason for the invocation of the escalation clause by Britain, the United States, and France was a 'mere transparent trick,' declared Rear Admiral Noda, spokesman of the Admiralty, in an interview with the foreign press this morning. . . .⁵⁹ Admiral Noda, speaking as Admiralty spokesman, then went on to complain that the defense line of the United States Navy, which had hitherto consisted of the American coasts and of the Panama Canal, was now 'advancing' farther west in the Pacific."

There is one situation, where a very serious issue might develop. That is the possible intrusion of the U. S. S. R. through the Comintern into the local affairs of the United States. Fortunately that has been measurably eliminated by the agreement entered into between President Roosevelt and Commissar Litvinov in 1934 [1933].⁶⁰ Apparently there is very little activity on the part of the Comintern. The French Ambassador⁶¹ here has stated to me that in his opinion the Stalin Government is desirous of lessening contacts with world revolutionary forces and would reduce its interest in the Comintern, but for the fact that the Government here desires to use the Comintern as an adjunct of military defense in case of war with aggressor states. Recent developments, however, make it clear that the Comintern will not be abandoned. Along with the Red Army and Secret Police, the "Work-

⁵⁸ Shigemitsu Mamoru.

⁵⁹ Omission indicated in the original despatch.

⁶⁰ *Ante*, pp. 28-29.

⁶¹ Robert Coulondre.

ers of the World" are held up as the defenders of Russia against fascist attack.

A common ground between the United States and the U. S. S. R., and one that will obtain for a long period of time, in my opinion, lies in the fact that both are sincere advocates of World Peace.

In my opinion, there is no danger from communism here, so far as the United States is concerned. To maintain its existence, this Government has to apply capitalistic principles. Otherwise it will fail and be overthrown. That will not be permitted by the men presently in power, if they can avoid it. I expect to see this Government, while professing devotion to Communism, move constantly more to the Right, in practice, just as it has for the past eight years. If it maintains itself, it may evolve into a type of Fabian socialism, with large industry in the hands of the State, with, however, the agricultural and smaller businesses and traders working under capitalistic, property, and profit principles.

SUMMARY

I

The extent of territory, the natural wealth—agricultural, mineral, water power, fisheries, natural ways, and man power of the U. S. S. R.—present a situation pregnant with potentialities of tremendous economic development and power.

II

The Bolshevik regime floundered on the verge of anarchy and chaos for ten years, but during the last ten years under the Five-Year Plans a most extraordinary record of hydraulic, industrial, communication, social, educational and Army development is quite apparent. It is undoubtedly due to the driving force of Stalin. It has been characterized by a marked departure from the communistic principle in practice. The profit motive had to be resorted to in order to make the system work.

III

The weaknesses in the system are many and apparent. Communism will fail here. Human nature cannot be changed in two generations. The system is now a type of capitalistic state socialism. Its continued existence and development cannot be forecast, as there are too many imponderables in the problem, such as European war, etc. It is generally considered that if the present Government were overthrown from "within" by a military dictatorship or otherwise, a type of state socialism would still obtain, due to the education of each succeeding class of children during the last twenty years, all educated in the religion of their theories.

IV

The strength of the present regime is found in the resolute, bold, ruthless, and able leadership of Stalin. He has complete control of the Army, the Secret Police, the newspapers, the radios, and the schools. Stalin is fast becoming, along with Lenin, the "superman" ideal of the masses. For the present this regime is firmly entrenched. There is always, however, the threat that hangs over dictatorships. Barring accident or assassination coupled with a *coup d'état*, the present regime will persist for some time.

V

The military strength of the U. S. S. R. is impressive. In both quality and numbers the man power is extraordinary. The standing army of approximately 1,500,000 men is divided into two self-contained units, one in the west and one in the orient—about 70% in the west and 30% in the east. It is well equipped with side arms and well disciplined and trained to fanatical devotion to communism. Its mechanized units are very good. The air force personnel is excellent—their equipment good in pursuit planes, poor in bombing equipment. Numerically the air force is probably the strongest of the great powers. In air equipment, generally speaking, they probably are two or three years behind the western nations.

The Government is supremely confident that it could successfully resist simultaneous attack by Japan and Germany.

It would be exceedingly difficult to conquer or annihilate these forces, with their ally the Russian winter.

The weakness lies, perhaps, in the second line of defense—the industrial production back of the lines and adequate supplies of high-grade petroleum products.

VI

The significance of this situation to Europe and the world is very great. Regardless of what regime, or what character of government exists, the forces that have been set in motion, as applied to this enormous natural wealth, will inevitably develop an economic factor of substantial character that will make its influence felt in Europe and in world affairs.

VII

The significance to the United States is quite clear. If Japan should go berserk by any chance, the fact that Russia is at her back door is of consequence to us.

The Soviet Union is more friendly to the United States than to any foreign power. That is quite clear.

If the U. S. S. R. should be excluded from the proposed Four

Power Pact and become isolated (as it now seems to be convinced it will be), there is reason to believe that it may continue to live unto itself and develop indefinitely. It may develop into a very potential threat to world economic and political stability.

Communism holds no serious threat to the United States. Friendly relations in the future may be of great general value.

Respectfully yours,

JOSEPH E. DAVIES

861.00/11787

*The Ambassador in the Soviet Union (Davies) to the Secretary
of State*

No. 1342

Moscow, June 6, 1938.

[Received June 25.]

SIR: Upon leaving this post to take up my duties in Brussels,⁶² I have considered that it was incumbent upon me to render a final report to you, covering my conclusions as to the facts which I have found here, the status of pending matters, together with observations as to the manner in which these matters could be best handled; and finally the policy, which in my judgment, it would be in the best interests of the Government of the United States, to adopt with reference to the situation here. I therefore have the honor to report as follows:

Reference is here made to despatch No. 1341 of June 6, 1938, which is a factual general survey covering: the innate strengths of the Soviet Union; what the present regime has done with these resources; what the weaknesses of this situation are; what the strengths of the present political regime appear to be; what the military power of the Red Army is; what the relations of other powers are to this Government; and what the significances of this situation are in the future with reference both to world economic and political conditions as well as to those of the United States. This report is supplementary thereto and should be read in connection therewith.

SPECIFIC MATTERS STILL PENDING

The major specific matters now pending between the two Governments are the following:

1. Payment of the Russian debt and proposed loan by the United States or its nationals;
2. The Comintern;
3. The Protection of American Citizens;
4. The Hrinkevich Case;
5. The Rubens Case; and
6. Commercial relationships and the most-favored-nation status.⁶³

⁶² Mr. Davies had been appointed American Ambassador in Belgium, May 14, 1938.

⁶³ For the negotiation of the commercial agreement of August 5, 1938, see pp. 601 ff.

The Debt and Loan Matter.

Pursuant to the instructions of the Department, no action has been taken by me here in connection with this matter except to make it very clear not only to the Foreign Office but to other members of the Government that the Government of the United States considered that the next move in the situation was incumbent upon the Soviet Government (see my previous despatches No. 11, January 25, 1937,⁶⁴ and No. 68, February 18, 1937⁶⁵). Despite the fact that several occasions were made by me for the bringing up of the matter, if the authorities so desired, the Foreign Office did not broach the subject.

It is improbable that this Government will make any effort to complete the agreement unless and until some situation shall arise, where it would be desirous of obtaining some special consideration or favor from us. The fact is, in my opinion, that the situation has always presented a basic difficulty to this Government in that under the treaties which the Soviet Union has with other large creditor nations it would be obliged to give equally favorable treatment to that which it extended under this arrangement to the Government of the United States. This probably was the root of the difficulties which the Department has experienced in trying to reach a practical execution of the agreement made by the President of the United States and Commissar Litvinov. Another factor in connection with this matter is now to be found in the fact that the Soviet Union is not now looking for loans from abroad, except on the most favorable terms and then only at a very low rate of interest. The Soviet Government has enjoyed a favorable actual balance of trade for the last two or three years and has also greatly increased both its production and its stocks of gold; and it is now in a much more independent financial situation than in 1934.

In the event of war the Soviet Union might find it to its interest to renew seriously and in good faith an effort to implement and execute this agreement because of its desire to do business in the United States. Outside of this or some similar exigency it is doubtful whether this Government will bring the matter up.

The Comintern.

With reference to the Comintern situation, I have at all times made it clear to Soviet officials that the attitude of the United States is that it holds the Soviet Union to strict fulfillment of the promises made to the Government of the United States.

There are three factors in this connection, which are important, and which should be borne in mind in this connection :

⁶⁴ Not printed.

⁶⁵ *Ante*, p. 369.

First. Contacts with the world revolutionary movements in other capitalist countries are now considered by the Soviet officials to be of very vital consequence to the Soviet Union as agencies for military defense. (See despatch No. [888, January 26, 1938] and statement of the French Ambassador with reference thereto.);⁶⁶

Second. There has been some disposition in the past on the part of the Stalin Government to minimize its interest in world revolutionary movements in the past. The interest of this Government in the Comintern is directly in relation to its apprehensions of danger from military attack of the aggressor nations, and at this moment it is again stressing its interest in the Comintern; and

Third. There appears to be little subversive Comintern activity in the United States at the present time.

The question of the Comintern, therefore, in practical effect, has become largely academic so far as any vital interests of the United States are concerned. Unless, therefore, the idea is implemented in the United States by a greater aggressive and more marked activity than exists at the present time, it would be advisable, in my opinion, strictly to maintain our position with reference thereto as a formal matter, but to quietly ignore the question, unless and until it threatens our well being. For the present at least under existing conditions, it is not advisable "to use a hatchet to kill a fly".

Protection to American Citizens.

The traditional policy of the United States which has been reiterated and emphasized by the Secretary of vigilantly protecting the rights of American citizens has been at all times vigorously projected by this Mission. Two major situations are pending at the present time. They are the Hrinkevich and the Rubens cases. They are the only two American citizens held in prison at the present time on what appears to be political grounds.

In connection with these situations the background here, existing at the present time, should be considered. It is a condition bordering on panic. This Government is obsessed with the idea that it is being isolated by a hostile world and that the hands of all capitalist nations are against it. The war psychology is strong. A condition of martial law has, practically, been projected. The Government is convinced that it is confronted with the actual menace of hostile aggression by Germany and Japan. It is acting with force and vigor to protect itself and is doing so entirely without regard to niceties. Foreign consulates have been ruthlessly closed. Thousands of foreign nationals have been arrested, imprisoned, and held incommunicado. I have been advised recently by the Ambassadors of England, France, Germany, Italy, Turkey, Persia, and Afghanistan that representatives of their Governments, respectively, have not been permitted to

⁶⁶ Not printed.

interview their nationals who were imprisoned here prior to their trial. Thousands of Greeks, Persians, and Afghan nationals, hundreds of Germans and Poles, and substantial numbers of English and Italian nationals have been imprisoned and held under such conditions.

The Hrinkevich Case.

The Hrinkevich case arises out of the following facts. Hrinkevich, [born] a Russian, became a naturalized citizen of the United States. Several years ago, during the depression, he came here, married a Soviet woman, lived here for a short time, returned to the United States for a brief period, and then returned here, apparently to make Russia his home. I have been informed that the impression which he made on some of the members of the Mission here was anything but favorable; that he was an ardent Communist;⁶⁷ that his passport was signed in red ink. Apparently since his return he got into trouble with the local authorities and was arrested and imprisoned. This case was taken up last summer (1937) with the Soviet Foreign Office when it was learned that Hrinkevich was imprisoned; and I was promptly assured by Commissar Litvinov that in spite of their attitude with reference to other nationals, representatives of the Embassy would be permitted to interview Hrinkevich. This was promptly done. Two difficulties arise in the case. One is that Hrinkevich does not wish to leave without his wife and child. The other lies in the fact that he does not appear to have means sufficient to take him back to the United States. It is my opinion that it would be advisable to find means for providing funds to take him back to the United States, which can be promptly done upon our application, as I am informed.

The Rubens Case.

The present status of the Rubens case⁶⁸ is that Mrs. Rubens is still confined in prison. The Embassy has maintained contact with the Foreign Office with reference to the matter and has made inquiry from time to time as to how the case is developing and how soon it might be contemplated that the case would be brought to trial.

As the facts were unfolded in this matter, the situation developed into a weak case. Mrs. Rubens' admissions, together with other facts, disclosed that Mrs. Rubens, under the influence of her husband, either knowingly or otherwise, had not only violated the laws of the Soviet Union in making a fraudulent entry into the country, but had also

⁶⁷ Marginal notation by Edward Page, Jr., of the Division of European Affairs: "He impressed Durbrow & myself most favorably when we interviewed him at Minsk. He was not a Communist." For a report of the interview with Hrinkevich at Minsk on November 14, 1937, see Embassy's telegram No. 293, November 16, 1937, 11 a. m., p. 495.

⁶⁸ For the development of this case, see pp. 708-718 and 904-911.

violated the penal laws of the Government of the United States in aiding and abetting frauds upon passport officials. The known facts seem to establish a fair presumption that the principal defendant Rubens, to whom Mrs. Rubens was an accessory, entered the Soviet Union for an unlawful purpose and under an unlawful United States passport either in conjunction with Soviet conspirators against the Soviet Union or as the agent of some foreign state.

The position became still weaker when Mrs. Rubens⁶⁹ advised Secretaries Henderson and Ward that she neither needed nor desired the aid or protection of the United States in this situation.

Despite the feeling of resentment which the Soviet Foreign Office had with reference to the alleged unnecessary "preemptory and inconsiderate demand" of the United States in view of the established good will of the Soviet Union as demonstrated by the Hrinkevich case (See previous despatch No. 1007 of March 4, 1938), the situation can be cleared up, in my opinion, without unnecessary asperities, and in such a manner as will uphold and maintain all the rights of the United States which are involved. The deportation of Mrs. Rubens to the United States, if the Government of the United States so desires, can, in my opinion, be effected within a reasonable time.

Commercial Relationships and the Most-Favored-Nation Status.

The total number of registered American citizens in the Soviet Union is now only 480 (including the Embassy staff), in contrast to approximately 2,500 in 1934, according to the best estimates of the Mission.

Business with the United States, or foreign nations, exclusive of that having to do with military and naval construction, for the present, at least, is "drying up". A strong chauvinistic spirit exists here. It insists that Russian industry shall supply all needs of the Russian market. It appears to be growing stronger. The United States will probably continue to furnish some engineering and technical assistance, and some machinery, but with the exception of armament, the amount will be constantly growing less for the time being.

Barring war orders, there will be relatively little American business here for a number of years, in my opinion. There are no questions of serious American interests or business likely to be involved in this situation.

The Soviet Government frankly makes purchases of new machinery for the purpose of copying it and making the product here.

From time to time the Soviet Foreign Office will continue to urge the conclusion of a general commercial agreement containing the usual

⁶⁹ Marginal notation in the handwriting of Orsen N. Nielsen, Assistant Chief of the Division of European Affairs: "(under duress)".

most-favored-nation clauses.* As a matter of fact, under the system existing here and the attitude of the Soviet Government toward patent rights, copyrights, and the like, there is no real *quid pro quo* which could be offered to the United States by reason of its entry into such a relationship. It would necessarily be a one-sided arrangement and in the absence of some specific consideration, in my opinion, it would not be advantageous.

GENERAL POLICY

In view of the shrinkage of the number of American citizens now in the Soviet Union and upon many other grounds a strong argument, from certain points of view, might be made that the continuance of diplomatic relations here is unnecessary under present conditions and inadvisable.

In view of the extraordinary economic and political potentialities which exist here and which will undoubtedly continue to have an increasing effect upon both economic and political conditions of Europe as well as of the world, and particularly in view of the Japanese attitude in the Pacific, it would appear unwise to change the present status or to consider the discontinuance of diplomatic relations except under some severe provocation.

In my opinion the importance of this Mission should not be minimized nor should the diplomatic secretariat be reduced.

Equally important with the continuance of diplomatic relations is the matter of policy as to the methods which are to be employed in matters arising between the two Governments and the general attitude which this Mission should maintain in its relation toward and with the Soviet Government and the Soviet officials.

CHANGED CONDITIONS IN CONTRAST TO THOSE OF THREE YEARS AGO

Conditions have radically changed since 1935.

When the Soviet Government failed to live up to its obligations under the loan, debt, and Comintern agreements, our Government felt properly aggrieved. Under such conditions it was natural that consular representation and staff should be reduced as a gesture of protest. There was then properly directed a policy of the maintenance of strictly formal relations, characterized by a resolute insistence upon the U. S. S. R. living up strictly to each and every obligation in letter as well as in spirit, and characterized also by an attitude of unyielding, unbending, and perhaps of a critical character. Conditions here, particularly in the last year and a half, however, have radically

* Although the Soviet Union has most-favored-nation rights with respect to customs duties as a result of the existing commercial agreement, it desires much broader rights. [Footnote in the original.]

changed. The situation both here as affecting European Peace, and in the Pacific and the Far East is radically different. An attitude of aloofness which might have created irritations three years ago would have been of little consequence at that time. Larger issues are now concerned. Internal conditions are also very different. Now, this Government, apparently, is going through a crisis. The hostility toward foreigners is very intense. Official Government organs assert that diplomatic and consular representations in the Soviet Union are nests for espionage and spying activities of aggressor nations, and that these are actually menacing the Soviet Government. Thousands of Afghans, Greeks, and Turks; hundreds of Germans and Poles; scores of Japanese; and even some British nationals have been arrested and confined in prison for alleged carrying on of subversive activities. These foreign-national prisoners have been kept incommunicado. Diplomatic representatives of their Governments consistently have been refused an opportunity of interviewing these nationals in prison until after trial.

Despite these conditions and during this period, the Soviet Government has gone out of its way to extend particular consideration to the Government of the United States. This has been done, both by conduct and by oral expressions. It was signally demonstrated in both the Hrinkevich and Rubens cases. High officials of the Soviet Union have stated to me that they would go farther in friendship toward the United States than toward any other nation in the world.

On the assumption that the United States decides to maintain diplomatic relations here, it is, in my opinion, advisable that the conduct of this Mission should be projected and maintained in as friendly and harmonious a spirit as is possible, consistent with the strict adherence to the performance of all obligations under the agreements between the two countries. The integrity of our democratic system and our requirement of strict performance of Soviet promises should, of course, always be maintained with vigor; but the methods employed in connection with current matters of relatively smaller importance and, in fact, methods employed in all matters should be based not upon a critical and intolerant attitude that induces irritations, but upon an attitude of tolerant understanding of the difficulties under which the officials here are laboring. It should not be an attitude that would induce suspicion and hostility directed against us. We should not, by reason of our conduct, be classed among "enemy powers".

Such a policy does not involve approving in any manner the ideological concepts of this Government. It does, however, recognize the right of self-determination. It is interpretative of the high-minded and Christian-like declarations of the foreign policy of the United States as expressed by the President of the United States and

the Secretary of State in connection with foreign affairs. It is a "Good Neighbor Policy", and one consistent with the best traditions of our diplomatic history.

Subsequent to my conversations with the President of the United States and the Secretary of State on the occasion of my last visit to the United States,⁷⁰ and since my return here, and in conformity with instructions as I understood them, I have made an effort to project and pursue this policy. It has, in my opinion, been successful. There is no doubt of the sincerity and the friendliness of the U. S. S. R. toward the Government of the United States, in marked contrast and to a greater degree than to any other nation. It has been my experience here, that where matters are projected as between the two countries in a spirit of tolerance, understanding, and friendliness, there has been a prompt and generous response on the part of this Government to try to accommodate itself to a reasonable agreement.

Upon leaving this post I am able to say that, in my opinion, while at all times we have proclaimed our loyalty to our political ideals and to our system of government, and while we have at all times insistently maintained and asserted with vigor the dignity and rights of the Government of the United States, the conduct of the Mission here has nevertheless reflected the historical traditions of friendship which have existed between the American and the Russian people.

Respectfully yours,

JOSEPH E. DAVIES

711.61/651

*Memorandum by the Secretary of State of a Conversation With the
Ambassador of the Soviet Union (Troyanovsky)*

[WASHINGTON,] June 7, 1938.

The Soviet Ambassador called upon his own request. He was bubbling over with enthusiasm about the reported call of Stalin on Ambassador Davies while he was in the Foreign Office at Moscow and the lengthy conversation that took place. The Ambassador expressed the opinion that this means a real turning point in the relations between our two countries; the clearing up of certain debt questions, as well as other minor matters, which have been more or less at issue and which have operated to keep up friction between our two governments, or at least to keep them apart insofar as any real cooperation in most respects is concerned. The Ambassador was good enough to say that he felt that the sentiments expressed in my two

⁷⁰ Ambassador Davies was in the United States from December 7, 1937, to February 11, 1938. There are no records found in the Department's files of his conversations or of instructions regarding the Soviet Union.

recent speeches⁷¹ had been helpful in bringing about this step. He inquired if we had received a report from Ambassador Davies relative to the conversation with Stalin. I answered in the negative.

The Ambassador spoke with much enthusiasm about the prospects of a *rapprochement* between our two countries and the immense benefit it would be to each government and to the world. I emphasized to him in this connection the fact that this was precisely what we had in mind when we decided to recognize the Soviet Republic some years ago, but regarding which we had been woefully disappointed. I added that he could imagine the gratification, therefore, of myself, the President and others to see this new step by Stalin. The Ambassador said that, of course, this was not a tribute just to Ambassador Davies, but to the United States. He also said that another unusual step would be a dinner to Ambassador Davies by Litvinov—a courtesy that is not extended to other representatives of foreign governments. I again emphasized the immense satisfaction it gives us to see this step by the Soviet Government, which should mean so much to our countries and to the stability, peace and order of the world.

C[ORDELL] H[ULL]

711.61/6534

*The Ambassador in the Soviet Union (Davies) to the Secretary of State*⁷²

No. 1348

Moscow, June 9, 1938.

SIR: Upon the occasion of making my formal parting call upon President Kalinin and Premier Molotov on June 5, 1938, a very interesting situation developed.

When I was in Premier Molotov's apartment in the Kremlin, and within a very few moments after I had been seated, Mr. Stalin entered the room alone, came forward, greeted me very cordially, and he, Molotov and myself engaged in discussions for two hours and fifteen minutes. Supplementing my telegram No. 143 of June 6, 1:00 p. m., I have the honor to report with reference thereto as follows:

After the usual preliminary amenities incident to the occasion of my call on the Premier by reason of my departure and transfer to Belgium, we entered upon a friendly and interesting talk. Stalin was particularly interested in President Roosevelt and asked many ques-

⁷¹ Reference is presumably to the Secretary's address on "Economic Cooperation in the Americas" broadcast from the Pan American Union, Washington, May 8, 1938, and to "Recent Developments in Foreign Trade" broadcast from Washington, May 25, 1938. For texts, see, respectively, Department of State, *Press Releases*, May 14, 1938, p. 569, and Department of State Commercial Policy Series 51 (Washington, Government Printing Office, 1938).

⁷² The file copy is a carbon with the notation: "Pres[ident] has original." The date of receipt is not indicated.

tions about him. He also referred in terms of much admiration to your Washington speech.

We discussed a matter which I am committed to report upon orally only to you and to the President. Stalin also brought up the battle-ship matter which is now pending in the Department, and finally discussed the possibility of a settlement of the Kerensky debt.

A complete and detailed statement of what occurred is set forth in the memorandum hereto attached and made a part hereof. Subsequent developments with reference thereto are also described therein.

Both this despatch and the memorandum have been dictated under great pressure in the last few hours in Moscow just prior to my departure, and are not at all satisfactory to me as a statement of what occurred, but time presses and I think the memorandum will give you an accurate picture of the situation.

The fact of the conference was announced by the Soviet press and to eliminate the possibility of unwarranted implications I was obliged to issue a short statement to the press, a copy of which I herewith enclose.⁷³

The situation created nothing short of a sensation in the Diplomatic Corps here. It was regarded as a unique occurrence in diplomatic history here. I was overwhelmed with requests for appointments. On the occasion of the dinner which Foreign Minister Litvinov gave on the evening of June 7 in honor of our departure (which was again quite unprecedented) and particularly at the reception to the Diplomatic Corps which followed, I was approached repeatedly and delicately questioned with reference to what had occurred. To all inquiries I answered quite frankly that the meeting had been entirely unexpected and had been a complete surprise to me; that I had enjoyed a very interesting visit; in which we had discussed many matters, of a general nature. I thought it better to say this much rather than to leave the situation clothed in mystery and possibly thereby cause unwarranted implications to be drawn with reference to the significance of the matter in connection with this international situation.

Enclosed herewith and pursuant to the regulations of the Department you will please find a copy of the talk which Mr. Litvinov made upon the occasion of his dinner, and a memorandum which was prepared by the joint secretarial staff of the Embassy setting forth the extemporaneous remarks which I made in reply⁷⁴ which I asked them to prepare because of the pressure of matters incident to my departure on the afternoon of this day.

Respectfully yours,

JOSEPH E. DAVIES

⁷³ Not attached to the file copy.

⁷⁴ Neither enclosure attached to the file copy. For texts, see Joseph E. Davies, *Mission to Moscow* (New York, 1941), pp. 364-368.

[Enclosure 1]

Memorandum by the Ambassador in the Soviet Union (Davies)

Arrangements having been made that the writer should make his formal calls prior to departure on President Kalinin and Premier Molotov on this day,⁷⁵ the writer proceeded to the Kremlin at 4:30 p.m.

Considering that it would be advisable to have some member of the staff who also understood Russian accompany me, I suggested that Colonel Faymonville, who speaks Russian very well, go with me. Mr. Barkov, Chief of the Protocol Division of the Foreign Office, however, advised that that was not acceptable and when the suggestion was then made that the senior member of the staff should go with me, it was intimated that protocol required that on farewell calls the Ambassador would proceed alone. That made no impression on my mind at the time, but later became significant.

At the former Catherine Palace, inside the Kremlin wall, I was met by Mr. Barkov, the Secretary of Protocol, and was escorted by him to the apartment of President Kalinin, where we were received by the Secretary. Upon entering the President's inner office, Mr. Kalinin came forward cordially to greet me at the door. During our visit President Kalinin sat at his desk. Mr. Barkov, who was also present, Mr. Vinogradov, of the Foreign Office, who acted as interpreter, and I were seated immediately in front of the desk. After the usual social amenities connected with the announcement of my departure were passed, President Kalinin stated that he could quite understand that it might be more agreeable for me at my new post than it would be here. He recognized, he said, that the life of the diplomat in Moscow was not altogether agreeable and had its limitations; for the reason that contacts between officials of the Soviet Union and the Diplomatic Corps did not generally obtain as they did in other countries. He, therefore, could quite understand that I would enjoy the change involved in going to Brussels. I replied that, from an intellectual viewpoint, I had enjoyed this post tremendously. From that angle, I would regret leaving Moscow. Quite frankly, however, the living conditions that obtain in Belgium would be more agreeable. I stated further that I was in entire agreement with his frank statement that the position of members of the Diplomatic Corps here was difficult because of the conditions which he had described. Further, I ventured to say, that while this situation contained disadvantages for the Diplomatic Corps, it also had real disadvantages for the Soviet Government; that there was much wisdom in the statement of the old French philosopher who had said: "You cannot hate the man you

⁷⁵ June 5, 1938.

know"; that even though certain Ambassadors and Foreign Ministers might be hostile to this regime, if, through contacts, they came to know the men who were running this Government, it might serve to modify the harshness of their judgments; and certainly, that as to those members of the Corps who were friendly this situation placed them at a disadvantage in not being able to communicate from time to time with the heads of government, as was done in other countries, and thus have the benefit of the point of view of the responsible officials. I stated further that the point of view and outside perspective of friendly foreign diplomats might also be of no small help and real value to Government officials here. To this President Kalinin rejoined that the condition which he had referred to was bred by world conditions; that the people of Russia believed that they were surrounded by aggressive and hostile states, particularly Japan and Germany; that in the opinion of his Government such feeling was justified and that this basic fact materially prevented free intercourse with the Diplomatic Corps. Another reason for this condition, he said, was that the men in responsible power here, unlike the governing classes of some of the capitalistic classes [*countries?*] were "of the first generation", were confronted with new and great problems, were working overtime and did not have the time for luncheons, dinners or other social engagements which the Diplomatic Corps were accustomed to employ for such contacts. Time, he thought would remedy this condition.

President Kalinin spoke of President Roosevelt's speech at Chicago and also of Secretary Hull's speech at Nashville ⁷⁶ and expressed the hope that it was an indication of the United States possibly becoming more active in the protection of the World Peace against the "unruly members of world society".

In conclusion he stated that he was familiar with the work which the American Ambassador had done in the Soviet Union in connection with studying for himself the various industries and enterprises of the country and of the various phases of Russian life; that they appreciated the objectivity of this attitude; and (to my embarrassment) that he and his associates considered that the American Ambassador, though he might differ from them was, nevertheless, an "honest man", and that they much regretted that he was leaving this post.

Upon leaving President Kalinin's apartment I asked Mr. Vinogradov whether he was going with me to Premier Molotov's apartment. He said, "No", that another interpreter would be available there. Mr. Barkov, however, accompanied me down the long corridor to another section of the building where he presented me to a secretary of

⁷⁶ For text of speech, "The Spirit of International Law," delivered before the Bar Association of Tennessee, June 3, 1938, see *Congressional Record*, vol. 83, pt. 11 (Appendix), p. A2341.

the Premier. Shortly thereafter a Mr. Khaletski (interpreter) came in and I was ushered into the room of the Premier. Here again on entering I found the Premier coming forward from his desk to greet me. Scarcely had we been seated, when I was startled to see the door, through which I had entered, at the far end of the room open, and Mr. Stalin come into the room alone. I had seen him on public occasions heretofore and on one occasion had an opportunity to shake hands with him, but I had never had an opportunity to study the man at close range. As he came in, I noticed that he was shorter than I had conceived and that he was quite "slight" in appearance. He did not look robust, nor strong as he appeared to be on the occasion of the May Day Celebration. There was a suggestion of the sagginess of an old man in his physical carriage. His demeanor is kindly, his manner almost deprecatingly simple; his personality and expression of reserve strength and poise very marked.

As we arose, he came forward and greeted me cordially, with a simple dignity. We then sat down at a large table—a kind of directors' table.

I broke the ice by stating that I had returned to Russia because of a desire, on the occasion of my departure, to express my respects formally to President Kalinin and Premier Molotov, and to express my appreciation of the courtesies that this Government and its officials had extended to me. Meeting Mr. Stalin, I then said, was a great surprise, and that I was very much gratified to have this opportunity. I then went on to say that I had personally inspected typical plants of practically all of the heavy industries of the Soviet Union, as well as the great hydraulic developments of the country; that these extraordinary achievements, which had been conceived and projected in the short period of ten years, had commanded my great admiration; that I had heard it said that history would record Stalin as the man who was responsible for this achievement and that he would be recorded as a greater builder than Peter the Great, or Catherine; that I was honored by meeting the man who had builded for the practical benefit of common men.

To this, Stalin demurred and stated that the credit was not his; that the plan had been conceived and projected by Lenin, who had projected the original Dnieperstroi Dam project; that the ten-year plan was not his work; that it was due to the three thousand able men who had planned this work and those others of his associates; and above all that it was the "Russian People" who were responsible, and that he disclaimed any personal credit therefor. He gave me the impression of being sincerely modest.

After about twenty minutes of conversation discussing my inspection tours of the industrial regions, in the course of which he displayed

a knowledge of my work as Commissioner of Corporations⁷⁷ and Chairman of the Federal Trade Commission,⁷⁸ I started to leave. Stalin asked whether I had to keep another appointment. When I said "No", he suggested that I do not hurry away. I then asked him what were his views on the European situation. He replied that the outlook for European Peace was very bad, and the summer might induce serious trouble. He then went on to say that the reactionary elements in England, represented by the Chamberlain Government, were determined upon a policy of making Germany strong; and thus place France in a position of continually increasing dependence upon England; also with the purpose of ultimately making Germany strong as against Russia. He stated that in his opinion Chamberlain did not represent the English people and that he would probably fail because the fascist dictators would drive too hard a bargain. He said that the Soviet Union had every confidence that it could defend itself. Early in this discussion, I broached the particular matter which President Roosevelt had discussed with me orally during my visit last January. To my surprise, in view of previous information, it was favorably received. I was committed not to disclose these discussions to anyone except the President and the Secretary of State.

He then asked me whether he could ask me some questions, to which I replied, "Of course".

He then asked whether I was familiar with the pending negotiations which the Soviet Government were having with the Government of the United States in connection with the proposed contract for the construction of a Soviet battleship by an American firm. He said that the Soviet Government had difficulty in understanding why the matter could not go forward; that they were prepared to expend sixty to one hundred million dollars for the building of a battleship, and were prepared to pay cash, both for the battleship to be built in the United States and for the technical aid of American firms to aid them in building a duplicate in the Soviet Union; that this would afford employment to the unemployed, which would be desirable as he was informed that the shipyards were only 60% occupied with present contracts; that the Soviet Government could not understand why the matter could not go forward. To this I rejoined that he was misinformed as to the extent of unemployment as far as shipbuilding was concerned; that the Government of the United States had recently embarked on a huge shipbuilding program which would undoubtedly tax our shipyards to the utmost; that there were also restrictions imposed by law that would prevent the giving of plans for battleships, or giving access to manufacturing plants which were building battle-

⁷⁷ 1913-15.

⁷⁸ 1915-16; thereafter Vice Chairman until resignation in February 1918.

ships to foreign countries, unless the Army and Navy would declare that this would not be prejudicial to the military or naval defense of the United States; that I was familiar only in a general way with the negotiations which had been projected entirely in Washington and knew of them only through the reports that had been sent to us as a matter of official routine; that, quite frankly, it was difficult for me also to understand just what the difficulty in the situation was from the reading of the reports, but that I thought the matter had recently given indications of going forward more rapidly. To this Stalin rejoined that if the President of the United States wanted it done he felt sure that the Army and Navy technicians could not stop it, and that it could be lawfully done. To this I rejoined that in all probability the President of the United States knew nothing about the matter; that if he did, it was quite probable that among the many domestic problems which confronted him in connection with the closing session of the Congress, he had not been able to give foreign affairs his personal attention.

I then asked him which agency of the Soviet Government was negotiating this matter—whether it was the Soviet Embassy in Washington, Amtorg,⁷⁹ or the corporation called “Carp”.⁸⁰ He asked me whether there was any prejudice against Carp. To this I said that I did not know. He answered that Carp was an American corporation; that its president was an “American patriotic citizen” (a reference, I believe, to Molotov’s brother-in-law), and that it had been considered that it might facilitate the matter, if the contract were executed by such a corporation. I replied that, in my opinion, there was no prejudice against any agency of the Soviet Union, but that as a practical matter it would clarify the situation for the authorities of the United States to know clearly that the agency presenting the matter spoke authoritatively, and had both his confidence and that of the Soviet Government. I then asked the specific question whether the Carp Corporation was the agency to deal with. To this he replied, “Yes”.

Stalin then said that there was another matter that he desired to ask me about; and that was a situation that had to do with the possible settlement of the debt of the Kerenski Government to the Government of the United States. He stated that it was their information that there was a group of bankers who had close contacts with President Roosevelt, who were interested in doing business with the Soviet Government and who were prepared to finance credits to the extent of two hundred million dollars over a period of time for the

⁷⁹ Amtorg Trading Corporation, official purchasing and sales agency in the United States of the Soviet Union, 261 Fifth Avenue, N. Y.

⁸⁰ Carp Export and Import Corporation, New York, N. Y., Sam Carp, president. Mr. Carp’s sister was married to Premier Molotov.

purchase of goods in the United States by the Soviet Government, provided the consent of the Government of the United States could be had thereto, and provided a portion of it were to be employed in the payment of the Kerenski debt. He said that the amount that had been discussed in settlement of this debt was \$75,000,000; that the Soviet Government might pay \$50,000,000, provided credits could be arranged upon a reasonable basis of interest and provided the Kerenski obligation could be discharged by a payment of 10% of [*or?*] 15% of the amount of the credit upon the execution of the agreement with the balance of payment spread over a period of time in annual installments. He suggested originally that the credit terms should be for ten years and that the debt should be extended over a period of twenty years. To this I rejoined that as it appeared to me, the proposition would appear to be more equitable if the proposed liquidation of the debt was to be made in a shorter period and certainly during a period not longer than the term of the credit. Thereupon, with a chuckle, he suggested he might concede the point and make the period of payments of the debt fifteen years and also have the credits term also for fifteen years. With a laugh, in which he and Molotov joined, I suggested that this was most extraordinary as a "concession". Then, seriously, I said that in a large matter such as this and in negotiation between two "big" principals, I would assume, that if President Roosevelt and his Government could agree upon the larger major issues involved, that there would be no haggling over relatively minor factors, and that I would therefore assume that the proposal made ultimately would provide for payment of the debt during a period which would be at least not longer than the period of the credit term. He smiled and seemed to acquiesce. I then said I first wanted to disabuse his mind of any impression that any private group of bankers was "close" to President Roosevelt in this matter; or in any other public matter.

Proceeding, I stated that I was very glad that he brought this debt matter up; that, with permission I wanted to trespass upon his patience and ask him to listen to my statement as to this debt matter, which was rather a long story of negotiations, which originated with the President and Mr. Litvinov's agreement in 1933, and which had finally resulted in failure and some misunderstandings and bitterness. I then detailed the facts briefly as follows: That in 1933 when there were many Japanese attacks on the eastern border of the U.S.S.R. and when it was much to the interest of the Soviet Union to secure recognition by the United States, certain agreements were entered into which also served the interests of the United States; namely, an arrangement whereby the Soviet Government would settle the claims of American citizens and those of the Government of the United

States against the Soviet Union; that because Mr. Litvinov was obliged to leave before the arrangement could be fully closed, the matter was left to be worked out as to detail; that for guidance, a memorandum in the nature of a gentlemen's agreement,⁸¹ which set forth the understanding in principle was written and was initialed by the President and Mr. Litvinov, which expressed the terms under which these debts were to be paid, and that a loan or credit should be made to the U.S.S.R. by the Government or its nationals; that at the time this memorandum was made and the negotiations were being conducted there was pending in the Congress of the United States a proposal introduced by Senator Johnson, which provided that the Government of the United States should in the future make no loan to any foreign government which had not paid its debt to the Government of the United States; that this was very well known to everyone and was much discussed, and it was in anticipation that this bill would pass and become a law⁸² that the parties entered into an understanding that the loan or credit which was to be made to the U.S.S.R. would be either by the Government of the United States or its nationals; that the understanding was that the Soviet Union would pay to the Government of the United States a sum to be agreed on somewhere between \$100,000,000 and \$150,000,000 and that the Soviet Government was to be provided with credits in the nature of a loan to an amount of approximately \$200,000,000 to be expended in the United States through some agency; that the Export Bank to aid private nationals to arrange such credits was organized for that purpose;⁸³ that subsequent thereto for a period of a year and a half negotiations were had looking to the implementing of this undertaking and formally concluding this agreement; that there developed misunderstandings in these negotiations; that finally an offer was made by the Government of the United States, which in my opinion fulfilled in all respects every honorable obligation that had been undertaken by the President; that this offer had been rejected by Ambassador Troyanovski upon the direction of his Government in 1935 upon the ground that it was not in accordance with the understanding because it offered not a loan by the Government of the United States but by the nationals of the United States and upon the further ground that the control of the purchases in the United States was not placed in a Soviet agency but that the purchases were subject to the control of this American agency; that what was offered was a credit and not a loan.

I stated further that the total of claims against Russia of both

⁸¹ Memorandum of November 15, 1933, p. 26.

⁸² Approved April 13, 1934; 48 Stat. 574.

⁸³ The Export-Import Bank of Washington was organized pursuant to Executive Order No. 6581, dated February 2, 1934.

private citizens and of the Government of the United States with interest, which included claims of private persons against the Tsarist regime, the claim of the Government against the Kerenski Government and the private claims against the Bolshevik Government amounted in the gross to approximately \$900,000,000 or \$1,000,000,000; that the offer of settlement in the sum of \$100,000,000 by the United States was most generous as it would provide less than ten cents on the dollar to the private American claimants, particularly in view of the fact that American nationals were providing an agency that would make possible the extension of a \$200,000,000 credit for purchases in the United States by the Soviet Government; that the attitude of the Soviet Union in this respect had been a great disappointment to the President of the United States; that this matter was one of the matters in difference pending between the two Governments when I came here and that I would say (with undiplomatic frankness) that my instructions were not to bring up or urge the matter of debt settlement but to strongly take the position that we had done everything that we were honorably committed or required to do and that so far as we were concerned it was a closed book, unless and until the Soviet Union wished to reopen the matter and fulfill its honorable obligations; that I was therefore very glad that before my departure to hear from him that the Soviet Government was seeking to find a way to settle at least a portion of this debt situation.

To this he rejoined that the Soviet Government could not settle with the United States the private claims of American citizens against either the Tsarist regime or against the Soviet Government without being obliged under treaties to make equally favorable settlement with England and France as to similar claims, and that this would entail too great a burden. What he had in mind was a formula that would eliminate this difficulty. The Soviet Government could differentiate a debt of the Russian Government to the United States Government from a debt claimed to be due to private citizens of the United States. Therefore the Soviet Government could settle the Kerenski debt without such incidental and attendant difficulty with France or England.

I then asked him exactly what the proposition was; and asked him to please state it in detail. It was to pay \$50,000,000 on the Kerenski debt, provided a credit, above referred to, were extended to the U.S.S.R. for a period of ten years in an amount of at least \$150,000,000, or more if possible. Payments on the debt to be 10% of the total amount of the credit to be paid upon the execution of the contract and the balance to be paid in equal annual installments over a period of twenty years. The rate of interest would be the usual going rate, both as to credits and also on the debt obligation. I asked whether he knew what the amount of the Kerenski debt was; that

I did not have it in mind. He replied that he did not know; that the Kerenski records were not clear; to which I rejoined that I could readily ascertain because I knew our records were clear because it was our money that they had received. This caused a general laugh.

Upon my inquiry Stalin stated that this payment would have to be in complete liquidation of all claims. To this I rejoined that if that was the proposition, in my opinion, it would be useless to even think of submitting it because the sum was even less than the amount of the previous proposed agreements. I then asked whether it would be possible for them to confine the proposal to the Kerenski debt as a governmental debt and leave the other claims for the future. To this he at first demurred. I then said that my only object in bringing this point up was to frankly give them my view as to what, in my opinion, would make it useless to even submit a proposal, and that the proposal, in my judgment, would not even be considered unless the arrangement could be made without prejudice to other claims. I explained that in our practice in drawing contracts we frequently resorted to that principle, namely, that a single matter in difference between parties could be settled, with an express reservation that such settlement did not prejudice, or estop either party from asserting any other claim in the future. He said that was agreeable.

Of course, throughout this discussion it was understood that the remarks and inquiries I made were designed simply to explore the exact terms of the offer. It was clearly stated that I, of course, was not purporting to say what would or would not be acceptable to my Government.

[Enclosure 2]

Memorandum by the Ambassador in the Soviet Union (Davies)

Moscow, June 10, 1938.

Following the meeting with Stalin and Molotov and the discussions then had on June 5th, I took counsel with Secretary Henderson and Counselor Kirk. We discussed the situation from all angles.

It was fortunate that Mr. Henderson had participated in the original debt negotiations and was personally familiar with all phases of the matter, and that some time ago he had also, at my request, prepared an able epitome of the history of the negotiations, together with a very clear analysis of the difficulties which arose, and upon which the negotiations foundered.

It was apparent that if this debt development were to be successfully worked out, it would be necessary to obviate those difficulties which prevented former success, and that therefore the proposal

should be clarified and amplified to disclose exactly how it was proposed to work out the arrangement.

Accordingly, on June 8th, I asked for another conference, which was arranged for one o'clock of that day. In order to prevent possible publicity which might arouse speculation on the part of the press and unwarranted assumptions, I asked Colonel Faymonville, driving his own car, to take me to the Kremlin, rather than use one of the chauffeurs here. I saw Mr. Molotov alone and explained the situation as above, and suggested that I desire to clarify in my own mind certain phases of their proposal and for that purpose had prepared two memoranda as a basis of discussion. These are hereto attached, Nos. 1 and 2.

The conference lasted about an hour and fifteen minutes. Mr. Molotov stated that he would wish to give the matter some more thought and that he would let me hear from him later. I left Memorandum No. 2 with him.

Before leaving, I suggested that in as much as my relations with his Government had been entirely with the Foreign Office, I desired to have his consent to my taking the matter up with Foreign Minister Litvinov, to explain the situation to him, so that after my departure negotiations could be conducted through regular diplomatic channels on both sides. To this he said he had no objection and that he would ask Mr. Litvinov to get in touch with me.

On the following morning, June 9, I received a telephone call from Mr. Molotov's secretary asking whether I could come over to see the Premier, as he had an answer to the "proposals" which I had left the day before. I immediately (and quite sharply) said that I had made no proposals, that I had simply asked questions and left a statement of what I understood the terms of their proposal were and had asked them to verify that understanding and that the memorandum which I had left with them would disclose that very clearly; that I was neither empowered to make a proposal nor would I make a proposal. He apologized profusely and stated that his English was faulty and understood thoroughly that it was not a proposal that we had made; that what he had meant to say was that Mr. Molotov wished to discuss the questions raised in my memorandum further.

Pursuant to this telephone call, I again called upon Premier Molotov at seven o'clock on the evening of June 9. Colonel Faymonville again drove me over to the Catherine Palace, which is inside the Kremlin walls. Premier Molotov said that he had taken up the questions which I had submitted with all of his government associates and that they had agreed upon the terms of a definite proposal, which he had set forth in a reply to my questions. He handed to me a letter signed by himself, which was in the Russian language and addressed

to me, setting forth seriatim the terms of the offer. After the memorandum had been translated, I stated that frankly I was very much disappointed by the document; that it was not either in terms of credit or amounts what I had understood the original proposal made by Mr. Stalin to be; that I feared it indicated a disposition to introduce a bartering or trading atmosphere into the negotiations, which, in my opinion, would be fatal, certainly if projected at this stage of the developments; that the only hope of getting anywhere, in my opinion, was to project this matter on a basis where the desirability and feasibility of the proposal could be established between the heads of the governments on broad lines in principle, and that if that were accomplished there was no reason to believe that a large-minded approach between two big principals would not permit relatively small matters to prevent the accomplishment of the main objective and that they would not permit antagonisms over small matters and conflicts in personality to develop through a desire to "outtrade the other fellow."

The Premier then stated that the memorandum was not in any sense a hard and fast proposition; that he agreed with me as to how the matter should be projected; that he would keep the situation from developing into a hardened state; that this would serve to make a start and to clarify the situation until he had heard further from me.

I then asked to have the Russian memorandum translated by them into English so that I could have their version of the meaning. They said they would have it for me and would deliver it promptly.⁸⁴

Premier Molotov then went on to say that the U. S. S. R. was in no serious need of credits; that they had been offered very large credits by Germany in the very recent weeks, which they were not going to accept under any conditions; that their balance of trade was favorable, etc.; that his Government and Stalin were, however, really desirous of getting this debt matter cleared up because of their high regard for the United States, etc., and that therefore they were initiating the matter in this manner; that they would like to know from me as soon as possible what the reaction of the President and the Secretary of State would be to the possibilities of some arrangement along the general lines of our discussion; that, in any event, whether it was finally successful or not, one thing at least would have been accomplished, to wit, the manifestation of their good will and, finally, in any event there would always be a kindly feeling in their minds with reference to these discussions and these negotiations which had been discussed by the heads of the Government and by Mr. Stalin with the American Ambassador.

⁸⁴ The translation of Molotov's letter of June 9, 1938, is enclosure 2 in Ambassador Davies' unnumbered despatch from Brussels, January 17, 1939, p. 599.

Then to my surprise, he said that he thought it would be better if the matter were kept out of the usual diplomatic channels for the present. He stated that the matter had originated on the business side of the Soviet Government's activities in the United States with Mr. Rossov, head of Amtorg, and that he thought it would be better to hold the matter exclusively in that atmosphere until it had progressed into stages where there was a possibility of having a definite agreement made. He therefore stated that the matter would not be taken up by Ambassador Troyanovski and he would prefer not to have it discussed with him or with the Embassy in Washington. He also said that they desired that I should not take up the matter for the present with Foreign Minister Litvinov. To this I demurred on the ground that it would be difficult for me to communicate with him, except through our diplomatic channels, or through their Foreign Office. He said for the purpose of the immediate present he would find means of communicating with me and that I could communicate with him through Mr. Rossov in New York.

Again I suggested that I felt that both the conventionalities and in fact my personal obligations required that the matter should be projected through our regular staff and through Mr. Litvinov. He stated that this would come in good time if the matter developed and that he would assume any responsibility for the situation so far as Mr. Litvinov was concerned; that he would take the matter up and explain it to Mr. Litvinov himself, if necessary.

In order that they should not obtain the idea that I had returned for details because of any possible lively interest on the part of the Government of the United States on the assumption that I had communicated the matter to the President and to the Secretary of State, I stated to Mr. Molotov that I had not set forth the details of the debt proposal but had covered it and the discussions generally in my cable to the Department; that I had requested the Secretary of State and the President personally to be permitted to return to the United States to take my oath there and receive instructions before going to Brussels; that I had received such permission and was, therefore, going to the United States and would report the entire situation to my Government, in the hope that it would start negotiations that might finally be successfully concluded.⁸⁵

⁸⁵ For additional information not in the files of the Department on the reception of this debt settlement proposal within the administration, and for the decision temporarily to defer further discussion of it, see Joseph E. Davies, *Mission to Moscow* (New York, 1941), pp. 370-374, 430-432. See also the unnumbered despatch of January 17, 1939, from Ambassador Davies, by that time Ambassador in Belgium, p. 594.

In June 1939, Secretary of the Treasury Morgenthau expressed an interest "in further action to clear up the Russian debt with a view to extending credits that would assist American exports." He informed the Secretary of State on June 30, 1939, that he had requested the Soviet Ambassador, Konstantin Alexan-

He stated that his Government and he were very glad that I was returning to the United States and would explain not only the proposal but interpret the spirit which actuated his Government.

He also emphasized that at present he thought that the less publicity had and the fewer people that knew about this situation until the matter were agreed upon in principle, the better. With this I agreed heartily.

There will be attached hereto as Enclosure No. 3 the translation of the memorandum furnished to me as soon as I receive it.⁸⁸

JOSEPH E. DAVIES

[Subenclosure 1]

Memorandum by the Ambassador in the Soviet Union (Davies)

Moscow, June 8, 1938.

The proposal, as I understand it, is as follows:

(1) A group of American bankers is willing to extend credits up to \$200,000,000 to the Soviet Government for the purchase in the United States of American products; the credits to cover a period of ten years, and to bear a fair and usual rate of interest;

(2) That this group of American bankers is prepared to extend such credits independently of the Government of the United States and without resort to any aid from the Export Bank or other Government agency in the discounting of the promises to pay of the buyer;

(3) That if an agreement with such American bankers could be entered into under certain terms to be agreed upon, the Soviet Government would be prepared to settle the Kerenski indebtedness to the Government of the United States on the following basis:

(a) It would agree to pay in full settlement of the Kerenski indebtedness the sum of \$50,000,000 in the following manner:

(1) Ten or fifteen percent of the total amount of the credit obtained as above would be paid to the Government of the United States upon the execution of the agreement, the balance of the payments would bear a normal rate of interest (to be agreed upon) and would be paid in equal annual installments spread over a period of twenty years or spread over the period covered

drovich Umansky, to call and had told him that "we were ready to take up the question of the Russian debt and I would like to have him inquire of his Government whether they would care to do likewise." On July 7, 1939, the Secretary of State replied that "Since the debt problem is closely interwoven with other problems affecting American-Soviet relations, I would be grateful if you would keep me fully informed regarding any developments which might follow your talk with the Ambassador." (800.51W89 U. S. S. R./248)

Meanwhile the Soviet Ambassador had sailed on vacation to the Soviet Union. Upon his return on November 10, 1939, there is no indication that he took up the subject.

⁸⁸ See footnote 84, p. 579.

by the term of the credit agreement (the alternative is—would be paid over a period of twenty years) ;

(2) That such settlement of the Kerenski debt would be without prejudice to either party. In other words, the American Government would be free to press private claims against the Soviet Government without prejudice if a suitable occasion should arise, on the one hand, and on the other hand, that the action of the Soviet Government in settling the Kerenski debt would not constitute an admission of any obligation to pay any such private claims.

Query (1) : Is the credit to be a revolving credit or a single time credit ?

Query (2) : Is the American Group to depend on the Export Bank ?

Query (3) : Is the Banking Agency to have any control over the purchases or whence purchases are to be made ?

[Subenclosure 2]

Memorandum by the Ambassador in the Soviet Union (Davies)

Moscow, June 6, 1938.

Stalin's suggestions with respect to loans as understood by me were as follows :

(1) A group of American bankers with whom the President is acquainted would extend credits of \$200,000,000 to the Soviet Government for the purchase in the United States of American products ;

(2) A part of this credit would be used by the Soviet Government to apply on an agreement of settlement of the Kerenski indebtedness to the United States ;

(3) The credit would be for a term of ten years and would bear a "normal rate of interest". However, the payments of the \$50,000,000, which were to be used to settle the Kerenski indebtedness would be made over a term of 20 years, 10% to be paid upon the issuance of the credits ;

(4) As a result of certain remarks made by me Stalin stated that it might be possible to have the credits made for a term of 15 years and to have the debt paid within the same period ;

(5) No statement was made as to whether the credits were to be guaranteed by the American Government ;

(6) I obtained the impression that the credits would be of a revolving nature, although Stalin made no definite statement to this effect ;

(7) In reply to certain comments made by me Stalin made some statements which I understood to mean that the Soviet Government would be willing to settle the Kerenski debt without prejudice to the claims of American firms or persons against the Soviet Government. In other words, apparently the American Government would be free to press these claims later if a suitable occasion should arise.

800.00B/269

Memorandum by the Secretary of State

[WASHINGTON,] June 18, 1938.

The Soviet Ambassador called to say goodbye before sailing on Monday⁸⁷ for Moscow. He had no particular business. He expressed the fear that France was still suffering internal troubles that might be for some time yet a serious impediment to her in her relations with other nations, especially with Germany. He thought that no war was in sight during the summer.

I then referred generally to the importance of improving relations between our countries and between all of the important peace-loving countries. I said that I was not now making any special complaint but more of a suggestion and it was to the effect that if the Soviet officials could see their way clear to keep down all appearance of Moscow's direction of Communistic movements in other nations, or her sponsorship or her enthusiastic approval of speeches delivered in Moscow by Americans, for example, thereby creating the impression, back in this country, that the Soviet Government is still specially concerned about the propagation of Communistic ideas and movements in other nations, it would be of tremendous help to us in advancing our cooperative relations. I elaborated somewhat on these phases. The Ambassador seemed also to be in accord so far as his efforts might go. He finally expressed the hope that when he returned in September he would bring better news than heretofore.

C[ORDELL] H[ULL]

861.00 Party, All-Union Communist/202 : Telegram

The Chargé in the Soviet Union (Kirk) to the Secretary of State

Moscow, June 22, 1938—4 p. m.

[Received June 22—10:40 a. m.]

160. Soviet press publishes today speech of Kalinin made in Leningrad on June 20 to his electorate. After reviewing achievements of Soviet Union in many fields Kalinin made the following remarks with reference to the United States:

“Comrades we are still without a doubt considerably poorer than the United States of America. That is a fact which we will not deny. They have many more automobiles alone than we have. But in America the owners of all these riches are Morgan and other capitalists and we are poor but the owners of all that we have are the working class and the peasantry.”

⁸⁷ June 20, 1938.

In discussing the relations of the Soviet Union to the rest of the world Kalinin, after emphasizing the fact of the "capitalistic encirclement", stated that "therefore we must further strengthen the power of our country; we must strengthen the world of socialism and weaken the world which is hostile to us" and that "our enemy is the capitalist world".

KIRK

761.62/469 : Telegram

The Chargé in the Soviet Union (Kirk) to the Secretary of State

Moscow, June 22, 1938—10 p.m.

[Received June 23—11:20 a.m.⁸⁸]

161. Several days ago an American press correspondent here was notified of a report emanating from an American correspondent in Praha to the effect that the German Government in the near future would approach the Soviet Government with a view to the improvement of Soviet German relations. Upon inquiry at the Foreign Office here in regard to the Soviet attitude towards this report he was permitted by the censor after a lapse of 2 days to send a story to the effect that any such initiative on the part of the German Government which would contribute to the cause of world peace would probably meet with success but that if not directed to this end would be considered by the Soviet Government as an attempt to break the democratic front. The correspondent has informed the Embassy that while he was not permitted to attribute the above views to the Foreign Office the wording was suggested by the censor himself and therefore may be taken as reflecting the considered opinion of the Soviet Foreign Office.

The foregoing was brought to the attention of an official of the German Embassy here who stated that his Embassy had no information in regard to the report referred to above. He added that in his opinion any such initiative on the part of the German Government was inconceivable in view of the deep seated personal antipathy of Hitler and other National Socialist leaders towards Communism and the Soviet Government which they are convinced still functioned as its aim the furtherance of world revolution.

In the course of the conversation the official of the German Embassy said that there had recently been an occasion to discuss German Soviet relations when the German Ambassador⁸⁹ here conferred with the new Soviet Ambassador to Germany Merekalov who is expected to leave Moscow for Berlin today or tomorrow and although in the conversation Merekalov's remarks were limited to diplomatic generalities

⁸⁸ Telegram in two sections.

⁸⁹ Friedrich Werner, Count von der Schulenburg.

he conveyed the impression that he was interested in the extension and development of commercial relations between the two countries. Potemkin, the Assistant Commissar for Foreign Affairs, had expressed the same interest in a conversation with the German Ambassador on a previous occasion and had said "that unfortunately the development of commercial relations was the only positive element in Soviet German relations at the present time". The official of the German Embassy stated that about 2 months ago discussions were held with the head of the Soviet Trade Delegation in Berlin on the general subject of Soviet German trade relations and it had developed that the prime factors involved were the desire of the German Government on the one hand to obtain from the Soviet Union certain commodities such as manganese and on the other the requirement on the part of the Soviet Government that it receive promptly from Germany [apparent omission] in modern military equipment. In the matter of credits, he said, which had been the basis of the previous trade arrangement between the two countries, the impression had been gained in Berlin that the Soviets were less interested in obtaining credits from Germany than in eliciting some statement on German credit terms in order to use this information as a bargaining point in similar negotiations with other governments. The official added that no marked progress had recently been made in these matters.

KIRK

711.61/657

*Memorandum by the First Secretary of Embassy in the Soviet Union
(Henderson)*⁹⁰

Moscow, July 2, 1938.

I called upon Mr. Litvinov today to tell him good-bye. During the course of the conversation, he told me that he had heard that I had been assigned to the Department of State and that while in Washington I would probably assist in the conduct of Soviet-American relations. I replied that although I had received no official instructions outlining the nature of the duties which were to be assigned to me in Washington, I had nevertheless been given to understand that while in the Department of State I would be expected to assist in matters relating to the Soviet Union as well as other countries of Eastern Europe.

Mr. Litvinov said that it was his understanding that the Department of State played a very important role in the formulation and carrying out of American foreign policies; that most of the members of the

⁹⁰ Transmitted to the Department by the Chargé in the Soviet Union in his despatch No. 1469, July 13, 1938; received July 26.

State Department were reactionary, had fascist friends, were sympathetic to the fascist cause, and were antipathetic to the Soviet Union; that although the President of the United States was a great liberal and was anxious to further the cause of democracy and liberalism throughout the world, reactionaries in the State Department tried so to distort the policies laid down by the President as to give them an anti-Soviet and, sometimes, a pro-fascist bias. He added that he had received this information not from the Soviet Embassy in Washington but from American citizens. Some of his informants, he said, because of their position in the United States, were particularly well informed with respect to what was going on in Washington and were therefore worthy of credence.

I replied that I was certain that Mr. Litvinov's information with respect to the attitude of the personnel of the State Department both towards the policies of the President and towards international affairs in general was incorrect. I said that I had served on two different assignments in the State Department; that I personally knew many of the members of the Department; that I was convinced that the State Department was composed of conscientious, painstaking and able public servants who were endeavoring loyally to carry out such policies as might be outlined to them by the administration. I added that in the United States there were various organized political and even racial groups which were much more interested in furthering one or more international movements than they were in advancing the interests of the United States; that these groups were extremely vociferous; and that one of the means of members of these groups of bringing pressure upon the American Government was to attack personally officials of the State Department, who, in the performance of their duties, were sometimes compelled to take steps which displeased such groups.

I said that in view of the fact that there was complete freedom of speech and of the press in the United States, it was extremely easy for disgruntled groups in that country to carry on campaigns against American administrative officials and that these campaigns frequently resulted in foreigners not acquainted with American life obtaining incorrect impressions regarding American officials and institutions.

L[OY] W. H[ENDERSON]

861.34/112 : Telegram

The Chargé in the Soviet Union (Kirk) to the Secretary of State

Moscow, July 3, 1938—4 p. m.

[Received July 3—1:40 p. m.]

175. The Moscow *Pravda* publishes today the text of a speech delivered by Kalinin on June 19th at a shipbuilding plant in Leningrad

in which after referring to the progress made by the Soviet Union in aviation and motor industries and in the construction of land armaments he emphasizes the importance of developing to the greatest possible extent the Soviet shipbuilding industry which hitherto has been engaged in a small scale production of merchant ships only and states that the construction of a great fleet for national defense is being begun in the Union. Russia, he declares, which is the most powerful socialist country in the world is inferior from a technical standpoint to England which is one of the most powerful capitalist countries but must catch up with England although no other country has yet done so. As regards the United States he says "We learn much from American technical capacity. I think that we shall learn something from America in the realm of shipbuilding." Kalinin concludes with the statement that the Soviet Union must build quickly, cheaply and well, for the task of creating a large navy cannot be delayed as no one knows when the country will need its fleet.

KIRK

761.00/306

The Chargé in the Soviet Union (Kirk) to the Secretary of State

No. 1460

Moscow, July 9, 1938.

[Received July 26.]

SIR: With reference to my telegram No. 166, dated June 27, 6 p. m.,⁹¹ I have the honor to transmit herewith a full translation⁹¹ of a speech made in Leningrad by People's Commissar for Foreign Affairs M. M. Litvinov, on June 23, 1938, which was published in the *Leningradskaya Pravda* on the following day, but which was not published by any Russian-language newspaper in Moscow. The text, however, was published in the July 5 edition of the *Journal de Moscou* and the Embassy has been informed that the full text of this speech was sent abroad to its subscribers by the Soviet news agency Tass. Inasmuch as a summary of this speech was transmitted to the Department in the telegram under reference, no attempt will be made in the present despatch to summarize at length this exhaustive statement in regard to the international situation and the attitude of the Soviet Government. Certain points, however, are worthy of particular attention, as Mr. Litvinov in this speech reaffirmed certain basic principles of Soviet foreign policy which in recent years have been kept somewhat in the background in statements by official spokesmen of the Soviet Government.

It will be noted that in the beginning of his speech M. Litvinov calls attention to the fact that there has been a tendency to forget that

⁹¹ Not printed.

"with the preservation of the capitalist system a long and enduring peace is impossible." After briefly reviewing on strictly Marxian lines the causes and results of the World War, M. Litvinov proceeds to offer some observations in regard to the Soviet attitude and policy toward the present international situation, namely, that, although the Soviet Union does not in principle consider one system of imperialism superior to another and does not participate in the struggle of imperialist interests, nevertheless the reemergence of militant German imperialism is of direct interest to the Soviet Union because of the unlimited scope of its ambitions and of its open designs upon Soviet territory. Likewise of direct interest also is the growth of Japanese aggression, which is not confined to the boundaries of China and also threatens the borders of the Soviet Union.

It is believed that the above considerations may be assumed as representing the real reason why the Soviet Union joined the League of Nations, an organization which, as will be observed, was characterized by M. Litvinov, in that portion of his speech which deals with post-war Europe, as a component part of the system established by the victorious powers to insure the dominance of their imperialist interests. Despite this, M. Litvinov takes pains to point out that the Soviet Union has loyally fulfilled the obligations it assumed in becoming a member of the League. In that section of his speech which deals with the pacts of mutual assistance concluded by the Soviet Union, as well as in that portion dealing with the evaluation of the balance of power in Europe at the present time compared with the pre-war period, M. Litvinov seeks to emphasize the fact that the Soviet Union is the decisive factor and warns the western democracies of Europe that without participation of the Soviet Union the balance of power has swung chiefly in favor of the former Central Powers.

The latter part of M. Litvinov's speech is devoted to an orthodox Marxian explanation of why England and France, victorious in the World War and completely dominant for many years thereafter, have permitted their former enemies without serious opposition to revive and again menace their position.

Although the enclosed speech of M. Litvinov contains little that has not been said before at various times by Soviet leaders, it constitutes, as indicated above, a present reaffirmation of certain principles of Soviet foreign policy and represents an unusually frank and comprehensive statement of Soviet policy which Mr. Litvinov now chooses to place before the public both in Russia and abroad. It announces, in effect, that the Soviet Union does not consider itself an integral part of the present world system of states except for practical considerations of national policy and charges the world with notice of the fact that, if the countries with which it has hitherto consented to

cooperate do not pursue policies in accordance with the desires of the Soviet Government, even this slight cooperation may be withdrawn.

Respectfully yours,

ALEXANDER C. KIRK

861.51/2798

The Chargé in the Soviet Union (Kirk) to the Secretary of State

No. 1643

Moscow, September 13, 1938.

[Received October 4.]

SIR: With reference to the Department's instruction No. 316 of February 1, 1938 (file No. 861.51/2777), and telegram No. 65 of May 3, 7 p. m., 1938,⁹² requesting the Embassy or the Legation at Riga to prepare and transmit to the Department a report concerning invisible items in the balance of payments between the United States and the Union of Soviet Socialist Republics, I have the honor to transmit herewith a copy of the note dated March 18, 1938,⁹³ by which the Embassy solicited the good offices of the People's Commissariat for Foreign Affairs with the view to obtaining certain information on the matter together with a copy of the reply thereto of the Commissariat dated September 8, 1938.⁹³

It will be noted that the reply of the Commissariat contains only a small part of the data requested by the Embassy since it sets forth figures giving merely the amount of money obtained in 1935 and 1936 from "non-commercial transfers from the United States to the Union of Soviet Socialist Republics, including transfers in payment of bonds". These transfers were made as follows in dollars:

	1935	1936
Through the State Bank	1,457,000	45,400
Through the Foreign Trade Bank	4,226,000	2,652,000

The Embassy is endeavoring to obtain further information in the premises with the view to transmitting it to the Legation at Riga which, according to the Embassy's understanding, intends to prepare the report requested by the Department as soon as sufficient material therefor becomes available.⁹⁴

Respectfully yours,

ALEXANDER C. KIRK

⁹² Neither printed.

⁹³ Not printed.

⁹⁴ The Soviet authorities failed to supply any additional information despite repeated efforts of the Embassy to obtain it. The Chargé informed the Department in despatch No. 2255, April 13, 1939, that "the People's Commissariat for Foreign Affairs has in fact informed the Embassy in an informal manner that no information on the matter is available" other than that already given. (861.51/2808)

861.111/7931

*Memorandum by Mr. Edward Page, Jr., of the Division of
European Affairs*

[WASHINGTON,] October 20, 1938.

It will be recalled that during the summer of 1937 62 American citizens on various cruise ships were not permitted by the Soviet authorities to land in Leningrad. Although these persons were not in possession of valid Soviet visas it is believed that certain of them had purchased Intourist⁹⁶ tours (a prerequisite to the granting of a landing permit) and were given to believe that they would be permitted to land without visas (as would appear to be customary for tourists on cruise ships). Their names were included on passenger manifests which were forwarded to Moscow for inspection. No reasons were given by the Soviet authorities for the refusal to issue the necessary landing cards or for recalling certain cards after they had been issued.

During the summer of 1938, 26 Americans on board the *Gripsholm* were refused permission to land at Leningrad and 65 Americans on the *Reliance* were unable to debark until more than 48 hours after the arrival of the vessel. It would appear that permission to land was obtained in the latter case only after the Embassy's representations at the Foreign Office. The Foreign Office maintained that the delay was entirely due to the fault of the German steamship company.

In view of these incidents the Embassy believes

"The Department may desire to inform Americans applying for passports for use on cruise ships visiting the Soviet Union that being inscribed on a passenger manifest and possessing an American passport not bearing a Soviet entrance visa does not justify passengers in the assurance that they will be assured landing permits upon arrival at a Soviet port . . . ⁹⁷ that the matter is one which is solely within the competence of the Soviet Government".

Although I believe that Americans on cruise ships visiting the Soviet Union should be warned of the difficulties under discussion, it would seem that it is more the duty of the tourist agency or steamship company from which the cruise is purchased to issue such a warning. The Department might informally advise such agencies of the contents of the Embassy's despatches relative to this matter and express the belief that it might appear advisable to acquaint tourists with contingencies incident to the purchase of an Intourist tour.

With this in view Mr. Henderson has talked the matter over with Mr. Bannerman, who stated that two years ago his office had discussed

⁹⁶ All-Union Corporation for Foreign Tourism in the Soviet Union, the official Soviet travel agency.

⁹⁷ Omission indicated in the original.

a similar matter with a steamship company in New York and would be glad to take up the matter again. He said he felt confident that arrangements could be made informally with the steamship companies whereby such passengers would be furnished with a receipt on which would be printed a clause to the effect that purchase of tour did not guarantee permission to land and that if permission were not obtained the cost of the tour in the Soviet Union, i. e., the Intourist section, but not the visa application fee (\$5), would be returned to the passenger.

760f.62/1780 : Telegram

The Chargé in the Soviet Union (Kirk) to the Secretary of State

Moscow, October 31, 1938—11 a. m.

[Received 11:55 a. m.]

374. The general tenor of Soviet opinion on foreign affairs since the Munich Agreement⁹⁸ as revealed in recent published expressions may be summarized as openly condemnatory of that agreement on the basis that it represents a betrayal of Czechoslovakia by Great Britain and France; that it constitutes a blow to the policy of collective security and the safety of the smaller countries; that it has encouraged further aggression on the part of the Fascist countries; and that it has created a situation which threatens world peace in general. The Governments of England and France have been the object of special denunciation and their policies have been adversely contrasted in the Soviet press with the fidelity of the Soviet Government to its international obligations in the interest of peace.

Although speculation from the Soviet standpoint as to events and tendencies in foreign countries has been indulged in, there have been no clear indications as yet of any change in Soviet policy in regard to those countries or of any positive orientation of that policy as a consequence of the recent events in Central Europe. The chief preoccupation of Soviet foreign policy continues to be its relations with Nazi Germany and Japan and events abroad are envisaged primarily from the standpoint of their possible effect on those relations. Furthermore, the recent developments in connection with the Czechoslovak crisis have confronted the Soviet Union with the threat of isolation and, although a favored theme of published utterances here is the ability of the country to stand alone on the strength of its own resources and the adequacy of its own defenses, the weight of evidence at present points to a disinclination on the part of the Soviet Government to maintain a position of isolation as regards other countries

⁹⁸ For text of the agreement signed at Munich on September 29, 1938, see *Documents on British Foreign Policy*, 3rd Series, vol. II, document No. 1224, p. 627, and *Documents on German Foreign Policy*, Series D, vol. II, document No. 675, p. 1014.

and to a readiness to join in any moment [*movement?*] of international concern which would enhance the prestige of the Soviet Government without incurring too great a risk. The impression prevails however that for the moment at least the Kremlin is inclined to await the course of further developments abroad to assist it in determining its policy in relation to other countries, either singly or collectively, and to refrain from any definite commitment in policy until those developments are more clearly defined. In the meantime it is believed the Soviet Government is continuing its program of armaments especially as regards the air force and the navy even in spite of the danger to the internal structure inherent in an increased burden and sacrifice which the concentration on heavy industries imposes upon the population. It is also believed that an added impetus may be given to the activities abroad of the Comintern and certain indications have become apparent of an attempt in this way to accentuate the class struggle and the differences between Government factions in certain countries.

Closely allied with any consideration of Soviet foreign policy at present is the personal position of Litvinov. With the weakening of League influence and the blow dealt by the Munich Agreement to the policy of collective security and to the system of mutual assistance pacts to which the Soviet Union was party, his well grounded position as a sponsor of those policies has been regarded in certain circles as definitely compromised and rumors circulate to the effect that he will follow the fate of many others who have been made to serve as scapegoats for a failure in Soviet policy. It is true that the continuation in office of high Soviet officials is a permissible subject for speculation but in this instance it should be pointed out that even if Litvinov's prestige has suffered, his resignation now need not necessarily follow. In the first place there appears to be no other person available who combines the qualities required to replace him and furthermore his usefulness as Commissar for Foreign Affairs may well continue in view of the fact that in any event he can do no more than devote his efforts to carrying out whatever policies may be dictated to him from time to time by the Kremlin.

KIRK

711.61/666

The Chargé in the Soviet Union (Kirk) to the Secretary of State

No. 1886

Moscow, November 25, 1938.

[Received December 16.]

SIR: With reference to my telegram No. 391 of November 16, 1938,⁹⁹ I have the honor to transmit herewith copies in the original Russian

⁹⁹ Not printed.

as well as complete English translations of the editorials on Soviet-American relations printed in *Izvestiya* and *Krasnaya-Zvezda* on November 16, 1938, entitled respectively "The Two Giants" and "Soviet-American Relations."¹

Since the publication of these articles there have been no further statements in the Soviet press stressing the importance of strengthening relations between the United States and the Soviet Union. In fact the papers have continued to carry articles critical of certain phases of life in the United States with the attendant emphasis on the evils of the capitalist system of which those phases are characterized as the natural manifestations. The articles in question have given rise to certain comment in foreign circles in Moscow but no tendency is detected to evaluate the statements contained therein excepting from a realistic standpoint. The position of isolation in which the Soviet Union now apparently finds itself and its campaign of open hostility towards fascist states which, since the Munich accord, has expanded to include those governments whose policies are regarded as furthering aggression, are naturally conducive to the selection for favorable attention of any country or group of countries which do not in Soviet eyes fall into the above categories. The enclosed articles, in stressing the value of solidarity between the United States and Soviet Russia, may be interpreted as a gesture towards a closer cooperation between the governments of those countries. Circumstances therefore might develop which could be taken advantage of by the United States to bring about the profitable settlement of outstanding matters of which the solution has been delayed owing to difficulties either actual or assumed which the Soviet Government has adduced in the course of past negotiations. No statement in these articles, however, nor, in fact, any past manifestation of Soviet policy would indicate that there is any sincere purpose on the part of the Kremlin to depart voluntarily from its policy of envisaging negotiations with other countries from a strictly realistic standpoint and to grant any concessions except in isolated instances on the basis of strict reciprocity. The normal process of cooperation between countries in conformity with the established principles which govern the relations of the United States with friendly governments does not appear to constitute a basic factor in Soviet foreign policy and, if the repeated utterances of Soviet leaders are considered, it may be assumed that the Kremlin does not envisage cordial relations with the capitalist governments on any permanent basis but rather as a

¹ Neither printed.

temporary expedient dictated by the more immediate objectives of Soviet policy.²

Respectfully yours,

ALEXANDER C. KIRK

800.51W89 U.S.S.R./247

The Ambassador in Belgium (Davies) to the Secretary of State

BRUSSELS, January 17, 1939.

SIR: With reference to the above-entitled matter,³ I have the honor to report as follows:

(1) The purpose of this despatch is to supplement and complete the reports heretofore filed and to provide in single compass a complete account of the conference held with Messers. Stalin and Molotov, a history of subsequent developments relating thereto and the status of the negotiations up to the end of my tenure as Ambassador of the United States to the Soviet Union.

(2) Reference is made to the following: (a) my telegram number 143 of June 6, 1938; (b) my despatch number 1348 dated June 9, 1938 and (c) my letter from New York dated July 5, 1938 addressed to the Secretary of State, together with a copy of a letter addressed to the President⁴ which enclosed a memorandum transmitted by me upon the direction of the President and the Secretary of State to Mr. Rosoff.⁵ Copies of the documents enumerated under the designation "C" are enclosed herewith.

(3) On June 24, 1938, I returned to the United States upon the direction of the Department and conferred with the President, the Secretary of State and the Under Secretary of State, after which I had several conferences with Mr. David Rosoff, the head of Amtorg, the Soviet business agency in the United States, who was authorized to discuss the matter with me. At that time I submitted to the Department the proposal of the Soviet Government as authorized by Mr. Stalin and executed in written form by Mr. Molotov under date of June 9, 1938 at Moscow, together with an English translation furnished by the officials of the Soviet Government at my request.⁶ The originals thereof are herewith enclosed.

² To this composite despatch prepared by Alexander C. Kirk, Chargé, Stuart E. Grunmon, First Secretary of Embassy, and Charles E. Bohlen, Second Secretary of Embassy, there is attached a memorandum of December 21, 1938, by Pierrepont Moffat, Chief of the Division of European Affairs, observing that these writers "seem to feel that no foreign Government mapping out its foreign policies should place any dependence upon sustained Soviet cooperation or should consider Soviet gestures of friendship as other than opportunistic moves taken in order to meet some international exigency."

³ I. e., supplementary and final report on discussions with Stalin and Molotov prior to the Ambassador's departure from the Soviet Union.

⁴ Neither letter printed.

⁵ Memorandum printed as enclosure 1.

⁶ Translation printed as enclosure 2.

(4) After my discussions with the President, the Secretary of State and the Under Secretary of State I was authorized to explore the possibility of securing a modification of the Soviet proposal, through discussions with Mr. Rosoff, with a view toward arriving at a project which could be recommended to the respective Governments as affording a basis of discussion. In this connection, I was authorized to procure the advice and counsel of a prominent New York banker, Mr. Sidney Weinberg. Extended discussions were had with Messrs Rosoff and Weinberg looking toward the possibility of obtaining a modification of the Soviet proposal along the line that a settlement would be confined to the payment of the Kerensky debt without prejudice to other claims, on a basis where compensating credits to be advanced to the Soviet Union through low rates of interest would make the settlement attractive to the Soviet Government as well as to the Government of the United States. During these discussions, it became quite apparent that it would be impossible for the Government of the United States to consider a settlement on such a basis until the Senate of the United States had passed upon a somewhat similar proposal put forward by the Hungarian Government.⁷ It was considered advisable, therefore, to await the outcome of the Senate's consideration of the Hungarian proposal. Pursuant to instructions, I advised the Soviet Government through Mr. Rosoff in the manner as set forth in my letters of July 5, hereinabove referred to.

(5) As a matter of good faith in my relations with the officials of the Soviet Government it is incumbent upon me again to call to the attention of the Department the understanding that the entire matter is to be held in the strictest confidence, without publicity, until it is finally disposed of. I was also authorized to convey personally to the representatives of the Soviet Government the information that the President and the Secretary of State were gratified at this gesture of friendship and the manifestation of good faith on their part to compose the differences and misunderstandings with reference to the debt settlement which had arisen subsequent to the Litvinov agreement.

(6) In order that the files of the Department shall contain a full and complete record of all that was discussed in my conference with Messrs. Stalin and Molotov, and for the guidance of my successor at Moscow, I consider it necessary to incorporate herein the details of a matter which is referred to only in general terms in my despatch number 1348 hereinabove referred to, in which I stated: "Early in this discussion I broached the private matter which President Roosevelt

⁷ The Hungarian proposal of February 8, 1938, for a possible basis for a new debt settlement arrangement in connection with amounts due the United States under arrangements effected by the World War Foreign Debt Commission was transmitted by the President on March 28, 1938, for the consideration of Congress; see Department of State, *Press Releases*, April 2, 1938, p. 423.

had discussed with me orally during my visit last January. To my surprise, in view of previous information, it was favorably received. I was committed not to disclose these discussions to anyone except the President and the Secretary of State."

(7) In January, 1938 and prior to my departure for the Soviet Union, the President directed me to explore the possibility of securing a liaison between the military and naval authorities of the United States and the Soviet Union with a view to the inter-change of information as to the facts with reference to the military and naval situations of the United States and the Soviet Union vis-à-vis Japan and the general Far Eastern and Pacific problem.

(8) The President made it explicitly clear that it was not in his contemplation that there should be involved any pact of mutual support, or of aggression or defense, either directly or by the remotest implication; that it could be pointed out, however, that without any such commitment by either government, it would be the part of prudence and wisdom on the part of each government to familiarize the other with facts which might be of substantial value in the future by reason of similarity of purposes and necessities even though each power were pursuing separate and independent courses.

(9) Pursuant thereto I explored the situation with Commissar Litvinov, who pointed out that the Soviet Union was surrounded by enemies who were exceedingly hostile and anxious to obtain information for military advantage and who constantly distorted the facts as to real conditions in the Soviet Union; that any such informative reports to the United States might involve leaks to enemies of the Soviet Union through discussions by subordinates in the United States and that unless the understanding were in the nature of a definite pact or agreement, there seemed to be no particular purpose to be served so far as the Soviet Union was concerned. Litvinov stated, however, that his mind was entirely open; that he was by no means opposed to the idea, but that the Soviet Government itself would have to pass upon it.

(10) Thereupon, I reiterated the statement I had made at the beginning of our conversation—namely that I was unofficially and personally exploring the situation and that the suggestion was not formally projected by my Government and that my interest was aroused by what appeared to me to be the logic of the Far Eastern problem insofar as it involved the common interests of both Governments.

(11) On the 5th day of June, 1938, when I had a conference with Messers. Stalin and Molotov, I embraced the opportunity to tell them that the President had discussed this matter with me personally and had authorized me to personally explore the situation. I outlined

what, in my personal opinion, were the advantages which might accrue to both countries by reason of such exchanges of information, provided that such information came only within the knowledge of not to exceed four men as far as the United States was concerned—the President, the Secretary of State, the Under Secretary of State and the Liaison Officer—and the “opposite numbers” persons in the Soviet Union.

(12) In view of my previous discussion with Litvinov, I was surprised to find the suggestion most favorably received by both Messrs. Stalin and Molotov. Their comments, however, were made with the understanding that they would be disclosed only to the President, the Secretary of State and, of course, their immediate advisers.

(13) They then asked me who would be the liaison officer for the United States in Moscow. They intimated a lack of confidence in the good-will or the disinterestedness of some diplomatic representatives toward the Soviet Union, which I suggested was entirely unwarranted so far as our Government representatives were concerned. I stated that my thought, in view of First Secretary Henderson’s imminent return to the United States, turned to Lieutenant Colonel Philip R. Faymonville, the American Military Attaché, whose familiarity with Soviet conditions made him clearly available. In Lieutenant Colonel Faymonville’s good judgment, intelligence and character I had every confidence. They spoke very highly of Lieutenant Colonel Faymonville’s fairness, objectivity, ability and intelligence and stated that they found no objection to him.

(14) My judgment on the situation is that the present Soviet Government was, in June, 1938, sincerely desirous of clearing up the misunderstanding and bad feeling which was engendered by the failure of the debt payment negotiations under the Litvinov agreement. The principal difficulty lies in the fact that, practically, it would be impossible for the Soviet Government to pay the pre-war Russian debt without being obliged to give similar favorable treatment to 27 other different nations under its general treaty and contractual obligations. As a practical matter, this was financially impossible. The Kerensky debt situation is unique and is differentiated from other obligations, and therefore affords an avenue for partial composition. The difficulty arose primarily out of the fact that this situation was not frankly and unequivocally stated and recognized at the beginning, with the result that recriminations were indulged in and intense feeling was engendered on both sides.

(15) A distinct advance was recorded in the fact that Messrs. Stalin and Molotov frankly made this statement to me and said that they desired to meet the Government’s obligations under the Litvinov agreement to the limit of the practicabilities.

(16) During my stay in Russia, in interpreting the good neighbor policy of the President and under express instructions from the President and the Secretary of State, I exerted every effort to cultivate mutual respect and good will between the two Governments to the farthest degree consistent with the maintenance, firmly and aggressively, of the rights of the United States and the principles of democracy. The result was very satisfactory, for there was no doubt that when I left Russia there was a better understanding between the two Governments than had existed for some time previously.

(17) The responsible authorities of the Soviet Government have stated openly that in a world where they are surrounded by enemies, they have complete confidence in the objectivity, fairness and honorable intentions of the Government of the United States.

(18) In my judgment, so long as the policy of the United States is to maintain relations with the Soviet Government, it is desirable that these relations should be of a friendly character. The manpower, resources and strength of both the Soviet Government and the Soviet people, their military and naval defenses and their present economic and moral purpose of preserving peace constitute a factor which may be of great value in the maintenance of law and order and a moral concept as between nations, particularly in view of the aggressive disposition now apparent in the combined authoritarian states.

(19) For reasons with which the Secretary of State is familiar, the appointment of my successor at Moscow has not yet been made. It was generally considered to be advisable, when I left, that such an appointment should be tendered to a man of the successful business or banking type who would be characterized not only by a familiarity with industrial and business problems but who was also known to be liberal in his political ideology, although not swayed by any communistic or extreme leftist attitude. I cannot recommend too strongly the advisability of pursuing such a policy in the interests of the United States. It was most unfortunate that the gentleman to whom it was decided to proffer the appointment could not find it consistent with his personal business interests to accept. In view of subsequent international developments, it seems to me that a broad-minded, friendly type of independent personality, who would not needlessly offend the leaders of the Soviet Government, would be most helpful in the maintenance of friendly cooperation to a degree that would appear necessary in view of the situation in the Pacific. In that connection, I beg leave to direct the Department's attention to the fact that, in the absence of some specific request on the part of the President or the Secretary of State, Lieutenant Colonel Faymonville's assignment as Military Attaché at Moscow expires this spring. If it is considered advisable

to keep him there in view of the discussions previously referred to, it will be necessary to take prompt action.

Respectfully yours,

JOSEPH E. DAVIES

[Enclosure 1]

*Memorandum by the Ambassador to Belgium (Davies)*⁸

1—The matter was thoroughly discussed at length with the principal⁹ and his chief assistant.¹⁰

2—The principal and his chief assistant have been very much gratified by the gesture of friendship, good faith and good will which the discussions have called forth; and the situation has been productive of much good.

3—It was, however, considered advisable by the principal and his chief assistant to leave the matter open for the present, to be taken up subsequently if considered desirable.

4—That the reason for this was because of the particular internal conditions which exist now, particularly because of the proposal now pending.

5—That after that proposal is disposed of we will all know what is possible.

6—That when that time comes, if it is desired to take the matter up again, the principals here are most friendly and hopeful that some formula can be worked out that will be helpful to both parties.

7—That at that time, if desired, the same agents can take the matter up with a view toward trying to arrive at a solution that will be possible of accomplishment and helpful to both parties.

8—That the matter is understood to be held in the strictest confidence and precautions have been taken that only the immediate principals with their present agents have any knowledge of the facts at all.

[Enclosure 2—Translation¹¹]

The President of the Council of People's Commissars (Molotov) to the Ambassador in the Soviet Union (Davies)

Moscow, June 9, 1938.

MEMORANDUM

In the interests of exactitude, I deem it necessary to put in written form the terms of the Soviet Government which I communicated to you in the presence of Mr. Stalin.

⁸ Handed by the Ambassador to David Aronovich Rozov, president of the Amtorg Trading Corporation, New York, N. Y., July 5, 1938.

⁹ President Roosevelt.

¹⁰ Secretary of State Cordell Hull.

¹¹ Official translation of the Russian original supplied to Ambassador Davies upon his request.

1. With respect to the debts of the old Russian Government to the Government of the U. S. A. as well as to the private claims, the Government of the U. S. S. R. is keeping to its former attitude, i. e. it declines to pay.

2. The Government of the U. S. S. R. agrees to settle the indebtedness of the Kerensky Provisional Government, considering that the amount of this indebtedness is to be reduced to \$50,000,000.

3. The payments for the settlement of these \$50,000,000 will be made by the Soviet Government in equal installments spread over a period of twenty years, not bearing any interests, the first payment, however, amounting to 10% of the whole sum, to be made upon the signature of the agreement.

4. The above-stated points 2 and 3 are effected by the Government of the U. S. S. R. only in the case of the Government of the U. S. A. guaranteeing to the Government of the U. S. S. R. a credit for the purchase in the U. S. A. of American products to the amount of \$200,000,000 for a period of 10 years, bearing a rate of interest usual in the money market.

5. In the case of the Government of the U.S.A. agreeing to the terms of the Government of the U.S.S.R., the Soviet Government proposes to conclude a single joint agreement between the two Governments, covering the obligation of the Soviet Government to settle the indebtedness of the Kerensky Provisional Government and the obligation of the Government of the U.S.A. to secure the extension to the U.S.S.R. of a credit for \$200,000,000 to cover a period of 10 years.

V. MOLOTOV

[Enclosure 3]

The Ambassador in Belgium (Davies) to President Roosevelt

BRUSSELS, January 18, 1939.

DEAR CHIEF: With reference to the establishment of a secret liaison for the inter-change of military and naval information with the Soviet Government, upon which I reported to you personally, the matter was left open pending the appointment of my successor at Moscow.

Messrs. Stalin and Molotov, as I stated to you, were both most cordial and friendly in their desire to effect such an arrangement but were deeply concerned (and I can understand their reasons therefor) lest through leaks, the information might be obtained by their enemies. They were desirous that all such information should be kept between the heads of the Governments and only the immediate chiefs thereof.

They expressed confidence in the judgment, capacity and fairness of our Military Attaché, Lieutenant Colonel Philip R. Faymonville.

The personality of our representative there under such an arrangement is a matter of vital consequence to them.

Last year, you gave orders to keep Lieutenant Colonel Faymonville in Moscow another year. That assignment by the War Department expires in March. It occurred to me that you might wish to extend his duty there for another period. In any event, I felt that it was incumbent upon me to call this matter to your attention.

It is my judgment that both the Soviet Government and its army are a great deal stronger than is generally recognized in certain European quarters. The Government is now, at least, devoted to international peace. Moreover, for many years its economic necessities will require peace if that is possible.

The leaders of the Soviet Government have stated to me that there is only one Government in the world that they trust and that is the United States Government under your leadership.

In the event of so dire a calamity as an international conflict between the totalitarian and the democratic states, the Soviet Government is, in my opinion, a much more powerful factor than the reactionaries of Europe concede, and might be of the greatest value.

With devoted affection and great respect from both Marjorie¹² and myself, I am

Faithfully yours,

JOSEPH E. DAVIES

TRADE RELATIONS BETWEEN THE UNITED STATES AND THE SOVIET UNION; RENEWAL OF COMMERCIAL AGREEMENT BY EXCHANGE OF NOTES SIGNED ON AUGUST 5, 1938¹³

611.6131/538

Memorandum by Mr. George F. Kennan, of the Division of European Affairs

[WASHINGTON,] May 11, 1938.

A situation has arisen with respect to the customs treatment of Soviet coal entering this country which may well jeopardize the prospect of obtaining renewal on terms satisfactory to us of our commercial agreement with the Soviet Union. The circumstances are as follows:

When we negotiated in the summer of 1936 a renewal of our annual commercial agreement with the Soviet Union¹⁴ the Russians refused to increase the total amount of their intended purchases for the com-

¹² Mrs. Joseph E. Davies.

¹³ For previous correspondence, see pp. 405 ff. For text of the exchange of notes signed August 4, 1937, see Department of State Executive Agreement Series No. 105, or 50 Stat. 1619.

¹⁴ For these negotiations see pp. 322 ff.

ing year. Their reason for such refusal was that we were not able to make arrangements under which their coal entering this country would be exempt from the discriminatory excise tax of ten cents per hundred pounds laid down in section 601 (c) (5) of the Revenue Act of 1932.¹⁵ They asked, during those negotiations, that there be included in the agreement most-favored-nation clauses similar to those included in the ordinary trade agreements, in order that they might be in a position to claim exemption for their coal on the grounds that "treaty provisions" envisaged such exemption. We refused to accede to this request, stating that in our opinion an agreement of this nature would not, in view of the wording of the Revenue Act, be considered to be a treaty and would thus not entitle their coal to the desired exemption.

A couple of months later (in September 1936) the Treasury issued a decision exempting Dutch coal from the operation of the tax¹⁶ on the basis of the Netherlands trade agreement,¹⁷ which contained most-favored-nation clauses similar to those requested by the Russians. This was quite embarrassing to us since the Russians claimed that they had been let down and that if we had given them most-favored-nation treatment as they had requested their coal would have been exempted from the duty just as the Netherlands coal had been.

When the question of the renewal of the agreement again came up in the summer of 1937 the Russians used this argument with considerable effect and again asked for most-favored-nation treatment. A compromise was finally worked out whereby we agreed to give them the most-favored-nation clauses and assured them that the Treasury would hold that Soviet coal would thereby become exempt from the tax, this holding, however, being subject to possible adverse holding by the courts. In return they increased the promised amount of their purchases from thirty to forty million dollars and undertook to export to the United States not more than 400,000 tons of coal during the agreement year. By obtaining this limitation of the amount of coal which they would export to this country, we hoped to protect the interests of the American coal producers and to eliminate further trouble with regard to this tax.

This last commercial agreement entered into effect on August 6, 1937 and was to run for a year. Up to the present time, i. e., during well over half of the agreement year, it is our understanding that only approximately 100,000 tons of Russian coal have been imported. Imports for the entire year will presumably not exceed 200,000 tons.¹⁸

¹⁵ Approved June 6, 1932; 47 Stat. 169, 259.

¹⁶ See footnote 56, p. 405.

¹⁷ For text of the agreement with the Netherlands signed December 20, 1935, see Department of State Executive Agreement Series No. 100, or 50 Stat. 1504.

¹⁸ Imports of coal for the entire year amounted to 198,384 tons.

Actually, the American importers are better off at present, when no tax is being levied on Russian coal, than they were in the days when this coal was dutiable. In 1936, for example, imports from Russia amounted to slightly over 400,000 tons.

Nevertheless, a number of the American producers have now gotten together and requested information from the Treasury Department as to the classification and the rate of duty assessed on this Russian coal. In accordance with established procedure, the Treasury subsequently announced that beginning with May 21 any Russian coal entering this country will, if challenged by protest under section 516 (b),¹⁹ be subject to the decision of the United States Customs Court with regard to the applicability to it of the excise tax.

It is obviously the intention of these domestic coal producers to challenge the entry free from the excise tax of Soviet coal. It will be several months, if not indeed one or two years, before the case can be finally settled in the courts. Meanwhile, beginning with May 21 of this year, the Russians will not know whether the coal they are importing into this country will or will not eventually be subject to the excise tax.

The Soviet Embassy has already evinced considerable concern at this state of affairs, and it is evident that the uncertainty which will now prevail with respect to the levying of a tax on what is in the Russian view one of the most important items in their trade with this country will doubtless complicate to a serious degree the successful renewal of our commercial agreement with Russia.

It is of course true that when we assured the Russians that the Treasury would hold that Soviet coal would be exempt from the tax, we made the reservation that the Treasury's decision would be "subject, however, to possible adverse action by the courts." This reservation envisaged precisely the development which has now taken place, and our legal position is thus unassailable. It probably is difficult, however, for the Russians, in whose country all the organs of government—including the judicial authorities—bow to the will of the party leaders, to believe that our courts are really independent of the executive branch of the government and that their decisions do not reflect the policy of the administration. They will probably be inclined to suspect that we tricked them into the current agreement by promising favorable administrative action with respect to their coal and then slyly encouraging the courts to invalidate this action. It is this possible psychological effect of the recent action by the Treasury and not any legal complication which gives grounds for concern.

Negotiations for the renewal of this agreement should begin in the near future. Our position will be somewhat difficult in view of

¹⁹ 47 Stat. 253.

the favorable development of Soviet-American trade during the last year. Not only have the Russians failed to export to this country anywhere near the amount of coal that they may properly export but their purchases in this country have far exceeded those which they were bound by the agreement to make. Whereas they agreed to purchase \$40,000,000 worth of American products in the period roughly corresponding with that of the fiscal year 1937-8, the actual amount of the orders placed by the Soviet Government in this country during this period is expected to exceed \$75,000,000. During 1937 the United States became the leading source of imports into the Soviet Union, outstripping Germany and England in this respect. Russian sales to this country in general have only been roughly half of purchases from it. It might be added that the Russian market appears to be of particular importance at this moment to the American machine tool manufacturers.

This highly favorable development of trade between the two countries makes it particularly desirable that the system of annual commercial agreements and the comparatively friendly atmosphere which prevails in American-Russian commercial relations should be preserved. While in reality the increase of Russian purchases in this country has probably not been a direct result of the operation of the agreement, the Russians are sensitive to what might be called the agreement's symbolic value. They like to be able to say that they have a successful commercial agreement with this country. In this sense the conclusion of these three successive annual commercial agreements has probably helped considerably in an indirect way to improve trade between the two countries. But if nothing is done by this Government with respect to the threatened tax on coal the Russians are going to be irritated and will probably be unwilling to renew the commercial agreement in its present form when it expires on August 6.

This situation could apparently be remedied in one of two ways. The first would be congressional action repealing this discriminatory tax. The second would be the conclusion with the Soviet Union of an actual treaty, to be ratified by the Senate, rather than merely a commercial agreement concluded on the authority of the Executive. It must be pointed out, however, that even this last expedient would apparently not make it entirely certain that Russian coal would not be subject to the tax. The Customs Court might hold that the phrase "unless treaty provisions of the United States otherwise provide" applied only to existing treaty provisions and not to the provisions of such treaties as might be concluded subsequent to the passage of the Act.

611.6131/506a : Telegram

The Secretary of State to the Chargé in the Soviet Union (Kirk)

WASHINGTON, June 9, 1938—6 p. m.

85. You are requested to avail yourself of the first convenient occasion to ascertain in a completely informal and preliminary manner the attitude of responsible Soviet officials toward the negotiation of a renewal of the present commercial agreement with the United States, as provided for in paragraph 3 of the agreement, with an appropriate upward adjustment of the guaranteed total purchases by the Soviet Union in order (a) to take into account the increased benefits to Soviet trade of concessions granted by the United States in agreements recently concluded and of concessions which may be granted in agreements under actual negotiation and (b) to bring the figure more nearly in accord with the current level of Soviet purchases in this country. Information available to the Department at this time indicates that Soviet orders placed in this country during the present agreement year will probably total at least \$50,000,000 or thereabouts and possibly considerably more.

HULL

611.6131/507 : Telegram

The Chargé in the Soviet Union (Kirk) to the Secretary of State

Moscow, June 14, 1938—11 p. m.

[Received June 15—6:57 a. m.]

152. Department's 85, June 9, 6 p. m. Informal representations were made orally today to a competent official of the Soviet Foreign Office in the sense of the Department's above-mentioned telegram with special reference to an upward adjustment of the guaranteed total purchases by the Soviet Union provided for in the Soviet-American commercial agreement and the official stated that after a study had been made of the general matter by the responsible Soviet authorities the Embassy would be notified of the preliminary views of that Government as to the renewal of the agreement in question. The Foreign Office official also said that he had heard that the Soviet orders placed in the United States during the course of the present agreement amounted to approximately \$70,000,000 whereas the imports from the Soviet Union into the United States totaled only about \$20,000,000 and he expressed the personal opinion that his Government would not favor any increase in the amount of their purchases in the United States to be guaranteed in a new agreement.

It would be of assistance to the Embassy in connection with future conversations to have some statement of the amount of imports into

the United States from the Soviet Union since August 4, 1937, as well as details relating to the benefits accruing to Soviet trade as outlined in (a) of the Department's telegram under reference.

The Department will be notified as soon as further information is received from the Foreign Office.

KIRK

611.6131/507 : Telegram

The Secretary of State to the Chargé in the Soviet Union (Kirk)

WASHINGTON, June 24, 1938—7 p. m.

94. Your 152, June 14, 11 p. m. Department's 85, June 9, 6 p. m. In the first 9 months of agreement year (including the entire month of August 1937) exports (including reexports) from the United States to the Soviet Union amounted to \$41,327,000. United States imports for consumption from the Soviet Union amounted in the same period to \$17,560,000. The distinction between "orders placed" and actual imports by the Soviet Union from the United States accounts for a considerable part of the discrepancy between Soviet and United States figures.

While United States exports to the Soviet Union are normally larger than our imports from that country, the latter have increased steadily under the successive agreements and in the calendar year 1937 reached the record total of \$27,329,000. They should increase substantially in the future as a result of concessions being granted by the United States in trade agreements with other countries. Statistics being forwarded to you²⁰ indicate that Soviet products benefiting from trade-agreement concessions accounted for 27.5 percent of the value of total imports of Soviet products into the United States in 1936. Moreover, additional products of interest to the Soviet Union under consideration in connection with agreements at present contemplated accounted for about 46 percent of imports from the Soviet Union in 1936 (this figure is of course only a very rough indication of the amount of Soviet trade which may benefit from the concessions ultimately granted). Neither of these figures includes the value of our imports of coal accounting for 11.6 percent of our imports from the Soviet Union which, however, have benefited during the current agreement year from the extension to the Soviet Union of most-favored-nation treatment.

Before the detailed tables supporting these conclusions reach the Embassy, you may wish to refer to the schedules of United States con-

²⁰ Not printed.

cessions in the published texts of our trade agreements, particularly those with Belgium, Brazil, Canada and France, and the lists of possible concession items accompanying the formal announcements of intention to negotiate trade agreements with Turkey, the United Kingdom, and Canada, which appear in the Department's printed press releases of January 8, 15 and 29, 1938.

It is evident from the above figures why the Department believes that the figure for guaranteed Soviet purchases should be increased in the next agreement. It is suggested that you bring these figures to the attention of the Soviet authorities. At the same time you should request an early reply to your informal representations concerning the renewal of the present agreement in view of the fact that not much more than a month remains before the present agreement is due to expire.

HULL

611.6131/510 : Telegram

The Chargé in the Soviet Union (Kirk) to the Secretary of State

Moscow, July 8, 1938—3 p. m.

[Received July 8—10:54 a. m.]

179. Department's telegram 94, June 24, 3 [7] p. m. The necessity for an early reply to this Embassy's informal representations concerning the renewal of the present commercial arrangement have been impressed upon the competent officials of the Foreign Office on every available occasion and the observations contained in the above-mentioned telegram on the matter of the benefits accruing to Soviet trade as a result of concessions granted under United States trade agreements have been brought to their attention. In a conversation at the Foreign Office today assurances were received that a reply would be forthcoming within a few days.

In connection with the foregoing it appears that the Commissariat for Foreign Trade is dissatisfied with the amount of Soviet exports to the United States which are said not to have exceeded \$18,000,000 during the period of the operation of the present arrangement and that the delay in submitting the reply on the renewal of the arrangement is due to the fact that the Commissariat is now formulating some statement of requirements in the line of obtaining further facilities for the importation into the United States of the main items of Soviet export trade with the United States in order to increase in the future the amounts of those exports.

KIRK

611.6131/512 : Telegram

The Chargé in the Soviet Union (Kirk) to the Secretary of State

Moscow, July 25, 1938—9 p. m.
 [Received July 25—4 : 44 p. m.]

201. Department's 108, July 20, 6 p. m.,²¹ and previous. I had occasion to speak with Litvinov today and, after describing the difficulties which the Embassy has been experiencing in obtaining some statement from the Foreign Office on the renewal of the commercial agreement, asked him if steps could not be taken to expedite the conversations in regard to this matter which had now been delayed for over 6 weeks. I added that the present arrangement would lapse in about 10 days and that failure to effect some renewal would cause many complications and would furthermore jeopardize the benefits accruing by virtue of the agreement.

Litvinov repeated the statement that the Foreign Office had not yet been able to obtain the views of the responsible Soviet authorities but that a reply from them was expected at any moment and said that once their views were communicated to the Foreign Office he saw no reason why the matter should not be settled very quickly. Although he insisted upon the latter point, I gathered that the Foreign Office is considering the possibility of requesting that the present agreement be prolonged for 1 or 2 months pending the negotiation of a new agreement and accordingly I should appreciate receiving the Department's views on such a request in the event that it should be made. As a matter of tactics, however, I should refrain from entertaining a proposal along that line unless further delay renders absolutely impossible the conclusion of a new arrangement before the expiration of the present agreement.

KIRK

611.6131/512 : Telegram

The Secretary of State to the Chargé in the Soviet Union (Kirk)

WASHINGTON, July 28, 1938—7 p. m.

116. Your 201, July 25, 9 p. m. Apparently the Soviet authorities are considering the possibility of asking us to renew the present agreement for a short period during which they hope we will enter into a new agreement involving duty reductions on our part. Unless you perceive objection, please seek an early occasion to inform Litvinoff that if this is the case, the only manner in which we could grant duty reductions would be by the negotiation of a trade agreement and that,

²¹ Not printed.

because of the very difficult problems involved, we would be reluctant to consider the negotiation of such an agreement with the Soviet Union. We would not look with favor upon renewal of the present agreement for a brief period. The procedure established here for the negotiation of an agreement under the Trade Agreements Act ²² includes the giving of public notice and the holding of public hearings and requires a period of at least 5 months and frequently longer. Hence, for the purposes which the Soviet Government may have in mind, a renewal of the present agreement for 1 or 2 months would be out of the question.

You may also repeat the substance of what we discussed in telegrams 85 and 94 ²³ to the effect that it is our belief that the present agreement should be renewed for a period of a year with an upward adjustment in the minimum guarantee of Soviet purchases to take into account the increasing benefit to Soviet trade of agreements being negotiated under the Trade Agreements Act. The Soviet Union will undoubtedly receive considerable benefit from the conclusion of the agreements which are now under negotiation, as will be seen from the tables which were transmitted to the Embassy.²⁴

It is assumed that the Soviet authorities are bearing in mind that if the present agreement should lapse, the basis on which Soviet coal has been held by our Treasury Department to be free from the import tax would be destroyed. It is assumed that the Soviet Government would prefer to have this basis maintained without interruption and to avoid the certainty that the tax would be reimposed in the absence of an agreement.

HULL

611.6131/514: Telegram

The Chargé in the Soviet Union (Kirk) to the Secretary of State

Moscow, July 29, 1938—2 p. m.

[Received July 29—11 a. m.²⁵]

207. Department's 116, July 28, 7 p. m. Am very glad to have the views of the Department as set forth in the telegram under reference. In view of the fact that I have now been assured that the Commissariat for Foreign Trade has completed its study of the Soviet proposals and that I may expect to be called to the Foreign Office at any moment in order to receive those proposals I am of the opinion that the above-mentioned observations of the Department

²² Approved June 12, 1934, as extended March 1, 1937; 50 Stat. 24.

²³ Dated June 9, 1938, 6 p. m., and June 24, 1938, 7 p. m., respectively, pp. 605 and 606.

²⁴ Not printed.

²⁵ Telegram in two sections.

may be more forcibly presented at the actual time when the proposals in question are submitted to me. In the event that those proposals include requests for concessions on our part for the benefit of Soviet imports to the United States I shall then communicate orally to the Foreign Office officials, including Litvinov, the Department's views as outlined in the first paragraph of its telegram 116. If however I am not called to the Foreign Office today or tomorrow I shall seek an interview with Litvinov.

On every occasion available I have stressed the importance of the benefits accruing to Soviet trade under our trade agreements already concluded and in process of negotiation and have also pointed out that the Soviet Government would stand to lose the most if the commercial agreement in question should be allowed to lapse.

I might add that although the Foreign Office officials have repeatedly explained the delay of more than 6 weeks in replying to the informal representations regarding a renewal of the commercial agreement with the United States, during which time the Embassy has not even been asked for any additional data, by emphasizing the necessity for study on the part of the Soviet authorities dealing with foreign trade and have furthermore recently suggested additional possibilities on the basis of the preoccupation of the Soviet Government in regard to more important matters, it would appear that the conjecture need not be excluded that the authorities here have considered that the possibility of an acceptance on our part of the concessions which the Soviets may be hoping to obtain would at least not be jeopardized by creating a necessity of coming to some accord at the last moment and within a very limited period.

KIRK

611.6131/515: Telegram

The Chargé in the Soviet Union (Kirk) to the Secretary of State

Moscow, July 30, 1938—10 a. m.

[Received July 30—6:25 a. m.]

209. My telegram No. 207, July 29, 2 p. m. Foreign Office officials notified me last night that conversations on the commercial agreement would be held at the Foreign Office tomorrow, July 31st, at 3 o'clock, today being Soviet rest day.

This notification was received following a further inquiry I made at the Foreign Office yesterday afternoon when I took occasion to indicate that the Department could not view with favor a short prolongation of the present agreement and that it would be necessary for me to bring this as well as other observations to the attention of

Litvinov. I assume that the Soviet proposals will be presented tomorrow at the Foreign Office and accordingly shall take no further action pending that interview.

In the meantime I should appreciate an expression of the Department's views as to whether the present agreement should be regarded as having been allowed to lapse in the event that no agreement is signed by August 4th. It appears that last year there was an interval of approximately 3 weeks between the termination of the old agreement and the signature of the new.

KIRK

611.6131/515 : Telegram

The Secretary of State to the Chargé in the Soviet Union (Kirk)

WASHINGTON, July 30, 1938—2 p.m.

118. Your 209, July 30, 10 a.m., and Department's 116, July 28, 7 p.m. The present agreement will lapse if no agreement is signed and takes effect by August 5. A lapse of the present agreement would automatically result in the consequences discussed in the last paragraph of the Department's 116, as distinguished from the agreement of 1936 between the two countries.

Any coal from the Soviet Union imported into the United States during the period of lapse would be subject to the import tax to which reference is made in the agreement itself.

HULL

611.6131/516 : Telegram

The Chargé in the Soviet Union (Kirk) to the Secretary of State

MOSCOW, July 31, 1938—11 p.m.

[Received July 31—8:15 p.m.]

211. Department's 118, July 30, 2 p.m. The conference referred to in my 209, July 30, 10 a.m., took place at the Foreign Office this afternoon at which Weinberg and Vinogradov of the Foreign Office and two officials of the Commissariat for Foreign Trade were present.

Weinberg stated that his Government's chief concern was the large excess of Soviet purchases in the United States over Soviet exports to the United States and that the purpose of the prolonged study in which the Commissariat for Foreign Trade had been recently engaged was to devise some means whereby concessions might be accorded Soviet imports into the United States in order to increase the amount of those imports. He produced a memorandum outlining certain fa-

cilities which the Soviet Government desired to attain for specified Soviet export to be included in the new commercial agreement and which he emphasized as representing a minimum requirement. This memorandum sets forth the following demands:

(1) A reduction of the existing 30% ad valorem duty on dyed caracul to 20%.

(2) A reduction of the existing 35% ad valorem on squirrel furs to 20%.

(3) The establishment of a single duty of 30% ad valorem on flax manufacturers (linen napkins, tablecloths, et cetera) instead of the existing duties which vary from 30 to 50%.

(4) Exemption from duty on sturgeon caviar.

(5) Exemption from duty on sturgeon beluga.

(6) The reduction of the existing duty of 2¢ per pound on frozen salmon to 1¢ per pound.

The memorandum concludes with a statement of which the following is a translation:

"It is desired to obtain a promise from the United States Government that in the purchase of foreign manganese ore for governmental needs preference will be given to Soviet manganese ore."

Mr. Weinberg was informed that, without entering into any detailed analysis of the various items set forth in the memorandum, duty reductions could be granted by the United States only by the negotiation of a trade agreement with the Soviet Union, and that accordingly there was no possibility of giving effect to these desiderata in the framework of a commercial agreement. It was also pointed out incidentally that Trade Agreements Act contains no provision for placing articles on the free list and that from information available to the Embassy it would appear that certain of the reductions in duty referred to in the memorandum had already been provided for either in trade agreements already concluded or were under discussion in Washington in connection with pending trade agreement negotiations. With reference to the request for a promise to give preference to Soviet manganese Weinberg was informed *inter alia* that it was believed that any such procedure would be contrary to the policy and practices of the United States Government. Weinberg thereupon argued at length on the possibility of prolonging the present agreement pending a consideration of the negotiation of a trade agreement. In reply he was informed that the difficulties in the way of negotiating trade agreement with his Government seemed almost insurmountable; that at any rate negotiations under the Trade Agreements Act might well cover period equal to the duration of a new commercial agreement; that accordingly any mere prolongation of the present agreement was excluded and that if the present agree-

ment was allowed to lapse by the failure to sign a new accord by August 4th the specific benefits accruing to Soviet trade under the agreement would also lapse. In spite however of the foregoing assurances which it was stated the Embassy believed to be the views of the Department, Weinberg and his colleagues urged that the list of concessions requested by the Soviet authorities be communicated to the Department in the hope that some means might be devised to give them effect under the new commercial agreement.

The discussion was then directed to a consideration of the procedure to be followed in the event that, as the Embassy believed, favorable consideration could not be given to the foregoing concessions. Weinberg finally proposed that, in that event, there seemed to be no other alternative than to sign a new agreement in the exact terms of the present agreement. A prolonged argument followed on the question of registering in the new agreement an upward adjustment of the minimum guarantee of Soviet purchases and every possible observation in support of such an increase was adduced. Mr. Weinberg, however, insisted that unless some means be devised to accord a concrete benefit to Soviet export trade to the United States along the lines of the concessions outlined above, the Soviet Government would not be in a position [to] raise the amount of the minimum purchases by the Soviet Union in the United States to be guaranteed in the new agreement.

I have nothing on which to base a conjecture as to whether [to account for?] the refusal on the part of the Foreign Office to agree to mark [*make?*] in an agreement for the next 12 months an upward adjustment of the minimum guarantee of Soviet purchases in the act and [*or?*] as to whether an insistence on that point would result in a refusal to sign an agreement. The Foreign Office, however, expects to receive from me as soon as possible either a confirmation of the statements which I have already made on the basis of the Department's telegrams numbers 116 and 118²⁶ or some further observations which Weinberg appears to consider that his proposals warrant. I should, of course, repeat the arguments in support of an upward adjustment but in the event that the present position of the Soviet Government is maintained I shall be glad to be informed if I should notify the Foreign Office that my Government agrees to a renewal of the agreement by an exchange of communications in the identic terms of those governing the present agreement.

I should appreciate receiving the Department's views as to any press release that might be contemplated.

KIRK

²⁶ Dated July 28, 1938, 7 p. m., and July 30, 1938, 2 p. m., respectively, pp. 608 and 611.

611.6131/516: Telegram

The Secretary of State to the Chargé in the Soviet Union (Kirk)

WASHINGTON, August 2, 1938—6 p. m.

120. Your 211, July 31, 11 p. m. The Department appreciates the very able manner in which you presented the Department's point of view in the discussions with the Soviet officials and confirms the position which you took and which you should endeavor to maintain in all respects.

1. You may inform the Soviet authorities that there is no way in which this Government could modify any rate of duty in the few days left before the present agreement expires.

2. In the circumstances you are authorized to effect an exchange of notes renewing the current agreement for 12 months provided the Soviet Government agrees to increase the minimum guarantee of purchases. In view of the increasing value of our generalization, it would be extremely difficult for this Government to agree to a renewal of the agreement unless it includes a figure of 45 or 50 million.

However, in view of the deep interest of the Soviet authorities in an agreement involving duty concessions on the part of the United States, we are willing to explore with the Soviet Government the possibility, which we regard as dubious, of negotiating a trade agreement between the two countries during the period of the new agreement.

3. You should point out, however, that if, contrary to present expectations, it should ultimately be found possible to negotiate a trade agreement involving concessions on products of interest to the Soviet Union, in addition to the valuable concession of generalization to Soviet trade of duty concessions granted in other agreements, this Government would expect to obtain as a *quid pro quo* a correspondingly greater concession from the Soviet Union.

4. This Government in negotiating agreements under the authority of the Trade Agreements Act reserves for countries which are the principal or important suppliers duty concessions on the products in question. In this connection you may indicate that various important concessions have already been granted on flax manufactures and that other concessions on these products are under consideration in agreements now being negotiated. The Soviet Union would of course receive the benefit of such concessions by generalization under agreements similar to the one about to expire.

5. Under the Trade Agreements Act this Government may not reduce any duty by more than 50 percent nor, as you have indicated, may it remove any item from the dutiable list. It is obviously out of the question for us to agree to give any preference to purchases of manganese ore from the Soviet Union. It is the policy of the United

States neither to request nor to grant preferential treatment in respect of governmental purchases of foreign goods.

6. The new agreement must be signed by August 5 in order that it may come into force on August 6. Since the current agreement was proclaimed by the President, the renewal must also be proclaimed. The Soviet authorities doubtless will wish to have the renewal approved by the Soviet of People's Commissars. Proclamation and approval should take place as of August 5.

7. The text of the principal exchange would read as follows:

"In accordance with the conversations which have taken place, I have the honor to confirm on behalf of my Government the agreement which has been reached between the Governments of our respective countries that the agreement regarding commercial relations between the United States of America and the Union of Soviet Socialist Republics recorded in the exchange of notes between the American Ambassador and the People's Commissar for Foreign Affairs on August 4, 1937, which came into force on August 6, 1937 upon proclamation thereof on that date by the President of the United States of America and approval thereof by the Soviet of People's Commissars of the Union of Soviet Socialist Republics on the same date, shall continue in force until August 6, 1939. This agreement shall be proclaimed by the President of the United States of America and approved by the Soviet of People's Commissars of the Union of Soviet Socialist Republics."

If the Soviet authorities should desire to have some indication in the note that consideration will be given to the possibility of trade-agreement negotiations, you are authorized to add after the words "until August 6, 1939" the words "unless superseded by a more comprehensive commercial agreement."

8. The related exchange of notes of the current agreement concerning purchases would be repeated without substantive change except for the insertion of a higher figure.

9. The related note concerning the coal tax would be changed to read as follows:

"With reference to the agreement signed today continuing the agreement concerning commerce between the United States of America and the Union of Soviet Socialist Republics which came into force on August 6, 1937, I have the honor to state that the Embassy has been informed that the authorities of the Treasury Department of the United States will admit coal of all sizes, grades, and classifications (except culm and duff), coke manufactured therefrom, and coal or coke briquettes, imported from the Union of Soviet Socialist Republics free from the import tax provided in section 601 (c) (5) of the Revenue Act of 1932, as amended, during the life of the agreement unless other treatment is required by controlling judicial decision hereafter rendered."

10. The note concerning the coal quota would be repeated with an appropriate change to indicate that the commitment applies to "the year beginning August 6, 1938."

11. The issuance of a press release concerning the new agreement will be the subject of another telegram.

HULL

611.6131/518 : Telegram

The Chargé in the Soviet Union (Kirk) to the Secretary of State

Moscow, August 3, 1938—10 p. m.

[Received August 3—7:23 p. m.]

222. Following a prolonged discussion at the Foreign Office this afternoon in which all the arguments set forth at various times by the Department were rehearsed and the special observations set forth in the Department's above-mentioned telegram²⁷ were presented, Mr. Weinberg made the categorical statement that the Soviet Government was ready to renew the commercial agreement on the same basis as the current accord but that it was his firm opinion that if the Government of the United States should insist upon an increase in the minimum guarantee of purchases, the renewal of the agreement would be impossible. His argument, briefly stated, amounted to an assertion that the basis of the policy of the Soviet Government in its relations with other governments was the system of granting concessions only upon the receipt of a corresponding *quid pro quo*, that an increase of the minimum guarantee of purchases represented a concession on the part of the Soviet Government, that the generalization of benefits accruing under the trade agreement policy of the United States had already been granted to the Soviet Union by virtue of the extension of unconditional most-favored-nation treatment in the present agreement and that consequently the actual and increasing advantages to Soviet trade agreements already negotiated or in form of negotiation could not be regarded as *quid pro quo* for a present increase in the minimum guarantee. He was unwilling to admit the contention that such an increase was merely a partial declaration of an actual fact in that the scale of Soviet purchases from the United States were actually exceeding largely the amount of increase of 10 million or even less which would be acceptable to the United States and stressed the fact that such a guarantee was a charge in that it did in fact bind the Soviet Government to a definite sum which it would be constrained to maintain. He also refused to consider the argument that Soviet trade had benefited largely during the past year and would benefit to a

²⁷ Reference is doubtless intended to the Department's telegram No. 120, August 2, 1938, 6 p. m., *supra*.

greater extent in the future by virtue of the fact that the United States trade agreement policy extended to the Soviet Union most-favored-nation treatment which it was pointed out had been granted for 1 year [and] would lapse on the failure to renew the present agreement with the consequent damage to Soviet trade. Furthermore he would not agree that the expressed willingness on the part of the United States Government to explore the possibility of enlarging the commerce between the two countries as [*was?*] a concrete compensation for an increased guarantee.

I informed Weinberg that my instructions were to renew the present agreement provided an increase of the minimum purchases should be guaranteed and that although I took note of his statements I felt that in view of the importance of the matter it was incumbent upon me to ask that I receive an expression of the views of Litvinov himself after a consideration by him of all the arguments and considerations involved and on the basis of the larger aspects of policy affecting the two countries. Mr. Weinberg said that he would consult the Commissar as soon as possible but that he did not expect to be able to reach him before noon tomorrow and added that he had every reason to believe that Mr. Litvinov would merely confirm the decision stated above. I left with Mr. Weinberg an informal memo[*randum*] embodying the contents of the Department's 120 omitting that portion of paragraph 2 beginning "in view of" and ending "50 million." Mr. Weinberg in concluding stated that his Government would view with deep regret a failure to renew the present agreement but maintained that in his opinion a consent to increase the guarantee of purchases could not be given and clearly indicated that if the agreement failed of renewal owing to an insistence on that point his Government could not consider that it was responsible for that failure.

I shall of course telegraph the Department immediately upon receipt of further word from the Foreign Office but in view of the extreme urgency of the matter I shall appreciate receiving the Department's final views on this point in controversy in the event that it is inclined to communicate them to me in advance.

KIRK

611.6131/518: Telegram

The Secretary of State to the Chargé in the Soviet Union (Kirk)

WASHINGTON, August 4, 1938—5 p. m.

124. Your 222, August 3, 10 p. m., and Department's 120, August 2, 6 p. m. You should inform the Soviet authorities that this Government cannot agree with the position expressed by Weinberg to the effect that the increasing value to the Soviet Union of generalization

by the United States cannot be regarded as a *quid pro quo* for a present increase in the minimum guarantee of purchases by the Soviet Union. It has been understood from the beginning that the reason for yearly negotiation of a commercial agreement between the United States and the Soviet Union is to afford an opportunity to review the trade situation between the two countries and to reappraise the value of generalization by this country.

However, if you are satisfied that there is no possibility of obtaining an increase in the limited time available, you are authorized to effect an exchange of notes renewing the present agreement in the form proposed in the Department's 120, but without the clause referred to in the confidential section of paragraph numbered 7²⁸ unless the Soviet authorities insist upon its inclusion.

HULL

611.6131/521 : Telegram

The Chargé in the Soviet Union (Kirk) to the Secretary of State

Moscow, August 5, 1938—8 p. m.

[Received August 5—6:08 p. m.]

232. My 230, August 5, noon.²⁹ I have just seen Litvinov and repeated to him the observations and views which were set forth in particular in the Department's 94, June 24, 7 p. m.; 120, August 2, 6 p. m., and 124, August 4, 5 p. m., paragraph 1, and which had already formed the bases of my representations to officials of the Foreign Office and also presented for his perusal informal memoranda based on those telegrams. I stressed the definite and constantly increasing value to Soviet trade and [of] the trade agreement policy of the United States Government and emphasized the importance to the progress of commercial relations between the two countries of declaring an increase in the minimum guarantee of purchases by the Soviet Union.

Litvinov replied that he appreciated the strength of these arguments but said that the foreign trade authorities of the Soviet Union had decided that no such increase could be declared unless the United States should grant customs reductions in order to benefit Soviet imports, that the Government had confirmed that decision after a long delay and that as matters now stood there was no present possibility of obtaining a modification of the Government's position. I particularly requested him to attempt, in the few hours remaining, to obtain authorization to consent to an increase in the guarantee but he declared that it was absolutely impossible. I was accordingly constrained to accept that refusal and consent to effect the exchange

²⁸ This is the clause contained in the last section of paragraph 7, p. 615.

²⁹ Not printed.

of notes on the basis of a minimum guarantee of purchases of American goods "to the amount of at least \$40,000,000".

The following exchange of notes accordingly were signed at 5:00 o'clock this afternoon.

1. The principal exchange in accordance with the text contained in the Department's 120, August 2, 6 p. m., dated August 5, 1938 without the clause mentioned in paragraph 7 of the above-mentioned telegram. As stated in my 226, August 4, 4 p. m.,³⁰ "Council of People's Commissars" was substituted by [*for*] "Soviet of People's Commissars".

2. Exchange of letters concerning purchases as in current agreement with same minimum guarantee of \$40,000,000. My letter of inquiry was dated August 2, 1938 and Litvinoff's reply dated August 4, 1938.

3. Exchange of letters concerning coal sale and quota both dated August 5, 1938 following the texts prescribed in paragraphs 9 and 10, Department's telegram No. 120, August 2, 6 p. m. The Foreign Office was informed that proclamation by the President would take place as of August 5 and it was agreed that approval by the Council of People's Commissars would be of the same date.

In conclusion, I might add that Litvinov expressed an interest in a more comprehensive commerce with the United States and mentioned the possibility of exchanging notes at a subsequent date to the general effect that in the event that some arrangement might be arrived at whereby additional facilities might be accorded to Soviet imports into the United States, the economic organizations of the Soviet Union would be willing to increase the minimum guarantee of purchases beyond the amount stipulated in the letter of agreement concerning purchase signed today. I informed Litvinov that, as previously stated, my Government maintained that the increase in minimum guarantee was justified on the basis of the present and assured benefits to Soviet trade from our trade agreement policy, and pointed out that his proposal did not recognize that position. I agreed, however, to refer this suggestion to the Department for its information and for possible consideration in setting an appraisal of the Soviet attitude towards commercial accords in connection with any press statement that might have to be issued on the occasion of the present renewal of the commercial agreement.

In the absence of instructions, I shall reply to any inquiries as to the renewal of the commercial agreement merely to the effect that the current agreement has been renewed for 12 months and that any announcement that may be made will be issued in Washington.

KIRK

³⁰ Not printed. The People's Commissariat for Foreign Affairs here advised that "Council of People's Commissars" was the proper English form. (611.6131/519)

[The text of the agreement effected by exchange of notes signed August 5, 1938, and effective August 6, 1938, is printed in Department of State Executive Agreement Series No. 132; 53 Stat. 1947. For text of press release issued by the Department August 6, 1938, see Department of State, *Press Releases*, August 13, 1938, page 110.]

611.6131/521: Telegram

The Secretary of State to the Chargé in the Soviet Union (Kirk)

WASHINGTON, August 6, 1938—1 p. m.

127. Your 232, August 5, 8 p. m.

1. Your efforts in attempting to obtain an increase in the minimum guarantee of Soviet purchases are appreciated.

2. It is suggested that you follow the procedure used on the last two occasions (as indicated in the Department's 99, July 10, 1936, 5 p. m.³¹ and 120, August 1, 1937, 8 p. m.³²) by supplying the American journalists in Moscow with the following pertinent data for Sunday morning newspapers. Department will release texts and data here for same newspapers.

3. The Soviet Government has continued its undertaking to increase substantially its purchases of American products. As in the previous agreement, with reference to this undertaking the Soviet Government has informed the American Government that the Soviet economic organizations intend to purchase during the next 12 months American goods to the value of at least \$40,000,000. It may be noted in this connection that the Soviet Union has maintained its purchases from the United States above the guaranteed minima of \$30,000,000 in the 1935-36 and 1936-37 agreements, importing in the respective periods \$39,224,000 and \$40,513,000 and has already, in the first 9 months of the 1937-38 agreement year, surpassed the guaranteed minimum of \$40,000,000. In accordance with the commitment given by the Soviet Government in each agreement to increase substantially its imports from the United States there has been a steady growth in such imports which by now are over four times the 1933 level.

Under the successive commercial agreements, United States imports from the Soviet Union have increased steadily. As shown by American customs returns, imports into the United States from the Soviet Union in the calendar year 1937 amounted to \$27,000,000, which was a record total.

4. The remainder of your statement may be taken from subparagraphs (c), (d), and (e) of the Department's no. 120, August 1, 1937. 8 p. m., with a change from 2 to 3 years in subparagraph (d).

HULL

³¹ *Ante*, p. 342.

³² *Ante*, p. 437.

611.6131/526

The Chargé in the Soviet Union (Kirk) to the Secretary of State

No. 1532

Moscow, August 6, 1938.

[Received August 23.]

SIR: With reference to my despatch No. 1530, of August 6, 1938,³³ transmitting the documents relating to the renewal of the Commercial Agreement between the Government of the United States and the Government of the Union of Soviet Socialist Republics, I have the honor to inform the Department that, as my telegram No. 232, August 5, 8 p. m., and previous messages cover the principal subject matter of my conversations with the Soviet authorities in the premises, there would appear to be no occasion to amplify the statements already submitted.

The actual conversations at the Commissariat for Foreign Affairs leading to the signature of the documents in question were, owing to the protracted delay on the part of the various Soviet authorities involved in responding to the repeated and insistent requests of this Embassy for an expression of views on the subject of renewal, actually confined to a period of five days in which only three meetings were held. In that time, however, the points of difference between the views of the United States and of the Soviet Union were clearly revealed and may be briefly stated. The Government of the United States favored the renewal of the current agreement on the basis of an upward adjustment of the minimum guarantee of purchases in the United States by the economic organizations of the Union which in the agreement effective as of August 6, 1937, had been stipulated to the amount of forty million dollars. The Soviet authorities on the other hand wished to obtain a reduction of customs duties on certain of the imports from the Union into the United States as well as other facilities which would enable the Soviet Government to increase its export trade with the United States in order to reduce the excess of Soviet purchases in the United States over Soviet sales to the United States which, it was variously estimated, amounted to approximately fifty million dollars for the twelve months covered by the current Commercial Agreement. These customs reductions and other facilities, however, could not, both for reasons of policy and of legislative restriction, be granted by the Government of the United States. The Soviet authorities, accordingly, declared that they would not acquiesce in any increase of the minimum guarantee of purchases in the United States and, furthermore, as it was considered impracticable to effect a temporary prolongation of the current agreement pending efforts at adjustment of the matter of Soviet exports to the United States,

³³ Not printed.

the agreement expiring on August 6th was renewed for a period of twelve months without an increase in the minimum guarantee of purchases over that stipulated in the agreement about to lapse.

Certain factors emerged in the brief course of these negotiations. The Soviet authorities are dissatisfied with the present course of Soviet-American trade and, without aspiring to effect a balance in that trade, are emphatic on the necessity of reducing the difference between the exports to and imports from the United States as registered at present. Furthermore, in order to reduce that difference they envisage the possibility of effecting an immediate benefit to Soviet exports by facilitating imports into the United States as well as the more remote possibility of eventually increasing those imports not only by enlarging the market for Soviet products in the United States but especially by broadening the commerce between the two countries through the negotiation of a trade agreement. Finally, in the impossibility of obtaining concrete satisfaction as regards the foregoing desiderata the Soviet Government was not inclined to make what they regard as concessions in connection with the terms of the agreement forming the present basis of their commerce with the United States.

Other factors of a more concrete application were developed in the recent conversations at the Commissariat for Foreign Affairs. The Soviet authorities were informed that the increasing value to Soviet trade through the constant and accelerated development of the Trade Agreement policy of the United States is a concrete benefit accruing to the Soviet Union from the trade agreements between the United States and other nations already negotiated and in process of negotiation. It was explained that these advantages inure to the benefit of the Soviet Union through the most-favored-nation treatment which it enjoys by virtue of the grant thereof through the negotiation each year of a commercial agreement with the United States. The Soviet authorities, however, choose to reject the fact that these benefits are actual and concrete and furthermore assume the position that most-favored-nation treatment once granted, as it was in the agreement last year, constitutes an accomplished fact and therefore a factor eliminated from present and future consideration in negotiations relating to commercial agreements between the two countries. In particular they made it quite clear that the interest of the Soviet Government in obtaining most-favored-nation treatment last year had been due almost entirely to the fact that it would permit the exemption of Soviet coal from the payment of the import tax which was regarded as a concrete and actual benefit and that the larger and more general benefits to Soviet commerce which would result from the extension of the most-favored-nation treatment was considered of very secondary importance. In brief the Soviet authorities declare that the Soviet Gov-

ernment in its commercial and even political relations with other countries is guided solely by considerations relating to a concrete, tangible *quid pro quo* and, in the case of commercial negotiations, one that is subject to precise computation, and reject all generalizations or even deducible facts and all larger aspects of international association. It is on the foregoing basis, it would appear, that the Soviet authorities were either unable or unwilling to accept the values enunciated by the Department as a *quid pro quo* for an upward adjustment of the minimum guarantee of purchases from the United States in the negotiations relating to a renewal of the Commercial Agreement between the two countries.

In conclusion I venture to submit, for the consideration of the Department in preparing future negotiation looking to the renewal of the present Commercial Agreement, the following suggestions which present themselves as a result of the experience developed in the recent negotiations. The articles of the Agreement provide that both parties shall start negotiations regarding the extension of the current Agreement not less than thirty days prior to the expiration of the Agreement. It is suggested therefore that on or before that time the Government of the United States should instead of engaging in informal discussions address a formal communication to the Soviet Government setting forth the conditions on which it would be willing to enter into a new agreement and requesting that Government to signify its approval of those terms or express its views thereon. If, in reply, the Soviet authorities submit additional considerations or requests for concessions those requests may be judged on their merits and such counter-proposals as the circumstances may warrant may be presented as basis for negotiation. The matter of chief importance, however, is that the initial conditions proposed should represent what are regarded not as a basis for negotiation but as the absolute requisites for reaching an agreement and at no time should there be any indication that those requisites may be reduced even for the sake of preserving the continuity of commercial relations with the Soviet Union. Otherwise an opportunity is given to the Soviet authorities to prolong the discussions on lines which merely indicate the fundamental divergencies between the two countries on commercial policy without in any way advancing the practical achievement of the purpose of the negotiations.³⁴

³⁴ In an attached memorandum of September 12, 1938, Edward Page, Jr., of the Division of European Affairs commented in part: "I am not sure that it would be advisable . . . only to set forth the absolute requisites as initial conditions on which to enter into any new agreement. It would seem more advisable to establish a basis for negotiations as in the past, in which such requisites would naturally appear. If only the absolute requisites are presented, the Soviet officials, in accepting them, would probably be criticized for giving in to us without receiving anything in return" (611.6131/526).

I have the honor to transmit herewith for the Department's information copies of two informal memoranda³⁵ based on the Department's instruction which formed the background for discussions at the Commissariat for Foreign Affairs and of which copies were handed to officials there.

Respectfully yours,

A. C. KIRK

DIFFICULTIES FROM SOVIET AUTHORITIES INTERFERING WITH THE PROPER FUNCTIONING OF THE AMERICAN EMBASSY IN MOSCOW³⁶

124.61/118

Memorandum by the Secretary of State of a Conversation With the Ambassador of the Soviet Union (Trojanovsky)

[WASHINGTON,] January 13, 1938.

The Soviet Ambassador came in upon my invitation. I proceeded to say to him that an accumulation of irritating experiences with his Government has become almost intolerable; that, just at a stage when every vestige of the moral influence of our two great countries should be brought to bear against international desperadoes and in support of peace, these almost unprecedented and highly annoying practices and conditions in the Soviet Union are having surprisingly wide repercussions in this country and I could not for a moment believe that the higher officials of his Government are parties to such practices or even have a knowledge of them; that such are not common to any other civilized nation, nor even the uncivilized nations as a rule; that they are calculated to a surprising extent to injure the relations between our two countries at a time when the critical world situation calls for the fullest cooperative effort on the part of both countries, consistent with policies of each. I then read to him the following memorandum, stating it was in rough form and that I was sending him a copy of it solely as a part of an oral conversation³⁷ which the memorandum is in fact:

MEMORANDUM

Ever since diplomatic relations between the United States and the Soviet Union were established³⁸ the American Government has earnestly sought to make a real contribution toward maintaining them on a close and friendly basis by effecting solution of a number of matters

³⁵ Neither printed.

³⁶ Continued from pp. 440-457.

³⁷ This memorandum was handed to the Soviet Ambassador on January 24, 1938, by Assistant Secretary of State Messersmith.

³⁸ For the agreements of November 16, 1933, by which diplomatic recognition was accorded the Soviet Union, see pp. 27-36.

which have been the source of irritation if not indeed of friction. That success has not attended its efforts is due, in part at least, to the attitude that has been evidenced by the Soviet authorities.

In its conduct of the foreign relations of the United States the Department of State extends to foreign diplomatic representatives accredited to this Government, and expects that there will be extended to American diplomatic representatives accredited to foreign governments, the fullest possible measure of cooperation in furnishing them with information which they may require in the pursuit of their official duties, or, when such information is not readily available to it, in placing them in communication with the agencies of the Government from which the information may be obtained. These facilities are extended to the diplomatic representatives in the United States of the Soviet Government as a common courtesy incidental to normal diplomatic intercourse. They have not been so extended to American diplomatic officers in the Soviet Union. Denial of such facilities to a diplomatic representative can not but operate to create an atmosphere in which close and friendly relations are impossible of development, and to reduce very greatly the value of the diplomatic mission to its Government. Indeed, the American Government has been constrained, in view of the conditions under which the American Embassy in Moscow has functioned ever since it was established, to consider whether the value to it of that mission is sufficient to warrant the maintenance of the Embassy on the present scale.

In its endeavors to resolve certain specific matters which have arisen in the course of American-Soviet relations, the American Government has not, to its great regret, always been able to feel that it had been accorded the full cooperation of the Soviet Government. Among these matters are:

- a.* The settlement of debts and claims.³⁹
- b.* The procurement of Soviet currency for the use of the American mission in Moscow.
- c.* The delimitation of the consular district of the American Consulate General at Moscow.
- d.* The plans which this Government had to construct in Moscow a building housing its representation in that capital.⁴⁰ The funds which originally were available for this construction have since been reallocated for other purposes.
- e.* The regime of inspection to which the personal effects of diplomatic officers must be submitted upon the departure from the Soviet Union of those officers, and the provision for the imposition upon certain of these effects of export duties, or in lieu thereof, an appraisal fee.

³⁹ For the failure of the negotiations on debts and claims, see pp. 166 ff.

⁴⁰ Concerning the inability to reach satisfactory arrangements for the construction of an Embassy building in Moscow, see pp. 268 ff.

f. The considerable delay and difficulty which American nationals, including diplomatic officers, have experienced in obtaining visas for entry into or departure from the Soviet Union, and the great inconvenience which has been caused bearers of valid American passports and valid Soviet visas by the refusal of the Soviet authorities to permit them to enter the Soviet Union. Continuance of these conditions may compel the American Government to consider whether it can continue to make special efforts to grant visas to Soviet nationals freely and with dispatch.

g. The practice of the Soviet customs authorities of retaining for several days or longer drawings, plans, et cetera, which American engineers and technical men who have been in the employ of or in negotiation with Soviet authorities desire to take out of the country with them. As a result of this practice the person presenting the drawings, et cetera, must postpone for several days or longer, often at considerable inconvenience and expense, his departure from the Soviet Union if he wishes to take the papers with him. In any event, he must for the time being relinquish possession of papers which not infrequently contain highly confidential information which is American industrial property, and this despite the circumstance that more than two years ago the American Embassy in Moscow received from the People's Commissariat for Foreign Affairs written assurance ⁴¹ that American nationals about to depart from the Soviet Union would be permitted to be present during the examination of drawings, plans, and similar documents in their possession.

The Ambassador appeared incredulous as to several of the criticisms offered. He attempted to insist that there is no discrimination against Americans. I replied that, even if all other nations are treated in this fashion, it is just as inexplicable to the people of this country and to the American victims of these practices, and that just as much injury is being done to the relationships between our two countries as if these were in fact discriminations; that no other nations in the world, as stated, are indulging in such astonishing practices and, from this viewpoint, it would seem to me that, if for no other reason, his government would desire to catch step with other nations. I emphasized the view that my object in thus speaking very bluntly was by reason of the fact that I had from the beginning and before recognition sought to promote the most useful and valuable relationships between our two countries from the standpoint of world progress and peace; secondly, that it is all-important for our two nations to make themselves the fullest possible factors for peace and world stability in the immediate future while the world is threatened with anarchy by those who play the role of international bandit. I said that these small but highly irritating practices are a large factor in preventing the consummation of both of these great objectives.

⁴¹ In despatch No. 761, July 25, 1935, the Ambassador sent the text of a memorandum received on July 22, 1935, from the People's Commissariat for Foreign Affairs wherein it was stated: "It is self-understood that the competent authorities intend in the future to permit foreign citizens to be present during the examination of documents which these persons take out." (861.602/268)

I concluded by most emphatically expressing my astonishment at the way the pending Robinson case has been and is being dealt with by the Soviet Government.⁴² I reiterated that their single action of having people suddenly disappear, even though clothed with irregular passport and visa from another country, and of seeking to cover over the whole matter with a thick veil of mystery and silence is something that no civilized or uncivilized nation does anywhere, so far as I knew; that this case is calculated, being a human interest story, to arouse increasingly deep-seated prejudice and hostility against the Soviet Government and its people, throughout the United States as well as in other parts of the world; and that it is incomprehensible to me as to why the Soviet Government should pursue this course of silence and of ignoring its patent obligations under treaty arrangements with our Government as same relate to cases like that of the Robinsons,—to say nothing of the great injury the Soviet Government is inflicting upon itself.

The Ambassador gave no hint as to what the facts are in the Robinson case but he did say that he saw no reason why we should not be given some information. He did not pledge such information or pretend he had the influence and ability to get it.

I emphasized the view that we had met with every obstruction in our plans to construct an Embassy building at Moscow, to say nothing of many irritations which were astonishing to us; that the prosecution of the work of the building had been brought to a standstill because of the increasing number of these annoying impediments; that, of course, if and when the Soviet Government should decide to treat us as we are accustomed to being treated by other nations, both civilized and uncivilized, we would expect to resume the building project.

C[ORDELL] H[ULL]

124.61/117

Memorandum by the Adviser on Political Relations (Dunn)

[WASHINGTON,] January 13, 1938.

The Soviet Ambassador was referred to me this morning by the Secretary, and came in to see me after he had seen the Secretary. He said that the Secretary had told him that I would go into a little more detail with him with regard to some of the difficulties encountered by our diplomatic officers in Moscow in connection with the exportation of their effects when leaving that capital. He also said that he would like a little more information with regard to the difficulties Americans are having in entering Russia.

⁴² For the arrest and detention of American citizens by the Soviet authorities, see pp. 708 ff.

With regard to the difficulties encountered by American diplomats upon leaving Russia, I told him that we had specific cases and details with regard to these difficulties which I would be glad to furnish him in a memorandum later. I said that I would also furnish him a memorandum on the subject of the difficulties encountered by Americans in entering Russia after they had obtained apparently proper visas.

The Ambassador expressed great doubt as to whether Americans who had actually obtained visas were encountering difficulties in entering Russia. I said that of course we would not mention these matters unless we had definite complaints from persons who were either known to us or in whose statements we could place entire confidence.

The Ambassador also spoke of the question of our intention to use the site which has been assigned to us in Moscow for the erection of an Embassy, and on this point, while I mentioned the lack of cooperation and the impossibility of obtaining necessary information from the Soviet Government with regard to questions pertaining to such construction, I indicated that Mr. Messersmith was the proper official of the Department with whom to discuss the matter.

I found, in talking to the Secretary after the Ambassador had left, that my talk with the Ambassador had followed generally along the lines of the conversation between Mr. Troyanovsky and the Secretary, in that the Ambassador's attention was called to the difficulties placed in the way of the functioning of our Embassy in Moscow to such an extent that we had to give serious consideration to whether there was any real justification for maintaining the staff of our Embassy in Moscow at its present size. I made it entirely clear to the Ambassador that if our officers in Moscow were to receive no more cooperation from the Soviet authorities than they were receiving at this time, and were to be expected to continue under the difficulties they were encountering now in connection with the high cost of ruble exchange, the difficulties encountered with the exportation of their effects, the disturbance caused to the work in the Embassy through the disappearance of members of the clerical staff from time to time, and the complete absence of relationship with any but minor officials of the People's Commissariat for Foreign Affairs, who appear to have no authority whatever, we would not be justified in continuing to maintain the present staff of officers in Moscow.

The Ambassador stated that he felt that, as compared with the relationship between our two countries, the difficulties under which the officers in Moscow appeared to be laboring were comparatively minor matters, and ones which were the result of general regulations of the Soviet Government applied to all alike. He further pointed

out that there were many other Embassies and Legations in Moscow which seemed to find it possible to carry on under existing conditions. I said that as far as the other Embassies and Legations were concerned, that was no concern whatever of ours, as the other Embassies and Legations might be perfectly content to carry on under the conditions which they found existing in Moscow, but that we were the judge of whether the conditions in Moscow were such as to permit our own representatives to function efficiently and properly and at the present time we did not feel that they were, under the existing conditions, all of which were within the control of the Soviet Government, able to carry on in the manner which justified the number of officers and the size of the staff there at this time.

I said to the Ambassador, in summing up, that the relationship between our two countries was of considerable importance and could be made of greater importance, that our two countries could and should be working together closely for the general improvement of world relations and for the maintenance of world peace, and that it was a pity that such small matters as the conditions under which our officials in Moscow were functioning should have the effect of obstructing the real cooperative efforts between our Governments which were always possible, that it might be that it was within the power of the Soviet Government to correct these conditions, but that we should both fully face the facts and I would not be frank if I did not tell him that it would be with the greatest and sincerest regret that we would find ourselves in the position of having to reduce our staff in Moscow if the conditions under which we were working there were not definitely improved.

JAMES CLEMENT DUNN

661.11241/15a : Telegram

The Secretary of State to the Chargé in the Soviet Union (Henderson)

WASHINGTON, January 15, 1938—4 p. m.

16. In connection with representations which have been made to the Soviet Ambassador here with regard to the regime of inspection of personal effects not accompanying departing foreign diplomats as baggage which is imposed by the Soviet authorities, and to the provision for the levying on such effects of export duties or in lieu thereof an appraisal fee, please report by telegraph :

(1) The names of departing members of the Embassy staff whose effects have been inspected *a*) at their dwellings, and *b*) at the customs house. Please state dates in each case.

(2) The names of departing members of the staff who have been requested to pay either an export tax or an appraisal fee, and the

amount of the tax or fee actually paid by them together with the dates on which payment was requested or made.

(3) Such comment as you may wish to make.

HULL

661.11241/16: Telegram

The Chargé in the Soviet Union (Henderson) to the Secretary of State

Moscow, January 21, 1938—6 p. m.

[Received January 21—4:05 p. m.]

24. Department's telegram No. 16, January 15, 4 p. m.

1. The effects of the following departing staff members have been inspected:

(a) At their dwelling: Ambassador Bullitt, Foreign Service Officers Wiley, Hanson, Shantz, Kennan, Kuniholm and Durbrow; Vice Consul Murray, Lieutenant White, Captain Nimmer and Dr. Rumreich.

(b) At the customhouse: Vice Consul Johnson and Kock, clerks Davis, Ceres, Vukmanic, Hurteau, Eustis and Lepley; naval enlisted men Chapman and Hampel, and Military Attaché clerks Ecker, Barrett and Lange.

2. Appraisal fees or export duties were paid by the following:

(a) Wiley: duty, rubles 550, September 1935.

(b) Shantz: duty, rubles 2000, February 1936.

(c) Kuniholm: duty, rubles 525, August 1936.

(d) Davies: appraisal fee, rubles 1013.32, and duty, rubles 28,310, March 1937.

(e) Hampel: duty, approximately rubles 40, April 1937.

(f) Johnson: duty, approximately rubles 50, May 1937.

[(g)] Rumreich: appraisal fee, rubles 155, and duty, rubles 245, January 1938.

3. The following persons were informed by the customs that certain articles presented to the customs for examination could be exported only upon paying export duty, but these articles were not appraised, being disposed of principally through sale in the Soviet Union, so the Embassy cannot state specifically that payment of export duty was refused, or the amount of export duty requested: Kuniholm, Durbrow, Rumreich, Kock, Davis, Eustis, and Barrett.

4. Insofar as the Embassy is aware no member of the staff has paid export duty on imported effects. On the other hand in almost all instances of departing members the customs has consented to the duty free exportation of certain imported articles only after protracted and disagreeable negotiations. It is believed that many difficulties could have been avoided had full lists of articles imported been sub-

mitted to the customs by each member upon his arrival in the Soviet Union. Unfortunately, not until comparatively recently has the Embassy fully understood that it is necessary to prove the foreign origin of articles other than silver, jewelry, works of art and the like. It had been the Embassy's understanding that the customs authorities would permit the exportation of at least ordinary household effects of obviously foreign origin.

5. During the course of an assignment to Moscow it is natural that, since current needs for household effects should be satisfied by local purchases, the Embassy feels that export duty should not be levied on such articles. Since the members of the Diplomatic Corps, other than Chiefs of Mission, have not pushed to an issue their objections to the payment of duty on such articles, it has been difficult for this Embassy single-handed to combat the Soviet practice. Most of the other Missions have avoided the payment of export duties by sending out dutiable articles under cover of courier, letter, or by having retiring Chiefs of Missions take out with them the dutiable effects of members of their staff.

6. The Department might find it advisable to delay this matter until it receives a despatch on the subject in the course of preparation.⁴³

HENDERSON

124.611/344

Memorandum by the Assistant Secretary of State (Messersmith)

[WASHINGTON,] January 24, 1938.

In accord with the suggestion of the Secretary conveyed to me by Mr. Dunn, I got in touch with the Soviet Ambassador who came to see me today so that I could give him an answer with regard to his inquiry⁴⁴ on our plans for using the ground in Moscow placed at our disposal some time ago by the Soviet Government. In accord with Mr. Dunn's request, I took this occasion to leave with the Ambassador the memorandum of the conversation which the Secretary had with the Ambassador some days ago.

In handing the Ambassador this memorandum, I told him that we were also concerned with the disappearance of several members of the clerical staff of our Embassy in Moscow, which disappearance interfered with the proper functioning of our Embassy. I said that we naturally could not have all of our personnel there American and that we had to have some Soviet clerks. The disappearance of several of these clerks without any explanation naturally caused us concern as well as disturbed the functioning of the establishment.

⁴³ Despatch No. 961, February 18, 1938, not printed.

⁴⁴ See the memorandum of December 30, 1937, by Assistant Secretary of State Messersmith, p. 453.

With respect to our building plans in Moscow, I said to the Ambassador that they were naturally influenced by the developments which had taken place and by these considerations which the Secretary had brought to his attention. The Soviet Government had placed at our disposal a plot of ground which seemed quite admirably suited for the purpose we had in mind. We had immediately secured the necessary funds from the Congress for the erection of a proper building. We had gone ahead with the preparation of plans and had put a good deal of money into preliminary arrangements. When we came to actual progress so many obstacles were placed in our way by the Soviet authorities, which obstacles he was familiar with, that we had to abandon the idea and we had used the money originally allocated for the Moscow building for another purpose. We naturally could not contemplate proceeding again and making further expenditures until we had every assurance that we could really make progress in a normal way this time.

With respect to his specific inquiry, I could not give him any answer as to when we could proceed. We would naturally prefer the Soviet Government to keep this ground available for us but if it wished to use it for its own purposes or to make it available to some other Government, we could not protest or object. I thought that as soon as we had adequate assurances in which we could have every confidence that we could really proceed with the erection of a building in the manner we proceed in other capitals, we would be prepared to ask the Congress for money again, but with the circumstances with which we were faced now we could not do this.

The Ambassador replied that he thought there had been a good deal of misunderstanding about these difficulties and that the conversations had gotten into a snarl "through both sides getting nervous". I told him that I had gone into the record and that the difficulties which we had met were so real that we could not possibly have proceeded. The Ambassador answered that he was very anxious that these difficulties which might exist be removed.

He asked specifically whether, if they held the ground for us for another year, I thought we might make further progress on plans. I told him that I could give him no specific assurances of what we could do in a specified time. We would have to ask the Congress for money again and then we would have to proceed with plans and, of course, before we did this we would need to be certain that our efforts would not again prove in vain. We would have to be very certain that we would be able to make real progress and carry through the erection of the building, its furnishings, et cetera, without any more of the difficulties which we had previously experienced. We would have to be able to build the building, import material, pay labor and carry through construction in the way in which we were accustomed to do it in other

capitals and in accord with our usual procedure. If the Soviet Government could give us adequate assurances on this basis, we could make our plans accordingly but not until then.

The Ambassador left me with the impression that he would recommend to his Government that they hold the ground for us for another year. I did not give him any specific assurances as to what we would do.

I discussed with him generally and informally at the close of the foregoing conversation, the difficulties which we had in the operation of our establishment in Moscow and which the Secretary had brought to his attention. I emphasized that these were very real and that we were under the necessity, on account of the high cost of the establishment and the difficulties which it experienced in functioning, of considering reducing our staff materially. He said that he would look into all these matters.

G. S. MESSERSMITH

124.61/122

The Chargé in the Soviet Union (Henderson) to the Secretary of State

No. 958

Moscow, February 18, 1938.

[Received March 9.]

SIR: With reference to the Department's Instruction No. 307 of January 19, 1938,⁴⁵ enclosing memoranda of separate conversations which Mr. Troyanovsky had with the Secretary of State and Mr. Dunn, concerning certain problems in American-Soviet relations, I have the honor to transmit herewith two memoranda⁴⁶ setting forth the substance of conversations which I had on February 3 and February 9, 1938, with Mr. Weinberg, the Chief of the Third Western Political Division of the People's Commissariat for Foreign Affairs.

It will be observed from the enclosures that Mr. Weinberg is inclined to the opinion that the remarks of Mr. Dunn regarding the conditions under which the Embassy is compelled to work were intended as personal criticism of one or more officials of the Commissariat for Foreign Affairs. It will also be noted that he professed to believe that the conversations with Mr. Troyanovsky in Washington were prompted by the desire of certain groups in Washington to bring about a deterioration in Soviet-American relations. A previous engagement rendered it impossible for me to conclude my conversation of February 9 with Mr. Weinberg. It is probable, however, that he will refer again to the matter. I personally have considerable doubt that any discussions in which we may engage will assist in bringing

⁴⁵ Not printed.

⁴⁶ Neither printed.

about any noticeable permanent improvement in present conditions.

In my opinion the causes of the difficulties which the Embassy encounters in endeavoring to function are so deeply grounded in the Soviet system and in the present general Soviet attitude towards all foreigners regardless of category that little can be accomplished at the present time towards removing them. The conditions under which the Embassy carries on its work have become more difficult during the last year, and there is no immediate prospect of an improvement taking place. There has been a marked decrease in the willingness and the apparent ability of officials of the Commissariat for Foreign Affairs to render assistance to the Embassy. They have in general shown even more timidity than heretofore in approaching, on behalf of the Embassy, officials of other commissariats and Soviet institutions. Their timidity is understandable when it is realized that since last spring the following important officials of that Commissariat have disappeared, in addition to numbers of less outstanding figures and minor employees:

- The First Assistant Commissar;
- The Chief of the Legal Division;
- The Chief of the Economic Division;
- Two Chiefs in succession of the Press Section;
- Two Chiefs in succession of the Political Division handling Central European Affairs (one of whom it is understood has shot himself);
- The Chief of the Political Division handling Near Eastern affairs (whose execution was recently announced);
- The Chief of the Political Division handling Western European and American affairs; and
- The Chief of the Consular Division.

Although the purge may already have spent most of its force in the Commissariat for Foreign Affairs, it is believed that some time must elapse before the morale of the officials of that Commissariat will rise to such an extent that they will dare to show much energy in assisting foreign diplomatic missions. In fact, during recent weeks the attitude of the Soviet authorities towards the representatives of foreign Governments in the Soviet Union appears to have become unyielding rather than more conciliatory. This attitude is reflected in the demand that one or more consulates of some fourteen countries be closed; in the recent attack on the Dean of the Diplomatic Corps, the Afghan Ambassador;⁴⁷ in interpretations of the customs regulations in a manner unfavorable to diplomatic missions; in additional arrests of Soviet employees of diplomatic missions; and so forth.

In so far as personal discourtesy on the part of individual officials of the Commissariat for Foreign Affairs is concerned, I have no complaint to make. Following the arrest of Mr. Neymann (his predecessor), Mr. Weinberg, apparently for fear of being accused of being

⁴⁷ Abdul Hussein Aziz.

too friendly towards foreigners, assumed a categoric, curt, and decidedly unsympathetic manner in dealing with members of various diplomatic missions, including this Embassy. In only one instance, however, has any of my interviews with him been of what might be called a disagreeable character. Since that interview terminated in a manner to my satisfaction, I did not consider it worth while to report it to the Department. On the other hand, Mr. Vinogradov, the Assistant Chief of the Third Western Political Division, who is in charge of the American desk, has usually been as friendly in his contacts with the members of the Embassy as his position would permit. Other officials of the Commissariat have also usually been agreeable, though frequently unable to comply with our requests. I believe that the Department is aware that it is contrary to the rules of the Commissariat for a member of a diplomatic mission to have an interview with an official of a political geographic division which is not charged with handling the affairs of his mission.

It seems likely that, following the conversations which have taken place in Washington, an order has been issued to the effect that the members of this Mission be treated with a greater degree of consideration. At any rate, the Secretaries of the Mission have noted an apparent effort on the part of officials of the Commissariat for Foreign Affairs to treat their requests in a more sympathetic manner even if they cannot grant them. Nevertheless, on February 14 another one of our Soviet employees was arrested. Furthermore, Lieutenant Commander Bunkley, who has been ordered to the United States, is beginning to encounter difficulties with the Soviet customs officials, similar to those encountered by Dr. Rumreich.

In case any member of the Commissariat should again undertake to discuss the matters raised with Mr. Troyanovsky during the middle of January, I shall inform the Department regarding the substance of our conversation.

Respectfully yours,

LOY W. HENDERSON

124.613/873

*The Chargé in the Soviet Union (Henderson) to the
Secretary of State*

[Extracts]

No. 969

Moscow, February 19, 1938.

[Received March 9.]

SIR: Confirming my telegram No. 45 of February 14, 1938 5 p. m.,⁴⁸ I have the honor to report that the wife of Mr. Roman L. Biske, an employee of this Mission of approximately four years standing, called

⁴⁸ Not printed.

at the Embassy on the morning of February 14, 1938, and reported that the room in which her husband lived had been entered on the same morning at approximately 2:00 o'clock by agents of the People's Commissariat for Internal Affairs; that these agents had spent three hours searching the room and examining the papers of Mr. Biske, and had eventually departed taking Mr. Biske with them.

She said that since she occupies a room in another building, she was not informed of the arrest until several hours later. Mrs. Biske was in a terrorized state of mind fearing that she also might be arrested. She said that of late arrests of wives frequently follow those of the husbands.* She could shed no light upon the reason for the arrest. She said that the occupants in the other rooms of the apartment in which Mr. Biske lived, had heard the agents break into his room and make the search but had had no opportunity to talk with him.

On the afternoon of February 14, I called upon Mr. Weinberg, Chief of the Third Western Political Division of the People's Commissariat for Foreign Affairs, and requested him to obtain information for the Embassy regarding the reason for the arrest. I said that it was particularly unfortunate that the agents of the People's Commissariat for Internal Affairs without volunteering any explanation had arrested another employee of the Mission almost immediately after the conversations which Mr. Troyanovsky had recently had in Washington with the Secretary of State and Mr. Dunn. Such action, I pointed out, was likely to create an impression in Washington that the internal authorities of the Soviet Union were not seriously interested in the healthy development of American-Soviet relations.

During the course of the conversation, I drew Mr. Weinberg's attention to the fact that despite repeated inquiries addressed by me to him and requests made by Mr. Davies to Mr. Litvinov, the Embassy had not as yet been informed regarding the reasons for the arrest of Mr. Samoilov in September 1937 and Mr. Svyadoshch in October 1937, or as to whether or not these persons had been found guilty and sentenced.

I emphasized the fact that the arrest of four of the Soviet employees of the Embassy during the last eighteen months had not only lowered the morale of the survivors but rendered it more difficult for the Embassy to obtain replacements.

Mr. Weinberg appeared to be disturbed and surprised by the information which I gave him. Whereas he had displayed an unsympathetic attitude when I had requested him last September to

* In this connection it should be pointed out that according to neighbors, the wife of Mr. Svyadoshch, the Soviet employee of the Embassy arrested in October, was arrested several weeks later. [Footnote in the original.]

endeavor to ascertain reasons for the arrest of Mr. Samoilov, he made an effort during the course of this interview to manifest concern. He said that he would immediately make inquiries of the competent authorities. When, however, I asked him if I might inform my Government that he hoped to be able to furnish the Embassy information regarding the reason for Mr. Biske's arrest, he replied that although he would attempt to obtain such information he would prefer to have me state merely that he was making appropriate inquiries of the competent authorities.

I told Mr. Weinberg that the inroads which the arrests had made upon our Soviet staff were seriously interfering with the functioning of the Embassy. He replied that although he did not like to appear to be making suggestions regarding the manner in which the American Embassy might best be organized, he nevertheless thought that I might be interested in learning that the Soviet Government, after having had a number of unfortunate experiences with foreign employees of its diplomatic missions abroad was now following a policy of replacing these employees with Soviet nationals. It had found that such a policy was advantageous since Soviet nationals were not so likely as foreign nationals to become involved in activities objectionable to the governments of the countries in which the diplomatic missions in question were situated.

I told Mr. Weinberg that it would be difficult for the Embassy to replace its Soviet employees by American citizens. In the first place, it was not easy to find American citizens with the requisite language and other qualifications; and in the second place, in view of the housing situation in Moscow, it would be difficult to provide housing for American citizens, even in case they should be found. Furthermore, I pointed out, Soviet nationals were frequently able to accomplish much more for the Embassy than American nationals since the contacts of American citizens with Soviet institutions and nationals are bound to be more limited and less fruitful, in present conditions, than those of Soviet citizens.

Later in the day I mentioned the matter again to Mr. Weinberg at a reception given at the Embassy and asked him if he had any objection, pending the receipt of further information from him, if I should inform my Government that in the opinion of the People's Commissariat for Foreign Affairs there was no connection between the arrest of Mr. Biske and his employment with the Embassy. Mr. Weinberg replied that of course he had no objection; that he had assumed that I had understood from the beginning that Mr. Biske had undoubtedly been arrested for activities which had no relation whatsoever to the Embassy.

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Although it would be impracticable to fill with American citizens all of the positions held by Soviet employees, I feel that both the Department and the Embassy should seriously consider the advisability of endeavoring to replace, in so far as possible, the Soviet employees acting as translators and research assistants (other than the Soviet typists) with reliable American citizens possessing a good knowledge of the Russian language and a broad educational background. I cannot emphasize too strongly that no American citizens should be chosen for this work who have any family or other connections in the Soviet Union or who have inherited any Eastern European traditions. It is believed that it might be possible to find young men qualified for the work in some of the American universities which offer Russian language courses.

Respectfully yours,

LOY W. HENDERSON

661.11241/21

The Chargé in the Soviet Union (Henderson) to the Secretary of State

No. 976

Moscow, February 21, 1938.

[Received March 21.]

SIR: Since I realize that the treatment accorded by the Soviet customs authorities to members of the American Embassy at Moscow as described in my despatch No. 961 of February 18, 1938,⁴⁹ raises problems of a somewhat vexatious nature, I have the honor to make herein certain suggestions as to the attitude to be assumed by the American Government and the Embassy with respect to Soviet customs regulations and practices. The suggestions herein contained are based merely upon the experience of the Embassy in dealing with Soviet Customs and other authorities and without knowledge of the manner in which the Department has been accustomed to meet situations of an analogous nature in other countries. It is my thought that even though some of my suggestions may not be entirely in line with our general policy, others may aid the Department in deciding how best to meet the situation in Moscow under present conditions.

Before venturing any concrete suggestions, I desire to make the following statements regarding Soviet policies and practices:

1. It should be considered as axiomatic that the ruling forces of the Soviet Union have always considered and still take the view that the presence of foreign diplomatic representatives in the Soviet Union is an evil which world conditions force them to endure;

2. In order that the effects of this evil may be reduced to a minimum, they consider it advantageous to follow a policy which will tend to

⁴⁹ Not printed; but see Embassy's telegram No. 24, January 21, 1938, 6 p. m., p. 630.

restrict the influence, prestige, and effectiveness of the diplomatic missions in Moscow;

3. This policy is expressed in part by the adoption of measures, the purpose of which is to discourage the maintenance of large missions, to cause the population of the country to look with suspicion or at least with lack of respect upon those missions, to restrict the activities, freedom of movement, and number of contacts of members of these missions, and to cause members of these missions gradually to acquire a feeling that if they forfeit the good will of the Soviet authorities by fearlessly and resolutely defending the interests of the Governments which they represent they are likely to encounter increased difficulties in operating their chanceries and households with a reasonable degree of effectiveness and economy and in performing the various duties imposed upon them by their Governments, and are even likely to be attacked openly or privately as saboteurs of Soviet relations with their respective countries;

4. One of the most effective instruments which the Soviet authorities possess for the execution of this policy is their power to decide by means of the formulation and interpretation of customs regulations the conditions under which diplomatic missions may bring articles into or take them out of the country;

5. The Soviet customs laws and regulations are deliberately so worded that if given a strict interpretation the life of members of diplomatic missions in the Soviet Union would be so unpleasant and the cost of the upkeep of such missions so expensive that comparatively few governments would endeavor to support diplomatic representation in that country;

6. Since in present world conditions, the Soviet Government feels that it is necessary for it to maintain diplomatic relations with other countries, it follows the policy of interpreting and applying the customs regulations in such a manner as not to cause foreign governments to withdraw their missions from the country;

7. The Soviet authorities apparently are of the opinion that at the present time most diplomatic missions in Moscow are maintained by governments which feel that under existing world conditions their representations in the Soviet Union must not be withdrawn even though the conditions under which such representations are compelled to work are difficult;

8. This opinion and the rise of anti-foreign feeling, particularly noticeable during the past year, undoubtedly partially explain the increasing degree of strictness with which Soviet customs regulations are enforced;

9. This strictness will increase until it runs counter to opposition of a nature that will cause the ruling forces to find it to be the best policy to call another temporary "breathing spell";

10. If, therefore, the American Government and other governments maintaining diplomatic missions in Moscow permit without protest curtailments of the courtesies accorded by Soviet Customs officials to their diplomatic representations, new and more serious curtailments of such courtesies may be expected in the future;

11. In view of the impossibility of obtaining in Moscow supplies for office and household and of the exorbitance of Soviet import and export duties, the matter of customs courtesies is much more serious in the Soviet Union than in most countries; and

12. Since merchandise in the United States is plentiful and since exports are not subject to export duties, customs courtesies mean much more to the American Embassy in Moscow than they do to the Soviet Embassy in Washington.

In view of what has been said above, I feel that the American Government should give the Soviet Government definitely to understand that it expects the members of the staff of the Embassy in Moscow to be accorded courtesies, with respect to customs, similar to those which members of American Diplomatic Missions in other countries are accustomed to receive. It is my opinion, furthermore, that the American Government should resist, even to the point of bringing the dispute to an issue, demands which the Soviet customs authorities may make that :

1. The Chief of Mission pay any kind of customs duties, appraisal fees, and so forth on articles imported or exported for his personal use regardless of the origin of such articles ;

2. The American Government pay any kind of customs duties, appraisal fees, and so forth on articles imported by it for governmental use ;

3. American members of the staff, regardless of the fact of whether or not they possess diplomatic status, pay export duties or appraisal fees on articles which they have brought into the country with them, for the use of themselves or members of their household ;

4. Outgoing household effects of departing members of the staff on the diplomatic list be examined in the customhouse (this demand should be opposed on the ground that it is not permissible for such members to remain idle in the customhouse—sometimes for days—awaiting the convenience of the customs inspectors to examine their effects, and that it is impossible for such effects to be packed safely and in a sanitary manner in the conditions which prevail in the customhouse) ; and that

5. Books and other publications sent to the Embassy for the official use of the Government be excluded by the customs officials on the ground that they contain matter displeasing to the Soviet Government.

The American Government should also insist that the Soviet customs authorities should accept the statements of members of the staff possessing diplomatic status whenever questions arise regarding the origin, disposition, and intended use of articles which they are bringing into or taking out of the country.

Although in my opinion the American Government should at no time give the Soviet Government the impression that it acquiesces in certain other Soviet customs practises which are lacking in the courtesy which members of diplomatic commissions [*missions*] in most countries are accustomed to expect, nevertheless, I feel that it should not protest to the extent of joining issue when the Soviet authorities insist :

1. That members of the staff on the diplomatic list, other than the Chief of Mission, pay appraisal fees and the usual export duties on

supplementary household effects, wearing apparel, and so forth which they admittedly have purchased in the Soviet Union and which because of their size or number cannot be taken out with personal baggage under cover of a *laissez passer*;

2. That incoming household effects of members of the staff, other than the Chief of Mission, be examined in the Soviet customhouse; and

3. That certain publications among the effects of incoming members of the staff, other than the Ambassador, be not permitted entry.*

In making the above recommendations, I am prompted not so much by consideration of the convenience and welfare of members of the Mission, but rather by the fact that unless the American Government resolutely resists demands of the nature outlined, the Soviet Governmental authorities might take advantage of their power to endeavor to exercise pressure upon them.

In order to keep friction between the Soviet customs authorities and members of the Mission at a minimum, I also suggest that:

1. In the future all American citizens, including the Ambassador, Foreign Service Officers, clerks, and miscellaneous employees assigned to duty in Moscow be instructed to have prepared in advance for immediate submission to the Soviet authorities complete lists of all household effects, jewelry, furs, and unusually valuable wearing apparel which they are bringing with them. In making up such lists they should include such details as:

(a) The title, date and place of publication, and author of all books;

(b) The dimensions, subject, painter or engraver, and color of paintings and engravings;

(c) The dimensions, color, approximate period, place of origin (when possible) of each piece of furniture and fixture and a description of material to be found in it (rugs in particular should be described in great detail);

(d) A full description of each article of wearing apparel which may have permanent value; and

(e) The mark (if any), country of origin (if known), and color of each piece of porcelain or pottery;

2. All American members of the staff should endeavor to obtain evidence proving the foreign origin of all articles which they may import from abroad while they are on duty in Moscow.

It will be observed that thus far in this despatch I have made little mention of the American members of the Embassy possessing non-diplomatic status. This omission is due to the fact that in some respects the Soviet customs authorities treat them more liberally than the customs authorities of a number of other countries are accustomed to treat employees of American diplomatic missions who are not carried on the diplomatic lists. For instance, in so far as the import of articles for personal use is concerned, the clerical members of the

*Such publications may be exported and if desired may be reintroduced under cover of a *laissez passer*. [Footnote in the original.]

staff are given the same treatment as those members of the staff possessing diplomatic status. It is believed that this treatment is accorded them, not because of a liberal attitude on the part of the customs authorities, but because, in view of the present lack in the Soviet Union of articles of every day consumption, the Soviet Government realizes that all Governments maintaining diplomatic missions in Moscow would make vigorous and determined protests if the clerical employees of such missions were not able to bring in articles which they might need duty free.

On the other hand, the clerical employees meet with still more serious difficulties than the members of the Embassy on the diplomatic list in taking their effects out of the country since they are not granted *laissez-passeurs*. Most of the clerical employees stationed here have had comparatively few household effects to take out of the country and the Embassy has usually, after more or less prolonged efforts, been able to prevail upon the customs authorities to grant the necessary export permits.

Since according to international practise the clerical employees of the Mission are not entitled to far reaching customs privileges, it is believed that it would be useless to demand more for them than the privilege of taking out duty free such articles as they may have brought into the country.

It will be observed that I am making no recommendation in this despatch with respect to the manner in which the views of the American Government, with respect to the customs courtesies which it expects to be granted to its representatives in the Soviet Union, might best be conveyed to the Soviet Government. I have not done so since I feel that the Department is in a better position than the Embassy in Moscow to decide whether it would be preferable to inform the Soviet Government in this respect formally or informally, and orally or in writing.

Respectfully yours,

LOY W. HENDERSON

124.61/126

Memorandum by the Secretary of State

[WASHINGTON,] March 26, 1938.

After talking on another subject, the Russian Ambassador then brought up the question of the complaints in the memorandum which this Government handed to him some weeks ago relative to unsatisfactory treatment of our officials and employees and American travelers in his country. He undertook generally to deny most of these complaints, adding that he would soon present a memorandum on the subject.

I stated that disagreeable as the small pinpricks were, there was a worse phase that our Government has in mind and that is the atmosphere created there of inconvenience and indifference and of more or less uninviting hospitality to those who go into Russia, including the constant espionage and interference with Russian employees of American citizens in the Embassy and Chancery at Moscow; that it prevents this country from improving the relations between the two countries as we are so desirous of doing, especially from the standpoint of promoting peace and mutual welfare; that regardless of the accuracy or inaccuracy of the charges presented, we are seriously handicapped in this broad way and I consider that extremely important. I concluded by saying that if, after we had recognized Russia, that country and this country and Great Britain and France had gone forward in the exercise of normal relations and in developing their combined moral influence for peace, the unpleasant experiences in both the Far East and in Europe would have been reduced at least 50%, whereas the present policies of Russia in these small ways are seriously handicapping such supremely important efforts. I made it clear that I was not criticizing, by reminding the Ambassador of my deep and constant interest and efforts with respect to the promotion of improved relations between the nations and the development of their joint influence as an increasing factor for peace and the general welfare. He denied very strongly all of the small objections to which I have already referred. I replied that they might just as well be true because our people feel that way and feel the atmosphere which they believe they create. I then said that there was an increasing impression that his country desired as rapidly as possible to withdraw within itself in every practicable and possible way. He said that was not true; that of course if it should develop that other nations did not desire to have any close contacts with his country, they could and would undertake correspondingly to live unto themselves, but that they are not isolationists, a fact that he desired to emphasize.

C[ORDELL] H[ULL]

124.61/130

Memorandum by the Assistant Secretary of State (Messersmith)

[WASHINGTON,] March 28, 1938.

I have read carefully the appended memorandum of March 24⁵⁰ prepared by Mr. Kennan in Eu.^{50a} I appreciate the reasons which impelled him to suggest that the post of Ambassador at Moscow might be left vacant for a while on the departure of Mr. Davies but I think

⁵⁰ Not printed.

^{50a} Division of European Affairs.

there are other reasons which outweigh these. In view of the general situation in Europe, I feel that the balance is in favor of sending a chief of mission to that post.

It is clear, however, from Mr. Kennan's memorandum and from the despatches which we have had from Ambassador Davies and from Mr. Henderson that the conversations with the Foreign Office in Moscow concerning the difficulties which we are experiencing there have not been satisfactory. In spite of the careful way in which the Secretary, Mr. Dunn and I went into these difficulties with the Soviet Ambassador here, it seems that there is complete misunderstanding at Moscow of our attitude. We have made it clear that we consider these things of importance and the Foreign Office in Moscow is brushing them aside as inconsequential. They seem entirely to have lost the point that we took up these matters with the Ambassador here because we wished our relations to be on a mutually helpful basis and they are attributing to us nothing less than the motive of bringing these things up as we desire all this as a preliminary to deliberately making our relations with them worse. All our efforts, therefore, both with the Ambassador here and of the Embassy in Moscow with the Foreign Office seem to have been without effect.

I think the matter is of sufficient importance to take up with the Soviet Ambassador again. I believe we should review the whole position with him again calling attention to the unsatisfactory nature of the conversations of Davies and Henderson in Moscow. All this may again be without effect but I believe we should at least try it once more. The reports which we get from Moscow indicate that we are getting fair words and professions of consideration but in actual treatment not much improvement.

G. S. MESSERSMITH

661.11241/23 : Telegram

The Ambassador in the Soviet Union (Davies) to the Secretary of State

Moscow, March 28, 1938—9 p. m.

[Received March 28—5:07 p. m.]

89. Referring to the Department's No. 189, December 4, 1937⁵¹ and pursuant to the instructions contained therein I have to advise:

1. The British Ambassador,⁵² Acting Dean of the Diplomatic Corps has circulated to the Chiefs of Mission here a proposal for joint action to invite the Soviet Government's attention to the importance which is attached to the reestablishment of practices more in accord with international usage with respect to the present practices of the Soviet authorities in

⁵¹ *Ante*, p. 453.

⁵² The Rt. Hon. Viscount Chilston, G. C. M. G.

(a) Requiring Chiefs of Mission to submit to customs inspection of their personal and household effects when leaving Moscow.

(b) Requiring other members of the Diplomatic Corps to submit to customs inspection of such effects at the customhouse instead of at their residences.

(c) Restricting the sale of automobiles among members of the Diplomatic Corps.

(d) Confiscation by the Soviet authorities of printed matter addressed to members of the Diplomatic Corps.

2. My opinion was requested as to the timeliness of such a *démarche*. Pursuant thereto I conferred with the British Ambassador to ascertain the manner in which it was proposed to project the plan.

3. He agreed with me that the situation is extremely sensitive and that unless it was handled with care and friendly consideration there was danger of not only failing to obtain the desired result but of possibly intensifying the already apparent hostility of the Government here toward foreigners. This antagonism apparently is based on the belief that there exists a jointly hostile attitude against the Soviet Government on the part of many of the nations represented here.

4. He stated that the French Ambassador⁵³ also had recommended that the representations be made not by formal note but in friendly conversations.

5. While I have grave doubts as to the timeliness of such an action, particularly in view of the relative unimportance of these matters in contrast to larger issues threatening world peace and the potential importance of the friendship of this Government, I nevertheless recommend that this Mission be authorized to cooperate in this matter; and this for the reason that I have every confidence in the tact, good judgment and effectiveness of the British Ambassador in handling this situation without offense.

6. Telegraphic communication is being resorted to because of the specific request by the British Ambassador for a speedy reply.

DAVIES

124.61/128

*Memorandum by the Chief of the Division of European Affairs
(Moffat)*

[WASHINGTON,] April 16, 1938.

The Soviet Ambassador called on me this morning. He said that he was on the point of sending us a memorandum in reply to the in-

⁵³ Robert Coulondre.

formal *aide-mémoire* handed him some months ago regarding what he termed "the various small administrative difficulties which were preoccupying the members of the American Embassy at Moscow." He said that he was quite willing to admit that there had been certain difficulties with regard to the examination of incoming luggage which have by now been corrected; that there were other difficulties involving delay in getting diplomatic luggage out of the country which would be corrected; that a number of other points could be cleared up, but it seemed to him that they were all very small questions. The American Embassy in Moscow, he could assure me, received better treatment than the Embassies of other foreign powers if for no other reason than that there had never been any abuse by American officials of the hospitality of the country as there had been by other diplomats. Furthermore, we must recognize that there had been of late a state of tension in Moscow which was reflected throughout the administrative services. So much by way of explanation.

I replied that there were two points that I wished to emphasize.

The first was that there had been evidences of a feeling in Moscow that our complaints had been made by an official, or a group of officials, who were anxious to "make trouble". This was far from being the case. We felt that, on the contrary, if the situation complained of could be cleared up, it would be conducive to far smoother and better relations between us. The Ambassador said he was glad to hear this, because the feeling that I mention did in fact exist in Moscow. One reason for this was our mention in the *aide-mémoire* about consular districts, when this point had been finally settled some four years previously by the creation of a Consular Section in the American Embassy.⁵⁴ He was glad, however, to take note of what I said.

The second point I wished to raise was the following: Moscow might consider these things trivialities and attempt to answer or explain them one by one; from our point of view, however, it was their cumulative effect which was creating an exceedingly difficult atmosphere and which could not be belittled. We had hoped that before this the general atmosphere would have improved. Unfortunately this was not the case. Without arguing with him I might mention the difficulties recently experienced by one member of the Embassy⁵⁵ who had spent thirty-three days doing nothing else than getting his effects out of the country, and the case of a Secretary of Embassy⁵⁶ whose private library was inspected, with the result that he was ordered to export some forty-one volumes within a month or have

⁵⁴ For the creation of the Consular Section in the American Embassy in Moscow at the time of the failure of negotiations in regard to claims and credits in 1935, see pp. 177 ff.

⁵⁵ Dr. Adolph S. Rumreich.

⁵⁶ Charles E. Bohlen.

them confiscated. The Ambassador mentioned the state of tension that had been going on, and I urged that from now on the attitude of the Soviet officials should be more liberal and friendly.

The Ambassador then said that after all the big question between us was the question of the debts; that he had at one time hoped to settle them, but that various factors had arisen, not exclusively in Russia, to make this impossible. He repeated that if Russia were only faced by the American debt it would be easy to solve and not too expensive, but that whatever was done must not create a situation which would obligate Russia to pay the enormous French and British debt claims. I inquired if he thought the present was an opportune time to reopen the debt question. He replied, "Perhaps not just yet, but the time may soon come". He reverted on two or three occasions to the debt question without ever being more specific, but I could not help wondering if he were not trying to throw out a hint that we might wish to approach this problem again before so very long.⁵⁷

The Ambassador then told me that he was planning to go back to Russia for two months this summer, and that he would take his boy, aged eighteen, with him. The latter is a Freshman at Swarthmore, interested in literature, but far more American than Russian in language, outlook, and training. He felt that it was about time to take him home to Russify him.

PIERREPONT MOFFAT

124.61/134

*The Embassy of the Soviet Union to the Department of State*⁵⁸

MEMORANDUM OF ORAL CONVERSATION

The Government of the Union of Soviet Socialist Republics fully shares the desire of the Government of the United States to maintain Soviet-American relations on a close and friendly basis. This aim has been repeatedly set forth in public statements of responsible authorities in the Soviet Union and has guided the officials of the Soviet Union in their intercourse with the officials of the United States.

The Government of the United States has alluded at this moment to certain matters which have arisen during more than four years of normal relations between both countries. It would appear that the matters to which allusion is made are either of a nature requiring

⁵⁷ For the renewed consideration of this subject which started with the interview between Ambassador Davies and Stalin on June 5, 1938, see pp. 567-600, *passim*.

⁵⁸ Received in the Department April 28, 1938, in an envelope addressed to Pierrepont Moffat, Chief of the Division of European Affairs.

mutual adjustment by both parties or else are questions which have not been recently discussed or are now brought to the attention of the Soviet Government for the first time. In cases requiring mutual agreement a failure of solution can not be attributed to one party. In other cases the reference to certain matters must have been based on misunderstanding or erroneous information.

The Soviet Government on its part might present a list of accumulated questions which, in its estimation, might prejudice Soviet-American relations. The Soviet Government does not consider it opportune to assemble at this moment all such matters which have arisen in the course of four years of normal relations between the two countries. The Soviet Government is aware of the fact that during the same period many other matters had been adjusted to mutual satisfaction.

The Soviet Government shares the practice of the Government of the United States of providing the foreign diplomatic missions accredited to it, through the customary channels, with the information which they may require in the pursuit of their official duties. It does not appear that such facilities were denied to the Embassy of the United States in Moscow. On the contrary, these facilities were extended in a measure proportionate to the great interest shown by various American institutions in many fields of economic, social and intellectual activity in the Soviet Union. In accordance with customary procedure, the American Embassy in Moscow addresses its inquiries to the People's Commissariat of Foreign Affairs, which either communicates available information or secures it from the appropriate departments of the Soviet Government in all cases not incompatible with public interest. As the Government of the United States must be aware, the American Embassy in Moscow maintains direct and regular contact with various departments and institutions in the Soviet Union. To mention but a few instances, the diplomatic officers of the American Embassy have on different occasions visited and conferred with the People's Commissariats of Foreign Trade, of Finance, of Agriculture, of Food Industry, the Committee for Physical Culture, the Society for Cultural Relations with Foreign Countries etc. On its part, the Embassy of the Soviet Union in Washington endeavors to be of the utmost assistance to the numerous American governmental, public and private institutions making inquiry about the Soviet Union and enjoys the full cooperation of Soviet authorities in obtaining all possible information.

In it [*It is?*] intimated that the diplomatic officers of the Embassy of the United States have experienced difficulties in their movements within the territory of the Soviet Union; that they do not have ready access to the officials of the People's Commissariat of Foreign Affairs and, in one specific case, were subjected to uncourteous treatment

by the officials of the Commissariat of Foreign Affairs. Upon inquiry, it appears, that the officers of the Embassy of the United States have not been denied facilities in visiting various parts of the Soviet Union, but were given full assistance, as, for instance, in the case of the journey of the Ambassador of the United States, Mr. Joseph Davies, accompanied by the members of his staff and by the representatives of the American press, through various industrial regions of the Soviet Union. The Soviet Ambassador in Washington understands that the American Ambassador has stated both publicly and in private conversation that he and his party were given courteous and cordial reception and assistance by central and local authorities throughout the Soviet Union. The abovementioned statements of Ambassador Davies were understood to have referred equally to his cordial contacts with various departments and personalities in Moscow. Ambassador Davies had intended further visits to agricultural regions of the Union and the authorities were glad to assure him of their full cooperation in making such journeys as interesting and comfortable as possible. It might be added, that officers of the American Embassy, in particular Mr. Kennan, Mr. Durbrow and Lieut. Col. Faymonville, have visited various parts of the Union and extended some of their travels as far as the Far Eastern Region of the USSR.

Not a single case is known in which officers of the American Embassy had difficulty in access to the officials of the People's Commissariat of Foreign Affairs. The Ambassador of the United States, or the *Chargé d'Affaires*, were never denied a reception by the People's Commissar of Foreign Affairs or by one of the Assistant Commissars. The Third Western Division of the Commissariat, which has charge of the relations with the United States, in the person of its Director or Assistant Director, receives the officers of the American Embassy on the same day whenever they express a desire to visit this Division. The Consular service of the American Embassy is in daily contact with the Consular Division of the Commissariat. No instance is known when officials of the American Embassy were refused reception by any other Division.

With respect to the allegedly uncourteous treatment of an officer of the American Embassy by an official of the People's Commissariat of Foreign Affairs, Mr. Loy Henderson was most emphatic in assuring Mr. Weinberg, Director of the Third Western Division, that no such incident ever occurred and that any such report must have been based on misunderstanding.

In view of the above, and referring to that part of the Memorandum of Oral Conversation,⁵⁹ which concerns the intercourse and mutual

⁵⁹ See memorandum of January 13, 1938, by the Secretary of State, p. 624, especially p. 625.

information and contacts between the two Governments and their officials, the Soviet Government fails to see in the daily practice of the relations between the two countries, as far as the Soviet Union is concerned, any evidence of "an atmosphere in which close and friendly relations are impossible of development".

The American Government having alluded to certain specific matters which have arisen at different periods of Soviet-American relations wherein the American Government feels that it has not always been accorded the full cooperation of the Soviet Government, the following information is provided in the order of those matters as listed in the Memorandum:

a) *The settlement of debts and claims.* The Soviet Government does not feel that failure up to the present to arrive at a settlement has been due to a lack of cooperation on its part, but, as before, attributes the inconclusive outcome of the negotiations to differences in interpretation of the understanding reached between the President and Mr. Litvinov and considers the interpretation given on the American side a departure from this understanding. The absence of a settlement of this question does not in itself constitute, in the opinion of the Soviet Government, an obstacle to the development of close and friendly relations between the two countries. In a statement made to a representative of the Tass Agency on March 1, 1935, Mr. Litvinov expressed the belief of the Soviet Government, that the failure of the negotiations to bring the desired result "must not affect the relations between the two countries" and added: "The USSR and the USA as other peace loving countries, are confronted with more serious general objects for which it is possible to work without injuring the material claims between countries. The difficulty of solving mutual monetary claims between various countries has now become a general phenomenon of international life, but it does not interfere with international cooperation in the development of trade relations or in the preservation of peace".

b) *Procurement of Soviet currency for the use of the American Mission in Moscow.* The Soviet Government is the more surprised to find this matter among those to which allusion is made in the above-mentioned Memorandum, in as much as the American Embassy in Moscow enjoys full opportunity for obtaining Soviet currency through unlimited exchange of foreign currency against the currency of the Soviet Union at existing rates.⁶⁰ The Soviet Government has established its exchange rates in accordance with its fixed financial policy. The Soviet Government does not believe that it should interpret the raising of this question as an indication that the Govern-

⁶⁰ Regarding ruble exchange rates, see paragraphs 12 and 13 in Embassy's despatch No. 12, March 28, 1934, pp. 71, 74.

ment of the United States desires to suggest a change in the fixed financial policy of a foreign Government. The Soviet Government and its diplomatic representations abroad have frequently, as probably have likewise the missions of the American Government, experienced inconveniences and additional expenses due to the existing exchange rates or their fluctuations in various capitals of the world, but it has not made or received requests to establish for diplomatic representatives special exchange rates differing from those generally and legally existing. It might be added that the American Government succeeded in maintaining its diplomatic mission in Moscow at a relatively lower cost, than that incurred by the Soviet Government for the maintenance of its Embassy in Washington, taking into consideration the comparatively more numerous staff of the American Embassy in Moscow. There is of course no discrimination whatsoever in the treatment of the American Embassy in Moscow in regard to questions of currency, as compared to other foreign missions accredited to the Government of the Union.

c) *The delimitation of the Consular District of the American Consulate General in Moscow.* This question has not been mentioned by the American Government since early in 1934,⁶¹ when the American Embassy in Moscow informed the People's Commissariat of Foreign Affairs of its intention to open a Consulate General in Moscow and requested to specify in its Exequatur, that the consular jurisdiction of the abovementioned Consulate covers the whole of the territory of the Soviet Union. In the course of negotiations which followed the People's Commissariat of Foreign Affairs explained to the American Embassy, that such unlimited Exequatur would not be compatible with the practice of consular services in the Soviet Union. Thereafter the American Embassy brought to the knowledge of the People's Commissariat of Foreign Affairs that it intended to establish within the Embassy a Consular Division. The jurisdiction of this Consular Division extends in fact to the whole of the territory of the Soviet Union. In the course of the past four years this question has not been reopened from the American side, nor has the Soviet Government been informed of any intention of the American Government to establish Consulates in the Soviet Union.

d) *The plans of the Government of the United States to construct in Moscow a building housing its representatives in that capital.* As early as in 1934 a location was offered to, and has been since held for, the Embassy of the United States for this purpose. Conversations between the People's Commissariat of Foreign Affairs and the American Embassy were conducted with the aim of settling various questions referring to the conditions under which, in compliance with ex-

⁶¹ See Embassy's despatch No. 65, May 29, 1934, p. 102.

isting laws, the construction had to be accomplished. While in the course of those conversations several questions arose which had to be settled by mutual agreement, there were no insurmountable difficulties which could have prevented the construction, and the conversations in question have not been concluded, not because of such difficulties, but because of their suspension by the American side. The absence of serious difficulties is evidenced both by the fact of the recent construction of a new building of the Finnish Legation in Moscow and by the interest shown in the site assigned to the American Embassy by various other diplomatic missions intending the construction of new buildings. The Soviet Ambassador in Washington more recently had the honor to bring to the attention of Mr. Messersmith, Assistant Secretary of State, the fact that the municipal authorities in Moscow, in view of the exceptional demand for building space in the fast growing capital, is compelled to consider whether it can hold the very large site assigned to the disposal of the American Embassy beyond the construction season of 1938. The Ambassador has been now informed by the Soviet of the City of Moscow that the above-mentioned site will be held at the disposal of the American Embassy until January 1, 1939.

e) *Regime of inspection of personal effects of diplomatic officers upon their departure from the Soviet Union and imposition upon certain of these effects of export duties.* The personal effects of diplomatic officers are not submitted to any inspection in cases when those personal effects are exported or imported simultaneously with the departure or entry of a diplomatic officer, holding a "laissez passer", and the latter are issued by the People's Commissariat of Foreign Affairs in a liberal manner. Personal effects of diplomatic officers are inspected by custom authorities only when not accompanied by their owners and export duties are applied only against certain antiques and against valuable rugs. All other effects and the personal luggage of diplomatic officers is free of duty. The same is not in all cases true of the procedure applied by the Custom authorities of the United States to Soviet citizens, not excepting Members of the Soviet Government, who upon their landing in New York had to submit their personal luggage to inspection,⁶² in spite of presentation of their diplomatic passports and "laissez passer" letters issued by the Embassy of the United States in Moscow. It might be added that American diplomatic officers in Moscow take advantage of their privilege

⁶² Marginal notation by Orsen N. Nielsen, Assistant Chief of the Division of European Affairs: "This deals with customs inspection upon arrival in the U[nited] S[tates]."

"We have protested against export duties levied on effects of American officials upon their departure from the Soviet Union. The Ambassador's remarks have no bearing on the point made by us,"

to bring in, without inspection or duties, various articles which are imported in considerable amounts. At the same time, it appears that in certain cases when large amounts of personal effects were submitted, by many diplomatic officers, for inspection all at one time, custom authorities in Moscow have not made this inspection with the desirable expedition and delays have occurred. It is learned that regrettable delay occurred in the inspection of the effects of the attaché of the American Embassy in Moscow Dr. Rumreich. Appropriate measures have been taken to secure a speedier functioning of custom formalities.

f) *Delay and difficulty, experienced by Americans, including diplomats, in obtaining Soviet visas of entry and exit and nonadmission to the Soviet Union of bearers of valid Soviet visas.* No difficulties in granting visas to American diplomatic officers are known to the Soviet Government or to its Embassy or Consulates in the United States, nor were any specific cases ever brought to their attention. No difficulties are experienced by American nationals, bearers of valid American passports in obtaining exit visas upon their departure from the Soviet Union. Finally, no cases are known to Soviet authorities in which American nationals, bearers of valid American passports and valid Soviet visas, have ever been refused entrance into the Soviet Union. If reference is made to American nationals aboard vessels visiting Soviet harbors on tourist cruises, who, in very few instances, may not have been permitted to enter Soviet territory, it should be pointed out that participants in such tourist cruises do not obtain Soviet visas at all and admission on Soviet territory remains entirely at the discretion of Soviet authorities upon the arrivals of the cruising boat. Tourists, bearers of valid passports and regular tourist visas, have no difficulty in entering or leaving the country, as has been the experience of thousands of American tourists. The applications of other American nationals, holders of valid American passports, for entry into the Soviet Union have been examined with all possible expediency and it is the practice of Soviet authorities to pay special attention to applications of American nationals, which, as a rule, are answered within a period of two weeks, with exception of some cases requiring further inquiries. It has been established that only in one specific case entry to the Soviet Union has been refused an American national who originally was granted a Soviet visa. An American citizen, Mr. Korjella, who was in possession of a Soviet visa, asked, in September 1937, the Consulate General of the Soviet Union in New York to extend the validity of that visa which has expired. The prolongation was granted. Upon arrival in London, Mr. Korjella informed the Consular Division of the Soviet Embassy in London, that

during his transocean journey he has lost his American national passport and requested a new visa of entry. Under the circumstances, entry this time was refused. It should be added that Soviet authorities have in the recent past made frequent exemptions from existing passport and visa regulations for the benefit of American nationals, as for instance, in the case of an American anthropological expedition headed by Professor Hrdlička and consisting of six members. This expedition has been admitted to the Commodore Islands in the summer of 1937 in spite of absence of American passports and regular Soviet visae. Ambassador Davies' personal friends who accompanied him aboard his yacht on several trips to Leningrad were allowed entry in spite of absence of Soviet visae. Other similar exceptions typifying the attitude of Soviet authorities toward American nationals could be enumerated. It appears doubtful whether in similar cases foreign nationals not equipped with regular passports or visae would have been as freely admitted to other countries. It might be added that incomparably more American nationals are admitted to enter the Soviet Union than Soviet nationals in respect to the United States.

g) Inspection of drawings, plans etc. which American technical men in employ or in negotiation with Soviet authorities desire to take out of the country with them. During more than four years of the functioning of the American Embassy in Moscow the latter had only one occasion to address the People's Commissariat of Foreign Affairs on such a matter, namely, in the case of an American engineer, Mr. Wood, who was in the employ of "Glavzoloto" (The Central Administration of the Gold Industry) and, upon departure, has left some of his belongings with the said Administration, with the request that they be forwarded to New York. Because of a delay in the receipt of those belongings the American Embassy requested an inquiry by the People's Commissariat of Foreign Affairs. It appeared that, while most of Mr. Wood's belonging (books and other effects) have been sent to him, drawings and plans were retained. Those materials, as has been established, referred to the reconstruction of factories in Kolchugino and to some other industrial *entreprises* and, as officially stated by the Central Administration of the Gold Industry, constituted Soviet industrial property. These facts were communicated to and acknowledged by the American Embassy in Moscow. No other cases of retaining such materials were brought to the attention of Soviet authorities.

WASHINGTON, [undated.]

661.11241/15 : Telegram

*The Acting Secretary of State to the Ambassador in the Soviet Union
(Davies)*

WASHINGTON, April 29, 1938—8 p. m.

63. Your despatch No. 1152, April 12, 1938.⁶³ The Embassy may, in your discretion, participate in the contemplated protest provided that the representatives of all the great powers join in it.

WELLES

661.11241/31

*The Ambassador in the Soviet Union (Davies) to the Secretary
of State*

No. 1233

Moscow, April 30, 1938.

[Received May 31.]

SIR: With reference to my despatch No. 1152 of April 12, 1938,⁶⁴ and previous communications to the Department relating to the proposal of the British Ambassador, Acting Dean of the Diplomatic Corps, to register a protest against the manner in which Soviet customs authorities have been treating members of the Corps, I have the honor to report that the British Ambassador has decided to drop the matter for the present at least.

Under date of April 19, 1938, the British Ambassador sent a circular note, a translation of which is enclosed,⁶⁴ to all Chiefs of Mission listing the Embassies and Legations, the Chiefs of which had indicated their willingness to be associated with the *démarche* and stating that the protest would be made soon.

It will be observed from an examination of this note that it listed all missions except the American and Spanish Embassies and the Lithuanian, Touvan,⁶⁵ and Mongolian Legations. It is my understanding that several chiefs of mission, after receiving the British Ambassador's note of April 17 and after having ascertained from it that all missions in Moscow had not associated themselves with the proposed *démarche*, expressed some doubt to the Ambassador as to whether in the circumstances it would be advisable to make the protest, and that the Ambassador had replied that in view of the hesitancy which they were displaying he would let the whole matter drop.

The British Ambassador left the Soviet Union last evening on an extended leave and will not return until after the Afghan Ambassador has already assumed his duties as Dean of the Diplomatic Corps. In my opinion it is doubtful that the Afghan Ambassador will take any steps in the matter.

⁶³ Not printed, but see Embassy's telegram No. 89, March 28, 1938, 9 p. m., p. 644.

⁶⁴ Not printed.

⁶⁵ Tannu Tuva.

The Department will understand that I at all times made it clear that I could not assume responsibility of decision in this matter in view of previous instructions of last December,⁶⁷ that in a very friendly and cooperative manner I expressed frankly the opinion that as matters had developed nothing but harm could result from this action now, and that I was always in entire agreement with his original statement to me that it would be unwise to proceed unless the action was unanimous so that there could be no possible "political" angle "spelled into" the situation. The British Ambassador was, I am sure, convinced of my frank and friendly cooperation.

It is well closed in my opinion and "much ado about nothing".

Respectfully yours,

JOSEPH E. DAVIES

661.11241/28

The Ambassador in the Soviet Union (Davies) to the Secretary of State

No. 1281

Moscow, May 12, 1938.

[Received May 31.]

SIR: I have the honor to refer to the Embassy's despatch No. 961 of February 18, 1938 (File No. 620),⁶⁸ in which was set forth the treatment accorded by the Soviet Customs officials to members of the diplomatic corps in Moscow, including members of the American Embassy, and in particular to Articles No. 2 and 3 of enclosure No. 3 to the despatch under reference.

The "special book of registration"⁶⁹ referred to in Article 3 in which is recorded the duties assessed by the Customs on all shipments addressed to the Embassy, other than those addressed to the Ambassador or to the Chargé d'affaires ad interim, which are excepted by subdivision (a) of Article 2, has been maintained by the Customs on behalf of the Embassy since the opening of the mission in 1934.

After numerous requests over a long period the Embassy has finally received an oral statement from Mrs. Burshtein of the Protocol Section of the People's Commissariat for Foreign Affairs that the Embassy's annual quota of duties which are non-payable is Rubles 60,000, and that the total debits against the Embassy for the calendar years 1934-1937 are as follows:

1934	Rubles 3,588,473.61
1935	1,384,348.77
1936	1,369,373.33
1937	2,116,191.27

⁶⁷ See telegram No. 189, December 4, 1937, noon, to the Chargé in the Soviet Union, p. 453.

⁶⁸ Not printed; filed in the Department under 661.11241/20.

⁶⁹ This was a record book in which was specified the amount of duty that would be rebated annually by the Soviet authorities to each Chief of Mission. All amounts in excess of this quota were supposed to be payable, although in practice the Soviet Government usually did not endeavor to collect these duties.

According to this information, the net debit against the Embassy at the end of 1937 is Rubles 8,218,386.98 (i. e., Rubles 8,458,386.98 less Rubles 240,000).

Respectfully yours,

For the Ambassador:

A. I. WARD

Second Secretary of Embassy

124.61/134

*Memorandum by Messrs. George F. Kennan and Edward Page, Jr.,
of the Division of European Affairs*

[WASHINGTON,] July 19, 1938.

COMMENTS ON THE MEMORANDUM OF ORAL CONVERSATION LEFT
BY THE SOVIET AMBASSADOR ON APRIL 28, 1938

Before turning to the specific matters enumerated in the Ambassador's memorandum (pp. 7-15),⁷⁰ it is proposed to comment briefly on some of the statements contained in the first part of the memorandum.

1. It is claimed (page 2)⁷¹ that the Soviet Government provides foreign diplomatic missions with the information which they may require in the pursuit of their official duties.

The American Embassy has never been able to ascertain from the Soviet Foreign Office or any other Government organ the reasons for the refusal to grant to American citizens Soviet visas, or the reasons for the arrest of Soviet employees of the American Embassy. Furthermore, the Embassy has rarely been able to obtain from any Soviet Government office useful information of an economic or social nature, even when such information could in no way be considered a state secret. An officer of the Embassy was on one occasion refused permission by the Foreign Office to interview the chief of the Northern Sea Route. The Foreign Office also refused to permit the Embassy to have contact with officials of its own Far Eastern Division, for the purpose of a regular informal exchange of non-confidential information and views on events in the Far East.

2. It is stated that "the Soviet Government fails to see in the daily practice of the relations between the two countries, as far as the Soviet Union is concerned, any evidence of 'an atmosphere in which close and friendly relations are impossible of development.'"

⁷⁰ The portion comprising items *a*) through *g*), pp. 650-654.

⁷¹ The fourth paragraph of the memorandum, p. 648.

It need merely be recalled in this connection that for the last two years leaders of the Soviet Government have been engaged in the conduct of an anti-foreign campaign which is almost unprecedented. As a result of this campaign the population has been taught that all foreigners are to be regarded as engaged in espionage under the immediate direction of their own diplomatic mission. Every effort has been made by the Soviet regime to isolate foreign diplomatic officials from the native population and to discourage the natives, both officials and private citizens, from divulging any information whatsoever to the official representatives of foreign countries. People who have had personal dealings with foreigners have been persecuted. Specifically, in the case of our mission, employees of the Embassy Chancery as well as a number of servants, chauffeurs, and gardeners employed by members of the Embassy staff have been arrested. Many others have suffered inconvenience through their connections with the Embassy. Practically every Soviet official who has ever had any personal connection with any member of the Embassy has disappeared from the scene in circumstances which indicated exile, imprisonment, or disgrace, if not execution.

It is apparent that the atmosphere which results from policies of this sort on the part of the Government is not one in which close and friendly relations can develop.

With regard to the various matters which are enumerated on page 7 *et seq* of the Ambassador's memorandum, the question of debts and claims, the procurement of Soviet currency, the delimitation of the consular district, and the plan for the construction of an Embassy in Moscow, although they are of considerable importance are not pertinent to the present issue, which is primarily one of the unsatisfactory treatment accorded our Embassy by the Soviet Government and of current matters relative to the protection of American citizens in the Soviet Union. They therefore are not discussed in the present memorandum.

The specific statements in the memorandum to which issue must be taken are the following:

1. The Ambassador states that export duties are levied only against certain antiques and valuable rugs.

The Soviet customs authorities attempted to collect export duties on practically all the personal effects of any value of Dr. Rumreich, United States Public Health Surgeon, in December, 1937, (with the exception of clothing), even though many of his effects were imported from abroad and were covered by documents proving their importation. After repeated protests and negotiations with the Foreign Office which lasted for more than a month, Dr. Rumreich was allowed to take out his effects upon payment of a small export duty.

It is stated in the memorandum that "appropriate measures have been taken to secure a speedier functioning of custom formalities." In as much as we have received no complaints regarding the exportation of Dr. Bunkley's and Mr. Henderson's effects, it is not impossible that the representations of the Department in this regard have had some effect.

2. It is stated in the memorandum that "no difficulties in granting visas to American diplomatic officers are known to the Soviet Government or to its Embassy or Consulates in the United States."

This statement is surprising. Secretary Page was delayed for over ten days in his transfer from Riga to Moscow last summer and representations were made at the Soviet Foreign Office on numerous occasions with a view to expediting the issue of his visa. The Military Attaché at the Legation in Riga was obliged to wait for several months for a Soviet visa and finally gave up a trip to Leningrad because of the dilatory tactics of the Soviet Government in issuing to him a visa.

3. It is further stated "no difficulties are experienced by American nationals, bearers of valid American passports, in obtaining exit visas upon their departure from the Soviet Union".

This statement is incorrect. Thus Mr. Robert D. Petty (file no. 861.111) applied on October 2, 1937, for an exit visa but was continually put off. The Embassy intervened and pressed the matter on several occasions. Ambassador Davies saw Assistant Commissar Stomonyakov on November 10 regarding the matter and the visa was finally issued on that date. This is only one of many cases.

4. It is further stated in the memorandum that "the applications of other American nationals, holders of valid American passports for entry into the Soviet Union have been examined with all possible expediency and it is the practice of the Soviet authorities to pay special attention to applications of American nationals, which, as a rule, are accepted within a period of two weeks, with the exception of some cases requiring further inquiries".

One of the commonest causes of complaints against the Soviet Union has arisen in connection with visas issued to American citizens. In the files of the Department are many letters from American citizens and despatches from American Missions abroad regarding refusals to permit American citizens to enter the Soviet Union or regarding great delay in obtaining Soviet visas. In this connection it might be mentioned that Eugene D. Pressley, clerk attached to the American delegation to the Brussels Conference, waited almost a month for a Soviet visa upon his transfer to the Embassy in Moscow in December, 1937, and Lieutenant Seidel, Language Officer in Riga, waited from February 11 until June 23, 1937, for a visa notwithstanding repeated representations on the part of the American Embassy in Moscow.

5. The memorandum states that the American Embassy has had only "one occasion to address the People's Commissariat for Foreign Affairs on such a matter" (the retaining for inspection of drawings, plans, et cetera, which American business men in the employ of or in negotiation with Soviet authorities desire to take out of the country).

This statement is true. As a result of the Embassy's representations in a case of this kind in 1935 written assurances were given by the Soviet Foreign Office to the effect that American nationals about to depart from the Soviet Union would be permitted to be present during the examination by the customs of plans, drawings, etc.

Despite this formal undertaking, the Soviet Government violated its promise in the case of engineers of the Radio Corporation of America working in the Soviet Union. Confidential papers were taken "for inspection" by the Soviet customs from certain engineers of the R. C. A. when they departed in the fall of 1937 from the Soviet Union. The Department instructed the Embassy to protest to the Soviet Government (Instruction No. 236 of October 27, 1937⁷²) but the Embassy did not do so for the reason that the Radio Corporation desired that no protest be made, on the ground that any protest would only serve to alienate any future orders from the Soviet Government. There is good reason to believe that important American patents are frequently infringed by various Soviet organs. The opportunities that are afforded Soviet officials to copy drawings, plans, et cetera, while these papers are in the custody of the customs officials for protracted "inspection" are obvious.

361.1121 Nausiainen, Elmer J./2

The Chargé in the Soviet Union (Kirk) to the Secretary of State

[Extracts]

No. 1613

Moscow, August 31, 1938.

[Received September 20.]

SIR: I have the honor to enclose a copy of an informal memorandum prepared July 19, 1938,⁷³ for the files of this mission regarding a conversation with Mr. Elmer John Nausiainen, an American citizen possessing dual nationality, who never returned to his home after leaving the Embassy building on July 18, 1938.⁷⁴ It will be noticed from the memorandum that Mr. Nausiainen stated that numerous arrests have

⁷² *Ante*, p. 397.

⁷³ Not printed.

⁷⁴ For the arrest and detention of American citizens by the Soviet Government in contravention of the undertaking of November 16, 1933, see pp. 708 ff.

been made among his neighbors at Petrozavodsk by the Soviet authorities⁷⁵ and that he was afraid that he might also be arrested.

The Embassy received a letter dated August 1, 1938, from Mrs. Norma Nousiainen of Petrozavodsk, the mother of Elmer John Nousiainen, in which it was stated that her son never returned to their home after his departure to visit the Embassy. A letter dated August 3, 1938 was also received from Mrs. Alli Ranta of Petrozavodsk inquiring concerning the whereabouts of her husband who accompanied Mr. Nousiainen on his visit to the Embassy on July 18, 1938.

It is not known definitely what happened to Mr. Nousiainen and Mr. Ranta but it is suspected that they were detained by the Soviet authorities while in Moscow. Several similar disappearances have recently occurred and it is reliably reported that some of these individuals were arrested and detained by the Soviet authorities after their visit to this mission.

A note has been addressed to the People's Commissariat for Foreign Affairs of the Union of Soviet Socialist Republics requesting information concerning the whereabouts of Elmer John Nousiainen.

The Department is familiar with the case of Ivan Dubin, who disappeared after his visit to the Embassy on March 1, 1938. Other former Americans, having business with the Consular Section of the Embassy, who have been reported as having been arrested during the first quarter of 1938 are: Michael Aisenstein (March 9, 1938); Tamara Antonio Aisenstein (March 29, 1938); Sam Bess (March 12, 1938); Sol Drypool (March 15, 1938), and others. There are listed below the names of some of the individuals who have informed this mission that they were stopped and questioned by the Soviet secret police agents during the same period.

[Here follows a list of 11 persons who were stopped and questioned on leaving the Embassy, with dates and brief descriptions of some incidents.]

Mr. Henry H. Webb, the bearer of an American passport, and Mr. Bruno H. Wuori, whose application for an American passport was being considered by the Department at that time, returned to the Embassy after they were stopped and questioned by representatives of the People's Commissariat for Internal Affairs of the Union of Soviet Socialist Republics and pointed out their interrogators to members of the Embassy staff as being the two plain clothes individuals whose custom it was to loiter or stand in front of a shop win-

⁷⁵ These arrests were chiefly of foreign-born persons, particularly Finns and Norwegians, who had come in groups to the Karelian Autonomous S.S.R. from the Midwest of the United States, Canada, and elsewhere. Considerable recruitment had been done in the United States by the Karelian Technical Aid, an organization which was believed to have operated through the Amtorg Trading Corporation, New York, N. Y.

dow between the Hotel National and the Embassy building, within approximately forty paces of the entrance to the Consular Section of this mission. Mrs. Marsalka, however, was questioned by a woman who apparently was standing on the other side of the Embassy when she left the building.

The usual tactics or technique of the secret police is to follow the individual when he leaves the Chancery and approach him two or three blocks away to demand the presentation of his documents of identity. If challenged the policeman will present a card which plainly indicates that he is an agent of the Soviet internal police formerly known as the O. G. P. U. If the individual is a Soviet citizen he is sometimes taken to a police station to be questioned, but if he is the bearer of an American passport the police agent merely takes notes of his documents and excuses himself. A uniformed policeman is stationed at the entrance to the Mokhovaya Building⁷⁶ but he is not known to have interfered with persons calling at the Embassy on official business.

It might be mentioned, however, that the plain clothes men and their automobile, which was usually parked in view of the entrances to the Mokhovaya Building, housing the Embassy and residential quarters of various members of the staff, disappeared from sight during the past two months and fewer molestations by these men have been reported in recent weeks. It might also be mentioned that the "vigilance" afforded the American Embassy in Moscow is believed to be less severe than that accorded the entrances to some of the other missions, particularly the Japanese, German, Polish, Finnish and Latvian.

The number of callers at the Consular Section of the American Embassy in Moscow has declined considerably since January 1, 1938. The Embassy has been informed by many of the visitors that their friends or relatives would also have called at the mission regarding their affairs but they were afraid to do so on account of the possibility of experiencing difficulties with the Soviet authorities. Several persons have stated that they have been warned by the Soviet police not to visit foreign missions, and the Embassy can only conclude that the decline in the number of visitors must be contributed in great part to the attitude of the local authorities.

Respectfully yours,

For the Chargé d'Affaires ad interim:

A. I. WARD

Chief of Consular Section

⁷⁶ The Embassy building, at Mokhovaya ulitsa 13/15.

124.613/907

The Chargé in the Soviet Union (Kirk) to the Secretary of State

No. 1639

Moscow, September 10, 1938.

[Received October 4.]

SIR: I have the honor to inform the Department that while the Embassy is under the impression that its Soviet employees are expected to report to the Soviet authorities information garnered by them in the performance of their duties, the Embassy is only rarely able to obtain confirmation direct or indirect of this impression.

The Embassy is now informed by a native American citizen, who has resided in the Soviet Union for more than six years, that he recently met in Moscow a former employee of this mission who stated *inter alia* that during the period of his service in the Embassy he was requested by the People's Commissariat for Internal Affairs to report to it on matters coming to his attention in the course of his duty. The former employee alleges that he informed the Soviet authorities that he could not be of worthwhile assistance to them for the reason that he occupied a very minor position in the mission. The authorities then suggested, he alleges, that he obtain the names of visitors to the Embassy, the name of the member of the Embassy staff with whom they conferred, and the object of their visit to the Embassy. The former employee alleges further, however, that he never returned to the above-mentioned Commissariat to report as requested. The former employee added, so the Embassy's informant states, that he has reason to believe that there are "informers" in the Embassy's present Soviet staff.

I have the honor to add that in view of the pressure which the local authorities are capable of applying to Soviet citizens in order to induce them to carry out any orders which they may give, it is reasonable to believe that no Soviet employee of the Embassy can be immune from suspicion as an informant. At the present time, however, there are no grounds for suspecting any particular Embassy employee of engaging voluntarily in this practice and every precaution is taken to restrict the activities of Soviet employees in order to reduce to the minimum the danger to the mission inherent in the regime of fear under which Soviet citizens live.

Respectfully yours,

A. C. KIRK

661.11241/38 : Telegram

The Chargé in the Soviet Union (Kirk) to the Secretary of State

Moscow, November 2, 1938—9 a. m.

[Received November 2—7:40 a. m.]

375. My despatches 1619 and 1663 of September 2 and 19 this year.⁷⁷

1. The Embassy has been experiencing increasing difficulties since September 20 in obtaining the duty free entry of shipments.

2. The Moscow customs is now holding for the payment of import duty or reexportation abroad, three shipments for members of the staff, clothing for Haynes, automobile parts for Chipman, and phonograph records for Cheney, solely because they are addressed to individuals other than the Chief of the Mission, notwithstanding I have authorized the customs to debit the import duty against my registration book (see page 2 of my despatch 1619). As the goods for Haynes and Chipman were ordered subsequent to September 20 (see first paragraph despatch No. 1663) it will probably be necessary to reexport these articles for consignment back in accordance with regular procedure.

The Embassy presented a letter to the customs on October 26 requesting the duty free entry of 19 cases of Government owned property consisting of 17 cases of stationery and office supplies covered by the Department's invoice of official supplies dated September 20 this year and 2 cases of electrical goods shipped through the United States Despatch Agent at New York. The customs states orally that it can release duty free only the memorandum books, headed paper and envelopes and printed forms and that the estimated duty on the remaining supplies is approximately rubles 250,000. It also states that unless I authorize the debiting of this import duty against my registration book (my annual import duty quota is only rubles 60,000; see Embassy's despatch 1281 of May 12 this year) the remaining supplies can be released only upon payment of the import duty or they may be reexported. The Foreign Office states orally that in this instance the customs is acting in strict accordance with laws and regulations in force.

4. Prior to August 1 this year the Embassy authorized the customs to debit import duties on shipments of Government owned property and other goods addressed to the Mission or to American members of its staff against the Embassy's registration book but since August 1 authorizations have been made in my name in my capacity as Chief

⁷⁷ Neither printed. These despatches reported a revision of the Soviet customs regulations of February 10, 1933, according to a Soviet note of September 3, 1938, which gave notice that "from September 20, 1938, shipments arriving for the Embassy from abroad will not enjoy duty-free entry unless such shipments are addressed to the chief of mission." (661.11241/33, 36)

of the Mission against my registration book (see 7th paragraph my despatch 1619). I have withheld authorizing the debiting of import duty on Government owned property against my registration book since August 1 and the present shipment of office supplies and electrical goods is the first instance since that date of the customs refusing to release American Government owned property duty free. I do not feel that import duties on Government owned property should be debited against my registration book without specific instructions from the Department and the shipment in question is remaining in the hands of the Soviet customs pending receipt of instructions from the Department. In this regard reference is made to point 2 on page 6 of the Embassy's despatch 976 of February 21 this year.⁷⁸

In connection with the foregoing there is reason to believe that the import duty quotas of the foreign Diplomatic Missions in Moscow are now being revised by the Soviet authorities and that when the new quotas become effective any import duty in excess thereof must be paid or otherwise the goods will not be permitted to enter the country. In order to assist the Embassy in studying the ways that might be open in dealing with the development of the situation, I should appreciate receiving information as to courtesies enjoyed by Soviet representatives in the United States and regarding any restrictions on customs or other immunities which might be applied by the United States authorities to Soviet representatives in the United States in the event that the argument of reciprocity might be found useful or advisable here. Other Missions in Moscow are laboring under similar difficulties and it is possible that some collective action may be considered when the German Ambassador⁷⁹ becomes dean of the Diplomatic Corps upon the departure next month of the British Ambassador.

KIRK

661.11241/38 : Telegram

The Acting Secretary of State to the Chargé in the Soviet Union
(Kirk)

WASHINGTON, December 2, 1938—5 p. m.

171. Your 375, November 2, 9 p. m. [*a. m.*].

1. The Department feels that it is not in a position to insist that merchandise imported into the Soviet Union for the use of members of the Embassy staff be addressed to them individually. It suggests, therefore, that if the shipments referred to in paragraph 2 of your telegram have not as yet been released and unless the Embassy is able

⁷⁸ *Ante*, pp. 638, 640.

⁷⁹ Friedrich Werner, Count von der Schulenburg.

by its own efforts to prevail upon the Soviet authorities to release them they be exported and readdressed from abroad to the chief of mission.

2. Since the Department takes the view that neither the chief of mission nor the Embassy is liable for the payment of duties upon merchandise listed in the registration book it does not desire to raise objections to the entry into that book of official supplies.

3. You are instructed, unless you perceive some objection thereto, to address a note to the Commissar for Foreign Affairs in the following sense:

"I have the honor to state that I am instructed by my Government to inform you that it has come to the attention of my Government that the Soviet customs authorities are requiring that American governmental supplies imported into the Soviet Union for the official use of this mission be entered, together with the amount of duties payable thereon, into a special registration book which is also employed by such authorities for keeping a record of all merchandise imported into the Soviet Union for the use of the chief and members of the mission.

In order to guard against the possibility of a future misunderstanding, my Government desires me to inform you that it does not consider that itself, the chief of mission, or the Embassy is in any way liable for the payment of customs duties upon merchandise imported into the Soviet Union by the chief of mission or by the Embassy for the official use of the mission or for the personal use of the chief of mission or members of his official or household staff who are American citizens.

My Government also desires me to add that it is sure that the Soviet Government will understand that the American diplomatic representation in the Soviet Union would have great difficulty in properly carrying out its functions if restrictions, including levying of customs duties, would be imposed upon its freedom in importing from abroad supplies for its official use or for the personal use of its members."

4. No quantitative or other restrictions have thus far been laid by this Government upon the merchandise which the Chief of the Soviet diplomatic mission in Washington may import free of duty either for his own use or for that of the Soviet members of his household or official staff. If you deem it advisable to do so you may mention this fact when discussing the note with officials of the Foreign Office. Since the refusal to grant the usual customs courtesies would result in much greater hardship for our Embassy in Moscow than for the Soviet Embassy in Washington it is suggested that not too much emphasis be placed upon the matter of reciprocity. You may point out in your discretion, however, that you understand that the American Government would be greatly disturbed if the Soviet Government should decide not to extend to the American Embassy in Moscow the customs courtesies which American diplomatic missions are accustomed to receive in other countries and which are deemed essential for the effective functioning of American representation in Moscow.

You are also at liberty to add orally that the State Department is surprised that a question of this nature should arise since according to its understanding Mr. Litvinov had given oral assurances while in the United States in November 1933 that American diplomatic and consular officers and employees assigned to the Soviet Union would be accorded duty-free import privileges for articles imported into the Soviet Union for their personal consumption.

5. It would be preferable for the Embassy not to discuss the note with members of other diplomatic missions and not to participate in any collective action in the matter without prior reference to the Department.

WELLES

661.11241/40 : Telegram

The Chargé in the Soviet Union (Kirk) to the Secretary of State

Moscow, December 5, 1938—9 p. m.

[Received December 5—10 a. m.]

413. Department's 171, December 2, 5 p. m.

1. I shall proceed with the written and oral representations along the lines of the Department's above-mentioned telegram.

[2.] Subject to the Department's approval, however, I shall add the following paragraph to the note quoted in the Department's instruction.

"In bringing the foregoing to your attention I have the honor to solicit Your Excellency's good offices with a view to expediting the release without payment of import duty of the shipments of official supplies for the use of the Embassy now being held by the customs administration."

3. New customs rules governing the importation of goods for Chiefs of Mission and their staffs and also for foreign diplomatic missions were transmitted under cover of the Embassy's despatch number 1853, November 19,⁸⁰ which went forward by pouch November 26. These rules which revise in part those of February 10, 1933, and also codify recent practice provide that import duty is levied on merchandise addressed to an Embassy or its Chief other than when articles addressed to the Chief of Mission are debited upon his request to his registration book. No specific provision is made for the duty free entry of goods for the remaining members of the Embassy staff other than upon their initial entry or when they return from travel abroad. While freight and postal shipments of goods for members of the Embassy staff addressed to me are being admitted duty free under my authorization for debit to the registration book, and no attempt has been made to limit imports to amounts regarded as ade-

⁸⁰ Not printed.

quate for use of Chief of Mission only, it is possible that the Foreign Office will challenge the words "and members" at the end of the first paragraph of the note suggested by the Department since from the Soviet viewpoint the fiction is apparently maintained that only the goods of the Chief of Mission are imported free of duty. I suggest however that no modifications be made in the language of the note in this respect as the inclusion of the words in question may serve to obtain a clarification of the situation.

4. In discussing the matter orally at the Foreign Office it would be helpful to be informed if the Department recognizes the right of a foreign government to levy import duty on government property for the official use of the American diplomatic mission in the country concerned and accordingly I shall appreciate receiving a statement on the matter as soon as possible. I feel that every effort should be made at this time to obtain a definite waiver of Soviet import duty on Government property for the official use of the Embassy as otherwise the functioning of the Embassy will be seriously impaired should the customs rules applicable to import duty quota be rigidly enforced since it is not believed that any import duty quota for the Chief of the Mission will be liberal enough to take care of the Government property ordinarily imported and the exhaustion of the quota with debits for official supplies would leave no quota available for personal needs of the Chief and his staff.

KIRK

124.616/256

The Chargé in the Soviet Union (Kirk) to the Secretary of State

No. 1893a

Moscow, December 6, 1938.

[Received December 23.]

SIR: I have the honor to transmit herewith, as of possible interest to the Department, a tentative list⁸¹ of the Embassy's unanswered notes at the Commissariat for Foreign Affairs upon the close of business on November 24, 1938, which I discussed with the officer in charge of the Third Western Division of the Commissariat on December 2 and a copy of which I transmitted to him in a personal letter on December 3 with the urgent request that he expedite the conclusion of the unfinished business.

This list of 134 cases⁸² on which representations have been addressed by the Embassy to the Foreign Office does not constitute a complete record of all pending matters as certain important cases are the subject of special representations and as the present study of the records was not intended to be exhaustive. A copy of the list is, however,

⁸¹ Not printed.

⁸² A total of 323 unanswered notes was involved in these cases.

being transmitted to the Department as a graphic indication of the delays and difficulties experienced by the Embassy in obtaining responses to its representations to the Commissariat for Foreign Affairs.

Respectfully yours,

A. C. KIRK

661.11241/40 : Telegram

*The Acting Secretary of State to the Chargé in the
Soviet Union (Kirk)*

WASHINGTON, December 9, 1938—8 p. m.

175. 1. The addition of the paragraph suggested by you is approved.

2. The position of this Government with respect to the importation free of duty of supplies for the official use of diplomatic missions may be found in paragraph 12 of chapter 7 of the Diplomatic Regulations. It will be observed that the privilege of importing such supplies duty-free arises from usage and tradition rather than from an inherent right. The Department's experience, however, indicates that this privilege is universally extended and an examination of the Department's records reveals no instance in which property imported for official use by its diplomatic missions abroad has been subjected to the payment of customs duties.

3. In your discretion you may point out during your conversations that this Government feels that in addition to considerations of usage and international courtesy other considerations enter into the situation at Moscow. In consequence of the shortage and exorbitant cost of merchandise in the Soviet Union and of the almost prohibitive nature of Soviet customs duties it would be impossible for the Embassy to function effectively at a reasonable cost in case the Soviet Government should refuse to permit the mission and its members to continue satisfying their official and personal needs by duty-free imports from abroad. It is therefore just as imperative that commodities destined for the personal use of the members of the mission be imported duty-free as it is for official supplies to be thus admitted.⁸⁸

WELLES

⁸⁸ The note was presented by the Chargé on December 14, 1938, to Vladimir Petrovich Potemkin, Vice Commissar for Foreign Affairs, who referred it to Vladimir Nikolayevich Barkov, Chief of the Protocol Division, for attention. Mr. Barkov explained on December 26, that "the Soviet Government does not regulate the duty-free entry of such supplies on a reciprocal basis" and he requested that the supplies be entered in the registration book because "there is no obligation now or in the future to pay the amounts inscribed". Three days afterwards Mr. Barkov further explained that "the registration book of a chief of mission is a book of record and not a book of account, and that no entry in the registration book constitutes an obligation against the chief of mission, the mission or the mission's Government." Accordingly on January 5, 1939, the Chargé addressed a letter to the Moscow Customs authorizing the entry of these shipments of Government owned property for official use in the registration book, whereupon the goods were released without delay. (661.11241/43)

EFFORTS BY SOVIET AGENCIES TO PURCHASE WARSHIPS, NAVAL ARMAMENT, AND OTHER WAR MATERIALS IN THE UNITED STATES⁸⁴711.00111 Armament Control/970
Military Secrets*Memoranda by the Chief of the Office of Arms and Munitions Control (Green)*

[WASHINGTON,] January 10, 1938.

Mr. Scott Ferris, representing the Carp Export and Import Corporation,⁸⁵ called at my office this morning. He said that he had been informed by his principals that Mr. Gibbs, the naval architect, had offered to sell them preliminary plans for a battleship for \$60,000, but that he refused to reveal in advance of the transaction the tonnage of the proposed battleship or the number of guns which it would carry. Mr. Ferris said that he had been told that the plans in question had already been submitted to the Navy Department and had been discussed with officers of that Department in several conferences and approved by them. He wished me to ascertain if possible the tonnage of the proposed battleship and the caliber and the number of the guns to be carried on it.

I told Mr. Ferris that it seemed to me that Mr. Carp should obtain the desired information direct from Mr. Gibbs as the question related to a commercial transaction between the two.

I called Admiral Leahy's office by telephone and spoke to Lieutenant Freseman in the Admiral's absence. Lieutenant Freseman said that Mr. Gibbs had had two conferences with officers of the Navy Department, but that as far as he knew nothing definite had resulted from these conferences. It was his understanding that Mr. Gibbs was discussing preparing plans for a 35,000 ton ship.

January 11, 1938.

Admiral Leahy called me by telephone this morning. He referred to my conversation yesterday with Lieutenant Freseman and said that he wanted to give me some further information in regard to the matter.

The Admiral said that he had had conferences recently both with representatives of the Bethlehem Shipbuilding Corporation and with Mr. Gibbs. He said that Bethlehem did not wish to enter into a contract with Carp and was hoping to find in the attitude of the Navy Department toward the proposed transaction some excuse which it

⁸⁴ Continued from pp. 457-491.⁸⁵ 220 Fifth Avenue, New York, N. Y.; registered with the Department of State as exporters of arms.

could use for not entering into a contract and some means of putting an end to the embarrassing insistence of Carp.

The Admiral said that Mr. Gibbs had asked him to let him have the plans of the *West Virginia* stating that he wished to use these plans as a model for the plans which he hoped to sell to Carp. The Admiral said that he had told Mr. Gibbs that if he wanted Navy plans for use in the construction of a battleship for a foreign power, he would have to apply for them in writing and that his application should be addressed to the Secretary of State. The Admiral said that he had grave doubts as to whether it would be legally possible to comply with such a request were it forthcoming and that in any case he felt pretty certain that it would be inexpedient to do so.

JOSEPH C. GREEN

711.00111 Armament Control/977
Military Secrets

*Memorandum by the Chief of the Office of Arms and
 Munitions Control (Green)*

[WASHINGTON,] January 18, 1938.

Mr. Henry Sutphen, Vice President of the Electric Boat Company, called at my office this morning. He handed me the attached clipping from the *New York Times* of January 9,⁸⁶ in regard to the activities of the Carp Export and Import Corporation. He said that Messrs. Carp and Wolf of that company had approached him with a view to the purchase of submarines for the U. S. S. R., but that he had refused to enter into a contract. He added that he had discussed with a number of ship builders the proposal of the Carp Export and Import Corporation to purchase one or more battleships in this country, and that he was convinced that no ship builder would enter into a contract with Carp. He said that none of the ship builders had sufficient confidence in Carp or his associates to be willing to enter into a contract with them. Mr. Sutphen expressed the opinion that had the Soviet Government placed the negotiations for a battleship in the hands of Amtorg,⁸⁷ which has now gained the confidence of American business men, or had Carp entrusted all of the negotiations to some American in whom the Government and the ship builders could have reposed confidence, there would have been no great difficulty in closing the necessary contracts for the construction of battleships.

JOSEPH C. GREEN

⁸⁶ Not reprinted.

⁸⁷ Amtorg Trading Corporation, 261 Fifth Avenue, New York, N. Y., official purchasing and sales agency in the United States of the Soviet Union.

711.00111 Armament Control/1014
Military Secrets

*Memorandum by the Chief of the Office of Arms and
Munitions Control (Green)*

[WASHINGTON,] February 23, 1938.

Mr. David A. Rosoff, Director of Amtorg, called at my office this afternoon by appointment. Among the matters which he seemed particularly interested in discussing was the attempt of the Carp Export and Import Corporation to close a contract for the construction in this country of a battleship for the U. S. S. R. While speaking of that matter, however, he was careful to state several times that Amtorg had no direct interest of any kind in the proposed transaction and that he was asking for information merely in his personal and unofficial capacity. Nevertheless, he showed considerable familiarity with the history of the case and he mentioned the fact that he had discussed it with Mr. Wakeman of the Bethlehem Shipbuilding Corporation, Limited, with Mr. Gibbs, the naval architect, and with a representative of the Sperry Gyroscope Company, Incorporated. He said that he had gained the impression from all of these gentlemen that the real reason why the necessary contracts had not been entered into was that the American companies which had been approached by Carp had not been able to obtain a definite answer as to the policy of the Government in respect to the construction of a battleship for the U. S. S. R. He mentioned specifically the fact that these gentlemen had stated that their conversations with officers of the Navy Department had not resulted in satisfactory and definite statements as to the attitude of that Department. He asked me whether I could enlighten him as to just what had happened.

As Mr. Rosoff was so careful to emphasize that Amtorg had no connection with the proposed transaction and as I was unwilling to give him information which could possibly be considered confidential, I confined my reply to his question to generalities. I said that I thought that the policy of the Government in respect to the proposed transaction had been made perfectly clear to those who had a legitimate interest in the matter, and that the real reason why the negotiations had been unsuccessful was that the shipbuilding companies and others had been unwilling to enter into contracts, the carrying out of which they feared might in the long run cause them endless difficulty. I said that for various reasons, which I did not enter into, they had not become imbued with the confidence which was a necessary prerequisite to entering into contracts which would involve such tremendous expenditure and at least two or three years for their completion. I said that there had been endless conversations but that things had

proceeded in a circle and that I did not know whether the matter could ever be straightened out at this late date. In response to his request for a suggestion as to how the difficulties which had been encountered might be overcome, I suggested the possibility that something might be accomplished if the Carp Export and Import Corporation were to place all of the contacts with Government departments and all of the negotiations for contracts in the hands of some outstanding firm of lawyers with wide experience in the handling of large-scale business transactions.

JOSEPH C. GREEN

711.00111 Armament Control/1016
Military Secrets

*Memorandum by the Chief of the Office of Arms and Munitions
Control (Green)*

[WASHINGTON,] February 24, 1938.

Mr. Scott Ferris, representing the Carp Export & Import Corporation, called at my office this afternoon. He said that within the last few days he had attended a long conference in New York with Messrs. Carp and Wolf, of the Carp Export & Import Corporation, and Mr. Rosoff, Director of Amtorg, with a view to determining what could be done to persuade American companies to enter into contracts for the construction of a battleship for the Union of Soviet Socialist Republics.

At the mention of Mr. Rosoff I interrupted to ask Mr. Ferris whether he knew that Mr. Rosoff had had a conversation with me yesterday in which he referred to the difficulties which have been encountered in negotiating the necessary contracts for this battleship.

Mr. Ferris replied in the negative. He added that the Soviet Government had recently subordinated Mr. Rosoff to Mr. Carp, and that although the former was still ostensibly Director of Amtorg, he was now completely under the orders of the latter. He said that Mr. Carp's position was now so firmly established that he could and did summon the Soviet Ambassador⁸⁸ to New York to confer with him whenever he wished to do so. He said that the other day when he was in Mr. Carp's office in New York, Mr. Carp called Stalin by telephone, and that as a result of this conversation Mr. Carp had left New York yesterday on the *Queen Mary* to report in person in Moscow on the difficulties which he was encountering in his efforts to purchase a battleship in this country.

Mr. Ferris said that the purpose of his call was to ask me to ask the Secretary to ask Admiral Leahy to authorize Mr. Gibbs, the naval architect, to submit to the Navy Department, either directly or through

⁸⁸ Alexander Antonovich Troyanovsky.

the Department of State, the plans which he had prepared for the battleship in order that it might be determined whether or not these plans involved military secrets of interest to the national defense.

I expressed surprise at this round-about method of dealing with what appeared to be such a simple matter, ventured the opinion that the Secretary would not wish to make such a request of Admiral Leahy, stated that no authorization to submit the plans for inspection appeared to me to be necessary and added that if such an authorization were deemed necessary by Mr. Gibbs, I could not see why he did not come to me or go direct to Admiral Leahy and ask for it.

Mr. Ferris explained that he himself had not been permitted by Mr. Carp to deal with Mr. Gibbs, but that all negotiations between the Carp Export & Import Corporation and Mr. Gibbs were in the hands of Mr. Wolf. He said that Mr. Carp and Mr. Wolf had told him that Mr. Gibbs had stated that the plans were now fully prepared, but that he could not deliver them to Mr. Carp until it had been determined whether or not the Navy Department had any objection, on the grounds of military secrecy, to such transaction, and, furthermore, that he could not properly even ask that this determination be made until he had been authorized by the Navy Department to do so. Mr. Ferris said that it had been stated to him that Mr. Gibbs' attitude in regard to this matter arose from a feeling that, as a member of the Advisory Board which was assisting in the preparation of plans for battleships for the United States Navy, he could not properly take any action whatever in connection with plans destined for use by a foreign government until the Navy Department had specifically authorized him to do so.

I told Mr. Ferris that the position of Mr. Gibbs as reported by him was entirely incomprehensible to me, and that it seemed to me that any American citizen might feel free to ask the Government whether it had any objection to a proposed transaction without being specially authorized in advance to ask such a question. I commented upon the fact that all through the negotiations relating to the construction of this battleship for the Union of Soviet Socialist Republics the conversations had taken the form "A told me that B told him that C told him, et cetera, et cetera", and I made the suggestion, which I made yesterday to Mr. Rosoff, that if progress were to be made in the construction of the battleship, it might be well to entrust some one man with all the negotiations with American companies and with all contacts with the Government. I asked whether it would not be possible for him to bring Mr. Gibbs to my office or to get him to call me by telephone. I said that if Mr. Gibbs himself were to ask me whether he might present the plans with a view to having it determined whether or not they involve any military secrets, it would not take me thirty seconds to tell him that he might do so.

Mr. Ferris said that unfortunately he was not authorized by Mr. Carp to deal with Mr. Gibbs.

I told Mr. Ferris that although I was not willing to ask Admiral Leahy to communicate with Mr. Gibbs, I would have no objection to calling Admiral Leahy by telephone and repeating to him in Mr. Ferris' presence the substance of our conversation.

Mr. Ferris said that he would be glad to have me do that and I called the Admiral. The Admiral said that what I had told Mr. Ferris is just what he would have told him and he expressed considerable annoyance at the roundabout way in which this whole matter was being handled. He said that if Mr. Gibbs wanted to present plans for inspection there was certainly no reason why he should not do so. He explained that Mr. Gibbs no longer had any official connection with the Navy Department because the board on which he served had handed in its report and had ceased to function.

After my conversation with Admiral Leahy, Mr. Ferris expatiated at length upon the difficulties which his clients were experiencing in negotiating contracts for the construction of the battleship and urged that the President or the Secretary call representatives of the Carp Export & Import Corporation and representatives of all the American companies concerned into conference and urge them to get together and sign the necessary contract.

I said emphatically that I did not believe that any officer of the Government could properly take such action as he suggested.

Mr. Ferris said that he would make an effort to have some representative of the Carp Export & Import Corporation attempt to persuade Mr. Gibbs to communicate with me or with Admiral Leahy and ask whether there would be any objection to his presenting the plans for inspection. He said that the attitude of Mr. Gibbs seemed to be the last difficulty to surmount, as he had been informed that the plans were all prepared, and that the Bethlehem Shipbuilding Corporation, Ltd., was now disposed to sign the necessary contracts and to begin the construction of the battleship within two months after the plans were in its hands.

JOSEPH C. GREEN

711.00111 Armament Control/1018
Military Secrets

*Memorandum by the Chief of the Office of Arms and Munitions
Control (Green)*

[WASHINGTON,] February 25, 1938.

Mr. Scott Ferris, representing the Carp Export and Import Corporation, called on the Secretary last evening to recount to him once more the difficulties which his clients have encountered in connection

with their efforts to purchase a battleship for the U. S. S. R. He repeated much of what he had told me a few hours before, but emphasized particularly the alleged opposition to the proposed transaction on the part of subordinate officers in the Navy Department which, in his opinion, is the fundamental cause of the reluctance of Mr. Gibbs, the Bethlehem Shipbuilding Corporation, Limited, and the Sperry Gyroscope Company, Incorporated, to enter into contracts with the Carp Export and Import Corporation. He urged that something be done to put an end to the situation which he described as existing in the Navy Department.

Mr. Ferris called at my office this morning. He told me of his conversation with the Secretary. He said that the more he considered the matter the more he was convinced that the attitude of the subordinate officers in the Navy Department—he mentioned particularly Admirals Holmes and Furlong—was responsible for the refusal of Mr. Gibbs and the two American companies mentioned above to take any further steps in connection with the construction of this battleship. He said that he had been told that Mr. Gibbs had visited the Navy Department half a dozen times recently at intervals of a week or so, hoping each time to receive the authorization of the Navy Department to proceed, but that on his return to New York he had reported again and again to Mr. Wolf that the attitude of subordinate officers in the Navy Department remained unchanged and that, as long as it did remain unchanged, he could not even go so far as to transmit the plans to the Navy Department for inspection. Mr. Ferris said that Mr. Gibbs and representatives of the Bethlehem Shipbuilding Corporation had done all that they felt that they could properly do on their own initiative to overcome the opposition in the Navy Department, and he described their conference with Mr. Edison, the Assistant Secretary of the Navy, and other officers of that Department, in which, as he understood, the plans had been displayed and discussed at great length.

Mr. Ferris quoted alleged statements of naval officers to Mr. Gibbs and representatives of the shipbuilders as follows:

“We shall still be here after Mr. Roosevelt and Mr. Hull and Mr. Swanson and Admiral Leahy have gone. They are temporary and we are permanent. In such matters as this, it is our wishes that are important, not theirs.”

He went on to say that Mr. Gibbs and the officers of the Bethlehem Shipbuilding Corporation and the Sperry Gyroscope Company felt certain that, if they entered into contracts to design or construct or equip a battleship for the U. S. S. R., officers in the Navy Department who were strongly opposed to the sale of arms to a communist government would take vengeance on them, would “crucify them”, and would

see to it that they received no Navy contracts for years to come. He said that they had cited examples of companies which had been treated in this manner for similar reasons. He said that they did not even wish to discuss the problems which had arisen in connection with this proposed transaction with the Department of State or with Admiral Leahy lest they should offend subordinate officers in the Navy Department.

Mr. Ferris urged that the President be requested to take steps to put an end to this alleged situation in the Navy Department. He expressed the belief that, if that could be done, all the difficulties would vanish, Mr. Gibbs would submit his plans, and, if the plans were found not to involve any military secrets, the Bethlehem Shipbuilding Corporation, Limited, would enter immediately into a contract and would begin construction of the battleship within two months.

JOSEPH C. GREEN

711.00111 Armament Control/1023
Military Secrets

Memorandum by the Chief of the Office of Arms and Munitions Control (Green)

[WASHINGTON,] March 1, 1938.

Mr. Scott Ferris, representing the Carp Export and Import Corporation, called me by telephone yesterday afternoon. He asked whether there had been any change in the attitude of officers in the Navy Department toward the construction of a battleship for the U. S. S. R. since our conversation on February 25.

I replied in the negative and said that, as far as I could determine, the attitude of the Navy Department had been explained clearly over and over again to the representatives of the interested companies, and that the allegations as to the attitude of certain naval officers which he had repeated to me in our conversation on February 25 must be based either upon exaggeration of casual remarks by subordinate officers or upon serious misunderstandings of what had been said. I said that the only means which occurred to me to clear up all of these misunderstandings was to bring the representatives of all the interested companies together at one time with representatives of the Department and of the Navy Department. I summarized the suggestion in regard to such a meeting which I had made to Admiral Holmes earlier in the day.⁸⁹

Mr. Ferris said that he would discuss my suggestion with his principals and would call upon me this morning.

⁸⁹ Not printed.

Mr. Ferris called at my office this morning. He said that, since our conversation yesterday afternoon, he had discussed the matter with the Soviet Ambassador and over the telephone with officers of the Carp Export and Import Corporation. He had asked the latter whether they would be willing to attend such a meeting as I had suggested with a view to clearing up all existing misunderstandings as to the attitude of the Government. They had immediately consulted Mr. Carp in Paris by telephone and had relayed to him Mr. Carp's reply which was to the effect that he did not wish representatives of his company to attend such a meeting for the present but that he would give them further instructions later after he had discussed the whole situation in Moscow. Mr. Ferris said that Mr. Carp had added that he expected to return to this country with greatly increased authority as an agent of the Soviet Government and that, with this increased authority, he hoped to be able to put through the necessary contracts in short order.

In response to my questions, Mr. Ferris said that he could not hazard any explanation as to what additional authority Mr. Carp expected to receive or how any additional authority from the Soviet Government would be of assistance to him in carrying out his project of purchasing a battleship in this country.

I told Mr. Ferris that, in view of Mr. Carp's attitude, I would take no further steps for the time being toward convening such a meeting as I had suggested with a view to clearing up the misunderstandings which were causing so much annoyance. I added that I wished him to understand fully that this suggestion of a meeting was my own suggestion, that I had not even discussed it with the Secretary or with Admiral Leahy, and that I did not know whether they would approve the idea in any case.

JOSEPH C. GREEN

711.00111 Armament Control/1050
Military Secrets

Memorandum by the Secretary of State

[WASHINGTON,] March 26, 1938.

The Soviet Ambassador called upon his own request. He first inquired whether I could do anything to facilitate the carrying forward of the proposed Russian purchase of a battleship in this country. I replied that I had been doing everything possible to aid in ironing out the difficulties; that there was something, however, holding it back which I could not put my finger on; that I had conferred with every official, high and low, who might have anything to do with the situation. He then inquired whether our Neutrality Act⁹⁰ might

⁹⁰ Approved August 31, 1935, as amended, May 1, 1937; 49 Stat. 1081, 50 Stat. 121.

prevent the delivery of the ship in case war should break out in the meantime. I replied that it might; that the Ambassador was perhaps as familiar with it as I. I added that his Government could take into consideration the present legal status of the matter and any other views relating to the possibility of modifying or relaxing the neutrality provisions in the future, even when difficulties are threatened abroad, provided to do so would forward the peaceful interests of this country. I then suggested to the Ambassador that he might desire to talk with Mr. Green about the ship proposal; that Mr. Green had all of the details. He agreed to do this.

C[ORDELL] H[ULL]

711.00111 Armament Control/1058
Military Secrets

*Memorandum by the Assistant Chief of the Office of Arms and
Munitions Control (Yost)*

[WASHINGTON,] March 28, 1938.

Lieutenant Freseman ^{90a} telephoned me this morning, in compliance with Mr. Green's request, and said that he was sending over Mr. Gibbs, who was at that moment conferring with the Assistant Secretary,⁹¹ and who would be able to give a full account of the entire matter in which the Soviet Ambassador was interested. A little later Mr. Gibbs called and gave a very enlightening account of his connection with the Russian battleship question.

Mr. Gibbs said that when he was first approached by the Russians last August he informed them that he would not draw plans for a battleship for a foreign government unless the United States Government informed him that it desired him to do so. Shortly after, however, he received an intimation from this Government that it would look with favor upon his preparing plans for a Russian battleship and he therefore proceeded to do so. Having completed his plan he submitted it to Mr. Edison, the Assistant Secretary of the Navy, and, at the latter's request, conferred with the President in regard to it. In view of certain novel features incorporated in the plan, Mr. Edison felt that his Department might wish itself to acquire the plan, but that no decision in regard to this question could be taken until Congress had acted upon the naval bill which it is now considering. The plan has, therefore, been returned to Mr. Gibbs and he is holding it awaiting further word from Mr. Edison as to the disposition which should be made of it. In the meantime, Mr. Gibbs said that he is being pressed by Mr. Carp, the Russian purchasing agent, who has just returned

^{90a} Aide to Admiral Leahy.

⁹¹ Charles Edison.

from Moscow where he conferred with Stalin, Voroshiloff and Molotoff, and where his authority to act as purchasing agent in this matter was confirmed.

After this conversation, I called Admiral Leahy's office to determine what reply the Admiral wished to have made to the inquiry of the Soviet Ambassador as to the date on which Mr. Gibbs' plan might be released. A few minutes later Admiral Leahy called back and said that he had just conferred with Mr. Edison, from whom he had learned for the first time that Mr. Gibbs had actually submitted a plan to the Navy Department. Admiral Leahy added, however, that the plan had not been examined by any officers of the Department competent to judge its value or to determine whether or not any military secrets were involved in it. He requested, therefore, that the Soviet Ambassador be informed that the Navy Department had no objection in principle to the preparation by Mr. Gibbs of a plan for a battleship to be sold to his Government, but that the Navy Department had not as yet been given an opportunity to examine such a plan.

While there appears to be considerable crossing of wires in the Navy Department in regard to this matter, I gathered the impression that that Department has no objection to the building in this country of a battleship for sale to the Soviet Union, but that it does not wish to commit itself to approving specific details of the proposed transaction until the new naval program has been approved by Congress. If Mr. Gibbs' report is correct, this is also the view of the President.

CHARLES W. YOST

711.00111 Armament Control/1067
Military Secrets

*Memoranda by the Chief of the Office of Arms and Munitions
Control (Green)*

[WASHINGTON,] April 8, 1938.

Mr. William Francis Gibbs, of Gibbs and Cox, Incorporated, naval architects of New York City, called at my office this afternoon. He spoke at some length of his negotiations with the Carp Export and Import Corporation, which has been attempting to purchase from him plans for a battleship to be constructed in this country for the U.S.S.R., and he described briefly the plans which he has prepared and which he showed some time ago to the President and to Mr. Edison, Assistant Secretary of the Navy. He explained that his reluctance to enter into a contract with Carp was due (1) to the fact that he did not feel that he had as yet been officially informed in sufficiently definite language that the proposed transaction was not contrary to the policy of the Government; (2) to the fact that some subordinate of-

ficers in the Navy Department had expressed themselves as opposed to the proposal of the transaction so that he feared that they might make difficulties for him and for the shipbuilders if an attempt were made to carry it out and (3) to the fact that he interpreted a remark made to him by the President to imply that this Government might wish to use the plans, which he had prepared, to construct a battleship for the United States Navy, in which case it would be obviously improper for him to consider selling them to agents of the U.S.S.R. He said that the plans, which he had prepared, were revolutionary—that they would revolutionize the construction of battleships and, consequently, of naval tactics. He explained that the battleship, which he had designed, would exceed by 15,000 tons or so any battleship now in existence.

Mr. Gibbs said that he had just come from Admiral Leahy's office where he had discussed the proposed construction of a battleship for the U.S.S.R. at length with the Admiral. He did not inform me in any detail of his conversation with the Admiral but he did say that, although the Admiral had expressed no objection to the proposed transaction, he had not been able to elicit from him any positive statement that this Government considered that it would be of definite advantage to the United States to have such a battleship as was contemplated constructed in this country for the U.S.S.R. He, apparently, hoped to elicit such a statement from me, perhaps accompanied by a definite request that he proceed with the proposed contract with Carp.

I explained to Mr. Gibbs that I did not feel that any officer of the Government could properly urge any American citizen to enter into any particular commercial transaction. In order to clarify the attitude of the Government toward the proposed transaction, I read him paragraphs from several letters addressed within the last year to him and to shipbuilding companies in which that attitude was set forth. I suggested that, if he desired to proceed with the business, he follow the established procedure for dealing with such matters and that he send me his plans with an accompanying letter requesting me to ascertain whether or not they involved any military secrets of interest to the National Defense. I explained that the plans would then be transmitted to the Navy Department in order that experts of that Department might examine them and that the reply which he would eventually receive from this Department would be based upon the findings of the Navy Department. I added that, in order to clear up any possible misunderstandings, he might wish to ask in his covering letter (1) whether this Government had any objection whatever to the proposed transaction and (2) whether this Government desired to acquire the plans for its own use.

Mr. Gibbs did not state definitely that he would follow my suggestion but he left me with the impression that he would do so.

April 9, 1938.

I called Admiral Leahy by telephone this morning and told him of my conversation with Mr. Gibbs.

The Admiral said that Mr. Gibbs had shown him his plans yesterday afternoon and that he had been greatly impressed by them. He was surprised to find that Mr. Gibbs had done so much work on the project and that the plans were sufficiently complete to constitute what the Navy calls "contract plans". He said that the battleship would be about 60,000 tons—nearly twice as big and half again as powerful as any war vessel afloat—and that it would contain many novel and extremely interesting features. He added that, if an emergency should arise during the construction of such a battleship in this country, the Navy might find it extremely advantageous to take the ship over for its own use.

The Admiral said that Mr. Gibbs had again attempted to get him to make some positive statement to the effect that the Navy Department desired him to submit his plans for inspection and, if they were found to be unobjectionable on the grounds of military secrecy, to sell them to Carp and to proceed with the construction of the ship. He had, however, explained to Mr. Gibbs that he could not request him to enter into the proposed transaction on the ground that it would be of positive benefit to this Government. He merely reiterated the statements as to the attitude of this Government toward the proposed transaction and the procedure which should be followed which have been so frequently made by both this Department and the Navy Department.

The Admiral said that he also had gained the definite impression that Mr. Gibbs now intended to submit his plans for examination. He said that, if they were submitted, they would be carefully examined by officers of his Department to ascertain whether any military secrets were involved. He said that he supposed that this Department, before giving a definite reply to Mr. Gibbs, would wish to consider the matter carefully in the light of pending negotiations relating to the maximum tonnage of battleships. He felt that there was no objection to permitting a 60,000-ton battleship to be constructed in this country but that that was a matter on which the final decision must rest entirely with the Department of State. He added that he was pleased that this matter, which had caused both Departments so much annoyance, now seemed to be entering upon a more satisfactory phase.

JOSEPH C. GREEN

711.00111 Armament Control/1068
 Military Secrets

*Memorandum by the Chief of the Office of Arms and Munitions
 Control (Green)*

[WASHINGTON,] April 12, 1938.

After dinner at the Soviet Embassy last evening, the Ambassador and Mr. Rosoff, Director of Amtorg, engaged me in a conversation in regard to the battleship which the Soviet Government proposes to purchase in this country. Mr. Rosoff seemed to be thoroughly informed in regard to my recent conversation with Mr. Gibbs. He said that he understood from Mr. Gibbs that the plans for the battleship would be submitted for inspection in the very near future. Both he and the Ambassador were obviously much pleased at what they understood to be the progress recently made in connection with this proposed transaction. The Ambassador took pains to emphasize that, if his Government were permitted to purchase one battleship in this country, it would undoubtedly proceed to purchase one or two more and material for the construction of further battleships in Soviet shipyards.

JOSEPH C. GREEN

500.A15a5 Construction/163

The Acting Secretary of State to President Roosevelt

[WASHINGTON,] April 27, 1938.

DEAR MR. PRESIDENT: Informal negotiations are now taking place in London to determine whether new limits, and if so what limits, shall be placed on the size and armament of capital ships, to take the place of the old limits provided in the London Treaty²² from which we departed last month through escalation. These negotiations have now reached a stage where further instructions are necessary.

I am informed that the Navy Department favors our standing on the position that there should be no new limits set for capital ships, and that even though we do not for the moment desire to build for ourselves ships greater than approximately 45,000 tons, with 16 inch guns, we should be free to build for ourselves ships of any size and armament to suit our needs as circumstances demand.

Moreover, we are considering the approval of a contract between the Soviet Government and private American shipbuilders for a capital ship of over 62,000 tons and guns of 18 inches. This could

²² For text of the treaty, signed March 25, 1936, see Department of State Treaty Series No. 919, or 50 Stat. 1363.

only be built in the United States under the terms of the existing Treaty if we decline henceforth either to set any limits whatsoever in the capital ship category, or if we set them at a figure not less than 62,000 tons and 18 inch guns.

I venture to submit certain reasons, chiefly of a political character, why I feel it would be against our true interests to adopt either of the alternatives mentioned above.

(1) The present Treaty provides that after escalation "the High Contracting Parties shall thereupon consult together and endeavor to reach an agreement with a view to reducing to a minimum the extent of the departures which may be made." A strict observance of the Treaty, certainly in spirit if not in letter, would call for the setting of new limits as near to the old limits as would suit our own needs.

(2) It would be a mistake for us to approve the construction in the United States for a foreign power of a new type of ship which, if copied by others, might render all existing capital ships obsolete. This would be surrendering the advantage of our present numerical superiority in capital ships, and would not only start a new race in capital ships from scratch, but would give a greater incentive to build entirely new types of vessels. It is against the interests of the stronger naval powers to encourage the development of new types.

(3) Should we permit the construction for the Soviets of a ship of the new type contemplated Japan would probably concentrate against us the resentment she has hitherto directed mainly against the British.

(4) As the Soviet authorities inform us that the ship in question would be based on Vladivostok, its construction might even encourage Japan to attack and capture Vladivostok before the completion of the ship, so as to prevent it being based on a port sufficiently near to threaten Japan.

(5) It would almost certainly encourage Germany, which is reported to be restive under the Naval Treaty with Great Britain,⁹³ to invoke the escalator clause in order to counterbalance Soviet construction with new types specially suited to her needs.

(6) It would precipitate a new naval race in Europe just at a moment when the British have the European naval situation pretty well in hand with their recent success in persuading Italy to adhere to the London Naval Treaty as part of the General Anglo-Italian agreement.⁹⁴ A new naval race might well be followed with renewed political friction, for which we should be in part responsible.

⁹³ For text of the exchange of notes signed June 18, 1935, see *British Treaty Series* No. 22 (1935).

⁹⁴ Signed at Rome, April 16, 1938; for text, see *League of Nations Treaty Series*, vol. cxcv, p. 77.

All these difficulties could be avoided by our agreeing to a limit of 45,000 tons and 16 inch guns,—figures which are higher than desired by the British and French, but which would meet our present construction needs and military plans. If circumstances alter and a new situation arises that gives us concern, we can always protect ourselves by a second escalation. By permitting American shipbuilders to construct several ships of this size for the Soviet Government, instead of one of 62,000 tons, we would reap many commercial and political advantages, without creating a new type which would be of no discernible advantage to us, and which would in all probability have unfortunate political repercussions both in Europe and in the Far East.

I enclose, as of possible interest, an *Aide-Mémoire* from the British Embassy which has recently been received.⁹⁵ The only new point is found in the last sentence, where the suggestion is made that a naval officer be sent to London for the period of the escalation discussions. The suggestion would seem to have little merit as the decision must be made here in Washington.

I respectfully request an expression of your wishes in regard to the points raised.⁹⁶

Faithfully yours,

SUMNER WELLES

711.00111 Armament Control/1076
Military Secrets

The Secretary of State to E. W. Bliss Company, Brooklyn, New York

WASHINGTON, April 27, 1938.

SIRS: I acknowledge the receipt of your letter of April 21, 1938,⁹⁷ in regard to your proposal to supply the Government of the Union of Soviet Socialist Republics with a complete plant for the manufacture of small arms ammunition, including the necessary machinery and full information concerning the operation thereof.

In reply, I have to inform you that, from the facts stated in your letter, it would appear that the proposed transaction would not contravene any existing treaty or statute provided that no military secrets of interest to the National Defense are involved in the machinery which you propose to export.

In this connection, I invite your attention to the provisions of Part V of the enclosed pamphlet *International Traffic in Arms*.⁹⁸ Should

⁹⁵ Not printed in this volume.

⁹⁶ A penciled, attached memorandum of April 29, 1938, reads: "This question was taken up at Cabinet to-day. The President, with the concurrence of the Secretary of the Navy, decided that we should agree to a 45,000 ton limitation. S[umner] W[elles]."

⁹⁷ Not printed.

⁹⁸ Department of State publication No. 1023 (Washington, Government Printing Office, 1937).

you have any reason to believe that the machinery in question may possibly involve military secrets of interest to the National Defense, you may wish to follow the procedure indicated in the final paragraph under the heading "Special Provisions in regard to Military Secrets."

Very truly yours,

For the Secretary of State:

JOSEPH C. GREEN

Chief, Office of Arms and Munitions Control

711.00111 Armament Control/1116
Military Secrets

Memorandum by the Secretary of State

[WASHINGTON,] May 18, 1938.

The Soviet Ambassador called upon his own request.

I first inquired about the general world situation. He had nothing of interest to offer in reply. I inquired about the Chinese Far Eastern situation, to which he replied that he thought the Chinese were doing better than had been expected and in fact doing very well. He feels that the only question is the securing of sufficient military supplies. He indicated that his country is cooperating in this respect.

It developed that the Ambassador's real business was to inquire about the proposed battleship purchase from this country by his Government. I stated I had nothing particularly new in mind in regard to the situation; that Mr. Scott Ferris, representing his country's agents, had recently called on me and I had stated to him that Mr. Gibbs, who was understood to have prepared the plans for the battleship in question, had conferred with the Navy fully and finally and that he alone was the proper person to convey to Mr. Ferris and his associates what the actual up-to-date facts and conditions were with respect to the matter. The Ambassador said it was true, from his understanding, that Mr. Gibbs had conferred with the Navy Department; that Navy had indicated there were no technical or other departmental objections, but added that there were probably certain political objections at the State Department. I replied that no one, apart from the Navy and Mr. Gibbs and the Soviet officials, seemed to know just what size ship was in contemplation; that, while there has been no decision on the question of limitation of the size of the vessel so far as the State Department is concerned, we have had the matter brought into our mind in a collateral way in connection with the conversations and discussions between this Government, Great Britain, and other governments which have been signatories of the naval treaties, with which the Soviet Ambassador, I was sure, was familiar; that the Ambassador would recall, for example, that apart from the limitations of

size contained in these treaties, when Japan was reported to be contemplating a vessel of 45,000 tons, the other governments, parties to the Naval Treaty, made inquiry of her as to the truth of this report in order that they would not themselves feel called upon to construct ships of like size; that, since Japan had refused to divulge any information, preparations were now under way to meet the reported Japanese construction of battleships of 45,000 tons. The Ambassador said, "We have in mind to construct a very big ship." I still did not inquire as to the proposed tonnage, but I again indicated to the Ambassador that we had made no definite decisions with respect to the size of the proposed Soviet ship to be purchased in this country, and then added that the Ambassador might see some relevancy between developments among the naval powers, including Japan, to which I had already referred. I then said that if he desired to ask any technical questions as to the Naval Treaty requirements, he might confer with Mr. Moffat.

C[ORDELL] H[ULL]

711.00111 Armament Control/1117
Military Secrets

*Memorandum by the Chief of the Division of European
Affairs (Moffat)*

[WASHINGTON,] May 18, 1938.

The Soviet Ambassador came to see me today. He said that he had been talking with the Secretary about the construction of a Russian battleship in this country and that the Secretary had asked him to come and talk the matter over with me. I remarked that Mr. Green had been handling the matter; he said, "yes, in its technical phases," but what he wanted to discuss with me was the relationship of the ship in size to our treaty obligations.

The Ambassador said that Mr. Gibbs had never yet shown the Soviet authorities the plans for the ship which he had drawn up, nor had he even told them the size. The Ambassador believed, however, that it was very much larger than any battleship now afloat, maybe about 55,000 or even 60,000 tons. Would the construction in this country of a ship of this size involve us in difficulties, either by conflicting with treaty obligations or by running counter to our policy? The Secretary had implied that we would not view with favor the creation of a new ship which might start off a new naval race.

As far as Russia's treaty obligations were concerned there was no reason against her building a ship of this size. Obligations assumed vis-à-vis Great Britain only limited her in ships to be used in the

Atlantic Ocean. Would it be counter to our treaty obligations to build such a ship for Russia, and if so what were our obligations?

I told the Ambassador that under the London Treaty of 1936, no vessel exceeding treaty limits should be constructed within the jurisdiction of any High Contracting Party. The limit of size, until recently, had been 35,000 tons. As a result of certain correspondence with Japan it had been necessary to escalate and the new upper limit for capital ships had not been conclusively set. Let us assume for the sake of argument that it would be set at or near 45,000 tons; if so we would not be in a position to build ships for any government of over that size.

In that case, the Ambassador asked, would there be objection to our selling the Soviet Government plans for a larger ship to be constructed elsewhere, either on its own or by putting together prefabricated parts. I told him that I could not answer that question off hand but my impression was that we hoped all the powers in the world would observe the maxima agreed to under the London treaty.

The Ambassador then asked whether there were any other difficulties standing in the way of construction for Russia of large modern ships. In particular, were there any political difficulties? I replied that as far as I knew there were none and that I thought the idea had been given approval in high quarters. The Ambassador said, "yes," but nonetheless the Bethlehem Corporation seemed to want a still more active blessing from the Government than we had yet been willing to give. I told him that this phase of the question fell entirely within the province of Mr. Green, and not myself, but that my impression was that we had made it very clear that we saw no objection at all to the construction in this country of large modern ships for the Soviet Government.

The Ambassador said that they were really more interested in large modern ships than they were in building a new "colossus". Some of the naval authorities in this country had seemed to favor building a colossus, presumably in the belief that in case of need they could seize the ship, against compensation, and use it in the American Navy. I said then that if I understood the Ambassador right, the Russians would be satisfied in building one or two ships of treaty maximum in this country which were up-to-date and modern. He replied, "probably yes," but even so if there were a chance to build a still larger ship they would prefer it.

The Ambassador said that he would return in three or four days to discuss this matter further with the Secretary of State after we had had time to think it through a little more.

PIERREPONT MOFFAT

711.00111 Armament Control/1123
 Military Secrets

*Memorandum by the Chief of the Office of Arms and Munitions
 Control (Green)*

[WASHINGTON,] May 21, 1938.

The Soviet Ambassador called on Mr. Moffat this morning by appointment. Mr. Green of CA⁹⁹ was present during the conversation.

The Ambassador referred to his conversation with Mr. Moffat on May 18, 1938, in regard to the plans for a battleship to be constructed in this country for his Government. He said that he personally thought that a battleship of 45,000 tons should be satisfactory but that he had not yet received official instructions on that point.

The immediate and particular interest of the Ambassador in the matter seemed to be: (1) in having a reply to Mr. Gibbs, the Naval Architect, expedited; (2) in having some statement included in that reply to the effect that this Government desired to have the battleship constructed in this country; and (3) in receiving as full information as possible as to the nature of the reply which would be addressed to Mr. Gibbs.

The Ambassador was informed that a reply would be addressed to Mr. Gibbs as soon as possible and that it was hoped that it might be sent next week; that the reply would contain a full statement of this Government's position on all the matters of law and policy involved and that his Government would have to obtain information in regard to the reply addressed to Mr. Gibbs through Mr. Gibbs as the plans were the property of Mr. Gibbs and had been submitted to the Government by him. The Ambassador asked whether Mr. Gibbs could sell the plans which were now under consideration to the Soviet Government even if it were decided that no battleship could be constructed in this country in accordance with those plans.

He was informed that on the assumption that the plans contained no military secrets there would appear to be no objection on grounds of either law or policy to such a sale but that the point would have to be decided by Mr. Gibbs himself.

J[OSEPH] C. G[REEN]

711.00111 Armament Control/1127
 Military Secrets

*Memorandum by the Chief of the Office of Arms and Munitions
 Control (Green)*

[WASHINGTON,] May 24, 1938.

Mr. Edison, Acting Secretary of the Navy, and Captain Fisher, of the Navy Department, called on the Secretary yesterday afternoon.

⁹⁹ Office of Arms and Munitions Control.

After a brief conversation in regard to the proposal of the Soviet Government to have one or more battleships constructed in this country for the U. S. S. R., the Secretary suggested that they discuss with the officers of the Department who have been dealing with the matter the various questions which have arisen as the result of the consideration of the plans for a 62,000-ton battleship submitted for examination by Mr. William Francis Gibbs, the naval architect.

Mr. Edison and Captain Fisher called at Mr. Moffat's office and discussed in detail with Mr. Moffat and Mr. Green of CA the situation which has arisen.

Mr. Edison delivered the letter of May 20 (copy attached hereto)² which he had addressed to the Secretary in reply to the Secretary's letter of April 27, 1938.² He also returned the plans to be held in the Department until agreement is reached as to the text of a letter to be addressed to Mr. Gibbs in reply to his letter of April 22.²

Mr. Edison's letter was read and discussed in detail. He admitted that it was an unsatisfactory letter, and he characterized his visit to the Department as "a buck-passing mission". In the discussion of the letter, particular attention was devoted to the following statements contained therein:

1. The statement that the release of Mr. Gibbs's plans to a foreign government, with the consequent possibility that the vessel might be constructed in the U. S. S. R., raises a fundamental question of foreign policy. It was pointed out by Mr. Green that whether or not this Government should express disapproval of the delivery of the plans to the agents of the U. S. S. R. was, as intimated in the Navy Department's letter, purely a question of policy, and that, in view of the fact that the letter itself states that the plans themselves do not reveal any secrets of interest to the National Defense, no violation of law or treaty would be involved in the sale of these plans to the agents of a foreign government. Mr. Edison and Captain Fisher agreed in this statement of the case. Mr. Edison and Mr. Green, who have had some dealings with Mr. Gibbs, concurred in the opinion that any expression of disapproval of the sale of the plans would be sufficient to deter Mr. Gibbs from selling them. It was agreed by all participating in the conversation that whether or not such disapproval should be expressed was a question of foreign policy which would have to be further considered.

2. The statement that the furnishing to Mr. Gibbs by the Navy Department of any information "now considered confidential" would violate the Espionage Act.³ Mr. Green pointed out that this statement should be read in the light of the fact that the Secretary of the Navy could at any time declare any particular item of information to be no

² Not printed.

³ Approved June 15, 1917; 40 Stat. 217.

longer confidential or secret; that such action was taken by him and by the Secretary of War every week in accordance with established procedure; and that once such action was taken in respect to any particular item of information, its delivery to agents of a foreign power no longer constituted a violation of law. Mr. Edison and Captain Fisher concurred in that point of view, but Mr. Edison added that, if it were finally agreed that the construction of a battleship not to exceed some specified tonnage could be undertaken in this country, the Navy Department might be called upon to make so many decisions in regard to the release of military secrets that the work of his Department would be seriously interfered with.

3. The statement that "in the absence of an order from the President or special legislation, the Navy Department is unwilling to state that it will make available to the designers any information in its possession". The representatives of the Navy Department emphasized the importance of this statement. In reply to questions by Mr. Moffat, Mr. Edison said that several of the bureau chiefs in the Navy Department felt that they might lay themselves open to the penalties of the Espionage Act unless the authority to give out information in connection with the proposed transaction were conferred upon the Navy Department either by special legislation or by an order from the President. Mr. Edison said that he would rather prefer legislation but that he thought that a definite statement of the President's wishes would suffice.

Mr. Moffat and Mr. Green pointed out that Mr. Edison's letter was particularly unsatisfactory in that it gave no definite indication as to what the attitude of the Navy Department would be toward the construction for the U. S. S. R. of one or more battleships not to exceed some specified tonnage to be agreed upon at the conclusion of the negotiations now being carried on with Great Britain. It was pointed out that it might be inferred from some of the statements in the letter that the attitude of the Navy Department would be substantially the same in respect to the building of a battleship of say 45,000 tons as in respect to the building of a battleship of 62,000 tons, but that its position on that point was not clearly stated. Mr. Moffat referred to the conversation which he and Mr. Green had with the Soviet Ambassador on May 21 (copy of memorandum hereto attached)⁴ and said that, although the Ambassador evidently expected that Mr. Gibbs would be informed that the construction of a 62,000-ton battleship in this country would be contrary to the policy of the Government, he was particularly anxious that the letter addressed to Mr. Gibbs should make clear the possibility if not the desirability of constructing for the U. S. S. R. in this country battleships of less tonnage, and should set

⁴ *Supra.*

forth fully the policy of this Government in respect to the construction of such battleships and all other pertinent information which would enable Mr. Gibbs and the agents of the Soviet Government with whom he is dealing to know exactly where they stand. Mr. Moffat said that he would undoubtedly be pressed once more in the near future by the Soviet Ambassador for definite answers to these questions.

Mr. Edison narrated in some detail his connection with this proposed transaction. He said that he had become so interested in Mr. Gibbs's plans when they were first shown to him that he had arranged to have Mr. Gibbs explain them to the President. The President invited them both to luncheon; the plans were examined and explained; and the President expressed the hope that a battleship in accordance with the plans could be constructed in this country, stating that he thought that its construction here would be desirable from several points of view, and that in his opinion the Navy Department already had full legal authority to cooperate with designers and shipbuilders, as much as would be necessary, in the release of military secrets. Mr. Edison said that after this luncheon he had informed the President that there was strong opposition to the proposed transaction on the part of several high ranking officers of the Navy Department and that he had requested the President to make his position in the matter known to those officers.⁵ Shortly thereafter, the President called the Secretary of the Navy, Admiral Leahy, and several bureau chiefs into conference and discussed the proposed transaction with them. Mr. Edison said that some of the officers who had attended the White House conference had not come away with a clear understanding of what the President wanted and, as their opposition to the whole transaction persisted, he had written a memorandum⁶ to the President setting forth the situation and informing the President that further action on his part would be necessary to bring about action by the Navy Department to facilitate the construction of a battleship. He read portions of this memorandum. He said that since he had sent it to the President he had heard no more from the White House in regard to the matter.

Mr. Green pointed out that the Soviet Government had been endeavoring to arrange for the construction of battleships in this country for about a year and a half; that its agents had been "strung along" throughout that period; that they had been repeatedly informed that there would be no objection on the part of this Government to the proposed transaction if all military secrets of interest to the National Defense could be eliminated from the plans; and that

⁵ No record of this luncheon meeting has been found in Department files.

⁶ Not found in Department files.

the Soviet Government would have sound grounds for taking offense if a letter were addressed to Mr. Gibbs based for the most part upon Mr. Edison's letter of May 20. He suggested that, as the Navy Department felt that further authority was necessary before it could proceed with facilitating the proposed transaction and as several important questions of foreign policy and naval policy would have to be decided before a reasonably satisfactory reply could be addressed to Mr. Gibbs, it might be advisable for the Secretaries of State and of the Navy to address a joint letter to the President setting forth the questions at issue and requesting definite decisions.⁷

Mr. Edison concurred in this suggestion, and after further discussion it was agreed that the most effective procedure would be for Mr. Edison, accompanied by an officer of the Department of State, to take the joint letter to the White House in order to give such supplementary explanations as might be necessary and in order to urge the President to take definite action.

JOSEPH C. GREEN

711.00111 Armament Control/1135
Military Secrets

Memorandum by the Chief of the Office of Arms and Munitions Control (Green)

[WASHINGTON,] June 1, 1938.

The Soviet Ambassador called at my office this morning by appointment. He asked when he might be informed of the nature of the reply to be addressed to Mr. Gibbs, the naval architect, in regard to the plans which he submitted for a battleship to be constructed in this country for the Union of Soviet Socialist Republics.

I told the Ambassador that the matter was still under consideration; that we were making every effort to expedite action; and that I expected to confer with officers of the Navy Department in regard to it this afternoon.⁸ I added that I thought it possible that a reply might be addressed to Mr. Gibbs in about a week.

The Ambassador said that he hoped that all the questions which had arisen in connection with the attitude of the Government toward the construction of a battleship for the Union of Soviet Socialist Republics might be definitely settled in the very near future as he intended to leave for Moscow before the end of June, and he wished to be in position to give his Government full information so as to enable it to decide upon the course which it should pursue.

⁷ For the joint letter of the Secretary of State and Acting Secretary of the Navy Edison to President Roosevelt, June 8, 1938, see p. 694.

⁸ Memorandum of conversation not printed.

The Ambassador said that he had received instructions from his Government stating that a battleship of 45,000 tons would be satisfactory.

The Ambassador asked whether he had correctly understood the Secretary's assurance given in a recent conversation that if a battleship under construction in this country for the Union of Soviet Socialist Republics were commandeered for the United States Navy his Government would be reimbursed.

I replied that there was certainly no intention on the part of this Government to take over the battleship without reimbursing his Government.

JOSEPH C. GREEN

711.00111 Armament Control/1154
Military Secrets

*The Secretary of State and the Acting Secretary of the Navy (Edison)
to President Roosevelt*

WASHINGTON, June 8, 1938.

MY DEAR MR. PRESIDENT: In September 1936, the Carp Export and Import Corporation, organized as purchasing agents for the Government of the Union of Soviet Socialist Republics, began negotiations to purchase one or more battleships in this country. Its efforts to conclude those negotiations have been warmly seconded by the Soviet Embassy. Various phases of the questions which have arisen in connection with this proposed transaction have required the consideration of the Department of State and of the Navy Department. Both of these Departments have had considerable correspondence on the subject, and during the last year and a half officers of these Departments have had scores of conversations with the Soviet Ambassador, officers and representatives of the Carp Export and Import Corporation, and American shipbuilders, manufacturers of arms, and naval architects. Carp's proposals were modified several times during the early stages of the negotiations but finally crystallized in an attempt to persuade Mr. William Francis Gibbs, the naval architect, to draw plans for a battleship, and to persuade the Bethlehem Shipbuilding Corporation, Limited, to enter into a contract to construct the battleship according to those plans. It is understood that, if Carp is successful in obtaining one battleship in this country, he will proceed with negotiations to obtain at least one, and perhaps two, more.

The Departments of State and of the Navy have worked in close cooperation in dealing with this matter, and we have, as you will remember, consulted you from time to time in regard to some of the problems which have arisen. The statements which have been made

to the Soviet Ambassador and to the Carp Export and Import Corporation have been such that they have had every reason to believe that the proposed transaction would not meet with the disapproval of this Government and that no agency of the Government would place any obstacles in the way of its completion. They have been repeatedly informed that there were no objections, on grounds of foreign policy, to the proposed transaction, and they have been given suggestions as to the course they should pursue in order to comply with the laws and regulations governing the exportation of arms. In particular, the suggestion was made that Mr. Gibbs should, in accordance with the established procedure for dealing with such matters, submit his plans to the Department of State in order that they might be transmitted to the Navy Department and the latter Department given an opportunity to study them with a view to ascertaining whether or not they involved military secrets of interest to the national defense. They were given to understand that if the plans were found not to involve military secrets, or if such secret features as might be involved were eliminated, they would be at liberty as far as this Government was concerned to proceed to close a contract with American shipbuilders for the construction of the battleship.

Mr. Gibbs submitted his plans informally to the Assistant Secretary of the Navy some months ago and we understand that they were exhibited to you at that time. They were not, however, formally transmitted for inspection until April 23. The Navy Department, after examination, has ascertained that these plans do not involve military secrets.

The Department of State is now faced with the necessity of addressing a reply to Mr. Gibbs and of informing the Soviet Ambassador of the tenor of that reply. You will recall that, in accordance with the decision which you made at the meeting of the Cabinet on April 29, this Government has agreed to accept limits of 45,000 tons and 16-inch guns for capital ships. When this agreement has been concluded, it will preclude the construction "within our jurisdiction" of battleships exceeding these limitations. As the negotiations are still proceeding, Mr. Gibbs will be informed that, as his plans call for a battleship of 62,000 tons, armed with 18-inch guns, it would be contrary to the policy of this Government to approve the construction in this country of a battleship of the tonnage and armament indicated. This reply will not, however, suffice to answer all of the questions asked by Mr. Gibbs in his letter transmitting the plans to the Department of State nor would it satisfy the Soviet Ambassador, who is urgently desirous of receiving such complete information as to the policy of this Government in respect to the construction of battleships in this country for his Government as may enable his Government to decide whether

the negotiations should be broken off or renewed attempts made to secure plans which will not involve the specific features to which objection has been raised. In view of the length of time that these negotiations have been permitted to continue, and in view of the statements which have been made to the representatives of the Soviet Government, it would appear to be highly advisable to give them, with the least possible delay, a reply which would leave them in no doubt as to whether it would serve any useful purpose for them to pursue their efforts to obtain one or more battleships in this country.

We do not feel that we are in a position to give the representatives of the Soviet Government the information to which we feel they are entitled until a decision has been reached in regard to some of the important questions of policy involved. It is for that reason that we are referring this matter to you for your consideration and for an expression of your wishes.

The specific questions on which we request your decision are:

1. Shall we object to the sale of Mr. Gibbs' plans to the Soviet Government?⁹

The Soviet Government apparently wishes to obtain those plans even though a 62,000-ton battleship armed with 18-inch guns could not be constructed in this country. As the plans reveal no military secrets, their sale would violate no law, and objection to it would have to be based purely on grounds of policy. The Soviet Government might be able to obtain from these plans ideas which its own naval architects have not conceived, but it seems highly unlikely that the Soviet Government could construct a battleship from those plans in its own shipyards even if it were to obtain the necessary materials in this country.

2. Shall we inform Mr. Gibbs and the Soviet Ambassador that, although the construction of a battleship of the type provided for in Mr. Gibbs' plans would be contrary to the policy of this Government, this Government would have no objection to the construction in this country of battleships of a tonnage not to exceed some specified figure and armed with guns not exceeding 16 inches?¹⁰

The following considerations may be adduced in favor of an affirmative answer:

(a) No objection would appear to arise, on the grounds of foreign policy, to the construction of such battleships in this country for the Union of Soviet Socialist Republics. The Union of Soviet Socialist Republics has no battleships¹¹ in its navy and its acquisition of a

⁹ Marginal notation by the President: "No."

¹⁰ Marginal notation by the President: "Yes".

¹¹ The Soviet Navy was in fact known to have three old, partially modernized battleships.

reasonable number of such ships could not in any way menace the security of this country or endanger the peace of Europe. Our action in facilitating, in so far as existing law permits, the construction of such battleships for the Union of Soviet Socialist Republics would make for friendly relations between the two countries and could not properly give offense to any other power. The agents of the Union of Soviet Socialist Republics have frequently stated that it is the intention of their Government to base such battleships as it may acquire upon Vladivostok. If this intention were carried out, the presence of these battleships in the Pacific might be of positive advantage to this country.

(b) While the battleships were under construction, they could at any time be commandeered by this Government, and they would thus for several years constitute potential additions to our own fleet.

(c) The expenditure by the Union of Soviet Socialist Republics in this country of a sum which would probably exceed two hundred million dollars would increase employment and would be advantageous to American industry.

(d) In view of the extent to which this Government has already committed itself in the course of the negotiations, the Soviet Government might well take legitimate offense if the Government were now to reverse its position.

The following considerations may be adduced in favor of a negative answer:

(a) The building of one or more battleships for a foreign government in our shipyards at this time might interfere with the carrying out of our own naval program, unless the shipbuilding company taking the contract were willing to enlarge its facilities.

(b) The labor of ascertaining whether military secrets are involved in any plans which may be submitted would place a considerable burden upon the Navy Department.

3. If question two is answered in the affirmative, shall the maximum tonnage be fixed at 45,000 tons or at 35,000 tons or at some intermediate figure? ¹²

In order that our own battleships may not be outclassed, it would seem wise not to approve the construction in this country for a foreign government of a battleship exceeding in tonnage the largest that we are to build for ourselves. If we are not to construct in the near future battleships exceeding 35,000 tons, it would seem wise to limit the tonnage of ships built in this country for the Union of Soviet Socialist Republics to that figure. If we are to construct battleships of greater tonnage, the maximum tonnage decided upon might be logically fixed as the maximum tonnage which we would approve for battleships constructed in this country for a foreign government.

Mention should be made, however, of the continuing preoccupation of the British that the construction by the Union of Soviet Socialist

¹² Marginal notation by the President: "45000? Yes."

Republics of any battleship carrying twelve 16-inch guns would result in the building of similar battleships by Germany, thus making the larger ship the standard for Europe.

4. If question two is answered in the affirmative, shall we go further than merely to state that there is no objection and give some affirmative indication to interested shipbuilders, manufacturers, and naval architects that this Government considers the proposed transaction of positive advantage to this country? ¹³

To make such an affirmative statement would be contrary to established procedure in dealing with such matters. On the other hand, unless such an affirmative statement is made, persons and companies with whom the Union of Soviet Socialist Republics would have to enter into contracts might hesitate and even refuse to make such contracts. Throughout the negotiations, such hesitation has been apparent. It appears to be based in part upon the fear of possible public criticism should they assist in arming a communist government and in part upon persistent reports that high officials in the Government are, for one reason or another, utterly opposed to the proposed transaction. Such an affirmative statement has been frequently and earnestly requested by various interested persons.

5. If question two is answered in the affirmative, would it be advisable, in order to forestall possible criticism of the action of the Executive, to obtain in advance from Congress special legislation authorizing the Navy Department to examine such plans as may be submitted with a view to ascertaining whether they involve military secrets, and, without undertaking to furnish any matériel or armament, or to release any items considered secret or confidential, or to permit the use of any secret or confidential plans or specifications now in use by the United States Navy, to cooperate with naval architects and shipbuilders to such a degree as that Department may consider consistent with the interests of the national defense? ¹⁴

6. If question two is answered in the affirmative and question five in the negative, do you authorize the Navy Department to examine such plans as may be submitted with a view to ascertaining whether they involve military secrets, and, without undertaking to furnish any matériel or armament, or to release any items considered secret or confidential, or to permit the use of any secret or confidential plans or specifications now in use by the United States Navy, to cooperate with naval architects and shipbuilders to such a degree as that Department may consider consistent with the interests of the national defense? ¹⁵

¹³ Marginal notation by the President: "Yes. Give all help."

¹⁴ Marginal notation by the President: "Out."

¹⁵ Marginal notation by the President: "Handle by a specially detailed officer under the Ass[istan]t Sec[retar]y."

It is the opinion of the Navy Department that if question 5 or question 6 is answered in the affirmative, American naval architects could design and American shipbuilders could construct a battleship which should be entirely satisfactory to the Union of Soviet Socialist Republics without calling upon the Navy Department to exceed the limitations indicated in those questions.

Faithfully yours,

CORDELL HULL
CHARLES EDISON

[At the meeting on June 5, 1938, between Ambassador Davies and Joseph Stalin, the latter directed conversation to the question of a battleship being constructed in the United States for the Soviet Union. The details of this conversation were reported by the Ambassador in his despatch No. 1348, June 9, 1938, page 567 (see especially pages 572-573).]

711.00111 Armament Control/1154a
Military Secrets

The Secretary of State to the Vice President of Gibbs and Cox, Inc.
(*William Francis Gibbs*)

WASHINGTON, June 17, 1938.

MY DEAR MR. GIBBS: I refer to my letter of April 27, 1938,¹⁶ and previous correspondence, in regard to the plans from which it is proposed to construct a battleship in this country for exportation to the Union of Soviet Socialist Republics, and have to inform you that these plans have been examined by the Navy Department and that the questions raised in your letter of April 22 have received the careful consideration of the appropriate authorities of the Government.

In reply to the eight specific questions asked in your letter of April 22, I may state:

1. The Navy Department does not desire to obtain the plans which you have submitted nor does it authorize you to make the designs for the United States.

2, 3, and 4. The plans in question have not been found to reveal any military secrets of interest to the national defense. Although this Government cannot, for reasons stated below, authorize the construction in this country of a battleship in accordance with those plans, there is no objection to your selling the plans to the Government of the Union of Soviet Socialist Republics if you wish to do so.

5, 6, 7, and 8. The treaty obligations of the United States prohibit the construction in this country of vessels of war exceeding 45,000 tons standard displacement or armed with guns exceeding 16 inches in

¹⁶ Not printed.

caliber.¹⁷ This Government would, however, have no objection to, and the Department knows of no law prohibiting, the construction in this country by American shipbuilders of a battleship for the Union of Soviet Socialist Republics provided that it does not exceed the treaty limitations on tonnage and caliber of guns, and provided that it does not embody any military secrets of interest to the national defense. On the contrary, this Government would be favorably disposed to the construction in this country of such a battleship for the Union of Soviet Socialist Republics, and the Navy Department would be prepared, in case the construction of such a battleship were undertaken by American shipbuilders, to examine such plans as may be submitted with a view to ascertaining whether they involve military secrets, and without undertaking to furnish any matériel or armament, or to permit the use of any secret or confidential items or of any secret or confidential plans or specifications now in use by the United States Navy, to cooperate with naval architects and shipbuilders, by making available non-confidential information and otherwise, to such a degree as it may consider consistent with the interests of the national defense. In view of these statements, it should be clear that designers and shipbuilders participating in the construction of such a battleship for the Union of Soviet Socialist Republics would not be adversely affected in any way in respect to present or possible future construction work for the United States. I am prepared to explain the position of this Government in respect to the proposed transaction, as outlined above, to any American shipbuilders or manufacturers of armament and matériel who may be considering the possibility of participating in the construction of the battleship in question.

I suggest that, if you decide to prepare plans for a battleship within the treaty limitations, you may wish to submit them to me in order that I may transmit them to the Navy Department so that it may have an opportunity to decide whether or not they involve military secrets of interest to the national defense. I suggest further that, should you desire to proceed with this transaction, you discuss with the Assistant Secretary of the Navy any questions which may arise in connection with it.

The plans which you submitted with your letter of April 22 are being held in the Office of Arms and Munitions Control of the Department. I should appreciate it if you would inform me whether you wish them sent to you or whether you would prefer to send a messenger for them.

Sincerely yours,

CORDELL HULL

¹⁷ Marginal notation by Pierrepont Moffat, Chief of the Division of European Affairs: "Note for the files. This is substantially accurate, as instructions have been sent the Embassy in London authorizing the signature of a Protocol setting the upper limits at 45,000 tons and 16 inches."

711.00111 Armament Control/1153a
Military Secrets

*The Secretary of State to the Ambassador of the Soviet Union
(Trojanovsky)*

WASHINGTON, June 17, 1938.²⁸

EXCELLENCY: I refer to Your Excellency's recent conversations with me and with other officers of the Department in regard to the battleship which your Government proposes to have constructed in this country, and have the honor to inform you that the plans prepared by Mr. William Francis Gibbs have now been examined by the appropriate authorities of this Government and that a letter has been addressed to Mr. Gibbs in regard to them.

Mr. Gibbs has been informed that, as the battleship provided for by his plans would not conform to the treaty obligations of this Government in respect to the construction of vessels of war within its jurisdiction, this Government could not authorize the construction in this country of a battleship in accordance with those plans. He has been further informed that, as the plans involve no military secrets of interest to the national defense, this Government would not object to his selling them to your Government should he wish to do so. It has been made clear to him, however, that this Government would have no objection to the construction in this country of a battleship for your Government provided that it did not exceed the treaty limitations which prescribe maxima of 45,000 tons standard displacement and 16 inches for the caliber of guns, and provided that it did not embody any military secrets of interest to the national defense. He has been informed, on the contrary, that the Navy Department would be prepared, in case the construction of such a battleship were undertaken by American shipbuilders, to examine such plans as may be submitted with a view to ascertaining whether they involve military secrets and, without undertaking to furnish any matériel or armament, or to permit the use of any secret or confidential items or of any secret or confidential plans or specifications now in use by the United States Navy, to cooperate with naval architects and shipbuilders, by making available non-confidential information and otherwise, to such a degree as it may consider consistent with the interests of the national defense.

Accept [etc.]

CORDELL HULL

²⁸ Note sent to the Soviet Embassy on June 18, 1938.

711.00111 Armament Control/1157
Military Secrets

*Memorandum by the Chief of the Office of Arms and Munitions
 Control (Green)*

[WASHINGTON,] June 20, 1938.

The Soviet Ambassador called at my office by appointment this morning. He said that as he was leaving for the U. S. S. R. this afternoon he was calling primarily to say good-bye. He did not wish to leave, however, without expressing his satisfaction at the note of June 17 in regard to the proposed construction in this country of the battleship for his Government. He asked whether Mr. Gibbs was equally satisfied with the letter which had been addressed to him.

I told the Ambassador that we had not as yet heard from Mr. Gibbs in reply to the letter referred to in the note of June 17.

JOSEPH C. GREEN

711.00111 Armament Control/1207
Military Secrets

*Memorandum by the Chief of the Office of Arms and Munitions
 Control (Green)*

[WASHINGTON,] June 24, 1938.

In the course of a telephone conversation with Mr. Edison, Assistant Secretary of the Navy, this morning, I asked him whether he had any comment to make on the letter to Mr. Gibbs and the note to the Soviet Ambassador, in regard to the battleship which the Soviet Government proposes to construct in this country, which were transmitted to the Navy Department on June 17.

Mr. Edison said that he thought that both the letter and the note were satisfactory in every respect. He said that Mr. Gibbs had called at the Navy Department within the last few days, had expressed himself as entirely satisfied with the decision which had been communicated to him, and had expressed the definite intention of proceeding to prepare new plans for a battleship and to make the necessary arrangements for its construction.

I told Mr. Edison that it was my understanding that henceforth the problems relating to the construction of this battleship would be Navy Department problems and that this Department, which had been struggling with the matter for so long, could now hope that it would have very little to do with the matter in the future.

Mr. Edison said that he realized that the matter was now in his hands, adding that he would keep me informed of any developments which might be of interest to the Department of State.

JOSEPH C. GREEN

711.00111 Armament Control/1259
Military Secrets

*Memorandum by the Chief of the Office of Arms and Munitions
Control (Green)*

[WASHINGTON,] September 7, 1938.

Mr. E. R. Leonard, Washington representative of the Bethlehem Shipbuilding Corporation, Ltd., and of the Bethlehem Steel Company, called at my office this morning. He said that Mr. Eugene G. Grace, President of both corporations, had asked him to call to inform me of recent developments in connection with the proposal of the U. S. S. R. to have one or more battleships constructed in this country.

Mr. Leonard said that Mr. Grace had recently had some conversations and correspondence with Mr. Edison, Assistant Secretary of the Navy, in regard to the matter; that Mr. Edison seemed to be hopeful that the Bethlehem Shipbuilding Corporation would enter into a contract to construct a battleship, and that he had suggested to Mr. Grace that he write to the Secretary of State in order to obtain a statement of the attitude of the Government toward the proposed transaction. Mr. Leonard said that he did not believe that Mr. Grace would be willing to enter into a contract unless he were definitely requested to do so by the Secretary of State as he felt that the company must be protected against the Congressional and press criticism to which he felt the company would subject itself if it were to construct a battleship for the U. S. S. R. Mr. Leonard asked what reply the Secretary would be likely to make to a letter requesting a statement of the position of the Government.

I read to Mr. Leonard excerpts from the letter addressed to Mr. Gibbs, the naval architect, on June 17, pointing out that that letter contained the statement—

“I am prepared to explain the position of this Government in respect to the proposed transaction, as outlined above, to any American shipbuilders or manufacturers of armament and matériel who may be considering the possibility of participating in the construction of the battleship in question.”

I said that I thought it probable that the Secretary would be willing to write to the Bethlehem Shipbuilding Corporation in terms similar to those used in the letter to Mr. Gibbs but that I thought it highly improbable that he would be willing to ask any American company to enter into any commercial transaction.

Mr. Leonard said that a letter similar to that addressed to Mr. Gibbs might satisfy Mr. Grace. He felt certain, however, that Mr. Grace would not consider entering into a contract to construct a battleship

for the U. S. S. R. until he had been assured by the Navy Department that Navy plans and specifications for guns and turrets would be placed at the disposition of the company. He said that no such assurance had as yet been received but that Mr. Edison had suggested that the company follow the established procedure relating to the release of military secrets and write to the Secretary of State asking that it be informed whether the plans and specifications for the necessary armament of a battleship would be released. He said that Mr. Grace was unwilling to follow this suggestion until the whole matter had been thoroughly threshed out with Mr. Edison and until he had received some informal assurance that the necessary releases would be forthcoming. He explained in considerable detail why the company would be unable to provide its own plans and specifications for the guns. In brief, his explanation was that the corps of ordnance engineers which had been built up by the company during the years when it was engaged in the manufacture of guns had been dispersed when the company ceased to manufacture guns and that it could not possibly be reconstituted.

Mr. Leonard said that he would report our conversation to Mr. Grace and that he believed that representatives of the company would confer with Mr. Edison with a view to coming to some definite if informal understanding as to just how far the Navy Department would be prepared to go in releasing the plans and specifications in question.

JOSEPH C. GREEN

711.00111 Armament Control/1294a
Military Secrets

*The Secretary of State to the Carp Export and Import Corporation,
New York, N. Y.*

WASHINGTON, October 4, 1938.

SIRS: I refer to licenses nos. 4085, 4086, 4087 and 4088, which were issued to you on September 30, 1937,¹⁹ authorizing the export of armor plate, naval guns, turrets, projectiles, propellent powder, and other materials for naval use, to Moscow, Union of Soviet Socialist Republics.

¹⁹ For the grant of these licenses, see the letter from the Secretary of State to the Carp Export and Import Corporation, October 1, 1937, p. 485.

Since these licenses have now expired, I should appreciate it if you would return the originals of the licenses to the Department of State.²⁰

Very truly yours,

For the Secretary of State:

JOSEPH C. GREEN,
Chief, Office of Arms and Munitions Control

711.00111 Armament Control/1384
Military Secrets

Memorandum by the Chief of the Office of Arms and Munitions Control (Green)

[WASHINGTON,] November 4, 1938.

Mr. Alexander P. de Seversky, President of the Seversky Aircraft Corporation, called at my office this morning. He said that the Soviet Government had contracted to purchase from the Company a large number of bombing planes of a new type to be designed by him. He said that it was stipulated that the planes should have certain stated characteristics but that the planes had not yet been designed. He said that the Soviet authorities knew that he could design a first class bombing plane and were willing to trust him to produce planes which would satisfy their requirements. He said that they had paid him \$100,000 to develop a new plane for them.

Mr. Seversky asked whether, in my opinion, he would encounter any difficulty in obtaining a license to export these planes.

I told Mr. Seversky that, barring unforeseen changes in existing law or in the international situation, the necessary export license could be issued immediately unless the new type of planes was found to involve military secrets of interest to the national defense.

Mr. Seversky said that the plane which he intended to design would not involve any military secret, but that he feared that the War and Navy Departments might object to its exportation merely on the ground that it would be superior to any bombing plane now in existence.

I invited Mr. Seversky's attention to Part V of the pamphlet, *International Traffic in Arms*, and explained that objection to the exportation of an article on the ground of military secrecy could be made

²⁰ The Chief of the Office of Arms and Munitions Control, Joseph C. Green, telephoned on October 1, 1938, to Scott Ferris, attorney for the Carp Export and Import Corporation, to inform him that "this action on the part of the Department was a routine procedure followed in the case of all arms export licenses which had been outstanding for one year and that it should not be understood to imply any change of policy whatever on the part of the Government in respect to the construction of battleships for the U. S. S. R. in this country or the exportation of those ships when completed." (711.00111 Armament Control/1299)

only in the case of articles falling within categories (a) and (b) described in Part V of that pamphlet. I suggested that in order to obviate any possible difficulties he might wish to transmit to me as soon as possible his plans and specifications for the new type of plane in order that I may ascertain from the appropriate authorities of the War and Navy Departments whether any military secrets were involved therein.

Mr. Seversky said that he would comply with my suggestion. He expressed some doubts, however, as to whether the War Department might not use the pretext of military secrecy to prevent the exportation of the new planes merely because of their superior performance. In this connection he referred to the difficulties which he had experienced in obtaining a release for export of the internal bomb racks which were the subject of correspondence with the Department in August and September,²¹ and expressed satisfaction that the War Department had reversed its original decision to interpose objection to the exportation of planes equipped with these bomb racks. He also mentioned, incidentally, his letter of August 25 enclosing a copy of a letter from Major Propst,²² stating that request for export release might be made either to the Chief of the Air Corps²³ or to the Chief of the Bureau of Aeronautics.²⁴ He said that he intended, however, to address the request for the release of the new type of plane which he was intending to design for the Soviet Government to the Department of State in hope that this Department might expedite action in the matter.

JOSEPH C. GREEN

711.00111 Armament Control/1379a : Telegram
Military Secrets

The Secretary of State to the Chargé in the Soviet Union (Kirk)

WASHINGTON, November 15, 1938—2 p. m.

164. Captain C. S. Joyce, U.S.N. retired, representing Gibbs and Cox, Incorporated, naval architects, is now en route to Moscow to explain to the appropriate Soviet authorities the plans referred to in the replies to questions 1, 2, 3, and 4 in the letter addressed to Gibbs on June 17 (see instruction No. 417 of July 25²¹). These plans are en route under seal by Soviet diplomatic pouch to be handed over to Joyce in Moscow. He will probably request you to keep them in your custody until arrangements are made for their return to this country.

²¹ Not printed.

²² Neither printed.

²³ Maj. Gen. H. H. Arnold.

²⁴ Rear Adm. Arthur B. Cook

Mr. Gibbs states that this arrangement to communicate these plans to the Soviet Government is made in furtherance of the proposal to construct in this country a battleship, within treaty limitations, in accordance with revised plans now under preparation.

HULL

711.00111 Armament Control/1444 : Telegram
Military Secrets

The Chargé in the Soviet Union (Kirk) to the Secretary of State

Moscow, December 17, 1938—9 a. m.
[Received December 17—7:52 a. m.]

428. Department's 164, November 15, 2 p. m. Captain Joyce arrived in Moscow November 24. He was preceded by Rosov and accompanied by Carp and was accorded the facilities for the custody of the drawings in the Embassy in accordance with the Department's instructions. Rosov and Carp arranged for interviews with the Commissar for Heavy Industry²⁵ and the Vice Commissar for Naval Affairs²⁶ in the course of which Joyce furnished detailed explanations of the plans of Gibbs and Company for the construction of a battleship. I am informed that these plans were not found acceptable by the Soviet authorities and that in the final conversations here Joyce was given to understand that the Soviet Government was interested in the construction of a battleship along conventional lines, heavily armored and equipped with 16 inch guns. In fact Joyce stated confidentially that it is his opinion that the chief interest of the Soviet Government is in the acquisition of 16 inch guns complete with turrets and apparatus for fire control which he believes are needed for Soviet armaments now under construction or to be constructed but which the Soviet manufacturers have not been able to produce up to the present and the Soviet Government is willing to purchase a battleship in order to obtain the model for guns of that caliber. As of possible interest in this connection a French newspaper correspondent recently volunteered the information that the Soviet Government had approached the Schneider Creusot works²⁷ in regard to placing orders for the construction of 45 centimeter guns with turrets.

Joyce accompanied by Carp has left Moscow en route to the United States where further discussions will take place in regard to certain difficulties which have arisen in connection with the nature of an eventual contract with Gibbs and Company as naval architects as well as in regard to obtaining permission from the competent Ameri-

²⁵ Lazar Moiseyevich Kaganovich.

²⁶ Vice Admiral Ivan Stepanovich Isakov.

²⁷ Located at St. Etienne, France.

can authorities for the construction in the United States of 16 inch guns for a foreign government.

Joyce and Carp plan to sail from Havre on December 17 and I understand that he will consult with Admiral Holmes upon arrival in Washington. In so far as can be ascertained Joyce's visit to Moscow passed unnoticed by foreign diplomatic and journalistic circles.

KIRK

ARREST AND DETENTION OF AMERICAN CITIZENS BY THE SOVIET GOVERNMENT IN CONTRAVENTION OF THE UNDERTAKING OF NOVEMBER 16, 1933²⁹

361.1115 Robinson, Donald L./83 : Telegram

The Secretary of State to the Chargé in the Soviet Union (Henderson)

WASHINGTON, January 3, 1938—11 a. m.

1. 1. The Consulate General at London is forwarding to you copies of the photographs which were affixed to passport applications executed in the names of Donald Louis Robinson, Ruth Norma Robinson, Adolph Arnold Rubens, and Ruth Marie Rubens. These photographs were transmitted to London by telegraph this morning.

2. The first three applications were executed on April 3, 1936, in the office of Albert Marinelli, at that time County Clerk of New York County, New York. It is now known that all three applicants presented in support of their applications documents which did not rightfully belong to them. On the basis of these documents passports were issued.

3. Ruth Marie Rubens applied for a passport on March 31, 1936, at the Passport Agency, New York City. She stated that she was born in Philadelphia on May 27, 1908; that her maiden name was Ruth Marie Boerger; that she had been married to and divorced from Joseph Dudley Braman; and that on May 18, 1935, she married Adolph Arnold Rubens. These statements subsequently have been confirmed by documentary evidence or by members of her family.

4. Adolph Arnold Rubens stated in his application that he was born in Latvia and that he acquired American citizenship through the naturalization of his father. Latter statement is known to be false. Nationality of Rubens is not known to the Department.

5. Mr. and Mrs. Rubens on October 16 departed for Europe on the steamship *Rew*. Mrs. Rubens' parents have heard nothing from her

²⁹ Continued from pp. 491-503. For text of the undertaking of November 16, 1933, see the exchange of letters between President Roosevelt and People's Commissar for Foreign Affairs Maxim Maximovich Litvinov, pp. 33-34.

subsequent to the receipt of a letter written by her in Paris on November 3.

6. It is possible that the Robinson passports were altered by substituting photographs and used by the Rubens. Upon the receipt of the four photographs please report whether the woman interviewed by officer of Embassy in National Hotel can be identified from them. If any American or non-Soviet national known to you has seen the woman's husband, please report whether husband can be identified from the photographs.³⁰

HULL

361.1115 Robinson, Donald L./47: Telegram

The Secretary of State to the Chargé in the Soviet Union (Henderson)

WASHINGTON, January 5, 1938—7 p. m.

9. In view of the facts reported in your telegram no. 1, January 5, 2 p.m.,³¹ you are requested to communicate to the Soviet Government substantially the following:

1. On December 8, 1937, officers of the American Embassy had a brief conversation in the National Hotel with a person who was a guest at that hotel and who seems to have been known in Moscow as Mrs. Robinson or Mrs. Rubens. When these officers sought to have a further conversation with her in the morning of December 9 they were informed that she had disappeared. They have not subsequently seen her nor has the Embassy received any communication from her.

2. This person now has been identified as Ruth Marie Boerger Rubens, an American citizen who was born in Philadelphia on May 27, 1908; was married to Adolph Arnold Rubens on May 18, 1935; and was granted American passport no. 264324 on April 3, 1936.

In a written communication which you should present at the Foreign Office at the earliest moment possible,³² please formally request information with regard to the present whereabouts of Mrs. Rubens, adding that, in the event she should be under detention or arrest, this Government desires to be informed of the specific charges under which she is being held.

You should make every effort to ascertain the nature of the activities of these individuals, the reason for their concealment of their identity and as well the reasons for their obtaining false passports through fraud and perjury. Advise the Department by telegram of any information you may obtain.

HULL

³⁰ The Chargé in his telegram No. 1, January 5, 1938, advised the Department that the photographs were recognized in Moscow as being those of Mr. and Mrs. Rubens (Robinson). (361.1115 Robinson, Donald L./43)

³¹ See footnote 30, above.

³² The Embassy's note No. 13, dated January 6, 1938, was presented at the People's Commissariat for Foreign Affairs the next day. (361.1115 Robinson, Donald L./112)

361.1121 Hrinkevich, Frank/14 : Telegram

The Secretary of State to the Chargé in the Soviet Union (Henderson)

WASHINGTON, January 11, 1938—7 p. m.

12. Your 340 Frank Hrinkevich.³³ Passport may be renewed for return United States. In view all circumstances Department thinks it advisable that nothing be done to delay Hrinkevich's deportation, unless in Embassy's opinion delay would result in more considerate course which would not involve separating him from family.

HULL

361.1115 Robinson, Donald L./65 : Telegram

The Chargé in the Soviet Union (Henderson) to the Secretary of State

Moscow, January 17, 1938—4 p. m.

[Received January 17—12: 05 p. m.]

10. 1. The Embassy has continued to make oral inquiries daily of officials of the Foreign Office regarding Mrs. Rubens and these officials have uniformly replied that they have not yet received information regarding her from the competent Soviet authorities. Another such reply was received this morning.

2. On January 15 I told Weinberg that I was sure that the delay of the Soviet authorities in replying to the Embassy's note of January 6 was making a distinctly bad impression in the United States. He said that he still could not understand why the American Government was attaching so much importance to a woman who had come into the Soviet Union on a fraudulently obtained passport. I replied that the case was important not merely because it involved the fate of a person believed to be an American citizen but because it provided an opportunity to the Soviet authorities to demonstrate whether or not they were prepared to accord that degree of cooperation to the American institutions charged with the protection of American citizens abroad as those institutions are accustomed to receive from authorities of other countries. I said that he must know that there was a feeling among certain influential groups in the United States that it was useless for American institutions to endeavor to obtain cooperation from Soviet authorities and expressed the hope that the Soviet Government would not take an attitude in the Rubens case which would strengthen that feeling. I added that after all the request of the American Government for information regarding Mrs. Rubens' whereabouts and, in the event that she has been arrested, regarding the charges lodged against her is most reasonable and certainly deserves a prompt reply.

³³ See the Chargé's telegram No. 340, December 27, 1937, 7 p. m., p. 503.

3. Mr. Weinberg said that this case appeared to be unusually complicated and that the American Government should not become impatient merely because it did not receive a prompt reply to its inquiry. He added that he would again take the matter up with the competent Soviet authorities.

HENDERSON

361.1115 Robinson, Donald L./72 : Telegram

*The Secretary of State to the Chargé in the Soviet Union
(Henderson)*

WASHINGTON, January 18, 1938—7 p. m.

18. Your no. 14, January 17, 10 p. m.³⁴

1. Please inform the Soviet authorities that your Government has instructed you to request that a member of the staff of the Embassy be permitted to interview Mrs. Rubens without delay. The Department today informed the Soviet Embassy that you were being instructed in this sense, adding that it was hoped the Embassy would communicate this information to the Soviet Government and that it would at the same time point out the very bad impression that would be produced in the United States should permission for a representative of this Government to visit an American citizen who had been taken into custody be delayed.

2. In the interview with Mrs. Rubens every effort should be made to ascertain the names under which she and her husband have traveled subsequent to their departure from the United States last autumn, the names in which were issued the passports which they presented when they entered the Soviet Union, the circumstances under which these passports were obtained, the reason for the concealment by Mr. and Mrs. Rubens of their identity, and the nature of their activities. Please endeavor to ascertain whether Mrs. Rubens has been well treated during her detention, and report on her physical condition as reflected in her appearance.

3. With reference to paragraph (e) of your telegram, please report what constitutes illegal entry into the Soviet Union and what the basis is for Weinberg's statement that Mrs. Rubens entered the Soviet Union illegally. What is the penalty under Soviet law for illegal entry?

4. It does not appear from your telegram no. 10, January 17, 4 p. m., that you pointed out to Weinberg that Mrs. Rubens on April 3, 1936, was granted an American passport to which she was entitled. Have you any evidence that she entered the Soviet Union on a passport to which she was not entitled?

³⁴ Not printed.

5. Any comment you may care to make on the Rubens case, and in particular on the statements made to you by Weinberg, would be welcomed.

HULL

361.1115 Robinson, Donald L./73 : Telegram

The Chargé in the Soviet Union (Henderson) to the Secretary of State

Moscow, January 19, 1938—6 p. m.
[Received January 19—5:23 p. m.]

18. Your 18, January 18, 7 p. m.

1. Paragraph 1 of your telegram under reference. I gave Weinberg at noon today a letter requesting on behalf of my Government that a member of the Embassy be permitted to visit Mrs. Rubens at once. I again tried to impress upon him orally how important it was that the Soviet authorities cooperate fully with the American authorities in clearing up the case. He promised to convey my request immediately to the competent authorities but pointed out that a reply to it might be somewhat delayed since many important Soviet officials were attending the sessions of the Supreme Soviet.

2. Paragraph 3 of your telegram under reference. Weinberg told me that his statement with regard to illegal entry was based on information obtained by him from the competent authorities to the effect that the woman in question had come into the country on a fraudulently obtained passport. In response to my inquiries he said that these authorities had not definitely informed him that the passport which she presented when she entered the country bore the name of Mrs. Robinson but he had obtained the impression from the general wording of their communication with him that it did. I have written him a letter asking for a precise description of the passport on which she entered the country and inquiring as to whether or not her Soviet visa had been forged. Article 84 of the Criminal Code of the R.S.F.S.R.³⁵ provides that entry into the Soviet Union by any person not having a proper passport or the permission of the competent authorities entails corrective labor for a penal offense not exceeding 1 year or a fine not exceeding 500 rubles. If the question of the forging of visas is involved she apparently could be sentenced in accordance with Article 72 to not more than 3 years of imprisonment or 1 year of corrective labor. Weinberg told me today, however, that in his personal opinion she would be released and deported if it should become clear that she was not guilty of any crime other than that of entering the country on a fraudulent passport or visa.

³⁵ Russian Socialist Federated Soviet Republic.

3. Paragraph 4 of your telegram under reference. In several conversations with Weinberg I have pointed out that Mrs. Rubens had been granted an American passport to which she was entitled. According to information furnished by the Polish authorities to the American Embassy at Warsaw the couple presented passport in the name of Robinson to the Polish border authorities when they crossed the Polish-Soviet frontier on the evening of November 5. A presumption arises that they presented the same passports to the authorities on the Soviet side of the frontier. This presumption is strengthened by the fact that they were known to the employees of the National Hotel as Mr. and Mrs. Robinson. The Embassy has not been able as yet to overcome or confirm this presumption since all of the documentary evidence relating to the case is in the hands of the Soviet authorities. Nevertheless the presumption is so strong that in discussing the matter I have not assumed the position that Mrs. Rubens entered the country on an American passport to which she was legally entitled.

4. Paragraph 5 of your telegram under reference. I have strong doubts regarding the truth of the story which Weinberg conveyed to me.³⁶ It will be noted that the Soviet authorities apparently preferred to have the story told orally rather than put in writing. Among my reasons for questioning the truth of Weinberg's statement are the following:

(a) An American citizen living in the hotel maintains that he saw Rubens up to the end of November whereas Weinberg says that he disappeared in the middle of November.

(b) It seems unlikely that Mrs. Rubens would be permitted to remain unmolested in an Intourist³⁷ hotel for 3 weeks following the disappearance of her husband.

(c) It seems unlikely that Rubens would be so stupid as to imagine that he could disappear in the Soviet Union leaving a wife waiting for him in the National Hotel.

(d) The Soviet authorities have been and still are so evasive in the whole matter that I am convinced that they do not desire the Embassy to learn the real facts of the case.

I am inclined to believe from all the circumstances of the case that Mr. Rubens was arrested in Moscow early in December; that either his wife did not know of his arrest or that she was told to keep it a secret; and that she was taken into custody primarily in order to prevent the Embassy from questioning her. I am unable to hazard a guess as to what the purpose of their visit to the Soviet Union was. American

³⁶ This refers to information furnished on the arrest of Mr. and Mrs. Rubens (Robinson) reported in telegram No. 14, January 17, 1938, 10 p. m., from the Chargé in the Soviet Union. (361.1115 Robinson, Donald L./69).

³⁷ All-Union Corporation for Foreign Tourism in the Soviet Union, the official travel agency.

citizens in the Soviet Union who in the past have had certain contacts with Comintern agents have expressed to me views to the effect that the Rubens are agents of the Comintern who have incurred the displeasure of the Soviet authorities. These views apparently are based entirely upon supposition and upon their knowledge of the manner in which the Comintern operates.

HENDERSON

361.1115 Robinson, Donald L./74 : Telegram

The Chargé in the Soviet Union (Henderson) to the Secretary of State

Moscow, January 21, 1938—8 p. m.
[Received January 21—4:14 p. m.]

25. My 14, January 17, 10 p. m.³⁸

1. Vinogradov, Weinberg's assistant, telephoned me at 5:30 this evening and stated that Weinberg had instructed him to advise me as follows: (a) The woman in question entered the country in possession of a passport in the name of Ruth Norma Robinson; (b) her Soviet visa was valid; (c) the internal authorities state that it would be inconvenient for the Embassy to visit her in prison until after investigations of her had been completed.

2. I pointed out to Vinogradov that according to Litvinov's note of November 16, 1933, requests made for representatives of the American Government to visit American nationals under arrest were to be granted without delay. I said that I understood that investigations may last for many months; that the investigation of Mrs. Rubens had already been going on for 5 weeks; and that I was sure that if I should transmit his reply to my Government the American authorities would obtain the impression that the Soviet Government was not strictly living up to the promise made by Litvinov. I asked him if I could not speak to Weinberg and he replied that Weinberg was not available at the moment. I requested him to ask Weinberg if the latter would not again take up the matter of the visit with the internal authorities, drawing their attention to the promise contained in Litvinov's note. I said that I would delay telegraphing my Government until later in the evening pending a further reply from Weinberg.

3. Vinogradov replied that he would try to convey my message to Weinberg and would telephone me later. He added that the 22nd and 23rd are Soviet holidays and that no action could be taken in any event until the 24th.

³⁸ Not printed.

4. At 7:00 o'clock Vinogradov telephoned that Weinberg had instructed him to state that the promise contained in the Litvinov note was worded precisely like the protocol to the German agreement³⁹ which had always been interpreted to mean that the representative could visit a prisoner only after investigations had been concluded.

The internal authorities permitted the foreign representatives of no country to visit their nationals in prison during the course of investigations and could make no exception with respect to the United States.

5. I told Vinogradov that I would convey this message to my Government but I was certain that it could not accept such an interpretation of Litvinov's promise.

HENDERSON

361.1115 Robinson, Donald L./84 : Telegram

The Secretary of State to the Chargé in the Soviet Union (Henderson)

WASHINGTON, January 24, 1938—7 p. m.

20. Your no. 25, January 21, 8 p. m.

1. Please address a note to Litvinov in which, after reciting the interpretation of his letter of November 16, 1933, which was communicated to you by Vinogradov, you should state substantially the following:

a) I am instructed by my Government to bring to your attention your letter of November 16, 1933 to the President in which you stated that nationals of the United States would be granted rights with reference to legal protection which would not be less favorable than those enjoyed in the Soviet Union by nationals of the nation the most-favored in this respect. In this connection you called the President's attention to the text of certain articles of the Agreement Concerning Conditions of Residence and Business and Legal Protection in General which was concluded on October 12, 1925 between the Union of Soviet Socialist Republics and Germany. Paragraph 2 of the final protocol to Article 11 of this agreement reads in part as follows:

"In places of detention of all kinds, requests made by consular representatives to visit nationals of their country under arrest, or to have them visited by their representatives, shall be granted without delay."

b) The Government of the United States is unable to accept any interpretation of this paragraph which would operate to restrict in any way whatsoever the granting without delay of requests made by its representatives to visit American nationals under arrest, or to have such American nationals visited by representatives of American consular or diplomatic officers.

³⁹ The text of the supplementary protocol of December 21, 1928, to the German-Soviet agreement of October 12, 1925, is quoted in the letter of November 16, 1933, to President Roosevelt from Litvinov, p. 33.

c) I am instructed to add that my Government continues to expect that an officer of the Embassy will be permitted without delay to interview the person whom the Soviet authorities refer to as Mrs. Robinson.

2. You are authorized in your discretion to decline to discuss the matter further with anyone in the Soviet Foreign Office lower in rank than the Chief or Acting Chief of the Third Western Division. Should the matter be brought up again by any of the higher officials of the Foreign Office you may restate the views expressed in the note outlined above and stress the profoundly unfavorable impression which the Soviet attitude in this matter has made on the American public.

Arrangements for the visit we are requesting are necessary in order to ascertain all the facts which can be obtained from Mrs. Rubens in this matter with a view to assisting us in arriving at a determination of what the duties of this Government would be with regard to her case.

HULL

361.1115 Robinson, Donald L./86 : Telegram

The Chargé in the Soviet Union (Henderson) to the Secretary of State

Moscow, January 26, 1938—4 p. m.

[Received January 26—11:51 a. m.]

28. Your 20, January 24, 7 p. m.

1. I sent the formal note yesterday to Potemkin who is in charge of the Foreign Office while Litvinov is in Geneva.

2. Statements made by members of other diplomatic missions tend to show that for some time at least the Soviet authorities have been refusing to permit representatives of foreign governments to visit their nationals in Soviet prisons until after investigations of such nationals have been completed. Although thousands of foreigners have been arrested during the last year, in apparently only a few instances have visits of diplomatic or consular officers been allowed. It seems that even these visits have been permitted only after sentence has been passed or decision to deport has been reached. Permission to interview Hrinkevich was granted apparently only after the Soviet authorities had decided not to put him on trial but to have him deported. See second paragraph of page 4 of Embassy's despatch No. 774, of November 29, 1937.⁴⁰

3. Does the Department desire me to request Soviet authorities to deliver to the Embassy the Robinson passports on the ground that they were fraudulently obtained? Such passports might prove useful in tracing the movements of the former bearers.

HENDERSON

⁴⁰ Not printed.

361.1115 Robinson, Donald L./116 : Telegram

The Chargé in the Soviet Union (Henderson) to the Secretary of State

Moscow, February 9, 1938—7 p. m.
[Received February 9—5 : 26 p. m.]

38. Referring to my telegram No. 37, February 9, noon.⁴¹

1. I have just received a note from the Foreign Office, a translation of which reads as follows :

“Moscow, February 9, 1938.

Mr. Chargé d’Affaires: Referring to your letter of January 25 of this year⁴² with regard to the question of granting an interview to a representative of the Embassy with a woman arrested in Moscow who came to the Soviet Union on an illegally obtained American passport in the name of Robinson I call your attention to the following :

In the letter dated November 16, 1933, to President Roosevelt Mr. Litvinov expressed the readiness of the Soviet Government immediately following the establishment of mutual relations to grant to citizens of the United States with reference to legal protection rights no less favorable than those enjoyed in the Union of Soviet Socialist Republics by citizens of the nation most-favored in this respect. In this connection there was cited in the letter of Mr. Litvinov article No. 2 of the final protocol to article 11 of the Agreement Concerning Conditions of Residence and Business and Legal Protection in General concluded between the Union of Soviet Socialist Republics and Germany on October 12, 1925.

The text of the article referred to reads in part that ‘in places of detention of all kinds, requests made by consular representatives to visit nationals of their country under arrest, or to have them visited by their representative, shall be granted without delay.’

It is clear that the article referred to could not have in view the granting of an interview to the prejudice of the interests of the investigation. The practice prevailing in the Soviet Union provides for the granting of an interview only upon the termination of such investigation. Since in the given case the most-favored-nation treatment signifies the application of regulations analogous to those which have been established with respect to German citizens arrested in the U. S. S. R., I hereby state for your information that interviews of representatives of the German Embassy and Consulates with German citizens are also granted only after the conclusion of investigations.

Confirming the foregoing consideration, the competent authorities have nevertheless considered it possible, as an exception, to comply with the desire of the Embassy that you and also Mr. Ward be granted an interview with the woman referred to above. The said interview may take place Thursday February 10 at 4 : 00 p. m. in the Butyrskaya Prison at 45 Novoslobodskaya.

Calling attention to the fact that the granting of the interview in question cannot of course constitute a precedent, I request you,

⁴¹ Not printed.

⁴² Not printed, but see Department’s telegraphic instruction No. 20, January 24, 1938, 7 p. m., p. 715.

Mr. Chargé d'Affaires, to receive the assurances of my high esteem. Signed, V. Potemkin."

2. Weinberg told me this afternoon that since investigations have not been concluded no formal charge has as yet been made against the woman in question. He added that since she is still being examined the investigator would be present at the interview and might not permit her to answer some of the questions. In reply to my suggestion that during the interview we have access to her passport he replied that he was confident that the competent authorities would not approve.

HENDERSON

361.1115 Robinson, Donald L./123

Press Release Issued by the Department of State, February 11, 1938

The American Chargé d'Affaires at Moscow, Mr. Loy W. Henderson has reported to the Department that he and the Second Secretary of Embassy, Mr. Angus I. Ward, on February 10 were permitted to interview Mrs. Ruth Marie Rubens in the Butyrskaya Prison at Moscow. Others present were an investigating magistrate, a Russian official who acted as interpreter and a representative of the Foreign Office. The purpose of the visit was definitely to identify Mrs. Rubens and to endeavor to establish whether she is an American citizen. Inasmuch as the investigation by the Russian authorities has not been completed questions dealing with matters connected with the official investigation could not be asked but the interview did elicit definite identification by Messrs. Henderson and Ward of Mrs. Rubens.

Mrs. Rubens stated that she is Ruth Marie Rubens and that she left New York and was in transit under the name of Rubens and entered the Soviet Union in the early part of November on a passport under the name of Ruth Norma Robinson. She said that she does not know how the Robinson passport was obtained. Her husband procured it for her and did not tell her how it was obtained or explain why.

Mrs. Rubens stated that she does not have an attorney representing her at present and that she does not desire an attorney. She made no complaint of her treatment. When asked if there was anything which the Embassy could do to make her more comfortable or to assist her she said that she was grateful for the offer of assistance but that she wanted no assistance.

Mrs. Rubens was neatly dressed and fairly well groomed.

361.1121 Sviridoff, George/21

*The Ambassador in the Soviet Union (Davies) to the Secretary
of State*

No. 1270

Moscow, May 11, 1938.

[Received May 31.]

SIR: I have the honor to acknowledge the receipt of the Department's instruction No. 353 of March 29, 1938 (File No. 361.1121 Sviridoff, George /17[18],⁴³ directing that the Embassy make further efforts to obtain from the People's Commissariat for Foreign Affairs information concerning the welfare and whereabouts of Mr. George Sviridoff, an American citizen, who is stated to be imprisoned in the Soviet Union.

The Embassy's despatch No. 1045 of March 19, 1938,⁴³ stating that the Embassy was at that time without information requested of the above-mentioned Commissariat, crossed the Department's instruction under acknowledgment.

On April 29 Mr. Henderson called on Mr. Weinberg of the Commissariat and mentioned *inter alia* the Embassy's desire to obtain the information requested by the Department. In Mr. Henderson's memorandum of his conversation, he states,

"Mr. Weinberg replied that it would appear that Mr. Sviridoff is also a Soviet citizen and that so long as he is in the Soviet Union, the Soviet authorities must consider him as being a Soviet citizen only. The People's Commissariat for Foreign Affairs, he stated, is as a rule unable to obtain information from the People's Commissariat for Internal Affairs regarding the fate or whereabouts of Soviet citizens who have been arrested. Although he felt that it would be practically useless for him to endeavor to obtain information regarding Mr. Sviridoff in case he is considered to be a Soviet citizen, he would nevertheless take up the matter with the competent authorities and would inform me regarding their reply".

Mr. Weinberg's statement confirms previous statements of other members of the Commissariat to members of the staff of the Embassy to the effect that the Commissariat for Foreign Affairs' failure to furnish information on the whereabouts of arrested Soviet nationals (even though these persons may also be American citizens through dual nationality) is not because it does not desire to cooperate with the Embassy, but because the Commissariat itself is unable to elicit the desired information on such persons from the People's Commissariat for Internal Affairs. This factor is of great interest in that it gives an indication of the impotence of the Commissariat for Foreign Affairs

⁴³ Not printed.

in some phases of foreign relations, as well as an indication of the extent to which the Commissariat for Internal Affairs may effectively control some phases of foreign relations.

Respectfully yours,

For the Ambassador:

A. I. WARD

Chief of Consular Section

[For despatch No. 1342, June 6, 1938, from the Ambassador in the Soviet Union, wherein Ambassador Davies described the subjects still awaiting settlement at the end of his term in the Soviet Union, see page 559. Among the unresolved problems were the protection of American citizens in the Soviet Union, and the Hrinkevich and Rubens cases.]

361.1121 Hrinkevich, Frank/20 : Telegram

The Chargé in the Soviet Union (Kirk) to the Secretary of State

Moscow, July 6, 1938—8 p. m.

[Received July 6—3:20 p. m.]

178. Referring to Department's telegram No. 12, January 11, 7 p. m., regarding Frank Hrinkevich.

1. Hrinkevich's wife and son have been granted permission to renounce Soviet citizenship and to make arrangements to depart from this country in the near future.

2. At Embassy's request Foreign Office has asked appropriate internal officials to allow Frank Hrinkevich to come to Moscow to apply for passport but no definite reply has been received as yet regarding this matter. However Foreign Office advises Embassy that in cases involving deportation it is usual practice of foreign Embassies to transmit passports of persons to be deported to Foreign Office for further transmission to appropriate internal authorities. Does the Department authorize issuance of passport for Hrinkevich without his personal appearance at Embassy in the event he is not permitted to come to Moscow.

3. Soviet authorities undertake to pay transportation charges for Hrinkevich only to Soviet border. Hrinkevich has partly [*sic*] third class steamer accommodations on French Line from Havre to New York. He and his family are without funds and money is required to pay for transportation of Hrinkevich from Soviet border to Havre and for wife and son from Moscow to New York. Amount required for transportation and incidental expenses will not exceed \$325. Embassy has no funds available. Owing to the importance of this case from the standpoint of its precedence value to the Embassy

in connection with the handling of pending and of future cases of similar nature the Department is urgently requested to advise Embassy whether needed funds for the departure of the Hrinkevich family can be furnished by Department or by Red Cross or other organization.

KIRK

361.1121 Hrinkevich, Frank/27 : Telegram

The Secretary of State to the Chargé in the Soviet Union (Kirk)

WASHINGTON, August 3, 1938—2 p. m.

121. Your Nos. 178, July 6, 8 p. m., and 190, July 19, 5 p. m.⁴⁵ Funds not available [to?] Department or Red Cross for repatriation Hrinkevich family.⁴⁶

You are authorized provide Hrinkevich with emergency certificate of identity and registration gratis without personal appearance at Embassy. Certificate may be transmitted through Soviet channels for delivery deportee.

If necessary copies of photograph on present passport may be affixed to certificate, also to application for records.

HULL

361.1121 Provenick, William/4

The Chargé in the Soviet Union (Kirk) to the Secretary of State

No. 1528

Moscow, August 6, 1938.

[Received August 23.]

SIR: I have the honor to refer to the Department's instruction of May 18, 1938 (File No. 361.1121 Provenick, William/2[3]),⁴⁷ furnishing information concerning the citizenship status of William Provenick, who was reported to have been arrested by the Soviet authorities in Leningrad,⁴⁸ and to state that the Embassy has received a note, No. 3.3.534—Am dated June 25, 1938, from the People's Commissariat for Foreign Affairs of the Union of Soviet Socialist Republics in which the Embassy was informed that William Provenick is a citizen of the

⁴⁵ Latter not printed.

⁴⁶ The necessary amount was loaned by the American Embassy Committee for the Relief of Indigent American Citizens, established in Moscow, November 12, 1935, by American members of the Embassy staff who, assisted by small contributions from visiting Americans, supplied the loan funds (361.1121 Hrinkevich, Frank/87).

⁴⁷ Not printed.

⁴⁸ The Department had been informed of the arrest of William Provenick in Leningrad by Embassy's despatch No. 743, November 17, 1937 (361.1121 Provenick, William/1).

Union of Soviet Socialist Republics and in view of that fact the People's Commissariat is unable to make a request for the information desired by the Embassy regarding his whereabouts.

Although William Provenick is apparently a person of dual nationality, the People's Commissariat for Internal Affairs evidently does not find it convenient to oblige the People's Commissariat for Foreign Affairs with information concerning such persons. A similar attitude was adopted by the Soviet authorities in the cases of Peter Krassnoff, Ivan Dubin, George Sviridoff, as well as other persons of dual nationality who were reported arrested in the Soviet Union and about whom this mission made inquiries at the People's Commissariat for Foreign Affairs.

It is doubtful whether the Embassy will be able to obtain any information from official sources regarding the whereabouts or welfare of William Provenick.

Respectfully yours,

For the Chargé d'Affaires ad interim:

A. I. WARD

Chief of Consular Section

361.1121 Nordeen, Hjalmar S./4

The Chargé in the Soviet Union (Kirk) to the Secretary of State

No. 1565

Moscow, August 17, 1938.

[Received September 6.]

SIR: I have the honor to refer to the alleged arrest in the Soviet Union of Hjalmar Sixten Nordeen, which was the subject of the Embassy's telegram No. 301 of November 24, 1937.⁴⁹

The Embassy has not received any official Soviet confirmation of the arrest of Mr. Nordeen, but a letter dated July 15, 1938, a copy in translation of which is enclosed,⁴⁹ has been received from Mr. Hans Altmann, Platanenallee 2, Charlottenburg, 9, Germany, in which he states that in March 1938 he met Mr. Nordeen in one of the cells of a Moscow prison and that Mr. Nordeen informed him that he (Nordeen) is charged with espionage against the Soviet Union in the interests of Finland; that the charges are groundless and are unsupported by any evidence. Mr. Nordeen requested Mr. Altmann to advise his wife, Mrs. Helvi Lahti Nordeen, Box 238, Troy, New Hampshire, that he is in good health.

The Embassy does not feel that any favorable results would be obtained by requesting information from the Soviet authorities concerning the charges upon which Mr. Nordeen is being detained or for permission for an officer of the Embassy to interview him as suggested

⁴⁹ Not printed.

in the Department's telegram No. 187 of December 3, 1937,⁵⁰ since Mr. Nordeen is considered by the Soviet Government to have acquired Soviet citizenship in conformity with its citizenship laws.

However, the Embassy is endeavoring to assist Mr. Nordeen by including his name in lists periodically submitted to the People's Commissariat for Foreign Affairs of Soviet spouses of American citizens who desire to depart from the Soviet Union and proceed to the United States in the company of or following to join the American spouse.⁵¹

Respectfully yours,

For the Chargé d'Affaires ad interim:

A. I. WARD

Chief of Consular Section

[See despatch No. 1613, August 31, 1938, from the Chargé in the Soviet Union, page 660, for the disappearance and presumed arrest of Elmer J. Nousiainen, and for the questioning of other persons by Soviet authorities after leaving the American Embassy in Moscow.]

361.1115 Kujala, Arthur J./7: Telegram

The Chargé in the Soviet Union (Kirk) to the Secretary of State

Moscow, November 14, 1938—3 p. m.

[Received November 14—11:22 a. m.]

388. Department's instruction No. 408 of July 11 this year.⁵²

1. According to a note received last evening from the Foreign Office Arthur Kujala was arrested in 1938⁵³ "for reprehensible actions"⁵⁴ and at that time he possessed neither documentary evidence of foreign citizenship nor a Soviet residence visa. The note adds that "Kujala was sentenced to 5 years in a reformatory labor camp and is now serving his term of detention".

2. The Embassy is making appropriate inquiry regarding the specific charges under which the [*sic*] Kujala was arrested and tried, his

⁵⁰ *Ante*, p. 497.

⁵¹ In despatch No. 310, February 13, 1940, the Chargé reported to the Department that the Embassy had been unable "to obtain any definite information from the Soviet authorities regarding the detention of Mr. Nordeen until a representative of the People's Commissariat for Foreign Affairs of the Union of Soviet Socialist Republics informed a member of the Embassy staff orally on October 27, 1939 that Hjalmar Sixten Nordeen died on October 25, 1938 in one of the northern regions of the Soviet Union" (361.1121 Nordeen, Hjalmar S./6).

⁵² Not printed.

⁵³ The arrest occurred on September 23, 1937.

⁵⁴ In his deposition at the American Legation in Helsinki on September 13, 1939, after his deportation from the Soviet Union, Kujala declared that the only reason for his arrest was "I didn't have a passport." (361.1115 Kujala, Arthur J./38)

present whereabouts and the earliest possible date on which he may be interviewed by a member of the staff.

3. Should the Department so instruct, and in case his relatives are willing and able to make available \$100 for his repatriation, the Embassy will endeavor to have Kujala deported.

KIRK

361.1121 Hrinkevich, Frank/56

*Memorandum by Mr. Edward Page, Jr., of the Division of
European Affairs*

[WASHINGTON,] November 22, 1938.

It will be recalled that in October, 1937, the Embassy in Moscow was informed of the arrest, three months previously, of a naturalized American citizen, one Frank Hrinkevich, and his detention at Minsk. After another months delay, members of the Embassy staff were permitted to interview Hrinkevich and establish his American citizenship. The case, complicated by Hrinkevich's refusal, except under *force majeure*, to leave the Soviet Union unaccompanied by his Soviet wife and child, was the subject of repeated representations, and finally in the later part of October, 1938, exit visas were issued to Mrs. Hrinkevich and child and Hrinkevich was deported from the Soviet Union. He was rejoined in Riga several days later by his family.⁵⁵

The case might have been the subject of a formal protest on the grounds that the Embassy was not informed of Hrinkevich's arrest for three months and not permitted to interview him for another month. It will be recalled that in the exchange of notes between the President and Litvinov on November 16, 1933, Litvinov assured the President that the American Consul should be notified within 3 days whenever an American was arrested and should be granted permission to visit a national under arrest without delay. The Embassy, however, felt that any such action would seriously prejudice the chances of obtaining an exit visa for Hrinkevich's family and so it concentrated its efforts on effecting the release of the family and the deportation of Hrinkevich. After about a year, the Embassy's efforts were crowned with success.

Since the Embassy had interviewed Hrinkevich only in the presence of Soviet officials, it requested the Legation at Riga to execute an affidavit regarding the conditions of Hrinkevich's imprisonment. According to this affidavit, which is attached herewith: ⁵⁶

⁵⁵ Frank Hrinkevich, with his wife and son, sailed November 1, 1938, on the S. S. *Washington* from Hamburg.

⁵⁶ Not attached to file copy.

1. Hrinkevich was first kept in solitary confinement for 65 days.

2. He was then accused of being "in contact with American officials and American rich people" who use him as a spy; of terrorizing the chairman of the village soviet (who was his brother in law); of being the head and a member of "an organization engaged in the overthrow of the Soviet Government and furthermore a spreader of false money." He agreed to sign a statement (in which he presumably confessed his guilt) as he "had been told in jail how people were beaten if they did not do so."

3. He was returned to his cell for a second period of solitary confinement and after a month was placed in a better cell and allowed to see his family. On November 12 he was transferred to the Minsk jail and "warned not to say a word about the conditions in jail" to the American Consul. He remained in the Minsk jail from then until June 2, incommunicado from January 2. "For a year I was never taken outside, except when taken to the different authorities, never spoke to anybody."

4. On June 2, he was taken to the "foreign cell" (at times referred to as the "*Amerikanka*") in which there were 15 German and Czech prisoners. Conditions here were better.

5. On August 22 he was transferred to the Butyrka jail in Moscow, given several medical examinations and treated reasonably well. Here he was interviewed by Mr. Ward. On October 3 he was again transferred to Minsk and on October 15 to Bigosovo (Latvian-Soviet frontier) and conducted across the border several days later.

Note by E. Page

I interviewed Hrinkevich with Mr. Durbrow at Minsk⁵⁷ and was very favorably impressed by the man. He appeared to be a simple farmer or industrial worker and had a straight forward and honest manner that inspired confidence in him and pity in his plight. I cannot consider the charges brought against him as anything but fantastic. It would not appear however that, with the exception of the first two months of solitary confinement, Hrinkevich was treated badly in jail. This undoubtedly was due to the interest in him manifested by the Embassy.

I believe that the Embassy, and especially Mr. Ward, has handled this case extremely well and that recognition should be given to its unremitting zeal in protecting American citizens and interests in unusually difficult circumstances.

[In despatch No. 1958, December 21, 1938, the Chief of Consular Section of the Embassy, A. I. Ward, transmitted *précis* of eighteen cases of American citizens of dual nationality believed or known to be under arrest in the Soviet Union. These *précis* revealed that a large number of the original and follow-up notes sent from the Embassy remained unanswered by the Commissariat for Foreign Affairs or,

⁵⁷ See Embassy's telegram No. 293, November 16, 1937, 11 a. m., p. 495.

after long delay, received only perfunctory replies. These notes frequently declared that the competent internal authorities did not possess information regarding the person about whom inquiry had been made, or declined to furnish such information to the Commissariat for Foreign Affairs to transmit to the Embassy, on the ground that the person was considered to be a Soviet citizen. (361.1121/8)]

**ARREST IN THE UNITED STATES OF A SOVIET CITIZEN CHARGED
WITH VIOLATION OF THE ESPIONAGE LAWS**

311.6121 Gorin, M. N./1 : Telegram

*The Acting Secretary of State to the Chargé in the Soviet Union
(Kirk)*

WASHINGTON, December 13, 1938—6 p. m.

177. 1. On the night of December 12, M. N. Gorin, a Soviet citizen, chief of the Intourist⁵⁸ office in Los Angeles, was arrested by agents of the Federal Bureau of Investigation of the Department of Justice for violating section 32 of title 50 of the Code of Laws of the United States (espionage).⁵⁹ According to the Department of Justice formal charges are being made against him this morning in Los Angeles and it will be decided at that time whether or not he may be released on bail.

2. Oumansky, Soviet Chargé d'Affaires, called at the Department today⁶⁰ to request an explanation for the arrest and to complain that (a) agents of the Department of Justice had acted incorrectly in detaining Gorin in his office for 8 hours without a warrant before they finally were in a position to arrest him; (b) Gorin was not permitted to use the Russian language in discussing his situation with the Soviet Embassy by telephone. He implied that the Department of Justice was acting in a high-handed and not entirely legal manner.

3. The information obtained from the Department of Justice as outlined in Paragraph 1 above was conveyed to Oumansky. He was also informed that the prisoner had no claim to diplomatic immunity and that therefore his arrest did not appear to be a matter requiring action on the part of the State Department; that the State Department was confident that the agents of the Department of Justice had been acting entirely in a legal manner; that he could be sure that the accused would be accorded the same legal safeguards as those which protect accused American citizens; and that if the charges against him

⁵⁸ The All-Union Corporation for Foreign Tourism in the Soviet Union, official Soviet travel agency.

⁵⁹ Espionage Act, approved June 15, 1917; 40 Stat. 217.

⁶⁰ Memorandum of call not printed.

should be sufficiently serious to warrant a trial he would be entitled to legal counsel, a public trial, and to conferring with representatives in the United States of the Soviet Government. The fact that the preliminary hearings on formal charges were being held so promptly was an indication in itself that he would be treated fairly. It was pointed out that it was not the universal custom for officials while making an arrest to permit an accused person to discuss with other persons his case in a language unknown to them.

4. The foregoing is for your confidential information and should be used in case Soviet officials should endeavor to discuss the matter with you or to complain regarding Gorin's treatment. In discussing the matter with such officials you may emphasize the fact that while Gorin was being detained prior to his arrest he was permitted to communicate by telephone with the Soviet Embassy, that formal charges were made against him within 24 hours after his arrest, and that the Soviet Embassy was informed immediately by the Department of State regarding the cause of his arrest. If you feel it opportune to do so you may also contrast the manner in which this case has thus far been handled with the manner in which Soviet officials have dealt with cases involving the arrest of American citizens in the Soviet Union.⁶¹

WELLES

311.6121 Gorin, M. N./15

Memorandum by the Assistant Chief of the Division of European Affairs (Henderson)

[WASHINGTON,] December 14, 1938.

Mr. Oumansky, the Soviet Chargé d'Affaires ad interim, called me up this morning by telephone from New York City and told me the following:

(a) He had received a telephone call from Mr. Gorin in prison this morning and Mr. Gorin had informed him that he was confined in a cell with two other persons and was compelled to sleep on the floor since no cot was available.

(b) At Mr. Oumansky's request the Soviet vice consul, Mr. Mikhail Ivanovich Ivanoushkin, had left New York for Los Angeles by airplane and would arrive in Los Angeles this afternoon. It would be appreciated if the State Department would arrange for Mr. Ivanoushkin to have a talk with Mr. Gorin as soon as possible after his arrival.

(c) After glancing at the morning newspapers he had observed that the Government was more generous in the communications which

⁶¹ For correspondence on this subject, see pp. 708 ff.

it had given to the press regarding the case than the State Department had been to him on the preceding day. He wanted an appointment with me tomorrow in order that I might give him more details regarding the charges made against Mr. Gorin.

I asked Mr. Oumansky if his request that Mr. Ivanoushkin be permitted to see Mr. Gorin was based on the exchange of notes which took place on November 16, 1933 between the President of the United States and Mr. Litvinov.⁶² Mr. Oumansky apparently hesitated before replying to my question and I therefore pointed out that it might be difficult for the State Department to endeavor to arrange for such an interview except on the basis of those notes. Mr. Oumansky thereupon answered my question in the affirmative, stating that his request was based upon the agreement entered into between the United States and the Soviet Government by virtue of the exchange of notes. I said that I would be glad to take the matter up at once and at his request agreed to call him back and inform him regarding the procedure which vice consul Ivanoushkin should follow upon arriving in Los Angeles.

With respect to the State Department furnishing him with further information about the case I told Mr. Oumansky that since there would be a Soviet vice consul observing the proceedings in Los Angeles, since all proceedings would be open, and since the vice consul would have the same opportunity as anyone else to see the records, it seemed to me that the Soviet Embassy would find it advantageous to obtain its information regarding developments in the case direct from Los Angeles rather than through the State Department. I emphasized the fact that although the State Department was interested in seeing that Mr. Gorin obtained justice just as it would be interested in seeing that any other foreigner was given a fair trial, it could not undertake to keep him informed day by day regarding developments in the case. Mr. Oumansky said that in any event he would like to talk with me tomorrow and that he hoped I would be able to give him fuller details regarding the matter.

Subsequent to my conversation with Mr. Oumansky I telephoned Mr. Tamm of the FBI⁶³ and informed him that vice consul Ivanoushkin would arrive this afternoon in Los Angeles, and that the vice consul desired to have a conference as soon as possible with Mr. Gorin. I said that in view of the existence of an agreement between the United States and the Soviet Government according to which Soviet consular officers would be permitted without delay to visit Soviet nationals in prison I hoped that arrangements could be made whereby Mr. Ivanoushkin could visit Mr. Gorin shortly after his arrival in Los Angeles. Mr. Tamm replied that the case was in the

⁶² *Ante*, pp. 33-34.

⁶³ Federal Bureau of Investigation, Department of Justice.

hands of the United States District Attorney in Los Angeles⁶⁴ and that he felt sure that if the District Attorney were apprised of the facts he would permit the visit to take place. He added that he would immediately telephone the federal District Attorney, informing him of the expected arrival of vice consul Ivanoushkin and of the agreement between the American and Soviet Governments and suggest that a visit be arranged.

I told Mr. Tamm that I may be compelled to discuss this case with him from time to time and I wanted him to understand that if I did so it was not because the State Department wanted to bring any pressure upon the Department of Justice or that it desired in any way to hamper the carrying out of Justice. I pointed out that if the office of the federal District Attorney did not desire Mr. Gorin to carry on uncensored conversations with the vice consul there could be no objection to an American official being present during the vice consul's visits and that it could be stipulated that the conversations should be in the English language, which, I believed, both Mr. Gorin and Mr. Ivanoushkin could speak. I added that I would inform Mr. Oumansky that vice consul Ivanoushkin should call upon the United States District Attorney in Los Angeles immediately upon his arrival in that city if he desired to arrange a conference with Mr. Gorin.

I gave this information to Mr. Oumansky by telephone a few minutes later.

311.6121 Gorin, M. N./4 : Telegram

The Acting Secretary of State to the Chargé in the Soviet Union
(Kirk)

WASHINGTON, December 16, 1938—7 p. m.

180. Your 422, December 14, 4 p. m.⁶⁵ The press has given considerable publicity to the arrest of Gorin. According to various newspapers:

1. Gorin, manager of the Los Angeles branch of Intourist, and Hafis Salich, naturalized American of Russian birth and an alleged employee of Naval Intelligence, were arrested December 12 by agents of the Federal Bureau of Investigation and are being held in the Los Angeles County jail subject to bail of \$25,000 each.⁶⁶

2. They have been accused of espionage including the despatch of United States Naval Intelligence documents relating to Japanese espionage to the Soviet Government.

⁶⁴ Ben Harrison.

⁶⁵ Not printed.

⁶⁶ Gorin was released on bail, December 31, 1938.

3. Gorin has been in constant communication with the Soviet representatives since his arrest. Ivanoushkin, Soviet vice consul in New York, has flown to Los Angeles to investigate the case.

4. Gorin was not entitled to diplomatic immunity and the case was solely within the jurisdiction of the Department of Justice.

5. They were arraigned on December 13 and December 24 has been set for the hearing. The case will be taken before a Federal Grand Jury.

WELLES

311.6121 Gorin, M. N./16

*Memorandum by the Chief of the Division of European Affairs
(Moffat)*

[WASHINGTON,] December 19, 1938.

The Soviet Chargé d'Affaires called this afternoon to discuss, *inter alia*, the arrest of Gorin, the head of the Intourist in Los Angeles. He said that he was much perturbed over this case, which he feared was bound to have unfortunate publicity. He did not know Gorin personally, but he wanted to make certain observations to me. In the first place, no Soviet official was authorized to do anything inimical to the American armed forces as in the Soviet view these were an element of peace. Should it be that Gorin had violated these instructions, he would be severely punished on his return by the Soviet authorities. Of course there were many people, not to say countries, trying to create discord between the United States and the U. S. S. R. He could not dismiss the possibility that Gorin had been the victim of an *agent provocateur*. In any event, he could well imagine the *tertius gaudens* who was watching every sensational development in the case.

I replied that I welcomed the assurances that Mr. Oumansky had given to me with regard to the Soviet official attitude, and that only the evidence would show whether Mr. Gorin had in fact been living up to the high standard of conduct in a friendly country which was imposed on him by his superiors.

Mr. Oumansky then made some observations on the difficulty of obtaining official information on this case, but later asked that I take no action for the present on his complaints until he had had a further talk with the Vice Consul he had sent out to Los Angeles from New York.

P[IERREPONT] M[OFFAT]

1939

REPORTS ON DEVELOPMENTS OF SIGNIFICANCE CONCERNING SOVIET
RELATIONS WITH OTHER COUNTRIES, ESPECIALLY WITH THE
UNITED STATES¹

760e.62/2

The Chargé in the Soviet Union (Kirk) to the Secretary of State

No. 2028

Moscow, January 19, 1939.

[Received February 3.]

SIR: With reference to the Embassy's telegram 443 of December 28, 1938,² regarding the Soviet attitude to alleged German designs in the Ukraine, I have the honor to enclose herewith the full text of the editorial² which appeared in the *Journal de Moscou* for December 27, on which the above-mentioned telegram was based. The substance of this editorial was reproduced in the *Moscow News* for January 2, 1939. A subsequent reference to the Ukrainian question was contained, as reported in telegram 14, January 12, 10 a.m.,² in an editorial in the *Journal de Moscou* for January 10, 1939, devoted to the visit of the British Prime Minister to Rome.³

In connection with an assertion that the proponents in the Western European countries of the policy of capitulation entertain hopes of satisfying the "appetites of the aggressors" at the expense of third powers in Eastern Europe, the editorial referred to the Ukrainian question in the following words:

"In this connection the uproar which has been raised in the European press around what is called the 'Ukrainian problem' is very significant. It may be noted that in regard to this question certain French and English newspapers are making more noise than even the fascist aggressors themselves. It is not difficult to guess the reasons therefor: they are suggesting to Hitler to leave Western Europe in peace and to go in search of his prey to the west [*east*].

"But how naive those dreams and insinuations, despite their provocative character. How can it be imagined that Hitler would abandon all of a sudden the line of least resistance, cease his pressure on the states of western Europe, where up to the present he has seized

¹ Continued from pp. 504-601.

² Not printed.

³ Neville Chamberlain visited in Rome, January 11-13, 1939. Earlier he had signed an Anglo-Italian agreement at Rome on April 16, 1938; for text, see League of Nations Treaty Series, vol. cxcv, p. 77.

without fighting the prey desired, and would do this in order to venture along the route of the greatest resistance, where fascist power in Germany—and probably elsewhere, also—will inevitably break its neck.”

As was indicated in the Embassy telegram under last reference, in response to a query from an American correspondent in Moscow, an official of the Soviet Foreign Office reiterated the views set forth in the enclosed editorial and in the excerpt given above.

In so far as the Embassy is aware, however, there has been no mention in the Russian-language newspapers in the Soviet Union of the increased publicity given to the Ukrainian problem in the European press. In view of the publicity which the Soviet Government has given in the past to alleged German designs on the Ukraine, the silence in the Russian-language press may be in itself an indication that the Kremlin considers this question too delicate to be exploited at the present for internal propaganda. The Soviet Government in the present instance appears to have confined the expression of views to those contained in the *Journal de Moscou*, which, it may be assumed, have been presented for purposes of foreign consumption, and, in this connection, Litvinov himself is quoted in diplomatic circles here as conveying, in informal conversations, the impression of unconcern on the part of the Soviet Government in the face of a Nazi threat to the Ukraine, which is reflected in the above-mentioned newspaper. Whether this impression has been deliberately created in order to conceal the real concern of the Soviet Government over the possibility of Nazi aggression in the Ukraine or whether it is based on reassuring statements which he may have received from Berlin direct or via Warsaw as to Hitler's immediate intent in regard to the Ukrainian question is a matter for conjecture. In this as in other questions, however, involving Soviet foreign relations, it should be emphasized that under present circumstances, in regard to European problems at least, initiative in action does not lie primarily with the Soviet Union, and whatever its attitude or aims may be any positive move by the Kremlin in foreign affairs will, it is believed, depend on the development of events abroad.

Respectfully yours,

KIRK

861.415/60

The Chargé in the Soviet Union (Kirk) to the Secretary of State

No. 2058

Moscow, January 30, 1939.

[Received February 18.]

SIR: I have the honor to inform the Department that the 15th anniversary of Lenin's death has been marked in the Soviet press by

numerous articles and editorials describing the life, the theories, the plans and the aspirations of Lenin, and the achievements of the Soviet Union attained under the leadership of Stalin who, as the leading editorial in *Komsomolskaya Pravda*⁴ of January 22 states, is "the Lenin of today".

Prominently displayed are the seven pledges made by Stalin at Lenin's funeral, namely: (1) to maintain the purity and dignity of Party membership; (2) to preserve the unity of the Party; (3) to strengthen the dictatorship of the proletariat; (4) to strengthen the bond between the workers and peasants; (5) to strengthen and expand the union of national Soviet republics; (6) to strengthen the Red Army and Navy; and (7) to be true to the principles of the Communist International.⁵ Furthermore, all articles and editorials speak of the close friendship and collaboration that existed between Lenin and Stalin, of the great work accomplished by Stalin in fulfillment of his pledges, and of the prosperity and happiness of the Soviet people thanks to the gigantic economic and cultural development of the Soviet Union under the firm leadership of the Party of Lenin-Stalin.

Although the articles and editorials in question are principally devoted to accounts of the theories and plans of Lenin and developments thereof under the leadership of Stalin, certain references to the international aspects of the communist movement are made. In its leading editorial of January 21, *Pravda* states in part as follows: ". . . During the past 15 years the world communist movement has grown into a tremendous force. . . . At present, the communists of all nations are aiming their blow at the primary enemy of the toilers—at fascism. The communists are mobilizing all forces capable of fighting in the ranks of the people's front against fascism. The Party is putting into effect Lenin's directions regarding the necessity of utilizing the internal contradictions between imperialistic plunderers in the interests of the Soviet people and in the interests of the international proletariat."

In a full-page dissertation on Lenin's testament⁶ and Stalin's pledges, published in *Pravda* of January 21, Emelyan Yaroslavski, one of the Party's leading theoreticians and historians, declares that Trotskyites, fascists and other foes of their brand "are too feeble to undermine or check the growth of the Comintern which is rallying the workers throughout the world and which is fighting for a united front of the toilers against fascism". Speaking for the Party as a whole, Yaroslavski concludes with the following statement: "We keep in our hearts, and we are carrying out in practice, the pledge that Stalin

⁴ Newspaper of the All Union Leninist Communist Union of Youth (Komsomol).

⁵ The Third International founded by the Bolsheviks in Moscow in March 1919.

⁶ The testament, or will, dictated by Lenin on December 25, 1922, containing his advice to the Communist Party, and his opinions regarding his likely successors.

made ('We swear, Comrade Lenin, that we will spare not even our lives to strengthen and broaden the union of the toilers of the whole world—the Communist International'). The time is not distant when the crimson banner of Marx–Engels, Lenin–Stalin will flow over the entire world, for the great truth of bolshevism and the tremendous force of Marxian-Leninist ideas are irresistible."

An article entitled "Lenin and the International Labor Movement" by D. Manuilski (a member of the Executive Committee of the Comintern and one of its principal leaders), dealing with Leninism and its contribution to the advancement of the world labor movement, contains the following passages referring to the Comintern: "Under the direct influence of Leninist-Stalinist doctrines the Communist Party of France has grown into a first-rate political force. Also growing into a serious political factor is the Communist Party of the United States, which has become stronger in its fight against fascism and in its efforts to develop the democratic front. It is drawing into its ranks more and more of the best people in the American Labor movement."

Similar vows of fidelity to the international aspects of communism were expressed in a speech by A. C. Shcherbakov, the Secretary of the Moscow Oblast and City Party Committee, at an anniversary meeting in the Moscow Opera House, attended by Stalin and other leading Bolshevik figures. These and other references to the world revolutionary movement, in that they were published in connection with the celebration of the anniversary of Lenin's death, have been considered as prompted by a desire to emphasize the position of loyal executor of the policies and principles proclaimed by Lenin which is ascribed to Stalin rather than by an intent to make in this connection a statement of Communist International policy as directed from Moscow.

The press carried at the same time messages from abroad relating to the anniversary of Lenin's death. In the *Pravda* of January 21, appears an article by Earl Browder, of which a translation is enclosed,⁷ outlining the evolution of revolutionary thought and the progress of "mass democratic movement" in the United States, and emphasizing the necessity and inevitability of close collaboration between the United States and the Soviet Union; a collaboration that is based upon the existence of common interests between the people of bourgeois-democratic America and the people of the socialist-democratic Soviet Union. Mr. Browder holds that the liberation of Tom Mooney⁸

⁷Not printed.

⁸Thomas J. Mooney, a labor organizer, was convicted of participation in the bombing at the Preparedness Day parade in San Francisco on July 22, 1916. A death sentence was commuted to life imprisonment on November 28, 1918. After prolonged efforts he was unconditionally pardoned by the Governor of California, Culbert L. Olson, on January 7, 1939.

was influenced by the spread of Leninist ideas among the American people and that it testifies to the "growth of a mass democratic movement headed by the working class of the United States". Referring to the revolutionary traditions of the American people, Mr. Browder lauds President Roosevelt for his courageous stand in defense of democracy against world fascism and for "rejecting the cowardly policy of Britain and France of 'appeasing' the fascist aggressors". The views of Mr. Browder in general reflect the attitude which the controlled press of the Soviet Union has consistently expressed in choosing to emphasize a similarity in views between the United States and Soviet Russia as regards the aims of democracy and world peace and on the dangers of fascist aggression.

Respectfully yours,

A. KIRK

861.50 Five Year Plan III/1: Telegram

The Chargé in the Soviet Union (Kirk) to the Secretary of State

Moscow, January 31, 1939—1 p. m.

[Received 1:20 p. m.]

45. My 37, January 27, 2 p. m.⁹ Yesterday's Soviet press carries a detailed draft (theses) of a report on the five-year plan of development of the national economy of the Union of Soviet Socialist Republics which is to be presented by Molotov at the 18th Party Congress and which has been approved in the main by the Political Bureau of the Central Committee of the All Union Communist Party.

The plan as outlined in this draft indicates that during the period 1937-1942 relatively less capital is to be invested in industries producing consumers goods than was invested during the second five-year plan and in this respect the new plan is similar to the first five-year plan.¹⁰ Whereas the second five-year plan provided that 23.2% of total capital investments were to be placed in the consumers' goods industries and 18.1% actually was placed therein, under the new program it is planned to devote 16% thereto. During the first five-year

⁹ Not printed.

¹⁰ The third five-year plan was presented by Stalin and Molotov in speeches to the XVIII Congress of the Communist Party, and adopted by it during its sessions in Moscow, March 10-21, 1939. The Chargé wrote in his despatch No. 2247, April 12, 1939, that unlike the first and second five-year plans, which contained detailed programs for separate branches of industry, this third plan was an outline of a most general nature. It made "no adequate provision for the correction of the maladjustment in the Soviet Union which exists between consumers'-goods production on the one hand and capital-goods production on the other, and which prevents a stabilization of wages and prices and consequently a proper balance between monetary circulation and the production of goods." (861.50 Five Year Plan III/4)

plan which had as its primary aim the building up of a heavy industry along modern lines 85.9% of total capital investments was devoted to producing means of production as compared with 84% planned under the new program. Total capital investments under the new plan are to amount to 180 billion rubles, of which 116.6 billion rubles are to be placed in industry alone. Of the latter sum, 86.8 billion rubles are for enterprises manufacturing producers' goods and 16.6 billion rubles for those producing consumers' goods. Transport is to receive 35.8 billion rubles. One branch of the national economy, namely, agriculture, is to receive even less capital in absolute figures than was planned under the second five-year program, the figures being respectively 10.6 billion rubles as compared with 14 billion. By the addition during the period 1937-42 of these amounts of capital to the existing industrial plan, it is planned to produce in 1942 goods valued at 180 billion rubles (prices of 1926-27) of which amount 112 billions are to be in the form of means of production and 68 billions in the form of articles for consumption. The machine building and metal workers industry alone are to produce in 1942 goods valued at slightly less than the total value of consumers goods, that is 62 billion rubles as compared with 68 billion. Consequently the value of the articles of consumption in 1942 should be 37.8% of the total value of production as compared with 46% actually achieved in 1937 and 43 as planned for the year 1938.

Emphasis is placed throughout the draft on the necessity of strengthening the defense industry and in this connection the third five-year plan is launched under the slogan that it is designed for "special steels" and "for chemistry". Furthermore the figures in the draft on production in kind planned for 1942 which call for the largest percentage increases relate to electric energy, rolled metal, cement, automobiles and similar goods and the smallest called for increases with the exception of canned goods relates to cotton and woolen cloth, leather, shoes and other consumers goods. Consequently the draft indicates that the Kremlin does not intend to take effective measures to overcome the lack of equilibrium in the national economy pointed out in the Embassy's despatch No. 1435, June 30, 1938 and 2048, January 27, 1939,¹¹ a lack which is caused by the excessive disproportion existing between the industrial forces devoted to manufacturing articles for consumption and those directed toward turning out war materials and means of production for heavy industry. Editorial comment so far is devoted merely to explanations of the various items of the draft without introducing any significant interpretations.

KIRK

¹¹ Neither printed.

701.6111/934 : Telegram

The Chargé in the Soviet Union (Kirk) to the Secretary of State

Moscow, February 22, 1939—2 p. m.

[Received 3 p. m.]

84. Although no further remarks have come to my attention since my telegram 71, February 13,¹² regarding the imminent appointment of an Ambassador to this post conjectures have recently become more current here as to the appointment of a Soviet Ambassador to Washington to replace Troyanovsky and in this regard Litvinov has been mentioned.

This reference to Litvinov is apparently associated with a renewal of rumors to the effect that he may leave the Commissariat for Foreign Affairs in the near future. It is argued in this connection that the conclusion of the Italian-Soviet and Polish-Soviet commercial accords as well as the reports of the negotiation of the German-Soviet trade agreements which without reaching any general currency in Moscow have been the subject for comment in a general way may imply an eventual alteration in those circumstances which manifested themselves in the display of animosity characterizing relations between Nazi Germany and the Soviet Union. In developing further this argument it is contended that Litvinov, in view of his close association with an anti-Nazi attitude in the past, would not prove the most suitable agent to develop any inclination on the part of the Nazi Government which would tend in the first instance to allay Soviet preoccupation as to the security of its western front and that consequently a change in the People's Commissar for Foreign Affairs is now indicated. It is also contended that Litvinov's personal position has been impaired and that an indication thereof may be found in a tendency which has lately been detected, on the part of the Commissar of Foreign Trade¹³ who occupies a place of high political authority in the Soviet hierarchy, to take over the direction of certain aspects of foreign commercial relations hitherto recognized as pertaining to Litvinov's office.

The foregoing rumors as to Litvinov have not yet become the subject for general comment and it is obvious that the speculations with which they are linked arise insofar as matters of Soviet policy are concerned, from considerations which at present can be based merely on implication. Furthermore, doubts as to the strength of Litvinov's personal position have been indulged in before but have proved premature and the last occasion on which they were circulated was during the period immediately following the Munich accord (see my telegram No. 374, October 31¹⁴).

KIRK

¹² Not printed.¹³ Anastas Ivanovich Mikoyan.¹⁴ *Ante*, p. 591.

800.00B Communist International/228 : Telegram

*The Chargé in the Soviet Union (Kirk) to the Secretary of State*Moscow, March 4, 1939—6 p. m.
[Received March 4—1:30 p. m.]

93. On the occasion of the twentieth anniversary of the founding of the Communist International the *Pravda* today devotes its leading editorial to praise of that organization. Although in general the views expressed coincide with those which have characterized recent proclamations of the Comintern in emphasizing the necessity and urgency of the unification of the forces of the international proletariat for the struggle against Fascism and reaction and in singling out Fascism in Germany, Italy, and Japan for a special attack there is a more noticeable tendency in the present editorial to stress the identity of capitalism and Fascism which is treated as a manifestation of the "dying capitalism". The article continues that the Soviet Union which is characterized as the support of the international proletariat has greatly increased its influence on the international situation as a whole and in particular "its effect on the development of the revolutionary movement in the world" and quotes a statement of Dimitrov to the effect that working-class unity in both the national and international field would render a working class capable not only of successfully defending itself against Fascism and the "class enemy but also of launching a successful counter-attack against those forces." These words, the editorial states, constitute the program of action for proletarian revolutionists. The only reference to the United States is in connection with the alleged growth of the Communist Parties throughout the world in which it is stated that the Communist Party of the United States at present embraces up to 100,000 members.

Greetings from the Communist Parties of various countries are also published, including one from Browder in which emphasis is placed on the role of the American Communist Party in the creation of a united front "of all democratic forces of the country against the attacks of reaction and the Fascist incendiaries of war". This greeting closes with the statement that "the vital task of the American Communists is to work for the active participation of the United States in the world front of the struggle against aggression. The natural friendship between the peoples of the Union of Soviet Socialist Republics and the United States of America must be supplemented by cooperation in the struggle for common aims and against common enemies."

KIRK

861.00 Party, All Union Communist/209 : Telegram

The Chargé in the Soviet Union (Kirk) to the Secretary of State

Moscow, March 11, 1939—4 p. m.

[Received March 11—1:48 p. m.¹⁵]

99. The XVIII Party Congress opened at 5:00 o'clock yesterday and was followed by Stalin's report on the work of the Central Committee. Although the newspapers have not yet appeared the following is the summary of the part of Stalin's speech dealing with foreign affairs as contained in the Tass¹⁶ bulletin received by the Embassy.

Stalin began with a comparison between the "capitalist world" which was characterized as suffering from a new economic and political crisis as contrasted with the steady progress in the Soviet Union in all fields. In discussing the crisis in the "capitalist world" Stalin emphasized the growth of unemployment and the fall in production in the majority of countries in 1938 as compared with 1937 and stated that the crisis had been more noticeable in countries which have not yet put their economy on a war basis. In discussing the economy of Italy, Germany, and Japan he emphasized the depletion of the gold reserves of those countries and said that although German industry appeared to be still expanding as a result of military operations unless some unforeseen development occurred that German economy would soon suffer from the same decrease in production already apparent in Italy and Japan whose economy had been placed on a war footing sooner than that of Germany.

In discussing the political aspects of the present international situation Stalin's remarks, following closely the views expressed on this subject in the new Party history¹⁷ declared that the "Second Imperialist War" directed in the first instance against the Imperialist interests of England, France, and the United States by the Fascist nations had already begun. He ridiculed the attempts of the aggressor nations Germany, Italy, and Japan to depict their military alliance as harmless geometrical formulae of "axes" and "triangles" and to mask their real designs under the guise of a struggle against the Comintern. Stalin asserted that the capitulatory policies of the bourgeois democratic powers is explained on more than upset economy or military weakness since together they are superior in force to the Fascist nations but by "their fear of the revolution which may break out if the non-aggressive countries are drawn into a war and that war becomes

¹⁵ Telegram in two sections.

¹⁶ Telegraph Agency of the Soviet Union, an official communication agency of the Soviet Government.

¹⁷ *History of the Communist Party of the Soviet Union (Bolsheviks), Short Course*, edited by a Commission of the Central Committee of the Party (Moscow, 1938, et seq.).

world-wide. Bourgeois politicians know that the first Imperialist War has made the revolution victorious in one of the greatest countries. They fear that a second Imperialist War may lead to the triumph of the revolution in one or more countries." The principal reason, however, Stalin stated, is the failure of the non-aggressive countries in the first instance England and France to follow the policy of collective security and resistance to the aggressors and their adoption of a position of "non-interference and neutrality"; the aim of this policy of neutrality and non-interference is to involve the aggressor nations in a war with the Soviet Union. Germany was permitted to absorb Austria and Czechoslovakia in an attempt to induce that country to attack the Soviet Union and the outcry in the bourgeois press following the Munich Agreement¹⁸ in regard to Russian military weakness and internal disorder was open encouragement to German aggression against the Soviet Union. Stalin added that the uproar in the Anglo-French and North American press in regard to German designs on the Ukraine was in this connection "characteristic" and that "this suspicious uproar was for the purpose of arousing Soviet anger against Germany to poison the atmosphere and to provoke a conflict with Germany without visible reason." Stalin asserted that the Soviet Union commanded sufficient force to prevent the realization of any designs on the Ukraine if the Germans were mad enough to attempt an attack and that certain politicians and newspapers of Europe and the United States were beginning to realize that the hope of turning German expansion eastward had been dispelled and that they now see that Germany is "turning to the west and demanding for itself colonies". "It is possible to think that the Germans were given the regions of Czechoslovakia as a price for an obligation to begin war with the Soviet Union, but the Germans are now refusing to honor the check."

In discussing the Soviet Union vis-à-vis the capitalist countries, Stalin after stating that the "Second Imperialist War" had created a new situation in the relations between nations and a state of uncertainty in international relations due to the overthrow of the elements of international law and the deterioration in value of international agreements, made special reference to the armaments engaged in by all countries both great and small. This had forced the Soviet Union to strengthen its armed forces and to take certain steps to strengthen the international position of the Soviet Union. Stalin referred to

¹⁸ Signed at Munich, September 29, 1938, between Germany, the United Kingdom, France, and Italy; for text, see *Documents on British Foreign Policy, 1919-1939*, 3d Series, vol. II, document No. 1224, p. 627, and *Documents on German Foreign Policy, 1918-1945*, Series D, vol. II, document No. 675, p. 1014.

the Soviet entry into the League in 1934¹⁹ and the reasons therefor and mentioned without comment the conclusion of the Franco-Soviet,²⁰ Soviet-Czechoslovak²¹ and Soviet-Mongol²² treaties of mutual assistance and the treaty of non-aggression with China.²³

That portion of his speech devoted to international affairs and the foreign policy of the Soviet Union concludes with the following words:

"The foreign policy of the Soviet Union is clear and comprehensible: (1) We stand for peace and for the strengthening of business likely to affect ties with all countries. We stand and will stand on that position insofar as these countries will maintain such relations with the Soviet Union and insofar as they do not attempt to infringe the interests of our country. (2) We stand for peaceful, close, and good neighborly relations with all neighboring countries which have a common frontier with the Soviet Union. We stand and will stand on that position insofar as these countries will maintain such relations with the Soviet Union and insofar as they do not attempt to infringe directly or indirectly the interests, integrity, and inviolability, of the frontiers of the Soviet state. (3) We stand for the support of peoples who have become victims of aggression and who are struggling for the independence of their fatherland. (4) We do not fear threats on the part of aggressors and are ready to answer with redoubled blow a blow from the incendiaries of war attempting to infringe the inviolability of the Soviet frontiers. Such is the foreign policy of the Soviet Union. In its foreign policy the Soviet Union bases itself first, on its growing economic, political, and cultural strength; second, on the moral and political unity of our Soviet social system; third, on the friendships of the peoples of our country; fourth, on its Red Army and Navy; fifth, on its policy of peace; sixth, on the moral support of the workers of all countries who are vitally interested in the preservation of peace; seventh, on the good sense of those countries who are not interested for one or another reason in the violation of peace. The tasks of our Party in the realm of foreign policy are: (1) to continue in the future as well as to carry on the policy of peace and of strengthening of business-like ties with all countries; (2) to observe caution and not to permit our country to be drawn into a conflict by the *provocateurs* of war, who are accustomed to using others as cats' paws; (3) to strengthen in every way the military might of our Red army and naval Red fleet; (4) to strengthen the international ties of friendship with the toilers of all countries who are interested in peace and in friendship between peoples."

KIRK

¹⁹ September 18, 1934.

²⁰ Signed at Paris on May 2, 1935; for text, see League of Nations Treaty Series, vol. CLXVII, p. 395.

²¹ Signed at Prague on May 16, 1935; for text, see *ibid.*, vol. CLIX, p. 347.

²² Protocol of Mutual Assistance between the Mongolian People's Republic and the Soviet Union, signed at Ulan-Bator-Khoto on March 12, 1936; for text, see *British and Foreign State Papers*, vol. CXL, p. 666.

²³ Signed at Nanking on August 21, 1937; for text, see League of Nations Treaty Series, vol. CLXXXI, p. 101.

861.00 Party, All Union Communist/211 : Telegram

The Chargé in the Soviet Union (Kirk) to the Secretary of State

Moscow, March 13, 1939—3 p. m.

[Received 3:48 p. m.]

101. The Soviet press yesterday which did not appear until evening carried the text of an exhaustive report of Manuilski to the Congress of the work of the Comintern.

Manuilski began his speech with a review of the developments in the capitalist world during the past 5 years and of the existing international situation which followed closely the views expressed by Stalin (see my telegram 99, March 11, 4 p. m.) but was marked by an exceptionally violent attack on the "reactionary British bourgeois" and the present policies of Great Britain.

Manuilski stated that the imperialistic claims of the Fascist powers have aroused the alarm and resistance of certain capitalist states particularly the "most powerful capitalist state in the world" the United States, which is defending its interests in South America against German, Italian and Japanese penetration there and is defending its position in the Philippines, China and the Pacific Ocean against Japan and that "in so doing the United States is stimulating the resistance to the Fascist aggressive plans in other parts of the world including Europe".

Manuilski emphasized the efforts of the Communist Parties for the creation of a united proletarian and People's Front against Fascism and reaction and in this connection stated "in the United States the anti-Fascist movement has swept from its path Fascist demagogues of the type of Father Coughlin; from the reactionary American Federation of Labor has become detached the Left Wing the so-called Committee for Industrial Organization which is heading the shift of the larger part of the American workers' movement over to the position of the class struggle; the working class taking advantage of an improvement in the economic conditions, is carrying on a series of large strikes which have terminated in the majority of instances in the favor of the workers. One million textile workers and 400,000 miners are striking as well as the workers of other branches of industry. Half a million students have declared a demonstration strike against approaching war; the democratic movement is growing and has secured a tremendous victory in the Presidential election. On the wave of this movement is growing the Communist Party of the United States." He maintained that the peoples of the "so-called democratic countries", England, France, and the United States, favored the application of measures of economic pressure against the Fascist

countries and urged the working class of these countries to use "material pressure" in the form of strikes, demonstrations, et cetera, to force their "bourgeois Government" to adopt such a policy.

In discussing the present tactics of the Communist Party Manuilski stated that the proper Communist attitude toward war had been laid down in the short history of the Communist Party and that in conformity with these views the Communists would support a war of any people for their national independence and against the imperialist brigands, any war which would help the speedy defeat of world reaction and Fascism and any war which would hasten the victory of the world proletariat whose interests are entirely and completely in accord with the interests of the Soviet Union, the fatherland of all workers. In a later portion of his report Manuilski warned that any war against the Soviet Union would result in the downfall of capitalism through revolution.

Manuilski stated that the membership of Communist Parties forming part of the Communist International now equaled 1,200,000 as against 860,000 five years ago and that the Communist Leagues of Youth had grown from 110,000 to 740,000 but that the influence of the Communist Parties affected from 15 to 20 times the number of actual members. He added that the growth of the Communist Parties had been more rapid in countries where the social democratic parties were weak "such as for example in the United States and in many countries of Latin America". In speaking specifically of the American Communist Party Manuilski stated an "important advance has been achieved by the Communist Party of the United States; by assisting in every way the formation of the class movement of the proletariat and rupture with the bourgeois parties it has grown from 20,000 to 90,000 members; by its work it has assisted in the strengthening of the industrial unions which embrace about 4,000,000 members and devotes tireless patient work among the 3,000,000 workers adhering to the reactionary American Federation of Labor for the establishment of trade union unity on the basis of the class struggle. The Party has won great authority among the negro working masses and also among the best representatives of the American intelligentsia. By its participation in the wide democratic movement and its criticism of the half-way policy thereof the Communist Party of the United States has pushed that movement on to the path of a more consistent anti-Fascist struggle. One of the existing deficiencies of the Party has been that it is still weakly linked with the agricultural masses and with the farmers movement."

Manuilski's description of the work of the Comintern contained the usual denunciations of Trotskyists as agents of Fascism and of the reactionary Socialist and trade union leaders, and in general followed

that of the line adopted at the Seventh Comintern Congress in 1935²⁴ with special reference to the need of unity in the struggle against reactionary circles in the anti-Fascist countries and the importance of the defense of the Soviet Union. He concluded with a tribute to Stalin as the defender of the interests of the toilers of the whole world.

KIRK

861.00 Party, All Union Communist/213: Telegram

The Chargé in the Soviet Union (Kirk) to the Secretary of State

Moscow, March 14, 1939—2 p. m.

[Received March 14—1:52 p. m.]

105. My 99, March 11, 4 p. m. The Moscow *Pravda* for March 13 devotes its editorial to praise of Stalin's analysis of the international situation and selects for special emphasis those portions of his remarks which characterize the so-called policy of nonintervention and neutrality of the western democracies as an attempt to involve other countries and in particular the Soviet Union in war with the aggressor nations in conformity with the principle, divide and rule. The editorial specially mentions the alleged attempts of the bourgeois press of England, France and the United States to magnify the Ukrainian question in the hope of turning Germany to the east. The editorial states that this suspicious uproar raised by the European and American bourgeois press around the nonexistent Ukrainian problem clearly has as its aim the poisoning of the atmosphere of Soviet relations and adds that the disappointment of the *provocateurs* of war at the failure of Germany to pursue this course is a sight for the gods. The editorial likewise states that this was not the first disappointment of the *provocateurs*, since the last year the European and American bourgeois press were writing of the inevitability of a Soviet-Japanese war in the near future. The editorial continues with statements in regard to the strength of the Soviet Union, its ability to defend itself, and its fidelity to the cause of peace, and concludes that "precisely for this reason, under the conditions of the Second Imperialist War which has already begun, the Soviet state must display unceasing vigilance and caution and not permit the *provocateurs* to draw it into the torrent of war".

Members of the German Embassy here have expressed satisfaction at the tone of Stalin's reference to the international situation and in particular to his denunciation of attempts to poison Soviet-German relations and to provoke a war between the two countries for which

²⁴ For the VII Congress of the Communist International held in Moscow, July-August 1935, and the United States protest against its activities, see pp. 218 ff.

there was no foundation; and have even offered the opinion that there was a possibility that if these remarks were presented in the proper manner and by the proper officials in Berlin to Hitler an amelioration in the political situation between the Soviet Union and Germany might be developed.

KIRK

861.00 Party, All Union Communist/215: Telegram

The Chargé in the Soviet Union (Kirk) to the Secretary of State

Moscow, March 16, 1939—6 p. m.

[Received 7:55 p. m.]

111. The text of Voroshilov's speech delivered on March 13 to the Party Congress was published in the Soviet newspapers on March 15 which appeared late in the afternoon.

Voroshilov began by stating that "bourgeois governments" were attempting to direct Fascist aggression against the Soviet Union. He then cited figures showing the armed strength of other countries, the progress of their rearmament and the increase of the military budgets largely taken from German sources. Voroshilov discussed in detail exclusively on the basis of the comparative percentages the growth and development of the Red Army during the past 5 years. He asserted that the numerical strength of the army as a whole had slightly more than doubled during this period; that the fire power of the Soviet Army corps was superior to that of the army corps of any European army and that the size of the Soviet division had been increased from 13,000 to 18,000 men. He claimed that the number of tanks had increased by 191% light artillery by 34%, medium artillery by 26%, heavy artillery by 85% and anti-aircraft artillery by 169%. (In a subsequent portion of his speech Voroshilov puts the increase in anti-aircraft artillery at 288%). In respect of aviation service, Voroshilov claimed that the number of airplanes had increased by 130% during the last 5 years and that during this period the compositions of the Soviet Air Force had altered considerably; that the proportion of heavy bombers to the total had increased from 10.6% to 20.6%; that of pursuit planes from 12.3% to 30%; the light bombers, combat and scout planes had decreased from 50.2% to 7%. He asserted that in 1934 the bomb load capacity of Soviet aviation in one flight had been 2000 tons of bombs and that at the present time this capacity was slightly more than three times that amount. This fact, he added, should act as a restraining influence on any aggressor who had the intention of attacking the Soviet Union. Voroshilov claimed that in Soviet military airdromes not only pursuit but also bombing planes capable of speed far in excess of 500 kilometres an hour were not a rarity.

In discussing the personnel of the Red Army, Voroshilov said that the opinions expressed abroad as to the weakening of the Red Army as the result of the elimination of traitors,²⁵ such as Tukhachevski, Egorov, Orlov, and others, had been given the lie by the success of the Soviet Army in the engagement at Lake Khasan²⁶ and added that the Red Army was prepared at any time to repeat in intensified form this lesson. Voroshilov discussed at length the successes of the Soviet military schools; the rise in the material standard of the Red Army; and the program of civil defense against air attack which he characterized as not entirely satisfactory.

In discussing the system of political commissars²⁷ in the army Voroshilov stated that although the most important task of these commissars was the political education of the army along the Marxist lines he added that at the present time they are jointly responsible with the commander for the combat efficiency, administration and morale of the army and that "both the commander and the military commissar will lead their units into action". He stated in this connection that the number of political workers in the Red Army had increased from 15,000 in 1934 to 34,000 at the present time.

Voroshilov concluded his speech with special emphasis on the military, political, and moral preparedness of the Red Army and asserted that it was fully equipped and prepared to defend the Soviet Union against any attack.

KIRK

760c.61/750 : Telegram

The Chargé in the Soviet Union (Kirk) to the Secretary of State

Moscow, March 21, 1939—5 p. m.

[Received March 21—2: 23 p. m.]

132. Following is text of communiqué just issued by the Foreign Office.²⁸

"The foreign press is spreading rumors alleging that the Soviet Government has recently offered to Poland and Rumania its assistance in the event that they should become the victims of aggression. Tass is authorized to state that this is not in conformity with the facts.

²⁵ Regarding the trial and execution of eight high Army officers, June 11-12, 1937, see the Chargé's telegrams No. 113, June 11, 1937, 2 p. m., and No. 117, June 13, 1937, 11 p. m., pp. 378 and 383, respectively.

²⁶ Engagements with Japanese troops in the area around Lake Khasan and Changkufeng hill near the Manchurian border in late July and early August 1938.

²⁷ Political, or military commissars were reintroduced into the armed forces by resolution of May 11, 1937, and approved by regulations of May 17, 1937. See telegram No. 105, June 8, 1937, 2 p. m., from the Chargé in the Soviet Union, p. 376.

²⁸ Text revised in accordance with translation enclosed in despatch No. 2218, April 1, 1939, from the Chargé in the Soviet Union (740.00/1039).

Neither Poland nor Rumania has appealed to the Soviet Government for help nor have they informed the latter of any danger threatening them. It is true only that on the 18th of this month the British Government informed the Soviet Government that they had serious grounds to fear violence against Rumania and inquired as to the possible position of the Soviet Government in such an eventuality. The Soviet Government in reply to this question advanced the proposal for the convocation of a conference of the representatives of the most interested states namely Great Britain, France, Poland, Rumania, Turkey and the U. S. S. R. Such a conference in the opinion of the Soviet Government would afford the greatest possibility for the clarification of the real situation and the determination of the position of all its participants. The British Government, however, found this proposal to be premature".

KIRK

861.00 Party, All Union Communist/219

The Chargé in the Soviet Union (Kirk) to the Secretary of State

No. 2213

Moscow, March 30, 1939.

[Received April 20.]

SIR: With reference to my telegram no. 99, March 11, 4 p. m., and to despatch no. 2203, March 27, 1939,²⁹ transmitting copies in English of the report delivered on March 10 by Stalin to the 18th Party Congress, I have the honor to discuss below certain aspects of that portion of Stalin's speech which deals with the international situation and Soviet foreign relations.

In the introduction of that section of his speech Stalin commences with a comparison between the alleged crisis and disruption in both economic and political spheres in capitalist countries as contrasted with the progress achieved in the Soviet Union in every phase of national life during the five years which have elapsed since the holding of the previous Congress.³⁰ His description of the situation in capitalist countries presents little of interest in that it consists largely of figures taken from foreign sources to support the accepted Bolshevik thesis that the capitalist system is in process of disintegration. That section of his report, however, dealing with the international political situation while following closely the views expressed by M. Litvinov, the People's Commissar for Foreign Affairs, in his speech last June (see despatch no. 1460, July 9, 1938³¹) in regard to the progressive destruction of the post-war system and the opinions set forth in the new Party history with reference to the existence of the new im-

²⁹ Despatch not printed.³⁰ The XVII Congress of the All Union Communist Party had been held in Moscow between January 26 and February 10, 1934.³¹ *Ante*, p. 537.

perialist war for a division of the world, nevertheless contains certain points of immediate interest. Stalin takes great pains to emphasize that the war which is being waged by the aggressor states, namely, Germany, Japan and Italy, is directed primarily against the interests of England, France and the United States, in the face of which the latter countries are making concession after concession to the aggressors. In explanation of the failure of the nonaggressive states to resist fascist aggression, Stalin places first of all the abandonment by those countries, particularly England and France, of a policy of collective resistance to aggression and their adoption of a policy of "non-intervention or neutrality". In addition, however, Stalin attributes considerable weight in explanation of this policy to the fear on the part of bourgeois politicians that a world war might lead to the victory of the proletarian revolution. This policy of "nonintervention" is defined by Stalin as one of formally leaving each country to defend itself as best it can against aggression and of maintaining commercial relations with both the aggressors and their victims, but which in actual fact means a policy of conniving at aggression and encouraging the transformation of the existing war into one of world-wide proportions.

Using this definition in explanation of the policy of "nonaggressive countries", Stalin then openly charges that these countries are endeavoring to turn the fascist aggression against the Soviet Union and in this connection accuses the British, French and American press of having given undue publicity to the alleged German threat to the Soviet Ukraine in order, in Stalin's words, "to incense the Soviet Union against Germany, to poison the atmosphere and provoke a conflict with Germany without any visible grounds". Continuing his remarks on the so-called Ukrainian question Stalin, while declaring that if "madmen" in Germany seriously entertain designs on the Soviet Ukraine then they may rest assured that the Soviet Union is in a position to defend herself, expresses the belief that "normal people" in Germany realize the absurdity of any attempt to annex the Soviet Ukraine to Ruthenia. He refers in this connection with open satisfaction to the "disappointment of certain European and American politicians and pressmen" who find their hopes of a German march on the Ukraine being transformed into a German demand for colonies in the west. The accusations contained in this portion of Stalin's speech against the western democracies of Great Britain and France for attempting to embroil the Soviet Union with Germany when no reason exists for such a conflict have aroused particular interest in Moscow and taken in conjunction with his formulation of Soviet policy has given rise to the opinion that the Soviet Union, in the words of Stalin, has publicly announced that if Germany

refrains from a direct threat to the Soviet frontiers that she may count on Soviet neutrality in the event of war against the western powers.

In the section devoted to the Soviet Union and its relations with the capitalist countries, Stalin, after referring to the armaments race in progress, which has obliged the Soviet Union to increase the preparedness of its armed forces, listing without comment as to their validity at the present time the steps which the Soviet Government has taken in the last five years, namely, the entry into the League of Nations, the conclusion of treaties of mutual assistance with France, Czechoslovakia, and the Mongolian People's Republic, and the conclusion of the pact of nonaggression with the Chinese Republic, defined the foreign policy of the Soviet Union as follows:

"(1) We stand for peace and the strengthening of business relations with all countries. That is our position and we shall adhere to this position as long as these countries maintain like relations with the Soviet Union and as long as they make no attempt to trespass on the interests of our country;

(2) We stand for peaceful and friendly relations with all the neighboring countries which have common frontiers with the U. S.-S. R. That is our position and we shall adhere to this position as long as these countries maintain like relations with the Soviet Union and as long as they make no attempt to trespass directly or indirectly on the integrity and inviolability of the frontiers of the Soviet state;

(3) We stand for the support of nations which are the victims of aggression and are fighting for the independence of their country;

(4) We are not afraid of the threats of aggressors and are ready to deal two blows for every blow dealt by the instigators of war who attempt to violate the Soviet borders."

He then affirms that in the pursuit of the policy outlined above the Soviet Union relies upon its internal strength and the strength of its armed forces, its policy of peace, the moral support of the workers of all countries and a good sense of those countries which do not desire war. He concludes with the statement that the tasks of the Party in the sphere of foreign policy are:

"(1) To continue the policy of peace and of strengthening business relations with all countries;

(2) To be cautious and not allow our country to be drawn into conflict by war mongers who are accustomed to have others pull the chestnuts out of the fire for them;

(3) To strengthen the might of our Red Army and Red Navy to the utmost;

(4) To strengthen the international bonds of friendship with the working people of all countries, who are interested in peace and friendship among nations."

In comparison with recent utterances in respect of Soviet foreign relations prior to the September crisis, it may be argued that Stalin's

speech comes close to expressing the real intentions of the Soviet Government in respect of foreign affairs in the light of the foreign situation which existed on the date of its delivery. He makes it clear that the Soviet Union will maintain normal and even friendly relations with any country without exception, provided that country does not directly threaten the interests of the Soviet Union, and it is perhaps significant that Stalin, by indirection it is true, associates these interests very closely with the frontiers of the Soviet Union. He likewise places high among the principal tasks in the sphere of foreign policy the necessity of exercising extreme caution to prevent the Soviet Union from being drawn into a conflict in which these interests are not directly affected. Taken in conjunction with his accusation of attempts on the part of other countries to poison relations between the Soviet Union and Germany this statement can be taken to mean that the Soviet Government has no intention of becoming involved in a war with Germany in defense of the interests of other countries. Indeed, Stalin's outline of the principles and tasks of present Soviet foreign policy might well be described in the words he himself uses to denounce the alleged policy of "nonintervention" and "neutrality" pursued by the western democracies.

In conclusion I might add that although Stalin's speech was delivered before the recent German actions in central, southeastern and eastern Europe, which, perhaps, had they occurred prior to that date, would have necessitated certain minor modifications in his remarks, the manifestations of Soviet diplomacy in the face of these actions have in no way run counter to the general lines of present Soviet foreign policy as laid down by Stalin.

Respectfully yours,

A. KIRK

761.00/314 : Telegram

The Chargé in the Soviet Union (Kirk) to the Secretary of State

Moscow, April 6, 1939—4 p. m.

[Received April 7—11 a. m.]

169. Recent events in Europe insofar as they may be judged from Moscow indicate the possibility that at any time a situation may develop which would bring to the fore basic consideration of Soviet foreign policy. Up to the present, however, the manifestation of Soviet foreign policy in the face of developments in the west can be described as merely negative in character and distinctly cautious in its application.

The position of quasi isolation to which Russia was relegated during Munich and the eclipse of the policy of collective security following

that accord induced the Soviet Government to adopt a policy which, based largely on consideration affecting the reinforcement of Soviet prestige, waited upon developments in and initiatives of other countries and manifested itself chiefly in a willingness to strengthen its relations with its neighbors. In the ensuing months England and France were singled out for special condemnation as wreckers of the policy of collective security through the medium of which the Soviet Government had hoped to charge other countries with the brunt of impeding the expansion of Nazi Germany. On the other hand, the violent campaign which the Soviet press had been carrying on against Germany slackened and symptoms have even been detected of a possible inclination on the part of the Soviet Government to reduce the element of friction in its relations with Germany. Stalin himself in his latest declaration places the blame on others for poisoning Soviet-German relations, and subsequent expressions of the Government, both official and unofficial, as well as the reticence which it has displayed in the face of recent events indicate a curtailment in the demonstration of positive animosity hitherto apparent in its relations with Germany.

It is this change in the manifestation of Soviet attitude toward Germany which challenges attention at the present moment. In the September crisis circumstances were such that Soviet Russia could envisage a war in which it need take no part on an extensive scale. It declared itself ready to discharge the obligations to which it had committed itself, but at no time did it project itself as a dominating factor in influencing the course of events and, in spite of assertions to the contrary, no proof was forthcoming that the Soviet Government succeeded in convincing the democratic powers that it could or would lend assistance commensurate with the strength of which it boasted. Recent events, however, have brought the progress of Nazi aggression nearer to Soviet borders. The fate of Czechoslovakia³² and Memel,³³ the threat to Danzig with attendant repercussions in Poland, and the economic hold in Rumania purported to be a trend which might eventually menace Soviet territory. Insofar as may be judged from public expressions, Soviet opinion does not consider that these moves actually constitute the pursuit on the part of Hitler of a policy of expansion to the east but may be regarded as merely preparatory to action in the west, or in the southeast, which would not necessarily constitute a direct menace to the Union. Despite these expressions, however, there is ample foundation for the view that these latest developments cannot be regarded as excluding the possibility of German

³² On March 15, 1939, German troops invaded Czechoslovakia, and Chancellor Hitler proclaimed the Protectorate of Bohemia and Moravia. He accepted the Protectorate of Slovakia the next day.

³³ Lithuania ceded the city and territory of Memel to Germany on March 22, 1939, upon receipt of a German ultimatum.

expansion to the east and the impression which prevails in Moscow as to the maintenance of Soviet armed forces on a war footing to protect the western fortresses of the Union as well as the unconfirmed rumors of additional troop movements to those parts give indication of the state of uncertainty with which Soviet policy is at present confronted in the face of possible eventualities dependent upon the action of Germany.

It is clearly impossible to foretell what those eventualities may be. The character of the test, however, which may be applied in determining Soviet reaction may be indicated on general lines. Vast expenditures of effort as well as of human and material resources have gone into the development of the economic and military force of the country but there is no proof that the results achieved have as yet succeeded in developing a military force of superior power as an offensive weapon or produced a nation capable of the sustained effort which a war would entail. It must be assumed that the Soviet Government is aware of these considerations of weakness and of the consequent danger to the internal development of the country and the maintenance of Stalin's power inherent in any war in which it would be engaged on an extensive scale. These factors, combined with the fear that in war the Soviet Union might be involved not on one front alone but on two, have determined the policy of the Soviet Government in its direct dealings with foreign governments. That policy is one based primarily on considerations of defense and it has been lately reaffirmed by Stalin himself, who has declared before the world that not only will the Soviet Union refrain from opposing any country which does not directly threaten Soviet vital interests but will avoid at all costs being involved in conflicts with the aggressor states for the sake of the interests of others.

These, therefore, are the tests which Stalin may be expected to apply in determining Soviet policy in any situation precipitated by the conduct of aggressor states and these tests may be regarded as applicable not only in his relations in the west but also in the Far East. With the foregoing considerations in view, he is exercising and will continue to exercise extreme caution in his relations with all foreign countries. He will await developments abroad and will gauge those developments on the basis of the actual threat to Soviet security which he regards as inherent therein. He will avoid any commitments which might seriously restrict his freedom of action or embroil the country in conflicts in which its immediate interests are not involved, and even in the presence of commitments he will pursue a realistic policy in varying, according to the shifting demands of those interests, the manifestations of attitude toward foreign countries. He may promote divergencies among other nations which might tend to divert

or lessen the menace of attack but he will refrain from provocative acts which increase that menace. Finally, in the face of a menace that seems imminent, he will endeavor to extend the system of collective action and to align himself therewith in order to lessen the danger to Russian frontiers on all sides. If, in spite of all precautions, a war should develop which in Stalin's opinion would threaten the security of the Soviet Union it must be assumed that he will fight. Even then, however, it is believed that he will limit the military efforts of the Soviet Union to the exigency of defensive operations and while reducing to the minimum the strain on the capacities of the country and of the regime which a war would entail, will in the end look to the advantages which may be derived from internal upheavals in other countries resulting from the strain to which they will be subjected in the process thereof. The Communist state, as based on the principle of revolution, has revolved into a dictatorship as based on the personal power of Stalin, but the Soviet state still professes irreconcilable hostility towards the capitalist world and, in the last analysis, Stalin, in mobilizing the forces of the Soviet Union to the service of his dictatorship, need not be expected to ignore that factor both as a defensive and offensive weapon for the safety and profit of his regime.

KIRK

861.01/2156

The Chargé in the Soviet Union (Kirk) to the Secretary of State

[Extracts]

No. 2249

Moscow, April 12, 1939.

[Received May 2.]

SIR: With reference to my despatch number 1965 of December 22, 1938,³⁴ reporting the removal of N. I. Ezhov as Commissar for Internal Affairs, I have the honor to inform the Department that the political elimination of Ezhov forecast in the last paragraph thereof would appear to have reached its final stage with the division of the Commissariat for Water Transport, of which he was still nominally head. It is now rumored that he has been arrested and it is a fact that his pictures were recently ordered removed from Moscow shops. His complete political elimination was apparent at the time of the XVIII Party Congress when, although the full list of the delegates was not published, it was apparent that Ezhov was not a delegate and his name failed to appear among those elected to the Central Committee or other high organizations of the Party. Since he had been nominally at least a member of the Political Bureau and Chairman of the

³⁴ Not printed.

then-important Party Control Commission, the failure of his name to appear in any capacity during the proceedings of the Congress made it abundantly clear that there was little doubt as to his eventual fate. The division of the Commissariat for Water Transport, of which he was still nominally chief, into two separate commissariats, with no provision made for Ezhov, as reported in my telegram number 174, April 10, 6 p. m.,³⁵ may be viewed as the final announcement of his political and possibly even physical elimination.

The final disappearance from the Soviet scene of the man who, while head of the GPU,³⁶ was the chief instrument of the reign of terror which swept the Soviet Union during 1937 and 1938 and resulted in the execution, arrest, or dismissal, at a conservative estimate, of at least eighty per cent of the prominent Soviet Government, Party, and military leaders, would appear to constitute a suitable occasion to review evidence which has accumulated since the beginning of the year that the Kremlin has called a halt to at least the more reckless and active features of the "purge." Before discussing these indications, it is well to define more closely the meaning of the word "purge" which has been subject abroad to certain misinterpretations. The nation-wide hunt for "Trotskyists, Bukharinists, spies, wreckers, and diversionists" conducted by Ezhov while head of the secret police should not be confused with the so-called "purge" of the Party apparatus which were recently abolished by the changes in the Party statutes introduced by the XVIII Party Congress which, as indicated in despatch number 2111 of February 16, 1939,³⁵ discussing the report of Zhdanov on which these changes were based, refer only to the administrative cleansing of its ranks of undesirable elements by the Party apparatus itself.

With the exception of Ezhov, whose removal, far from indicating a continuation of the purge, is contributory evidence of its end, no outstanding Soviet officials, in so far as the Embassy is aware, have been arrested or removed from their posts since the beginning of the year.³⁷ An exception should be made for the former members of the Commissariat for Internal Affairs who were associated with the Ezhov regime. These men, according to reports reaching the Embassy, have been widely removed and replaced by new officials brought in by Beriia, and it is even rumored that the position of Frinovski, Commissar for the Naval Fleet, formerly Assistant Commissar for Internal Affairs under Ezhov, is none too secure. Reports continue to

³⁵ Not printed.

³⁶ The General State Police Administration, the secret police.

³⁷ Marginal note in the handwriting of Mr. Edward Page, Jr., of the Division of European Affairs: "Since this was written Frinovski [Mikhail Petrovich Frinovskiy], Commissar for Naval Affairs, and Litvinov have been released."

reach the Embassy of the release of a certain number of persons arrested or even sentenced to corrective labor camps, although it cannot be said that such releases have been wholesale and consequently are believed to have been made largely for the sake of their effect upon Soviet public opinion.

Although the proceedings and speeches delivered at the XVIII Party Congress shed very little light on the origins of or reasons for the wave of executions, arrests, and dismissals conducted under the regime of Ezhov, nevertheless certain remarks by important speakers would appear to indicate that a halt had been called in these activities. As indicating a possible modification of repressive measures in the future, certain observers point to Stalin's reference in the section of his report devoted to the question of the functions of the state in the Soviet Union, that "Now the main task of our state inside the country is the work of peaceful economic organization and cultural education. As for our army, punitive organs, and intelligence service, their edge is no longer turned to the inside of the country but to the outside. . . ." However, the Embassy is inclined to view Stalin's remarks more in the light of an attempted theoretical justification for the failure of the socialist state to wither away in accordance with the previously accepted Marxian doctrine by stressing exclusively the external functions of the state in the face of the "capitalist encirclement" while denying its internal police functions.

Of more importance, however, is the speech which Beriya, Commissar for Internal Affairs, made at the Party Congress, reproduced in the Soviet press on March 15. After stressing the importance of the existence of the capitalist encirclement and the need of vigilance to combat the spies, wreckers, et cetera, who would continuously be sent into the Soviet Union by foreign intelligence services, Beriya stated that

"But it would be a mistake to explain the failures which have occurred in various plans of our national economy as being due only to the undermining work of enemies. These failures must to some extent be explained by the bad, unskillful work of a number of officials who stand at the head of our Soviet and economic organizations, and who have not as yet sufficiently mastered the Bolshevik style of management."

It is true that in a subsequent portion of the same speech he characterized as a task of the very first importance the expulsion from Soviet organizations of enemies of the people, all of whom are as yet unexposed. However, Beriya's remarks may perhaps indicate that for the present at least the Kremlin does not intend to attribute as ex-

tensively as in the past the inefficiencies, mistakes, and failures in the operation of Soviet economy to the wrecking activities of alleged enemies, a policy which, if applied, should result in the restoration of a certain degree of confidence among the members of the Soviet bureaucracy.

Any definite statement, however, in regard to the end of the purge in the Soviet Union must be made with the greatest reserve, since it is not yet to be anticipated, and there is as yet no sign, that the degree of control exercised by the Kremlin through the Soviet secret police will in the slightest degree be modified. Nor is there any reason to believe that individual officials who may in one way or another incur the displeasure or arouse the distrust of Stalin will be treated with any greater leniency than in the past or that any greater degree of freedom in word or deed will be permitted in the Soviet Union. It can, however, be said that at the present time the functions of secret police are being returned to those of control and surveillance rather than to the conduct of the active "witch hunt" for "Trotskiist-Bukharinist spies, wreckers, and diversionists" which characterized Soviet internal political and economic life during the past two years. How long this comparative respite will last will depend largely on the development of the internal situation in the Soviet Union, both economic and political, and Stalin's evaluation of these developments in their effect on the maintenance of his personal power.

Respectfully yours,

A. KIRK

740.00/1213

The Ambassador in Belgium (Davies) to the Secretary of State

No. 287

BRUSSELS, April 18, 1939.

[Received April 28.]

SIR: This day I have sent a cable with reference to the above-entitled matter,³⁹ a paraphrase of which is as follows: ⁴⁰

"It is my conviction that the deciding element in the Führer's determination will be whether or not Britain and France will receive the wholehearted support of the U. S. S. R. I know from personal knowledge ⁴¹ that the U. S. S. R. did mistrust the British and French, both in their aims and their actions. But they do have confidence in you. Also, they believe in me. Accordingly, I am impelled to suggest that, should you consider it desirable, I could make a trip to Moscow for a

³⁹ i. e., negotiations proceeding in Moscow regarding an anti-aggression pact.

⁴⁰ The original was sent by Ambassador Davies as his telegram No. 47, April 18, 1939, 5 p. m.; not printed in this volume.

⁴¹ Ambassador Davies had been Ambassador in the Soviet Union during part of 1937 and 1938.

few days, ostensibly for the purpose of disposing of personal matters (provided that such a pretext should be considered desirable), and could—unofficially, if necessary—see Litvinov, Kalinin and Molotov—and also, I am confident, Stalin—for the purpose of helping to secure, with the minimum of delay, a Russo-British non-aggression agreement. In my opinion neither France nor Great Britain is able to get in personal touch with the highest authorities in the U. S. S. R., in the negotiations that are pending in Moscow. I am sure that I can see not only the proper authorities who cannot be reached otherwise, but that they have confidence in my sincerity and judgment. It is my opinion that the Germans will not start a war at present if they know that they will have to fight on two frontiers: and I believe that, without making commitments, I could be helpful either in turning the scales in Russia's decision or in aiding to strengthen it, and consequently implement in a small way your great effort for world peace. As a result of your wider information it is possible that you may consider action of this kind inadvisable or unnecessary. I am sure you understand that my only aim is to be of assistance. It is essential that there be no delay.

"The above message is for the immediate attention of the President and the Secretary of State."

The thought occurs to me that the situation is in hand and the suggested action might not be necessary, and also that there may be considerations as to possible effect upon public opinion at home that would make it inadvisable. After some deliberation, however, I decided to send the wire in any event because I do believe that the Soviet position will be vital for peace or war this summer. Germany has a very wholesome respect, according to their official publications, for the effectiveness and strength of the Red Army, and would hesitate to engage in hostilities on both fronts. If I could be of any help to the situation there in Moscow, as I am sure I could be, I could not resist calling the matter to your attention from that point of view. I shall be greatly relieved if you and the President decide in the negative,⁴² as it would entail travel by air.

Respectfully yours,

JOSEPH E. DAVIES

861.01/2157 : Telegram

The Chargé in the Soviet Union (Kirk) to the Secretary of State

Moscow, May 4, 1939—1 a. m.

[Received May 3—7 p. m.]

216. Foreign Office communiqué issued shortly after midnight states that Litvinov has been relieved at his own request of his duties as

⁴² The Department of State replied in telegram No. 18, April 18, 1939, 7 p. m., that it was preferable "not to run any risk" and that "from a domestic point of view such a visit, however carefully prepared, might be misconstrued" (740.00/934).

Commissar for Foreign Affairs, and that his place will be taken by Molotov who will continue as Chairman of the Soviet of People's Commissars.

KIRK

861.01/2160 : Telegram

The Chargé in the Soviet Union (Kirk) to the Secretary of State

Moscow, May 4, 1939—7 p. m.

[Received 7:45 p. m.]

218. My telegram 216, May 4, 1 p. m. [*a. m.*]. Insofar as can be ascertained up to the present it would appear that the resignation of Litvinov was the result of a sudden decision presumably taken late yesterday. The British Ambassador⁴³ who saw Litvinov yesterday noon was given no intimation that any change was contemplated and other members of the Diplomatic Corps who were in communication with the Foreign Office late yesterday afternoon had no reason to believe that the officials there were cognizant of the contemplated action. Furthermore, the Foreign Office professed to be unaware of this decision even after it had been announced on the Soviet radio late last night.

Up to the present there has been no authoritative indication of the actual reason which may have prompted the elimination of Litvinov and conjectures are based on the question as to whether this action in his regard was due to personal considerations affecting Litvinov himself or to a contemplated change in Soviet foreign policy or the manifestation thereof. Although the question of his resignation was currently discussed after Munich (see my telegram No. 374 of October 31, 11 a. m.⁴⁴) there has been recently no recrudescence of the rumors current at that time and in view of the bond which has recently been placed on a renewed implementation of the policy of collective security with which Litvinov's name has been so closely associated conjectures as to a weakening of his personal position have been quieted. On the ground, therefore, that Litvinov's removal was prompted by considerations affecting him personally the presumption would be that he had in some way recently failed in carrying out a policy already laid down and was eliminated for some technical error on his part or as a punishment for failure to succeed in that policy.

There is an obvious inclination, however, to explain this step at the present time on the basis that it portends some change in the direction

⁴³ Sir William Seeds.

⁴⁴ *Ante*, p. 591.

of Soviet foreign policy. This change might constitute a step away from the principle of collective security and one towards the establishment of relations with Germany in conformity with the indication contained in Stalin's speech to the Eighteenth Party Congress (see my telegram No. 99, March 10 [11], 4 p. m.) and in this connection unconfirmed rumors have recently been current in Moscow of some German approach to the Soviet Government presumably to counteract Franco-British influence. Although it is generally accepted here that Litvinov was little more than the instrument for the execution of such policy as had been decided on by Stalin and consequently powerless to pursue a personal policy, nevertheless his name has been so closely associated with the advocacy of the principle of collective security and resistance to Germany that any real or feigned departure from this policy that might be contemplated would be prejudiced by his remaining as Foreign Minister. It may likewise be that Litvinov desired to go farther in the direction of committing the Soviet Union to a definite alignment against Germany than the Kremlin considers desirable at the present time and consequently his elimination was determined upon. On the other hand the possibility cannot be excluded that the removal of Litvinov may be designed to produce, particularly in England, the impression of an imminent Soviet-German *rapprochement* with a view to accelerating a British decision in regard to the Soviet proposals which it is understood are still being discussed in London, and that the appointment of Molotov may have been due to the Kremlin's dissatisfaction with Litvinov's conduct of these negotiations.⁴⁵

Whatever may have been the real reasons for the removal of Litvinov at this particular time, this action is generally regarded as of major significance in Soviet foreign relations, the real direction and portent of which will only be apparent in the light of further developments. Litvinov's removal, however, is already arousing immediate speculation in special relation to the Soviet-British negotiations and to the delay which has apparently been encountered and the British Embassy, here, is expressing open concern over the possible effect which the change may produce on these negotiations and on Soviet foreign policy in general.

KIRK

⁴⁵ Negotiations between Great Britain and France and the Soviet Union for the possible conclusion of a defensive alliance against aggression by Nazi Germany.

861.01/2177

The Ambassador in Belgium (Davies) to the Secretary of State

No. 317

BRUSSELS, May 10, 1939.

[Received May 23.]

SIR: With reference to the above-entitled matter,⁴⁶ I beg leave to report as follows:

The announcement of the resignation (?)⁴⁷ of Foreign Minister Litvinov created a sensation in the diplomatic corps here. There have been two interpretations:

(1) That it augurs well for the British-French-Soviet negotiations looking to cooperation against aggression, on the theory that Stalin and Molotov are realists and are intent upon "doing first things first" and therefore that they find themselves handicapped by the extreme attitude which Litvinov has stood for—that of the indivisibility of peace and collective security and of applying these ideas to their extreme logical conclusion. This view is that the government leaders therefore found it desirable to eliminate Litvinov from the situation and proceed practically to protect Soviet Russia by accommodating their policy to the British suggestion that the U. S. S. R. give unilateral assurances to the States from the Baltic to the Black Sea adjacent to Russia, guaranteeing them against aggression; but under conditions where there would also be an assurance of British aid to protect the cordon of States on their Eastern front. This interpretation is that Litvinov's elimination is a practical step in the interest of the Soviet Union, and eliminates hostilities which may have arisen through conflict of Litvinov in the past with various personalities of the Western Powers with whom they have to deal.

(2) The other theory, which has been stated to me by two diplomatic representatives of countries adjacent to Russia and who, I believe, know the Russian situation very well, is:

(a) That Stalin has no confidence in either France or Great Britain and is fearful that the Soviet Union might be involved in European war and be left "holding the bag";

(b) That Stalin's speech to the Communist Party, delivered to the 18th Congress in March last, definitely indicated a disposition toward withdrawal of Soviet activities so far as Europe was concerned, and a tendency to be extremely cautious "not to allow our country to be drawn into conflicts by war-mongers who are accustomed to have others pull their chestnuts out of the fire for them";

(c) That the Soviet position is definitely devoted to peace, both because of ideological and economic reasons;

(d) That the Soviet Government is intolerant and disgusted with the methods of appeasement previously employed, and believes that the aggressors will only understand positive and bold military alliances which are concrete in character, and that these only can preserve peace;

⁴⁶ i. e., the significance of the retirement of Litvinov as People's Commissar for Foreign Affairs of the Soviet Union.

⁴⁷ So written in the original.

(e) That Litvinov in the past two years has been unsuccessful in persuading the Western Powers to this view;

(f) That a new Foreign Ministry is required to project a hard, realistic front in these diplomatic negotiations, which would either secure adequate practical resistance to the aggressors or retirement of the Soviet Union into itself.

Both of these Chiefs of Mission were definitely of the opinion that Litvinov's retirement augurs difficulty for the British diplomatic negotiations now pending and that the failure to bring Russia in would have a very serious effect on European peace and would ultimately be demonstrated by probable speedy action by Hitler against Poland. I very much fear that this view is correct. I hope England and France can still work it out.

There is a very definite disposition generally in Europe to discount the realities so far as the Russian strength or military power is concerned. The published statements of Hitler, contained in Lord Londonderry's book,⁴⁸ in which he expresses great respect for the power of the Russian Army, and the published statements of military experts of Germany and other European countries, are discounted. Faced as they are with the immediate menace of communism, Poland and Rumania appear now to be understandably hostile to any real military arrangement with Russia that would include the passage of Russian troops over their soil.

Public opinion in England has undergone a violent change, as indicated by the British Institute of Public Opinion, on the desirability of an unequivocal military alliance with the Soviet Government. Some time ago the index was 60% and it has increased to above 80% during the last few weeks. The British Government, however, is obviously handicapped by the attitude of Rumania and Poland. It is quite possible that, confronted with the isolationist attitude of Russia, the attitude of these two Governments may change. The danger is that it may be too late.

During the past few days here it has been quite noticeable that fears are quite commonly expressed lest Russia be thrown into an economic arrangement with Germany, and also into an attitude of isolation or neutrality. There is much more tolerance of the view that a definite military alliance creating a London-Paris-Moscow axis and balance of power, is the surest way to secure a peace in Europe which would not be imposed by aggressive dictatorships. The hope is expressed quite generally now that something may result through the efforts of British diplomacy to bring Russia wholeheartedly into the community which opposes the aggressive forces in Europe.

Respectfully yours,

JOSEPH E. DAVIES

⁴⁸ Marquess of Londonderry, *Ourselves and Germany* (London, 1938).

861.50/913

The Chargé in the Soviet Union (Grummon) to the Secretary of State

No. 2312

Moscow, May 10, 1939.

[Received May 31.]

SIR: In view of the belief which appears to be more or less generally accepted abroad that the Soviet Union possesses at the present time commercial resources covering a large number of essential raw materials with which a certain power or group of powers could be supplied in the event that the Soviet Union considered it advisable to furnish them, I have the honor to transmit herewith a memorandum⁴⁹ setting forth data regarding the self-sufficiency and export capacity of the Soviet Union in respect of twenty-five strategic raw materials, as well as observations relating thereto.

In order to avoid speculation as far as possible the Embassy has not entered into the question as to whether the Soviet Union could furnish a base for these materials if it were invaded and part of its territory were to be exploited by a foreign power. The memorandum consists for the most part of a discussion of the productive and export capacity, as well as import requirements of the Soviet Union as an independent country planning its national economy on the basis of the third five-year plan. The importance of this program in respect of the present and future internal requirements and export capacity of the country should be taken into consideration since, as pointed out in the Embassy's despatch number 2300 of May 4, 1939,⁴⁹ it provides for not only much larger consumption but also for far greater stockpiling of raw materials than during the second five-year plan.

The memorandum reveals in substance that the twenty-five raw materials under discussion may be divided as follows, into three main groups:

1. Raw materials the commercial resources and production of which are so extensive as to enable regular exportation in large quantities. This group is restricted to: (a) manganese ore; (b) magnesite; (c) potash; (d) apatite; (e) phosphate rock; (f) asbestos.

2. Essential raw materials the commercial resources and production of which are such that although self-sufficiency is attained or nearly achieved, exports in large quantities would not be possible without serious injury to the national economy. This group includes: (a) iron ore; (b) chromite; (c) sulphur; (d) mercury; (e) mica; (f) zinc; (g) coal; (h) cotton; (i) petroleum.

With respect to coal, cotton, and petroleum, it should be noted that although they are now produced in quantities which are barely suffi-

⁴⁹ Not printed.

cient to satisfy internal requirements, nevertheless the Soviet Union exports them to a small extent. In the case of coal and petroleum, this factor may be explained in great part at least by the fact that the Soviet Union several years ago concluded contracts providing for deliveries abroad which it apparently feels it necessary or advisable to endeavor to fulfill. In this connection it should be borne in mind that other considerations than the internal requirements of the country have on occasion prevailed in the Soviet Union, the latest confirmation of which is to be found in the declaration of the People's Commissar for Foreign Trade, Mikoyan, at the XVIIIth Party Congress on March 15, 1939, to the effect that Soviet trade "depends directly upon political relations" with other countries. Consequently, exports are sometimes effected regardless of internal requirements. In the case of cotton, however, exports are possible largely because existing Soviet textile facilities are not able thus far to utilize the inferior grades of which the Soviet cotton crop to a considerable extent is composed. Therefore it may be anticipated that if the Soviet authorities succeed, in accordance with present plans, in installing better processing facilities exports of cotton will decline.

3. The essential raw materials which the Soviet Union is obliged to obtain either entirely or in considerable part from foreign sources are the following: (*a*) copper; (*b*) lead; (*c*) nickel; (*d*) tin; (*e*) tungsten; (*f*) molybdenum; (*g*) antimony; (*h*) genuine rubber; (*i*) wool; (*j*) aluminum.

On the basis of the foregoing, it may be estimated that in respect of the twenty-five essential raw materials enumerated above the Soviet Union is self-sufficient in nine and may export readily six, but is dependent upon foreign sources for obtaining ten. The ten raw materials of which there is a deficiency in the Soviet Union, however, possess such great strategic importance that any failure to obtain them as a result of a war of long duration would undoubtedly lead to disaster. It seems probable, therefore, that although the Soviet Union may not be as vulnerable as Germany, for example, in respect of the deficiency of essential raw materials, nevertheless it is far from holding the position of self-sufficiency enjoyed by the United States and the British Empire.

With respect to the question of the raw materials which Germany might obtain from the Soviet Union, it is likely that with the exception of manganese none of the materials of which there is a deficiency in Germany could be purchased in appreciable quantities. If petroleum, iron, copper, tin, aluminum ore, the ferro-alloys, and sulphur may be considered the essential raw materials which Germany is least readily able to obtain, there is reason for believing that unless Germany could succeed in bringing about a radical modification by the

Soviet Government of the latter's third five-year plan, which is extremely unlikely without resort to war, only one of these deficiencies, namely, that of manganese, could be overcome by purchasing supplies from the Soviet Union.

Respectfully yours,

STUART E. GRUMMON

861.00 Supreme Soviet/20 : Telegram

The Chargé in the Soviet Union (Grummon) to the Secretary of State

Moscow, June 1, 1939—1 p. m.

[Received 4:25 p. m.⁵¹]

282. My telegram No. 281, May 31, 9 p. m.⁵² The following is an outline of Molotov's speech⁵³ on foreign affairs as published in the Soviet press today.

Molotov began with a general review of the international situation, along accepted Soviet lines, with a denunciation of the policy of "non-interference and concessions to aggressors" which has been clearly revealed as a failure and as really encouraging further acts of aggression. He listed the recent events which he stated had caused considerable deterioration of the international situation, such as the occupation of Czechoslovakia, the annexation of Memel, and the Italian occupation of Albania.⁵⁴ He stated that the destruction by the head of the German state of two important international treaties "was the answer of Germany to the proposal imbued with the spirit of peacefulness of the President of the United States, Roosevelt".⁵⁵ After referring to the conclusion of an offensive military and political alliance between Italy and Germany,⁵⁶ which he asserted dropped the mask of the previously alleged struggle against Communism and was openly directed against the chief European democratic countries, Molotov said that the recent events have brought about a certain change in the policy of the non-aggressive countries of Europe. He expressed reserve as to the sincerity of this change in policy and questioned the efficacy of attempting to oppose aggression in certain areas alone stating that the Soviet Union must remain vigilant and not forget

⁵¹ Telegram in two sections.

⁵² Not printed.

⁵³ In his despatch No. 2377, June 5, 1939, the Chargé reported that "in compliance with a 'request' of a number of deputies [of the Supreme Council], Molotov agreed in his capacity of People's Commissar for Foreign Affairs to make a report on Soviet foreign policy." (861.00 Supreme Soviet/21)

⁵⁴ Italy took over Albania beginning on April 7, 1939.

⁵⁵ The text of the peace appeal by President Roosevelt on April 14, 1939, to Chancellor Hitler and Premier Mussolini is in Department of State, *Press Releases*, April 15, 1939, p. 291.

⁵⁶ Treaty signed at Berlin on May 22, 1939; for text, see Martens, *Recueil de traités*, vol. cxxxiii, p. 323.

the words of Stalin against being drawn into conflict in the interest of others. However, Molotov continued, certain facts have occurred which have introduced changes in the international situation mentioning specifically the Anglo-Polish⁵⁷ and Anglo-Turkish⁵⁸ agreements concerning mutual assistance.

After the above introduction Molotov took up certain specific questions of Soviet foreign relations of which the following is a full summary.

Among the new facts in the international situation is the desire of the non-aggressive countries to obtain Soviet cooperation for the purpose of resisting aggression. The Soviet Government had accepted the proposals of England and France for negotiations looking toward the strengthening of political relations between the Soviet Union and those countries and for the creation of a peace front against the further development of aggression. The tasks of the Soviet Union in the present international situation follow "along the lines of the interests of the other non-aggressive countries" and towards the creation of "a sure and effective defensive front of non-aggressive powers". The negotiations, begun in the middle of April with the French and British Governments, have "not yet ended". The following minimum conditions are necessary for the creation of an effective front against aggression: "(1) The conclusion between England, France and the Soviet Union of an effective pact of mutual assistance against aggression, having an exclusively defensive character; (2) guarantees on the part of France and the Soviet Union against an attack by the aggressors on the states of Central and Eastern Europe, including without exception all the European countries bordering on the Soviet Union; (3) the conclusion of a concrete agreement between England, France and the Soviet Union in regard to the forms and extent of immediate and effective help which would be given to each other and to the states guaranteed in the event of an attack by the aggressors. Such is our opinion, which we force upon no one, but for which we stand. We do not demand the acceptance of our point of view and we ask it of no one. We consider, however, that this point of view actually corresponds to the interests

⁵⁷ The British Prime Minister, Neville Chamberlain, made a statement on March 31, 1939, in the House of Commons announcing unilateral assurance to Poland. An Anglo-Polish communiqué of April 6, 1939, made the assurance reciprocal. The permanent agreement of mutual assistance was signed at London on August 25, 1939. For text of these documents, see British Cmd. 6106, Misc. No. 9 (1939), pp. 36-39.

⁵⁸ The British Prime Minister announced in the House of Commons on May 12, 1939, the Anglo-Turkish agreement on mutual assistance in the event of an act of aggression leading to war in the Mediterranean area (See *Parliamentary Debates*, 5th series, vol. 347, cols. 952 ff.). The 15-year mutual assistance pact concluded between Great Britain, France, and Turkey was signed at Ankara on October 19, 1939; for text, see League of Nations Treaty Series, vol. cc, p. 167, or Department of State *Bulletin*, November 11, 1939, p. 544.

of security of the peaceful states." It would be an agreement of an exclusively defensive character, particularly different from that recently concluded between Germany and Italy, and should have as its basis the principles of reciprocity and equal obligations. Certain of the Anglo-French proposals did not correspond to these basic principles. Having guaranteed themselves against direct aggression by the mutual assistance pact with Poland and seeking to secure for themselves the help of the Soviet Union in the event of an attack on Poland and Rumania the French and British left open the question of assistance on their part to the Soviet Union in the event of a direct attack on the latter, and likewise left open the question of their participation in guarantees to the small states on the northwest frontier of the Soviet Union. "Recently new Anglo-French proposals have been received. In these proposals the principle of mutual assistance between England, France and the Soviet Union on the basis of reciprocity in the event of a direct attack on the part of the aggressors is already recognized. This is purely a step forward and it is necessary to note that it is surrounded by such reservations—even including reservations concerning certain points of the Covenant of the League of Nations⁵⁹—that it may prove to be a fictitious step in advance. With reference to the question of the guaranty of the countries of Central and Eastern Europe the above-mentioned proposals make no progress whatsoever viewed from the point of view of reciprocity. They envisage the help of the Soviet Union in connection with those five countries to which the English and the French have already promised guarantees but they say nothing of help of the latter to the three countries of the northwest frontier of the Soviet Union which may not have the strength to defend their neutrality in the event of an attack on the part of the aggressors. But that the Soviet Union cannot take upon itself obligations in connection with the above-mentioned five countries [without receiving a guarantee]⁶⁰ in connection with the three countries lying along its northwest frontier. Such is the situation with regard to the negotiations with England and France."

"In carrying on negotiations with England and France we do not in the least consider it necessary to renounce business relations with such countries as Germany and Italy." Already last year on the initiative of the German Government conversations were begun concerning a commercial agreement and new credits. Germany proposed the extension of a new credit of 200,000,000 marks. Inasmuch as an agreement was not reached at that time the question was dropped. At the

⁵⁹ *Foreign Relations*, The Paris Peace Conference, 1919, vol. XIII, p. 69.

⁶⁰ Bracketed words supplied from translation enclosed in the Chargé's despatch No. 2394, June 8, 1939, in place of six garbled words omitted.

end of 1938 the German Government again raised the question of economic conversations and the credit of 200,000,000 marks and indicated a willingness to make certain concessions in this connection. At the beginning of 1939 the Commissariat for Foreign Trade was informed that a special German representative, Schnurre, would come to Moscow to carry on negotiations. Instead, however, of Schnurre these conversations were carried on by the German Ambassador⁶¹ in Moscow but were broken off because of difference of opinion. "Judging by certain indications, it is not excluded that the conversations may be renewed." A mutually profitable trade agreement was concluded with Italy in 1939. An appreciable improvement in Soviet-Polish relations must be noted. Relations with friendly Turkey are developing normally. The recent informative visit of Potemkin to Ankara had great positive importance. The question of the Åland islands which for a hundred years belonged to Russia has great importance for the Soviet Union. After the revolution these islands were ceded to Finland and in 1921 a convention prohibiting their fortification was concluded without the participation of the Soviet Union.⁶² At this time the Soviet Union could only protest against this illegal act but even then made it clear that it could not be ignored and that any change in the juridical status of the islands to the detriment of Soviet interests was impossible. In view of the strategic importance of the islands the Soviet Government requested information from the Finnish Government concerning the character and extent of the proposed fortifications but this request was refused on the ground of military secrecy. Since the Finnish Government had furnished such details to Sweden, a country enjoying no special rights under the convention of 1921 and whose direct interest in the islands was less than that of the Soviet Union, this reasoning was entirely unconvincing. As a result of Soviet opposition the Council of the League of Nations refused approval of the Finnish and Swedish proposals.⁶³ The Finnish Government should draw the necessary conclusion from this situation. "We do not consider it possible to admit that the interests of the Soviet Union can be in any way ignored in this question which has great importance for the defense of our country." With respect to the Far East and the relations of the Soviet Union with Japan the most important question has been that of the fisheries convention, which after long negotiation resulted in an agreement for 1 year.

⁶¹ Friedrich Werner, Count von der Schulenburg.

⁶² Convention Relating to the Nonfortification and Neutralization of the Åland Islands, signed at Geneva, October 20, 1921; for text, see League of Nations Treaty Series, vol. ix, p. 211.

⁶³ Because of Soviet opposition the proposals of May 22, 1939, for the refortification of the Åland Islands were shelved in the Council of the League of Nations.

This agreement has great political significance, particularly since Japanese reactionary circles did everything to emphasize its political aspect and even employed all manner of threats. The Japanese reactionaries, however, were able to convince themselves that threats against the Soviet Union do not achieve their purpose. In regard to frontier questions "it would appear that it was time for those concerned to understand that the Soviet Government will not tolerate any provocation on the part of the Japanese Manchurian armed forces on its frontiers". This should be borne in mind also in connection with the frontiers of the Mongolian People's Republic. In view of the existence of a mutual assistance pact with the Mongolian Republic "I must give warning that we will defend the frontier of Mongolia as resolutely as our own." The Japanese accusations of aggression on the part of the Mongolian Republic are "laughable and shameful". It must also be understood that there is a limit to all patience. Therefore it would be well to abandon in time the continual repetition of provocative violations of the frontiers of the Soviet Union and of the Mongolian Republic on the part of the Japanese Manchurian forces. Appropriate warnings have been given also to the Japanese Ambassador in Moscow.

It is unnecessary to speak of our relations with China. Stalin's statement concerning the support of peoples struggling for their independence applies in full measure to China and "we are consistently putting this policy into effect. It is in conformity with those tasks which confront us in Europe, namely, the creation of a united front of peaceful states against the further development of aggression." The Soviet Union is stronger than it was in 1921, or even 5 or 10 years ago, a fact of which it is necessary to remind certain of our neighbors who even now apparently do not understand this. The foreign policy of the Soviet Union is basically peace-loving and directed against aggression. "This is best of all understood by the aggressor countries themselves. With great delay and hesitantly, certain democratic powers are coming to the realization of this simple truth. However, in a united front of peaceful powers which are actually opposing aggression a place in the front ranks cannot but belong to the Soviet Union."

Repeated in full to Berlin and in part to Tokyo.

GRUMMON

741.61/688

*Memorandum by the Chief of the Division of European Affairs
(Moffat)*

[WASHINGTON,] June 2, 1939.

The appointed Soviet Ambassador⁶⁴ during the course of a call commented on Mr. Molotov's recent speech belittling the British offer in the formation of an Anglo-Franco-Russian Front. He said that the Soviet position had not varied one iota during the last month or six weeks. Russia was not pursuing the British or the French, but, on the other hand, was not modifying her position to meet their wishes. Unfortunately, he felt that the delay in reaching an understanding between the British and the Russians was giving aid and comfort to the Germans. He felt that the situation in Europe was rapidly deteriorating and that the Germans and Italians acting jointly might soon be expected to precipitate a crisis. He would not predict when this would take place but he assumed it would be some time this summer. He also made a rather cryptic remark that there was still considerable elbow room for Germany in Europe without bringing Germany to the frontiers of the U. S. S. R.

PIERREPONT MOFFAT

861.5011/42

*The Chargé in the Soviet Union (Grummon) to the Secretary
of State*

No. 2383

Moscow, June 7, 1939.

[Received June 27.]

SIR: With reference to the Embassy's despatch no. 2208 of March 30, 1939,⁶⁵ I have the honor to inform the Department that the State Plan Commission has published the final results of the census of the population of the Soviet Union which was taken on January 17⁶⁶ of this year.* According to this census, the total population of the U. S. S. R. consists of 170,467,186 persons as against 147,027,915 in 1926, the year of the last previous census. This represents an increase in population during the last twelve years of 23,439,271 or 15.9 percent.

⁶⁴ Konstantin Alexandrovich Umansky, who presented his letter of credence to the President on June 6, 1939.

⁶⁵ Not printed.

⁶⁶ The census was taken in cities between January 17 and 23, 1939, and in rural districts between January 17 and 26. A previous census of January 6, 1937, had been cancelled on September 26, 1937, because of disappointing results induced by errors and culpable shortcomings of the enumerators.

*Moscow *Pravda*, June 2, 1939. [Footnote in the original.]

The following tables set forth comparative figures for the last two censuses of the population of the eleven constituent republics of the U. S. S. R. and of the ten largest cities of the Soviet Union taken from a published list of 174 cities with a population of more than 50,000.

POPULATION OF CONSTITUENT REPUBLICS OF THE U. S. S. R.

<i>Name</i>	<i>1926</i>	<i>1939</i>
1. R. S. F. S. R.	93,457,996	109,278,614
2. Ukrainian S. S. R.	29,042,934	30,960,221
3. White Russian S. S. R.	4,983,240	5,567,976
4. Azerbaïdzhan S. S. R.	2,313,744	3,209,727
5. Georgian S. S. R.	2,677,233	3,542,289
6. Armenian S. S. R.	881,290	1,281,599
7. Turkmen S. S. R.	998,154	1,253,985
8. Uzbek S. S. R.	4,565,432	6,282,446
9. Tadzhik S. S. R.	1,032,216	1,485,091
10. Kazakh S. S. R.	6,073,979	6,145,937
11. Kirgiz S. S. R.	1,001,697	1,459,301
Total	147,027,915	170,467,186

POPULATION OF THE TEN LARGEST CITIES OF THE U. S. S. R.

<i>Name</i>	<i>1926</i>	<i>1939</i>
1. Moscow	2,029,425	4,137,018
2. Leningrad	1,690,065	3,191,304
3. Kiev	513,637	846,293
4. Kharkov	417,342	833,432
5. Baku	453,333	809,347
6. Gorki	222,356	644,116
7. Odessa	420,862	604,223
8. Tashkent	323,613	585,005
9. Tbilisi	294,044	519,175
10. Rostov-on-Don	308,103	510,253

Respectfully yours,

STUART E. GRUMMON

861.021/41

The Chargé in the Soviet Union (Grummon) to the Secretary of State

No. 2449

Moscow, July 6, 1939.

[Received July 26.]

SIR: With reference to my telegram No. 330 of June 22, 1939, 5:00 p. m.,⁶⁷ and to previous communications reporting changes in the personnel of the Commissariat for Foreign Affairs, I have the honor to inform the Department that with very few exceptions almost the

⁶⁷ Not printed.

entire staff of that Commissariat has been changed since Molotov assumed the functions of Commissar for Foreign Affairs. At the present time there are three Assistant-Commissars for Foreign Affairs; Potemkin, who remains as First Assistant Commissar; V. G. Dekanosov; and S. A. Lozovsky, whose appointments, as reported in telegram No. 299 of June 9, 1939⁶⁸ were announced in the Soviet press on June 9. Since the Department is in possession of biographical data concerning Lozovsky it may be stated here only that he was elected an alternate member of the Executive Committee of the Communist International at the Seventh World Congress in 1935 and was chairman of the Executive Committee of the former Red International of Trade Unions which, according to the Embassy's information, is no longer in existence. Lozovsky is likewise a member of the Foreign Affairs Commission of the Council of the Nationalities of the Supreme Soviet. In view of his present connection with the Communist International it is of interest to note that Lozovsky is, according to the Chinese Embassy here, charged with the direction of Soviet relations with China. Aside from the fact that V. G. Dekanosov, the other new Assistant Commissar, was, prior to his appointment to that position, assistant chairman of the Soviet of People's Commissars of Georgia and Commissar of the Food Industry of that Republic, the Embassy has been unable to obtain any data of a biographical nature in regard to his past activities. It was reliably reported, however, that Dekanosov was closely connected with the work of the G. P. U. in Georgia and that in addition to his other duties there, he was *de facto* Commissar for Internal Affairs of Georgia since December 1938, following the transfer of Goglidze, the previous incumbent, to the Leningrad district as reported in the Embassy's despatch No. 1965.⁶⁸ The duties of Dekanosov in the Commissariat for Foreign Affairs are not yet known but it is considered probable that, in view of his past association, he is in charge of personnel and acts as the representative of the secret police. It has been ascertained that the Bogomolov, recently appointed Secretary General for the Commissariat for Foreign Affairs, is not, as formerly thought, the Trade Representative in London since, according to the British Embassy here, that official is still in London. No information in regard to the previous position or activities of the Bogomolov in question is as yet available.

Of the Chiefs of Division, insofar as the Embassy can ascertain, only Mikhailov, Chief of the Consular Division, and Barkov, Chief of the Protocol Division, have remained. Among those known to have been removed are Gnedin, Chief of the Press Division; Rosh,

⁶⁸ Not printed.

acting Chief of the Third Western Division which deals with American, French, and British Affairs; Bezhanov, Chief of the Second Western Division which deals with Polish and Baltic Affairs; Kozlovsky, Chief of the Far Eastern Division; and Plotkin, Chief of the combined Legal and Commercial Divisions. Their places without exception have been taken by unknown individuals who have had no experience with matters pertaining to foreign affairs, no knowledge of foreign languages nor any contacts in general with foreigners or foreign countries. The new Chief of the Press Division, Sheglov, who was formerly a professor of 18th century English philosophy in a local university is, according to foreign correspondents here, quite frank in admitting his ignorance of anything to do with foreign affairs or international politics. In this connection it may be added that foreign correspondents are unanimous in stating that the abolition of the prior censorship of press messages has made journalistic work in Moscow considerably more difficult rather than facilitating it, and that with the changes in the personnel of the Press Section it is virtually impossible to obtain any information concerning the attitude of the Soviet Government towards any given question.

I am reliably informed that among the minor officials of the Foreign Office at least 90% have been replaced since the appointment of Molotov and, if the changes in the personnel of the Third Western Division which handles American affairs is any criterion, this estimate is not exaggerated. In addition to the replacement of the acting Director, Rosh, by one Gramyko [*Gromyko*], the referent for American affairs, Vinogradov, and the referent for British affairs, Gokman [*Gokhman*], former secretary of the Soviet Embassy in Washington and consul in San Francisco, have been removed.

No official information as to the reason for these sweeping changes of personnel in the Commissariat for Foreign Affairs can be obtained and the new officials are reticent in discussing the causes of their predecessors' removal. Upon the assumption by the Kremlin of a more direct control of foreign affairs implicit in the appointment of Molotov, it was apparently desired to eliminate from the Commissariat for Foreign Affairs the officials who had been closely connected with the Litvinov regime. Since as indicated above the new incumbents without exception appear to be persons with no experience in matters relating to foreign affairs, the opinion may be offered that the Kremlin desires to have in the Commissariat for Foreign Affairs Soviet citizens who have had no contact with foreigners or foreign thought and who consequently in their dealings with foreign representatives here, will, knowing no other, reflect only the orthodox Soviet point of view unencumbered by any knowledge or experience of life abroad. Whatever may have been the motives, and they must

for the moment remain obscure, it is to be anticipated that the replacement of experienced officials by persons entirely unfamiliar with matters which will fall within their competency will hardly facilitate the necessary dealings between the Commissariat for Foreign Affairs and foreign missions in Moscow.

Respectfully yours,

STUART E. GRUMMON

761.00/324

*Memorandum by the Assistant Chief of the Division of European Affairs (Henderson)*⁷⁰

[WASHINGTON,] July 22, 1939.

Numerous articles relating to Soviet foreign policies have lately appeared in the press which in my opinion must have been written by persons who have little knowledge or understanding of the mentality of the present rulers of Russia. In fact, there seems to me to be a complete lack of understanding, at least in the American press, of present Soviet foreign policies.

In the hope that they may be of use to you, I am setting forth below a number of statements regarding what I conceive to be the guiding principles of Soviet foreign policy and the effect which recent international events have had upon the application of these principles:

(1) The present rulers of Russia are still dominated by a spirit of aggressiveness, that is, they have not departed from the ultimate aim to enlarge the Soviet Union and to include under the Soviet system additional peoples and territories.

(2) They are convinced, however, that their present tactics should be:

(a) To hold intact the territory already under their control;
and

(b) To increase as rapidly as possible the economic and military might of that territory.

(3) Ever since its establishment the rulers of the Soviet Union have been convinced that it will eventually be the target of attack from so-called capitalist powers, either because such powers are greedy for the great undeveloped wealth of Russia or because they have become convinced that eventually they must destroy the Soviet Union if the Soviet Union, ever increasing in strength, is not to destroy them.

(4) During recent years the Soviet leaders have been particularly apprehensive of a number of foreign hostile combinations, of which the following may be particularly mentioned:

(a) Germany, together with Poland, and possibly with the assistance of Japan;

⁷⁰ Addressed to Mr. James C. Dunn, Adviser on Political Relations, and to Mr. John D. Hickerson, Assistant Chief of the Division of European Affairs.

(b) The four great Locarno Powers,⁷¹ Great Britain, Germany, Italy, France; (The Soviet leaders since 1918 have been convinced that if these four great Powers ever reach an understanding they will eventually turn against the Soviet Union.)

(c) Japan alone with such aid as Germany and the European border states may render short of actually entering the conflict; (During recent years the Soviet leaders have become convinced that if no third parties intervene they are now sufficiently strong to hold off Japan—a war with Japan, however, would result in great economic losses which they wish to avoid.)

(5) So long as Germany and Poland were collaborating and there appeared to be a possibility that they might join in an attack upon the Soviet Union, the Soviet foreign policy with regard to Europe was based upon Soviet demands for so-called collective security, which in essence would have meant a Europe divided into two camps, in one of which the Soviet Union would have been playing a leading role.

(6) The break which took place between Poland and Germany last March, followed by British guarantees to Poland and Rumania,⁷² has changed the whole international outlook so far as the Soviet Union is concerned. At present for the first time the Soviet leaders are in no immediate dread of either a German-Polish combination or of a great four-Power European settlement.

(7) As a result of this change the Soviet Union has no longer any deep interest in the policy of collective security. It feels itself relatively safe from a dangerous European attack so long as Poland, supported by Great Britain, is at loggerheads with Germany. It is not anxious to enter into any European arrangement at the present time which may restrict its ability to maneuver. If it does come to terms with Great Britain, it will do so only on a basis which will give it what amounts to hegemony over Eastern Europe, and which will render impossible for at least many years to come a united Western Europe.

(8) Feeling itself relatively safe in Europe, the Soviet Union is turning its attention to the Far East. For years it has endeavored without success to settle three outstanding questions with Japan:

(a) The Japanese concessions in Soviet Sakhalin;⁷³ (The Soviet leaders will not be satisfied until the Japanese are entirely out of Soviet Sakhalin.)

(b) The Japanese rights under the Portsmouth Treaty⁷⁴ to fish in Siberian waters; (The Soviet leaders feel that the existence of these rights represents a curtailment of their sovereignty, and they will not be satisfied until they have established full and unrestricted Soviet Sovereignty along the entire Siberian coast.) and

⁷¹ For the texts of the treaties signed at Locarno on October 16, 1925, see League of Nations Treaty Series, vol. LIV, pp. 289 ff.

⁷² The British guarantee to Rumania (and Greece) was given by Prime Minister Neville Chamberlain in the House of Commons on April 13, 1939 (*Parliamentary Debates*, 5th series, vol. 346, p. 13).

⁷³ The northern half of Sakhalin Island above the 50th parallel of north latitude.

⁷⁴ Signed on August 23/September 5, 1905, *Foreign Relations*, 1905, p. 824.

(c) The establishment of definite boundaries between the Soviet Union and Manchukuo and between Manchukuo and Mongolia.

(9) At present the Japanese are in the unpleasant position of conducting a war with China and simultaneously of carrying on quarrels with the great Powers possessing ports and extraterritorial rights in China. The Soviet Union has no pressing international problem elsewhere. The Soviet Union is therefore in a position to create numerous incidents in the Far East and in general to make matters unpleasant for Japan with the idea of forcing the Japanese to make sacrifices necessary to bring about a Japanese-Soviet settlement in the Far East satisfactory to the Soviet Union. I am inclined to believe that the Soviet Union is not failing to take advantage of its position and that the numerous incidents which are taking place at the present time along the Mongolian-Manchukuoan frontier are largely of Soviet instigation. In following a policy of pressing Japan in the Far East the Soviet Union is of course incurring the danger of becoming involved in a war with that country. If war should ensue, however, it will be under most favorable circumstances for the Soviet Union. Most of the civilized world, with the exception of the totalitarian powers, would in general sympathize with the Soviet Union, and the Soviet Government by agreeing to enter into the treaty at present being sought by Great Britain and France would secure British and French support if the Germans should endeavor to come to the aid of the Japanese.

I realize that the above represents an over-simplification of a very complicated situation. You will notice that I have not even referred to the Communist International or to the attitude which the Soviet Union might take in case of the outbreak of a war in the near future between Poland and Germany. It is my feeling, however, that the points which I have brought out above should be considered whenever an attempt is made to understand Soviet foreign policies.

123 Steinhardt, Laurence A./249

The Ambassador in the Soviet Union (Steinhardt) to the Secretary of State

No. 16

Moscow, August 16, 1939.

[Received September 9.]

SIR: I have the honor to report that I was received by Mr. Molotov in the Kremlin on the afternoon of August 10. The object of my call was the customary informal visit to the Commissar for Foreign Affairs prior to the presentation of credentials. I was accompanied by Mr. Grummon. Mr. Molotov received me in a cordial manner and our conversation proceeded through the intermediary of an interpreter provided by him. Unfortunately, the interpreter was worse

than mediocre, his knowledge of English being extremely limited. This factor had a decided bearing on the paucity of the subjects discussed. Mr. Molotov referred to the parallel interests of the Soviet Union and the United States, and indicated that our two countries have many common interests. In view of the obvious inadequacy of the interpreter, fearing that something that I said might be misunderstood or erroneously translated, and in the belief that a better interpreter would be made available on a later occasion, I thought it best to limit the interview to the customary amenities of a preliminary informal call.

On August 11, at 12:30 p. m., I presented my credentials to President Kalinin. The entire Embassy staff accompanied me and was presented according to the customary protocol. After the presentation of my Letters, Mr. Kalinin invited Mr. Potemkin and me into his private office, where we had a conversation that lasted for well over an hour. Mr. Potemkin, who speaks fluent French, acted as interpreter, with the result that the interpretation was highly satisfactory.

Among other things, I learned that the President's son is at present in the United States. On inquiring as to what reports he had had from his son, Kalinin replied that he assumed his son is hardly an exception to the general rule, in that he rarely writes letters to his father, but that in the few letters received his son has expressed great admiration for the United States. He said that he expects him to remain there for nine or ten months longer.

The President spoke freely, frankly, and with the utmost cordiality. He emphasized that while the views of the Soviet Union and the United States run along parallel lines in many respects, both countries have the same general objectives, and cooperation between them is therefore extremely desirable in the interests of preserving world peace, the geographical position of the two countries and the present status of their respective industrialization are so dissimilar that the position of the Soviet Union is much more difficult than that of the United States—particularly under present critical conditions. He observed that the United States, being the most highly industrialized country in the world and protected by two oceans, is in an impregnable position, whereas the Soviet Union has unfriendly powers on both frontiers. He observed that while the Soviets had made considerable progress in their attempts to industrialize the country they are still a great distance from their goal. He spoke feelingly on the necessity for diverting the major part of the Soviets' new industry to the creation of what he termed defensive armament, and said that had it not been for this necessity during recent years the condition of the country would be much farther advanced. While he was not specific on this point, I judged that he was making a direct reference to the insuffi-

ciency of both capital goods and consumption merchandise, and perhaps even to the lack of adequate distribution and transportation facilities throughout the country. He did say that the defence of the Soviet Union in the event of aggression must be the first consideration of the state and that therefore the creation of defensive armament must take precedence over any other desirable production. He spoke of the strenuous efforts which the Soviet Government has been making to industrialize the country and was frank in volunteering the statement that the authorities recognize that it is still far from their goal. While he studiously avoided any discussion or even reference to Russia's position in Europe, he talked freely and at length regarding Soviet-Japanese relations. He emphasized the Soviet Union's peaceful intentions towards Japan, indicating that he does not consider that the Japanese have particularly peaceful intentions towards the Soviets and said that his Government is determined to employ all of the forces necessary to assert its rights. He then referred to the fighting on the Mongolian frontier, saying that hostilities were still in progress. He did not attempt to minimize the size of the forces engaged or the possible consequences, merely asserting that the Soviet Union not only intends to but is capable of defending its rights in this or any other area, and then referred to Japanese accounts of the alleged extent of the Russian losses, saying that the accounts had been so exaggerated as to defeat their own purpose. He added that the few communiqués issued by the Soviets had purposely been ultra-conservative with respect to losses on both sides. When I asked him the reason for ultra-conservative communiqués by the Soviet Government in the face of a continuing stream of Japanese communiqués which in the eyes of the world might indicate overwhelming Japanese superiority, he remarked that, as in the case of the fighting last year at Changkufeng, the world would learn after the engagement is concluded which side has been compelled to retreat; that the Soviet authorities had thought it preferable to deal with the situation in this manner rather than to attempt to rival Japanese exaggerations, which would have put the Soviet Union at a disadvantage when the true facts are ultimately established, and that continuous denials of the Japanese claims would serve little purpose anyway.

I gained the general impression from our conversation that the Soviet Government is at the present time more concerned with the situation in the Far East than in Europe, that they regard Japanese aggression as a genuine menace to them, while feeling themselves rather secure in Europe. If I am correct in this conclusion, certain deductions would appear to be obvious, as, for example, that any influence our Government desires to bring to bear on the Soviet authorities can best be accomplished by expressing a greater interest in the issues

in the Far East than in Europe. I believe that the Soviet authorities would be glad to cooperate in any measures which might tend to restrain the Japanese in the Far East and that they rather look to the United States sooner or later to take the lead, with the support of Britain, France, and Russia, along these lines. On the other hand, I am beginning to seriously doubt the intention of the Soviet Government to take any affirmative action in Europe other than of a purely defensive nature. With the exception of the concentration of forces in the Leningrad area for the annual manoeuvres and the army which has been kept in or near the Ukraine for a long time, I am told that such troop movements as have taken place have been toward the east, in the direction of the Mongolian frontier. This seems to me significant as evidencing a greater interest in the Far East than in Europe. In view of the broad guarantee which has been accorded Poland and Rumania by Britain and France the Soviets do not appear to regard themselves as under any imminent threat in Europe and they thoroughly appreciate the fact that Germany cannot attack Russia without inevitably involving either Poland or Rumania, or probably both. They thus seem to feel that they are assured of Anglo-French military assistance in the event of a world war and appear to be disposed on this front to sit back and await developments. Nor is this line of reasoning difficult to understand, for one thing that would seem the most unlikely possibility in Europe would be an attack by Germany against Russia without automatic involvement of Poland and Rumania. The Carpathian mountains form a natural barrier to entry into Russia from any part of Czechoslovakia and the frontier available to the Germans without invading Poland and Rumania is so narrow as to make it rather easily defensible by the Soviets. For these reasons the Soviet point of view is not only readily understandable but must be regarded as thoroughly sound, and I believe that in this lies the explanation for the prolonged Anglo-French negotiations. While circumstances may force the Soviets into a military alliance with Britain and France at any moment, it seems to me that unless there is a material change in the present situation between now and the first of October, the Soviets, while keeping the negotiations alive and holding them over Hitler's head as a threat, will not enter into any more far-reaching agreement during the next six weeks than circumstances necessitate. They will probably be disposed to keep the negotiations alive as a threat against Hitler and thus avert war this fall, for there is nothing that the Soviets desire more than to avoid being involved in a European war at the present time. They are fully aware of the fact that if war can be averted this fall it is most unlikely to break out until the spring and they doubtless shrewdly calculate that by that time the Japanese will be further involved in

China and materially weakened by the passage of another six months. They doubtless hope that a European war can be averted until the Japanese threat to Russia in the Far East has been minimized by Japan's economic exhaustion, and it is not improbable that they hope that the winter will see an embargo by the United States on exports to Japan. All in all, it is my opinion that the Soviet authorities are playing a very shrewd game in international politics, that from the point of view of their interests they are playing the game intelligently and successfully, and that they are likely to play a steadily increasing rôle in world politics, both in Europe, by reason of their potentialities and studiously concealed military forces, and in the Far East, by reason of their steadily expanding military strength as that of Japan grows weaker.

Respectfully yours,

LAURENCE A. STEINHARDT

861.20/481 : Telegram

The Ambassador in the Soviet Union (Steinhardt) to the Secretary of State

Moscow, September 9, 1939—10 p. m.

[Received September 9—6:40 p. m.]

523. My telegram No. 521, September 8.⁷⁵ Evidence is accumulating that the measures reported in my telegram under reference constitute an extensive secret mobilization. I understand that reservists are being called up in increasing numbers principally during the night and non-military vehicles are being steadily commandeered. A number of schools in Moscow are being prepared to serve either as barracks or hospitals. The sale of gasoline today was considerably restricted. Large numbers of recruits still in civilian clothes and reservists up to the present age of 50 are known to be departing from Moscow. Tanks and trucks believed to be conveying ammunition have been seen in the city. Horses rarely observed in Moscow together with a considerable quantity of fodder are in evidence.

This extensive mobilization is being conducted with great secrecy. The military liaison officer of the Commissariat for Foreign Affairs today denied to our Military Attaché that any mobilization was under way, thus indicating the Government's desire to conceal what is going on from foreign observers.

Due to the secrecy of the entire movement it is not clearly established to what regions of the Soviet frontier these forces are being sent but trains bearing vehicles and recruits have been noted leaving in the

⁷⁵ Not printed.

direction of Vitebsk, Minsk and Gomains [*Gomel*]. There is thus far no evidence of troop movements in the direction of Kiev on the southern Ukraine. In the light of the available information it would appear that these concentrations are being made primarily in the White Russian military district and not in Kiev, the military district which would be the presumptive area of concentration were the measures of mobilization now in progress designed solely as a precaution against the possible extension of the German advance through Poland, nor is there sufficient evidence to indicate that additional concentrations are being made in the Leningrad military district bordering on the Baltic states. There are however two possible interpretations of this secret movement: (1) preparations to occupy a part of eastern Poland and perhaps even of the Baltic States; or (2) precautionary measures in the face of the swift advance of the German armies toward the Soviet frontier or into areas believed to have been recognized by Germany as of vital interest to Soviet security.

STEINHARDT

861.20/482 : Telegram

The Ambassador in the Soviet Union (Steinhardt) to the Secretary of State

Moscow, September 10, 1939—2 p. m.
[Received September 10—10:55 a. m.]

525. My 535 [523], September 9, 10 p. m. The press today publishes under the title "The Partial Calling up of Reserves to the Red Army", a Tass communiqué of which the following is a full translation:

"In connection with the German-Polish war which is assuming an increasingly extensive and threatening character, the Government in the interest of the further strengthening of the defense of the country has decided on partial calling up to the army of certain classes. The summoning of reserves to the Red Army has been carried out in the Ukraine, White Russia, Moscow, Kalinin and Orlov [*Orel*] military districts."

The above announcement was presumably provoked by the press reports from Moscow concerning the measures taken by the Soviet Government and as will be observed reveals little in regard to the purpose of the partial mobilization or the areas of the western frontier to which reinforcements are being sent. From the syntax of the last paragraph it would appear that the summoning of reserves in the military districts indicated has been completed. As a result of the commandeering of non-military motor vehicles there is noticeably less traffic in Moscow.

STEINHARDT

861.20/488: Telegram

The Ambassador in the Soviet Union (Steinhardt) to the Secretary of State

Moscow, September 15, 1939—4 p. m.

[Received September 15—12: 32 p. m.]

546. My 536, September 13, 11 a. m.⁷⁶ Although, in so far as I can ascertain no additional reservists are being called up, Soviet military preparations are continuing and anti-aircraft batteries have been mounted in and around Moscow. While I am more than ever convinced that it is the intention of the Soviet Government to aid and abet a speedy termination of the Polish-German conflict in the hope of a withdrawal of the main body of German troops to the western front, it is not yet certain what measures the Soviet would be prepared to take in the furtherance of that aim. It may be assumed from the violent and hostile tone against Poland in the *Pravda* editorial yesterday that the Soviet authorities are endeavoring, possibly through agents, to foment discontent and disorder among the Ukrainian and White Russian minorities in the rear of the Polish armies. It is even rumored, although I have been unable to obtain any confirmation thereof, that the German Government is pressing the Soviet Government for direct Soviet intervention in Poland, presumably in the hope of embroiling the Soviet Union in war with England and France. I am inclined to regard this rumor with reserve, since according to previous information received from German sources the German Government would prefer a benevolently neutral Russia which might prove a source of economic assistance to Germany. Nor is there any reason to believe that the Soviet Government has any desire or intention of becoming involved in a war with England and France at the present time. For this reason, it is probable that any Soviet action, even that outlined in the last paragraph of my telegram under reference, will await the collapse of the smaller Polish Government and the obvious disintegration of the Polish State.

STEINHARDT

861.20/489: Telegram

The Ambassador in the Soviet Union (Steinhardt) to the Secretary of State

Moscow, September 16, 1939—1 a. m.

[Received 1: 50 a. m.]

547. Large troop movements to the Leningrad area are said to have taken place during the past 2 days. For 10 hours last night tanks

⁷⁶ Not printed.

and heavy artillery passing a given point on the outskirts of Moscow were reported as moving northwest and west.

STEINHARDT

740.0011 European War, 1939/346 : Telegram

*The Ambassador in the Soviet Union (Steinhardt) to the
Secretary of State*

Moscow, September 17, 1939—9 a. m.

[Received 11:42 a. m.]

551. My 550, September 17, 7 p. m. [*a. m.*].⁷⁷ I received at 8:45 Moscow time this morning the following note signed by Molotov enclosing a copy of a note dated today addressed to the Polish Ambassador ⁷⁸ here:

Mr. Ambassador: In transmitting to you the enclosed note dated September 17, 1939 of the Government of the Union of Soviet Socialist Republics addressed to the Polish Ambassador in Moscow, I have the honor under instructions from my Government to declare to you that the Union of Soviet Socialist Republics will pursue a policy of neutrality in the relations between the Union of Soviet Socialist Republics and the United States of America.

Accept etc., People's Commissar for Foreign Affairs, Molotov.

The following is a full translation of the copy of the note to the Polish Ambassador.

"Mr. Ambassador: The Polish-German War has revealed the internal instability of [the] Polish State. During ten days of military operations Poland has lost all its industrial regions and cultural centers. Warsaw as the capital of Poland no longer exists. The Polish Government has scattered and gives no signs of life. This means that the Polish State and its Government factually have ceased to exist. By this fact in itself treaties concluded between the Union of Soviet Socialist Republics and Poland have lost their validity. Left to shift for itself and left without leadership Poland has become a convenient field for all kinds of eventualities and unforeseen contingencies which may constitute a threat to the Union of Soviet Socialist Republics. Therefore having been heretofore neutral the Soviet Government can no longer adopt a neutral attitude to these facts. The Soviet Government can also not be indifferent to the fact that the consanguine Ukrainians and White Russians living on the territory of Poland who have been left to the whim of fate should be left defenseless. In view of this situation the Soviet Government has issued instructions to the High Command Red Army to give the order to its forces to cross the Polish frontier and take under their protection the life and property of the population of Western Ukraine and Western White Russia.

⁷⁷ Not printed.

⁷⁸ Waclaw Grzybowski.

At the same time the Soviet Government intends to take all measures in order to extricate the Polish people from the ill-fated war into which they have been led by their unwise leaders and to give them the possibility of living a peaceful life.
Accept, etc.”

STEINHARDT

861.602/301

The Ambassador in the Soviet Union (Steinhardt) to the Secretary of State

No. 81

Moscow, September 22, 1939.
[Received October 25.]

SIR: With reference to the Department's unnumbered instruction of August 1, 1939,⁷⁹ requesting the Embassy, on behalf of the Department of Commerce, to furnish information as to the contract requirements of the Soviet Government in respect of purchases from foreign nationals, I have the honor to inform the Department that since all economic activity in the Soviet Union is under the control of the State and since the Soviet Government enjoys a complete monopoly of foreign trade, all Soviet purchases of foreign merchandise and services are effected through specially authorized Soviet organizations.

Orders placed by the Soviet Government with foreign firms are ordinarily concluded in the Soviet Union or abroad after at least preliminary negotiations have been opened abroad with a number of firms. Such negotiations are usually carried on in the United States through the Soviet Government's principal purchasing and selling agency, the Amtorg Trading Corporation of New York City. In this connection it should be pointed out that for several years no representatives of foreign firms have been permitted to reside permanently in the Soviet Union. Moreover, the Soviet Government does not desire to transact business through intermediaries, such as commission agents and brokers and does not permit such agents to engage in any commercial activity on its territory. It may be pointed out also that the Soviet Government does not purchase merchandise or services from foreign firms on the basis of public bidding. A small number, however, of representatives of foreign firms are permitted to proceed to Moscow for the purpose of concluding contracts concerning which, as previously stated, negotiations usually have been opened by Soviet organizations abroad such as the Amtorg Trading Corporation. Although such factors as price, quality, credit, and terms of delivery determine to a large extent the purchase abroad of goods and services by the Soviet Government, it should be noted that that Government

⁷⁹ Not found in Department files.

often places orders for political purposes. In fact, prior to the outbreak of the present war, it was the avowed policy of the Soviet Union, when effecting foreign purchases, to take into consideration the political relation existing between itself and the foreign country or countries where the orders could be placed. It is likely that such a policy will be followed by the Soviet authorities under war conditions with even greater vigor than has been the case heretofore.

Respectfully yours,

LAURENCE A. STEINHARDT

711.61/684 : Telegram

The Ambassador in the Soviet Union (Steinhardt) to the Secretary of State

Moscow, October 18, 1939—3 p. m.

[Received 3:42 p. m.]

768. At the Foreign Office yesterday afternoon Potemkin informally brought to my attention, making it clear that in so doing he was not in any way making a *démarche*, the following matters recently reported by the Soviet Embassy at Washington which have resulted in some uneasiness and I inferred considerable annoyance:

1. The activities of the Dies Committee⁸⁰ which he stated has solicited and given considerable publicity to the testimony of "slanderers and enemies of the Soviet Union" such as Dubrovski and Krevitski and which also has undertaken or has announced its intention to undertake an investigation of Amtorg and other Soviet institutions in the United States.

2. Hostile and malicious references presumably made during the Dies Committee hearings and in the American press to the Soviet Embassy and its personnel implying that they engaged in improper and inimical activities.

3. An actual attack and subsequent threats against the Bookniga⁸¹ establishment in Chicago.

I assured Potemkin after making reference to the large degree of independence enjoyed by Congressional committees and the freedom of the American press that I would report his observations and that I had no doubt my Government desired insofar as it was possible to discourage any tendency to promote discord between our respective countries. With reference to the Chicago incident I remarked that I had no doubt that on request adequate police protection would be afforded.

STEINHARDT

⁸⁰ House of Representatives Committee To Investigate Un-American Activities, Martin Dies, Chairman.

⁸¹ Bookniga Corporation, book and periodical selling agency in the United States, with main office at 255 Fifth Avenue, New York, N. Y.

861.00/11837 : Telegram

The Ambassador in the Soviet Union (Steinhardt) to the Secretary of State

Moscow, October 28, 1939—4 p. m.
 [Received October 28—10:48 a. m.]

826. The Soviet press today publishes two declarations of the National Assembly of Western Ukraine "elected" on October 22 (see my 785, October 23, 5 p. m.⁸²).

The first declaration, after denouncing the policies of the former Polish Government in regard to the Western Ukrainians, announces the establishment of a Soviet regime in the territory of Western Ukraine with all power in the hands of the workers and peasantry as personified by the Soviet workers deputies. The second declaration requests the Supreme Soviet of the U. S. S. R. to admit Western Ukraine into the Soviet Union as a part of the Ukrainian Soviet Socialist Republic. Both declarations refer to the freeing of Western Ukraine by the Red Army from capitalist slavery.

The press announces that the first meeting of the Soviet of Western White Russia will be held today and unquestionably similar resolutions will be adopted.⁸³

Although the announcement of the special session of the [Supreme Council of the] U. S. S. R. for October 31 published in the press yesterday gave no indication of the agenda of the meeting it is meeting presumably for the purpose of admitting Western White Russia and Western Ukraine into Soviet Union.

STEINHARDT

760d.61/375 : Telegram

The Ambassador in the Soviet Union (Steinhardt) to the Secretary of State

Moscow, November 1, 1939—1 p. m.
 [Received November 1—9:32 a. m.^{83a}]

846. My 844, November 1, 2 a. m.⁸² The text of Molotov's lengthy speech delivered last night which appears in this morning's press discloses that while he did not mention Hango by name the Soviet Government apparently has not receded from its intention to insist on a naval base in or near the entrance to the Gulf of Finland. His remarks on this point reads as follows in close translation:

"We proposed also to reach an agreement whereby Finland would lease to us for a limited period a small piece of its territory in the region of the entrance to the Finnish Gulf so that we might establish a naval base there.

⁸² Not printed.⁸³ Such similar resolutions were adopted, and published in the Soviet press on October 30, 1939.^{83a} Telegram in three sections.

"With a Soviet naval base at the southern side of the entrance to the Gulf of Finland, namely, at Baltiski Port, as provided for by the Soviet-Estonian Pact of Mutual Assistance, the establishment of a naval base at the northern side of the entrance would completely guarantee the security of the Gulf of Finland against hostile attack by other powers."

It will be noted that the language employed by Molotov as published is ambiguous by reason of his failure to specify whether the desired naval base must be on the mainland or may be on an island.

A note of menace may be detected in one or two brief passages of Molotov's remarks on the Finnish negotiations. I am of course unable to determine whether these references are purely for trading purposes or are to be taken seriously. In general, however, his speech in so far as it deals with Finland alone appears to be a temperate analysis of the negotiations up to the present time.

The text of Molotov's speech now being available I am of the opinion that the outcome of the negotiations is still dependent upon a solution of the Soviet Government's insistence on a naval base at the entrance of the Gulf of Finland.

Upon reading the published version of Molotov's remarks I am astounded to discover that in addition to the reference to the Philippines (see my telegram No. 844, November 1, 2 a. m.) he likewise asserted that Cuba also has long demanded from the United States its "freedom and independence" but without success.^{83b}

STEINHARDT

760d.61/384: Telegram

The Ambassador in the Soviet Union (Steinhardt) to the Secretary of State

Moscow, November 1, 1939—10 p. m.

[Received November 1—9:40 p. m.⁸⁴]

847. The press today publishes the text of Molotov's speech to the Supreme Soviet last evening.

The first portion dealing with the general international situation consists largely of a repetition of views previously expressed in the Soviet press relating to Soviet-German friendship, the collapse of

^{83b} The Republic of Cuba was constitutionally established, and the military occupation of the United States ended, on May 20, 1902. See *Foreign Relations*, 1902, pp. 320 ff. The so-called Platt Amendment, establishing special relations between the United States and Cuba, was abrogated by the treaty signed May 29, 1934. For text of the treaty, see Department of State Treaty Series No. 866, or 48 Stat. 1682.

⁸⁴ Telegram in two sections.

the Polish State, support of German peace efforts, a denunciation of England and France for continuing the war for "imperialist aims" under cover of the slogan of democracy. He announced that in the light of recent events the terms "aggression" and "aggressor" have acquired a new concrete meaning and that the roles were now reversed with Germany striving for peace and England and France for war. He mentioned the necessity of a "strong" Germany for an enduring peace in Europe and spoke with sympathy of Germany's efforts to throw off the Treaty of Versailles⁸⁵ created by France and England "with the active participation of the United States". After dwelling at length on Soviet-German friendship he mentioned especially the successful progress of economic negotiations taking place here and in Germany.

After justifying Soviet "liberation" of Western Ukraine and White Russia, Molotov discussed the recently concluded treaties with Estonia, Latvia and Lithuania⁸⁶ emphasizing the benefits conferred on those countries and vigorously denying any intention on the part of the Soviet Union to interfere in their internal affairs.

Molotov then dwelt at great length on the negotiations with Finland.⁸⁷ After stating that relations with Finland as compared to the other Baltic States were in a special category primarily due to the fact that a "variety of outside influences emanating from third countries were at work in Finland". He denounced the inventions and lies of the foreign press, concerning the Soviet proposals which he said were extremely modest and the minimum necessary for the protection of Soviet security. Turning to the actual negotiations, Molotov stated that since the Finnish Government had been unwilling to conclude a pact of mutual assistance similar to the pacts concluded with other Baltic States, the Soviet Government had not insisted on this point. He then outlined the concrete proposals submitted by the Soviet Government, substantially along the lines previously reported by the Embassy revealing that the two major points now at issue concern the territory north of Leningrad and a Soviet base at the entrance to the Gulf of Finland. He observed "the differences in regard to certain of our proposals are not yet overcome and the concessions made by Finland in this connection, for example, the partial cession of territory on the Karelian Isthmus, clearly do not achieve their purpose".

Molotov then referred to the concessions made to Finland, mentioning the withdrawal of the Soviet objections to the fortification of the Aland Islands, provided it was done by Finland alone and

⁸⁵ Signed on June 28, 1919; for text, see *Foreign Relations*, The Paris Peace Conference, 1919, vol. XIII, p. 55.

⁸⁶ For the enforced conclusion of pacts of mutual assistance between the Baltic States and the Soviet Union, see pp. 934 ff.

⁸⁷ See *supra*.

without the participation of any third power; the demilitarization of the Finnish-Soviet frontier on the Karelian Isthmus; and the supplementing of the Soviet-Finnish pact of nonaggression⁸⁹ by mutual guarantees and development of economic relations between the two countries. He then stated that, "After all this we do not think that Finland should begin to seek grounds for a rupture of the proposed agreement. This would not be in conformity with the policy of friendly Soviet-Finnish relations and would certainly cause serious harm to Finland." He added, "We are certain that the importance of the strengthening of friendly Soviet relations will be correctly understood by the ruling Finnish circles and that the Finnish statesmen will not give in to any anti-Soviet pressure and incitement on the part of anyone."

Molotov then observed: "I must, however, report that even the President of the United States found it appropriate to interfere in these questions, which is difficult to reconcile with the policy of American neutrality. In his message of October 12, addressed to Kalinin,⁹⁰ President of the Presidium of the Supreme Soviet of the Union of Soviet Socialist Republics, Mr. Roosevelt expressed a hope for the preservation and development of friendly and peaceful relations between the Soviet Union and Finland. It might be thought that insofar as the United States is concerned matters are better let us say, with the Philippines or Cuba which have long demanded from the United States their freedom and independence and have been unable to receive them, than with the Soviet Union and Finland which long ago received from the Soviet Union its freedom and state independence."

Molotov then quoted the text of Kalinin's reply to the President,⁹¹ omitting, however, the initial greeting, and beginning with the words, "I consider it appropriate to remind you Mr. President". He then continued, "After such a clear answer from the President of the Presidium of the Supreme Soviet of the Union of Soviet Socialist Republics it should be entirely obvious that with good-will the Finnish Government will meet our minimum proposals which not only do not contravene the national and state interests of Finland but strengthen its external security and create a broad basis for the further broad development of political and economic relations between our two countries."

⁸⁹ Signed at Helsinki, January 21, 1932; for text, see League of Nations Treaty Series, vol. CLVII, p. 393. For protocol prolonging the validity of this treaty until December 31, 1945, signed at Moscow on April 7, 1934, see *ibid.*, vol. CLV, p. 325.

⁹⁰ The President's message was dated October 11, 1939, and delivered on October 12; for text, see Department of State, *Bulletin*, October 21, 1939, p. 395.

⁹¹ For text, see *ibid.*, p. 395.

In respect of Turkey Molotov stated that despite the wildest comment abroad the Soviet-Turkish negotiations concerned only the conclusion of a bilateral pact of mutual assistance limited to the Black Sea area and the straits with the reservation that nothing thereunder should involve the Soviet Union in armed conflict with Germany; and a guarantee that Turkey would not permit the warships of a non-Black Sea power to pass through the Bosphorus into the Black Sea. Both of these reservations Molotov charged, Turkey had refused and thereby rendered impossible the conclusion of the pact. Molotov then asserted that even though unsuccessful the negotiations had been of value in that as a result the policy of Turkey was now much clearer to the Soviet Union. After charging that Turkey had now abandoned a policy of neutrality and had been drawn into the orbit of the war in the interests of England and France, Molotov hinted Turkey might some day regret the step that it had taken.⁹² In respect of the Soviet Union, however, he added that in conformity with its general policy which consisted in retaining liberty of action, the pursuance of a policy of neutrality and cooperation in the movement for the re-establishment of peace, this policy would be equally applied in the area of the Black Sea.

Molotov then spoke of the improvement in Soviet-Japanese relations which had resulted from the conclusion of a truce on Japanese initiative on the Mongolian-Manchurian frontier.⁹³ He characterized this conflict as entirely unnecessary, having been due to the attempts of the Japanese to seize a portion of the territory of the Mongolian People's Republic. The liquidation of this conflict, Molotov stated, constituted the first step in the improvement of Soviet-Japanese relations. He continued that if good-will were displayed in the work of the mixed frontier commissions a successful solution of the frontier conflicts might be expected. After referring to the possibility of trade negotiations between the Soviet Union and Japan, Molotov concluded his reference to Soviet-Japanese relations with the statement that while there had been a tendency towards improvement in these relations at the present time it is difficult to judge to what extent it is possible to count on rapid development of this tendency. ["We have not yet succeeded in finding out how seriously the ground has been prepared in Japanese circles. For our part it must be said that we are favorably disposed to Japanese proposal of this nature and will approach them from the point of view of our basic political position and our interest in peace.[""]]

⁹² A treaty of mutual assistance was signed between Great Britain, France, and Turkey at Ankara on October 19, 1939, following the breaking off of the Turkish-Soviet negotiations in Moscow; for text, see League of Nations Treaty Series, vol. cc, p. 167, or Department of State, *Bulletin*, November 11, 1939, p. 544.

⁹³ September 15, 1939.

(It is significant that Molotov makes no reference in his speech to Soviet relations with China).

Molotov then outlined in brief the Soviet position in regard to contraband of war as set forth in the Soviet note to Great Britain and concluded that from the point of view of the termination of the war the decision of the American Senate in removing the embargo on arms⁹⁴ arouses "legitimate doubts". He added, indeed there can be no doubt that this decision will have as its result neither a slowing down nor a curtailment of the war; but on the contrary an increasing intensification and prolongation of the war. Obviously such a decision will assure higher profits for the American munitions industry. But the question is: "Can this circumstance serve the justification for the repeal of the embargo on the export of arms from America? It is clear that it cannot."

STEINHARDT

861.014/203 : Telegram

The Ambassador in the Soviet Union (Steinhardt) to the Secretary of State

Moscow, November 2, 1939—4 p. m.

[Received November 2—1:20 p. m.]

850. The Supreme Soviet at its evening session yesterday acceded to the petition of the National Assembly of Western Ukraine to incorporate that territory into the Soviet Union as a part of the Ukrainian Soviet Socialist Republic. According to the agenda, Western White Russia will be incorporated this evening.

STEINHARDT

861.458/14 : Telegram

The Secretary of State to the Ambassador in the Soviet Union (Steinhardt)

WASHINGTON, November 4, 1939—3 p. m.

228. No message of felicitation will be sent direct by the President on November 7, the Soviet national holiday.⁹⁵ There is no reason, however, why you should not convey customary felicitations.

HULL

⁹⁴ The Neutrality Act of 1939, passed by the Senate on October 27, 1939, was approved on November 4, 1939; 54 Stat. 4.

⁹⁵ In a memorandum of October 31, 1939, by George T. Summerlin, Chief of the Division of Protocol, he wrote that, in view of present conditions, "regardless of the manner in which the telegram is drafted there may be more adverse comment than usual." The Chief of the Division of European Affairs, Pierrepont Moffat, noted upon this: "Given the recent inexplicable attitude toward us of the Soviet authorities, I am inclined this year to omit a congratulatory telegram & to confine ourselves to having cards left at the Embassy here." (861.458/14)

861.50/928

*The Ambassador in the Soviet Union (Steinhardt) to the Secretary
of State*

No. 143

Moscow, November 9, 1939.

[Received December 6.]

SIR: Since the aggressive action undertaken thus far by the Soviet Union apparently gives rise abroad to the conjecture whether that country is not in a position to extend still further its territorial and strategic position at the expense of neighboring countries, the following observations on the present internal economic situation in the Soviet Union to which that country's foreign policy is, of necessity, closely attuned, may be helpful to the Department at this time.

The mobilization of the reserve forces of the Red Army and Navy on the 9th of September created immediately a feeling of panic among the population since it was carried out in a manner so abrupt as to arouse fear of conflict with Germany. The sudden withdrawal of approximately a million workers from the national economy threw transport and industry into considerable confusion. A run took place immediately on savings banks and the endeavor to hoard foodstuffs caused queues to be even longer than was usually the case. The Soviet authorities resorted at once to coercive measures against hoarding and continued to place the usual amount of staple articles on sale with the result that the feeling of panic subsided after a few days, particularly in view of the fact that it soon became clear to the population that Soviet forces had not invaded Poland for the purpose of combating Germany.

Immediately upon mobilization the Soviet press started a drive for the purpose of rallying housewives to fill the ranks of labor lost to the armed forces that resulted in the enlistment of many thousands of untrained women in practically every branch of the national economy. At the same time the Stakhanov system was speeded up principally by obliging workers to operate wherever possible at least one or two more machines than heretofore. The full effect of adding a large number of untrained workers to industry and endeavoring to speed up production remains to be observed but it should be noted that even prior to September most branches of industry had been suffering for a number of years from a shortage of qualified workers, as well as from forced production methods, a deficiency which caused a large percentage of defective output and rapid deterioration of machinery.

The development of the national economy during the second quarter of the present year (Embassy's despatch no. 8 of August 14, 1939⁶⁶)

⁶⁶ Not printed.

showed no signs of improvement during the succeeding quarter. Judging by the statistics for the period January 1 to September 8, the latest period for which data are available, the output of steel declined by 4 percent and that of rolled metal by 3 percent as compared with the corresponding period last year. Passenger car and truck production fell off considerably during the same period; the number of freight cars manufactured from July 1 to September 8 amounted to 2,094, a decline of 36 percent as compared with the corresponding period last year. Moreover, the petroleum industry has failed thus far to improve drilling operations; new development work has lagged as usual and accordingly it is doubtful whether the production of crude will be appreciably larger than in 1938. Consumption of petroleum undoubtedly will be considerably larger this year than during 1938, particularly in view of the movement of mechanized army units in Poland and the Baltic States. Emergency stock-piling also is likely to increase. Moreover, the transport system, both marine and railway, is greatly overburdened and consequently it is doubtful whether the Soviet Union will be in a position, even with the newly organized Polish fields, annually to furnish Germany during the next few years, without considerable injury to its agriculture and industry, petroleum products in an appreciably larger quantity than was exported to the entire world in 1938, namely, approximately 1,500,000 metric tons. An American railway expert who has resided in the Soviet Union for about twenty years holds the opinion that the Soviet railway system is incapable of hauling annually more than 500,000 metric tons of petroleum. This situation, according to this observer, will hardly improve to an appreciable degree during the next few years.

Largely because of the failure properly to exploit local resources the Soviet Union has been suffering seriously during the past three years from a shortage of many important raw materials, including even those of which it enjoys the greatest resources, such as iron, coal, petroleum and practically all non-ferrous metals. Deficit of materials is felt to an alarming degree in the construction industries, cement, bricks and fuel lacking the most. Even manganese, the only important metal of which there is a large surplus output, has to be shipped by an already greatly overburdened railway system from the Caucasus to the Urals because of the failure to exploit successfully local resources of this metal. The failure to exploit new mineral deposits, particularly iron, is alarming the Soviet authorities. Development work at the Krivoi Rog mines, the only high grade iron ore now produced in the Soviet Union, is lagging seriously behind the plan. Current blast furnace requirements during the past three years have been and will probably continue for some time to be in excess of ore production, and accordingly it is not likely that the Soviet Union will be

able during the next few years to furnish Germany an appreciable amount of even low-grade iron ore. (*Planovoe Khozyaistvo* [Planned Economy], No. 8, 1939).

In his speech delivered on November 6 on the occasion of the celebration of the twenty-second anniversary of the Revolution, Molotov reiterated the policy announced by Stalin on March 10 of this year that the principal economic task of the Soviet Union is "to catch up with and surpass the leading capitalist countries" during the next 10 or 15 years. He expressed regret that because of this policy the relative production of non-durable goods could not be increased and added that "now we well know that we must still give unconditional preference to the requirements of the defense of the country and to its industrial might." Consequently, it may be safely assumed that no serious attempt will be made by the Soviet authorities at least in the near future to overcome the lack of equilibrium in the national economy arising from the relative neglect of the consumers' goods and housing industries, and that one of the greatest weaknesses of the Soviet industrial system, namely, extremely high labor turn-over resulting mainly from poor living conditions, will continue unabatedly to fetter the development of the national economy. This plague, as has been pointed out a number of times by the Embassy, is particularly rampant in the new industrial regions in the East where housing is even worse than in European Russia.

Judging by the foregoing there is reason for believing that the internal situation in the Soviet Union viewed from an economic point of view is still so fundamentally weak as to cause the Kremlin to proceed with extreme caution in the execution of its present foreign policies.

Respectfully yours,

LAURENCE A. STEINHARDT

741.61/873 : Telegram

The Ambassador in the Soviet Union (Steinhardt) to the Secretary of State

Moscow, November 14, 1939—5 p. m.
[Received November 14—2: 27 p. m.]

897. In the course of a conversation last night with the Counselor of the British Embassy, Gordon Vereker, who has recently been appointed Minister to Bolivia, he referred to the impending return of the French Ambassador⁹⁷ to Moscow, and stated that notwithstanding the conduct of the Soviet Government, which unquestionably would have justified the British and French Governments in breaking off diplomatic relations with it, the British and French Governments had

⁹⁷ Paul-Emile Naggiar.

come to the conclusion that it was undesirable to take such action. He remarked that insofar as his Government is concerned its experience in 1927⁹⁸ had been very unsatisfactory for following the breaking off of diplomatic relations with the Soviet Government in that year it had suffered all the disadvantages of lack of representation in Moscow without any compensating advantage. He added that since the Soviet Government does not recognize what he described as the customary amenities of diplomatic intercourse, including rebuke, his Government had come to the conclusion that the mere rupture of diplomatic relations was pointless.

Presumed disadvantages of breaking off diplomatic relations with the Soviet Government as described by Vereker are (1) the possibility [*impossibility?*] of obtaining information on any subject here through other than a diplomatic establishment and (2) the unwillingness of Molotov and frequently Potemkin to receive diplomats of lower rank than chief of mission.

Vereker stated that since the departure of the French Ambassador about September 1 the French Government has been so embarrassed by the operation of the latter factor that Ambassador Naggiar is already en route to Moscow—although it was no secret at the time that his departure resulted from the German-Soviet pact⁹⁹ and was intended to be permanent.

In conclusion Vereker gave it as his opinion that both the British and French Governments would maintain their diplomatic establishments in Moscow intact under all circumstances short of an outright declaration of war.

STEINHARDT

701.6111/970

Memorandum by the Acting Secretary of State

[WASHINGTON,] November 17, 1939.

The Soviet Ambassador called this morning in order to "pay his respects," as he termed it, upon his return from Europe and in order to present the new Counselor of Embassy.¹

I adopted a completely negative attitude throughout the conversation, making it necessary for the Ambassador to take the initiative

⁹⁸ Relations between Great Britain and the Soviet Union were broken off on May 26, 1927, after evidence had been uncovered suggesting Soviet military espionage and revolutionary activities. Diplomatic relations were restored on October 1, 1929.

⁹⁹ Treaty of Nonaggression between Germany and the Soviet Union, with secret additional protocol, signed at Moscow on August 23, 1939; for texts, see Department of State, *Nazi-Soviet Relations, 1939-1941* (Washington, Government Printing Office, 1948), p. 76.

¹ Andrey Andreyevich Gromyko.

in any topics he brought up, even though conversation lapsed upon occasion for as much as a minute or so.

The Ambassador commenced the conversation after preliminaries, such as inquiring about my health, etc., by stating that he enjoyed his three months' vacation in Russia. He informed me that he had returned by way of Bucharest, Belgrade, and Genoa, and that he found the trip on the Orient Express very comfortable. He remarked that this was now the only international train still continuing to function effectively in Europe.

He then stated that conditions in Europe had changed very much since he and I had last talked. I replied that they had changed very substantially.

He then went on to say that in Moscow no one would know that there was a war going on anywhere in the world, that all of the Soviet citizens were most happy and contented, that there was no shortage of supplies, and that the theaters were open, et cetera. Upon this I made no comment.

The Ambassador then said that he had seen a great deal of Ambassador Steinhardt during his stay in Moscow and that he believed Mr. Steinhardt was now very "well settled". I stated that I had exactly the same impression, and that Ambassador Steinhardt's conduct of his mission in Moscow was exceedingly satisfactory to the Government of the United States. I also said that this Government had followed with close attention and with complete confidence the negotiations conducted by Mr. Steinhardt since his arrival in Moscow.

The Ambassador then stated that he had endeavored as fully as possible to follow the course of events in the United States during his absence from this country, and that he had been very much surprised by the rapidity with which the revision of the neutrality legislation in this country had been completed. To this remark I made no answer.

The Ambassador then said that he had not been in the United States during the World War of 1914-1918 but that it seemed to him that public opinion in the United States was pursuing a different course from what it had during the years of the last war. He then asked me directly what I believed was the reason for this change. I replied that in my judgment the average man and woman in the United States were following far more closely than they ever had before the course of events in the rest of the world and that our citizens were far more informed on foreign relations than they had been in the years from 1914 to 1918. I said that I was confident that for this reason the overwhelming majority of the American people were able to determine for themselves with complete clarity the real issues involved in the course of international affairs and that as a

result their opinions as to the basic elements had by now become completely crystallized. I said that it was very obviously for this reason that the revision of the Neutrality Act had been completed with the rapidity which had surprised the Ambassador.

The Ambassador seemed to be extremely nervous, hesitant, and quite lacking in the glib assurance which has characterized him throughout his earlier stay in Washington. He stated before he left that there were many important problems that he desired to discuss with me and with the Secretary of State upon the return of the latter to Washington. I said that I should be glad to discuss them with him at any time and that I was now completely at his disposal if he desired to bring them up for consideration during the present interview. The Ambassador said that he would prefer to wait until next week.

S[UMNER] W[ELLES]

701.6111/971

Memorandum by the Adviser on Political Affairs (Dunn)

[WASHINGTON,] November 22, 1939.

Mr. Oumansky, the Soviet Ambassador, came in by appointment this morning to present the new Counselor of the Soviet Embassy, Mr. Gromyko.

Mr. Oumansky said that several times before he left Moscow, Mr. Steinhardt had told him that he was very pleased with the manner in which the Soviet Foreign Office and Government were cooperating with the American Embassy in the carrying out of its duties.

Mr. Oumansky then went on to say that he had been greatly surprised upon his arrival in this country at the antagonistic attitude of the press toward the Soviet Government, and particularly toward himself as Ambassador of that country. He went on to state in a general manner of complaint that this antagonistic attitude was contrary to usual international practice, and that it would undoubtedly have its effect on the good relations between Soviet Russia and the United States, both of which, according to the Ambassador, had the same primary objective of preserving peace.

The Ambassador's tone and manner of complaint indicated clearly that he felt more deeply the antagonistic attitude which had been expressed in the press toward himself than toward his country.

I told the Ambassador that I felt sure he had been in this country long enough to know, and his experience as a journalist² would also help him to understand, that this country had absolute freedom of

² Previous to becoming Counselor of the Soviet Embassy in the United States on April 13, 1936, Umansky had been Chief of the Press Section of the People's Commissariat for Foreign Affairs (chief censor).

expression, and that neither the State Department nor this Government had any authority or jurisdiction over the press or public utterances. I said, furthermore, that the Ambassador should look to the relationship between his Embassy and the Department of State, and our Embassy in Moscow and his Foreign Office as the criterion of the relationships between the two countries, that if anything came up at any time which we desired to bring to the attention of his Government, we would do so quite fully and frankly, as we had in the past. I said that as far as the press or public expression was concerned, this Government had no jurisdiction whatever and that was a matter which he must understand was beyond the control of this Department.

The Ambassador said that he wished our conversation to be considered as entirely informal and while he, himself, could understand the form of Government under which we carried on in this country, it was becoming increasingly difficult for the officials of his Government to understand why such an antagonistic press campaign should be permitted in the United States when we are supposedly carrying on friendly relations with the Soviet Government. I remarked that as the Ambassador had been here for some time now and thoroughly understood our system of Government, it was his responsibility to explain it to his own Government.

While it was very clear that the Ambassador was personally annoyed at the attacks which have been made upon him since his arrival, he took particular pains to express himself with politeness and restraint.

JAMES CLEMENT DUNN

760d.61/506 : Telegram

The Chargé in the Soviet Union (Thurston) to the Secretary of State

Moscow, November 30, 1939—1 a. m.

[Received 5:15 a. m.]

965. Molotov delivered a brief radio address at midnight concerning a rupture of relations with Finland. He began by asserting that the Soviet Union had been obliged to undertake measures to safeguard its security, and proceeded to review the negotiations of the past 2 months and the frontier incidents of the past few days. He stated that the nonaggression pact had first been abrogated but that inasmuch as further provocations could be expected from the Finnish regime and militarists, it had come to the conclusion that it could no longer maintain normal relations with the Finnish Government, and that the Soviet diplomatic and administrative representatives and organizations in Finland had accordingly been recalled. He added that the chiefs of the Red Army and the Red Navy had been instructed to be prepared to meet any new provocations.

Molotov affirmed that, contrary to the assertions of the foreign press, the measures taken do not envisage the seizure of Finnish territory, and stated that the Soviet Union is prepared to consider the uniting of the Karelian and Finnish peoples in an independent state. He also stated that the Soviet Union does not desire to interfere in the internal and external affairs of Finland, as those affairs must be decided by the Finnish people, but that at the same time no other government has the right to interfere in matters between the Soviet Union and Finland. Throughout the speech emphasis was placed on the desire of the Soviet Union to maintain friendly relations with the Finnish people, apparently as distinguished from the Government. He concluded with the statement that the sole aim of the Soviet Government is the safeguarding of Leningrad, which should be the basis of friendly relations between the Soviet Union and Finland.

Repeated to Helsinki and Riga.

THURSTON

760d.61/538 : Telegram

The Chargé in the Soviet Union (Thurston) to the Secretary of State

Moscow, November 30, 1939—6 p. m.

[Received November 30—3 p. m.]

976. The text of Molotov's address as published in today's Moscow papers differs in no important respect from the résumé transmitted in the Embassy's telegram 965, November 30, 1 a. m., apart from the omission of his spoken assertion that "no other government has the right to interfere in matters between the Soviet Union and Finland." The printed text likewise makes more apparent the distinction drawn between the "hostile policy of the ruling circles in Finland" and the "evil will of the present Finnish rulers" and the prospect of "friendly cooperation with the Finnish people" which would result from their acquiescence in the achievement of Soviet objectives in Finland.

THURSTON

740.00116 European War, 1939/106b : Telegram

*The Secretary of State to the Chargé in the Soviet Union
(Thurston)*^{2a}

WASHINGTON, November 30, 1939—6 p. m.

255. You are requested to deliver the following message immediately in the name of the President to the Government to which you

^{2a} The same telegram was sent at the same time to the Minister in Finland as No. 175; at the bottom of both telegrams President Roosevelt pencilled: "O. K. F. D. R."

are accredited. Transmit at once by telegram the reply which may be made:^{2b}

"The ruthless bombing from the air of civilians in unfortified centers of population during the course of hostilities which have raged in various quarters of the earth during the past few years, which has resulted in the maiming and in the death of thousands of defenseless men, women and children, has sickened the hearts of every civilized man and woman, and has profoundly shocked the conscience of humanity.

If resort is had to this form of inhuman barbarism during the period of the tragic conflagration with which the world is now confronted, hundreds of thousands of innocent human beings who are not even remotely participating in hostilities, will lose their lives. I am therefore addressing this appeal to the Soviet Government, as I have to governments which have been engaged in general hostilities, publicly to affirm its determination that its armed forces shall in no event and under no circumstances, undertake the bombardment from the air of civilian populations or of unfortified cities upon the understanding that these same rules of warfare will be scrupulously observed by all of their opponents. I request an immediate reply. Franklin D. Roosevelt."

HULL

760d.61/641 : Telegram

The Secretary of State to the Ambassador in the Soviet Union
(Steinhardt)^{2c}

WASHINGTON, December 1, 1939—[7:04 p. m.]

259. For your information. The following statement was made by the President at his press conference today:

"The news of the Soviet naval and military bombings within Finnish territory has come as a profound shock to the Government and people of the United States. Despite efforts made to solve the dispute by peaceful methods to which no reasonable objection could be offered, one power has chosen to resort to force of arms. It is tragic to see the policy of force spreading, and to realize that wanton disregard for law is still on the march. All peace-loving peoples in those nations that are still hoping for the continuance of relations throughout the world on the basis of law and order will unanimously condemn this new resort to military force as the arbiter of international differences.

^{2b} For the Finnish reply of December 2, 1939, see Department of State, *Bulletin*, December 9, 1939, p. 650. The Ambassador in the Soviet Union reported in his telegram No. 991, December 1, 1939, midnight (740.00116 European War, 1939/108), that Molotov made the "categorical statement" to him that "the Soviet air force had not bombed civilian populations or unfortified cities and that it had no intention of doing so. He seemed to be in some doubt as to whether to rest upon his oral reply or to make a written acknowledgment of the message." No record of a written, formal reply has been found in the Department files. For some early reports by the American Minister in Finland of bombing by the Soviet Union, see Department of State, *Bulletin*, December 2, 1939, p. 610.

^{2c} The same message was sent to the American Legation in Sweden as telegram No. 99, December 1, 1939, for repetition to the Legation in Finland as Department's No. 179, December 1, 1939.

"To the great misfortune of the world, the present trend to force makes insecure the independent existence of small nations in every continent and jeopardizes the rights of mankind to self-government. The people and government of Finland have a long, honorable and wholly peaceful record which has won for them the respect and warm regard of the people and Government of the United States."

HULL

500.C001/1438 : Telegram

The Consul General at Geneva (Tittmann) to the Secretary of State

GENEVA, December 3, 1939—8 p. m.

[Received December 3—6 p. m.]

302. Reference my telegram No. 301, December 3, 1 p. m.²⁴ Avenol has just told me that as a result of the appeal received from the Finnish Government under articles XI and XV of the Covenant²⁵ he was convoking the Council for Saturday, December 9, and the Assembly for the following Monday, December 11. He felt certain that there would be a sufficient number of acceptances to ensure both meetings. Avenol envisaged that the first meeting of the Council would be merely a formal one to take note of the request of the Finnish Government and to refer the matter to the Assembly; that the Assembly thereupon would appoint a committee for consideration and report and that the Assembly would then vote upon the report and refer it to the Council which in turn would vote for the expulsion of Russia from the League in accordance with article XVI of the Covenant. Avenol said that although the Council was competent to take this action alone he preferred the foregoing procedure because the Assembly's approval would carry far greater weight.

Avenol stated that, of course, there was a possibility that the governments represented would not have courage enough to take the necessary action for the expulsion of Russia but he did not think this situation would arise in view of the fact that unlike previous instances of aggression that had come before, the League opinion for such action seemed to be unanimous in the present case.

The Secretary General also told me that he had taken the initiative in bringing about the appeal of the Finnish Government which would not have been made without his encouragement. He was most anxious to have Russia's expulsion take place. He felt that such action would serve to increase immeasurably the prestige of the League.

I understand that as a result of developments the Fourth Committee of the Assembly will not meet tomorrow as scheduled.

Repeated to Paris.

TITTMANN

²⁴ Not printed.

²⁵ For text of the Covenant of the League of Nations. see *Foreign Relations, The Paris Peace Conference, 1919*, vol. XIII, p. 69.

740.00116 European War, 1939/111a : Telegram

*The Secretary of State to the Ambassador in the Soviet Union
(Steinhardt)*²¹

WASHINGTON, December 4, 1939—6 p. m.

265. The President released the following statement to the press on December 2:²⁵

"The American Government and the American people have for some time pursued a policy of wholeheartedly condemning the unprovoked bombing and machine gunning of civilian populations from the air.

"This Government hopes, to the end that such unprovoked bombing shall not be given material encouragement in the light of recent recurrence of such acts, that American manufacturers and exporters of airplanes, aeronautical equipment and materials essential to airplane manufacture, will bear this fact in mind before negotiating contracts for the exportation of these articles to nations obviously guilty of such unprovoked bombing."

HULL

760d.61/623 : Telegram

*The Ambassador in the Soviet Union (Steinhardt) to the Secretary
of State*

Moscow, December 5, 1939—1 p. m.

[Received December 5—9 : 54 a. m.]

1020. The Soviet press this morning publishes the text of a telegram²⁴ from the Secretary General of the League of Nations, to the

²¹ Repeated as telegram No. 184 to the Legation in Sweden for transmission to the Legation in Finland.

²⁵ Printed in Department of State, *Bulletin*, December 16, 1939, p. 686. This statement was enclosed in letters of December 12, 1939, informing persons and companies who were makers of airplanes, parts, etc., that the Department of State hoped that it would not receive any applications for licenses to make exports to countries engaged in such bombing or machine-gunning. As molybdenum and aluminum were considered to be "materials essential to airplane manufacture," a similar letter was addressed on December 15, 1939, to the producers of molybdenum and aluminum. (The texts of these letters are printed, *ibid.*, p. 685.) A press release of December 20, 1939, indicated that American oil companies had been advised that the national interest suggested there should be no further delivery for the time being to certain countries of the information required for the production of high quality aviation gasoline. (*Ibid.*, December 23, 1939, p. 714. See also the Department's telegram No. 313, December 24, 1939, 4 p. m., to the Ambassador in the Soviet Union, p. 806.)

That this policy was a "moral embargo" was plainly explained in a letter of December 27, 1939, from Joseph C. Green, Chief of the Division of Controls, sent to the Taylorcraft Aviation Corporation, Alliance, Ohio: "As you are of course aware the policy takes the form merely of a request for cooperation by this Government to manufacturers and exporters. There is no law now in effect authorizing the prohibition of the export of articles essential to the manufacture of aircraft." (700.00116 Moral Embargo/1)

²⁴ For the text of the League's telegram of December 3, 1939, see League of Nations, *Official Journal*, Nos. 11-12 (pt. II), November-December 1939, p. 509.

Soviet Government embodying a letter from the League delegate of the Finnish Government charging Russia with aggression and requesting the League to take appropriate action and announcing the convocation of the Council of the League for December 9 and of the League Assembly for December 11th, together with the reply of the Soviet Government thereto. The reply of the Soviet Government²¹ signed and sent by Molotov to Avenol states that the Soviet Government considers the convocation of the Council and Assembly of the League on the initiative of Mr. Holsti "to be unfounded" since the Soviet Union "is not in a state of war with Finland and does not threaten the Finnish people with war." The reply continues that the Soviet Union is in peaceful relations with the democratic Finnish Republic and has signed with its government a treaty of mutual assistance and friendship regulating "all questions which were of unsuccessful negotiations with the delegates of the former Government of Finland which has relinquished its plenipotentiary powers". After stating that in its declaration of December 1 the democratic Finnish Republic had requested the assistance of the Soviet armed forces in liquidating the dangerous hot bed of war which had been created in Finland by the former Finnish Government the reply states that the appeal of Mr. Holsti cannot serve as a basis for the convocation of the League Council and Assembly since "the persons in the name of whom Mr. Holsti appeals to the League are not the real representatives of the people". In conclusion the Soviet reply states that should the Council and Assembly of the League be convoked despite the above-mentioned considerations for the examination of the appeal of Mr. Holsti "the Soviet Government would not consider it possible to take part in these meetings. Such a decision is moreover reenforced by the fact that the communication of the Secretary General of the League concerning the convocation of the Council and Assembly accompanied by the text of an insulting and slanderous letter from Mr. Holsti, is clearly incompatible with a proper respect for the Soviet Union".

In the light of the foregoing it is not improbable that the convocation of the League Council and Assembly to consider the Soviet attack on Finland would result in the withdrawal of the Soviet Union from the League.

STEINHARDT

²¹ For text of this response, see League of Nations, *Official Journal*, Nos. 11-12 (pt. II), November-December 1939, p. 512.

760d.61/742 : Telegram

The Ambassador in the Soviet Union (Steinhardt) to the Secretary of State

Moscow, December 13, 1939—3 p. m.

[Received December 13—12:55 p. m.]

1077. My 1020, December 5, 1 p. m. The Soviet press today publishes the text of the telegram received December 12 by the Soviet Government from the Chairman of the Committee of the League Assembly on the Finnish question and the text of the following reply sent by Molotov in the name of the Soviet Government on the same date:²¹

“The Government of the U. S. S. R. thanks you Mr. Chairman for the kind invitation to participate in a discussion of the Finnish question. The Government of the U. S. S. R. however does not consider it possible to accept this invitation for the reasons outlined in the telegram of the People’s Commissar for Foreign Affairs of December 4 sent in answer to the inquiry of Mr. Avenol.”

STEINHARDT

500.C111/1131 : Telegram

The Consul General at Geneva (Tittmann) to the Secretary of State

GENEVA, December 13, 1939.

[Received December 13—6 p. m.]

322. The draft report drawn up by the committee on Finnish appeal which will be presented to the Assembly tomorrow is accompanied by the following draft resolution.^{2k}

“*Part One.* Whereas by the aggression which it has committed against Finland the Union of Soviet Socialist Republics has failed to observe not only its special political agreements with Finland but also article XII of the Covenant of the League of Nations and the Pact of Paris.²¹

And whereas immediately before committing that aggression it denounced without legal justification the treaty of nonaggression which it had concluded with Finland in 1932 and which was to remain in force until the end of 1945.

Solemnly condemns the action taken by the Union of the Soviet Socialist Republics against the state of Finland.

Urgently appeals to every member of the League to provide Finland with such material and humanitarian assistance as may be within its power and to refrain from any action which might weaken Finland’s power of resistance.

²¹ This telegram is printed in League of Nations, *Official Journal*, Nos. 11–12 (pt. II), November–December 1939, p. 529.

^{2k} For text of the resolution by the League Assembly, see League of Nations, *Official Journal*, Nos. 11–12 (pt. II), November–December 1939, p. 540.

²¹ Treaty for the Renunciation of War (Kellogg-Briand Pact), signed at Paris, August 27, 1928, *Foreign Relations*, 1928, vol. I, p. 153.

Authorises the Secretary General to lend the aid of his technical services in the organization of the aforesaid assistance to Finland.

And likewise authorises the Secretary General in virtue of the Assembly resolution of October 4, 1937^{2m} to consult non-member states with a view to possible cooperation.

Part Two. Whereas notwithstanding an invitation extended to it on two occasions the Union of Soviet Socialist Republics has refused to be present at the examination of its dispute with Finland before the Council and the Assembly.

And whereas by this refusing to recognise the duty of the Council and the Assembly as regards the execution of article XV of the Covenant it has failed to observe one of the League's most essential covenants for the safeguarding of peace and the security of nations.

And whereas it has vainly attempted to justify its refusal on the ground of the relations which it has established with an alleged government which is neither *de jure* nor *de facto* the government recognised by the people of Finland in accordance with the free working of their institutions.

And whereas the Union of Soviet Socialist Republics has not merely violated a covenant of the League but has by its own action placed itself outside the Covenant.

And whereas the Council is competent under article XVI of the Covenant to consider what consequences should follow from this situation.

Recommends the Council to pronounce upon the question."

TITTMANN

500.C111/1134 : Telegram

The Consul General at Geneva (Tittmann) to the Secretary of State

GENEVA, December 14, 1939—9 p. m.

[Received December 14—6:50 p. m.]

324. The Assembly this morning adopted unanimously the resolution quoted in my telegram 322, December 13 with the following delegations abstaining: Switzerland, China, Bulgaria, Latvia, Estonia, and Lithuania. The Swedish delegate made the following reservation on behalf of Sweden, Norway, and Denmark: "Our delegations declare that they abstain from taking up a position with regard to the resolution insofar as it relates to a measure coming within the framework of the system of sanctions".

The Swiss delegate after abstaining on the ground that Switzerland "could no longer participate in any manner in the application of those provisions of the Covenant relating to sanctions" added that the Swiss delegation was convinced that the assistance of the technical

^{2m} For the text of this resolution concerning the giving of aid to the victim of aggression by members and non-members of the League, see League of Nations, *Official Journal*, Special Supplement No. 168, *Resolutions Adopted by the Assembly during Its Eighteenth Ordinary Session (September 13–October 6, 1937)*, p. 35.

services of the Secretariat for the organization of assistance to Finland would not involve any activity on the territory of the confederation which would be incompatible with Swiss neutrality”.

The Dutch and Belgian delegates stated that they interpreted the assistance of the technical services of the Secretariat as an assistance to individual members of the League who desire to aid Finland and not as a collective action of the League.

The Mexican delegate expressed the sympathy of the Mexican Government with the cause of Finland and stated that the Mexican Government considers that the League “should give Finland all the assistance to which she is entitled”. He continued; “My Government nevertheless considers that not having contemplated exclusion in former cases it could not insofar as it is concerned approve this extreme sanction (exclusion of Russia) which moreover would put an end to all possibility of discovering within the framework of the League of Nations a pacific settlement favorable to Finland”. In conclusion he stated that “the Mexican delegation which has a profound respect for the opinions of the American States, and for those of the other states desires to emphasize the great importance which it attaches to the valuable collaboration of the states of the New World within the League of Nations”.

The Portuguese, Indian, Ecuadoran, French, British, and Polish delegates spoke in support of the resolution. The Chinese delegate made the following brief declaration: “Under the circumstances which you all know the Chinese delegation will abstain from taking part in the vote and in any phase of the report”.

This evening the Council adopted unanimously the following resolution with Greece, Yugoslavia, Finland and China abstaining:^{2a}

“The Council.

Having taken cognizance of the resolution adopted by the Assembly on December 14, 1939 regarding the appeal of the Finnish Government.

1. Associates itself with the condemnation by the Assembly of the action of the Union of Soviet Socialist Republics against the Finnish state and.

2. For the reasons set forth in the resolution of the Assembly. In virtue of article No. XVI, paragraph 4 of the Covenant.

Finds that by its act the Union of Soviet Socialist Republics has placed itself outside the League of Nations it follows that the Union of Soviet Socialist Republics is no longer a member of the League”.

The following were the states voting for the resolution: Belgium, Bolivia, [United Kingdom], Dominican Republic, France, Union of South Africa and Egypt. The following members were absent: Russia, Iran and Peru. The Bolivian delegate as President of the

^{2a} This resolution by the Council of the League is printed in League of Nations, *Official Journal*, Nos. 11-12 (pt. II), November-December 1939, p. 506.

Council²⁰ closed the discussion by quoting a recent encyclical of Pius XII representing the principles on which the League of Nations is based.

TITTMANN

861.796/98a : Telegram

*The Secretary of State to the Ambassador in the Soviet Union
(Steinhardt)*

WASHINGTON, December 24, 1939—4 p. m.

313. Your 1131, December 23, 5 p. m.³

1. The complete text of the public statement of December 20 is as follows:

“The Department, after consultation with the War and Navy Departments, has decided that the national interest suggests that for the time being there should be no further delivery to certain countries of plans, plants, manufacturing rights, or technical information required for the production of high quality aviation gasoline.

This decision has been reached with a view to conserving in this country certain technical information of strategic importance and as an extension of the announced policy of this Government in regard to the sale of airplanes, aeronautical equipment, and materials essential to airplane manufacture to countries the armed forces of which are engaged in unprovoked bombing or machine-gunning of civilian populations from the air.

The interested American oil companies have been informed of the Government's decision in this matter.”

2. Although there is no mention in the text of the name of the countries to which this decision is applicable it has been made clear to the interested oil companies that it applies at present to Japan and the Soviet Union.

3. At a meeting of the representatives of the leading oil companies held prior to the issuance of the statement it was decided that the decision should take effect immediately and that no further assistance should be rendered to either Japan or the Soviet Union in the construction of plants for the manufacture of aviation gasoline.

4. The information contained in paragraphs 2 and 3 above is for your own confidential use. In order to prevent the Soviet authorities from confusing the issue arising from their refusal to permit the engineers to leave the country with legal questions connected with alleged breaches of contract, you may find it advantageous to state that you are not in a position to discuss the reasons responsible for the decision

²⁰ Adolfo Costa du Rels.

³ Not printed.

of the American companies to request the withdrawal of their employees or to enter into the question as to whether or not a breach of contract is involved. You may point out that the legal consequences of the departure of the engineers would appear to be a matter to be discussed directly between the appropriate Soviet organizations and the companies and suggest that if the Soviet authorities desire to elicit precise information regarding the attitude of your Government in this connection it might be preferable for them to address their inquiries through their Ambassador in Washington directly to the Department of State.

5. You should emphasize the fact that the question at issue is whether or not American citizens who enter the Soviet Union in order to render technical assistance to Soviet industries are to be free to leave the Soviet Union when they desire so to do and stress the fact that a refusal of the Soviet Government to permit American engineers freely to leave the country merely because of some possible legal differences between their employers in the United States and Soviet organizations would create a profound impression in the United States. In your discretion you may add orally that such an attitude might force your Government to draw the conclusion that American citizens are no longer safe in the Soviet Union.

HULL

361.11 Employees/360: Telegram

*The Secretary of State to the Ambassador in the Soviet Union
(Steinhardt)*

WASHINGTON, December 28, 1939—6 p. m.

321. Max B. Miller and Company⁴ have informed the Department that the Soviet authorities are refusing to permit their employees in Grozny to report to the Embassy in Moscow in order to have their passports validated. These authorities are apparently under the mistaken impression that such a visit would be merely a preliminary step to the departure of such employees from the Soviet Union. The Company has today received from *Machinoimport*,⁵ Moscow, a telegram stating that the Company's engineers for "unknown causes" insist upon leaving, and requesting the Company to instruct them to continue their work until the plant is in operation.

If you have not already done so, it is suggested that you inform the Soviet authorities that this Government is requiring all bearers

⁴ 501 Fifth Avenue, New York, N. Y.

⁵ All Union Combine for the Import of Equipment, Electrical Goods, and Hauling Machinery, an agency of the Soviet Government.

of American passports in Europe to appear in person at the appropriate American diplomatic Missions and Consulates before January 1, 1940 in order to have their passports validated and that your Government is astonished to learn that the local Soviet authorities are not permitting American citizens in certain localities in the Soviet Union to proceed to the American Embassy in order to comply with this Government's requirements.

You may add that this Government cannot encourage its citizens to continue to reside in any country the officials of which will not permit them to have ready access to American diplomatic and consular offices.

HULL

361.11 Employees/361 : Telegram

The Ambassador in the Soviet Union (Steinhardt) to the Secretary of State

Moscow, December 29, 1939—6 p. m.

[Received December 29—3:47 p. m.]

1156. Department's 321, December 28, 6 p. m. As the result of continued pressure the local authorities at Grozny have granted permission for all the American engineers employed by Max B. Miller and Company there to proceed to Moscow for the purpose of validating their passports but after promising transportation now claim that none is presently available. The statement by *Machinoimport* that the engineers "for unknown causes insist on leaving" is a deliberate evasion in that for nearly a week *Machinoimport* has known the reason for the proposed trip and *Grozneft*⁶ at the instigation of *Machinoimport* misrepresented to the engineers several days ago that arrangement has been made with the Embassy as a result of which the trip was unnecessary. As *Machinoimport* has in no way and at no time been in communication with the Embassy this misrepresentation could only have been made for the purpose of misleading the engineers into believing the trip to Moscow to be unnecessary.

The substance of the Department's telegraphic instruction under reference was conveyed to Potemkin in my communication of December 25 to which he has not yet replied.

STEINHARDT

⁶ The Grozny oil organization operating the oil fields at Grozny.

700.00116 M. E./24 : Telegram

The Ambassador in the Soviet Union (Steinhardt) to the Secretary of State

Moscow, December 29, 1939—9 p. m.
[Received December 29—5:40 p. m.]

1157. I have just seen Potemkin who has acquiesced in the principle that the movements of American citizens within the Soviet Union are not subject to restriction and who has accordingly assured me that instructions will be issued immediately that all American citizens within the Soviet Union be permitted to proceed to Moscow at once for the purpose of validating their passports.

Insofar as concerns the departure from the Soviet Union of Rodman, Rasmussen, Miller, Hanson, and Owens, Potemkin expressed great concern over the serious effect which their withdrawal would have on the large investment of the Soviet Government in the respective plants the construction of which they have been supervising and particularly emphasized the urgent desire of the Soviet Government to retain the services of Rasmussen whose work appears to be the most vital until the period specified under his contract shall have expired. I am by no means convinced that further difficulties will not be placed in the path of the departure of these engineers but I doubt that the Soviet Government will make an issue of their departure. I received the impression as a result of my talk with Potemkin that he is fully alive to the danger to Soviet-American relations inherent in any serious attempt to impede the departure of American citizens from the Soviet Union.

STEINHARDT

TRADE RELATIONS BETWEEN THE UNITED STATES AND THE SOVIET UNION; RENEWAL OF COMMERCIAL AGREEMENT BY EXCHANGE OF NOTES SIGNED ON AUGUST 2, 1939⁷

811.61311/85a : Telegram

The Secretary of State to the Chargé in the Soviet Union (Kirk)

WASHINGTON, February 13, 1939—noon.

16. The Secretary of Agriculture⁸ has received unofficial information leading him to believe that the Soviet Government is interested

⁷ For previous correspondence, see pp. 601 ff. For text of the exchange of notes signed August 5, 1938, see Department of State Executive Agreement Series No. 132, or 53 Stat. 1947.

⁸ Henry A. Wallace.

in obtaining a large quantity of wheat for storage in or near Vladivostok. If such is the case, the Department of Agriculture would be interested in learning whether the Soviet authorities would desire to purchase or otherwise obtain for the purpose mentioned surplus wheat from the United States. Please telegraph such information as you may be able to obtain.

HULL

811.61311/87: Telegram

The Chargé in the Soviet Union (Kirk) to the Secretary of State

Moscow, February 19, 1939—6 p. m.

[Received February 19—1:45 p. m.]

78. My 77, February 17, 3 p. m.⁹ I have just seen the People's Commissar for Foreign Trade¹⁰ with Rosov, the head of Amtorg,¹¹ present, and communicated to him the inquiry contained in the Department's telegram No. 16, February 13, noon. The Commissar said that the Soviet Government had already purchased approximately 100,000 tons of wheat for the purpose mentioned, one half from the United States and the other from Australia, that it was not in actual need of more wheat but that it might be interested in the purchase of 200,000 additional tons provided favorable terms could be obtained as to price, credit, and interest. I told the Commissar that I had no information as to the nature of any possible transactions but that I would communicate the foregoing to the Department.

KIRK

811.61311/87: Telegram

The Secretary of State to the Chargé in the Soviet Union (Kirk)

WASHINGTON, February 23, 1939—6 p. m.

20. Your 78, February 19, 6 p. m. The Department of Agriculture feels that it is unnecessary for the Embassy to take any further steps in the matter, at least for the present, since the Soviet Government is now aware that the American Government is interested in selling wheat and can take the initiative if it wishes to make any purchases. If the appropriate Soviet officials inquire whether you have as yet received information with respect to the terms under which purchases

⁹ Not printed.

¹⁰ Anastas Ivanovich Mikoyan.

¹¹ Amtorg Trading Corporation, official purchasing and sales agency in the United States of the Soviet Union, 261 Fifth Avenue, New York, N. Y.

could be effected you may in your discretion reply in the negative and state that if they desire you so to do you will again telegraph the Department regarding the matter.

HULL

661.006/50

The Chargé in the Soviet Union (Kirk) to the Secretary of State

No. 2166

Moscow, March 9, 1939.

[Received March 31.]

SIR: With reference to the Embassy's despatches numbers 349 and 727, of June 1 and November 11, 1937,¹² setting forth information on the foreign-trade policy of the Soviet Union, I have the honor to transmit herewith that portion of an article¹³ relating to Soviet foreign-trade policy carried in the *Planned Economy (Planovoe Khozyaistvo)*, number 12, of 1938, from which it would appear that the basic elements of that policy as heretofore established are still being publicly endorsed by the Soviet authorities.

The article in question, which is entitled "Outline for a Course on 'Socialist Planning'", presents the contents of a course of study drawn up by the Molotov Planning Academy and the Krzhizhanovski Planning Institute of Moscow to be offered in the higher schools and faculties of the Soviet Union for the purpose of training qualified workers for the planning and other economic organs of Soviet state institutions.

On the basis of this article it may be stated that the Soviet authorities still profess the theory that the "great October revolution"¹⁴ has divided the world's economy into "two irreconcilable systems—one socialist and the other capitalist", between which there is a constant "struggle." This struggle is carried on by the Soviet Union mainly by means of its foreign-trade monopoly, which is one of the principal weapons utilized by the Soviet Union in its endeavor fully to industrialize the country and to liberate itself entirely from the necessity of purchasing any merchandise in capitalist countries. The latter countries form a "capitalist encirclement" and necessitate the strengthening by all possible means of the defence of the Soviet Union, as well as of the vigilance of the entire Soviet nation in its "struggle" with the "agents" of that encirclement.

Judging from the foregoing, there is ample reason for maintaining that the foreign-trade policy of the Soviet Union is still unalterably opposed in theory, as well as in practice, to the foreign commercial policy of the United States as manifested by the Government's trade-

¹² Neither printed.

¹³ Not reprinted.

¹⁴ The Bolshevik revolution of October 25/November 7, 1917.

agreement program¹⁵ and that any deviation from the Soviet policy which may be detected or surmised from time to time must still be regarded as isolated exceptions to the general policy which are practiced for special reasons or purposes.

Respectfully yours,

ALEXANDER C. KIRK

661.1115/703

The Chargé in the Soviet Union (Grummon) to the Secretary of State

No. 2324

Moscow, May 15, 1939.

[Received June 14.]

SIR: I have the honor to acknowledge the receipt of the Department's instruction number 541, dated March 24, 1939,¹⁶ suggesting that the Embassy, unless it perceived objection thereto, bring to the attention of the appropriate Soviet officials the desire of representatives of marine underwriters of the United States to share in at least a portion of the insurance business on merchandise en route between the United States and the Soviet Union.

A member of the Embassy on May 4, 1939, took the occasion of a visit to the Commissariat for Foreign Affairs to leave with Mr. Rosh, the Chief of the Third Western Division of the Commissariat, a memorandum expressing the hope that the appropriate Soviet organizations might find it possible to give favorable consideration to the desire under reference of the United States marine underwriters. Mr. Rosh stated that the matter would be submitted to the Commissariats for Foreign Trade and Water Transport for their consideration. The Embassy will not fail to bring this matter again to the attention of the Commissariat for Foreign Affairs when opportunity offers and will report any developments of interest to the Department.

Respectfully yours,

STUART E. GRUMMON

861.51 U.S. Credits/174

Memorandum by Mr. Edward Page, Jr., of the Division of European Affairs

[WASHINGTON,] May 17, 1939.

Mr. Sayre called me this morning and stated that a Mr. G. G.

¹⁵ Foreign Trade Agreements Act, approved June 12, 1934 (48 Stat. 943), extended by Joint Resolution of Congress, approved March 1, 1937 (50 Stat. 24).

¹⁶ Not printed.

Serkau,* a Russian by birth and Canadian by nationality, who was the president of the Platinum Corporation of the United States, had approached the Department of Agriculture and had stated that (1) The Soviet Government had expressed to him its desire to purchase 1,000,000 bales of cotton in the United States but was unable to pay for the same at the present time. It wished to establish a ten-year credit in the United States at 3% to finance the purchase. (2) The Soviet Government might also be prevailed upon to purchase 50,000,000 to 100,000,000 pounds of lard and 5,000,000 to 10,000,000 bushels of wheat.

Mr. Sayre stated that such a transaction could not be culminated without legislative action. However, although the Government was obviously interested, it did not wish to show such interest until it was certain whether the proposition had in fact come from the Soviet Government and whether Mr. Serkau was qualified to speak for that Government. Mr. Sayre said that in some respects the proposition seemed suspicious and that it might be possible that Serkau was primarily interested in the commission end. I informed Mr. Sayre that the Soviet Government had in recent years been an exporter of cotton and that its imports of American cotton had dwindled to practically nothing. Furthermore, the Soviet Government, generally speaking, conducted such transactions through Government agencies and did not desire to deal through intermediaries. I said that I could quite understand the desire to purchase wheat in as much as there threatened to be a shortage of grain in the Soviet Union this year.

Mr. Sayre requested that Mr. Henderson or I take the matter up in an informal and disinterested way with the Soviet Embassy with the object in view of finding out whether the proposition had in fact come from the Soviet Government and to endeavor to establish Mr. Serkau's true connections with that Government. I stated that although Mr. Henderson would be back tomorrow, it would be doubtful whether any informal inquiries could be made until the return of Mr. Oumansky. Mr. Sayre said that he would rather not have the matter discussed with the Ambassador, as this might give it too much importance and might tend to emphasize the interest of the United States Government in the matter. I stated that to all intents and purposes the Soviet Embassy was run by Mr. Oumansky and Mr. Oumansky alone, and that he would probably be the only person in that Embassy who would be conversant with the matter or qualified

*A Mr. Arundel is the assistant to Mr. Serkau, and Mr. Prew Savoy is his Washington attorney. [Footnote in the original.]

to speak. However, on an appropriate occasion the subject could be brought up when Mr. Oumansky called on another matter or when we had something else to discuss with the Embassy in such a way as not to give it too great importance. Mr. Sayre agreed to this course. I stated that Mr. Henderson or I would keep in touch with him regarding the matter.

611.6131/551a : Telegram

The Secretary of State to the Chargé in the Soviet Union (Grummon)

WASHINGTON, June 27, 1939—4 p. m.

73. Please ascertain the attitude of the responsible Soviet officials toward the renewal of the present commercial agreement with the United States as provided for in paragraph 3 of the 1937 agreement¹⁷ which was renewed in August 1938.

Unless you perceive objection you should state that in view of the additional trade-agreement concessions made in the past year which have been extended to Soviet products your Government feels that an upward adjustment of the guaranteed total purchases in the United States by the Soviet Union is warranted. In this connection you may point out that at the present time concessions made by the United States to other countries in trade agreements and extended to the Soviet products by virtue of the present commercial agreement affect products imports of which from the Soviet Union in 1937 amounted to \$20,000,000, or 74 percent of our total imports from the Soviet Union in that year. Prior to the renewal of the present agreement such concessions affected only about 27 percent of our imports from the Soviet Union.

For your confidential information the Department is not prepared to insist on an increase in the amount of the guaranteed purchases and therefore does not desire you to request such an increase unless in your opinion there is likelihood that the Soviet Government would acquiesce therein. The Department under no circumstances would accept a reduction in the guaranteed purchase of \$40,000,000 provided for in the present agreement.

Please endeavor to ascertain from the appropriate Soviet authorities the amount of orders placed in the United States since August 6, 1938, to date, and the amount which may be placed in the remaining

¹⁷ Effected by exchange of notes signed August 4, 1937. For correspondence regarding negotiations of the agreement, see pp. 405 ff.; for text, see Department of State Executive Agreement Series No. 105, or 50 Stat. 1619.

period up to August 6, 1939. According to the Department of Commerce, exports to the Soviet Union for the period August 1938 to April 1939 amounted to approximately \$43,000,000. Also for the record ascertain the amount of Soviet purchases in the United States during the year ended August 5, 1938.

If the Soviet authorities raise the question of concessions by the United States on products of interest to the Soviet Union or, more specifically, the negotiation of an agreement under the authority of the Trade Agreements Act of June 12, 1934, you may indicate that the matter will be referred to the Department for consideration. You should point out, however, that it is your understanding that the preparation for the negotiation of such an agreement includes the giving of public notice and because of the nature of our standard procedure involves delays which would make impossible in any event the conclusion of such an agreement before the present commercial agreement expires. Hence, in any case it would be necessary to go ahead with renewal of the present agreement, and leave for independent consideration the question of the possibilities for negotiating an agreement under the authority of the Trade Agreements Act.

In order to avoid technical procedural difficulties such as have arisen on previous occasions in the last minute rush to accomplish renewal of the agreement before expiration of the previous one, you should impress upon the Soviet authorities the desirability of having the negotiations concluded and the new agreement ready for proclamation by the President a full week before expiration of the old one.

HULL

611.6131/554

Memorandum by Mr. Edward Page, Jr., of the Division of European Affairs to the Secretary of State

[WASHINGTON,] June 28, 1939.

MR. SECRETARY: The Soviet Ambassador, who is calling on Thursday, June 29, at 11 a. m., states that he wishes to discuss American-Soviet economic and trade questions. Specifically, he desires to take up with you the question of Soviet manganese exports to the United States.

The Soviet Government has endeavored during recent years to increase its sales of manganese in this country. You may recall that in the course of the negotiations of the 1938-1939 Commercial Agreement with the Soviet Union the Soviet authorities desired to obtain the promise from the United States Government that in the purchase of foreign manganese ores for governmental needs preference would be given to Soviet manganese ore. The Soviet authorities were informed by our Embassy in Moscow that any such procedure would

be contrary to the policies and practices of the United States Government.

The Soviet exports of manganese ore to the United States during the last three years have been as follows:

MANGANESE ORE* IMPORTS INTO THE UNITED STATES
(000 POUNDS)

	<i>Total Imports</i>	<i>From U.S.S.R.</i>	<i>Soviet Share</i>
1936 -----	1, 737, 000	649, 300	37%
1937 -----	1, 767, 300	860, 000	49%
1938 -----	1, 083, 200	372, 000	34%

*35% or over of manganese content. [Footnote in the original.]

The United States imported considerably more manganese from the U. S. S. R. than from any other country. Other principal suppliers in 1938 were Cuba (26 percent of total), the Gold Coast (25 percent), and Brazil (6 percent).

It is possible that the Soviet Ambassador may wish to discuss with you the Thomas-Faddis Bill,¹⁸ authorizing the Government to buy large reserves of 17 strategic materials, including manganese, which are not produced at all or not in sufficient quantities in this country, and the possibility of increasing Soviet manganese sales.

You may be interested to know that a Mr. Leonard Buck,¹⁹ who is the exclusive distributor of Soviet manganese here in the United States, telephoned Mr. Henderson, Assistant Chief of the European Division, on June 28 to ask if the United States Government was interested in trading manganese for cotton. Mr. Buck was of the opinion that the Soviet Government might be interested in such an exchange if it could have immediate use of the cotton and were not obliged to store it for a considerable period of time. Mr. Henderson said that he was not in a position to state the Government's attitude on this question and suggested that if Mr. Buck believes that the Soviet officials in charge of foreign trade matters are interested in an exchange such as that mentioned, he first ascertain from these officials precisely what they would like to do and then make a definite proposal based upon their desires.

611.6131/556

Memorandum by the Secretary of State

[WASHINGTON,] June 29, 1939.

The Soviet Ambassador came in at his own request to discuss trade relations. He remarked that he was not emphasizing the fact that

¹⁸ The Act, providing for the purchase of strategic and critical materials for the common defense, was approved June 7, 1939; 53 Stat. 811.

¹⁹ Leonard J. Buck, Inc., 1 Newark Avenue, Jersey City, New Jersey.

his country was buying far more from the United States than the latter from the Soviet Union, but that one could not help but take notice of this disparity. The Ambassador then led up to a proposal that this Government under its authority to expend \$100,000,000 during the next four years in the purchase of strategic raw materials should buy from the Soviet Union an average of 200,000 tons of manganese per year for four years at an estimated value of nearly \$12,000,000. He added that the United States is now buying more than 40 percent of its manganese imports from the Soviet Union, and he requested that we raise this amount to an average of nearly 50 percent under the war stock purchases referred to. I replied that, of course, the Soviet Union buys more from us than we do from her, but that our goods in most respects are of such superior finish and quality, especially machinery, that it is more to the interest of his country to buy our goods, even at what she may consider fairly high prices, than it would be to buy inferior goods elsewhere at lower prices. In any event, it is to the interest of the Soviet Union to buy from us as she is buying, regardless of the balance of trade question.

I went on to say that we are doing our utmost in this country to develop international trade everywhere by encouraging the lowering of trade obstructions and the reopening of trade channels, with the result that not only the United States but the Soviet Union and other nations would share in the benefits of such increased trade; that, of course, as a part of this broad policy we are immensely interested in increasing trade with his country as we are with any great nation, compared with smaller nations and their limited amount of trade activities. I then added that when our business conditions are fairly good, we import millions of dollars of raw materials; that naturally when business is not so good our imports fall off enormously as has been demonstrated since 1929; that if and when business does come back to a normal volume our purchases, especially of raw materials from abroad, would rise billions of dollars above the present level, and then a country like the Soviet Union would recoup in many ways.

I then brought up the facts and figures pertaining to Soviet exports of santonin to this country, and pointed out how his country was flooding the market with the entire amount needed by the United States, how the price as a result had gone down to a most discouraging level and how a number of Congressmen for a considerable time have been strongly seeking embargo tariffs so as to shut off this commodity entirely, or practically so. I added that it would, in my judgment, be much better from the standpoint of his country as well as mine if his Government would restrict its sales of this commodity substantially, in order that the American industry might survive and in order to let the price go back to a reasonable level, thereby making even Soviet

exports worthwhile, and that this would probably avoid the ultimate success of the embargo tariff seekers within one or two years from now. The Ambassador seemed impressed with the foregoing and said that, if I would send him a memorandum of actual figures, he would take the matter up and see what he could do about it. This I am to send him before he leaves for Moscow on next Saturday.²⁰

In conclusion I reiterated that, of course, I was in sympathy with any plans or purposes that might be calculated to improve the trade situation between our two countries. I said that I would be glad to emphasize his suggestion about the increased purchase of manganese to those whose function it will be to handle the matter, but that I could make no pledges beyond expressing my favorable interest in the idea and my entire disposition to bring all phases to the attention of the officials who are to make the purchases. The Ambassador seemed to be fairly satisfied with this.

C[ORDELL] H[ULL]

611.6131/555

Memorandum by the Assistant Chief of the Division of European Affairs (Henderson)

[WASHINGTON,] June 29, 1939.

Mr. Oumansky called upon me today in order to say goodbye before departing for Europe. He said that he had just had an interesting conversation with the Secretary, and that during this conversation, acting under instructions received from Mr. Molotov, he had proposed that since the Soviet Government was obligating itself to buy forty million dollars worth of American merchandise annually, the American Government might undertake to purchase every year for a period of four years 200,000 tons of Soviet manganese.

Mr. Oumansky said that if the American Government should make such purchases, the total value would amount to about \$12,000,000, less than one-eighth of the value of raw materials which Congress had authorized the Government to buy during the next four years.

He pointed out that the value of Soviet purchases of American goods during the year ending June 30 would probably amount to between fifty and fifty-five million dollars, and would therefore be considerably in excess of the purchases which it had promised to make, whereas American imports from the Soviet Union had declined and would probably be little more than \$20,000,000 in value.

I told Mr. Oumansky that I regretted the falling off of American purchases from the Soviet Union and drew his attention to the fact

²⁰ July 1, 1939.

that this decline was to a considerable extent due to the Soviet policies of curtailing exports of certain commodities rather than to a decline in the demand for such commodities in this country. I told him that I understood, for instance, that the American importers of timber, fish, anthracite and furs had been deeply disappointed because of the decision of the pertinent Soviet export organizations to cut down the allotments of those commodities set aside for export to the United States.

Mr. Oumansky agreed that the reduction of Soviet exports to the United States was partly due to Soviet foreign trade policies, but stated that so far as manganese is concerned the Soviet Government had plenty to export and desired to be assured of a steady American market.

661.1115/705

Memorandum by the Assistant Chief of the Division of European Affairs (Henderson)

[WASHINGTON,] June 29, 1939.

It will be observed from the attached memoranda ²¹ and from Senator Barkley's letter of June 22 ²² that Mr. I. R. Guilden ^{22a} of New York and Mr. G. G. Serkau, a Canadian citizen who is associated with Mr. Guilden, have presented informally to the Department of State a plan for selling American cotton to the Soviet Government on long term credit.

MR. GUILDEN'S PLAN

The plan, in brief, is as follows: An American corporation is to be formed which with the financial assistance of the appropriate American governmental agencies will purchase cotton in the amount of one million bales, as well as possibly some lard and wheat, in the American markets at current prices and sell without profit these purchases to Amtorg, the Soviet purchasing agency in this country, or to some other Soviet governmental agency. In payment for the cotton the corporation will receive notes drawn up or endorsed by the Soviet Government payable at the end of ten years and bearing rates of interest of approximately 3.6 percent. These notes will in turn be guaranteed by the appropriate American governmental financial agency, as, for instance, the Export-Import Bank,²³ and will be used in raising funds

²¹ None printed.

²² Not printed.

^{22a} Chairman of the Board of the Trade Bank of New York.

²³ The Export-Import Bank of Washington, organized pursuant to Executive Order No. 6581, February 2, 1934.

for paying the persons and firms from which the corporation purchased the cotton.

MR. GULDEN'S RELATIONS WITH AMTORG

Mr. Guilden and Mr. Serkau maintained that although they have not been formally authorized to represent Amtorg or to negotiate on behalf of the Soviet Government, they nevertheless are presenting their plan after having discussed it with Mr. Bogdan, Acting President of Amtorg, and after having been encouraged by him to place it before the American Government.

Mr. Bogdan has informed Mr. Henderson of this Department, however, that although he is cognizant of the plan, he has not encouraged Mr. Guilden and Mr. Serkau to present it, and he desires to have it understood that they are not acting on behalf of Amtorg or the Soviet Government. He stated, furthermore, that in case the American Government should desire to offer credits to the Soviet Government, it would be preferable if negotiations would be direct between the appropriate American and Soviet governmental agencies rather than through intermediaries. Mr. Bogdan also stated that if the Soviet Government should accept long-term credits from the United States it would desire to purchase with them industrial as well as agricultural products.

THE PLAN BELIEVED TO BE A SOVIET MANEUVER

I am inclined to believe that Mr. Guilden and Mr. Serkau are telling the truth when they state that they were encouraged by Mr. Bogdan of Amtorg to approach the American Government with their plan. For many years the Soviet Government has been endeavoring to obtain governmentally guaranteed American loans or credits and it has from time to time sent out feelers for the purpose of gauging the attitude of the American Government toward the granting of such loans and credits. I consider that Amtorg is using Mr. Guilden and Mr. Serkau to explore the ground and if through them it can obtain what it can consider to be an American governmental offer of credits it would immediately drop Mr. Guilden and Mr. Serkau and begin to negotiate direct with the appropriate American governmental agency.

I am not, however, at all convinced that the Soviet Government would be willing to buy such a large quantity of cotton under the terms outlined by Mr. Guilden and Mr. Serkau. It is likely that if once Amtorg is successful in obtaining an indication of willingness on the part of the American Government to grant long-term credits in order that it may dispose of surplus American cotton to the Soviet Government, Amtorg will then begin to bargain regarding prices,

interest rates, volume of sales, and so forth, and use what it would term as the American offer as a wedge in order to endeavor to obtain long-term credits which would enable it to purchase in this country manufactured goods, particularly merchandise needed by Soviet war industry.

There is also a possibility that the Soviet Government would be particularly pleased to obtain an offer from the American Government of credits at such favorable terms, since it could use such an offer in order to bring pressure to bear upon other countries, particularly Germany and Great Britain, from which it is now hoping to receive credits, with the purpose of receiving more advantageous terms from those countries.

THE SPIRIT OF THE JOHNSON ACT MAY BE INVOLVED

In considering the plan advanced by Mr. Guilden and Mr. Serkau, the question arises as to whether, since according to a formal opinion of the Attorney General ²⁴ the Soviet Government is one of the governments in default of its debts to the United States, it would be within the spirit of the so-called Johnson Act ²⁵ for an institution such as the Export-Import Bank to grant or guarantee to that Government credits of such great magnitude and of such a long term as that contemplated. It will be recalled that on March 16, 1934 the Export-Import Bank passed the following Resolution:

“It is the sense of the Board of Trustees of this Corporation that no actual credit transactions with the Soviet Government shall be undertaken unless and until that Government shall submit to the President of the United States an acceptable agreement respecting the payment of the Russian indebtedness to the Government of the United States and its nationals”.

This Resolution was referred to on April 4, 1934 by Congressman McReynolds on the floor of the House during the course of the debate on the Johnson Bill. The policy laid down in that Resolution has been adhered to since 1934. A departure from that policy would undoubtedly give rise to considerable adverse comment in the United States, particularly on the part of certain members of Congress who are interested in securing payment of foreign governmental indebtedness to the United States, and on the part of private claimants against the Soviet Government who would feel with considerable justice that the granting of large credits to the Soviet Government prior to any settlements of debts and claims would undoubtedly destroy such vestiges of hopes as exist at the present time that their claims might at some time be settled.

²⁴ May 5, 1934; 37 Op. Atty. Gen. 505.

²⁵ Approved April 13, 1934; 48 Stat. 574.

If the use of the credits would be limited entirely to the purchase of cotton it would be possible to reply to such comments that it is preferable to dispose of the cotton to the Soviet Government even on such long credit terms than to permit the cotton by remaining in American warehouses to present a potential threat to American cotton growers. As pointed out above, however, it is doubted if the Soviet Government would be willing to accept credits of such magnitude limited entirely to the purchase of cotton or other agricultural commodities.

THE QUESTION OF PRECEDENT

Another question which should not be overlooked in the consideration of this plan is that of the precedent involved. A number of other countries in default to the United States, particularly countries in the Eastern European area, such as Poland and the Baltic states, would undoubtedly be delighted to purchase large quantities of cotton from the American Government on terms similar to those outlined in the plan. It is probable that these governments would immediately seek to purchase cotton on long-term credits. Furthermore, the Soviet Government itself, if it should once succeed in breaking down the barriers which have thus far existed, would undoubtedly in the future continue to bring pressure through various channels upon the American Government to obtain additional long-term credits.

SUCH A LOAN COULD NOT BE CONSIDERED AS AN ORDINARY COMMERCIAL TRANSACTION

It seems only proper at this time also to consider the amount of risk involved in a transaction of this kind. In view of the international situation there can be no doubt that no reputable financial institution would favorably consider granting on a purely commercial basis a credit to the Soviet Government to the amount of fifty million dollars for a period of ten years at 3.6 percent. The risks are too great. If there should be no war or no internal upheaval in the Soviet Union, the Soviet Government would probably pay at the end of the term. The fact is that it has at present sufficient gold on hand to pay for the purchase in cash if it desired so to do. The danger of a war involving the Soviet Union within the next ten years, however, is not to be overlooked; and although the present Government of Russia seems to be firmly entrenched, it is difficult to foretell what might happen to it within the next ten years, particularly since it is possible that Stalin, who is the governing force of that country, may not live until the end of that period. It is my understanding, however, that loans of this kind are not being granted upon a purely commercial basis; in other words, that the Government, in order to encourage

employment and to dispose of surplus commodities, is willing to take chances which could not be taken by any private firm. The question as to whether the advantage of disposing of a large quantity of cotton is sufficiently great to warrant selling it at terms such as those proposed by Mr. Guilden and Mr. Serkau is a question which can be answered only as the result of a cooperative study undertaken by the various interested departmental agencies of the Government.

611.6131/552 : Telegram

The Chargé in the Soviet Union (Grummon) to the Secretary of State

Moscow, July 4, 1939—4 p. m.
[Received July 4—11:34 a. m.]

363. Department's 73, June 27, 4 p. m. I discussed the renewal of the commercial agreement with Potemkin yesterday who said that he would consult with the Commissariat for Foreign Trade and inform the Embassy promptly of the Soviet Government's point of view. He stated that Umansky had discussed the matter with the Secretary and he thought also with the President prior to his departure on leave. He expressed himself as in agreement as to the desirability of dealing with the matter promptly.

GRUMMON

661.1115/705

*The Assistant Chief of the Division of European Affairs (Henderson)
to the Adviser on International Economic Affairs (Feis)*

[WASHINGTON,] July 7, 1939.

DEAR HERBERT: In one of your memoranda covering the correspondence relating to the Serkau-Guilden proposals you stated, I believe, that the Export-Import Bank and Amtorg maintained close contacts.

In view of the peculiar organization of the Soviet Government, it is difficult, if not impossible, to keep financial and economic relations with that Government entirely distinct from political relations. Since all Soviet foreign relations are channelized, our Government is likely to be at a disadvantage in dealing with the Soviet Government, unless there is some governmental center which is fully cognizant of all phases of our relations with the Soviet Union. So far as possible, we are trying to maintain such a center in this Division.

It will be appreciated, therefore, if you would ask the pertinent officials of the Bank to keep the Department fully informed regarding the substance of such conversations which might have a bearing upon Soviet-American financial or economic relations which may take place between representatives of the Bank and Soviet officials, includ-

ing, of course, such officials detailed to Amtorg, and if you would cooperate in making sure that this information is conveyed to this Division.

L[OY] W. H[ENDERSON]

611.6131/556 : Telegram

*The Secretary of State to the Chargé in the Soviet Union
(Grummon)*

WASHINGTON, July 8, 1939—3 p. m.

84. Your 363 of July 4.

1. On June 29 Oumansky suggested to the Secretary that since this Government had now been authorized by Congress to spend \$100,000,000, during the period of the next 4 years in the purchase of strategic raw materials, it undertake to buy from the Soviet Union an average of 200,000 tons of manganese annually during that period at an estimated total value of \$12,000,000.

2. If the Commissariat for Foreign Affairs should suggest that such an obligation be undertaken in connection with renewal of the commercial agreement you may state in your discretion that although you are sure that in making the purchases authorized this Government will give just as full consideration to the products of the Soviet Union as it will give to those of any other foreign country, it nevertheless is not in a position to make in advance any pledges as to the amount or origin of the various materials to be purchased. You may also point out that these purchases will probably be made on the basis of definite specifications and on a competitive basis since under the terms of the legislation quality and price will of necessity be governing factors. It is not likely, therefore, that it will be possible to make specific geographical allocations of purchases. You may add that the War, Navy and Interior Departments will determine how much of the funds that will be made available are to be spent by the Government on manganese, and that although the amount has not as yet been determined, it is unlikely that any such sum as that mentioned by the Ambassador will be available for purchases from all sources, including domestic production.

HULL

611.6131/557 : Telegram

The Chargé in the Soviet Union (Grummon) to the Secretary of State

Moscow, July 22, 1939—4 p. m.

[Received 5 : 40 p. m.]

400. My telegram No. 363, July 4, 4 p. m. In relation to the *aide-mémoire* left with Potemkin during the interview reported in my tele-

gram under reference the Commissariat for Foreign Trade in a memorandum delivered today expresses its readiness to begin immediate negotiations in Moscow for the renewal of the commercial agreement for 1939-40.

The memorandum then draws attention to the large unfavorable balance against the Soviet Union in Soviet-American trade which for the period 1929-38 inclusive amounted to \$507,000,000 and for the 11 months of the present agreement from August 1938 through June 1939 according to the "preliminary Soviet customs statistics" to \$43,300,000, resulting from Soviet "imports" of 58.7 million dollars as against exports of 15.4 million dollars. The memorandum continues that it should be also taken into account that the Soviet Union exports to the United States for the most part raw materials, which as a rule do not compete with domestic production in the United States and imports from the United States manufactured articles production of which as a rule does not require the importation of raw materials. The memorandum concludes:

"In view of the above, the Commissariat for Foreign Trade considers it essential to reduce the unfavorable balance in Soviet-American trade by a reduction of 50% in the existing high tariff duties in the United States on dressed and dyed caracul and squirrel (skins) and also on caviar, sturgeon and great sturgeon (beluga). The Commissariat for Foreign Trade considers it essential to receive a written declaration from the American Government that the latter, during the year 1939, will reduce by the established procedure the above-mentioned duties by 50%. The Commissariat for Foreign Trade considers it is essential that the American Government in a special letter should declare to the Soviet Union that it is prepared to purchase within the course of 4 years 800,000 tons of manganese out of the special appropriations for the purchase of strategic raw materials. Under these conditions and having in view certain forthcoming naval orders²⁶ in American shipyards concerning which there is agreement in principle between the two Governments, the Commissariat for Foreign Trade of the Union of the Soviet Socialist Republics under instructions from its Government expresses its agreement to an increase of imports from the United States to the Soviet Union from \$40,000,000 to \$50,000,000 for the 1939-1940 treaty year."

My *aide-mémoire* mentioned in paragraph 1 above followed closely the terms authorized by the Department's telegram No. 73, June 27, and included an expression of the view that an upward adjustment of Soviet purchases would under the circumstances be justified, although it did not specifically request such an adjustment. Although the identical request for specific tariff reductions and for manganese purchases are dealt with in the Department's 73, June 27, and 84, July 8,

²⁶ For the efforts by Soviet agencies to purchase warships in the United States, see pp. 869 ff.

I shall await such further instructions as the Department may care to give me before seeking an interview with the appropriate officials of the Commissariat for Foreign Trade.

GRUMMON

611.6131/557 : Telegram

The Secretary of State to the Chargé in the Soviet Union (Grummon)

WASHINGTON, July 27, 1939—5 p. m.

105. Your 400, July 22, 4 p. m.

1. You may inform the Soviet authorities that a commitment to modify a rate of duty can be given only in connection with the negotiation of an agreement under the Trade Agreements Act. The negotiation of such an agreement requires certain procedural steps, including public notice and hearings. In order to avoid the taking of such steps without assurance that there is a reasonable prospect for successful negotiations, it is our practice to attempt to reach, in advance of giving public notice, an understanding with the government concerned as to the general basis on which an agreement might be concluded, although no commitment can be given as to the concessions which we might grant in an agreement.

In view of the interest of the Soviet authorities in an agreement involving duty concessions on the part of the United States, we are at present actively looking into the possibility of a basis being found for undertaking trade-agreement negotiations with the USSR. However, we see no possibility of going into this matter with the Soviet authorities thoroughly before the expiration of the present agreement, and the procedural steps involved in actual negotiations would require a considerable period of time.

2. In the circumstances it would appear essential to proceed with the renewal of the present agreement immediately and you are accordingly authorized to effect an exchange of notes renewing the current agreement for 1 year with no change in the minimum guarantee of purchases by the Soviet Government.

3. As was pointed out in paragraph 2 of the Department's telegram 84, July 8, 3 p. m., the substance of which you may communicate to the Soviet authorities, this Government would not be in a position to make any such commitment with respect to its foreign purchases of manganese ore as the Soviet Government desires.

4. With reference to the volume of imports into the United States from the Soviet Union, it may be pointed out that American imports as a whole showed a considerable decline (of over 35%) in 1938 as compared with 1937. Despite this fact, imports for consumption from the Soviet Union in the first 10 months of the current agreement

year amounted to \$21,672,000 and at the present rate are likely to exceed United States imports from the Soviet Union in each of the previous agreement years. Moreover the size of the Soviet import trade balance with the United States is not entirely due to a lack of demand for Soviet products in the United States. You may indicate it is your understanding that the Soviet Government has curtailed the exportation of certain commodities to the United States, despite the fact that the American importers have apparently been prepared to purchase as large—and in some cases larger—quantities than those purchased in previous years. For your information, the foregoing statement applies particularly to anthracite, timber and timber products, various types of skins and furs, magnesite, etc. The Embassy may be aware of further products falling into this category.

5. The text of the principal exchange of notes renewing the current agreement would read as follows:

“In accordance with the conversations which have taken place, I have the honor to confirm on behalf of my Government the agreement which has been reached between the Governments of our respective countries that the agreement regarding commercial relations between the United States of America and the Union of Soviet Socialist Republics recorded in the exchange of notes between the American Ambassador and the People’s Commissar for Foreign Affairs on August 4, 1937, which came into force on August 6, 1937, upon proclamation thereof on that date by the President of the United States of America and approval thereof by the Council of People’s Commissars of the Union of Soviet Socialist Republics on the same date, and which was renewed for 1 year on August 5, 1938, shall continue in force until August 6, 1940. This agreement shall be proclaimed by the President of the United States of America and approved by the Council of People’s Commissars of the Union of Soviet Socialist Republics.”

If it is desired by the Soviet authorities as an indication that consideration will be given to the possibility of trade-agreement negotiations, you are authorized to add after the words “until August 6, 1940” in the above note the words “unless superseded by a more comprehensive commercial agreement.”

HULL

611.6131/558: Telegram

*The Chargé in the Soviet Union (Grummon) to the
Secretary of State*

Moscow, July 30, 1939—11 a.m.

[Received July 30—7:30 a.m.²⁷]

414. At a meeting yesterday afternoon at the Commissariat for Foreign Trade, attended by Mishustin, Assistant Chief of Foreign Trade

²⁷ Telegram in three sections.

and other members of that Commissariat, I explained the views set forth in the Department's telegrams 84 and 105 of July 8 and July 27, and left a memorandum embodying those views at greater length, as well as draft notes identical with those signed last year except for the necessary minor modifications with regard to date, et cetera, in order to accelerate the early renewal of the agreement. Mr. Chipman was present during the interview and assisted in the conversations.

The officials of the Commissariat appeared pleased at the Department's willingness to explore the possibility of finding a basis for a trade agreement and inquired in what manner an indication of such willingness could be embodied in the commercial agreement when renewed. The insertion of the phrase authorized in the last paragraph of the Department's telegram last above-mentioned was suggested. I gained the impression however that they considered the term "a more comprehensive commercial agreement" too vague and I anticipate that at our next meeting a request will be made to change the language somewhat as follows: "unless superseded by a more comprehensive commercial agreement under the Trade Agreements Act of June 12, 1934". Accordingly I should appreciate the Department's views with regard to such a substitution for the one authorized.

Although Mishustin in connection with the question of the reduction of the duties requested in the Commissariat's memorandum of June 22, 1939, referred to the disparity between Soviet and American purchases, he allowed the matter to drop after it was pointed out that the disparity arose in part because of the apparent inability of the Soviet Union to make certain merchandise available for export in larger quantities.

Mishustin stated that the proposal and reply to the Soviet requests would require careful consideration but that an answer would be given very shortly.

During an interval in the course of the conversation, after conferring separately with Mikoyan, the Commissar for Foreign Trade, he made an appointment for me to be received by the latter on July 31 at 5 p. m. and stated in answer to an inquiry, that the Soviet reply would be given at that time.

In response to a question as to what official would sign the agreement in the event of its conclusion, Mishustin stated that Mikoyan would probably sign on behalf of the Soviet Government since it has recently been the practice, notably in the recently concluded commercial agreements with Poland and China, for the Commissar for Foreign Trade to sign such agreements.

611.6131/558 : Telegram

The Secretary of State to the Chargé in the Soviet Union (Grummon)

WASHINGTON, July 31, 1939—7 p. m.

109. Your 414, July 30, 11 a. m.

1. You are authorized to agree to the insertion of the following phrase in the appropriate point of the principal exchange of notes: "unless superseded by a comprehensive commercial treaty or a trade agreement."

You may point out to the Soviet officials that "trade agreement" is the standard term used here to refer to agreements of the type negotiated under the authority of the Trade Agreements Act, and that there would be some difficulty in referring to the Act more specifically since it comes up for renewal early next year.

2. Another telegram will follow covering your release to the press and other details.

HULL

611.6131/559 : Telegram

The Chargé in the Soviet Union (Grummon) to the Secretary of State

Moscow, July 31, 1939—10 p. m.

[Received July 31—4: 18 p. m.]

417. My 414, July 30, 11 a. m. At a meeting with Mikoyan at 9: 00 o'clock this evening the Commissar agreed without discussion to renew the current commercial agreement with a minimum guarantee of Soviet purchases of \$40,000,000 and without the insertion of the phrase "unless superseded by a more comprehensive commercial agreement" since Mikoyan said that the Soviet Government would not pursue further its request for tariff reductions. It has been agreed that the various notes giving form to the renewal of the agreement will be exchanged on August 2nd. I should appreciate being informed as to the time and date when the announcement of the extension of the agreement will be made in Washington so as to give [it?] out simultaneously to American correspondents here.

GRUMMON

611.6131/559 : Telegram

The Acting Secretary of State to the Chargé in the Soviet Union (Grummon)

WASHINGTON, August 1, 1939—7 p. m.

110. Department's 109, July 31, 7 p. m. Your 417, July 31, 10 p. m.

1. In the circumstances you should omit from the principal ex-

change of notes any reference to the possibility of the agreement's being superseded by a more comprehensive commercial agreement.

2. Please obtain from the Soviet officials figures giving the amount, in thousands of dollars, of orders placed by the Soviet Union in the United States during each of the past agreement years, and for the first 10 or 11 months of the current agreement year. These figures are necessary for the Department's and your own press releases and also for the record. We would also like to have a figure for Soviet imports from the United States in the calendar year 1938.

3. It is suggested that you follow the procedure used on previous occasions by supplying the American journalists in Moscow with the following pertinent data for Saturday²⁸ morning newspapers. The Department will release texts and data here for same newspapers.

Notes have been exchanged between representatives of the United States and the Soviet Union extending for another year the commercial agreement signed in August 1937 and renewed in August 1938. As in the previous agreements, the Soviet Government has informed the American Government that the Soviet economic organizations intend to purchase during the next 12 months American goods to the value of at least \$40,000,000. It may be noted in this connection that the Soviet Union has maintained its purchases from the United States above the guaranteed minima in each of the agreement years, having placed orders in the United States in the 1937-38 agreement year to the amount of () and in the first () months of the 1938-39 agreement year to the amount of (). (You should insert appropriate figures in the blanks).

Under the successive commercial agreements, United States imports from the Soviet Union increased to over 27 million dollars, in 1937. The decline which took place in 1938, to 23½ million dollars, accompanied the general decline in United States imports from all countries. It may be noted, however, that while total United States imports declined by over 35 percent in 1938 as compared with 1937, imports from the Soviet Union declined by less than 14 percent.

The United States continues in the new agreement its undertaking to extend unconditional-most-favored-nation treatment to the commerce of the Soviet Union. This means, of course, that the Soviet Union will continue to receive the benefits of the duties proclaimed by the President of the United States pursuant to trade agreements entered into under the authority of the Trade Agreements Act of June 12, 1934.

You may also wish to express gratification with the favorable development of trade between the two countries during the successive commercial agreements and the hope that the new agreement will result in further marked improvement in this trade.

²⁸ August 5, 1939.

4. We suggest that proclamation by the President and approval by the Council of People's Commissars take place on August 4. Please ascertain and report whether this date is satisfactory to the Soviet authorities.

5. Please telegraph immediately the following information concerning the Soviet signer of the notes: his full name, the name he will use in signing the notes, if different, and his title.

WELLES

611.6131/560 : Telegram

The Chargé in the Soviet Union (Grummon) to the Secretary of State

Moscow, August 1, 1939—9 p. m.

[Received August 1—2: 40 p. m.]

418. My 417, July 31. Mikoyan has just requested that the notes regarding the renewal of the commercial agreement be written both in English and in Russian. I informed him that if he so desired the official notes in the English language would be accompanied by Russian versions marked unofficial. He has agreed, however, to accept the English notes without the Russian versions but stated that his replies would be written in Russian. The latter will be signed "A. Mikoyan". Notes will be exchanged at 3 o'clock tomorrow.

GRUMMON

611.6131/561 : Telegram

The Chargé in the Soviet Union (Grummon) to the Secretary of State

Moscow, August 2, 1939—noon.

[Received August 2—8: 40 a. m.]

419. Department's telegram No. 110, August 1, 7 p. m., paragraph 2. Information was requested in the memorandum which I presented to Potemkin on July 3rd as to the value of the orders which were placed in the United States by Soviet organizations during the agreement year 1937-38 and from August 6, 1938 up to July 3rd as well as the value of the orders which were expected to be placed during the remaining period of the validity of the present agreement. The same information was again requested in the course of conversations which I had with Mishustin on July 29. He seemed reluctant to furnish the information but finally consented to endeavor to obtain it. He has just informed me however that he is unfortunately unable to furnish such data since he alleges that they do not exist. Although it was pointed out to him that the principal exchange of notes related to orders placed by the Soviet Union in the United States and not

to exports from the United States to the Soviet Union he nevertheless suggested that the public announcement in premises be based either on such United States or Soviet customs statistics as are available. He added that Soviet customs statistics covering the full year 1938 would be published within 2 or 3 weeks. Since the data desired is not available does the Department desire me to substitute some other comment for the last sentence of paragraph 2 of section 3 of the Department's telegram under reference?

According to Soviet foreign trade statistics as reported in my telegram 400, July 22nd, Soviet exports to the United States during the first 11 months of 1939 amounting to 15.4 million dollars and imports therefrom to 58.7 million dollars.

The Commissar for Foreign Trade of the Soviet Union, A. I. Mikoyan, will sign the Soviet notes. The Commissariat has informed me that he will sign "A. Mikoyan."

GRUMMON

611.6131/562 : Telegram

The Chargé in the Soviet Union (Grummon) to the Secretary of State

Moscow, August 2, 1939—5 p. m.
[Received August 2—1:50 p. m.]

421. My telegram No. 419, August 2. The notes, all dated today, renewing the commercial agreement for another year were exchanged this afternoon at 3 o'clock, the only changes in the three Russian texts, other than dates, being the omission from the note giving the minimum Soviet guarantee purchases and from the letter limiting the exports of Soviet coal to the United States, of the phrase "according to information received by me from the People's Commissariat for Foreign Trade".

It was agreed tentatively that the approval of the new agreement would be given by the Council of People's Commissars on August 4, simultaneously with its proclamation by the President, and the Embassy will be informed shortly as to whether this date is definitive. I shall inform the Department promptly upon receipt of such information.²⁹ It was further stated that no publicity will be given by the Soviet Government to the renewal of the agreement before August 5 at approximately 2 p. m., Moscow time. Upon receipt of the Department's reply to my 419, August 2nd, paragraph number 1, last sentence, as to a possible substitution for the sentence giving the value of Soviet orders placed in the United States, I shall release to the Ameri-

²⁹ This information was confirmed in Embassy's telegram No. 425, August 3, 1939, 5 p. m. (611.6131/564).

can journalists here on Friday night for appearance in Saturday's morning papers, the data authorized by the Department.

GRUMMON

[For text of the agreement effected by exchange of notes signed August 2, 1939, and effective August 6, 1939, see Department of State Executive Agreement Series No. 151, or 53 Stat. 2404. For text of press release issued by the Department August 5, 1939, see Department of State, *Bulletin*, August 5, 1939, page 96.]

611.6131/561 : Telegram

*The Acting Secretary of State to the Chargé in the Soviet Union
(Grummon)*

WASHINGTON, August 2, 1939—7 p. m.

111. Your 419, August 2, noon and 421, August 2, 5 p. m. Department's 110, August 1, 7 p. m. In place of the last sentence in paragraph 2 of section 3 the Department's telegram under reference you may substitute the following, filling in the blank space:

It may be noted from the available figures that imports into the Soviet Union from the United States amounted in the 1937-38 agreement year to (blank space) million dollars and in the first 11 months of the 1938-39 agreement year to 58.7 million dollars.

Please obtain from the Soviet authorities the amount, in thousands of dollars, of Soviet imports from the United States in the 1937-38 agreement year and in the first 10 months of the 1938-39 agreement year for release here.

Please telegraph whether the following insertion, which was given in section 5 of the Department's 105, July 27, 5 p.m., was finally included in the texts of the principal exchange: "and which was renewed for 1 year on August 5, 1938." This information is needed in drawing up the text of the proclamation.

WELLES

611.6131/563 : Telegram

*The Chargé in the Soviet Union (Grummon) to the Secretary
of State*

Moscow, August 3, 1939—4 p. m.

[Received August 3—10:15 a. m.]

423. Department's telegram number 111, August 2, 7 p. m. Since the People's Commissariat for Foreign Trade has failed to furnish

the Embassy figures covering the value in dollars or rubles of orders placed in the United States during any of the agreement years and has also failed to furnish the value in dollars or rubles of Soviet imports from the United States and of exports thereto effected during the agreement year 1937-38 as well as during the agreement year 1938-39 except for the first 11 months in the case of the latter year, as reported in my telegrams 400, July 22 and 419, August 2, the Embassy intends, unless otherwise instructed by the Department, to insert in the blank space in the third paragraph of the Department's telegram under reference for inclusion in the press data the value of Soviet imports from the United States as calculated by the Embassy at 65.394 million dollars on the basis of the ruble figures covering this item contained in the numbers of *Statistika Vneshnei Torgovlyi SSSR (Statistics of Foreign Trade of the U. S. S. R.)* for July and December 1937 and July 1938. The above calculation was made at the rate of 5 rubles 30 kopecks for 1 dollar, the official exchange value since July 19, 1937 up to the present time.

The phrase "and which was renewed for 1 year on August 5, 1938" was included in the principal note signed and exchanged yesterday.

GRUMMON

611.6131/559 : Telegram

The Acting Secretary of State to the Chargé in the Soviet Union (Grummon)

WASHINGTON, August 3, 1939—7 p. m.

113. Your 417, July 31, 10 p.m. Was it your impression that Mikoyan meant that the Soviet Government was not interested in obtaining tariff reductions in connection with a possible trade agreement or did he merely intend to inform you that the Soviet Government would not pursue the matter in connection with this commercial agreement? Please do not raise the question with Soviet officials.

WELLES

611.6131/565 : Telegram

The Chargé in the Soviet Union (Grummon) to the Secretary of State

Moscow, August 4, 1939—2 p. m.

[Received August 4—9:15 a. m.]

427. Department's telegram No. 113, August 3, 7 p. m. During the meeting on July 31, Mikoyan made it clear that the Soviet Government is not interested even in exploring the possibility of negotiating an agreement under the Trade Agreements Act. He made it plain in

this connection that he had apparently interpreted as a request the statement made to Potemkin on July 3 under authority of the Department's telegram No. 73, June 27, to the effect that an upward adjustment of guaranteed Soviet purchases would be warranted by the increased benefits which had accrued to Soviet exports as a result of trade agreements concluded during the past year and that consequently the Soviet Government demand for a reduction of duties and the purchase of manganese had been put forth as counterproposals.

GRUMMON

611.6131/572

The Chargé in the Soviet Union (Grummon) to the Secretary of State

[Extracts]

No. 2533

Moscow, August 7, 1939.

[Received September 9.]

SIR: With reference to my despatch No. 2530 of August 4, 1939,³⁰ transmitting the documents relating to the prolongation until August 6, 1940, of the commercial agreement which was concluded in 1937 and renewed in 1938 between the United States Government and the Government of the Union of Soviet Socialist Republics, I have the honor to amplify certain phases of the negotiations which were not dealt with in the Embassy's telegram No. 427 of August 4, 1939, and previous messages to the Department on this subject.

A number of factors developed during the meeting of July 29. Mr. Mishustin, as well as the other Soviet officials present, appeared to manifest both interest and pleasure in the fact that the Department had indicated that it was exploring actively the possibility of finding a basis under the Trade Agreements Act for undertaking trade agreement negotiations by which reductions on the duties of certain Soviet goods imported into the United States might possibly be granted. They showed familiarity with the trade agreement which the United States had recently concluded with Turkey,³¹ and inquired whether this treaty had been negotiated under the Trade Agreements Act. Although Mr. Mishustin asserted briefly that the trade balance between the United States and the Soviet Union was too unfavorable to the latter and that consequently the duties on certain Soviet goods such as caviar should be reduced, he neither insisted thereon nor defended his views when it was pointed out to him that American importers were prepared to purchase certain Soviet merchandise, such as anthracite, timber, caviar, and flax, in larger quantities than during past

³⁰ Not printed.

³¹ For text of the agreement signed at Ankara on April 1, 1939, see Department of State Executive Agreement Series No. 163, or 54 Stat. 1870.

agreement years, but had been prevented from doing so by the Soviet Government's curtailment of the exportation of those products. Moreover, in connection with the question of the purchase of manganese by the United States Government, although Mr. Mishustin and the other Soviet officials appeared to be somewhat surprised that probably less than 800,000 tons of manganese would be purchased from all sources, including domestic, none of the officials pursued the matter. In fact, it may be said that, in respect of both duty reductions and manganese purchases, the Soviet officials seemed to be reluctant to discuss matters relating to Soviet-American trade and appeared to be primarily interested in ascertaining the views of the United States Government. Furthermore, not even an allusion was made to the point raised in the memorandum of July 22 of the People's Commissariat for Foreign Trade³² relating, as this memorandum states, to the "forthcoming naval orders to be placed with American shipyards concerning which there is an agreement in principle between both governments".

The second and last meeting with the Soviet authorities which took place on July 31 was of very short duration. It was attended by Mikoyan, People's Commissar for Foreign Trade, and the other officials who had been present at the previous meeting. Mr. Mikoyan stated briefly that he had been prepared to meet what he termed "the proposal" of the United States Government that the Soviet Government should consent to an upward adjustment of guaranteed purchases; that he would have agreed to purchase fifty million dollars worth of merchandise from the United States during the forthcoming agreement year had the United States acceded to the demands set forth in the memorandum of the People's Commissariat for Foreign Trade of July 22, but that he was prepared to renew the agreement without change, if the United States was not willing to accede to those demands. Paradoxically, however, he made it plain that he had no interest whatsoever in the fact that the United States Government, upon the renewal of the current agreement, was prepared to explore further, if the Soviet Government so desired, the possibility of finding a basis for negotiating a commercial agreement under the Trade Agreements Act even though certain duties on Soviet merchandise imported into the United States might thereby be reduced. He gave the impression, moreover, that he would be completely indifferent to any proposal on the part of the United States Government which did not embody an immediate and tangible *quid pro quo* for some concession on the part of the Soviet Government.

In respect of the Department's request that the Embassy endeavor to obtain Soviet figures covering the value of the orders placed by

³² Not printed; but see telegram No. 400, July 22, 1939, 4 p. m., from the Chargé, p. 824.

Soviet organizations in the United States during the past agreement years, it seems clear, in view of the fact that the Embassy on several occasions requested Mr. Mishustin to furnish these figures and was informed by him each time that no data other than Soviet customs statistics were available, that the Soviet authorities regard information of this nature as confidential. Upon each refusal to furnish the data in question I took occasion to emphasize the fact that under the various commercial agreements the Soviet Government has declared that it intends to purchase a fixed amount of merchandise in the United States and accordingly, as a matter of record, the United States Government desires to ascertain from the Soviet Government the value of the orders placed in the United States by Soviet organizations.

I venture the opinion in conclusion that, if a demand had been made this year by the United States that the Soviet Union increase appreciably the amount of its purchases in the United States, it would have undoubtedly led to protracted negotiations, and if insisted upon to the end, would have probably brought about at least a temporary lapse of the agreement. I am of the opinion, furthermore, that the fact that the Department granted the Embassy authority to suggest to the Soviet authorities that an upward adjustment of guaranteed purchases was warranted, and to insist, if it had been necessary, that under no circumstances was a reduction thereof acceptable, placed the Embassy in the most advantageous position to negotiate the renewal of the agreement with the least possible delay.

Respectfully yours,

STUART E. GRUMMON

DIFFICULTIES FROM SOVIET AUTHORITIES INTERFERING WITH THE PROPER FUNCTIONING OF THE AMERICAN EMBASSY IN MOSCOW²³

121.67/1207

Memorandum by the Assistant Chief of the Division of European Affairs (Henderson) of a Conversation With the Chargé of the Soviet Union (Umansky)

[WASHINGTON,] March 10, 1939.

In the course of a conversation today Mr. Oumansky inquired in some detail regarding the American diplomatic courier system operating at present in and out of the Soviet Union. After I had explained the system to him in some detail he asked if at any time members of the staff of the American Legation in Riga and the American Embassy in Moscow traveled as diplomatic courier on non-diplomatic passports. I replied in the affirmative, pointing out that frequently clerks possessing service passports were used as diplomatic couriers. He asked if in that event the American Government took

²³ Continued from pp. 624-669.

the point of view that the personal effects of such couriers were immune to examination by the Soviet customs officials. I told him that in so far as I knew, neither the American Embassy in Moscow nor the State Department had at any time insisted that the personal effects of persons not possessing diplomatic passports who were traveling as couriers should be exempt from customs inspection. I added that naturally both the Embassy and the Department felt that such persons should be granted the courtesies which are customarily accorded to persons in possession of service passports and that since they were acting as diplomatic couriers they should also have extended to them the facilities which were customarily granted to diplomatic couriers. I asked if some incident had given rise to his inquiries. He stated that he did not know precisely why he was instructed to apply for this information.

I remarked to Mr. Oumansky that on several occasions American diplomatic couriers had not been treated by Soviet customs officials in the courteous manner to which international custom would entitle them. There had been instances in which customs officials had demanded that pouches be opened or had objected to the manner in which the pouches had been sealed. I was not aware, however, of any recent incidents of this nature.

I also took occasion to tell Mr. Oumansky that in view of difficulties encountered by the Embassy in obtaining in the Soviet Union certain types of merchandise, including foodstuffs, the Embassy couriers frequently brought in with them, not under seal, fairly large quantities of foodstuffs and other merchandise. In reply to his question as to whether the couriers were encountering difficulties in bringing in such merchandise I replied that I was not aware offhand of any serious difficulties. I said that the customs officials in Moscow had not shown any marked inclination to facilitate the release of fresh foodstuffs from customs; that some time ago, for instance, they had introduced a regulation which made it impossible to obtain the release from customs on the day of arrival of perishable foodstuffs coming in from Riga by courier. As a result some of the shipments spoiled during hot weather while standing in the customs, and others suffered damages during the cold weather.

124.611/377

Memorandum by the Assistant Chief of the Division of European Affairs (Henderson)

[WASHINGTON,] March 10, 1939.

Mr. Oumansky stated that last June Mr. Troyanovsky had informed Mr. Messersmith orally that the Soviet Government since 1934 had reserved a site on the bank of the Moscow River to be used by the

American Government in the construction of an Embassy.³⁴ Mr. Troyanovsky had added that since a number of Soviet organizations had applied for the use of the site, the Soviet Government would appreciate being informed whether the American Government intended eventually to make use of the site. Mr. Messersmith was also informed that the Soviet Government would continue to reserve the site for the use of the American Government until June 1939 unless in the interim the American Government would indicate that it did not intend to make use of it.

Mr. Oumansky said that he had received a communication from his Government requesting him again to inquire whether or not the American Government intended to make use of the property in question. He said that it would be appreciated if an answer could be made in the near future since if the answer would be in the negative the property would immediately be allotted for other purposes.

I obtained the impression from Mr. Oumansky that the Soviet Government at the present time seemed rather anxious that the American Government should again take up the question of building an Embassy in Moscow. He said that in his opinion the American Government would not find so many difficult problems to face if it decided to build as it met in 1934.

I told him that I would refer the matter to the appropriate officials of the Department and hoped to give him a reply in the not distant future.

124.611/377

Memorandum by the Assistant Secretary of State (Messersmith)

[WASHINGTON,] March 10, 1939.

With reference to Mr. Oumansky raising the question of whether this Government desires the Soviet Government to continue to reserve for the erection of an American Embassy in Moscow the site said to have been selected by Mr. Bullitt and now being held by the Soviet Government for our use, it will be noted from my memoranda of December 30, 1937,³⁵ December 31, 1937,³⁶ and January 24, 1938,³⁷ that in the conversations which I had with the then Ambassador, Mr. Troyanovsky, the Soviet Government was trying to bring gentle pressure to get us to proceed with the building. We explained that at considerable

³⁴ There is no record found in Department files of a conversation on this subject in June 1938. For the conversation of December 29, 1937, see memorandum of December 30, 1937, by Assistant Secretary of State Messersmith. p. 453.

³⁵ *Ante*, p. 453.

³⁶ Memorandum of December 31, 1937, not printed.

³⁷ *Ante*, p. 631.

cost for the preparation of plans, et cetera, we had been ready to go ahead with the erection of a building on this site when the unusual difficulties placed in our way by the Soviet Government made it impossible for us to proceed. The project was an inactive one so far as our Government was concerned. The original appropriation was no longer available. We would have to seek new appropriations, make new plans and commence at the beginning. I said to the Ambassador that we considered the site which had originally been made available for our use, and which I understood they were still holding, was one of the best we could have for this purpose in Moscow and, if they so wished, we would be very glad to have them hold it for us for another year, as he had indicated they would be willing to do. I did not give him any assurances whatever that we would proceed.

The fact is that the site which the Soviet Government has been holding is a good one and we could probably not do any better. On the other hand, no funds are available and it is not likely that within the next year any of the funds which will become available will be allocated for a building in Moscow. When we go ahead at Moscow with the erection of a Government building, it will have to be a considerable project and will run into a very considerable amount of money. I do not believe that the Congress will be disposed at this time to make available such a considerable sum of money for a project in Moscow and, in my opinion, it would not be advisable to seek such funds for Moscow. Desirable as it is in some ways for us to proceed there with the erection of a combined office and residence building, I do not see that the time is opportune for us to do so. Under the circumstances, we cannot ask the Soviet Government to continue to hold this ground available. The Soviet Government states that other governments are anxious to have this site and, if I recall correctly, the Ambassador said they would be able to use it themselves. As it may be at least several years before we are in a position to proceed at Moscow with the erection of our own building, we could not properly ask the Soviet Government to hold the site for us.

In my opinion, therefore, we may tell the Soviet Embassy that we appreciate the Soviet Government having held this site for us, that the Commission³⁸ has no money available at the present time for proceeding with this project, which will involve a very considerable expenditure as we wish to do it on a proper scale when we do proceed, and that as they may have other use for the site we will quite understand their not continuing to hold it for us. As it is our intention to proceed with the erection of a building there as soon as we can, we would naturally be glad to have a site continuously available to us and

³⁸ Foreign Service Buildings Commission.

the availability of such a good site as this would undoubtedly somewhat influence the time when we are able actually to go ahead.³⁹

G[EOURGE] S. M[ESSERSMITH]

121.67/1216

The Chargé in the Soviet Union (Kirk) to the Secretary of State

No. 2234

Moscow, April 6, 1939.

[Received May 2.]

SIR: I have the honor to acknowledge the receipt of the Department's instruction No. 530 of March 14, 1939,⁴⁰ regarding the courier service of the Embassy and enclosing a copy of Mr. Henderson's memorandum of his conversation on the matter with Mr. Oumansky, the Soviet Chargé d'Affaires ad interim.

On page 3 of the Embassy's despatch No. 1655 of September 16, 1938,⁴⁰ regarding the Soviet regulations governing the passing of diplomatic pouches and the examination of the personal luggage of diplomatic couriers appears a statement to the effect that on September 14, 1938, an official of the People's Commissariat for Foreign Affairs informed a member of the Embassy staff that personal luggage belonging to and accompanying American diplomatic couriers crossing the Soviet frontier would not be examined by the Soviet Customs. The above-mentioned official of the Commissariat, Mr. Klyavin, Assistant Chief of the Protocol Division, further stated on September 16 to the same member of the Embassy staff, Mr. Ward, that Soviet diplomatic couriers entering and departing from the United States were receiving exemplary treatment from the United States Customs and that the Embassy could rest assured that American couriers will receive all possible courtesies at Soviet frontier points. While Mr. Klyavin suggested in this latter conversation that only those Americans bearing diplomatic or special passports be used for courier duty in the Soviet Union, he added that exemption from Customs examination of accompanying personal luggage would be accorded to all couriers and requested that any failure of the Soviet frontier authorities to accord such exemption be brought to his attention.

For six weeks or so following these conversations of September 14 and 16 the fortnightly Moscow-Riga shuttle couriers, who were Foreign Service clerks on duty in the Embassy, were not requested by the Soviet frontier authorities at Bigosovo to submit their accompanying personal luggage to Customs examination, but following this period

³⁹ On March 14, 1939, Mr. Henderson answered the inquiry of the Soviet Chargé in accordance with the views expressed in this memorandum.

⁴⁰ Not printed.

two consecutive fortnightly couriers were required to submit their accompanying personal luggage to Customs examination both upon departing from and returning to the Soviet Union. An opportunity was taken to bring this situation to Mr. Klyavin's attention, who expressed his regret and stated that he would take immediate steps towards obviating further recurrences of such examination. He again requested that failure of the Soviet frontier authorities to accord exemption from the examination of the accompanying personal luggage of American couriers be brought to his attention. He took this occasion to suggest that only secretaries or attachés of the Embassy, who are entitled to receive a Soviet *laissez-passer*, be used as official couriers of the Embassy, upon which Mr. Ward informed him that it is not practicable for the Embassy to deprive itself of the active services in Moscow of one of its secretaries or attachés four days out of every fortnight.

Following this last conversation with Mr. Klyavin the Embassy adopted the practice of furnishing each of its official couriers a document in English and Russian, a copy of which is enclosed,⁴² stating that while the courier should, if so requested, submit his accompanying personal luggage for examination by the Soviet Customs at the frontier, he should at the same time note the name and title of the examiner in order that the Embassy may appropriately inform the Commissariat for Foreign Affairs. This document is dated in both English and Russian as of the date on which the courier departs from Moscow and is sealed with the rubber seal of the Embassy. No courier of the Embassy bearing a copy of this document has been required to submit his accompanying personal luggage to examination when crossing the Soviet frontier, although several of the couriers have been requested to submit to such examination but in each case the request has been withdrawn upon exhibition of the document.

The couriers traveling from Riga to Moscow on the Moscow-Riga shuttle service are usually accompanied by large shipments of foodstuffs, which are carried in the baggage car as checked luggage, but no effort has been made to have these foodstuffs passed by the Soviet Customs at Bigosovo as the accompanying personal luggage of the courier—formal clearance through the Customs being effected in Moscow.

In order that the Department may have a fuller understanding of the courier service operated from Moscow, there are enclosed copies of the Embassy's Chancery Instruction No. 24 of August 18, 1938, and No. 33 of November 28, 1938.⁴³

Respectfully yours,

A. C. KIRK

⁴² Not printed.

⁴³ Neither printed.

124.61/142

Memorandum by the Secretary of State

[WASHINGTON,] June 17, 1939.

The Soviet Ambassador ⁴⁴ called and after talking with me on another subject, said that he would come in again next week to discuss trade matters between our two countries. I expressed my satisfaction at the prospect of his doing so.

He made some little remark about relations between our embassies. I said I had nothing special in mind, except that it would save us no little amount of time, and, I thought, would put his Government in a much more favorable attitude towards this country, at least, if all questions and other matters coming up between our two governments could be conducted openly and promptly, instead of having people in this country told that the system in the Soviet Union was mysterious in many important respects; that, as in the so-called Rubens case,⁴⁵ the Soviet officials assume an air of complete mystery for months and even longer and keep State Department officials engrossed and harassed through lack of disposition to give us simple, legitimate information from time to time. He did not attempt to defend or palliate this system.

C[ORDELL] H[ULL]

124.611/383 : Telegram

The Secretary of State to the Chargé in the Soviet Union (Grummon)

WASHINGTON, July 13, 1939—7 p. m.

91. Your 372, July 6, 3 p. m.⁴⁶

1. The repairs which Burobin ⁴⁷ seeks to have the Embassy perform are strictly for the account of Burobin under terms of the lease and Embassy should look to Burobin to fulfill obligations assumed under the contract with this Government. Department concurs in your position that Embassy can bear no part of expense repainting as proposed by Burobin.

2. Embassy should make further representations to Burobin to insist that three fire escapes ⁴⁸ be provided by Burobin as contemplated.

3. Please report whether competent American engineer available locally to make inspection building and what the cost of such inspection would be.

HULL

⁴⁴ Mr. Umansky was the Soviet Ambassador from June 6, 1939.

⁴⁵ For the arrest and detention of American citizens by Soviet authorities, and developments in the Rubens case, see pp. 904 ff.

⁴⁶ Not printed.

⁴⁷ Central Bureau for Service to Foreigners in Moscow.

⁴⁸ For the Mokhovaya Building, the combined Chancery and living quarters for a portion of the American Mission in Moscow.

811.607 New York 1939/1939: Telegram

*The Acting Secretary of State to the Ambassador in the Soviet Union
(Steinhardt)*

WASHINGTON, August 11, 1939—5 p. m.

119. 1. The Soviet Embassy has informed the Department that the Red Army Choir and Ensemble, composed of approximately 220 persons, all of whom are officials or employees of the Soviet Government, is planning to sail immediately for the United States in order to appear at the New York World's Fair. The Embassy adds that the Soviet Government would be grateful if arrangements could be effected under which each member could obtain an individual visa without making a personal appearance at the Embassy at Moscow.

2. Upon appropriate assurance from the Commissariat for Foreign Affairs that the members of the aforementioned group are coming to the United States temporarily on an official mission for the Soviet Government and provided they are in possession of passports so describing them, you are authorized in your discretion to waive their personal appearance for the execution of visa applications under section 3 (1).

3. Each visa should be endorsed to show issuance as, "Government Official—U. S. S. R. Exhibition, New York World's Fair."

4. Cable briefly action taken and particulars of arrival, giving inclusive visa numbers.

WELLES

861.111/814

*The Ambassador in the Soviet Union (Steinhardt) to the Secretary
of State*

No. 19

Moscow, August 16, 1939.

[Received September 9.]

SIR: I have the honor to report that I have taken advantage of my various calls on Soviet Government officials to discuss with them the delay in the granting of visas to American citizens of all categories, including the holders of American diplomatic passports. Without burdening the Department with the details of these various conversations, I have received an assurance that the subject is being fully considered and that instructions have already been issued to speed up the issuance of visas to Americans and to exercise a greater degree of judgment. That these talks have been effective, at least for the time being, is best evidenced by action taken during the past few days in certain specific cases as, for example, the granting of a visa to Dr. Cox, the new United States Health officer of the Embassy, after a delay of three weeks; the granting of a visa in Warsaw on Sunday

evening, a few hours after a request was made, to Mr. McArthur, Second Secretary of our Embassy in Paris, on a special mission from the Embassy in Paris; and two or three other cases with which Mr. Ward has been having difficulty. While I am not too optimistic about a permanent continuation of this improvement, I have hopes that the improvement will not bog down too soon.

I have also had occasion to mention to Mr. Potemkin the cases of failure to grant visas to the Russian wives of American citizens⁴⁹ and while I have not pressed this subject at the moment, believing the visa situation to be the more urgent and embarrassing to both the Department and the Embassy from day to day, I intend in the near future to take up this subject again with the Foreign Office, with the view to ascertaining whether at least some of the pending cases cannot be disposed of with reasonable celerity.

Respectfully yours,

LAURENCE A. STEINHARDT

192/1672: Telegram

The Ambassador in the Soviet Union (Steinhardt) to the Secretary of State

Moscow, August 26, 1939—1 p. m.

[Received August 26—8:30 a. m.]

474. The Foreign Office states that the Soviet steamer *Kim* sailed from Leningrad on August 9 en route to Vladivostok and is due to arrive in the Panama Canal Zone in about 4 days but is not in possession of bill of health for the reason that instructions from Amtorg⁵⁰ regarding the new regulations requiring such bills of health⁵¹ were not received in Moscow until August 25. The Foreign Office will appreciate having the *Kim* permitted to pass through the Canal.

STEINHARDT

192/1675: Telegram

The Ambassador in the Soviet Union (Steinhardt) to the Secretary of State

Moscow, August 28, 1939—5 p. m.

[Received August 28—11:15 a. m.]

481. Embassy's 474, August 26, 1 p. m. Inasmuch as the Foreign Office now declines to accord the Embassy the courtesy of permitting

⁴⁹ See footnote 34, p. 534.

⁵⁰ Amtorg Trading Corporation, official purchasing and sales agency in the United States of the Soviet Union, 261 Fifth Avenue, New York, N. Y.

⁵¹ Certain amendments and additions to the Rules and Regulations Governing Navigation of the Panama Canal and Adjacent Waters were made effective on August 15, 1939, by The Panama Canal, Executive Office, Balboa Heights, C. Z., C. S. Ridley, Governor.

Dr. Nelson to have his household effects and particularly his medical instruments and supplies examined for export purposes by a customs officer at his place of residence and insists that the examination take place in the Moscow customhouse which I regard as unsanitary for the exposure of his already sterilized instruments and supplies, I request that the courtesy of waiving a bill of health for the *Kim* be not granted unless and until a further telegram on this subject is received from me. The courtesy being denied Dr. Nelson has been accorded heretofore to all departing diplomatic officers of this Mission.

STEINHARDT

192/1675 : Telegram

*The Secretary of State to the Ambassador in the Soviet Union
(Steinhardt)*

WASHINGTON, August 29, 1939—7 p. m.

131. Your 481, August 28, 5 p. m.

1. The Soviet Chargé d'Affaires presented yesterday to the Department a request similar to that contained in your 474 of August 26, 1 p. m. This request was favorably received, but upon the receipt of your telegram under reference the Embassy has since been informed that no action has as yet been taken with regard to its request and that the Department will inform it when such action is taken. The Department will take no action regarding the *Kim* until it hears from you. It is assumed that you have already informed the Foreign Office that no action on its request will be taken until proper treatment is accorded Nelson. From such information as is available from the Panama Canal Office here it appears that in the absence of instructions, the Canal authorities will probably permit the *Kim*, even though it has no bill of health, to pass through the Canal without any great inconvenience.

2. If the Soviet authorities adhere to their demands on Nelson, another approach is suggested.

The Soviet Chargé d'Affaires also requested yesterday that steps be taken to facilitate the customs and immigration inspection of the Red Army troupe arriving in New York in September. Please telegraph whether you desire the Department to inform the Embassy that if the Soviet customs authorities refuse to inspect Nelson's effects at his residence or if they cause him unnecessary inconvenience the Department will not be in a position to request that steps be taken to facilitate the entry of the troupe.

3. You may use your own judgment pending the decision of the Soviet customs authorities with regard to the treatment of Nelson as to the extent to which other work in the Embassy should be sacri-

ficed in order to extend special courtesies to those persons the visas of whom were authorized in the Department's telegram no. 119 of August 11, 5 p. m.

HULL

192/1680

Memorandum by the Assistant Chief of the Division of European Affairs (Henderson)

WASHINGTON, August 29 [30], 1939.

It will be recalled that on August 28 the Soviet Chargé d'Affaires called upon me and asked me if the Department would take steps at once to facilitate the clearance through the Panama Canal of the Soviet steamship *Kim* en route from Leningrad to Vladivostock. He said that when the *Kim* left Leningrad the Soviet authorities were not in possession of the new rules of the Canal Zone authorities requiring bills of health, and the vessel, therefore, was not in possession of such a document.

I informed Mr. Chuvakhin that I would do all that I could to assist him and hoped that the matter could be arranged without a great deal of difficulty. I added that I would keep him informed of the steps which might be taken in the matter. Later in the day a telegram came from the Ambassador at Moscow, stating that the Soviet customs authorities were making difficulties for Dr. Nelson, the departing Public Health surgeon. They were demanding that he send all of his household effects and surgical supplies, which he wanted to take with him, to the Soviet customs house for inspection and packing. The Ambassador asked that until the Department heard further from him it take no steps to facilitate the passage of the *Kim*.

On the morning of August 29 I telephoned Mrs. Heinman at the Soviet Embassy, who is the Secretary of Mr. Chuvakhin, informing her that so far as I could ascertain no steps had been taken to inform the Canal authorities regarding the *Kim*, and I would let the Embassy know later in the day in case any such steps should be taken.

The Chargé d'Affaires telephoned me late in the afternoon from the Embassy and asked me if anything had been done in the matter. I told him that so far as I could ascertain no steps had as yet been taken, and I would let him know just as soon as they were taken. He expressed considerable concern, and I said that I hoped that no great difficulty would ensue.

On the evening of the 29th, the Department sent a telegram to the American Ambassador in Moscow, informing him that it would take no steps with regard to the *Kim* until it heard further from him.

On the morning of the 30th, I called Mrs. Heinman of the Soviet Embassy and read the following informal statement to her. I told

her that I was giving her this information instead of to the Chargé d'Affaires personally because of language difficulties (the Chargé d'Affaires speaks practically no English and I do not feel that my Russian is good enough to make sure that any statement which I might give to him in that language contained the proper shadings).

"I regret to state that so far as I can ascertain, no steps have been taken with regard to the *Kim*.

"The Department is disturbed at reports from Moscow that Dr. Nelson, our departing Attaché, is being caused difficulties by the customs authorities, who are insisting that he take his household effects and medical supplies to the customshouse for inspection.

"The departure of Dr. Rumreich, Dr. Nelson's predecessor, was delayed for over a month because of similar difficulties. It is hoped that Mr. Chuvakhin will find it possible to let his Government know at once the concern which the Department feels in the matter. If Mr. Chuvakhin would like to discuss these matters with me, I shall be glad to see him."

The Chargé d'Affaires came in to see me this afternoon⁵² and spent an hour and a half endeavoring to persuade me to take some action with regard to the *Kim*. He stressed the fact that there was no connection between the *Kim* and the action of the Soviet customs authorities. He said that the Soviet customs authorities in demanding that Dr. Nelson's household effects be examined at the customs house rather than in his apartment were merely carrying out a procedure which applied to all foreign diplomats. The procedure did not represent discrimination against the American Embassy. On the other hand, the request with respect to the *Kim* was not for special treatment, but merely a request that the Department explain the situation to the Canal authorities. He said that he was surprised that there should be any tendency to connect the two quite different questions.

I replied that I was not intending to connect the *Kim* and the customs inspection in Moscow. The fact seemed to be that the Soviet Government was concerned regarding the passage of the *Kim* through the Canal and the Department was disturbed over the customs treatment accorded the members of our Embassy in Moscow. I pointed out that even though no telegram should be sent to the Panama authorities, there would be no discrimination against the *Kim*. The Captain would be able to give the reasons for his failure to be in possession of a bill of health, and I was sure that the Canal authorities would be reasonable in the matter.

With regard to the inspection of the household effects of Dr. Nelson, I stated that the fact that the customs authorities are now demanding that all diplomats in Moscow take their effects to the customs house for inspection and packing did not prevent such a requirement from

⁵² August 30.

causing hardship when applied to the members of the American Embassy. The effects of members of the Embassy, who, like Dr. Nelson, have been ordered to the United States must not only make several journeys by railway, but must also cross the ocean. Good packing was, therefore, absolutely necessary. It was impossible for delicate household goods and surgical instruments to be packed carefully in the Soviet customs house. If the Soviet Government desired as a matter of courtesy not to apply its regulations strictly to members of the American Embassy, they apparently were in a position to do so. When Colonel Faymonville, the Military Attaché, and Mr. Grummon, First Secretary of the Embassy, left Moscow during the last few months, their goods had been inspected in their living quarters.

I said that it seemed to the Department to be merely a matter of courtesy, and quite possible for the customs authorities to apply their regulations in such a manner as not to cause unnecessary hardship to the members of the American Embassy staff. I pointed out that for the last four years customs difficulties had arisen in the case of nearly every American diplomat who left Moscow.

The Chargé d'Affaires replied that when Soviet diplomatic officials entered or left the United States they did not ask for any special customs privileges and he did not see why American diplomats in Moscow should request such special privileges. It was not possible, he said, for the Soviet Government to grant special privileges to the American Embassy without granting them to all diplomatic missions.

I replied that there seemed to be a difference in the views of our respective governments with regard to the extension of courtesies. The American Government took the point of view that the extension of courtesies was based upon reciprocity and international amenities, whereas the Soviet Government took the point of view that such extension was based entirely on the principle of the most-favored-nation. The Soviet Government thus far had shown an inclination to adhere to its views, and the American Government was not in a position to depart entirely from an attitude which many years of experience had demonstrated to be sound.

After considerable discussion, I told the Soviet Chargé d'Affaires that if he desired I would try to arrange for him to discuss the matter with higher officials of the Department since I personally was not in a position to assure him that a telegram would be sent to the Panama Canal authorities with regard to the *Kim*.

The Soviet Chargé d'Affaires thereupon handed me a memorandum which contained among others the following two statements: (1) that Mr. Henderson had not informed the Embassy during the whole day of August 29th that the Department was not taking any steps with regard to the *Kim* and (2) that the Embassy was surprised that Mr.

Henderson should connect the matter of the *Kim* with an "unfounded statement received from the American Embassy in Moscow".

I told Mr. Chuvakhin that I personally could not accept the memorandum with such statements in it, and suggested that he revise the memorandum before giving it to me. I pointed out that it would [be] preferable for him to state that Mr. Henderson did not inform the Embassy during the whole day of August 29th *that the Department did not intend to have a telegram sent to the Canal authorities with regard to the Kim*, since I had in fact told the Embassy twice on the 29th that no telegram had been sent and that I would inform the Embassy when a telegram was sent. I said that I could not understand why he referred to the "unfounded statements" of the American Embassy at Moscow. After some discussion, I learned that instead of "unfounded statements" he had meant "an unjustified request". Following my suggestion, Mr. Chuvakhin took the memorandum back with him, and in pursuance of another suggestion, agreed that he would make an oral statement to me tomorrow instead of one in writing, since as I had pointed out, my statement to the Embassy had been of an oral nature.

I believe it my duty to point out at this time that it is possible that the dispute between the Embassy and the People's Commissariat for Foreign Affairs may assume rather serious proportions, since the Soviet Government is likely to be very stubborn in matters of this kind. It is my belief, however, that we must back the Ambassador to the full. Otherwise, the Embassy is almost certain to be more harassed by Soviet customs and other authorities in the future than it has been in the past.

192/1676 : Telegram

The Ambassador in the Soviet Union (Steinhardt) to the Secretary of State

Moscow, August 31, 1939—2 a. m.
[Received August 30—9:49 p. m.⁵³]

491. Your telegram No. 131, August 29, 7 p. m. Notwithstanding the repeated courtesies extended by this Embassy and the Department to the Soviet authorities during the past years the deliberate refusal of the Soviet authorities to reciprocate or to extend even common courtesies to the Embassy and the members of its staff persists. I discussed the matter at length with Oumanski⁵⁴ 2 days ago who made it quite clear that he and the Soviet authorities take the position that we should continue as in the past to immediately extend

⁵³ Telegram in two sections.

⁵⁴ Temporarily in the Soviet Union.

every possible courtesy and facility while expecting nothing in return under pain of being accused of retaliation, the consequences of which, he tells me, will be the irritation of the Soviet authorities and a complaint by him to Mr. Hull in person on his return. It is my opinion after discussing the subject at length with the members of the Embassy staff that unless we take a firm position at the present time we must expect a steady encroachment resulting in increased demands upon us and further curtailment of the meager courtesies now accorded us. A general review of the courtesies heretofore requested on both sides satisfies me that the vast preponderance of requests emanates from the Soviet Embassy in Washington to the Department and from the Foreign Office to this Embassy and, as but few are ever granted this Embassy in return, I cannot see how this Embassy could be subjected to suffer any substantially greater inconvenience than it has been suffering for years and continues to suffer. I am convinced that the request made to the Department by the Soviet Chargé d'Affaires in respect of the *Kim* which request had first been addressed to this Embassy which advised the Foreign Office that no action would be taken pending a final decision in respect of Dr. Nelson is an attempt either to drive a wedge between this Embassy and the Department or more likely an attempt to ascertain whether I now have and will continue to have the full support of the Department in taking what Oumanski was pleased to call "retaliatory measures". As the Soviet authorities are aware of the contents of the Embassy's No. 481, of August 28, 5 p. m., the prestige of the Embassy would undoubtedly be seriously undermined by passing the *Kim* through the Canal unless properly documented. I urge that the Canal authorities be given the necessary instructions to refuse entry to the *Kim* until properly documented or until allowed to enter at the State Department's request. Assuming in the last analysis and in order not to delay his departure Dr. Nelson must submit to the requirement made of him, I believe that the compensating inconvenience to the *Kim* and particularly the demonstration of a firm attitude by the Department, in supporting the Embassy, will result in greater caution by the Soviet authorities in the future in refusing common courtesies to the Embassy.

I am anxious not to draw the subject of visas into the present controversy for there is evidence that as a result of my insistence action has already been taken to put the granting of visas on a more reciprocal basis. Several officials of the Foreign Office have stated to me that strict instructions have been issued along the lines suggested by me to expedite the granting of visas to Americans and there has been evidence during the past 10 days of a marked improvement in this respect. I regard the visa matter as satisfactorily disposed of for the time being and therefore consider it unwise to inject the subject of visas into the present situation.

As to the Red Army troupe I would suggest that the granting of customs facilities be not withheld although I trust that matter is disposed of satisfactorily, but that in the meantime the Soviet Chargé d'Affaires be told that the Department has the granting of facilities to the Red Army troupe under consideration.

I shall be glad to be advised telegraphically of the action taken by the Canal authorities with respect to the *Kim*.

STEINHARDT

124.613/979 : Telegram

The Ambassador in the Soviet Union (Steinhardt) to the Secretary of State

Moscow, August 31, 1939—3 p. m.
[Received August 31—11:48 a. m.]

492. Embassy's 491, August 31, 2 a. m. Nelson will appreciate having the Department explain to the Public Health Service the situation confronting him with regard to customs examination. In order that he may be here to protect his own interests he does not desire to leave Moscow until his household effects have been examined and a license for their exportation has been issued and for this reason he requests that the Department transmit to the Public Health Service his request that he be authorized to remain here on duty until he receives the export license.⁶⁵ I shall appreciate having Nelson permitted to remain here until the matter is settled for should he depart now the Embassy will be deprived of the argument that the delay in furnishing a customs inspector constitutes a hindrance to the performance of the duties of a member of my staff.

STEINHARDT

192/1677a : Telegram

The Secretary of State to the Ambassador in the Soviet Union (Steinhardt)

WASHINGTON, August 31, 1939—7 p. m.

136. 1. The Soviet Embassy was informally advised yesterday and again today that Canal authorities had not as yet been informed of the contemplated arrival of the *Kim*. Simultaneously it was pointed out to the Embassy that the Department was perturbed at reports from Moscow that Nelson was having difficulties with the customs authorities, who were insisting that his effects be inspected

⁶⁵ The Ambassador was advised in telegram No. 138, September 1, 1939, that the Public Health Service had given the desired permission for Dr. Nelson to remain.

and packed at the customs house, and it was suggested that the Embassy inform its Government at once of the Department's concern in this matter.

2. The Soviet Chargé d'Affaires yesterday afternoon asked why the Department was connecting the matter of the *Kim* with the customs inspection of Nelson's merchandise, and was informed that the situation seemed to be that the Soviet Government was concerned regarding the *Kim* and the Department was concerned regarding the customs treatment accorded members of the Embassy in Moscow.

3. Following message is being sent this evening to the Panama Canal authorities by the Canal Office in Washington:

"It is understood that the Soviet steamship *Kim* without bill of health was due to enter Canal August 30. In view of attitude shown by Soviet customs authorities to our Embassy Moscow it would be appreciated if you give steamship most rigid treatment possible compatible with laws and regulations. If there are legal grounds for detaining vessel pending further word from State Department through this office, would appreciate your holding it. No intimation should be given to Captain or crew that you are giving vessel other than usual treatment or that you have any special reason for rigid attitude. Please keep this office informed by radio of steps taken."

4. You will be kept informed of developments. Please keep Department informed.

HULL

192/1677a : Telegram

*The Secretary of State to the Ambassador in the Soviet Union
(Steinhardt)*

WASHINGTON, September 1, 1939—8 p. m.

139. My 131, August 29, 7 p. m.

1. The following is the substance of a telegram received this afternoon from the Panama Canal authorities by the Panama Canal office in Washington.

"Steamship *Kim* arrived August 31 from Leningrad with a bill of health from the port of Leningrad and desires to pass through the Canal and depart for Siberia on September 2. It has been given rigid treatment under laws and regulations and there are no legal grounds to hold it beyond tomorrow."

2. Department regrets its inability further to hold up the *Kim*. It will be glad, however, to receive further suggestions from you as to how it may continue to cooperate with you.

HULL

124.613/980 : Telegram

The Ambassador in the Soviet Union (Steinhardt) to the Secretary of State

Moscow, September 2, 1939—5 p. m.

[Received September 2—3 : 02 p. m.]

497. The Foreign Office has just informed the Embassy by telephone that in view of my personal request and as an exception not to be taken as a precedent, a customs inspector is being sent immediately to Dr. Nelson's apartment for the purpose of examining his effects. I accordingly suggest that the Canal authorities be requested to authorize the *Kim* to proceed at once. I also suggest that the usual customs facilities be accorded the Red Army ensemble upon its arrival.⁵⁶

I believe the successful outcome of the Nelson matter demonstrates that it is possible in specific cases to obtain a modification of Soviet *intransigence* in respect of the usual courtesies if a sufficiently firm attitude is displayed, and I desire to express my appreciation to the Department for its wholehearted cooperation in this matter.

STEINHARDT

124.613/983 : Telegram

The Ambassador in the Soviet Union (Steinhardt) to the Secretary of State

Moscow, September 5, 1939—4 p. m.

[Received 4 : 02 p. m.]

507. The Soviet employees of the Embassy are apprehensive of the effect of the war on the internal situation in the Soviet Union and the consequence of such effect on them in that they have already had evidence that [for?] all Soviet nationals closely associated with foreigners it will involve more [surveillance?] than heretofore by their Government. The first concrete result of such apprehension is the resignation effective in 1 month of Victor Shiffer, senior translator and the most valuable research worker in the Mission. Three other translators, in addition to some of the chauffeurs, messengers, and other minor employees now assert increasing dissatisfaction with the Embassy's failure to obtain salary adjustments for them effective July 1 (see

⁵⁶ By a letter of September 7, 1939, from the Secretary of State to the Secretary of the Treasury, the request was made that all possible courtesy and consideration for this troupe be accorded by the customs authorities at New York (811.607 New York 1939/2014).

Embassy's despatch No. 2034 of January 22 this year⁵⁷) and their dissatisfaction with the compensation received by them when coupled with their apprehension creates the possibility that they will terminate their services as soon as employment outside the Embassy becomes available.

STEINHARDT

811.607 New York 1939/2122

The Ambassador in the Soviet Union (Steinhardt) to the Secretary of State

No. 83

Moscow, September 26, 1939.

[Received October 25.]

SIR: I have the honor to refer to paragraph 2 of the Department's telegram No. 131 of August 29, 7 p.m., making mention of a request by the Soviet Embassy in Washington for customs facilities and presumably privileges in connection with the impending arrival at the port of New York of two hundred and twenty-one members of the Red Army Ensemble, and in this connection to invite the attention of the Department to the refusal of the Soviet authorities in Moscow to grant customs facilities or privileges to others than the diplomatic officers whose names appear on the official diplomatic list. The Soviet Government has steadfastly refused customs facilities or privileges even to members of the staff of this Embassy though the holders of diplomatic or special passports other than those individuals whose names appear on the diplomatic list. *Laissez-passers*—without which customs facilities and privileges are denied—continue to be refused to members of the Embassy personnel who have been arriving here as replacements. The most recent example is the case of Vice Consul Trowbridge who arrived here yesterday to assume his duties.

This attitude is quite characteristic of the Soviet Government which blandly requests, expects, and receives customs privileges for two hundred and twenty-one itinerant vocal acrobats while denying the same privileges to the American personnel of the staff of this Embassy who bear diplomatic or special passports and who are to serve here more or less permanently.

I might add that on the occasion of my arrival here, although I was most generously granted a *laissez-passer*, the customs inspection of my effects at Spaso Building consumed four days from 10:30 a.m. or 11:00 a.m. until 4:30 p.m. each day—two inspectors being in at-

⁵⁷ Not printed.

tendance who required not only that each case be opened but that the contents of the boxes and packages within each case be examined. Those effects which had not been passed each day were placed under seal at 4:30 each afternoon and were not accessible to me until the next morning after 11:00 o'clock, so that for nearly a week after my arrival here a good part of my effects were not available to me. I cite this merely as an example of the rigidity of the customs inspection as applied even to Ambassadors themselves. Although I have not yet experienced inspection on the departure of an Ambassador, I have had occasion to observe the treatment accorded Mr. Grummon and Dr. and Mrs. Nelson at the time of their respective transfers from which I conclude that the examination at the time of departure is considerably more rigorous than at the time of entry. To make matters worse the customs examinations are conducted at the Customhouse both on entry and departure, excepting in the case of the Chief of Mission or a Chargé d'Affaires, when they are carried out at his residence, so that the diplomatic officers of the Mission other than Ambassador or Chargé d'Affaires are in effect required at the time of entry to unpack all of their belongings in the Customhouse and to unpack them there at the time of departure, or in the alternative and as is generally the case to engage in two completely separate packing and unpacking operations each time.

These rigid customs requirements are but a minor phase of the denial to all diplomats in Moscow of reasonable consideration or courtesy.

Under these circumstances it might be of advantage to this Embassy to be telegraphically advised by the Department for say a period of thirty or sixty days of every request made by the Soviet Embassy in Washington for courtesies or consideration of any kind whatsoever so that the Embassy may be afforded an opportunity before the request is granted of advising the Department telegraphically as to whether or not reciprocal treatment is being accorded. Should the telegraphing of these requests be too expensive or otherwise burdensome to the Department, I suggest as an alternative that the Department keep a list of the requests made by the Soviet Embassy in the course of each month and that a copy of such list be transmitted to Moscow each month so that the Embassy may have an opportunity to make such comment thereon as may seem appropriate, and so that in making requests of the Foreign Office from time to time the Embassy may be in a position to refer to the requests being made of the Department by the Soviet Embassy in Washington.

Respectfully yours,

LAURENCE A. STEINHARDT

701.0661/15 : Telegram

The Ambassador in the Soviet Union (Steinhardt) to the Secretary of State

Moscow, October 4, 1939—5 p. m.

[Received October 4—4:50 p. m.]

676. My telegram No. 641, September 28, 7 p. m.⁵⁸ Without any further representations by the Embassy⁵⁹ the Foreign Office today advised me orally that in the future gratis automobile license plates will be issued to this Embassy. The intimation was very strong that an exception is being made in the case of this Embassy.

STEINHARDT

702.6111/310 : Telegram

The Ambassador in the Soviet Union (Steinhardt) to the Secretary of State

Moscow, October 19, 1939—3 p. m.

[Received October 19—12:43 p. m.⁶⁰]

774. The Foreign Office requested the issuance of diplomatic visas and *laissez-passeurs* to Dmitri Zaikine, Soviet Vice Consul at New York, and his wife Klavdia, bearers of diplomatic passports. As the Embassy has tried repeatedly without success to obtain Soviet *laissez-passer* from the Foreign Office for American Consular officers and their families, the Embassy stated that *laissez-passer* would be issued to the Zaikines' provided Soviet *laissez-passer* are henceforth issued to American Consular officers and their families, upon which the Foreign Office withdrew its request and stated that Soviet *laissez-passer* are issued only to those persons mentioned on page 4 of the Embassy's despatch number 2134 of February 28 this year.⁶⁸

The accompanying luggage of American Consular officers bearing diplomatic passports and possessing Soviet diplomatic visas, is examined most minutely both upon entering and departing from the Soviet Union, unless such officers are traveling as official couriers and bear visaed courier letters. The Embassy is issuing the customary diplomatic visas to the Zaikines, who the Foreign Office state orally will probably sail on the *Rea* from Genoa on or about November 1 in the company of Ambassador Oumansky. I suggest that the Depart-

⁵⁸ Not printed.⁵⁹ Several attempts had been made during both 1938 and 1939 by the Embassy to secure free automobile license plates, such as were given to the Soviet Embassy in Washington each year.⁶⁰ Telegram in two sections.

ment take the necessary steps on the arrival of the Zaikines in New York towards placing the customs treatment accorded the consular officers of both countries on a reciprocal basis by requesting our customs authorities to distinguish between the Ambassador's baggage and that of the Zaikines.

STEINHARDT

702.6111/310

*The Secretary of State to the Secretary of the Treasury
(Morgenthau)*

WASHINGTON, October 28, 1939.

My DEAR MR. SECRETARY: I am in receipt of a telegram from the Honorable Laurence Steinhardt, American Ambassador to Moscow, in which he states that Mr. Dmitri Zaikine, Soviet Vice Consul at New York, and his wife, Klavdia, bearers of diplomatic passports with the customary visas, will probably sail for the United States on the steamship *Rex* from Genoa on or about November 1 with the Soviet Ambassador to this country, Mr. Constantine A. Oumansky, and the newly appointed Counselor of the Soviet Embassy, Mr. Gromyko. The Ambassador further states that the baggage of American consular officers bearing diplomatic passports and possessing Soviet diplomatic visas is examined most minutely both upon entering and departing from the Soviet Union unless such officers are traveling as official couriers and bearing visaed courier letters.

In as much as customs treatment is granted on the basis of reciprocity, it is suggested that the Collector of Customs at New York be authorized to search the baggage of the Vice Consul and his wife when they arrive at the port of New York on or about November 9 on the *Rex*. It should be made clear to the customs authorities that although they are free to make a thorough search of Mr. Zaikine's effects, they should not call upon him to pay any customs duty, since the Soviet Government does not exact the payment of customs duties of American consular officers entering the Soviet Union.

A letter is being transmitted to the Treasury Department requesting that the Collector of Customs at New York be authorized to extend customs courtesies and free entry privileges to the Soviet Ambassador, Mr. Oumansky, and the newly appointed Counselor of Embassy, Mr. Gromyko, upon their arrival at New York on the *Rex*.

Sincerely yours,

For the Secretary of State:

GEORGE S. MESSERSMITH
Assistant Secretary

701.6111/966½

Memorandum by the Assistant Chief of the Division of European Affairs (Henderson)

[WASHINGTON,] November 15, 1939.

Mr. Oumansky, the Soviet Ambassador, called upon me this morning, after having first seen Mr. Moffat, in order to introduce the new Counselor of the Embassy, Mr. Gromyko.

During the conversation which followed, Mr. Oumansky said that he had been charged to bring greetings from a number of mutual friends in Moscow, including Mr. Steinhardt. Mr. Steinhardt, he said, was working very hard and was making much progress in removing certain obstacles to the improvement of Soviet-American relations. Mr. Molotov had been taking special interest in Soviet-American relations and was doing all that he could to cooperate with Mr. Steinhardt. The desire of the Soviet Government to meet the wishes of the American Government was evidenced by the fact that most of the Soviet wives of American citizens who had hitherto been detained in the Soviet Union were now being permitted to depart.⁶² Mr. Oumansky added that he regretted that he found upon his arrival in Washington an atmosphere which did not correspond to the friendly atmosphere in which Mr. Steinhardt was working.

I told Mr. Oumansky that I hoped that he did not mean to convey the idea that American Governmental circles had failed to show a proper spirit of cooperation with the Soviet Embassy.

He replied that he was referring to the press campaign which had recently been waged against the Soviet Government, the Embassy, and himself, and which appears to have sharpened since his arrival in the United States. Although this campaign was unfair and based on false premises it had not made so deep an impression upon him as had the failure of the American Governmental circles to show any reaction with respect to it. He said that he felt that if an appropriate statement had been made at the proper time by responsible American officials, the campaign would not have reached its present degree of intensity. He had not come in to see me in order to make complaints, but speaking to me on a personal basis, he felt impelled to say that he was very much distressed to learn that Mr. Hull during a press conference on November 13 had failed to give answers to a number of questions which would have put a stop at once to the press attacks against himself. He had been given to understand that in reply to two or three questions relating to charges which the press had falsely made against him, the Secretary had merely stated that he had nothing to say on the subject.

⁶² See footnote 34, p. 534.

I told Mr. Oumansky that I was not acquainted with the nature of the questions or of the Secretary's reply, but I was confident that the Secretary had not made any statement which was calculated to give encouragement to newspaper or other campaigns against the Soviet Embassy or against Mr. Oumansky. I said that it was hardly necessary for me to point out that there was a free press in the United States and that neither the American Government nor American Governmental officials could be held responsible for statements contained in the press. I added that I was certain that no one in the State Department and also no responsible American Governmental official was lending any encouragement to the writing of articles unfriendly to Mr. Oumansky. I added that I personally felt that personal attacks by the press upon representatives of countries with which the United States maintained diplomatic relations were not in good taste and were not in general constructive and that I was sure that my views were generally shared by other members of the Department.

Mr. Oumansky said that he hoped that when an occasion should present itself, some responsible Government official would make it clear to the public that the campaign was not being sponsored or looked upon with favor by the American Government. He said that a simple statement to the effect that the Department was in possession of no facts which would justify an investigation of Mr. Oumansky would be helpful in clarifying the atmosphere. This expression of hope on his part should not be considered as a formal request, but merely as a personal statement from himself to me.

I told Mr. Oumansky that since he desired that our conversation be kept upon a personal plane, it would perhaps be advisable for me not to make any memorandum regarding it.

He replied that I should use my own judgment with respect to the preparation of a memorandum; that it was his hope that if I did bring his views to the attention of other officials of the Department, I would make it clear that he was not making any formal representations or a request of any kind.

During our conversation I did not take exception to his remark regarding the "friendly atmosphere" in which Mr. Steinhardt was working. I did not desire to give Mr. Oumansky the erroneous impression that the press campaign against him in this country was connected with the treatment which the Soviet authorities are accustomed to accord to our Embassy in Moscow. The fact is that while Mr. Troyanovsky was Soviet Ambassador here he had an excellent press at a time when our Embassy in Moscow, like other diplomatic

missions in that city, was being treated with marked discourtesy. Neither did I point out to him that the present campaign against him undoubtedly would not have reached its present proportions if the hostility had not been aroused of certain influential groups in this country, who felt that he personally had misled them into believing that the Soviet Union could be depended upon as an ally against the Nazi regime in Germany.

Attached hereto are the pertinent excerpts from the Memorandum of the Press Conference of November 13, 1939.⁶³

811.607 New York 1939/2122

*The Secretary of State to the Ambassador in the Soviet Union
(Steinhardt)*

No. 37

WASHINGTON, November 27, 1939.

SIR: The receipt is acknowledged of your despatch no. 83 of September 26, 1939 concerning the refusal of the Soviet authorities in Moscow to grant customs facilities or privileges to persons other than the diplomatic officers whose names appear on the official diplomatic list. Your suggestion regarding the advantage to the Embassy of being telegraphically advised by the Department of every request made by the Soviet Embassy in Washington for courtesies or concessions had been taken under consideration.

Since the Department considers that so far as practicable customs courtesies and privileges should be on the basis of reciprocity, it would be appreciated if you would continue to keep the Department informed regarding the treatment accorded the Embassy and members of its staff by the Soviet customs authorities. Such information will assist the Department in reaching decisions with regard to requests for special courtesies which may be made by the Soviet Embassy in Washington.

The Department on its part will inform you telegraphically whenever circumstances permit of requests for customs privileges of an exceptional or important nature made by the Soviet Embassy, and will inform you periodically in writing of such requests of a minor nature. It may be stated, however, that in view of the liberal treatment accorded to foreign diplomatic missions in this country, few requests for exceptional customs courtesies are received by the Department from the Soviet Embassy.

Very truly yours,

For the Secretary of State:
G. S. MESSERSMITH

⁶³ Not printed.

661.11241/50a

Memorandum by the Assistant Chief of the Division of European Affairs (Henderson)

[WASHINGTON,] December 7, 1939.

After complaining to me this morning regarding the detention for further investigation by the immigration authorities in New York of four Soviet engineers who had arrived yesterday on the steamship *Gripsholm*,⁶⁴ the Soviet Ambassador told me that there was another disagreeable matter which he must discuss.

He said that several days ago when the new Soviet Vice Consul, Zaikine, arrived at New York, the United States customs authorities insisted on examining his baggage. He said that the authorities asked Mr. Zaikine to open all his trunks and bags and that they went through all his effects carefully. When a representative of the Soviet Consulate General protested at this unprecedented procedure, one of the customs officials showed him a letter from the Department of State suggesting that the search be made.

The Soviet Ambassador stated that he was astonished at this action on the part of the United States customs officials and wanted to know if it was the intention of this Government in future to examine the effects of Soviet consular officers coming into the country. He said he desired to know this in order that he might inform his Government.

I replied that questions as to whether the effects or baggage of foreign consular officials entering this country was to be exempt from customs examination are answered on the basis of reciprocity. It is a practice of the Department to inform the appropriate United States customs officials of the treatment accorded to American consular officers in a given foreign country, and for these officials to accord similar treatment to the consular officers of that country in the United States. It was my understanding that Soviet customs officials insisted upon examining the baggage of American consular officers entering the Soviet Union, and therefore, in accordance with our practice, the same treatment should be accorded to Soviet consular officers entering this country.

Mr. Oumansky said he was surprised to hear this. He was certain that American consular officials entering the Soviet Union were granted the usual customs courtesies.

⁶⁴ Four Soviet engineers and technicians were detained by the immigration authorities overnight on board the vessel, and then taken to Ellis Island where they had been questioned for 5 hours, after which they had been admitted into the United States. The immigration authorities denied that there had been any act of discourtesy on their part. They had made the suggestion that, in order to facilitate the entrance of Soviet officials connected with the Amtorg Trading Corporation, it would be desirable to receive advance notification of the arrival of additional personnel. (811.111 U. S. S. R./549, 552)

I replied that according to my recollection the People's Commissariat for Foreign Affairs had asked the United States Embassy in Moscow to issue a *laissez-passer* to Vice Consul Zaikine; that the Embassy had replied that it would be glad to do so in case the Commissariat could undertake that *laissez-passers* should in the future be issued to American consular officers and members of their families traveling in or out of the Soviet Union; that upon receiving this reply, the People's Commissariat for Foreign Affairs had withdrawn its request and had stated that Soviet *laissez-passers* may not be issued to any foreign consular officers except principal officers of foreign consulates in the Soviet Union. It would appear, therefore, that Vice Consul Zaikine was not entitled to introduce his baggage into this country without customs examination.

Mr. Oumansky stated that even if what I told him was accurate, he felt that he should protest on the basis of discrimination; that is, it was his contention that a question of this kind should be decided on the basis of the most favored nation; if we granted consular officers of other countries permission to bring in their effects without customs examination, similar treatment should be given to Soviet consular officers.

I replied that the question of this Government's policy of reciprocity with regard to the treatment of consular officers had already been discussed on several occasions between the Embassy and the Department, and that this Government could not abandon this policy which it had followed for many years. I added that Soviet consular officers were not the only foreign consular officers whose baggage was subject to customs examination when entering the United States. I stated that it was my understanding that not only was the baggage of the consular officers of some countries examined when they entered the country, but the officers were liable to the payment of customs duties. Since, however, the Soviet Government did not levy customs duties on the effects of American consular officers entering the Soviet Union, I was glad to state that Soviet consular officers were also exempt from customs duties.

Mr. Oumansky stated that he felt that acts of this kind did not tend to improve relations between the two countries.

I replied that I heartily agreed with him; that it was the long-established practice of the American Government to be liberal in its customs treatment of foreign consular officers and that it was as a rule willing to go just as far in that regard as the governments of foreign countries were willing to go with respect to American consular officers. I told him that I personally regretted any inconvenience which might have been caused to Mr. Zaikine, just as I was sure that he personally regretted any inconvenience which may have arisen in the

past to American consular officers passing through the Soviet Union. I told him that I felt that he might be interested in knowing that American consular officers entering the Soviet Union had on a number of occasions reported that their baggage had been given a much more thorough examination by Soviet customs officials than the baggage of other persons on the train who were not Government officials.

Mr. Oumansky asked me if it was my understanding that Soviet customs authorities had insisted on examining the baggage of American consular officers assigned to Moscow when they entered the Soviet Union.

I told him that I was not prepared to go into such details as those relating to the posts at which the officers examined had been stationed. He asked if I would make inquiries, pointing out that he may have made an error recently in issuing a *laissez-passer* to Vice Consul Hoffman, who left for his new post in Moscow.

I asked Mr. Oumansky if he had any complaint to make regarding the lack of courtesy by American customs officials during the course of the examination and he replied in the negative.

702.6111/313 : Telegram

*The Secretary of State to the Ambassador in the Soviet Union
(Steinhardt)*

WASHINGTON, December 9, 1939—2 p. m.

272. Your 774, October 19, 3 p. m. The Soviet Ambassador in complaining with regard to the examination by the United States Customs authorities of the effects of Zaikine has asked whether the Soviet customs authorities examine the baggage of American consular officers assigned to Moscow who are in possession of diplomatic passports. Please cite several instances.

HULL

702.6111/314 : Telegram

*The Ambassador in the Soviet Union (Steinhardt) to the Secretary
of State*

Moscow, December 10, 1939—4 p. m.

[Received December 10—1:40 p. m.]

1059. Department's 272, December 9, 2 p. m. The Soviet customs regulations provide for the examination of the accompanying baggage of foreign consular officers, other than principal officers of Consulates in the Soviet Union, notwithstanding the possession of diplomatic passports by such consular officers. Not only have these regulations

been enforced but the Foreign Office has informed the Embassy orally on repeated occasions that exceptions to these rules cannot be granted to American consular officers, as to grant such exceptions would discriminate against the consular officers of other countries. Among the consular officers of this Mission bearing diplomatic passports to whom this regulation has been applied have been Johnson, Murray, Minor, Cherp, Waller, Costello and McKee. Furthermore the accompanying baggage of American consular officers possessing diplomatic passports has been examined although the officers were merely in transit to posts outside the Soviet Union, such as William Langdon, Maurice Pasquet, Robert Ward, Gerald Warner and Arthur Ringwalt. In some cases it has been possible to obviate the examination by giving the officer courier status. The situation with respect to non-accompanying baggage is much worse in that the effects of all American diplomatic and consular officers including myself are subject to the most minute examination both at the time of entry and at the time of departure. As reported in my despatch No. 83 of September 26 this year the examination of my personal effects which did not accompany me on the same train required 4 days and during this period my effects were placed under seal each afternoon at 4:30 and I was thereby denied access to my own effects inside my own Embassy until after 10:30 of the following morning. Insofar as concerns officers other than the Ambassador or the Chargé d'Affaires ad interim they are required both at the time of arrival and again at the time of departure to take all their effects not accompanying them on the train to the customhouse for these examinations—to unpack them there and in the case of shipments leaving the country repack them finally within the customhouse after minute examination although under pressure exceptions have been made including Chipman and Dickerson this week.

STEINHARDT

124.61/144½

*The Assistant Secretary of State (Messersmith) to the Secretary of State*⁶⁵

[WASHINGTON,] December 16, 1939.

DEAR MR. SECRETARY: The attached telegram of December 10 from our Embassy in Moscow⁶⁶ which the President wishes you to discuss with him is a reply to a telegram which we sent to the Embassy on the previous day. In our telegram we stated that the Soviet Ambassador in Washington when complaining because the United States Customs

⁶⁵ The original of this memorandum was sent to the President on December 21, 1939.

⁶⁶ *Supra*.

authorities had examined the effects of Mr. Zaikine, a newly appointed Soviet Vice Consul in New York, had asked whether Soviet customs authorities examine the baggage of American consular officers assigned to Moscow who are in possession of diplomatic passports. We asked the Embassy to cite several instances of this practice.

You will recall that ever since its establishment in 1934 our Embassy in Moscow has been hampered in its efforts to perform its functions as a result of the efforts of the Soviet authorities to isolate it and to refuse to grant to its members many of the courtesies and privileges which experience has shown facilitate international intercourse and reduce friction and misunderstandings. The Soviet customs authorities have been particularly active in causing inconveniences for our diplomatic and consular officers and employees. They insist, for instance, that all effects of members of our Mission, including those of the Ambassador, except those brought in or taken out as baggage under cover of a *laissez-passer*, be subjected to minute examination by Soviet customs inspectors before they can be entered into or taken out of the country. They have even endeavored to establish the rule that such effects, except those of the Ambassador and Counselor, be taken to the Soviet customs house and there be inspected and packed preparatory to being shipped out of the country. The customs inspectors are frequently boorish and overbearing. As a result of their lack of cooperation, the departure of members of the Mission has been delayed for periods of from two to six weeks. Members of our Foreign Service who do not have the status of diplomatic officers are refused *laissez-passers*, and regardless of the fact that they may be commissioned and acting as consular officers, are required to submit their baggage to grueling customs inspection when entering or leaving the Soviet Union. Our Foreign Service Officers traveling through the Soviet Union from Europe to posts in the Far East report that the inspection of their effects is in general more thorough than that given to most of the foreign non-officials on the same train.

You will remember that early in 1938 both you and I, in an effort to persuade the Soviet Government to assume a more cooperative attitude in its treatment of the American Embassy in Moscow, had informal conversations with the Soviet Ambassador. Mr. Dunn also discussed the matter with him in some detail. These discussions,⁶⁷ unfortunately, have not resulted in any change of attitude on the part of the Soviet authorities.

When Mr. Steinhardt was here last summer preparing himself for his duties in Moscow he went into the matter rather carefully and

⁶⁷ For these discussions with Ambassador Troyanovsky, see the memorandum of January 13, 1938, by the Secretary of State; the memorandum of January 24, 1938, by Assistant Secretary of State Messersmith; and the memorandum of January 13, 1938, by the Political Adviser, Mr. Dunn, pp. 624, 631, and 627, respectively.

decided with some reluctance that since we had failed by methods of persuasion to prevail upon the Soviet Government to extend to our representatives and employees abroad the treatment which our representatives and employees are accustomed to receive elsewhere, we had no choice other than to apply, to an extent at least, the principle of reciprocity when deciding upon the courtesies to be granted Soviet officials in this country. I understand that he informed the Under Secretary of his decision, and that Mr. Welles assured him that the Department would support him to the full in the carrying out of this policy.

Shortly after the arrival of Mr. Steinhardt in Moscow, the Soviet authorities took the position that Dr. Nelson, our Public Health Surgeon in Moscow, who had enjoyed the status there of an attaché and who had been ordered to duty in the United States, could not take his household effects out of the Soviet Union unless he consented to the Soviet request that they be taken to the customs house for inspection and packing. The Ambassador, rightfully, in my opinion, considered the request unreasonable, and insisted that the inspection, if desired, and the packing should take place in Dr. Nelson's apartment. The deadlock, which lasted for a week or so, was broken only when the Department, at Mr. Steinhardt's suggestion, refused to take favorable action upon a request of the Soviet Embassy that it intervene in order to facilitate the passage through the Panama Canal of the Soviet boat which apparently had left Leningrad without being in possession of a proper Bill of Health. It was pointed out to the Soviet Chargé d'Affaires, who had made the Soviet request, that we consider that the extension of courtesies rests upon a basis of reciprocity. The Department's attitude apparently resulted in the withdrawal of the Soviet demand that Dr. Nelson's effects be taken to the customs house.

In the middle of October of this year, the People's Commissariat for Foreign Affairs requested our Embassy in Moscow to issue a *laissez-passer* to Mr. Zaikine, who expected to leave soon to take up his consular duties in New York. Mr. Steinhardt replied that the Embassy would be glad to issue the *laissez-passer* if it could have assurances that in the future the Soviet Government would issue documents of a similar character to American Consular officers desiring to enter or leave the Soviet Union. The Commissariat refused to give such an undertaking and withdrew its request for the *laissez-passer*. Mr. Steinhardt advised the Department of the situation, and suggested that the Department "take the necessary steps on the arrival of the Vice Consul in New York towards placing the customs treatment accorded the consular officers of both countries on a reciprocal basis."

The Department, therefore, in informing the Treasury Department of the expected arrival of Mr. Zaikine, suggested that in view of the

treatment accorded American consular officers by Soviet customs officials, the Collector of Customs at New York be authorized to search the baggage of the Vice Consul.

On December 7 the Soviet Ambassador entered a protest by telephone with the Department because the baggage of Mr. Zaikine had been examined by our Customs authorities upon the latter's arrival in the United States. Mr. Oumansky said that when a representative of the Soviet Consulate General in New York had objected to such an examination, the customs inspector had displayed a letter from the State Department suggesting that an inspection be made. Mr. Oumansky stated that he was astonished at the action of the customs officials, and wanted to know if it was the intention of the American Government to examine in the future the effects of Soviet consular officers entering the United States. He was informed that the examination had been made because Soviet customs officials insist upon examining the baggage of American consular officers entering or leaving the Soviet Union and that it was the practice of this Government to apply the principle of reciprocity in connection with the treatment of foreign consular officers. Mr. Oumansky replied that matters of this kind should be governed by the principle of the most favored nation, not by that of reciprocity. He was told that the American Government had handled such matters for many years on the basis of reciprocity, and was not prepared to change its long-established practice.

Mr. Oumansky then requested the Department to ascertain on his behalf whether Soviet customs authorities were accustomed to examining the baggage of American consular officers entering the Soviet Union for the purpose of assuming consular duties in Moscow. In order to be able to cite instances in which the Soviet customs authorities had examined the baggage of our consular officers stationed in Moscow, the Department sent its telegram of December 9 to Moscow, to which, as pointed out above, Mr. Steinhardt's telegram of December 10 is a reply.

[G. S. MESSERSMITH]

124.61/144½

Memorandum by President Roosevelt for the Secretary of State and the Under Secretary of State (Welles)

WASHINGTON, December 22, 1939.

Your memorandum of December sixteenth in regard to Soviet restrictions against American citizens connected with the Diplomatic Corps is excellent, and I think we should match every Soviet annoyance by a similar annoyance here against them.

When it comes to the larger questions of downright rudeness on the part of Stalin, Kalinin or Molotov we cannot afford to repay such rudeness with equivalent rudeness over here. But I am inclined to think that the day may come soon when it will be advisable to bring the situation to the direct attention of Oumansky. He can well be told that the failure of his Government to answer my telegram regarding bombardment of citizens⁶⁸ and the failure of his Government to let our Ambassador communicate with the *City of Flint*⁶⁹ tend to show such a complete disregard for the ordinary politeness and amenities between civilized governments that the President honestly wonders whether the Soviet Government considers it worthwhile to continue diplomatic relations. We need go no further than this but it would put a certain burden on the Soviet Government itself.

F[RANKLIN] D. R[OOSEVELT]

EFFORTS BY SOVIET AGENCIES TO PURCHASE WARSHIPS, NAVAL ARMAMENT, AND OTHER WAR MATERIALS IN THE UNITED STATES^{69a}

711.00111 Armament Control/1470
Military Secrets

Memorandum by the Chief of the Office of Arms and Munitions Control (Green)

[WASHINGTON,] January 3, 1939.

Mr. William Francis Gibbs, of Gibbs and Cox, Incorporated, naval architects, called at my office this afternoon. He said that, first of all, he wished to express his sincere gratitude for everything that our Embassy in Moscow did for Captain C. S. Joyce on the occasion of his visit to the U. S. S. R. for the purpose of discussing plans for a battleship with Soviet officials.^{69b}

Mr. Gibbs said that Captain Joyce had been impressed with the serious intention of the Soviet Government to proceed with the attempt to have a battleship constructed in this country and that he had been told to ask Gibbs and Cox to prepare plans for a 45,000-ton battleship on the understanding that, when these plans had been prepared, they would be submitted to Soviet officials for inspection

⁶⁸ See telegram No. 255, November 30, 1939, 6 p. m., to the Chargé in the Soviet Union, p. 798.

⁶⁹ For correspondence concerning the steamer *City of Flint* while in the Soviet port of Murmansk, see pp. 984 ff.

^{69a} Continued from pp. 670-708.

^{69b} See telegram No. 428, December 17, 1938, 9 a. m., from the Chargé in the Soviet Union, p. 707.

with a view to a contract for the construction of the battleship in the United States. Mr. Gibbs said that he was going ahead with the preparation of the necessary plans.

Mr. Gibbs said that, in addition to the battleship which had been under discussion for so long a time, the Soviet officials had asked Captain Joyce to have prepared immediately plans for two modern destroyers of between 1500 and 2000 tons. Mr. Gibbs said that he felt sure that he could prepare plans which would be satisfactory to the prospective purchasers and which would not involve any military secrets of interest to the national defense. He would, of course, submit his plans, in accordance with the established procedure, for inspection before communicating them to any Soviet officials. He said that the Soviet Government wished to obtain these destroyers as soon as possible and that, if the plans were found to be satisfactory and a contract for their construction entered into, the construction would begin immediately and would be carried on either before or simultaneously with the construction of the proposed battleship.

Mr. Gibbs said that the Soviet Government proposed to promote Mr. Rosoff, Director of Amtorg,⁷⁰ to some high official position in Moscow but that, if the plans for the construction of a battleship and two destroyers in this country proceeded satisfactorily, Mr. Rosoff would return to this country to represent his Government in connection with the construction of these ships.

Mr. Gibbs emphasized that Gibbs and Cox intended to keep this Government informed of every step of their negotiations with the Soviet Government and that his company would not take any action which the Department or the Navy Department might consider contrary to the best interests of this Government. He asked whether we would consider the construction of two destroyers for the Soviet Government as in accord with our policy.

I suggested to Mr. Gibbs that he might wish to address a letter to the Secretary of State explaining the proposed transaction and asking whether the statements made to him in the letter addressed to him on June 17, 1938,⁷¹ in regard to the proposed construction of a battleship, applied equally to the construction of destroyers.

When Mr. Gibbs left my office, he said that he was on his way to the Navy Department to tell Mr. Edison, Assistant Secretary of the Navy, what he had just told me.

JOSEPH C. GREEN

⁷⁰ Amtorg Trading Corporation, 261 Fifth Avenue, New York, N. Y., the official purchasing and sales agency in the United States of the Soviet Union.

⁷¹ *Ante*, p. 699.

711.00111 Armament Control/1535: Telegram
Military Secrets

The Chargé in the Soviet Union (Kirk) to the Secretary of State

Moscow, February 14, 1939—10 a. m.

[Received February 14—6:45 a. m.]

72. Embassy today granted diplomatic visa to Issaakov, Assistant Commissaire for Navy Fleet of the U. S. S. R., and non-immigrant section 3 (1) visas to the seven members of that Commissariat who are accompanying him to the United States for what was described in the Foreign Office note as a "special mission for the Soviet Navy". The mission is expected to sail from Havre on February 25 on the *Aquitania*.

Although no statement to that effect was forthcoming, it is assumed that this mission relates to the matter discussed in my telegram No. 428, December 17, 9 a.m., 1938.^{71a}

KIRK

711.00111 Armament Control/1525
Military Secrets

The Secretary of State to the Chargé of the Soviet Union (Umansky)

WASHINGTON, February 28, 1939.

The Secretary of State presents his compliments to the Chargé d'Affaires ad interim of the Union of Soviet Socialist Republics and refers to his conversation on January 5, 1939,⁷² with an Assistant Chief of the Division of European Affairs⁷³ in regard to the desire of the Soviet Government to obtain blueprints, specifications and photographs of certain machinery employed by the United States Army Engineer Corps in the construction of the Fort Peck and Sardis dams, and in regard to the manufacture by the General Electric Company of exhaust driven turbo superchargers for the Amtorg Trading Corporation.

Mr. Hull takes pleasure in transmitting herewith drawings, photo-stats and specifications of the machinery used in the construction of the Fort Peck and Sardis dams, together with information pamphlets on the two projects.⁷⁴ This material was received with a letter of February 14, 1939,⁷⁵ from the Secretary of War,⁷⁶ in which he states that this machinery has been developed from time to time dur-

^{71a} *Ante*, p. 707.

⁷² Memorandum of conversation not printed.

⁷³ Loy W. Henderson.

⁷⁴ None found in Department files.

⁷⁵ Not printed.

⁷⁶ Harry H. Woodring.

ing the life of the project and that complete specifications and drawings of every detail in the equipment as it now exists are not available. Mr. Hull trusts that the material transmitted herewith will be of value to the Soviet Government.

With regard to the manufacture by the General Electric Company of turbo superchargers, Mr. Hull is in receipt of a letter of February 6, 1939,⁷⁷ from the Acting Secretary of the Navy,⁷⁸ in which he states that both the Navy and War Departments object, on the ground of military secrecy in its relation to the national defense, to the acceptance by the General Electric Company of any order from a foreign source involving the development and manufacture of an exhaust driven turbo supercharger for use on an internal combustion engine. The Acting Secretary of the Navy adds that the Navy and War Departments also object, on the ground stated, to the release of any information by the General Electric Company concerning matters pertaining to turbo supercharger development or construction.

711.00111 Armament Control/1594
Military Secrets

*Memorandum by the Chief of the Division of Controls*⁷⁹ (Green)

[WASHINGTON,] March 3, 1939.

Mr. William Francis Gibbs, of Gibbs and Cox, Incorporated, naval architects, called me by telephone this morning. He referred to our conversation on January 3, 1939, in regard to the proposed construction of vessels of war in this country for the Soviet Navy and particularly to that portion of the conversation which related to the proposed construction of destroyers. Mr. Gibbs said that a Russian mission, which he understood consisted of eight officers headed by Admiral Isaakoff, was to arrive in New York on the *Aquitania* today. He said that he proposed to enter immediately into conversations with the Admiral in regard to plans for destroyers. He said that he had already discussed this matter fully with Mr. Edison and that as Mr. Edison had told him definitely that the statements made to him in the letter addressed to him by the Secretary of State on June 17, 1938, in regard to the proposed construction of a battleship could be understood to apply equally to the construction of destroyers, he did not propose at this time to ask for written confirmation of that fact. He assured me that he would keep the Department and the Navy Department informed of all developments in this matter.

⁷⁷ Not printed.

⁷⁸ Admiral William D. Leahy, Chief of Naval Operations.

⁷⁹ Hitherto the Office of Arms and Munitions Control.

Mr. Gibbs particularly emphasized that his company would follow established procedures in all matters relating to the construction of vessels of war in this country and that he would urge upon Admiral Isaakoff the advisability of adhering to established procedure. He referred to the recent furor in connection with the purchase of planes in this country by the French Government and said that he was particularly anxious that any purchases which the Soviet mission might make should not become the subject of such public discussion as had grown out of the purchase of planes by the French. To that end he asked me to make it clear to any representatives of the press who might ask questions in regard to the Soviet mission that there was nothing irregular or unusual about its activities.

I told Mr. Gibbs that I doubted very much whether any one in the Department would have anything whatever to say to the press in regard to the activities of this mission.

JOSEPH C. GREEN

711.00111 Armament Control/1639
Military Secrets

Memorandum by the Chief of the Division of Controls (Green)

[WASHINGTON,] March 22, 1939.

Mr. Sam Carp, President of the Carp Export and Import Corporation, and Mr. Scott Ferris, attorney for Mr. Carp, called at my office today. They told me that Mr. Gibbs, the naval architect, would send me within two weeks revised plans for a battleship to be constructed in this country for the U. S. S. R. They requested that I do everything possible upon receipt of the plans to arrange that the decision as to whether or not they involved military secrets of interest to the national defense be expedited.

I told Mr. Carp and Mr. Ferris that, upon receipt of the plans, I would transmit them immediately to the Navy Department. I warned them, however, that the examination of these plans by the Navy Department might require several weeks.

Mr. Carp then referred to the bill now pending in Congress "To authorize the Secretaries of War and of the Navy to assist the governments of American Republics to increase their military and naval establishments and for other purposes". He asked whether it might not be possible to have that bill amended so that instead of applying to "the governments of American Republics", it might be made to apply "to the governments of friendly nations". He said that he hoped that that might be possible because the enactment of the bill, so amended, would enable the U. S. S. R. to purchase naval guns and fire control apparatus from the American Government. He pointed

out that one of his principal problems in connection with the construction of the proposed battleship would be to obtain guns and fire control apparatus from American private manufacturers.

I told Mr. Carp that I did not believe that there was any possibility whatever that Congress would agree to amend the bill in the manner in which he suggested.

JOSEPH C. GREEN

711.00111 Armament Control/1703
Military Secrets

Memorandum by the Chief of the Division of Controls (Green)

[WASHINGTON,] April 14, 1939.

Mr. William Francis Gibbs, of Gibbs & Cox, Inc., naval architects, called at my office this morning. He referred to his letter of April 10, 1939,⁸⁰ transmitting plans for destroyers and said that he intended to send me early next week plans for destroyers of another type⁸¹ which the Soviet Government also desired to have constructed in this country.

I told Mr. Gibbs that the plans when received would be transmitted without delay to the Navy Department.

Mr. Gibbs said that the only obstacle of importance which he expected to encounter in constructing vessels of war for the U. S. S. R. was in connection with obtaining ordnance. He said that there were, of course, several American companies which could construct naval ordnance if they could obtain the necessary plans and specifications but that, as the construction of naval ordnance had for a number of years been a government monopoly, no company was at present in possession of the necessary plans and specifications and, in order that the vessels which he proposed to have constructed for the U. S. S. R. might be armed, some arrangement would have to be made by which the Navy Department would make plans and specifications available to American manufacturers. He said that he had discussed this matter with officers of the Navy Department and had gained the distinct impression that the very strong opposition on the part of some of those officers to the sale of any arms to a communist government would operate to prevent the Navy Department from making its plans and specifications available to a manufacturer who proposed to use them for the construction of ordnance for the U. S. S. R. The officers with whom he had talked had expressed the opinion that the Navy Department would probably be unwilling to take this action. They had even

⁸⁰ Not printed.

⁸¹ Plans for a 2400-ton destroyer flotilla leader were transmitted by Gibbs and Cox, Inc., in their letter of April 15, 1939 (711.00111 Armament Control/1709).
Military Secrets

expressed doubt as to the legal authority of the Navy Department to do so and had spoken of the possibility of their being subjected to all the pains and penalties of the Espionage Act ⁸² if they were to place confidential plans at the disposition of American manufacturers.

Mr. Gibbs explained that this attitude of the Navy Department placed him in a very embarrassing situation as he had Admiral Isakov and eight other Soviet naval officers on his hands and as he was not able to give them any assurance that, if vessels of war were built in this country for the U. S. S. R., ordnance for those vessels could be obtained here. He said that Admiral Isakov had called on the Secretary of the Navy ⁸³ and other ranking officers of the Navy Department and had drawn unwarranted conclusions from the general statements made to him to the effect that the Navy Department would cooperate in the construction of naval vessels for the U. S. S. R. in so far as the laws of the United States permitted. He said that he had been trying to explain to the Admiral that these general statements made on the occasion of courtesy calls were not sufficiently definite to be relied upon as assurances that plans for ordnance would be made available to American manufacturers. He said that he proposed to write a letter to the Secretary of State asking for a definite answer as to whether the Government would be willing to place plans and specifications for ordnance at the disposition of American manufacturers on the understanding that they would use them for the construction of guns for installation on vessels of war to be built for the U. S. S. R.

I explained to Mr. Gibbs that I had often noted in conversations with some officers of the Navy Department some confusion in regard to the provisions of the Espionage Act relating to the revelation of military secrets. I said that, as those provisions had been interpreted in practice, the decision as to what did or did not constitute a military secret was a matter within the jurisdiction of the Secretaries of War and of the Navy; that no court would be likely to question the decision of either of those officials on such a point; and that, as a matter of fact, both of them released from the ban of military secrecy half a dozen or more items every week in order that these items might be exported. I said that there was no doubt but that the Secretary of the Navy could, if he wished to do so, release plans and specifications for ordnance. I informed him that the War Department had recently taken the attitude that the release of plans and specifications to American manufacturers to enable them to manufacture for foreign sale was in many cases definitely advantageous to this country. The idea of the General Staff of the Army was that building up of private facilities for manufacture in those cases outweighed any disadvantage resulting from the release of what had formerly been considered

⁸² Approved June 15, 1917; 40 Stat. 217.

⁸³ Claude A. Swanson.

military secrets. I informed Mr. Gibbs that it was my understanding that, if the bill now pending in Congress "To authorize the Secretaries of War and of the Navy to assist the governments of American republics to increase their military and naval establishments, and for other purposes" were enacted, the Navy Department would probably make plans and specifications for certain types of ordnance for use on destroyers available to American manufacturers in order that they might construct ordnance suitable for installation on destroyers built for certain American Republics, and I pointed out that one provision of that bill stipulated that any military secret released to the government of an American Republic should one year thereafter be considered to be universally released. I suggested that, instead of raising this question formally in a letter at this time, Mr. Gibbs might wish to consider the advisability of taking the matter up informally with Mr. Edison, Assistant Secretary of the Navy, as soon as he recovered from his present illness.

Mr. Gibbs said that he would follow my suggestion. He emphasized the fact that the Soviet mission had no intention whatever of insisting upon having the destroyers being constructed for the U. S. S. R. armed with the very latest type of naval guns and that the mission would be satisfied if ordnance not of the very latest type could be obtained.

Mr. Gibbs commented at some length upon the lengths to which the Navy Department attempted to carry the idea of military secrecy. He said that he had designed 68% of all destroyers built in this country since 1932 and that every single feature of every design he had made was still labelled "secret" by the Navy Department. Nevertheless, some important features of these designs were incorporated, with full explanations, in text books used at the Naval Academy and on sale in several bookstores in Annapolis.

JOSEPH C. GREEN

711.0011 Armament Control/1790
Military Secrets

Memorandum by the Chief of the Division of Controls (Green)

[WASHINGTON,] May 12, 1939.

Captain C. S. Joyce, representing Gibbs and Cox, Inc., naval architects, called at my Office this morning. He said that Admiral Isakov, who has been representing the Soviet Government in its negotiations with Gibbs and Cox, Inc., with a view to the construction of destroyers for his Government, had unexpectedly been ordered to return to Moscow immediately and was planning to sail tomorrow morning. Captain Joyce said that the Admiral had informed him that this order to return to Moscow before he had had time to carry out his

mission was due to the recent shakeup in Soviet Government and particularly to the appointment of Kuznetzof as Commissar for the Navy. From his conversations with the Admiral, Captain Joyce had drawn the conclusion that the Admiral believed his position to be precarious and was looking forward to his return to Moscow with apprehension. He said that as things now stand the Admiral would return without any concrete accomplishment to his credit. Therefore he very much hoped that the Navy Department might be able to find that no military secrets were involved in the two sets of plans for destroyers which have been submitted by Mr. Gibbs and might expedite its decision so that the Admiral could at least report to Moscow that he had obtained plans for destroyers which this Government would permit to be constructed in this country for the Soviet Government. To that end Captain Joyce had called at the Navy Department this morning. He said that he had not obtained any intimation as to what the decision of the Navy Department would be but that he had obtained assurance that its decision would be transmitted to me on Tuesday of next week.⁸⁴ He said that on the basis of that assurance he intended to attempt to persuade Admiral Isakov to put off his departure for one week provided that I could assure him that I would be able to transmit the decision of the Navy Department to Gibbs and Cox as soon as it was received.

I told Captain Joyce that if the decision of the Navy Department were clear in its terms and if it involved no unexpected features which would require me to consult with my superiors before communicating the decision to Gibbs and Cox, a letter from the Department should be in Mr. Gibbs hands within forty-eight hours after the Navy Department's letter reached me. I suggested that Mr. Gibbs telephone me late Tuesday afternoon to ascertain whether or not the letter from the Navy Department had arrived. I said that if it had arrived I might be in a position at that time to give Mr. Gibbs some indication as to the nature of the decision.

Captain Joyce said that he thought it probable that the Navy Department would find that no military secrets were involved in the plans for the hulls, et cetera, but that the Navy Department would state that it could not make available to American manufacturers designs for ordnance which would be satisfactory to the Soviet Government. We discussed at some length the law relating to the release of military secrets and the extent to which the Navy Department could legally go in making plans and specifications available to American manufacturers if it saw fit to do so.

I told Captain Joyce that Mr. Scott Ferris had, on several occasions, recently expressed the desire to be informed as soon as possible of the decision of the Navy Department. I said that I did not feel that I

⁸⁴ May 16.

could properly without authorization from Mr. Gibbs give Mr. Ferris any information in regard to the decision of the Navy Department. I requested him to ask Mr. Gibbs whether he would authorize me to give Mr. Ferris any information and if so how much information in regard to the nature of the Navy Department's decision he would be willing to have me communicate to Mr. Ferris.

When Captain Joyce left he told me that he was going to make every effort to persuade Admiral Isakov to defer his departure until next week in the hope that the decision of the Navy Department would have been communicated to Gibbs and Cox and through them to the Admiral before the Admiral's departure.

JOSEPH C. GREEN

711.00111 Armament Control/1825
Military Secrets

The Secretary of State to Gibbs and Cox, Inc., New York, N. Y.

WASHINGTON, May 20, 1939.

SIRS: I refer to my letter of April 15, 1939,⁸⁵ and previous correspondence, in regard to the designs for torpedo boat destroyers which you have prepared with a view to the possibility of the construction of destroyers in this country for the Government of the Union of Soviet Socialist Republics, and have to inform you that I am now in receipt of a letter of May 17, from the Acting Secretary of the Navy,⁸⁵ in regard to the plans referred to.⁸⁶ The Acting Secretary of the Navy states that the Navy Department, on the grounds of military secrecy in its relation to the national defense, objects to the release to the Union of Soviet Socialist Republics of the plans and accompanying memorandum submitted to the State Department by you, and to the release to that country of a torpedo boat destroyer design based on those plans and memorandum for the following reasons:

(1) While the descriptive memorandum states that the boilers will be the air encased, integral fired superheater type, with economizers, the outlines shown on the deck plans submitted indicate that the proposed boilers are the single uptake superheat control boilers which is the Navy Department's latest development and based on confidential plans compiled by the Navy Department.

(2) The proposed electrical installation represents the latest Navy

⁸⁵ Not printed.

⁸⁶ A similar letter of objections dated May 18, 1939, was received from the Acting Secretary of the Navy covering the plans for the destroyer flotilla leader (2,400 tons), and Gibbs and Cox, Inc., were informed of this decision by the Secretary of State in a letter of May 22, 1939 (711.00111 Armament Control/1795).

Department development and is based on confidential specifications compiled by the Navy Department.

(3) The general type of machinery and equipment developed by you in connection with the design of torpedo boat destroyers for the United States has been based on confidential specifications compiled by the Navy Department.

(4) The proposed torpedo tubes with mount were designed by the Navy Department and are based on confidential specifications compiled by the Navy Department.

(5) The 1.1" gun was designed by the Navy Department and is based on confidential specifications compiled by the Navy Department.

(6) The 5" 38 caliber twin mount gun was designed by the Navy Department and is based on confidential specifications compiled by the Navy Department.

(7) All the fire control equipment for torpedoes, 5" and 1.1" guns, is based on confidential specifications compiled by the Navy Department.

(8) The ammunition, including the fuses for the 5" and 1.1" guns, are based on confidential specifications of the Navy Department.

The Navy Department has no objection to the designing of torpedo boat destroyers by you, provided such design be in no way based on confidential plans and specifications issued or approved by the Navy Department subsequent to the original specifications for the *Mahan* class of destroyers dated 1933, subject to the following:

(a) The confidential electrical system may not be included.

(b) The Ordnance items of armament and the fire control system, all of which are confidential, may not be included.

(c) In substitution for (b) above, the Navy Department will interpose no objection to the release of certain Ordnance items of armament and fire control, namely, the 4"/50 caliber gun and 3"/23 caliber AA gun both without ammunition or fuses, the triple torpedo tube, the depth charge rack, and the fire control system of the Vickers type.

In accordance with the authorization orally given by Mr. Gibbs, the substance of the letter from the Acting Secretary of the Navy has been communicated orally to Mr. Scott Ferris, attorney for the Carp Export and Import Corporation.

Very truly yours,

For the Secretary of State:

JOSEPH C. GREEN

Chief, Division of Controls

711.00111 Armament Control/1841
Military Secrets

Memorandum by the Chief of the Division of Controls (Green)

[WASHINGTON,] May 22, 1939.

Mr. William Francis Gibbs, of Gibbs & Cox., Inc., naval architects, called me by telephone from New York this morning. He referred

to our recent conversations in regard to the plans which he had prepared with a view to the construction of destroyers and flotilla leaders in this country for the Government of the U. S. S. R. He said that the Department's letter of May 20, transmitting the Navy Department's decisions in regard to the first set of his plans, had reached him this morning. His comment was that the Navy Department expressed itself in Delphic language and that the Department's letter, based upon the letter from the Navy Department, contained a number of statements susceptible of a variety of meanings. He felt that the Navy Department's decisions reflected the opposition of some of the subordinate officers in that Department to any sales of arms to the U. S. S. R. He said that these decisions of the Navy Department were in direct conflict at several points with the decision in respect to the plans for a battleship communicated to him in the Department's letter of June 17, 1938. He explained that there were a number of items of equipment included in the plans for the battleship which he had been authorized to communicate to agents of the U. S. S. R. which he was now prohibited from using in the destroyers and flotilla leaders which he proposed to have constructed.

Mr. Gibbs said that he intended to come to Washington this week to discuss the whole matter with Admiral Leahy, to point out the discrepancies between the statements made to him in respect to the construction of a battleship and the decisions now made in connection with destroyers and flotilla leaders, and to attempt to ascertain just what the Navy Department meant by certain statements made in the letters relating to the plans for the two latter and whether there was any use for him to proceed with his negotiations with the Soviet agents. He said that he had already taken up by telephone with the Navy Department the paragraphs in its decisions relating to destroyers of the *Mahan* type and had been told that those paragraphs did not mean what they said; in fact, he had received assurances that the Navy Department would write another letter to the Department of State restating the paragraphs in question and giving them an entirely new meaning and one much more favorable to his project.⁸⁷

Mr. Gibbs said that, unless I perceived some objection, he intended to give copies of the Department's letters informing him of the decisions of the Navy Department to officers of the Russian mission

⁸⁷ In a letter of June 3, 1939, Mr. Gibbs was informed that a letter of May 29, 1939, from the Acting Secretary of the Navy had requested the deletion in earlier letters referring to the *Mahan* class of destroyers of the word "original" and the expression "dated 1933," and the substitution of the words "as built" for the expression "dated 1933." (711.00111 Armament Control/1843)

(Admiral Isakov has already sailed) and at the same time to give them a written statement of his estimate of the present situation in respect to the possible construction of destroyers and flotilla leaders. He read me that statement over the telephone. It conveyed the idea that he believed that it was still possible for him to design destroyers and flotilla leaders to which no objection would be made by the Navy Department and which would be satisfactory to the Soviet Government.

Mr. Gibbs said that he intended also to advise the Soviet agents to take up once more with this Government, through diplomatic channels, the question of the attitude of this Government toward the construction of vessels of war in this country for the U. S. S. R. and to attempt to ascertain whether this Government was really willing to permit such construction.

I strongly advised Mr. Gibbs not to advise the Soviet Agents to take this matter up through diplomatic channels. I said that there was no change in the position of this Government since it was communicated to him and to the Soviet Ambassador in June 1938⁸⁸ and that I thought it possible that any technical difficulties which had arisen might be ironed out in conversations between himself and officers of the Navy Department.

Mr. Gibbs called me again by telephone this afternoon. He said that he had just shown officers of the Soviet naval mission a copy of the Department's letter of May 20 and had a long conversation with them in regard to the situation. He said that they had expressed surprise that the Department's letter had referred specifically to the plans and had not stated definitely that this Government would have no objection to the construction of destroyers in this country for the U. S. S. R. Mr. Gibbs said that he had replied that there was no mention of this Government's attitude in respect to construction because that was not the question at issue but the Soviet officers expressed anxiety lest after all questions in regard to the plans had been straightened out with the Navy Department, objection might then be raised to the construction of destroyers in accordance with those plans. He asked me to confirm what he had said.

I told Mr. Gibbs that his statement was accurate, and I added that there was no requirement in law that the construction of vessels of war for foreign governments should be approved by this Government if they were constructed within treaty limitations and in accordance with plans involving no military secrets of interest to the national defense.

JOSEPH C. GREEN

⁸⁸ For the letter of June 17, 1938, to Mr. Gibbs, see p. 699; for the note of same date to the Soviet Ambassador, see p. 701.

711.00111 Armament Control/1864
Military Secrets

Memorandum by the Chief of the Division of Controls (Green)

[WASHINGTON,] May 27, 1939.

Mr. Scott Ferris, attorney for the Carp Export and Import Corporation, called me by telephone this morning. He said that he had called at the White House yesterday to discuss a political matter with the President; that in the course of their conversation the President had referred to the battleship which the Soviet Government desired to have constructed in this country; that he had then given the President a résumé of developments during the last year in connection with the desire of the Soviet Government to purchase vessels of war in this country, stating that, although he had nothing but praise for the way in which the Department had dealt with him and his clients in connection with this matter, he did feel that the Navy Department intended to pile up difficulties by which action was continually being delayed and might eventually be prevented; that the President had said that he understood the situation and the tendency of some officers in the Navy Department to want to have considered as a military secret every possible item of naval equipment; that the President had said that he wanted this deal for the destroyers to go through; and that the President had directed General Watson to put him in touch with Captain Callaghan, who would be instructed to do everything possible to assist him. Mr. Ferris said that General Watson had this morning introduced him to Captain Callaghan; that he had accompanied Captain Callaghan to the Navy Department; that, in the absence of Admiral Leahy, Captain Callaghan had called on Admiral Furlong and had informed him of the President's wishes; and that Admiral Furlong had said that he would discuss the plans and projected equipment for the destroyers and flotilla leaders in detail with Mr. Gibbs, who is expected to call at the Navy Department next week, and tell him exactly how far the Navy Department can go in releasing for export all of the items necessary for the construction, armament, and equipment of the projected vessels. Mr. Ferris said that he felt that his conversation with the President had accomplished a great deal toward bringing his clients' business to a successful conclusion as he had gained the impression from what Captain Callaghan had told him that the President's intervention in this matter had resulted in changing Admiral Furlong's attitude to an attitude of cooperation.

JOSEPH C. GREEN

711.00111 Armament Control/1902
Military Secrets

*The Ambassador of the Soviet Union (Umansky) to the
Secretary of State*

MEMORANDUM OF ORAL CONVERSATION

Upon instructions of his Government the Soviet Ambassador brought to the attention of the Secretary of State the following:

By a letter dated June 17th, 1938, the Secretary of State informed the Soviet Ambassador that the Government of the United States would not object to the purchase by the Soviet Government of plans for a battleship prepared by Mr. William Francis Gibbs, that there would be no objections to the construction in the United States of a battleship for the Soviet Government not exceeding the treaty limit of 45000 tons and that the Navy Department would cooperate in such construction with naval architects and shipbuilders to a degree consistent with the interests of the national defense of the United States.

On the basis of this letter and in view of suggestions received directly from Mr. Gibbs and relating to the designing of battleships and torpedo boat destroyers for the Soviet Government, a Soviet Naval Commission headed by Admiral Issakov, First Assistant People's Commissar of the Navy, arrived last March in the United States, entered into negotiations with Mr. Gibbs' firm and contacted the Navy Department.

Mr. Gibbs' firm accomplished a substantial amount of work in designing the plans for the torpedo boat destroyers and was remunerated by the Soviet Naval Commission in accordance with an existing agreement.

To the surprise of both the Soviet Government and the designing firm, the Navy Department, through the Department of State, raised objections to the release to the Soviet Government of the plans of a modern torpedo boat destroyer, as prepared by Mr. Gibbs, as well as to the construction of such destroyers for the Soviet Government in the United States. The objections of the Navy Department concerned not only the armament for the destroyers but equally the boilers, the electrical installation and the machinery. In substitution for these plans the Navy Department was willing to authorize the designing of a non-modern type of destroyer, of which the designs date back to the year 1933,—a type which does not interest the Soviet Government. The authorization of even this non-modern type of destroyers was conditioned by substantial restrictions of the quality of their armament and by the non-inclusion of their electrical system, ordnance items of armament and of their fire control system.

In view of this attitude of the proper authorities of the United States which do not appear to be willing to make available to the Soviet Government such up to date type of armament as is being produced by United States Navy Yards for modern torpedo boat destroyers, the Soviet Government is now inquiring whether the Government of the United States will be prepared to authorize the designing and the construction for the Union of Soviet Socialist Republics of modern torpedo boat destroyers, should there be no armament included in these designs and construction.

WASHINGTON, June 17, 1939.

711.00111 Armament Control/1930
Military Secrets

Memorandum by the Chief of the Division of Controls (Green)

[WASHINGTON,] June 21, 1939.

I called on Mr. Edison, Assistant Secretary of the Navy, this morning and outlined to him all developments in connection with the attempt of the Soviet Government to purchase vessels of war in this country which had occurred during his recent illness.

Mr. Edison said that he believed that the opposition of some officers of the Navy Department to the proposed transactions might well lead them to create such a series of difficulties for the naval architects and the shipbuilders that the proposed transactions could never be carried out. He expressed himself strongly on the tendency of some officers of the Navy to attempt to have considered as military secrets every conceivable feature of naval vessels, their armament, and equipment. As an illustration of what he meant, he handed me a memorandum which had just been submitted by a naval officer on duty in New York protesting that permission recently granted to newspapermen to take a brief trial trip on a new destroyer had revealed such military secrets as "the name of the vessel", "the length of the vessel", "the displacement of the vessel", "the fact that it carried a rack for depth charges", etc., etc., etc. He said that the President's wishes in regard to the construction of naval vessels for the Government of the U. S. S. R. were clear and that he considered it to be his duty to do everything possible to facilitate the proposed transactions. To that end, he intended to reduce the items classified as military secrets so that it would include only items of importance which are really secret and which should be kept secret. Furthermore, in order to prevent delays and petty attempts to make difficulties in connection with the proposed construction of destroyers and flotilla leaders, he proposed to

appoint a board of three senior officers disposed to carry out the President's instructions and to charge them with handling all questions relating to this matter.

Mr. Edison asked me whether I could suggest anything further which he might properly do to facilitate the proposed transaction.

I suggested that he receive Mr. Gibbs in order to learn direct from him as much as possible of the technical difficulties which had arisen or might arise in connection with the designing and construction of destroyers and flotilla leaders for the U. S. S. R.

Mr. Edison said that he would be glad to see Mr. Gibbs.

On my return to the Department, I called Mr. Gibbs by telephone, told him that I had just seen Mr. Edison, suggested that he call on Mr. Edison at his earliest convenience, and assured him that Mr. Edison would be glad to discuss matters with him.

Mr. Gibbs said that he would arrange to come to Washington to call on Mr. Edison as soon as he had had an opportunity to discuss his plans and specifications in detail with the Soviet naval mission and to learn what modifications of those plans and specifications the mission deemed necessary.

JOSEPH C. GREEN

711.00111 Armament Control/1902
Military Secrets

*The Secretary of State to the Ambassador of the Soviet Union
(Umansky)*¹⁰

The Secretary of State presents his compliments to His Excellency the Ambassador of the Union of Soviet Socialist Republics and has the honor to refer to the memorandum which the Ambassador left with the Secretary on the occasion of his call at the Department on June 17, 1939, concerning vessels of war which the Soviet Government proposes to have constructed in the United States.

Foreign governments are at liberty to enter into contracts with private shipbuilders in the United States for the construction of any vessels of war of any types which they may desire to obtain, provided only that these vessels do not exceed the qualitative limitations fixed by treaties to which the United States is a party and that they do not incorporate in their design, their armament, or their equipment items which are listed as military secrets of interest to the national defense. This Government, in connection with the construction of vessels of war in this country for foreign governments, has two functions: first, to see to it that no violation of the treaties referred to or of the statutes

¹⁰ Handed to the Ambassador on June 23, 1939, by the Chief of the Division of Controls.

safeguarding military secrets is permitted; and, second, that the provisions of the Neutrality Act of May 1, 1937,⁹¹ relating to the issuance of arms export licenses—provisions with which the Ambassador is undoubtedly familiar—are complied with. Thus, it is entirely unnecessary for any foreign government to obtain authorization from this Government to have vessels of war constructed in this country for its navy.

The Department has recently received communications from Gibbs and Cox, Inc., naval architects, transmitting plans and specifications for torpedo boat destroyers and flotilla leaders⁹² which the architects stated had been prepared with a view to the construction of such vessels in this country for the Government of the Union of Soviet Socialist Republics. These plans and specifications were submitted by the architects in order that the Department might be in a position to ascertain from the appropriate authorities of this Government whether or not vessels of war constructed in accordance with these plans and specifications would incorporate military secrets of interest to the national defense. On June 19, Gibbs and Cox, Inc., were informed⁹³ that the Navy Department had no objection, on the grounds of military secrecy in its relation to the national defense, to the release of the most recent plans and specifications submitted or to the release of the designs for a torpedo boat destroyer (1800 tons) and a destroyer flotilla leader (2400 tons) based on those plans and specifications, provided that two types of ammunition specifically mentioned were not included and that suitable arrangements could be made in respect to the fire control apparatus. Mr. Hull understands that Mr. William Francis Gibbs, of Gibbs and Cox, Inc., proposes to discuss the plans, specifications, and designs in question with Captain Frolov and other officers of the Soviet naval mission now in this country. He understands further that the decision of the Navy Department will enable Gibbs and Cox, Inc., to furnish designs for torpedo boat destroyers (1800 tons) and destroyer flotilla leaders (2400 tons) of modern type which would almost undoubtedly be considered entirely satisfactory by the naval authorities of any government desiring to construct destroyers and flotilla leaders for its navy. It is understood that Gibbs and Cox, Inc., proposes to submit, for the consideration of the appropriate authorities of this Government, in the very near future any modifications of details of the designs referred to which the Soviet naval mission may suggest in consultation with the architects.

WASHINGTON, June 22, 1939.

⁹¹ 50 Stat. 121.

⁹² None printed.

⁹³ Letter not printed.

711.00111 Armament Control/1902
Military Secrets

Memorandum by the Chief of the Division of Controls (Green)

[WASHINGTON,] June 23, 1939.

The Soviet Ambassador called at my office this morning at my request. I handed him the note dated June 22, 1939,^a in regard to the destroyers and flotilla leaders which his government proposes to have constructed in the United States. I informed him that the Secretary had requested that I hand him the note instead of sending it by messenger in order that he might have an opportunity to obtain orally any supplementary explanations which he might desire.

Mr. Oumansky read the note. He then said that there must be some misunderstanding; that he had had a conversation with Captain Frolov in New York yesterday; that Captain Frolov had informed him of recent conversations with Mr. Gibbs of Gibbs and Cox, Incorporated, and that Captain Frolov had stated that the Navy Department's decisions were such as would make it absolutely impossible for the Soviet Government to obtain satisfactory destroyers or flotilla leaders in this country. Mr. Oumansky added that he had been instructed by Mr. Molotov to inform this Government that his government would not be in anywise interested in purchasing destroyers of the *Mahan* class. He explained that the electric installation, the boilers and the propelling machinery of destroyers of the *Mahan* class were, in the opinion of his government, antiquated and would be entirely unacceptable.

I told him that I was very much surprised at his statements; that Mr. Gibbs had informed me that the plans which had been approved by the Navy Department would, with slight modifications which he thought the Navy Department would agree to, enable him to construct vessels which would be entirely satisfactory to the Soviet Government or to any other government. I said that it was my understanding that these plans called for a very modern type of vessel and I assured him that the only features in the design, armament and equipment of the very latest types of destroyers and flotilla leaders which the Navy Department would not permit to be incorporated in vessels constructed for foreign governments were features considered to be military secrets the safeguarding of which was considered to be essential to the national defense. I said that I understood that Mr. Gibbs and Captain Frolov were engaged in a careful study of the plans; that Mr. Gibbs was fully prepared to submit for consideration such modifications as Captain Frolov might desire to have made and that there seemed to be every reason to believe that matters could be worked out to the entire satisfaction of his government if

^a *Supra.*

his government did not insist upon the incorporation in the vessel of secret features which this Government was not prepared to release to any foreign power.

Mr. Oumansky intimated clearly that he believed that this Government was attempting to withhold from his government items of armament and equipment which it would be prepared to permit certain other foreign governments to obtain.

I told the Ambassador that he was completely mistaken; that the policy of this Government in respect to the release of military secrets was a policy of universal release and that any item which was released to such a government as that of Canada, for instance, with which this Government was on terms of the highest possible cordiality, would be released to his government. I cited the fact that every feature of the design for the destroyers which the Navy Department had communicated to the Government of Brazil in connection with the construction of destroyers for that Government could be included in any destroyers constructed for his government.

Mr. Oumansky returned several times to this point in the course of the conversation intimating rather clearly that notwithstanding my statements he believed that this Government was in some way discriminating against his government in this matter.

The Ambassador said that he would greatly appreciate it if he could obtain authorization to discuss this matter with Mr. Edison, Assistant Secretary of the Navy.

I told the Ambassador that I thought there would be no difficulty whatever in arranging for him to call on Mr. Edison, but that I believed that his conversation with Mr. Edison would be more effective if it were subsequent to the conversation which I understood that Mr. Gibbs was to have with Mr. Edison in the next few days.

The Ambassador said that he entirely agreed with what I had said and he arranged that I would call him by telephone later in the day after I had communicated with Mr. Gibbs.

I called Mr. Gibbs by telephone this afternoon and told him briefly of my conversation with the Ambassador.

Mr. Gibbs said that he could not understand why the Ambassador should have taken such a position; that he felt confident that the decision of the Navy Department with possible modifications in regard to the boilers to be installed—modifications which he thought the Navy Department would almost certainly agree to—would enable him to construct perfectly satisfactory destroyers and flotilla leaders, vessels which he described as “splendid boats”. I asked Mr. Gibbs when he expected to see Mr. Edison.

Mr. Gibbs told me that he had an appointment for June 27.

I called the Ambassador by telephone and told him that Mr. Gibbs expected to see Mr. Edison on June 27. I said that the Department

would have no objection to Mr. Oumansky calling on Mr. Edison to discuss this matter and I suggested that he endeavor to make an appointment with Mr. Edison for sometime after Mr. Gibbs had had an opportunity to discuss matters with him.

Mr. Oumansky thanked me for the information and said that he would follow my suggestion.

Mr. Oumansky called me by telephone later in the day to say that he had reconsidered what he had told me in our conversations in regard to his calling upon Mr. Edison and that he now proposed to ask Mr. Edison to receive him and Captain Frolov before he saw Mr. Gibbs.

I told the Ambassador that the time of his conversation with Mr. Edison was a matter which he could determine in accordance with his own convenience, but that I doubted whether very much could be accomplished with Mr. Edison until after Mr. Edison had had an opportunity to discuss the technical details of the matters under discussion with Mr. Gibbs.

Mr. Oumansky said he might ask to see Mr. Edison twice—once before Mr. Gibbs called and again afterwards.

I called Mr. Edison by telephone immediately after my conversation with Mr. Oumansky and told him briefly of the various conversations reported in this memorandum.

While I was talking with Mr. Edison he interrupted to say that his aide had just informed him that the Soviet Ambassador was on the telephone and that he had told the Ambassador that he would speak to him after he had finished his conversation with me.

Mr. Edison said that if Mr. Oumansky requested an appointment before his appointment with Mr. Gibbs he would agree to see him but that he would have to "play dumb" as he certainly would not commit himself in any way before he had had an opportunity to talk matters over with Mr. Gibbs.

Mr. Edison agreed with me that it was unfortunate that the Ambassador had seen fit to inject himself into this situation at this time when matters seemed to be on the road to a satisfactory solution of all the difficulties with which we had been confronted.

JOSEPH C. GREEN

711.00111 Armament Control/1916
Military Secrets

Memorandum by the Assistant Chief of the Division of European Affairs (Henderson)

[WASHINGTON,] June 23, 1939.

During the course of a conversation which I had yesterday with Mr. Oumansky, he told me that he had received authorization to depart

from the United States on the *Queen Mary* on July 5 for the Soviet Union, in order to take home leave. He said that he hoped, prior to his departure, to dispose of as many matters pending between the Embassy and the Department as possible. He referred particularly to the difficulties which the Soviet Government was encountering in its endeavors to arrange for the building of naval vessels in this country. He said that the situation looked very dark indeed. I expressed some surprise at this statement, stating that although I had not followed developments closely, I had obtained the impression that some headway had been made during the past few days. He said that, on the contrary, no progress had been made whatsoever; that the Navy Department had granted permission for the building of a number of ships; but the type of ships for which permission had been obtained was of a 1933 design, and was so outmoded that in his opinion the Soviet Government could not accept them.

I again told him that this was a matter which I was not prepared to discuss with him, since it was being handled for the most part by the Division of Controls in the Department.

711.00111 Armament Control/1938
 Military Secrets

Memorandum by the Chief of the Division of Controls (Green)

[WASHINGTON,] July 5, 1939.

Mr. William F. Gibbs of Gibbs and Cox, Inc., having been informed that I was attempting on July 1 to communicate with him by telephone, called me by telephone on July 3. I informed him of the substance of the decisions of the Navy Department communicated to the Department in Commander Carney's letter of July 1,⁹⁴ and of the substance of my telephone conversation on that date with the Soviet Ambassador.⁹⁵

Mr. Gibbs expressed his appreciation of my refusal to communicate a copy of Commander Carney's letter to the Ambassador. He said that he thought that it was highly preferable that information regarding highly technical matters of this kind should reach the Ambassador

⁹⁴ Letter by Commander Robert B. Carney, written by special direction of the Acting Secretary of the Navy, Charles Edison. Commander Carney told the Chief of the Division of Controls that "this letter had been written after a long discussion of the whole matter between the President and Mr. Edison and on the basis of a memorandum signed by the President." After the favorable, technical decisions contained in this letter it was the opinion of the naval advisers that "the design features available will produce destroyers and leaders of modern and efficient design capable of meeting their stated requirements." (711.00111 Armament Control/1938)

Military Secrets

⁹⁵ Memorandum of conversation not printed.

through Gibbs and Cox and the Soviet Naval Mission as that procedure would tend to minimize misunderstanding.

At Mr. Gibbs' request, the letter addressed to Gibbs and Cox, which is in preparation, communicating to that company the decisions of the Navy Department set forth in Commander Carney's letter was read over the telephone this morning to a member of the staff of Gibbs and Cox in order that it might be discussed with the Soviet Naval Mission before the Ambassador's departure for [*from?*] New York. I made it clear to Mr. Gibbs in my conversation with him on July 3 that the letter read to a member of his staff this morning was merely a draft subject to possible modification and that he should in discussing the decisions of the Navy Department with the Soviet Naval Mission make it clear that they had been communicated to him informally and that he was still awaiting formal confirmation.⁹⁶

JOSEPH C. GREEN

711.00111 Armament Control/1953
Military Secrets

The Secretary of State to Gibbs and Cox, Inc., New York, N. Y.

WASHINGTON, July 20, 1939.

SIRS: I refer to my letter of July 6, 1939,⁹⁷ and previous correspondence, in regard to the plans for destroyers and flotilla leaders which you have prepared with a view to the construction of vessels in the United States in accordance with these plans for the Government of the Union of Soviet Socialist Republics, and have to inform you that I am in receipt of a letter of July 14 from the Acting Secretary of the Navy concerning this matter.⁹⁸ The Acting Secretary of the Navy states that, as a guide to future decisions and action on questions which may arise in connection with this proposed transaction, he wishes to go on record to the effect that, if the Government of the United States is to permit the acquiring by the Union of Soviet Socialist Republics of destroyers and flotilla leaders in this country, then the ships so constructed should be of modern and efficient type and their installations should embody designs that have been actually demonstrated in service to be rugged and satisfactory; furthermore, that if it is to the interest of the United States Government to permit such ships to be constructed for the Union of Soviet Socialist Republics in this country, then, in fairness to the interests of the Union of

⁹⁶ This confirmation was contained in a letter of July 6, 1939, to Gibbs and Cox, Inc. (711.00111 Armament Control/1938).

Military Secrets

⁹⁷ Not printed, but see the memorandum by the Chief of the Division of Controls, July 5, 1939, *supra*.

⁹⁸ Not printed.

Soviet Socialist Republics, the ships built for that Government should be of a type certain to prove satisfactory in service without the long periods of adjustment usual when radically new designs are brought out. In support of this position, he recommends that no installation or design not thoroughly service-tested be offered by the designers to the Union of Soviet Socialist Republics. He recommends further specifically that the well-proven *Mahan* design, modified as per previous correspondence, and further modified in detail as may be necessary, be the basis of machinery designs prepared by the designers for any destroyers or flotilla leaders constructed for the Union of Soviet Socialist Republics in this country.

Very truly yours,

For the Secretary of State:
JOSEPH C. GREEN
Chief, Division of Controls

711.00111 Armament Control/1982
Military Secrets

Memorandum by the Chief of the Division of Controls (Green)

[WASHINGTON,] July 20, 1939.

Messrs. J. C. Ward, Jr., J. M. Barr and L. L. Snow, of the United Aircraft Corporation, called at my office this morning. They explained that Amtorg was endeavoring to negotiate with their company a license agreement for the manufacture of Pratt & Whitney Twin Wasp 1830 and Pratt & Whitney Twin Hornet 2180 aircraft engines under which these engines could be manufactured in the U. S. S. R. As both of these engines have been released for export, no question could arise on the score of military secrecy. They wished, however, to ascertain the attitude of this Government toward such a contract as that which Amtorg had proposed.

I said that I had no comment to make on the proposed transaction. I explained, however, that if the Department had any definite objection on grounds of law or policy to any proposed transaction it did not hesitate to state its objection. I referred to the attitude of this Government toward the proposal of the Government of the U. S. S. R. to obtain naval vessels in this country and said that that explanation might enable them to draw their own conclusions.

The representatives of the company said that, in view of what I had said, they would probably seriously consider entering into the proposed contract. They explained that one consideration which deterred them was the difficulty which might arise in respect to the presence of Soviet inspectors in the company's plants. In order to obviate any possible difficulty, they proposed to include in the contract

under consideration a clause providing that no more than three representatives of the U. S. S. R. should be given access to the company's offices at any one time and that access of these three to the factory was to be limited to such times as might be convenient to the military and naval authorities, subject to such restrictions as those authorities might impose and, in particular, to the restriction that they should never enter the factory except when accompanied by a military or naval inspector.

JOSEPH C. GREEN

711.00111 Armament Control/2023
Military Secrets

Memorandum by the Chief of the Division of Controls (Green)

[WASHINGTON,] July 21, 1939.

Mr. William Francis Gibbs, of Gibbs and Cox, Inc., naval architects, called me by telephone from New York this afternoon. He said that the Soviet naval mission had just shown him a letter⁹⁹ authorizing the mission to proceed with the purchase of two 1800 ton destroyers to be constructed according to the plans approved by the Navy Department in recent decisions transmitted to Gibbs and Cox by the Department of State. Mr. Gibbs said that he did not pretend to understand the Russian mentality or the Soviet Government's methods of doing business but that the letter which he had been shown would, if he were dealing with Americans, seem to him to be a definite indication of intention to proceed with the proposed transaction.

JOSEPH C. GREEN

711.00111 Armament Control/2024
Military Secrets

Memorandum by the Chief of the Division of Controls (Green)

[WASHINGTON,] July 27, 1939.

Mr. William R. Herod, Vice President of the International General Electric Company, Incorporated, called at my office this morning. He said that the Department's letter of July 20, 1939,¹ informing his company of the decision of the Navy Department in respect to propulsion equipment for possible use in destroyers to be constructed in this country for the Government of the U.S.S.R. was entirely satisfactory. He

⁹⁹ Letter of July 20, 1939, not printed.

¹ Not printed.

said that his company intended to prepare quotations in the hope of securing the contract for the propulsion equipment in question.²

After some general remarks on the efforts of the Soviet Government to obtain vessels of war in this country, and the way in which those efforts had been conducted, Mr. Herod stated that it was his distinct impression that officers in the Navy Department were strongly opposed to the whole idea of this Government's permitting the Soviet Government to construct vessels of war in the United States.

I assured Mr. Herod that the policy of this Government in respect to the proposed transactions was clear, that it had been clearly expressed in communications addressed to interested American companies, and that the Department of State and the Navy Department were cooperating fully in dealing with all questions relating to this matter.

JOSEPH C. GREEN

711.00111 Armament Control/2036
Military Secrets

The Secretary of State to Gibbs and Cox, Inc., New York, N. Y.

WASHINGTON, August 17, 1939.

SIRS: I refer to my letter of August 2, 1939,³ and previous correspondence, in regard to the plans and specifications which you have drawn up for the construction of 1800-ton destroyers for the Union of Soviet Socialist Republics.

The Acting Secretary of the Navy has now communicated to me in a letter of August 14³ his comments on the revised plans and specifications you submitted. Mr. Edison declares that the Navy Department offers no objection, on the grounds of military secrecy in its relation to the national defense, to the characteristics shown in the enclosures to your letter of July 28³ addressed to the Department.

In connection with paragraph (b) "General Description" of the enclosure to your letter of July 28, Mr. Edison remarks that, although the Navy Department has stated that there is no objection on the grounds of military secrecy in its relation to the national defense to the release of the quintuple torpedo tube, no preparation of plans or engineering work in connection with these tubes can be undertaken at this time on account of stress of other work of prior urgency involving the United States Navy's own building program. Mr. Edison comments further, in connection with the same paragraph (b) of the memorandum enclosed with your letter of July 28, that the Navy De-

²The Westinghouse Electric International Company, New York, N. Y., was similarly interested in the opportunity to supply certain propulsion and auxiliary machinery for installation in the Soviet destroyers (711.00111 Armament Control/2033).

Military Secrets

³Not printed.

partment offers no objection on the grounds of military secrecy in its relation to the national defense to the use of depth charge racks of the type installed on the 1200-ton destroyers of the United States Navy.

Very truly yours,

For the Secretary of State:
CHARLES W. YOST
Acting Chief, Division of Controls

711.00111 Armament Control/2053
Military Secrets

The Chargé of the Soviet Union (Chuvakhin) to the Secretary of State

The Chargé d'Affaires ad interim of the Union of Soviet Socialist Republics presents his compliments to the Secretary of State and has the honor to inform him that the authorities of the Union of Soviet Socialist Republics, impressed by the effectiveness of the rescue equipment developed by the United States Navy for use in saving the personnel of sunken submarines,⁴ which may be looked upon as a humanitarian rather than a military development, are desirous of obtaining as much information as is available from the appropriate authorities of the United States concerning the following equipment:

- a) The construction, operation and means of attaching the "Rescue Bell."
- b) The construction and operation of the "Momsen Lung."
- c) The apparatus necessary for the proper training of the personnel in the use of the above equipment.

The Chargé d'Affaires has the honor further to state that should the authorities of the United States find it possible to make available this information the Union of Soviet Socialist Republics would expect to purchase in the United States some or all of the items listed.⁵

WASHINGTON, August 24, 1939.

711.00111 Armament Control/2118
Military Secrets

Memorandum by the Chief of the Division of Controls (Green)

[WASHINGTON,] September 6, 1939.

There was received today a letter from Gibbs & Cox,⁶ naval architects, in regard to the proposed construction of destroyers in this

⁴ The United States submarine *Squalus* had sunk on May 23, 1939, off the Portsmouth, N. H., harbor. During the following days, by the use of new rescue equipment, 33 members of the crew had been saved.

⁵ On October 26, 1939, the Secretary of State transmitted to the Soviet Chargé a copy of the pamphlet entitled *Submarine Safety—Respiration and Rescue Devices*, which the Navy Department stated contained the information requested.

⁶ Not printed.

country for the Government of the U. S. S. R. and enclosing further plans and specifications for transmission to the Navy Department in order that it might be ascertained whether any military secrets were involved therein. In this letter Gibbs & Cox refer to recent developments in Europe and ask whether in view of the change in the international situation there was any change in the policy of this Government in respect to the construction of naval vessels for the U. S. S. R.

Upon receipt of this letter, I called the Acting Secretary of the Navy by telephone. I told him the contents of the letter, which would be transmitted to him in due course, and specifically of the paragraph requesting to know of any possible change of policy. I said that I had not as yet been able to consult my superiors in regard to the answer which should be made to this question but that it seemed to me that the proper answer at this time would be "The Department has nothing to add at this time to the information which you have already received in respect to the policy of this Government in regard to the construction of vessels of war in this country for the Government of the Union of Soviet Socialist Republics." I pointed out that as a period of at least two and one-half years must necessarily elapse before these destroyers would be ready for delivery and as the Navy Department could at any time before delivery commandeer the destroyers if the policy of this Government should so require, it would seem to me to be unnecessary to undertake to pass upon the question of policy at this time. I said that after having consulted my superiors I would draft a reply to Gibbs & Cox and that a copy of the Department's letter would, of course, be transmitted to him.

Mr. Edison said that as far as the Navy was concerned he agreed with me that it was probably unnecessary to make any change at this time in the policy which has already been communicated to Gibbs & Cox in respect to the construction of these destroyers.

I should appreciate receiving instructions in regard to this matter in order that I may draft an appropriate letter to Gibbs & Cox.⁷

JOSEPH C. GREEN

711.00111 Armament Control/2138
Military Secrets

Memorandum by the Chief of the Division of Controls (Green)

[WASHINGTON,] September 16, 1939.

The Acting Secretary of the Navy spoke briefly to the Secretary this morning in regard to the Navy Department's anxiety lest the building

⁷Notations by the Chief of the Division of European Affairs, Pierrepont Moffat; the Adviser on Political Relations, James C. Dunn; the Counselor, R. Walton Moore; and the Under Secretary of State, Sumner Welles, were in agreement that there was no present need to alter policy.

of destroyers in this country for the U. S. S. R. might, in the present crowded condition of the shipyards, interfere with the carrying out of our own program of naval rearmament and our recent program of shipbuilding for the American Merchant Marine. He suggested that, in view of these facts, we should consider whether or not it was advisable to inform Gibbs & Cox, Incorporated, naval architects, that there had been a change in the policy of this Government in respect to the proposed construction of destroyers in the United States for the U. S. S. R. and that this Government did not look with favor upon the proposed transaction.

The Secretary asked Mr. Edison to discuss the matter further with me with a view to arriving at a mutually satisfactory solution of the difficulty.

After we left the Secretary's office, I outlined to Mr. Edison the considerations opposed to an expression of a change of policy in this matter which were set forth in my memorandum of September 6. I suggested that the Navy Department, in replying to our letter of September 9^{*} transmitting copies of the revised plans and specifications for destroyers and flotilla leaders prepared by Gibbs & Cox, Incorporated, should restrict itself to dealing with the specific question of military secrecy in its relation to the national defense. I said that if the Navy Department were to add any suggestion in such a letter that there should be a change of policy on the part of this Government in respect to the proposed construction of vessels of war for the U. S. S. R. an embarrassing question would be raised, as, in accordance with the established interdepartmental procedure for dealing with matters relating to military secrets, the Department would feel constrained either to transmit the Navy's observations to Gibbs & Cox, Incorporated, or to enter into a discussion with the Navy Department as to the advisability of doing so. I said that at the present juncture, in view of the international situation in Europe, I did not believe that it would be advisable for this Government to inform Gibbs & Cox, Incorporated, that there had been any change of policy as any statement on this subject would necessarily be transmitted by Gibbs & Cox, Incorporated, to the Soviet Naval Mission. I said further that, if Mr. Edison felt that he must record in correspondence the Navy Department's anxiety in regard to the possible overcrowding of our domestic shipbuilding facilities, he might deal with this phase of the question in a separate letter addressed to the Secretary for his confidential information. By following this procedure the question of whether or not any statement of this kind should be transmitted to Mr. Gibbs would not be raised. I added that, if the Navy Department felt that the matter was sufficiently serious to make necessary some

^{*} Not printed.

action at this time, he might take occasion in conversation with representatives of American shipbuilders to discourage their entering into contracts to construct vessels of war for the U. S. S. R. until the immediate emergency had passed.

Mr. Edison said that he would follow my suggestions.

It would seem that anything which the Navy Department may feel it necessary to say to the American shipbuilders with a view to discouraging them from entering into contracts to build naval vessels for the U. S. S. R. would probably be unnecessary to accomplish what the Navy Department has in mind as neither the Navy Department nor the Department of State has received any indication that any American shipbuilder is disposed to enter into such a contract.

JOSEPH C. GREEN

711.00111 Armament Control/2158
Military Secrets

The Secretary of State to Gibbs and Cox, Inc., New York, N. Y.

WASHINGTON, October 3, 1939.

SIRS: I refer to my letter of September 9, 1939,⁹ and previous correspondence, in regard to the project of constructing vessels of war in this country for the Government of the Union of Soviet Socialist Republics, and have to inform you that I am in receipt of a letter of September 27⁹ from the Acting Secretary of the Navy in which he states—

(1) that heretofore the Navy Department has, in connection with this project, confined itself to expressions of objection or non-objection on the grounds of secrecy involving the national defense;

(2) that the plans and specifications transmitted to the Department of State with your letter of September 5⁹ are being studied as heretofore with reference to the question of military secrets of interest to the national defense;

(3) that on completion of this study the Navy Department will be prepared to state its position with reference to matters of military secrecy;

(4) that although there has been no change in the Navy Department's policy, there do, however, appear to be certain other aspects of this project which should be brought to your attention and by you to the attention of the representatives of the Soviet Government who are dealing with this matter, viz—

(a) that a survey of existing shipbuilding facilities in this country indicates that the new construction programs of the Navy and of the Maritime Commission will tax those facilities to the utmost; and

⁹ Not printed.

(b) that the Navy Department is already receiving advices from certain machinery manufacturers that existing and prospective orders may result in obligating remaining available capacities to the detriment of future Navy requirements.

From the statements in the letter from the Acting Secretary of the Navy, it is clear that in his opinion there would seem to be serious doubt as to the possibility of construction at this time of the vessels of war which the Soviet Government desires to purchase as there is a strong probability that the demands of the Navy Department and of the Maritime Commission on American shipbuilding will require the use of all of the shipbuilding facilities in this country.

Very truly yours,

For the Secretary of State:
JOSEPH C. GREEN
Chief, Division of Controls

711.00111 Armament Control/2189
Military Secrets

Memorandum by the Chief of the Division of Controls (Green)

[WASHINGTON,] October 9, 1939.

Mr. William Francis Gibbs, of Gibbs & Cox, Inc., naval architects, called me by telephone this morning. He referred to the Department's letter of October 3 in regard to the proposed construction of vessels of war in this country for the U. S. S. R. and said that he intended to send a copy of that letter to the Soviet Naval Commission.¹⁰

Mr. Gibbs added that in view of the present situation in Europe he would have nothing more to do with the project.

JOSEPH C. GREEN

711.00111 Armament Control/1955
Military Secrets

The Secretary of State to the International General Electric Company, Inc., New York, N. Y.

WASHINGTON, November 8, 1939.

SIRS: I refer to the Department's letter to you of July 20, 1939,¹¹ in regard to the sale for export of certain equipment for destroyers.

Although, as stated in the Department's letter to you referred to above, military secrets of interest to the national defense are not involved in this equipment, and it may therefore be legally exported,

¹⁰ A copy of the Department's letter was sent by Gibbs and Cox, Inc., to the Soviet Naval Mission and the Amtorg Trading Corporation, New York, on October 9, 1939.

¹¹ Not printed, but see the memorandum of July 27, 1939, by the Chief of the Division of Controls, p. 893.

nevertheless, I have to inform you that I am in receipt of a letter of November 3, 1939, from the Acting Secretary of the Navy,¹³ in which he states that a further study of the facilities for the manufacture of propelling and auxiliary machinery indicates that any further expansion of the United States Navy, plus continuation of the present program of the Maritime Commission, will undoubtedly tax to the limit the facilities for manufacturing marine propelling and auxiliary machinery, and that in view of the present general trend of opinion in favor of further increase of the United States Navy, the Navy Department has no alternative than to request that you be informed that any extensive obligation of such construction and manufacturing facilities for foreign account may react unfavorably against the defense interests of the United States.

The Acting Secretary of the Navy further states that the revised attitude of the Navy Department with respect to the industrial field does not indicate any change of policy, but he requests me to inform you as to the probable future demands on your capacities by agencies of the United States Government, in order that you may be guided accordingly in the matter of obligating facilities which may become essential to our own defense measures.¹⁴

Very truly yours,

For the Secretary of State:
JOSEPH C. GREEN
Chief, Division of Controls

711.00111 Armament Control/2289
Military Secrets

The Secretary of State to Gibbs and Cox, Inc., New York, N. Y.

WASHINGTON, November 18, 1939.

SIRS: I acknowledge the receipt of your letter of November 1, 1939,¹³ with further reference to the plans and specifications prepared by you for the construction of destroyers in this country for the Government of the Union of Soviet Socialist Republics, and have to inform you that I am in receipt of a letter of November 14 from the Acting Secretary of the Navy in regard to this matter.¹³ The Acting Secretary of the Navy states that the plans and specifications referred to above were predicated on the assumption that these destroyers would be built in the United States. As you have now stated that

¹³ Not printed.

¹⁴ Similar letters were addressed to five other manufacturers on this same day. Commander Carney informed the Chief of the Division of Controls on November 9, 1939, that "the purpose of the Navy Department's letter of November 3 was to furnish to companies which desired to break off negotiations with representatives of the Soviet Government a suitable excuse for taking such action." (711.00111 Armament Control/2285)

there are no shipbuilding facilities available in this country for the construction of these vessels, the Navy Department does not desire that the plans and specifications referred to above be transmitted either in whole or in part to representatives of the Government of the Union of Soviet Socialist Republics. The most recent plans and specifications which were transmitted to the Navy Department will be returned to you by that Department.

Very truly yours,

For the Secretary of State:
JOSEPH C. GREEN
Chief, Division of Controls

711.00111 Armament Control/2297
 Military Secrets

The Secretary of State to the International General Electric Company, Inc., New York, N. Y.

WASHINGTON, November 21, 1939.

SIRS: I refer to the Department's letter to you of October 30, 1939,¹⁵ in regard to your desire to furnish to representatives of a foreign government detailed drawings and supplementary information concerning propulsion equipment for a destroyer.

I am now in receipt of a letter of November 15, 1939, from the Acting Secretary of the Navy,¹⁵ in which he states that it is the decision of the Navy Department that the detailed drawings and supplementary information regarding this equipment should be supplied only upon the completion of the propulsion equipment, and after its actual sale and delivery to the purchaser.

The Acting Secretary of the Navy adds that in connection with the supplying of detailed drawings and other information, no reference should be made to Navy Department specifications or to other naval practices.

Very truly yours,

For the Secretary of State:
JOSEPH C. GREEN
Chief, Division of Controls

711.00111 Armament Control/2364
 Military Secrets

Memorandum by the Chief of the Division of Controls (Green)

[WASHINGTON,] November 28, 1939.

Mr. William Francis Gibbs, of Gibbs & Cox, Inc., naval architects, called me by telephone from New York this afternoon. He said that

¹⁵ Not printed.

he proposed to send a copy of the Department's letter of November 18, 1939, to the representatives of the U. S. S. R.¹⁶ with whom he had been dealing in connection with the proposal to have vessels of war constructed in this country for the Soviet Government. He asked whether I perceived any objection to his communicating a copy of that letter to representatives of the U. S. S. R.

I replied in the negative.

Mr. Gibbs said that all he wanted now was "to give the project a decent burial".

JOSEPH C. GREEN

711.00111 Armament Control/2424
Military Secrets

Memorandum by the Chief of the Division of Controls (Green)

[WASHINGTON,] December 1, 1939.

The Assistant Secretary of War¹⁷ called me by telephone this morning. He said that he had just been informed that agents of the U.S.S.R. had recently approached the Boeing Aircraft Company¹⁸ with a view to the purchase of four-engine bombing planes and manufacturing rights for the same, the Curtiss-Wright Corporation¹⁹ with a view to the purchase of pursuit planes and manufacturing rights for the same, and a third company with a view to the purchase of a large number of airplane engines. He said that from the information which he had received, it appeared likely that the U.S.S.R. would attempt within the next few days to close a number of contracts with a number of American airplane manufacturers. In view of the situation in Finland,²⁰ he considered that these activities of Soviet agents constituted a serious problem, and he asked what the Department was prepared to do.

I told Colonel Johnson that I would discuss the matter with my colleagues and superiors and call him by telephone later in the day.

After discussing the matter with Mr. Moffat, Mr. Dunn, Mr. Berle, Judge Moore, and the Secretary, I called Colonel Johnson again by telephone. I told him that serious consideration was being given to the possibility of issuing a statement in the very near future which would have the effect of making applicable to the U.S.S.R. the policy enunciated by the Secretary on June 11, 1938,²¹ in regard to the sale

¹⁶ This letter was quoted in a communication of November 28, 1939, to the Soviet Naval Mission and the Amtorg Trading Corporation.

¹⁷ Louis Johnson.

¹⁸ Seattle, Washington.

¹⁹ New York, N. Y.

²⁰ Soviet troops had begun the invasion of Finland on November 30, 1939.

²¹ See the memorandum of a press conference of the Secretary of State, Department of State, *Peace and War: United States Foreign Policy, 1931-1941* (Washington, Government Printing Office, 1943), p. 421.

of airplanes and aeronautical equipment to nations the armed forces of which were engaged in bombing civilian populations from the air. I suggested that in the meantime he might endeavor informally to dissuade the American manufacturers whom he had mentioned from entering into contracts with agents of the U.S.S.R.

Colonel Johnson said that he had already done so.

Colonel Johnson read me the United Press report in regard to this matter.

I told him that the representative of the press who had spoken of the matter at the Secretary's Press Conference had stated that his information came from the War Department, and that it would appear that someone in the War Department had talked indiscreetly.

Colonel Johnson sent me the attached memorandum²² in regard to the proposed contract with Boeing.

JOSEPH C. GREEN

711.00111 Armament Control/2389
Military Secrets

Memorandum by the Chief of the Division of Controls (Green)

[WASHINGTON,] December 4, 1939.

Mr. Guy Vaughan, President of the Curtiss-Wright Corporation, called me by telephone from New York this morning. He said that he was about to give instructions that the company should break off negotiations which it has been carrying on for sometime with agents of the U.S.S.R. for the sale of a manufacturing license for one of the types of propellers which the company manufactures.

I pointed out that the statement which the President made on December 2 referred to exports and not specifically to manufacturing licenses.²³

Mr. Vaughan said that the exportation of only two or three sample propellers would be involved in the proposed transaction but that, nevertheless, he was so outraged by the behavior of the Soviet Government in its attack on Finland that he was going to call off the whole deal. He said that it was the first time in his business career that he had ever foregone with enthusiasm a chance to do business. He explained that, if the proposed transaction were entered into, it would mean a down payment of \$640,000 and further payments later of \$950,000. Nevertheless, he was unwilling to do business with such a government.

JOSEPH C. GREEN

²² Not printed.

²³ For text of this statement, see Department of State, *Bulletin*, December 16, 1939, p. 686.

ARREST AND DETENTION OF AMERICAN CITIZENS BY THE SOVIET GOVERNMENT IN CONTRAVENTION OF THE UNDERTAKING OF NOVEMBER 16, 1933 ²⁴

800.00B Rubens, Adolph A./36 : Telegram

The Acting Secretary of State to the Chargé in the Soviet Union
(Kirk)

WASHINGTON, January 6, 1939—5 p. m.

2. Your No. 1, January 2, 10 a. m.²⁵

1. A statement made over the radio by a New York columnist and subsequently published seems to have given rise to a number of apparently baseless rumors regarding Mrs. Rubens. The Department is in possession of no information regarding the status of her case other than that furnished by the Embassy.

2. Mrs. Rubens' relatives are much concerned regarding her welfare and are anxious to obtain further information with respect to her. You are therefore instructed, unless you perceive some objection thereto, so to inform the Foreign Office and to inquire regarding her present physical condition and general welfare.

3. It is also desired that simultaneously you point out informally that although more than a year has elapsed since the arrest of Mrs. Rubens, no formal charges appear as yet to have been made against her; that the American Government feels that she should either be brought to trial or released; and that it desires to be informed regarding the present status of her case.

4. You are instructed furthermore to continue pressing the Foreign Office in this matter until a definite reply with respect to Mrs. Rubens' condition and the status of her case has been received.

Please keep the Department informed by telegram.

WELLES

361.1121 Nausiainen, Elmer J./4

The Chargé in the Soviet Union (Kirk) to the Secretary of State

No. 2029

Moscow, January 20, 1939.

[Received February 3.]

SIR: With reference to the Embassy's despatch No. 1613 of August 31, 1938 (File No. 130-Nousiainen, Elmer J.)²⁶ concerning the disappearance of Mr. Elmer John Nousiainen, and to the Embassy's des-

²⁴ Continued from pp. 708-726. For the text of the undertaking of November 16, 1933, see the exchange of letters between President Roosevelt and People's Commissar for Foreign Affairs Maxim Maximovich Litvinov, pp. 33-34.

²⁵ Not printed.

²⁶ Filed in Department under 361.1121 Nausiainen, Elmer J./2; *ante*, p. 660.

patch No. 1958 of December 21, 1938 (File No. 320),²⁷ on the subject of American citizens of dual nationality believed to be under arrest in the Soviet Union, I have the honor to state that the Embassy received a note, dated December 28, 1938, from the People's Commissariat for Foreign Affairs of the Union of Soviet Socialist Republics, in which it was stated that the competent Soviet authorities have no information in their possession regarding the whereabouts of Elmer John Nousiainen. It might also be mentioned that a responsible official of the Soviet Foreign Office also informed a Secretary of the Embassy orally, that the People's Commissariat had particularly endeavored to investigate the alleged arrest or disappearance of Mr. Nousiainen but the Soviet internal authorities had advised the People's Commissariat that the *Militsiya* actually had no information regarding the whereabouts of this person. However, the Embassy received a letter, dated January 12, 1939, from Mrs. Hanna Nousiainen, the mother of Elmer John Nousiainen, in which she asserts that a reliable individual has informed her that he saw the representatives of the Soviet secret police leading her son off in their custody.

It can only be concluded by the circumstances of the disappearance of Mr. Nousiainen that the People's Commissariat for Foreign Affairs of the Union of Soviet Socialist Republics is still unable to obtain information from the Soviet internal authorities regarding imprisoned Soviet citizens for distribution to diplomatic representatives of other nations even though the Soviet citizens who are in the custody of the internal authorities may be considered by the diplomatic representatives as possessing dual nationality.

Respectfully yours, For the Chargé d'Affaires ad interim:
A. I. WARD
Chief of Consular Section

800.00B Rubens, Adolph A./40

The Chargé in the Soviet Union (Kirk) to the Secretary of State

No. 2163

Moscow, March 9, 1939.

[Received March 31.]

SIR: I have the honor to refer to the Department's telegram No. 2 of January 6, 5 p. m., directing that the Embassy make inquiry regarding the welfare of Mrs. Ruth Marie Rubens, an American citizen, who was arrested in Moscow during December, 1937.

On January 7 I addressed a communication to Mr. A. A. Rosh, Acting Director of the Third Western Political Division of the Peo-

²⁷ Despatch No. 1958 (361.1121/8) not printed, but see Embassy's despatch No. 1613, August 31, 1938, p. 660.

ple's Commissariat for Foreign Affairs, requesting information regarding Mrs. Rubens' state of health and general welfare, and also regarding the status of the judicial proceedings against her. Having received no reply to my communication, I called on Mr. Rosh at the Commissariat on January 20 and orally requested the desired information. Mr. Rosh assured me the [*that*] "something" would be done. During the course of a call on Mr. Litvinoff, People's Commissar for Foreign Affairs, on February 8 I emphasized the importance of Mrs. Rubens' case and requested orally that the desired information be furnished the Embassy. In addition to my representations, above-mentioned, one of the secretaries of the Embassy has made repeated inquiries of Mr. Vinogradov, an official in the Third Western Political Division of the Commissariat, for the information requested by me on January 7, as well as for information regarding the execution of a power of attorney by Mrs. Rubens²⁸ and the examination of the "Robinson" passports, but in each instance Mr. Vinogradov has replied to the effect that the Commissariat has no information in the matter. Mr. Vinogradov stated yesterday that the Commissariat does not even know whether Mrs. Rubens is in Moscow or not.

I need not assure the Department that the Embassy will not fail to urge the Foreign Office to reply to its representations on this case at every opportunity, based on the Department's instructions, but unless the present obstructionist attitude on the part of the Soviet authorities undergoes an alteration there is no reason to believe that those representations will elicit a reply in the premises.

Respectfully yours,

A. KIRK

800.00B Rubens, Adolph A./41 : Telegram

The Secretary of State to the Chargé in the Soviet Union (Kirk)

WASHINGTON, April 15, 1939—3 p. m.

40. Your despatch No. 2163 of March 9, 1939. Unless you perceive some reasons for not taking such action you are instructed to address a note along the following lines to the Commissar for Foreign Affairs.

"Acting under instructions received from my Government, I have the honor to state that according to such information as is available to my Government, an American citizen by the name of Mrs. Ruth Marie Rubens has been imprisoned in the Union of Soviet Socialist Republics for the period of more than 15 months without having been accorded a trial. It may be added that for more than 12 months this Embassy has been unable to obtain any information regarding the health and general welfare of Mrs. Rubens although it has addressed numerous requests for such information to the Soviet authorities.

²⁸ The power of attorney was to enable family members to dispose of some possessions of Mrs. Rubens within the United States.

"In view of the foregoing I have been instructed by my Government to request that either Mrs. Rubens be released from prison and permitted to leave the Soviet Union or that she be granted without further delay a trial at which a diplomatic or consular representative of my Government may be present.

"My Government has instructed me further to request that the Soviet Government inform this Embassy without further delay regarding the present health and general welfare of Mrs. Rubens."²⁹

HULL

361.1115 Kujala, Arthur J./17

The Chargé in the Soviet Union (Kirk) to the Secretary of State

No. 2259a

Moscow, April 18, 1939.

[Received May 16.]

SIR: I have the honor to refer to the Department's instruction No. 512 of February 14, 1939 (File No. 361.1115 Kujala, Arthur J./12 [13]),³⁰ regarding the arrest and imprisonment of Mr. Arthur John Kujala, an American citizen.

No information concerning Mr. Kujala, other than that set forth in the Embassy's despatch No. 2158 of March 8, 1939,³⁰ was received until April 11 when a member of the Embassy staff was informed orally by Mr. Vinogradov of the People's Commissariat for Foreign Affairs that Mr. Kujala is in perfect health and that it is probable his case will be reviewed by the Soviet authorities with a view to suspending the unfinished portion of his prison sentence and deporting him from the Soviet Union. When Mr. Vinogradov was questioned as to Mr. Kujala's whereabouts and the date on which a representative of the Embassy may visit him, he stated, "I have no information on those points."

In view of the delay on the part of the Soviet authorities in granting permission for a representative of the Embassy to visit Mr. Kujala, in spite of the assurances given in 1933 by the People's Commissar for Foreign Affairs in regard to the legal protection of American nationals in the Soviet Union, I had decided to approach Mr. Litvinov himself with reference to the case of Mr. Kujala as well as with reference to pending matters relating to the case of Mrs. Ruth Marie Rubens (see my despatch no. 2163, March 6 [9], 1939) and I took occasion to mention that intention to Mr. Litvinov when I met him at a diplomatic

²⁹ The Chargé informed the Department in his telegram No. 189, April 17, 1939, that a note had been handed on that day to the Assistant People's Commissar for Foreign Affairs, Vladimir Petrovich Potemkin (800.00B Rubens, Adolph A./42).

³⁰ Not printed.

reception on April 13th. The Commissar stated, however, that I would save time by consulting with Mr. Potemkin, the Assistant People's Commissar for Foreign Affairs, under whose direction such matters fell. Accordingly, I handed to Mr. Potemkin yesterday a *note verbale* directing the Commissariat's attention to the Embassy's note no. 1102 of November 14, 1938,* and urging that arrangements be made at the earliest possible moment to enable a member of the Embassy staff to visit Mr. Kujala without further delay.

Respectfully yours,

A. KIRK

800.00B Rubens, Adolph A./44 : Telegram

The Chargé in the Soviet Union (Grummon) to the Secretary of State

Moscow, June 7, 1939—4 p. m.

[Received June 7—12:50 p. m.]

294. Department's telegram No. 40, April 15, 3 p. m. I have just been informed by telephone by Rosh, the Acting Chief of the Third Western Division of the Commissariat for Foreign Affairs, that the Commissariat has been apprised by the competent Soviet authorities that a judgment will be rendered in the Rubens case shortly. I requested information as to the place and date of trial and permission to be present thereat and have confirmed this request in writing. In response to an inquiry regarding Mrs. Rubens' welfare Rosh asserted that he was without information. When I asked regarding her whereabouts he stated "I think she is in Moscow but I am not certain."

GRUMMON

800.00B Rubens, Adolph A./46 : Telegram

The Chargé in the Soviet Union (Grummon) to the Secretary of State

Moscow, June 9, 1939—10 a. m.

[Received June 9—6:21 a. m.]

298. My telegram No. 297, June 8, 7 p. m.³¹ A member of the Commissariat for Foreign Affairs informed the Embassy by telephone last night at midnight that the trial of Mrs. Rubens would take place today and promised to inform the Embassy this morning as to the exact hour and place of the trial. He stated that the trial would be public and

* See last paragraph on page 2 of Embassy's despatch no. 2158 of March 8, 1939. [Footnote in the original; despatch not printed.]

³¹ Not printed.

that there would be no difficulty about members of Embassy attending.³²

GRUMMON

800.00B Rubens, Adolph A./51 : Telegram

The Chargé in the Soviet Union (Grummon) to the Secretary of State

Moscow, June 14, 1939—1 p. m.

[Received June 14—9:05 a. m.]

311. Following the interview with Rosh reported in my 308 June 12, 2 p. m.,³³ inquiry was made again yesterday of Mikhailov, Chief of the Consular Section and of Sobelev, Referent of the Third Western Division of the Commissariat for Foreign Affairs regarding Mrs. Rubens' whereabouts. Mikhailov stated that he was not occupying himself with the matter. Sobelev stated that the normal procedure would be to take up such matters with Mikhailov and denied that Rosh had referred the matter to him for his attention. In view of the apparent intentional evasiveness of the Commissariat for Foreign Affairs in regard to Mrs. Rubens' whereabouts and the probability that further informal inquiries will continue to be unavailing I should appreciate an indication as to the Department's wishes regarding future representations on this matter.

GRUMMON

800.00B Rubens, Adolph A./55 : Telegram

The Secretary of State to the Chargé in the Soviet Union (Grummon)

WASHINGTON, June 15, 1939—6 p. m.

65. Your 311, June 14, 1 p. m.

1. Unless you perceive some reason for not so doing, you are instructed to request an appointment at once with Potemkin or with Molotov, if you feel that an interview with the Commissar would be more effective. During the interview you should hand to the official receiving you a note drafted along the following lines:

³² The Chargé reported to the Department in telegram No. 305, June 9, 1939, that he and the Chief of Consular Section of the Embassy, A. I. Ward, had attended the trial of Mrs. Rubens that day at the Moscow Municipal Court, which had lasted for three-quarters of an hour before Presiding Judge Vasnev and two assistant judges. Mrs. Rubens was not offered, nor did she request, legal counsel. She was convicted of having entered the Soviet Union illegally with false documents and under an assumed name. The sentence of the court was 18 months' deprivation of liberty to be counted from the date of arrest on December 10, 1937. The term would therefore expire, and her detention end, on June 10, 1939. The Chargé requested "to be informed by the Commissariat for Foreign Affairs as to the hour and place of Mrs. Rubens' release in order that a representative of the Embassy may interview her promptly regarding her plans." (800.00B Rubens, Adolph A./48)

³³ Not printed.

"Pursuant to instructions received from my Government, I have the honor to state that according to its understanding:

a. The Moscow Municipal Court on June 9, 1939 ruled that Mrs. Rubens, an American citizen in prison in Moscow, be released on June 10, 1939 at the termination of her prison sentence.

b. On June 9 the American Embassy requested the Commissariat of Foreign Affairs to inform it regarding the hour and place of Mrs. Rubens' release so that one of its members might transact certain business affairs with her and render her such assistance as is customarily furnished by representatives of the Government of the United States to its citizens in such circumstances. Mrs. Rubens apparently is in possession of no valid passport or other documents testifying to her citizenship and these may be obtained only through this Embassy.

c. Since June 9 this Embassy has repeatedly requested information from officers of the Commissariat regarding the whereabouts and welfare of Mrs. Rubens.

d. Despite these requests not only has the Embassy thus far been unable to speak with Mrs. Rubens but it has also been unsuccessful in obtaining any information regarding her welfare and whereabouts from the Commissariat of Foreign Affairs, which, according to an understanding reached between the Commissariat and the Embassy is the established channel through which information regarding the welfare and whereabouts of American citizens in the Soviet Union may be obtained.

e. For a period of more than 15 months no representative of my Government has been given an opportunity to interview Mrs. Rubens. She furthermore has not communicated with members of her family since her arrest in December, 1937.

In view of the foregoing I have been instructed by my Government to request that this Government be informed immediately of Mrs. Rubens' welfare and whereabouts. It would also be appreciated if the appropriate Soviet officials would take such steps as may be necessary to enable members of the Embassy staff to get in touch with her without further delay."

2. You should orally describe the circumstances responsible for the presentation of the note and emphasize the fact that the evasive attitude thus far shown by the Soviet officials whose aid you have endeavored to enlist, has caused surprise to your Government which fails to understand the lack of cooperative spirit displayed.

3. You may also point out in your discretion that in view of the Soviet system for registration and control of the movement of the foreigners the American Government is convinced that the Soviet Government may at any time, if it is willing to do so, furnish the information desired regarding Mrs. Rubens, and arrange for members of the American Embassy staff to see her.

HULL

800.00B Rubens, Adolph A./56: Telegram

The Chargé in the Soviet Union (Grummon) to the Secretary of State

Moscow, June 17, 1939—4 p. m.

[Received June 17—2 p. m.³⁴]

321. I discussed the Rubens case with Potemkin today by appointment and after outlining the assistance which the Embassy had in vain attempted to obtain from officials of the Commissariat for Foreign Affairs with regard to Mrs. Rubens' whereabouts, handed him the note authorized in the Department's 65, June 15, 6 p.m. After reading the note twice very carefully he said he felt that it was a very formal method of handling the case; that although perhaps his subordinates had done everything possible under the circumstances nevertheless they were only subordinates and he regretted that I had not taken up the matter directly with him. I indicated that with no expectation of difficulty or delay in seeing Mrs. Rubens I had hitherto purposely refrained from taking the matter up with him precisely in order to avoid putting it on a formal basis. He then promised to interest himself personally in expediting the matter, said he would bring pressure to bear on the competent authorities, promised me an answer within 2 or 3 days and inquired whether under the circumstances I insisted upon formally presenting the note.

I informed him that since he was aware of the contents of the note as well as of the fact that it was delivered in accordance with instructions from my Government which has been surprised and had failed to understand the lack of cooperation manifested by the officials of the Foreign Office with whom the Embassy had dealt in the premises and since furthermore he had undertaken personally to interest himself in expediting the case I would withhold the presentation of the note. He said that if I would get in touch with him in "2 or 3" days he hoped to have information for me on the subject.³⁵

GRUMMON

³⁴ Telegram in two sections.

³⁵ Mrs. Rubens came to the Embassy on June 19, and at that time as well as on three later visits talked with apparent freedom to members of the Embassy. She declined the offer of a passport for return to the United States, preferring to remain in the Soviet Union for the possibility that she could be of assistance to her husband, and hesitating to return to the United States where she might be brought to trial for violation of the passport laws, and once more be confined to prison if found guilty. On November 17, 1939, Ambassador Steinhardt reported that he had been informed on reliable authority that Mrs. Rubens became a Soviet citizen on October 10, resuming her maiden name of Boerger, and had left Moscow to reside in Kiev.

361.1121 Nausiafnen, Elmer J./9

The Secretary of State to the Chargé in the Soviet Union (Grummon)

No. 607

WASHINGTON, July 24, 1939.

SIR: The receipt is acknowledged of your despatch no. 2413 of June 17, 1939³⁷ concerning the endeavors of the Embassy to obtain information from the People's Commissariat for Foreign Affairs regarding the welfare and whereabouts of Elmer J. Nousiainen, an American citizen of dual nationality. The Embassy's desire to ascertain the Department's attitude toward the advisability of further representations in this matter has been noted.

The Department is of the opinion that the Embassy should continue its representations on behalf of Mr. Nousiainen. At your discretion you may inform the Soviet Foreign Office formally or informally when appropriate opportunities present themselves that since, according to the laws of the United States, Mr. Nousiainen appears to be an American citizen, it is the view of your Government that it is entitled as a matter of customary courtesy to be informed regarding the welfare and whereabouts of Mr. Nousiainen, regardless of what his citizenship status may be under Soviet law. This formula or variations thereof may be used in making inquiries at the People's Commissariat for Foreign Affairs regarding other American citizens of dual nationality.

Very truly yours,

For the Secretary of State:
R. WALTON MOORE

361.1115 Kujala, Arthur J./23: Telegram

The Chargé in the Soviet Union (Grummon) to the Secretary of State

Moscow, July 25, 1939—10 a. m.

[Received July 25—8 a. m.]

406. Embassy's 345, June 27.³⁷

1. In response to the Embassy's formal and informal representations on behalf of Kujala a note dated July 14 has been received from the Commissariat stating that he will be deported under arrest, that he may not visit the Embassy or be visited by a member of the Embassy, but that his passport may be transmitted to him through the Commissariat or be handed to him at the Finnish border station.

2. Since the Soviet authorities seemingly desire to close the case with Kujala's deportation, I should appreciate being instructed before discussing the matter further with Potemkin with a view, if possible, to arriving at a modification of the Soviet attitude, whether

³⁷ Not printed.

the Department would approve (1) of waiving personal appearance and transmitting Kujala's passport through the Commissariat for Foreign Affairs in the event that the Soviet authorities refuse to permit him to depart otherwise or (2) of sending an officer to the border point to take Kujala's passport application and hand him a previously prepared passport if the officer is satisfied as to Kujala's identity and of his ability both mentally and physically to travel unaccompanied. In view of the Soviet refusal to permit Kujala thus far to appear before a member of the Embassy the possibility cannot be excluded that he is unfit for travel alone (see Elmer [*Ernest*] Baker case, Department's instruction No. 597, December 30, 1935³⁸). It would doubtless be necessary for the Embassy to have his passport visaed in advance by the Finnish Legation in Moscow.

3. The Department may consider that the advantage of obtaining Kujala's prompt departure from the Soviet Union, which the Soviet authorities now appear to be disposed to grant, would be outweighed by the precedent which would be established by not insisting on personal appearance, and which might resound in the future to the prejudice of other Americans held in Soviet prisons.

GRUMMON

361.1115 Kujala, Arthur J./24: Telegram

The Secretary of State to the Chargé in the Soviet Union (Grummon)

WASHINGTON, July 28, 1939—5 p. m.

107. Your 406, July 25, 10 a. m.

(1) Unless you perceive some objection thereto, you should seek an interview with a responsible official of the Foreign Office, possibly Potemkin, in view of his expression of regret that you did not take up the Rubens case direct with him, and acquaint him with all the circumstances in the case, not failing to point out that Kujala was arrested, convicted and sent to prison, where he remained for more than a year without notification of his arrest having been made to the Embassy as provided for in the exchange of notes between the President of the United States and Litvinov of November 16, 1933. You may further explain to him that in accordance with existing laws and regulations no American passport may be issued to Mr. Kujala unless he makes an application therefor in the presence of an American Foreign Service officer.

(2) You may state that your Government fails to understand the attitude of those Soviet authorities who insist that Kujala shall not be permitted to see a member of the Embassy staff before leaving the

³⁸ Not printed.

Soviet Union, and you may inform him that you have been instructed by your Government to request that an American Foreign Service officer be permitted without further delay to visit Mr. Kujala or that the latter be allowed to appear at the Embassy. HULL

361.1115 Kujala, Arthur J./41 : Telegram

*The Secretary of State to the Ambassador in the Soviet Union
(Steinhardt)*

WASHINGTON, December 13, 1939—4 p. m.

282. Your despatch No. 33, August 21.³⁹ In your discretion you are authorized to address a note to the Foreign Office pointing out the apparent violations of the Litvinov pledge, such as delay in notification of arrest and in granting of permission to visit, and requesting on behalf of your Government an explanation therefor. If no explanation is received or if such is unsatisfactory, the advisability of lodging a strong protest at a later date will be considered. HULL

361.1115 Kujala, Arthur J./42

*The American Ambassador in the Soviet Union (Steinhardt) to the
People's Commissar for Foreign Affairs of the Soviet Union
(Molotov)* ⁴⁰

[Moscow, December 15, 1939.]

EXCELLENCY: I have the honor, in pursuance of instructions just received from my Government, to recall to Your Excellency the case of Mr. Arthur John Kujala, an American citizen, whose detention by the Soviet authorities was the subject of a long series of communications from this Embassy, beginning with its note number 567 of June 17, 1938.

A review of Mr. Kujala's case indicates that he is a native-born American citizen concerning whose citizenship no doubt could arise on the basis of naturalization, loss of citizenship, or dual citizenship. The Soviet authorities were well aware of Mr. Kujala's American citizenship at the time of his arrest, in as much as his American passport had been repeatedly exhibited to the proper officials, from whom he had received residence permits issued on the basis of his possession of an American passport.

³⁹ Not printed. Ambassador Steinhardt had proposed that "the Department may wish to give consideration to the advisability of making formal representations to the Soviet Government" because it was "doubtful that a more brazen case could be found." (361.1115 Kujala, Arthur J./36)

⁴⁰ Copy transmitted to the Department by the Ambassador in his despatch No. 217, December 16, 1939; received January 25, 1940.

Despite their knowledge of Mr. Kujala's American citizenship, the Soviet authorities did not notify this Embassy of his arrest (which apparently took place on September 23, 1937, and was not discovered by the Embassy until June, 1938), nor were its repeated inquiries regarding his arrest ever answered. Furthermore, permission to visit Mr. Kujala was not granted until nearly two years after his arrest.

Moreover, during his detention Mr. Kujala claims to have addressed three letters to this Embassy, none of which was ever received; nor has Mr. Kujala or the Embassy ever been advised formally or informally of the charge upon which he was detained and said to have been sentenced to five years imprisonment.

My Government, in view of the foregoing facts, feels constrained to express its astonishment at the failure of the Soviet Government to observe the pledge arising out of the formal engagement entered into by M. Litvinoff on behalf of the Union of Soviet Socialist Republics, as set forth in the letter dated November 16, 1933, addressed by him to the President of the United States—the text of which is as follows:

[For the text of this letter, see page 33.]

In view of the foregoing I have been directed to request an explanation of the course pursued by the Soviet Government in this case.

Accept [etc.]

LAURENCE A. STEINHARDT

361.1115 Kujala, Arthur J./43

The Ambassador in the Soviet Union (Steinhardt) to the Secretary of State

No. 236

Moscow, December 27, 1939.

[Received February 7, 1940.]

SIR: With further reference to the Department's telegraphic instruction number 282 of December 13, 4 p. m., and to my despatch number 217 of December 16 ^{40a} transmitting a copy of the note which the Embassy addressed to the Commissariat for Foreign Affairs under date of December 15, I have the honor to enclose: (1) a copy of the Russian text of the answer of the Commissariat for Foreign Affairs under date of December 22, 1939, (2) an English translation thereof, and (3) a copy of my reply under date of December 27, 1939.

Should the Foreign Office fail within a reasonable period of time to make a satisfactory reply to my note of December 27, the Department may wish to consider the advisability of lodging a strong protest as suggested in its telegram under reference.

^{40a} Despatch not printed.

The indifference, not to say contempt, of the Soviet Government toward personal liberty, not only in respect of its own citizens but of foreign citizens as well, is so pronounced as to accentuate the desirability of giving clear evidence that unwarranted deprivation of the liberty of an American citizen will not be allowed to pass unchallenged.

Respectfully yours,

LAURENCE A. STEINHARDT

[Enclosure 1—Translation]

The People's Commissar for Foreign Affairs of the Soviet Union (Molotov) to the American Ambassador (Steinhardt)

Moscow, December 22, 1939.

MR. AMBASSADOR: In reply to your note of December 15, 1939, in regard to the case of Mr. Arthur John Kujala, I have the honor to state that in its note number 534-AM of November 11, 1938, the People's Commissariat for Foreign Affairs informed the Embassy of the United States of America concerning the circumstances of the arrest of Mr. Kujala and informed the Embassy that he had lived in the Union of Soviet Socialist Republics since 1936 without any documents whatsoever. Therefore, I do not perceive in the actions of the Soviet authorities in the given case any departure whatsoever from the agreement reached in 1933 between the President of the United States, Mr. Roosevelt, and the People's Commissar for Foreign Affairs of the Union of Soviet Socialist Republics, Litvinov. It is entirely obvious that the above-mentioned agreement cannot be extended to persons who are not in possession of proof of their American citizenship.

In conclusion, I consider it essential to point out that as soon as it had been established that Mr. Kujala was really a citizen of the United States of America the appropriate authorities of the Union of Soviet Socialist Republics not only carried out the above-mentioned agreement but also afforded Mr. Kujala the possibility of leaving for the United States before the expiration of the sentence given him.⁴¹

Accept [etc.]

V. MOLOTOV

[Enclosure 2]

The American Ambassador (Steinhardt) to the People's Commissar for Foreign Affairs of the Soviet Union (Molotov)

Moscow, December 27, 1939.

EXCELLENCY: I have the honor to acknowledge receipt of your Excellency's note of December 22, 1939, in reply to my communication of

⁴¹ On September 12, 1939, Soviet authorities informed the Embassy in Moscow that Kujala was on his way to Helsinki, where he was examined at the American Legation on September 13 concerning his imprisonment in the Soviet Union. He obtained passage to sail for the United States from Copenhagen on October 7, 1939.

December 15, 1939, with reference to the failure of the Soviet authorities to comply, in the case of the arrest and detention of Mr. Arthur John Kujala, an American citizen, with the provisions of the agreement of November 16, 1933, between the President of the United States of America and the then People's Commissar for Foreign Affairs, Mr. Litvinov.

I regret to have to inform Your Excellency that the explanation offered in regard to the failure of the Soviet Government to notify this mission of the arrest of this American citizen and the failure to permit a member of this Embassy, in accordance with the above-mentioned agreement, to visit Mr. Kujala within a reasonable period of time cannot be regarded as satisfactory.

I observe that you state that as soon as Mr. Kujala's American citizenship had been established the appropriate authorities of the Union of Soviet Socialist Republics complied with the provisions of the above-mentioned agreement. I feel constrained to bring to your Excellency's attention the fact that Mr. Kujala's arrest was effected by the same Soviet authorities to whom his American passport had been repeatedly exhibited, an American passport having been issued to him by this Embassy on April 28, 1936. In the Embassy's note of June 17, 1938, to the Commissariat for Foreign Affairs, reference was made to Mr. Kujala's passport. Despite the fact that the Commissariat for Foreign Affairs was officially apprised of the American citizenship of Mr. Kujala in a formal document bearing date of June 17, 1938, it was not until November 11, 1938, that the Embassy was notified of his arrest by the Soviet authorities.

Furthermore, in the note from the Commissariat for Foreign Affairs of November 11, 1938, to which you refer, the Soviet Government recognized that Mr. Kujala was a citizen of the United States. Despite this recognition, it was not until [August] 17, 1939, a further delay of eight months, that a representative of the Embassy was granted permission to interview Mr. Kujala, despite the clear and unequivocal obligation contained in the above-mentioned agreement to grant to this Embassy the right of visit to an arrested American citizen without delay.

With reference to your Excellency's observation that "the above-mentioned agreement cannot be extended to persons who are not in possession of proof of their American citizenship", I invite your Excellency's attention to the protocol signed on December 21, 1928, at Moscow, between the Union of Soviet Socialist Republics and Germany, supplementing article 11 of the treaty between those two countries signed on October 12, 1925,⁴² providing that insufficient proof of

⁴² These provisions are quoted in the letter of November 16, 1933, to President Roosevelt from Litvinov, p. 33.

the citizenship of the person arrested shall not revoke the obligation in respect of notification and right of visit provided thereunder, and to the fact that under the agreement between the President of the United States and the then Commissar for Foreign Affairs nationals of the United States are accorded rights to legal protection no less favorable than those enjoyed by the nationals of the nation most favored in this respect.

In the light of the foregoing, I have to inform your Excellency that I consider that the actions of the Soviet authorities in the case of Mr. Kujala were not in conformity with either the letter or the spirit of the agreement between the President of the United States and the then Commissar for Foreign Affairs of the Union of Soviet Socialist Republics.

Accept [etc.]

[File copy not signed]

ARREST IN THE UNITED STATES OF A SOVIET CITIZEN CHARGED
WITH VIOLATION OF THE ESPIONAGE LAWS⁴³

311.6121 Gorin, M. N./12

*Memorandum by the Chief of the Division of European Affairs
(Moffat)*

[WASHINGTON,] March 2, 1939.

The Soviet Chargé d'Affaires ad interim⁴⁴ called this [*yesterday*] afternoon, very much exercised over recent developments in the Gorin case. He began by saying that he had reviewed the indictment and that it was perfectly clear that Gorin was not accused of trying to obtain any secrets involving American national defense but at most was accused of trying to obtain information involving Japanese spies against the United States. Whether or not he was guilty of an infraction of American laws only the court could say. Personally he believed him innocent on this count. In the course of the trial however, two matters had arisen which he must protest most formally and on which he must request redress.

The first was the contention by the U. S. District Attorney that Gorin, in telephoning to the Soviet Embassy in Washington on several occasions at the time of his arrest, showed that he was under the orders of the Soviet Embassy and that the latter was directing his activities. Mr. Mikhail Gorin had in fact telephoned Mr. Oumansky, as the latter

⁴³ Continued from pp. 726-730.

⁴⁴ Konstantin Alexandrovich Umansky.

had told us at the time, in order to seek protection.⁴⁵ It was perfectly normal for an alien arrested abroad to communicate with his diplomatic representative.⁴⁶ American citizens in trouble abroad do it all the time and the United States insists on it as a cherished right. Mr. Oumansky made the point that as the U. S. District Attorney was in fact an agent of the Executive, subject to the orders of the Attorney General,⁴⁷ the latter could instruct him to refrain from making any such charges as he had already made against a foreign mission and its chief,⁴⁸ and have such charges already made stricken from the record.

The second was the testimony of a Lieutenant Maxwell who had been present at the interview between Gorin and the Soviet Vice Consul, whom Oumansky had sent from New York, that the latter had advised Gorin not to mention papers found in his clothing, as "we" were admitting nothing.⁴⁹ Apart from the fact that Mr. Oumansky claimed that the interview dealt exclusively with whether or not Gorin had legal representation and was treated with reasonable comfort, he said that the Vice Consul could not at that point have known anything about papers found in Gorin's clothing. He asked that something be done about this. I pointed out to Mr. Oumansky that in effect he was accusing an American official of perjury. He said that this might be the conclusion drawn from his remarks but that he maintained them and renewed his request that we protect the Soviet Vice Consul from such charges. I replied that I would take note of what he had said and make it a matter of record but that he was making a serious charge and one which to my mind should be cleared up if possible by the defense before it rested, and that it would be inappropriate for the State Department to express itself in any way on this point.

Mr. Oumansky agreed that the second point was of less importance than the first. He felt that the Executive could and should take im-

⁴⁵ During the trial, testimony was offered by G. V. Dierst, a Federal Bureau of Investigation agent, that Gorin "would not come to our office . . . without prior authorization from his superior" and that later Gorin "was able to reach the [Soviet] Ambassador and talked with the Ambassador" on December 13, 1938. The United States District Attorney contended that this was "an admission of the connection of the defendant Gorin with the Russian Government." Shortly afterwards counsel for both sides agreed to the stipulation that "the Russian Ambassador was not in the country at the time" but that there was "a Chargé d'Affaires in charge of the Russian Embassy in Washington on that date." The testimony, nevertheless, was not stricken from the record. (311.6121 Gorin, M. N./27)

⁴⁶ The court, in its instructions to the jury, informed it to the effect that Gorin was entirely within his rights in telephoning to the Soviet Embassy, and that no inference should be drawn therefrom. In his protest of March 18, 1939, p. 922, the Soviet Chargé ignored this fact.

⁴⁷ Frank Murphy.

⁴⁸ Alexander Antonovich Troyanovsky, Ambassador of the Soviet Union.

⁴⁹ Lieutenant William S. Maxwell had testified that Soviet Vice Consul Mikhail Ivanovitch Ivanushkin had remarked to Gorin during a conversation with him on December 15, 1938, in the presence of witnesses: "We will make no statement in connection with the papers found in the suit [of clothes sent to the dry cleaners]." This testimony remained uncontradicted in the record. (311.6121 Gorin, M. N./27)

mediate action to protect and clear officials of a foreign friendly power. He asked what I suggested. I replied that I thought we could call to the attention of the Attorney General the substance of his representations. He felt that this might be very slow but in any event asked that if we transmitted the memorandum to the Attorney General we should accompany it with appropriate comments. I told him that I would discuss the matter in detail with our Legal Adviser⁵⁰ and see what he recommended. Mr. Oumansky said that far more than law was involved, and that the friendly atmosphere which existed between the Soviet Union and the United States should be borne in mind.

PIERREPONT MOFFAT

311.6121 Gorin, M. N./20

*Memorandum by the Chief of the Division of European Affairs
(Moffat)*

[WASHINGTON,] March 6, 1939.

In the course of a conversation this afternoon the Soviet Chargé d'Affaires referred to the current trial of Gorin of the Intourist Bureau, concerning which he had spoken to me last Wednesday⁵¹ (see memorandum of March 1st [2nd]).

He said that far from getting better he felt the situation was growing worse and that the District Attorney was trying his case by insinuations against the Soviet Ambassador, the Chargé d'Affaires and Vice Consuls.

In particular he stressed: (a) sneering allusion to Ambassador Troyanovsky; (b) renewed efforts to make the communication by Gorin with his Embassy at the time he fell afoul the law seem an abnormal procedure with sinister implications and (c) the testimony of Lieutenant Maxwell against which he had previously complained. Mr. Oumansky covered much the same ground as before, reiterating his request for redress.

He emphasized the damage that was being done to public opinion with relation to the Soviet Union by these incorrect allusions, which he felt should be corrected by the Executive as they were made by an officer of the Executive.⁵²

⁵⁰ Green H. Hackworth.

⁵¹ March 1.

⁵² The Soviet Chargé repeated his complaints also to the Assistant Chief of the Division of European Affairs, Loy W. Henderson, who reminded him: "I was sure that he had been in the United States long enough to know that the statements made by the federal district attorney who was prosecuting the case could not be considered as the official views of the American Government; that he must be aware that a considerable amount of latitude is allowed to a federal district attorney; and that remarks made by a federal district attorney during the course of a trial were not previously approved or disapproved by the central authorities in Washington" (311.6121 Gorin, M. N./21).

I told Mr. Oumansky that the memorandum of his previous conversation had been sent to the Attorney General.⁵³ It was a matter for the Department of Justice to handle and he could be certain that his complaints would be transmitted to that Department without delay.⁵⁴ On the other hand, what we regarded as a legal matter, he seemed to regard as a political matter. In my opinion his complaints were predominantly legal and would be handled through the Legal Adviser and the Department of Justice as before.

Mr. Oumansky told me that his Vice Consul was going to issue a statement contradicting the testimony of Lieutenant Maxwell, even if it should involve a charge of perjury against the latter.

PIERREPONT MOFFAT

311.6121 Gorin, M. N./23

Memorandum by the Assistant Chief of the Division of European Affairs (Henderson)

[WASHINGTON,] March 10, 1939.

At the conclusion of a conversation which I had with Mr. Oumansky today on other subjects he referred again to the Gorin trial in Los Angeles and stated that he regretted to observe that thus far the district attorney had not taken any steps to retract certain statements involving the Soviet Embassy made by him previously in the trial, nor had any move been made to correct the unfavorable impression made by Lieutenant Maxwell's testimony.

I again informed Mr. Oumansky that the State Department had referred the comments made by him on two occasions to the Department of Justice and that I was sure that the Department of Justice was giving full consideration to the whole matter. Mr. Oumansky thereupon arose and said in the most formal tones, "Mr. Henderson, I feel that I should inform you that unless proper retraction is made by the federal district attorney in Los Angeles before the conclusion of the trial it will be distinctly unfortunate."

I told Mr. Oumansky that I felt he was using rather serious language. Mr. Oumansky replied that he regretted that he felt that the circumstances were so serious that it was necessary for him to use serious language. I thereupon informed Mr. Oumansky that if he felt so deeply about the matter and was of the opinion that such serious language was necessary, it seemed to me that he should address himself to officials of the Department of a higher rank than myself, and I suggested that he might talk over the matter with the Counselor

⁵³ Letter of March 2, 1939; not printed.

⁵⁴ A copy of this memorandum was handed on March 7, 1939, to the Assistant Chief of the Criminal Division, Department of Justice.

of the Department,⁵⁵ who was fully conversant with the legal and other aspects of the case. Mr. Oumansky stated that if I felt it advisable he would be glad to talk with the Counselor. I thereupon arranged by telephone for Mr. Oumansky to see Judge Moore immediately.⁵⁶

311.6121 Gorin, M. N./24

The Director of the Federal Bureau of Investigation (Hoover) to the Secretary of State

WASHINGTON, March 16, 1939.

MY DEAR MR. SECRETARY: Reference is made to my previous letters to you dated December 17, 1938, and February 7, 1939,⁵⁷ furnishing you with information developed relative to the case entitled *Hafis Salich; Mikhail Nicholas Gorin*, with aliases; *Natasha Gorin*,⁵⁸ with alias; *Espionage*.

For your information, the most recent developments in this case are as follows:

The trial in this case started in Federal Court in Los Angeles, California, on February 21, 1939. On March 7, the Court directed a verdict of not guilty as to Natasha Gorin on counts 1 and 2 of the indictment, which were for substantive violations. Count 3 of the indictment, which related to a conspiracy charge, was permitted to stand, and the Court refused a motion for a directed verdict for defendants Hafis Salich and Mikhail Nicholas Gorin on all counts. On March 10, 1939, the jury returned a verdict of guilty as to defendants Salich and Gorin on all counts. Natasha Gorin was acquitted. The defendants have not yet been sentenced.

Sincerely yours,

JOHN EDGAR HOOVER

311.6121 Gorin, M. N./28

*The Embassy of the Soviet Union to the Department of State*⁵⁹

It has come to the attention of the Government of the Union of Soviet Socialist Republics that in the course of a recent trial held in the Federal District Court for the Southern District of California in the city of Los Angeles in which two Soviet citizens, Mr. Michael Gorin and his wife, Mrs. Natasha Gorin, were among the defendants, the United States Attorney for the Southern District of California

⁵⁵ R. Walton Moore.

⁵⁶ A penciled notation on this memorandum reads: "O[umansky] came in & I have nothing of interest to add to above. R. W. M."

⁵⁷ Neither printed.

⁵⁸ Wife of Mikhail Nicholas Gorin.

⁵⁹ Handed to the Chief of the Division of European Affairs by the Soviet Chargé on March 18, 1939.

resorted to a series of inferences and allegations against the Government of the Union of Soviet Socialist Republics as well as against its diplomatic and consular officers in the United States.

Without desire to pass on the merits of the charges against the above-mentioned Soviet citizens nor to comment upon other aspects of the case, the Embassy of the Union of Soviet Socialist Republics, upon instruction of its Government, invites the attention of the Department of State to the conduct and some of the remarks of the Federal official entrusted to represent the United States Government in the Court.

The instances of the United States Attorney's unusual statements which are quoted below are taken from the Stenographer's Minutes in the case entitled "*United States of America versus Hafis Salih et al.*"

As it is known to the Department of State, Mr. Gorin, when detained for many hours by the Federal authorities on December 12th without a warrant, exercised his right to bring this fact to the attention of the Embassy of his country in Washington, since at the time there was no Soviet consular officer in the city of Los Angeles. This procedure which, as the Department of State is well aware, is the normal one to be resorted to by any foreign national under similar circumstances, has been construed by the United States Attorney as evidence against the defendant. After eliciting from Government witnesses the fact that the defendant, Gorin, communicated with the Chargé d'Affaires of his country at the time of his, Gorin's detention and arrest, the United States Attorney addressed the Court in this language:

"Mr. Harrison: If the Court please, it is our contention that these are admissions of the connection of the defendant, Gorin, with the Russian Government showing that the information they were gathering was for the benefit of a foreign government and shows his contacts and his connection with it."

(Minutes, page 442)

To the objections of the counsel for the defense against the introduction of these facts as evidence and to his statement that:

"when a national of a foreign power is arrested in this country, he has the right to call upon the Ambassador of his country and talk to him, seek his aid or assistance in connection with his arrest, and that any statement made upon such an occasion unless it be by way of an admission or confession, is inadmissible in evidence"

(Minutes, *ibid*).

the United States Attorney responded:

"It is an unusual situation where a national will call an Ambassador three thousand miles away . . .⁹⁰ it certainly shows more than the

⁹⁰ Omission indicated in the original.

casual report of a national or a request of a national to his Ambassador".

(Minutes, *ibid*)

The United States Attorney eventually succeeded in introducing the defendant's routine contact with the representative of his country as evidence against the defendant and as an important factor of the defendant's guilt.⁶¹

After having originally asserted that Mr. Gorin, in connection with his arrest, had been in direct telephonic communication with Ambassador Troyanovsky the Federal Prosecutor agreed with counsel for the defense to stipulate that such communication could not have taken place in view of the Ambassador's absence from the country. The United States Attorney, however, coupled this admission with the following gratuitous remarks:

"Mr. Harrison: Since then, I believe I have read in the paper what happened to the Ambassador last summer, so I am willing to accept the stipulation.

"Mr. Pacht (Counsel for the Defense): You mean, what is alleged to have happened?

"Mr. Harrison: I mean to accept what the press reports state."

(Minutes, page 832)

In a like manner the meeting between the imprisoned defendant, Mr. Gorin, and Mr. Ivanoushkin, Vice Consul of the Union of Soviet Socialist Republics in New York, who was dispatched to Los Angeles, as the Department of State was notified by the Embassy, was equally construed by the United States Attorney as evidence against the defendant. Alleged statements, attributed to Vice Consul Ivanoushkin by the Government witness, Lieutenant Maxwell, according to which Mr. Ivanoushkin advised Mr. Gorin not to admit any connection with certain evidence in the trial, were utilized by the Federal attorneys against the defendant. The Federal Attorney permitted this testimony of Lieutenant Maxwell of the United States Navy who was detailed to overhear conversations between the Vice Consul and the defendant Gorin, and in arguing against the objection raised by the attorney for the defense, stated that he believed that the version of the conversation between the Vice Consul and the defendant was "one of the links in the case." (Minutes, 495-501). The Embassy of the Union of Soviet Socialist Republics already had had opportunity to bring to the attention of the Department of State the fact that according to the information at its disposal the statement imputed to the Vice Consul was wholly unfounded and that his conversation with the defendant was entirely confined to the usual questioning about the defendant's physical welfare and his right to counsel.⁶² These

⁶¹ See footnote 46, p. 919.

⁶² See footnote 49, p. 919.

facts which as it is hoped, were brought in due time by the Department of State to the attention of the appropriate agencies of the United States Government, were wholly ignored by the United States Attorney.

Finally in the course of the trial the Federal Prosecutor and his assistant time and again suggested an intent and desire of the Government of the Union of Soviet Socialist Republics to weaken and undermine the national defense of the United States; in their comments they cast aspersions on the friendly feelings of the Government and of the people of the Union of Soviet Socialist Republics towards the United States and assumed to interpret the foreign policy of the Government of the Union of Soviet Socialist Republics. Thus in summing up to the jury the United States Attorney stated:

“Would it not be just as probable that Japan and Russia may get together against the United States? Isn't it more likely that Stalin, dictator that he is and Japan with their emperor form of government, come to a combination against the United States? . . .⁶³ I think that it is worth some study and some thought when they tell you what a good friend Russia is of this nation.”

The record discloses analogous statements by the representatives of the Federal Government before the Court as well as such instances as discourteous references to a member of the Soviet Government, Mr. Michael Kaganovitch, People's Commissar of the Aviation Industry.

Reserving its opinion on the question to what extent inferences and allegations by the Federal Attorney might have affected the verdict of the jury, the Embassy of the Union of Soviet Socialist Republics upon instruction of its Government and for the purpose of such action as the Department of State may deem appropriate, expresses its belief that the remarks and the conduct of a high Federal official in the course of that trial were not in accord either with international usage or with the friendly relations existing between the two countries.

WASHINGTON, March 18, 1939.

311.6121 Gorin, M. N./31

The Secretary of State to the Chargé of the Soviet Union (Umansky)

The Secretary of State presents his compliments to the Chargé d'Affaires ad interim of the Union of Soviet Socialist Republics and informs the Chargé d'Affaires that a copy of the memorandum relating to the recent trial of Mr. Michael Gorin and Mrs. Natasha Gorin in the Federal District Court for the Southern District of California,

⁶³ Omission indicated in the original.

which was presented by the Chargé d'Affaires to Mr. Moffat on March 18, 1939, has been transmitted to the Attorney General of the United States for consideration.

WASHINGTON, March 24, 1939.

[After consideration, the Assistant Chief of the Division of European Affairs, Loy W. Henderson, recommended in a memorandum dated April 13, 1939, that the reply received from the Department of Justice in its letter of April 6, 1939, should be filed because it "would not result in any assuagement of injured Soviet feelings," nor should any further communication be sent "unless the Soviet Embassy reopens the matter." The Adviser on Political Affairs, James C. Dunn, concurred in this disposition. (311.6121 Gorin, M. N./35)

On March 20, 1939, Gorin was sentenced to 6 years' imprisonment and to pay a fine of \$10,000; Salich was sentenced to 4 years' imprisonment and also fined \$10,000. The Federal Court of Appeals upheld the conviction (April 22, 1940), and the United States Supreme Court held a hearing on the case (December 20, 1940). The Supreme Court on January 13, 1941, upheld the conviction for the theft and sale to the Soviet Union of naval data on Japanese activities in the United States, Mexico, and Central America. (311.6121 Gorin, M. N./38, 421½; *Gorin vs. United States*, 312 U. S. 19.) A few days afterward the Soviet Ambassador came to the Department of State with a proposition looking toward the release of Gorin, upon which further negotiations ensued.]

DIFFICULTIES WITH THE SOVIET GOVERNMENT OVER THE REQUIREMENT FOR THE REGISTRATION OF AGENTS IN THE UNITED STATES OF FOREIGN PRINCIPALS

702.0011/206a : Circular

The Secretary of State to All Chiefs of Mission in the United States

The Secretary of State presents his compliments to Their Excellencies and Messieurs the Chiefs of Mission and has the honor to request that the Department of State be furnished with a complete biographical record of each consular officer of their respective governments now assigned in the United States or its possessions, which record shall show his address, nationality, whether a career or honorary officer, place of service, capacity in which he is serving, a chronological record of previous service or business occupation, and an indication of any office he holds in the United States connected with the Federal, State, or local government.

The Secretary of State further requests that a similar biographical record accompany each future request for the recognition of a newly assigned consular officer and be furnished promptly upon the assignment in the United States or its possessions of a consular officer for whom official recognition by the Government of the United States is not required.

In addition to the information requested above, the Secretary of State will appreciate being advised of the full name, address, nationality, capacity in which serving, and place of service of any other officers or employees (other than diplomatic and consular officers and employees of embassies and legations whose names are regularly sent to the Department for inclusion in the official lists maintained by the Department) who are resident in the United States or its possessions as officers or employees of their respective governments or agencies or departments of those governments who receive wages, fees or salaries as compensation for official service to such governments. The Secretary of State further requests that hereafter a similar record be furnished promptly upon the assignment to duty in the United States or its possessions of such officers or employees. Whenever such an officer or employee plans to leave the United States, the port and date of departure and the name of the vessel upon which he will sail should be furnished the Department as requested in the Department's note of August 15, 1938, to the Chiefs of Mission.^{63a} It should be stated that the provisions of the Act of Congress approved June 8, 1938 (Public No. 583—75th Congress),⁶⁴ and the rules and regulations thereunder governing the registration of agents of foreign principals require the registration with the Secretary of State of any representatives of foreign countries (other than accredited diplomatic and consular officers whose diplomatic or consular status is of record in the Department of State of the United States) employed in the embassies, legations and consulates or other government offices whose functions in the United States are of a responsible character or are at any time carried on without direct supervision or who engage in political activities of any kind. In this connection reference may be made to the Department's circular notes of September 6 and September 23, 1938.⁶⁵

The Secretary of State would also appreciate being promptly informed of the date of assumption of duty of each consular or other officer (except diplomatic officers) and consular or diplomatic employee of a foreign government hereafter assigned to duty in the United States or its possessions and of the date of termination of the tour of duty of each such officer or employee of a foreign government

^{63a} Not printed.

⁶⁴ 52 Stat. 631.

⁶⁵ Neither printed.

now or hereafter assigned to duty in the United States or its possessions regardless of whether his name appears in the "List of Employees in the Embassies and Legations in Washington Not Printed in the Diplomatic List" or the list of "Foreign Consular Offices in the United States".

Beginning July 1, 1939, Their Excellencies and Messieurs the Chiefs of Mission are requested to supply the Department of State on January 1 and July 1 of each year with:

1. A list of all consular officers of their respective governments in the United States or its possessions showing the full name, address, nationality, capacity in which serving, and place of service of each officer.

2. A list of all other officers (except diplomatic officers) and of all consular and other employees of their respective governments in the United States or its possessions (other than those whose names are furnished for publication in the "List of Employees in the Embassies and Legations in Washington Not Printed in the Diplomatic List") showing the full name, address, nationality, capacity in which serving, and place of service of each officer or employee.

The information requested in this note is, of course, in addition to that furnished by the Chiefs of Mission for publication in the "List of Employees in the Embassies and Legations in Washington Not Printed in the Diplomatic List" which it is expected they will continue to submit as heretofore.

There have been prepared for the convenience of the missions two forms for their use in supplying the information requested in this note. Copies of the forms will be sent to the missions upon request. A specimen of each form is enclosed.⁶⁶

CORDELL HULL

WASHINGTON, March 30, 1939.

S61.01B11/68

Memorandum by the Assistant Secretary of State (Messersmith)

[WASHINGTON,] April 20, 1939.

I have noted with interest the memorandum⁶⁷ of the conversation which Mr. Henderson had with Mr. Oumansky, Chargé d'Affaires, a. i. of the Soviet Union, with regard to the Department's recent circular to Chiefs of Mission in Washington requesting information regarding officers and employees of foreign governments residing in, or engaged in activities, in the United States. The information which Mr. Oumansky himself has given with regard to the number of per-

⁶⁶ Neither printed.

⁶⁷ Memorandum of April 14, 1939, not printed.

sons which the Soviet Government has in this country for one reason or another, and particularly his statement that practically every Soviet Union citizen in this country is in some way or other an employee of the Soviet Government, indicates to this Government the need for all information concerning their presence here and their arrival and departure. It is just this situation which Mr. Oumansky describes, and from which he desires relief, which we are trying to control.

In view of the existing situation with which we have to deal and of the obvious activities of certain governments, it is necessary for us to have the information called for in our circular instruction to Chiefs of Mission in Washington dated March 30, 1939. I think we must insist upon and require a very prompt and full compliance with this circular by Chiefs of Mission and foreign Consular officers in this country. The failure of any Chief of Mission or Consular establishments to provide the information promptly according to this circular should be reported to the appropriate Chief of the political division in the Department so that steps leading to full compliance may be taken.

With specific reference to Mr. Oumansky's request, I think he should be informed that we must require full compliance with the circular. He cannot offer any real objection because the Soviet Government is requiring us to give full and prompt information concerning all the officers of our Government stationed in that country, including even domestic servants who may be in the employ of our officers. The fact that the Soviet Government has further categories of persons in this country other than diplomatic and consular officers does not change the situation. They are, as the Chargé d'Affaires states, employees of the Soviet Union. It is therefore proper and necessary that we should be informed when they come, what they do and when they leave, irrespective of whether they may have recognition under international law and practice. It does seem that so far as employees of the Soviet Government are concerned, other than diplomatic and consular officers, it would serve our purpose adequately if the Soviet Embassy will furnish the Department every month with a statement of arrivals, functions, changes in place of duty and departures of persons who are not accorded diplomatic or consular status.

The fact that this may involve a certain amount of routine tasks for the Soviet Embassy or Soviet officials in this country is not a matter of our concern. They did not hesitate to impose a similar burden on us in Russia where we have only diplomatic and consular officers, all recognized representatives of our Government. They must similarly be willing to furnish us this information here for all officers or employees the Soviet Union may have in this country.

G[EORGE] S. M[ESSERSMITH]

861.01B11/62a

*The Department of State to the Embassy of the Soviet Union*⁶⁸

MEMORANDUM

The Soviet Ambassador,⁶⁹ during a conversation with Mr. Moffat on June 2, 1939⁷⁰ referred to the memorandum which Mr. Moffat had sent to him under cover of a letter dated May 24, 1939⁷¹ relating to the registration with the Department of State of officials and employees of the Soviet Government in the United States.

The Soviet Ambassador made the point that the regulations as outlined in the circular note sent to all diplomatic missions in Washington under date of March 30, 1939, and as clarified in the memorandum sent to him by Mr. Moffat, tended to discriminate against Soviet merchants, business men and so forth, since under the Soviet system such persons are classed as governmental employees and should therefore be included in the Embassy's reports, whereas it would not be necessary for reports to be made upon most business men of other countries. He also pointed out that such reporting would result in a heavy burden of work being placed on the Embassy.

The Soviet Ambassador apparently was also under the impression that the suggestions contained in the memorandum sent to him by Mr. Moffat, if carried out by the Soviet Embassy, would result in the Soviet mission's being compelled to furnish information of a type which other missions would not be required to supply. He raised various questions, several of which, it seems, were put for the purpose of ascertaining whether the procedure outlined in the memorandum for reporting to the Department the presence and activities of Soviet officials in this country was more far-reaching than the procedure which other missions were expected to follow in reporting upon officials or employees of their governments in this country.

The Department's circular note of March 30, 1939 requiring reports upon officials and employees of foreign governments in the United States was prompted by the provisions of the Act of Congress approved June 8, 1938 (Public No. 583—75th Congress). The requirements were not intended to apply to one diplomatic mission any more or less rigidly than to another. It is regretted that, in view of the large number of officials and employees of the Soviet Government in this country, the procedure will place a particularly heavy burden of routine work upon the Soviet Embassy.

⁶⁸ Handed to the Soviet Chargé on August 8, 1939.

⁶⁹ Konstantin Alexandrovich Umansky had presented his letter of credence to President Roosevelt as Soviet Ambassador on June 6, 1939.

⁷⁰ Memorandum of conversation not printed.

⁷¹ Not printed.

The suggestions contained in the memorandum forwarded by Mr. Moffat to the Soviet Ambassador were advanced with the purpose of simplifying, so far as possible, the procedure under which the Soviet Embassy would report the movements of Soviet officials and employees in this country, and to lighten rather than to increase the work of that Embassy. It should be emphasized that a number of these suggestions relate to methods for reporting the whereabouts and activities of those officials and employees of the Soviet Government who have no fixed place of service in the United States, and do not apply to such officials and employees who have permanent places of business in this country. It would appear from the questions put to Mr. Moffat by the Soviet Ambassador that the latter was laboring under the impression that monthly reports were required of the movements of all officials and employees of the Soviet Government in this country, regardless of whether or not the nature of their duties permitted them to have a fixed place of service or required them to engage in almost constant travel.

Attached hereto is an annex ⁷² setting forth the specific questions raised by the Soviet Ambassador, and informal replies thereto.

WASHINGTON, August 8, 1939.

800.01B11 Registration—Bookniga Corporation/35 : Telegram

The Ambassador in the Soviet Union (Steinhardt) to the Secretary of State

Moscow, December 20, 1939—5 p. m.
[Received December 20—2: 40 p. m.]

1117. Potemkin requested me to call at the Foreign Office yesterday afternoon and said that he wished to speak to me concerning a report he had received regarding the institution of criminal proceedings against the members of the board of directors of the Bookniga Corporation.⁷³ He told me that the Soviet Government was concerned with the growth of anti-Soviet feeling in the United States, of which the proceedings against Bookniga was the latest evidence. I told Potemkin that I had no knowledge of the proceedings to which he referred but that I would report his observations to my Government, whereupon he promised to send me a memorandum setting forth the facts in the case and the position of the Soviet Government with respect thereto.

The memorandum which has now been delivered may be summarized

⁷² Not printed.

⁷³ Morris Liskin, Norman Weinberg, and Raphael Rush (Rusz) were indicted on December 16, 1939.

as follows: That on December 16 the Soviet citizens Nikolski and Ilyin,⁷⁴ who are members of the board of directors of Bookniga, were questioned by the United States Attorney General on charges of violating the law concerning the registration of foreign agencies, and the carrying on of foreign propaganda in the United States. According to the Soviet Embassy in Washington, Bookniga was properly registered in May 1939 with the appropriate authorities in the United States, and had furnished all pertinent data concerning its board of directors and connection with the international book store in Moscow.⁷⁵ The memorandum continues that "the instigation of criminal proceedings against the members of the board of directors constitutes a fact difficult of explanation". The memorandum then charges that as there exist in the United States many organizations which, although registered as American, operate with foreign capital whose activities have not been obstructed, the institution of criminal proceedings against the employees of Bookniga creates the impression that because of the connection between this organization and the Soviet Union discrimination is being practiced, the political character of which is sufficiently illustrated by the fact that in the present case accusations of propaganda against the United States, conspiracy, falsification of passports, etc., have been made. The memorandum concludes:

"In connection with the foregoing, the People's Commissariat for Foreign Affairs makes representations to the Embassy of the United States in Moscow with respect to the following: (1) The entirely unfounded nature of the charges brought against the members of the board of directors of Bookniga, Incorporated; (2) the discrimination noted above which is inadmissible; and (3) the necessity of protecting Soviet citizens in the territory of the United States from persecution instigated for tendentious anti-Soviet purposes.[⁷⁶"]

During our conversation Potemkin remarked that he was unable to understand why such tactics as are reported above were resorted to when, if the Government of the United States really found the presence of Bookniga or Amkino,⁷⁶ or any other Soviet organization undesirable, it would be preferable to say so frankly and take the matter up with the Soviet Government. In discussing the general subject he observed that in view of the nature of the charges against Bookniga as set forth above his Government was apprehensive lest charges of a similar character might be made against Amtorg next.

STEINHARDT

⁷⁴ Boris Nikolsky and I. A. Ilyin later (December 27, 1939) admitted willful omission of material information in registry, and were fined.

⁷⁵ Mezhdunarodnaya Kniga, International Book Company, the central distributor for Soviet publications, in Moscow.

⁷⁶ Amkino Corporation, New York, N. Y., the Soviet motion picture film organization in the United States, distributors.

800.01B11 Registration—Bookniga Corporation/37: Telegram

*The Secretary of State to the Ambassador in the Soviet Union
(Steinhardt)*

WASHINGTON, December 22, 1939—7 p. m.

311. Your 1117, December 20, 5 p. m. You may inform the Foreign Office that:

(1) The Bookniga Corporation appears to have engaged in activities of a character which require registration under existing federal legislation. Although the requirement of registration was brought to the attention of the corporation on several occasions, it nevertheless failed to register. On December 19th the President of the Bookniga Corporation pleaded guilty to charges that he failed to register the corporation as a foreign agent.⁷⁷

(2) Corporations or agents engaged only in activities in furtherance of bona fide trade or commerce within the meaning of the registration act are not subject to the requirement of registration. If the Amtorg Trading Corporation, as it has informed the Department, is engaged only in activities of this kind, it is not subject to the requirements of that law.

(3) The law is being applied without discrimination. This Government, however, cannot accept even to a remote degree the implication that the prosecution of any person or firm for violation of a law of the United States can be regarded as persecution.

You might unofficially and informally intimate that the Government was impressed with the offensive tone of the memorandum. No prosecution is motivated by the fact that the defendants have Soviet connections. On the other hand, no prosecution for an actual violation of law would be withheld or delayed through any fear lest it be construed as "persecution", merely because the defendants may have such connections.

Bookniga Incorporated, which was apparently established to assume the functions of the Bookniga Corporation subsequent to the dissolution of the latter corporation on April 6, 1939, registered pursuant to applicable legislation on June 21, 1939, and the Department has not therefore had occasion to refer the names of Bookniga Incorporated or of any of its officers to the Department of Justice for investigation. Had the Bookniga Corporation complied with applicable legislation, no action would have been taken against it.

HULL

⁷⁷ Morris Liskin admitted being a foreign agent, but denied charges of conspiracy, etc.

PRESSURE BY THE SOVIET UNION UPON ESTONIA, LATVIA, AND
LITHUANIA TO CONCLUDE PACTS OF MUTUAL ASSISTANCE

740.00/836 : Telegram

The Chargé in Latvia (Packer) to the Secretary of State

RIGA, April 16, 1939—noon.

[Received April 16—9:45 a. m.]

29. Legation's 25, April 8, 5 p. m., and 27, April 11, 11 a. m.^{77a} Minister of Foreign Affairs⁷⁸ informed me last night that on March 27 Litvinov saw separately the Estonian and the Latvian Ministers in Moscow⁷⁹ and informed them orally to the following effect: Soviet Union had been glad by treaty of peace to recognize Latvian [and] Estonian independence⁸⁰ and also to enter into special protocol⁸¹ putting into effect the Kellogg-Briand Pact.⁸² It was unwilling to see that independence reduced or infringed upon and it could not remain inactive if any attempt were made in that direction.

After a consultation between Estonian and Latvian Governments, Latvian Minister in Moscow had replied orally on April 7th that Latvian Government was gratified at Soviet expression of interest in maintenance of Latvian independence and it was prepared with all its forces to resist any attempt whatever to impair it. Estonian reply was practically identical.

In reply to my inquiry whether "remain inactive" meant use of troops, Munters stated Soviet attitude had not been defined with more precision than he had stated.

He stated further that premature publicity concerning the Soviet *détente* [*démarche*] had leaked out in Estonia and that Latvian Government might issue communiqué shortly; also that other stories concerning Soviet statement, in particular one alleging offer Soviet assistance, were incorrect.

In reply to my inquiry he denied that any German demands had been made on Latvia. Moscow and Tallinn informed.

PACKER

^{77a} Neither printed.

⁷⁸ Vilhelms Munters.

⁷⁹ August Rei and Fricis Kocins, respectively.

⁸⁰ Treaty with Latvia signed at Riga, August 11, 1920; for text see League of Nations Treaty Series, vol. II, p. 195. Treaty with Estonia signed at Dorpat (Tartu, Yuryev), February 2, 1920; for text, see *ibid.*, vol. XI, p. 29.

⁸¹ Protocol for the Immediate Entry into Force of the Treaty of Paris (Kellogg-Briand Pact) of August 27, 1928, signed by Estonia, Latvia, Poland, Rumania, and the Soviet Union at Moscow, February 9, 1929; for text, see *ibid.*, vol. LXXXIX, p. 369.

⁸² *Foreign Relations*, 1928, vol. I, p. 153.

7601.61/111 : Telegram

*The Chargé in Estonia (Leonard) to the Secretary of State*TALLINN, April 19, 1939—2 p. m.
[Received April 19—10:34 a. m.]

13. I have inquired from the Minister of Foreign Affairs⁸³ concerning rumored assistance to Estonia offered by Soviet Government and was confidentially furnished with copies of a communication to the Estonian Minister at Moscow dated March 28th indicating that Russia could not remain passive if the independence of Estonia were restricted either freely or through outside pressure, to which on April 7th Estonian Government replied it could never consent to any restriction of its sovereignty but that to it alone belonged the right to judge when its rights were infringed, and that it could not share with any other state the right and duty to care for its neutrality and its independence.⁸⁴ Despatch follows⁸⁵ in the pouch enclosing above-mentioned copies of communications.

LEONARD

760n.00/201

The Chargé in Lithuania (Gufler) to the Secretary of State

No. 473 (Diplomatic)

KAUNAS, June 8, 1939.
[Received June 20.]

SIR: I have the honor to report that the Latvian Minister⁸⁶ informed me yesterday that the Baltic States were very anxious not to be mentioned as guaranteed states in agreements between groups of other powers and that they were, therefore, not pleased by the suggestion made recently by the Soviet Commissar for Foreign Affairs⁸⁷ to the effect that Great Britain guarantee the boundaries of those states on the Baltic bordering on the Soviet Union. He remarked that his country and Estonia preferred not to be mentioned by name in any agreements between great powers of either group in such a way as to imply that they were associated or might become associated with the group mentioning them. In reply to questions as to where they stand and what action they propose to take in the event war breaks out, they have always answered that they are neutral and intend to

⁸³ Karl Selter.⁸⁴ The American Chargé in Moscow, in commenting upon this Soviet *démarche* in his despatch No. 2285, April 26, 1939, stated that since there had been no positive result "its chief importance lies in the fact that it reveals the strategic importance which the Soviet Union attaches to the Baltic States bordering on its frontiers", and that as far as was known no similar approach had been made to Lithuania. (740.00/1517)⁸⁵ Despatch No. 84, April 25, not printed.⁸⁶ Ludvigs Seja.⁸⁷ Vyacheslav Mikhailovich Molotov, since May 3, 1939.

remain so and that they will defend their neutrality by force of arms against any power that seeks to violate it. He went on to say that he hoped, with good expectation that his hopes would be fulfilled, that the Western Powers and the Soviet Union would arrive at some formula covering the situation in Eastern Europe without mentioning by name any of the states in this region. He added that Estonia and Latvia were happy to have non-aggression pacts with both Germany⁸⁸ and the Soviet Union⁸⁹ and would also be very pleased to have the sort of guaranty from the Western Powers that Lithuania already had in the British-Polish Agreement.⁹⁰

He was of the opinion that an implied guaranty of this kind was the finest sort of guaranty that the small countries in this part of the world could have. The Poles must, he said, regard an attack by Germany on Lithuania as a move to encircle Poland, and, since under the agreement with Great Britain, Poland has the right to determine when Polish independence is threatened, the British guaranty is almost certain to be brought into operation by a German attack on Lithuania. He went on to say that instead of being left out of consideration and at the mercy of Germany by not being mentioned by the Soviet Foreign Commissar, Lithuania might be considered as already having all that it could wish in the way of guaranties.

In reply to a question as to whether that was the official Lithuanian opinion, he answered, "Oh, if you were to ask directly, the Lithuanians might not say so or might evade answering the question, but I know very well how they feel".

Some days previously the Estonian Minister⁹¹ told me with an air of satisfaction that Latvia and Lithuania have now been forced by the logic of events to see that the policy of absolute neutrality long advocated by Estonia was the only possible one for the Baltic States. In his opinion great care must be taken by all of the smaller states in the Baltic region to avoid any appearance of association with either of the groups of Great Powers against the other. Not only is this policy of neutrality dictated by prudence because of the present delicate state of affairs but on a long term basis it suits the real long term

⁸⁸ Treaty with Estonia signed June 7, 1939; for text, see German Foreign Office, *Documents on the Events Preceding the Outbreak of the War* (New York, 1940), No. 346, p. 367. Treaty with Latvia signed June 7, 1939; for text, see *ibid.*, No. 347, p. 368.

⁸⁹ Treaty with Estonia signed May 4, 1932; for text, see League of Nations Treaty Series, vol. CXXXI, p. 297. Treaty with Latvia signed February 5, 1932; for text, see *ibid.*, vol. CXLVIII, p. 113.

⁹⁰ The British Prime Minister, Neville Chamberlain, made a statement on March 31, 1939, in the House of Commons in which he announced the assurance of British and French support to Poland "in the event of any action which clearly threatened Polish independence, and which the Polish Government accordingly considered it vital to resist." The permanent agreement of mutual assistance between the United Kingdom and Poland was signed at London on August 25, 1939, British Cmd. 6106, Misc. No. 9 (1939), pp. 36-37.

⁹¹ Aleksander Warma.

interests of the Baltic States. It would, he said, be very dangerous to the continued independence of Estonia should either Russia or Germany collapse. Estonia needs a strong Russia and a strong Germany and has no desire to aid either to overcome the other. He expressed satisfaction that Estonia already had a non-aggression pact with the Soviet Union and would shortly have one with Germany.

Respectfully yours,

BERNARD GUFLEK

741.61/722 : Telegram

The Chargé in the Soviet Union (Grummon) to the Secretary of State

Moscow, June 22, 1939—noon.

[Received June 22—10:30 a. m.]

329. The representatives in Moscow of the three Baltic States⁹² for whom guarantees are demanded by the Soviet Government are making no attempt to disguise their distrust of the intentions of the Soviet Government with respect to the Baltic and their alarm at the possibility that their countries will be "sacrificed" by Great Britain and France through the acceptance of Soviet demands which are regarded as designed to establish Soviet hegemony over the Baltic region.

The Latvian Minister here has informed me in confidence that in an interview which he had with Molotov on June 6 the latter had informed him that a guarantee of the Baltic States had been discussed only in principle and that when the discussions were completed Latvia would be informed of their results. I understand that a similar reply was given by Molotov to the Estonian Minister here. The Latvian Minister further stated in strict confidence that his Government had confidence in the intentions of the British Government and that he was satisfied that the British Ambassador⁹³ here and Strang⁹⁴ with whom he had discussed the matter were fully aware of the implications of the Russian demands and of the attitude of his country but that less confidence was felt in the French Government which it was feared might be prepared to sacrifice the interests of the Baltic States in order to obtain Soviet inclusion in the anti-aggression front.

The Minister added that since Molotov has been Commissar for Foreign Affairs Soviet policy had stood clearly revealed as one of a reversion to Russian nationalism. He stressed emphatically the intention of Latvia to defend by force of arms if necessary any attempt to invade its territory or impair its independence either by Germany or

⁹² Dr. Ladas Natkevičius was the Lithuanian Minister in the Soviet Union.

⁹³ Sir William Seeds.

⁹⁴ William Strang, head of the Central Department of the British Foreign Office, temporarily in Moscow in connection with the Anglo-French alliance negotiations with the Soviet Union.

by the Soviet Union. A member of his staff has offered his personal opinion that since the chief concern of his Government is that the Kremlin might be given a unilateral right of decision as to what constitutes a threat to the independence or neutrality of the Baltic States and that a formula which would require the consent of England and France in determining the validity of any such threat would be less objectionable to the countries concerned.

GRUMMON

740.00111 European War 1939/72: Telegram

The Chargé in Estonia (Leonard) to the Secretary of State

TALLINN, September 5, 1939—4 p. m.
[Received September 5—1:42 p. m.]

43. Supplementing my telegram No. 41,⁹⁵ Estonia's neutrality proclamation makes effective the neutrality law of December 3, 1938, a translation of which was furnished to the Department in despatch dated February 13, 1939.^{95a}

Estonian Foreign Office as well as Chief of the Army Staff do not place credence in rumors of a secret understanding between Germany and the Soviet Union contemplating the Soviets' occupation of Estonia nor do they believe that any present Russian troop movements on the western frontier point to that end.

LEONARD

740.00111 European War 1939/367: Telegram

The Minister in Latvia (Wiley)⁹⁶ to the Secretary of State

RIGA, September 17, 1939—2 a. m. [p. m.]
[Received September 17—12:38 p. m.]

153. Soviet Military Attaché informs Major Huthsteiner that Molotov has notified Baltic States that if they observed favorable neutrality their independence would be respected. He added that if Latvia mobilized and concentrated troops on Soviet frontier such action would be resented.

He spoke of German endeavors to incite Lithuania to raise claims to Vilna area. He said that he had been assured by Lithuanian Military Attaché that his country would remain neutral. He made it clear that he regarded this German initiative as unfriendly to the Soviet Union. (Please inform War Department.)

Counselor of Soviet Legation in talking to Packer justified Soviet

⁹⁵ Dated September 2, 9 a. m., not printed.

^{95a} Not printed.

⁹⁶ John C. Wiley was American Minister to Estonia and Latvia, with residence in Riga.

action by bad treatment meted out to Ukrainian [and] White Russian minorities in Poland. He rather alarmingly went on in the same tenor about bad minority treatment in Latgale⁹⁷ (Southern Province of Latvia) and Latvia's mistake in not accepting Soviet guarantee.

In conversation with German Counselor latter volunteered statement to Packer that Baltic States were not mentioned in Ribbentrop-Molotov negotiations⁹⁸ and intimated that he foresaw no immediate danger to this area. He added rather curiously that 80 percent of Letts would prefer a "Russian" to a German regime in Latvia.

WILEY

740.0011 European War 1939/511: Telegram

The Ambassador in the Soviet Union (Steinhardt) to the Secretary of State

Moscow, September 23, 1939—6 p. m.
[Received September 23—4: 43 p. m.⁹⁹]

599. My telegram No. 566, September 19, 3 p. m.¹ The Estonian Foreign Minister is arriving in Moscow tomorrow. A member of the Estonian Legation here stated in confidence that the purpose of his visit is the signature of a commercial agreement between the Russian Soviet and Estonia which will provide for enlarged transit and storage facilities for Soviet products in transit through Estonia and similar transit facilities for Estonian goods in the Soviet Union. In addition the agreement will provide for an increase trade turnover between the two countries. The agreement was apparently hastily negotiated since it was stated that the negotiations began only on September 15. Although my informant was somewhat vague on this point I received the impression that negotiations were begun on Soviet initiative.

Although my informant maintained that the purpose of the Foreign Minister's visit was to sign the commercial treaty, he admitted that the visit was at the request of the Soviet Government and that political questions might be discussed but professed to be unable to state the nature thereof.

It would appear from the foregoing that the Soviet Government is concluding this treaty with Estonia in order to obtain increased transit facilities through Estonia for Soviet supplies to Germany. The proposed increased export of goods from Estonia to the Soviet Union can hardly be of very great importance to this country.

⁹⁷ Latgalla.

⁹⁸ For the texts of the Treaty of Nonaggression between Germany and the Soviet Union, and the Secret Additional Protocol, signed at Moscow on August 23, 1939, see Department of State, *Nazi-Soviet Relations, 1939-1941* (Washington, Government Printing Office, 1948), pp. 76-78.

⁹⁹ Telegram in two sections.

¹ Not printed.

I consider it likely that matters of a more far reaching nature possibly affecting the fortified Estonian islands at the mouth of the Gulf of Finland may be discussed during the visit of the Foreign Minister.

STEINHARDT

6601.6131/42 : Telegram

The Ambassador in the Soviet Union (Steinhardt) to the Secretary of State

Moscow, September 25, 1939—noon.

[Received September 25—7:05 p. m. (a. m.?)]

609. My telegram No. 599, September 23, 5 [6] p. m. The Estonian Foreign Minister who arrived yesterday was summoned to the Kremlin last night from the ballet. He returned to the hotel at which he was stopping, collected his luggage and spent the rest of the night at the Estonian Legation. He flew back to Tallinn via Riga by 8 o'clock plane this morning. The Estonian Minister here is leaving by air tomorrow for Tallinn.

I have not yet been able to ascertain the reason for the Foreign Minister's sudden departure but it appears certain that he was presented with certain demands at the Kremlin possibly along the lines indicated in the last sentence of my telegram No. 599, September 23, 5 [6] p. m., or even of a more far reaching nature.

Repeated to Riga.

STEINHARDT

740.0011 European War 1939/554 : Telegram

The Ambassador in the Soviet Union (Steinhardt) to the Secretary of State

Moscow, September 26, 1939—noon.

[Received September 26—8:03 a. m.]

614. In view of the fact Russia and Germany now have a common frontier with the probability of the establishment of direct rail traffic between Moscow and Berlin within the near future and having regard to the probable conclusion of a commercial treaty between Estonia and the Soviet Union which will provide for increased transit and storage facilities for Soviet goods through Estonia clearly designed to facilitate Russian supplies to Germany, the possibility arises that the Soviet Union will serve as a medium for the delivery to Germany of war materials from the United States and other neutral countries. It is accordingly quite possible that the Soviet Union may purchase war materials in the United States for ultimate transfer to Germany not-

withstanding existing Neutrality Act,² the provisions of which the Soviets would not scruple to evade, or in the alternative furnish Russian war materials to Germany and retain American purchases.

STEINHARDT

6601.6131/44 : Telegram

The Ambassador in the Soviet Union (Steinhardt) to the Secretary of State

Moscow, September 26, 1939—10 p. m.

[Received September 26—9:40 p. m.]

620. My telegram No. 609, September 25, noon. I have learned in the strictest confidence that the proposal presented to the Estonian Foreign Minister by Molotov on Sunday night³ provided for an even greater enlargement of transit facilities through Estonia for Soviet goods vital to Germany than those already in the treaty which the Foreign Minister had come to Moscow to sign. It was further intimated, although details were not forthcoming, that Molotov verbally made additional demands in regard to the fortified Estonian [islands].

Repeated to Riga.

STEINHARDT

740.0011 European War 1939/568 : Telegram

The Ambassador in the Soviet Union (Steinhardt) to the Secretary of State

Moscow, September 27, 1939—1 p. m.

[Received September 27—7:35 a. m.]

622. My 609, September 25, noon. The press today publishes a Tass⁴ communiqué concerning conversations between the U. S. S. R. and Estonia, of which the following is a full translation.

“In view of the fact that the explanations of the Estonian Government concerning the circumstances of the disappearance in an unknown direction of a Polish submarine interned in the Port of Tallinn have been unsatisfactory,⁵ conversations have begun between Estonia

² Approved as amended May 1, 1937; 50 Stat. 121.

³ September 24.

⁴ Telegraph Agency of the Soviet Union.

⁵ The Polish submarine *Orzel* had entered the port of Tallinn on September 15, 1939, where it and its crew were interned and partially disarmed. Two days later the *Orzel* escaped, notwithstanding Estonian preventive efforts. The Estonian Government officially denied a Tass charge that Estonian authorities had facilitated the escape of the submarine, and the Estonian Minister in the Soviet Union expressed his regret for this occurrence. Ambassador Steinhardt reported in his telegram No. 588, September 22, 1939, 2 p. m., that according to his information there was “no foundation whatsoever” for another Tass accusation that “submarines of other states were finding refuge in Baltic ports”. (740.0011 European War 1939/496)

and the Soviet Union concerning measures for the safeguarding of the security of Soviet waters against diversionist acts on the part of foreign submarines hiding in Baltic waters.

According to the explanations of the Estonian Government the Polish submarine entered Estonian waters with its mechanism in a damaged condition as a result of which its movements were rendered difficult. It is inconceivable, however, that under such circumstances a damaged submarine could escape from under guard from the port of the capital of Estonia. It is considered more probable that the submarine was repaired in Tallinn and probably supplied with fuel and in this fashion was afforded the possibility of escaping. Taking into consideration that, according to reports received from Leningrad today, the periscopes of unknown submarines have been seen in two places in the region of the Gulf of Louga, it is possible to reach the conclusion that somewhere not far from the Estonian shores some unknown submarines have a secret base.

Under these circumstances the question of safeguarding the security of Soviet waters against diversionist acts on the part of submarines in hiding acquires great importance⁷.

Tass likewise publishes the report from Leningrad, referred to in the above communiqué, which states that on September 26, between 2 and 3 p. m., Soviet patrol vessels had observed in several places the periscopes of two submarines and that destroyers of the Baltic Fleet had been sent to the spot where the periscopes were observed.

Repeated to Tallinn and Riga.

STEINHARDT

740.0011 European War 1939/569 : Telegram

The Chargé in Latvia (Packer) to the Secretary of State

RIGA, September 27, 1939—noon.

[Received September 27—8:43 a. m.]

197. High Foreign Office official has just informed me that Foreign Office has no indication that Latvia is involved in the present Estonian-Soviet discussions. He considers Ribbentrop's visit to Moscow is in connection with such discussions.⁶

Selter and party have just left Riga by plane for Moscow. Local Soviet and Estonian Ministers talked with them at the airport but no Latvian officials present.

PACKER

⁶ For Ribbentrop's visit to Moscow and the texts of the German-Soviet Boundary and Friendship Treaty, and supplementary protocols, signed there on September 28, 1939, see *Nazi-Soviet Relations, 1939-1941*, pp. 101 ff.

740.0011 European War 1939/605 : Telegram

The Minister in Estonia (Wiley) to the Secretary of State

TALLINN, September 28, 1939—noon.

[Received 2:25 p. m.]

66. Have just seen Acting Foreign Minister. He states that Soviet demands also include garrisons. First meeting in Moscow scheduled for 12 noon today. No military measures being taken in Estonia and military authorities instructed avoid any action that might lead to incident.

He has no confirmation as yet that any ship was torpedoed in Gulf of Finland. Vessel referred to in my 63, September 27, 10 p. m.,⁷ was first observed stationary at considerable distance off Narva early yesterday morning. It was joined by three small Soviet warships about 3 p. m. They were all visible until dark and there was neither sign nor sound of an explosion. Press chief added that reports from Finland and other Baltic States cast further doubt on Soviet allegation. Estonian Government has considered possibility issuing *démenti* but fears to take action because of extreme gravity of the situation. He hopes that somehow the "truth" will find its way into the American press.

WILEY

740.0011 European War 1939/600 : Telegram

The Minister in Estonia (Wiley) to the Secretary of State

TALLINN, September 28, 1939—6 p. m.

[Received September 28—4:28 p. m.⁸]

68. According to Foreign Office official Foreign Minister who was given until 6 p. m. to accept Soviet *démarche* signed the agreement this afternoon in Moscow. Ratification is required within fortnight. Estonia is to give right of use of islands Dagö⁹ and Ösel.¹⁰ Soviet garrisons to be limited to 25,000 men. Foreign Minister expected to fly back tomorrow.

Another official at the Foreign Office confirms substantial accuracy of foregoing but states that Foreign Office has not yet received final text. Since delegation in Moscow headed by the Foreign Minister had full powers Foreign Office does not yet know in the meantime what has been signed away.

WILEY

⁷ Not printed.⁸ Telegram in two sections.⁹ Hiiumaa; Hiiumaa.¹⁰ Saare; Saaremaa.

740.0011 European War 1939/607: Telegram

The Minister in Estonia (Wiley) to the Secretary of State

TALLINN, September 28, 1939—midnight.

[Received September 28—8:11 p. m.]

70. My 68, September 28, midnight [6 p. m.]. Am now informed that while agreement was reached formal signature may not yet have taken place. This regarded only as ceremonial detail. Concessions are stated to be as follows:

Soviet Union to have air and naval bases on western side of both Ösel and Dagö but cut off from rest of these two islands and naval base at Port of Baltiski;¹¹ garrisons to be introduced gradually and not to exceed maximum previously reported. An entente with mutual support agreed upon for the duration of present hostilities. Am further informed that Government greatly relieved that conditions were not more exacting. Finland stated to be next on similar Soviet agenda, Latvia second. High official of the Foreign Office understands that Soviet-Estonian agreement was based on a compromise between Germany and Soviet Union whereby former recognized Soviet need for Baltic foothold but on condition that countries involved should remain intact.

WILEY

761.62/554: Telegram

The Ambassador in the Soviet Union (Steinhardt) to the Secretary of State

Moscow, September 29, 1939—10 a. m.

[Received September 29—8:48 a. m.]

648. My telegram 643, September 28, 9 p. m.¹² A Soviet-Estonian treaty of mutual assistance for 10 years was signed last night¹³ and appears to provide for what amounts to a Soviet military protectorate over Estonia in that the Soviet Union will be permitted to establish naval and air bases on the islands off the coast of Estonia. The trade treaty forming part of the agreement provides for a large increase in exchange of goods between the two countries and increased facilities for transit of Soviet goods through Estonian ports.

STEINHARDT

¹¹ Paldiski; Baltic Port.¹² Not printed.¹³ A translation of the text of this treaty is printed in Department of State, *Bulletin*, November 11, 1939, p. 543; or League of Nations Treaty Series, vol. CXCVIII, p. 223.

7601.61/130 : Telegram

The Chargé in Estonia (Leonard) to the Secretary of State

TALLINN, October 2, 1939—2 p. m.
[Received October 2—11:52 a. m.]

75. I have just been informed that the Soviet military technical committee of 14 members including 6 generals, 2 engineers and other officers, arrived in Tallinn this morning and that the naval committee of 7 members including 2 admirals and 1 engineer are scheduled to arrive this evening. These committees will arrange for the delimitation of the naval and air bases provided for in the Soviet-Estonian "mutual assistance pact" which is expected to be formally ratified tomorrow in Tallinn.

Further I have been confidentially informed that the date of Munters' visit to Moscow was not known in advance by Selter who 2 days ago had invited him to confer in Tallinn early this week.

LEONARD

760p.61/108 : Telegram

The Minister in Latvia (Wiley) to the Secretary of State

RIGA, October 2, 1939—5 p. m.
[Received October 2—3:51 p. m.]

219. My 215, October 1, 9 p. m.¹⁴ Munters left today by plane for Moscow accompanied by Kampe, Director of Treaty Division of the Foreign Office and the Soviet Minister to Riga¹⁵ and his Commercial Attaché.

For the last several weeks the Cabinet has been sharply divided and friction between Vice Premier Balodis and the Foreign Minister has been accentuated. The German Minister¹⁶ in private conversation informed me today that half of the Cabinet desired to place Latvia at the entire disposal of Germany (meaning presumably to ask for a German protectorate) arguing that anything was preferable to Soviet occupation and that they insisted that Munters be replaced because of his allegedly pro-English leanings and League of Nations affiliations. Last evening at 7:00 o'clock the German Minister was suddenly summoned to the Foreign Office. Following his visit there which involved, I suppose, a clarification of German policy, Munters, in an endeavor to reestablish his position, informed the President¹⁷ and the Cabinet of Germany's disinterest in Latvia which made it

¹⁴ Not printed; it reported that Latvian Foreign Minister Munters would leave for Moscow the next day on invitation of the Soviet Government (760 p.61/106).

¹⁵ I. Zotov.

¹⁶ Hans Ulrich von Kotze.

¹⁷ Dr. Karlis Ulmanis.

necessary for Latvia realistically to face the facts and accept whatever demands the Soviet Union might formulate. He thereupon requested full authorization to conclude negotiations in Moscow with the Soviet Government. The German Minister believed that Munters received extensive powers but he does not think the differences within the Government have been composed to such an extent that he was given a "blank check". It is therefore presumed that Munters will probably follow the same procedure as was followed in the Estonian-Soviet negotiations, namely, that on receiving the Soviet demands he will return to Riga for consultation with his Government.

The German Minister in our talk referred sympathetically to the unfavorable position of the Soviet Union in the Baltic with an outlet only into the Gulf of Finland. While it was true that the Soviet-Estonian treaty was aimed at Germany it was nevertheless possible to interpret it and Soviet policy in the south as defensive rather than offensive.

The German Minister seemed to be entirely uninformed and very curious about the extent of Soviet designs in respect of Latvia particularly whether Libau¹⁸ was included. He feared that once the Soviet Union had a foothold in Latvia she would have no difficulty in fomenting internal difficulties. I am afraid the same is true of Estonia.

The French Minister¹⁹ informs me that opposition Left Wing elements have already started "flirting" with the Soviet Legation.

Packer has just seen Soviet Chargé d'Affaires²⁰ who denies that Munters was requested to come to Moscow. It is possible that he considered the massing of Soviet troops on the frontier as sufficient invitation, also that he received an intimation through Estonian Foreign Minister.

WILEY

760m.61/83

Memorandum by the Assistant Chief of the Division of European Affairs (Henderson)

[WASHINGTON,] October 2, 1939.

The Lithuanian Minister²¹ called upon me today in order, as he said, to discuss the Vilna problem. He said that there had been certain developments which caused his Government to believe that there is a possibility that the Soviet Government may offer to return to Lithuania the Vilna territory. He said that he would like in-

¹⁸ Liepāja; Libava.

¹⁹ Jean Tripiet.

²⁰ Ivan Chichayev.

²¹ Povilas Zadeikis.

formally to know whether the acceptance by his Government of the Vilna territory from the Soviet Union would be likely to lessen the feelings of friendliness which the American Government had always shown toward the Government of Lithuania. He said that he would appreciate anything in this connection which I might tell him.

He said that in making this inquiry he desired to stress a number of factors:

(1) The Government of Lithuania has always maintained that Vilna is a part of Lithuania and has at no time given the Polish Government or any other Government cause to believe that it acquiesced in the Polish seizure of Vilna.²²

(2) The taking over of Vilna by Lithuania would not violate any treaty to which Lithuania is a party.

(3) If Lithuania should refuse the Soviet offer of Vilna, Lithuania would probably not only lose Vilna in perpetuity, but the Vilna territory, in which there are many Lithuanians, would remain under the control of the Bolsheviks. The Lithuanian Government feels that it has certain obligations toward these Lithuanian nationals, most of whom have continued to remain loyal to Lithuania.

(4) The Polish Government should prefer that Lithuania, which, after all, has a Western civilization, rather than the Soviet Union, should dominate the Poles in Vilna.

I told the Minister that I was not in a position to state what the position of the American Government would be since so far as I knew the question had not been discussed by the officials of the American Government. I stated that in my opinion the American Government would refrain from issuing any statement, even informally, regarding the attitude which it would take toward Lithuania if that country should take over Vilna.²³ I pointed out, however, that the American Government continued to recognize the Polish Government and to recognize all of the territory which belonged to Poland as of August 31, 1939 as Polish territory. I said that I was convinced that the American Government would not recognize *de jure* Vilna as being a part of Lithuania under present conditions.

The Minister asked me if I would be good enough to present the matter to the appropriate officials of the Department and to arrange for him to see in the next day or two some member of the Department who would be in a position to give him an idea regarding the manner in which the American Government would view such a shift in territory.

²² Seized in a military *coup d'état* on October 9, 1920, by the independent Polish General Zeligowski.

²³ Notation on the memorandum by Pierrepont Moffat, Chief of the Division of European Affairs: "I recommend that Mr. Zadeikis be told that the American Government could not give any advice nor express any views (even informally) on the question presented."

I replied that I would be glad to make a memorandum of our conversation and to endeavor to make an appointment for him with one of the higher officials of the Department,²⁴ but that I felt quite sure that no official could make a statement of the nature which he desired.

The Minister stated that he was making this inquiry voluntarily, and not at the request of his Government.

660m.6131/21 :Telegram

The Minister in Lithuania (Norem) to the Secretary of State

KAUNAS, October 3, 1939—10 a. m.

[Received 11:10 a. m.]

46. Delegation of Lithuanian officials including Lithuanian Minister for Foreign Affairs Urbsys, Lithuanian Minister to Moscow Natkevicius, Consul and Chief of Chancellery of Lithuanian Foreign Office Svelnikas, and Russian Chargé d'Affaires at Kaunas, Posdnyakov, and Soviet commercial representative Kaunas, Efanov, left this morning at 9:30 to consult at Moscow on invitation of Molotov.

NOREM

760p.61/109 : Telegram

The Ambassador in the Soviet Union (Steinhardt) to the Secretary of State

Moscow, October 3, 1939—3 p. m.

[Received October 3—12:48 p. m.²⁵]

666. The press announces the arrival yesterday of the Latvian Minister for Foreign Affairs who in the evening had a 2-hour conversation with Molotov at which Stalin, Potemkin, the Soviet Minister to Latvia and the Latvian Minister to Moscow were present. A Tass dispatch from Riga dated October 2nd cites the Latvian telegraphic agency to the effect that following the Soviet-Estonian and Soviet-German treaties the Latvian Government had decided to send Munters to Moscow to establish direct contact with the Soviet Government in view of the changed situation produced by the above-mentioned agreements.

The Moscow press reports in a despatch from Kaunas the impending departure on October 3 of the Lithuanian Foreign Minister for Moscow for the purpose of discussing questions of interest to Lithuania and the Soviet Union.

²⁴ Assistant Secretary Adolf A. Berle, Jr., told the Lithuanian Minister on October 4, 1939, that while there was "our general doctrine of non-recognition of conquests by force" nonetheless "we fully realized the peculiar circumstances attending the present situation in which the Vilna district found itself." The United States "had continuously had the greatest friendship for the Baltic Republics." (760c.60m/474)

²⁵ Telegram in two sections.

It is expected that Munters will sign a treaty of mutual assistance with the Soviet Union along the lines of the Soviet-Estonian pact with variations due to the different geographical location of Latvia. It is possible that the treaty will give the Soviet Union the right to move troops through the territory of Latvia in the event of any attack on Estonia; port facilities and possibly a naval base in Libau as well as increased transit facilities for Soviet goods through Latvia. It is expected that the treaty will contain guarantees similar to those contained in the Estonian treaty in regard to the maintenance of the Latvian state structure and non-interference in its internal affairs.

The terms of the Estonian Soviet treaty are less far-reaching than might have been expected under the circumstances and are believed to have been the result of a compromise between the Soviet Union and Germany. According to my information the guarantee of Estonian independence and the commitment to refrain from interference in the internal affairs of that country was at the request of Germany which, while interposing no objection to the establishment of Soviet bases in view of the special interests of the Soviet Union in the Baltic, because of the existence of German minorities in those countries [did not wish?] to see the Soviet Union absorb or impose its system on Estonia or Latvia. It is said in this connection that the German Minister in Latvia had informed the German Balts in that country that they had nothing to fear from the forthcoming treaty between Latvia and the Soviet Republic.

It is not yet certain what type of agreement the Lithuanian Foreign Minister will be forced to conclude during his visit here but it is doubted in view of the geographical location of Lithuania that it will be a mutual assistance pact similar to that concluded with Estonia and expected with Latvia. It is more likely that the agreement will provide for transit facilities through Lithuania in exchange for certain frontier readjustments in the vicinity of Vilna.

Repeated to Riga.

STEINHARDT

7601.6111/72

The Minister in Latvia (Wiley) to the Secretary of State

[Extract]

No. 497

RIGA, October 3, 1939.

[Received October 25.]

SIR:

The several articles of the mutual assistance pact²⁶ provide for mutual aid, including military assistance in the event either of direct

²⁶ Between Estonia and the Soviet Union.

aggression or threat of aggression on the part of "some great European power" (Germany?) against the Baltic maritime border of the contracting parties or against their land frontier through Latvian territory. The foregoing is supplemented on the part of Estonia by the cession of naval and air bases on a leasehold basis on the Estonian islands of Saaremaa (Oesel) and Hiiumaa (Dagö), as well as in the port of Paldiski (Baltiski). For the protection of the aforesaid bases the Soviet Government obtains the right to maintain garrisons. Further, the pact in question "shall in no way infringe upon the sovereign rights of the contracting parties, particularly their economic systems and political structures". Finally, the text of the treaty provides that it shall enter into force upon the exchange of ratifications, which is to take place at Tallinn within six days of signing. Its validity shall run for ten years and if not denounced it shall be automatically extended for a subsequent period of five years.

The Soviet [trade] agreement, according to the Estonian press, provides for an increase in exchange of commodities between Estonia and the U. S. S. R. of four and a half times. Moreover the U. S. S. R. will grant transit possibilities for Estonian commodities on Soviet railways and waterways to Murmansk, Soroka (on the White Sea) and to Black Sea ports. The details of Estonian concessions to the Soviet Union are to be elaborated by the meeting of technical commissions which I understand are to meet within twenty days of the signature of the pact of mutual assistance. I was informed by the Estonian Foreign Office that the pact could and probably would be ratified by the President²⁷ alone, who was qualified to take such action under the constitution.* So far as Estonia was concerned there was no desire to delay matters and it was foreseen that the carrying out of the Estonian-Soviet agreement would proceed promptly and smoothly.

In conversation with several officials of the Estonian Foreign Office some further information was gleaned:

The maximum number of Soviet troops to be stationed in naval and air bases would, in accordance with the agreement, not exceed 25,000. They would be introduced only gradually as the work of constructing the naval and air bases proceeded.

Notwithstanding the far-reaching character of the concessions which Estonia was rudely forced to grant, there was, nevertheless, a substantial feeling of relief in Estonia. The realization of Estonian fears had been less severe than had been dreaded. The wife of one of the leading Estonian actors in this drama was even jubilant and

²⁷ Konstantin Päts.

* He did not avail himself of this authority for the ratification of the German-Estonian pact of non-aggression. [Footnote in the original.]

expressed the warmest gratitude to Germany for having rescued Estonian "independence". The attitude, however, of Foreign Office officials was more realistic. At best, they say, Estonia has obtained only a breathing spell of uncertain duration.

The Estonian-Soviet agreements appear to represent a foreign political paradox. Reliable information confirms the impression that Germany is far from pleased by this new advent of the Soviet Union into the Baltic. Indeed the text of the mutual assistance pact would seem to be directed specifically against Germany. No elaborate process of elimination is required in order to identify the only possible "aggressor" as the Reich alone.

The treaties of peace conferred on defeated Germany a position of preeminence in the Baltic, with Soviet Russia hemmed in within the bottleneck of the Gulf of Finland. The tearing up of the Treaty of Versailles,²⁸ together with the German campaign to establish a new order of things in Eastern Europe seems to have been successful in reviving the Russian position to an extent where the Soviet Union may in the near future be able successfully to challenge the German position in the eastern Baltic. The Department will note that the port of Paldiski and the islands of Saaremaa and Hiiumaa are strategically placed to dominate the Gulf of Riga and the Gulf of Finland and to threaten the Gulf of Bothnia as well. Moreover Estonia is presumably only the starting point. Other concessions are supposedly to be demanded from Latvia at once. Finland too will clearly be asked to contribute, and possibly Lithuania.

The Soviet-Estonian trade agreement may also be directed against Germany. The granting of transit facilities to Estonian exports via Murmansk and Soroka as well as the Black Sea ports would seem at least technically to present a possibility for Estonian trade to evade the operation of the German blockade. This may be borne out by press reports that M. Maiski has just informed Lord Halifax of Soviet willingness to renew trade discussions with Great Britain.

Simultaneously with the conclusion of the Soviet-Estonian agreements, Herr von Ribbentrop conducted negotiations in Moscow which were designed to convey the impression of intimate political and economic collaboration between the U. S. S. R. and the Reich. The truth of the matter may be that Soviet policy remains unchanged and continues to be directed with the full force of Soviet suspicion against all the great powers of Central and Western Europe, including Germany. Perhaps, as stated to me by a high official of the Estonian Foreign Office, Soviet preoccupation is centered chiefly in the German

²⁸ On March 16, 1935, Germany unilaterally repudiated the military and naval restrictions of the Treaty of Versailles and reintroduced compulsory military service. For text of the Treaty of Peace signed at Versailles, June 28, 1919, see *Foreign Relations, The Paris Peace Conference, 1919*, vol. XIII, p. 55.

Reich for fear of a general peace move at the expense of the U. S. S. R. or defeat of the Western Democracies. My informant believes that in the latter event the Soviet Union foresees that Germany would turn from the West and push East. He pointed out that Soviet preventive tactics in Poland, particularly along the southern boundaries would confirm this thesis, since, obviously, Soviet policy not only impinged on the German position in the north but was likewise directed to impede the progress of *Mittleuropa* policy towards the southeast.

Respectfully yours,

JOHN C. WILEY

760p.61/116 : Telegram

The Ambassador in the Soviet Union (Steinhardt) to the Secretary of State

Moscow, October 4, 1939—1 p. m.

[Received October 4—9:14 a. m.]

672. My telegram No. 666, October 3, 3 p. m. Although the press makes no mention thereof, the Latvian Minister for Foreign Affairs saw Molotov again yesterday afternoon at 6 o'clock.

Repeated to Riga.

STEINHARDT

760m.61/80 : Telegram

The Ambassador in the Soviet Union (Steinhardt) to the Secretary of State

Moscow, October 4, 1939—2 p. m.

[Received October 4—9:18 a. m.]

673. The press reports the arrival of the Lithuanian Minister for Foreign Affairs yesterday and a 2-hour conversation in the evening with Molotov at which Stalin, Potemkin, the Soviet Chargé d'Affaires in Kaunas, and the Lithuanian Minister in Moscow were present. No indication of the subjects under discussion is given.

Repeated to Kaunas.

STEINHARDT

6601.6131/46 : Telegram

The Chargé in Estonia (Leonard) to the Secretary of State

TALLINN, October 4, 1939—7 p. m.

[Received October 4—3 p. m.]

81. I have been informed by Mr. Meri who negotiated the Estonian Soviet trade treaty in Moscow that the text of the treaty will not be published but the chief points are as follows: It provides for a bal-

anced trade approximating \$10,000,000 per annum, namely, four and one-half times larger than last year. Exports from Russia into Estonia will be chiefly raw and semi-manufactured products and will include mineral oil products, iron and steel, chemical fertilizers, salt, sugar and raw cotton, no increases in finished products being contemplated, while exports from Estonia will be chiefly agricultural products.

Transit facilities are granted to Estonia to White Sea as anticipated in telegram No. 52, September 23,²⁹ and also to Black Sea ports while the Soviet Union is granted transit privileges to Estonian ports.

I am informed that the working out of the trade treaty will depend largely upon how the "mutual assistance pact" will develop.

LEONARD

7601.6111/73

The Chargé in Estonia (Leonard) to the Secretary of State

No. 173

TALLINN, October 4, 1939.

[Received October 25.]

SIR: I have the honor to refer to my despatch No. 169 of October 2, 1939, and to my telegram No. 77 of October 3, 1939,³⁰ relative to the text of the Soviet-Estonian Mutual Assistance Pact.

As indicated in my telegram of October 3, I learned confidentially from a reliable source that accompanying the Soviet-Estonian Pact there were secret clauses (1) providing for a maximum Soviet military force in Estonia not to exceed 25,000 men, and (2) granting the Soviets the privilege of using the harbor of Tallinn for a period of two years as a place in which to store provisions, coal, munitions, etc., which also means that Soviet ships may take on provisions in the harbor of Tallinn.

I am further informed that the Soviets may keep in the harbor of Tallinn not more than six warships, namely two cruisers or battle-ships and four destroyers or corresponding war vessels. However, this arrangement seems to be merely an understanding, for I do not find that it is included either in the text of the pact or in the secret protocol.

In connection with the above, I have been informed that the Soviets originally suggested a force of 35,000 men to be stationed by them in Estonia, but that the number was reduced to 25,000 upon the plea of the Estonians. In fact, I am told that for some time to come the Russians have stated that they do not intend to place more than 21,000 men in Estonia.

²⁹ Not printed; but see telegram No. 599, September 23, 1939, from the Ambassador in the Soviet Union, p. 939.

³⁰ Neither printed.

Relative to the use of the harbor of Tallinn as a storage place for the Soviets, I am informed that the Soviets wished this privilege for the period of the duration of the present European war, but that the Estonians' preference to have it fixed at two years was acceded to. During these two years it is anticipated that the Port of Paldiski will be built up by the Soviets and at the end of that time there will be no further need for using the harbor and environs of Tallinn.

Respectfully yours,

WALTER A. LEONARD

760i.6111/46 : Telegram

The Chargé in Estonia (Leonard) to the Secretary of State

TALLINN, October 5, 1939—noon.
[Received October 5—9:45 a. m.]

83. In addition to the places named in my telegram No. 77 of October 3,³¹ upon inquiry at reliable sources I have been confidentially informed that the Soviet confidentially has asked for a military cavalry base at Valga on the Latvian border, a garrison at Turi for motorized troops and flying fields at Lihula and Ropla. The Estonian authorities replied that these demands were outside the provision[s] of the mutual assistance pact and have referred the matter to the Estonian Minister at Moscow to make representations there in the hope that the Soviet committee will be instructed to make no demands outside of the provisions of the pact. The above development is causing worry among Estonian authorities. Rumors of demands for other places than the above are denied at official sources.

Exchange of letters between the Estonian Foreign Office and local Soviet Mission took place yesterday thereby finally ratifying the pact of September 28 signed in Moscow.

LEONARD

760p.6111/47 : Telegram

The Minister in Latvia (Wiley) to the Secretary of State

RIGA, October 5, 1939—3 p. m.
[Received October 5—11:30 a. m.³²]

228. Foreign Office expects that negotiations in Moscow will be concluded today and that Foreign Minister will sign without personal consultation with his Government. Munters is expected to leave Moscow tonight by train for Riga. High official of the Foreign Office states that although the Foreign Office is not informed of details,

³¹ Not printed. The places mentioned in this telegram were the port of Paldiski and the islands of Ösel and Dagö (760i.6111/43).

³² Telegram in two sections.

he understands the Latvian-Soviet pact will follow the lines of the recent Estonian-Soviet accord. He made it clear that Libau would be included in the proposed agreement but was unable to give any details with regard to other localities where the Soviet Union might establish bases. He admitted that the stationing of Soviet garrisons in Latvia was not excluded. He thought the official text would be made public at once by Tass. If there were secret clauses, he went on, the Latvian Government would only know of them on Munters' return. This indicates that latter had very full powers indeed.

The lack of intelligence between the Baltic States was made evident by my informant's curiosity with regard to the nature of the railway facilities to be granted by Lithuania and whether the Soviet Union had already approached Finland with demands.

On the subject of the "technical" discussions going on between Soviet representatives and the Estonian Government, the Latvian Foreign Office is informed that after having passed through a very difficult phase the tone of the discussions in Tallinn has now somewhat improved. According to the French Minister in Tallinn the most recent development has been a Soviet demand for an air base in Estonia in the neighborhood of the Latvian frontier.

WILEY

7601.6111/48 : Telegram

The Chargé in Estonia (Leonard) to the Secretary of State

TALLINN, October 5, 1939—3 p. m.

[Received October 5—11:51 a. m.]

84. With reference to my telegram of today No. 83, I have just learned that the representations of the Estonian Minister at Moscow were successful to the extent that Molotov has instructed the Soviet committee now in Tallinn not to press its demands for the places mentioned in the above telegram which is interpreted unofficially here as a desire on the part of the Soviets not to disturb the atmosphere for the completion of the Latvian and Lithuanian negotiations.

In endeavoring to learn concerning the progress of Latvian negotiations in Moscow I have just been informed the Soviets are demanding a garrison of 50,000 men to be stationed in Latvia.

Repeated to Riga.

LEONARD

760m.6111/29 : Telegram

The Minister in Lithuania (Norem) to the Secretary of State

KAUNAS, October 5, 1939—5 p. m.

[Received October 5—4:04 p. m.]

47. I was informed in strict confidence by Vice Prime Minister Bizauskas today that the Soviet Government has offered to Lithuania the city of Vilna and neighboring territory inhabited by Lithuanians in return for a full pact of mutual assistance. No economic demands have been formulated as yet by the Soviet Government. The proposals were presented in a friendly manner without undue pressure. Bizauskas added that the full extent of the military concessions desired by Russia is not clear and that Lithuania hopes to ameliorate the conditions in order better to guard its sovereignty.

A commission of 14 headed by Urbsys and including Norkaitis, Chief of the Economic Section of the Foreign Office will leave within a day or so for Moscow.

Bizauskas stated that Munters is expected to sign a full Latvian-Soviet military agreement in Moscow today which will give the Soviet Union the right to garrison Libau, Windau³³ and possibly Domesnes Point³⁴ at the opening of the Gulf of Riga.

He also said that the Russians are purchasing and removing all movable stores including foodstuffs and clothing from occupied Polish territory. He added that although the Soviet motorized troops in Vilna are well equipped, the infantry is poorly dressed and equipped.

NOREM

760p.6111/48 : Telegram

The Ambassador in the Soviet Union (Steinhardt) to the Secretary of State

Moscow, October 5, 1939—9 p. m.

[Received October 5—6 p. m.]

687. The Soviet-Latvian pact was signed this afternoon. Following a dinner at the Kremlin the Latvian Foreign Minister left this evening by train for Riga. The text of the pact is not yet available but is expected to be released tonight by Tass.

Repeated to Riga.

STEINHARDT

³³ Ventspils; Windava.

³⁴ Kolkas Rags.

7601.6111/49: Telegram

The Minister in Estonia (Wiley) to the Secretary of State

TALLINN, October 6, 1939—2 p. m.

[Received 3:25 p. m.³⁵]

87. Have seen actual text of secret protocol which supplements Treaty of Mutual Assistance. It contains five clauses: (1) That Soviet [land] and air forces in Estonia are to be in isolated garrisons and are not to exceed 25,000; (2) that Soviet ships shall have privilege of taking on stores, et cetera, in Tallinn for the duration of present hostilities provided the period does not exceed 2 years; (3) that if either Estonia or the Soviet Union is at war with a third party the other contracting party may by common agreement remain neutral; (4) that a mixed commission shall be set up to work out the operation of the agreement, and (5) that the foregoing shall constitute a confidential annex to the Estonian Soviet agreement of September 28.

Minister for Foreign Affairs informs me that he is unable to foresee how the new relationship with the Soviet Union will work out or how long Estonia can maintain her integrity. It depends essentially on the world situation though there will be a period of acute anxiety when the Soviet forces enter Estonia. At that time Communist elements of Estonia may attempt to make trouble. The criterion will be the assistance, if any, they received from the Soviet Government. In Moscow both Stalin and Molotov went out of their way to give assurances that the Soviet Union did not intend to alter the political situation of Estonia. According to Stalin the Soviet Union desired only to work out an effective and practical collaboration based on [mutual confidence?] in order to serve its strategic needs. Selter continued that in his opinion Soviet policy had only one aim: war with Germany. He thought that a conflict between them was inevitable. The Foreign Minister also confirmed that pending the construction of Soviet bases on the islands large number of Soviet troops would be based in and around Haapsalu. In conclusion Selter stated that the negotiations with the Soviet technical committee were really terminated. There would be a final meeting at 4 p. m. today to approve the actual wording of its text.

A high official of the Foreign Office told me that there was still an open question of organizing a mixed force of Estonian cavalry and Soviet motorized units to be based at some place in Estonia to be designated by the Estonian high command. He thought that from the length of time which it would take to carry out technical details of the agreement with the Soviet Union that Estonia could look forward to a breathing spell of at least some months.

³⁵ Telegram in two sections.

He rather believed it would be in Soviet interests not to disturb or alter the internal structure of Estonia for the present. Estonia intended to play her part in the agreement loyally and would side with the Soviet Union if the latter went to war with Germany. One thing though was disquieting: in the Soviet efforts to assuage Estonian fears Molotov spoke of Mongolia,³⁶ how Soviet forces were there without infringing on "independence". My informant found this portion alarming.

From all quarters it is emphasized that in the negotiations both in Moscow and in Tallinn the Soviet representatives have adopted a most cordial tone. As gossip, I may add that Mrs. Laidoner, wife of the Commander-in-Chief, a former Czarist officer who has always been violently anti-Bolshevist, tells me that her husband has been utterly amazed by his contact with the officers of the Soviet technical committee. He finds their technical training on the highest level. He describes them as men of great culture, speaking faultless French and frequently several other languages. Indeed Mrs. Laidoner gives the impression that her husband has been "taken into camp". She also quoted her husband as forecasting that Latvia would fare quite differently; that the Kremlin was very much irritated by Latvian military preparations and attitude in general.

Repeated to Paris.

WILEY

760p.6111/49: Telegram

The Ambassador in the Soviet Union (Steinhardt) to the Secretary of State

Moscow, October 6, 1939—3 p. m.
[Received October 6—10:50 a. m.³⁷]

690. My 687, October 5, 9 p. m. The text of the Soviet-Latvian Treaty of Mutual Assistance³⁸ published in today's press is similar to that concluded with Estonia. The preamble states that the pact is based on the Soviet-Latvian Treaty of Peace of August 11, 1920 and that of Non-aggression and Peaceful Settlement of Conflicts of February 5, 1932. Articles 1 and 2 are identical with those of the Estonian treaty and provide for mutual assistance and the furnishing of arms by the Soviet Union to the Latvian Army on favorable terms. Article 3 gives the Soviet Union the right to maintain naval bases and airdromes in the ports Libau and Windau and likewise the right

³⁶ Mongolian People's Republic; Outer Mongolia.

³⁷ Telegram in two sections.

³⁸ A translation of the text of this treaty is printed in the Department of State, *Bulletin*, November 11, 1939, p. 542; or League of Nations Treaty Series, vol. cxcviii, p. 381.

“for the defense of the Irben Sound”³⁹ to maintain a coast artillery base on the coast between Windau and Pitraga. As in the Estonian treaty the above-mentioned bases are to be acquired under lease, will remain Latvian property and the Soviet Union has the right to maintain a “strictly limited number of land and aviation forces.” Article 4 precludes either party from forming any alliance or taking any part in any attack directed against the other. Article 5 is somewhat more detailed than its counterpart in the Estonian treaty in that in addition to stating that the present treaty shall in no way affect the sovereign rights of the contracting parties of their state structures and economic systems it also provides that neither social systems or military institutions shall be affected. Article 6 specifies that the treaty shall be for a period of 10 years; failing denunciation 1 year before the expiration thereof the treaty is automatically continued for 10 years. The Estonian treaty provides for an automatic extension of only 5 years.

The communiqué published in connection with the announcement of the treaty states that as a result of the conversations held between Molotov and the Latvian Minister for Foreign Affairs at which Stalin and the Latvian Minister to Moscow were present both parties are unanimously of the opinion that the mutual trust which has been established during the many years of the existence of relations between the two states has been an essential factor in the successful conclusion of the present treaty. The communiqué continues:

“Having established as the basis for the pact of mutual assistance the immutable terms of the Treaty of Peace and the Treaty of Non-aggression both parties again affirm their unequivocal recognition of the sovereign rights of each state and the principle of non-interference in the internal affairs of each other. Having convinced themselves on the basis of the experience of many years that the differences in state systems between the two countries do not constitute an obstacle to ‘fruitful cooperation’ each party has declared that under the new circumstances created by the pact of mutual assistance it will always be guided by respect for the state, social and economic structure of the other party thereby strengthening the bases for peaceful, good, neighbourly cooperation between their respective peoples.”⁴⁰

The press likewise reports a dinner given in honor of the Latvian Minister for Foreign Affairs attended by Stalin and leading Soviet officials and the departure of the Latvian Foreign Minister who was accorded military honors.

³⁹ The Straits of Irbe lie between Ösel island and the Latvian mainland.

⁴⁰ The Minister in Latvia reported in his telegram No. 240, received on October 9, 1939, that the Latvian Foreign Minister described the communiqué as being a “sort of political supplement since it contains certain political principles which unable formulate with sufficient precision in pact itself” regarding mutual confidence and the possibilities of cooperation notwithstanding the difference of regimes in Latvia and the Soviet Union. (760p.6111/52)

Latvia was more successful than Estonia in obtaining more specific and detailed obligations in respect of non-interference in the internal affairs of Latvia. It is probable that the greater emphasis placed on this aspect of the treaty was at German instigation, due to the presence of an important German minority in Latvia.

STEINHARDT

760p.6111/50 : Telegram

The Ambassador in the Soviet Union (Steinhardt) to the Secretary of State

Moscow, October 6, 1939—6 p. m.

[Received October 6—3:35 p. m.]

693. My 690, October 6, 3 p. m. The leading editorials in both *Pravda* and *Izvestiya* this morning are devoted to the Soviet-Latvian pact of mutual assistance. Both editorials assert that the recent Baltic pacts constitute evidence of the Soviet peace policy in that they assure an enduring peace in the Baltic basin. The editorials point out that the Baltic States are now safeguarded against "any aggression of the part of Imperialist Powers". The *Izvestiya* editorial makes no mention of Soviet relations with Germany in this connection, but the *Pravda* editorial includes the Soviet-German treaty of friendship as one of the elements in the establishment of peace in eastern Europe and the Baltic region. Both editorials quote with special emphasis the communiqué in regard to mutual non-interference in the internal affairs of the other country and *Izvestiya* with unconscious irony cites this understanding as proof "that the Soviet Government has never used its advantage as a great and powerful country against little countries."

The *Izvestiya* editorial remarks that the treaties recently concluded by the Soviet Union are of special importance, coming at a time as they do, when the aggressive imperialist countries have continuously incited country against country, and have been searching for excuses for the continuation of the war.

Both papers carry short articles devoted to the history, economic development and strategic position of Latvia. The *Izvestiya* article refers to the numerous attempts of more powerful countries, with the notable omission of Germany, to conquer Latvia, beginning with ancient times, and openly charges that since the world war "the London politicians have not only attempted to use Latvia as a *place d'armes* for their aggressive designs against the Union of Soviet Socialist Republics" but have in large measure succeeded in transforming Latvia into an agrarian colony of industrialist England.

Repeated to Riga.

STEINHARDT

760p.6111/63

*Memorandum by the Chief of the Division of European Affairs
(Moffat)*

[WASHINGTON,] October 7, 1939.

The Latvian Minister ⁴¹ came to see me today. He was quite cheerful over the signature of the Russian-Latvian Pact, primarily for the reason that he had feared something worse. He regrets to see Russian garrisons stationed on Latvian soil but accepts it with philosophical resignation and concentrates his rejoicings on the fact that Latvia is still alive. He said that it would have been far worse had Latvia and Estonia been sold out by England and France during their negotiations with Russia last Spring. As it was, the two countries had signed agreements of their own free will which maintained their independence and in which Russia pledged herself to accept and not to overthrow their type of capitalistic government.

Incidentally, the Minister pointed out that Estonia got better commercial and transit terms than did Latvia. Just twenty-one years ago Estonia had gotten better terms from Russia by signing up first. It was a case, said the Minister, of the early bird getting the worm.

As to the provisions whereby Russia got the right to keep garrisons near the two Latvian ports, the Minister pointed out that the naval harbors were about five miles away from the main cities. Russia had always taken pains not to let members of her military or naval forces mingle with bourgeois populations, presumably fearing contamination. He, therefore, thought that these garrisons would keep entirely by themselves and not play any role with the local communities, the more so as they would be eternally suspicious of espionage.

As to Stalin, the Minister thinks that at the moment he is 90% a Russian and only 10% a Communist in his thinking. This leads him to think that Stalin may favor peace with a view to consolidating his gains. Were the Communist side of Stalin to gain the upper hand he would naturally seek to extend the war with a view to weakening all participants. The Minister feels that in the long run Russian and German interests will cause a clash but that (a) Stalin has been immensely impressed by German military might and (b) he would not want to see Germany disintegrate entirely as that would bring him right up against the British and French Empires.

The Minister did not consider that the moment for peace was opportune. He thought that Hitler sincerely wanted it but that with the present victory psychology in Germany he could not offer terms that would be considered for a moment in England or France. He thought that the moment would come for outside mediation only when all

⁴¹ Dr. Alfreds Bilmanis.

belligerents were out of breath, and not before. He drew a long analogy of the peace of Portsmouth,⁴² where he felt that American mediation had been perfectly timed.

PIERREPONT MOFFAT

740.0011 European War 1939/726 : Telegram

The Ambassador in the Soviet Union (Steinhardt) to the Secretary of State

[Extracts]

Moscow, October 7, 1939—9 p. m.
[Received October 7—6:05 p. m.⁴³]

702. During the course of a long conversation yesterday evening with the German Ambassador⁴⁴ he made the following observations of interest.

1. Estonia and Latvia will occupy the same status vis-à-vis the Soviet Union as Egypt occupies with Great Britain. Lithuania will conclude an agreement with the Soviet Union giving the latter special transit facilities and perhaps the right to maintain certain military air bases in Lithuania. The question of Finland was not discussed in the Soviet-German negotiations but it was the Ambassador's belief that the Soviet Government would be more careful in dealing with Finland and would probably confine its demands to the return of the Finnish Islands in the region of Cronstadt, as the Finns, for whom the Russians have a wholesome respect, would probably resist any attempt to establish a Soviet foothold on the Finnish mainland.

In respect of Soviet-German relations in general, and particularly Soviet penetration in the Baltic, the Ambassador stated that at the present time, in view of their involvement in the west, Germany is in no position to oppose legitimate Soviet interests in those regions. I also received the impression that the Soviet Government is not fully consulting with Germany in respect of action in areas which do not fall within the character of mutual interest concerning which consultation was provided for in the Soviet-German treaty of nonaggression. The Ambassador expressed the greatest admiration for Stalin who, he said, had shown himself to be well-informed, astute and fully capable of taking advantage of the present situation for the benefit of the Soviet Union. In general, however, I gained the impression that

⁴² For the good offices of President Theodore Roosevelt, see *Foreign Relations*, 1905, pp. 807 ff.; for text of the treaty of peace between Russia and Japan signed at Portsmouth, August 23/September 5, 1905, see *ibid.*, p. 824.

⁴³ Telegram in three sections.

⁴⁴ Friedrich Werner, Count von der Schulenburg.

there has up to the present been no serious friction between the German and Soviet Governments, due primarily to the fact that the Russians have not yet encroached upon any areas which are of primary interest to Germany, or which had not been recognized as of greater interest to the Soviet Union at the time of the original agreement in August.

STEINHARDT

760i.62/40 : Telegram

The Chargé in Estonia (Leonard) to the Secretary of State

TALLINN, October 9, 1939—5 p. m.

[Received October 9—1:20 p. m.]

94. Supplementing my telegram No. 92 of today,⁴⁵ the following is strictly confidential: In making inquiry concerning Germany's reasons for evacuating its minority from Estonia,⁴⁶ Foreign Minister Selter has made the following observation: first that Germany desired to have them evacuated before the Soviet troops are garrisoned in Estonia to avoid possible incidents, and secondly Germany appears to believe that a war with the Soviets may become inevitable, in which case it wishes to avoid the fate which would befall them if left in Estonia.

LEONARD

760m.6111/31 : Telegram

The Ambassador in the Soviet Union (Steinhardt) to the Secretary of State

Moscow, October 10, 1939—5 p. m.

[Received October 10—1:36 p. m.]

721. My telegram 673, October 4, 2 p. m. Although no announcement thereof has appeared in the Soviet press, I understand that in addition to the meeting reported in my telegram under reference the Lithuanian delegation had further conferences in the Kremlin on the following day. The Commander-in-Chief of the Lithuanian Army⁴⁷ and the Vice Premier left for Kaunas yesterday morning and are expected back today. The Lithuanian Foreign Minister and the other delegates have remained in Moscow. I have been unable to ascertain

⁴⁵ Not printed.

⁴⁶ Plans for the evacuation of the German minorities in the three Baltic States were revealed in Hitler's Reichstag speech of October 6, 1939. Permission for the evacuation was requested on the next day from the Baltic Foreign Ministries.

⁴⁷ Gen. Stasys Rastikis.

the reasons for the delay in the conclusion of a Lithuanian-Soviet agreement but I believe the delay has resulted from enlarged Soviet demands.

Repeated to the Legation at Kaunas.

STEINHARDT

760p.6111/56 : Telegram

The Minister in Latvia (Wiley) to the Secretary of State

RIGA, October 10, 1939—7 p. m.
[Received October 10—6:35 p. m.]

247. Have just seen Foreign Minister. He states that Soviet garrisons will be limited to 25,000 total and that secret annex is identical with that of Estonia (see my recent telegram from Tallinn⁴⁸). Latvian delegation leaves for Moscow tomorrow for trade [negotiations].

I asked Munters if he had been invited to Moscow or had gone on his own initiative. He replied that he had been invited but "without threats". He acted on invitation at once in order to avoid "any incidents" or unpleasant pressure (referring to Soviet build up for Estonian negotiations) and in Moscow he received assurances with regard to integrity of Latvia. In his case, as in that of Estonia, [Mongolia?] was cited as example. Munters had none of his usual optimism and could not foresee how long Latvia would survive. He feared that the Soviet Union might foment internal difficulties. The situation here would be influenced by external events and might be aggravated if there was a revolution in Germany. Hitler had miscalculated and Germany, he went on, was in a sad state of [apparent omission]. Anything was possible.

In Moscow there was great frankness on the subject of German-Soviet "friendship". They did not profess to foresee how long it would endure. Munters believes that their relations are based on mutual mistrust. Germany, who has had to retreat before the Russians, is waiting for circumstances to change in order to turn east. The Soviet Union is likewise waiting, and will wait with greatest patience, for the opportune moment: either revolution in Germany or exhaustion.

Munters is convinced that the evacuation of German minorities from this area has not been the subject of Soviet-German conversations. He believes that the Soviet Union must regard this move with suspicion. (I was unable to obtain clarification of why this might be the case). German Government assures him it has nothing to do with Baltic pact of mutual assistance with Soviet Union but will be a "blood bath" within a fortnight.

⁴⁸ Evidently telegram No. 87, October 6, 1939, 2 p. m., p. 957.

Munters also stated that concern was expressed in Moscow that Great Britain would violate Norwegian-Swedish neutrality. He had no information on course of Finnish-Soviet negotiations but pointed out that Finnish military [position?] was more favorable than that of Latvia.

WILEY

760m.6111/32 : Telegram

The Ambassador in the Soviet Union (Steinhardt) to the Secretary of State

Moscow, October 11, 1939—11 a. m.
[Received October 11—10:06 a. m.]

723. My 721, October 10, 5 p. m. The Soviet-Lithuanian pact was signed last night.⁴⁹ I understand that it provides for a 15-year pact of mutual assistance similar to the Estonian and Latvian pacts with the Soviet Union and permits the establishment of Soviet air bases and garrisons, the number and location of which are undivulged in the present agreement and are to be fixed by subsequent agreement. In return the Soviet Union cedes to Lithuania the town of Vilna and the Vilna district.

Repeated to Kaunas.

STEINHARDT

760m.6111/37 : Telegram

The Minister in Lithuania (Norem) to the Secretary of State

[Extract]

KAUNAS, October 11, 1939—6 p. m.
[Received 11:47 p. m.]

50. The agreement between Lithuania and the Soviet Union signed last night was announced here at 8 a. m. The papers ran full accounts of the agreement and demonstrations were held during the day. At noon following speeches, the liberty bell was rung. The return of Vilna met with great excitement and some demonstrating is expected tonight. Carneckis, of Foreign Office, pointed out that the stay of Soviet troops must be limited to the duration of the present war in Europe. The withdrawal of German citizens and people of German extraction from the Baltic States is viewed by the Lithuanian Foreign Office with disfavor. It probably will place every hindrance in the

⁴⁹ An English translation of this "Treaty on the Transfer of the City of Vilno and Vilno Province to the Lithuanian Republic and on Mutual Assistance between the Soviet Union and Lithuania" is printed in the Department of State, *Bulletin*, December 16, 1939, p. 705.

way of such transferring. The Minister expressed the hope that the Soviet Commissar for Foreign Affairs was sincere in expressing friendly understanding of Lithuanian problems and particularly with respect to the treatment of local Communists. The statement made allegedly by the Soviets was to the effect that the Lithuanians could shoot them if found necessary. Biskauskas has declared his opinion is that Russia is nationalistic today rather than red. German propaganda stresses Communistic menace to hasten peace movement is a theory held here. Interesting to recall Vilna referred to in constitution as capital of Lithuania. Moving of the Foreign Office will necessitate following. Temporary arrangements for Government in the district Vilna are being considered. The following is a short survey of the agreement referred to above:

NOREM

7601.6111/58: Telegram

The Ambassador in the Soviet Union (Steinhardt) to the Secretary of State

Moscow, October 12, 1939—11 a. m.
[Received October 12—10:38 a. m.]

733. My 653, September 29, 6 p. m.⁵⁰ The Soviet press reports today that the protocol regarding the disposition of Soviet land and air forces in Estonia was signed in Tallinn⁵¹ and that an agreement was reached with regard to naval questions. The press likewise reports that General Laidoner, Commander-in-Chief of the Estonian Army, has accepted an invitation to visit Moscow.

The departure of the Latvian trade delegation for Moscow is likewise reported in a despatch from Riga.

Repeated to Riga.

STEINHARDT

760p.6111/57: Telegram

The Minister in Latvia (Wiley) to the Secretary of State

RIGA, October 12, 1939—noon.
[Received October 12—7:52 a. m.]

253. Ratifications Latvian-Soviet mutual assistance pact exchanged here yesterday.

WILEY

⁵⁰ Not printed.

⁵¹ Beginning on October 18, 1939, Soviet troops marched across Estonia in two columns, without incident, to their destinations.

760m.6111/39: Telegram

The Ambassador in the Soviet Union (Steinhardt) to the Secretary of State

Moscow, October 13, 1939—2 p. m.

[Received October 13—9:50 a. m.]

737. The Soviet press reports the ratification by the Presidium of the Supreme Soviet yesterday of the Soviet-Lithuanian pact.⁵² A report from Tallinn announces the arrival of three Soviet warships in the port of Tallinn. The arrival of a Latvian trade delegation in Moscow yesterday is also reported. The press continues to publish favorable comment from the Latvian, Lithuanian, Estonian, and German press in regard to the recently concluded treaties between Soviet Union and the Baltic States.

Repeated to Riga.

STEINHARDT

760m.6111/47

The Minister in Lithuania (Norem) to the Secretary of State

[Extracts]

No. 590 (Diplomatic)

KAUNAS, October 13, 1939.

[Received November 6.]

SIR: I have the honor to report that today, October 13, at 1 p. m. I had a most interesting interview with Mr. Bizauskas, Vice Prime Minister, in which he recounted the experiences of the Lithuanian delegation in the Soviet capital and told of the discussions leading up to and following the actual signing of the Pact. Mr. Bizauskas spoke very freely and seemed quite happy over the whole affair. I gathered the impression that the Lithuanian Government regards the present conditions of Russo-Lithuanian relations in a satisfactory light.

Mr. Bizauskas went on to say that the Lithuanian delegation was greeted in a friendly manner. The negotiations began with Stalin and Molotov apparently unwilling to treat too kindly and insistent that their demands be immediately met. The Lithuanian delegation surprised them with an agreement that defensive action was a wise policy and proposed to cooperate with them in this regard. This move resulted in the inclusion of article three and a changing of some wording in the fourth and fifth articles. Apparently the return of the Vilna Territory to Lithuania had been agreed upon by the Russians

⁵² The pact was ratified by Lithuania on October 14, 1939, and the exchange of ratifications was arranged to take place in Kaunas on October 16.

in order better to justify their entrance into Poland. Lithuania in accepting the return of the disputed area from Russia also made good her avowed intent to accept the region should it be offered by Russia. This is the second time she has accepted the region from Russia.⁵³

Mr. Bizauskas added a comment that was very interesting and he added that he did so in strictest confidence. They discovered shortly after the conference began in Moscow that originally they had been included in the German "sphere of influence." However, Germany had seen fit to trade Lithuania and the region of Latvia as far north as Riga in this matter of influence spheres in exchange for the territory of Poland between the Bug and the Vistula rivers or roughly the area represented as a difference in the two demarcation lines. On being apprised of this, the Lithuanian delegation set their course and fully cooperated with the Russian Government. In return for their full cooperation, they are assured the full right of sovereignty. Mr. Bizauskas added, with a shrug: "Of course, one cannot be too sure of anything in these days".

The return of the city of Vilna, long regarded as the capital of Lithuania, and other portions along the border was considered a definite gain for the country although an immediate exploitation is out of the question since the mobilization of the Poles and the occupation by the Russians has left the territory in a state of need. The Lithuanians have gathered stores of grain and other necessary supplies which will be rationed to the needy when occupation by Lithuanian forces is effected. This procedure will most likely be begun on Monday or Tuesday⁵⁴ of next week following the exchange of signed agreements. The Lithuanian occupational army will advance into specified zones leaving a sealed border behind. The occupation will be gradual and thorough.

The withdrawal of Germans from the Baltic States did not meet with the approval of the Russian Government who lodged a strong protest with the German Embassy at Moscow charging an attempt to prejudice their move in the Baltic States.

I have the feeling that a strange move is on to so charge the atmosphere with anti-Communist propaganda that peace will shortly be brought into effect. The Italian Secretary visited me today and like the British Chargé here was full of fear for Communist infection.

⁵³ Ceded the first time by the Bolsheviks during the Polish war in the treaty of peace between Lithuania and the Russian Socialist Federated Soviet Republic signed at Moscow, July 12, 1920; for text, see League of Nations Treaty Series, vol. III, p. 105.

⁵⁴ October 16 or 17.

The Church is apparently basing its drive for peace on the anti-Communism basis. It is my belief, however, that the boys are doing some dead or wishful thinking and interpreting every consequence of military action with its attendant horrors to justify their propaganda. It is also to be noted that the Germans are encouraging the hysteria and saying: "Now you see what our mission in East Europe really was".

While not seeking to justify the Russian action in the Baltic States nor excusing their taint of Communism, I believe we are today facing the problem of a strong nationalistic Russia which is determined to strengthen her position in Europe and Asia.

We are treated to a variety of "horror stories" which remind one of those current during the invasion of Belgium when the Germans were accused of cutting off children's arms, etc. One must naturally allow for conditions and discount many as fanciful tales. It is my opinion that the invasion by Russia was effected with considerable less brutality than that conducted by the Germans. It is also my opinion that of the Russian, German and Pole, the latter is most capable of vicious brutality since his education is most lamentable and his character most volatile. The Polish Minister⁵⁵ formally protested to the Lithuanian Foreign Office today, an act which is a mere formality.

Respectfully yours,

OWEN J. C. NOREM

760p.61/114 : Telegram

The Minister in Latvia (Wiley) to the Secretary of State

RIGA, October 14, 1939—10 a. m.

[Received October 14—8:22 a. m.]

263. Sov[iet] military delegation arrived Riga yesterday ex Tallinn and Moscow headed by Isakov, Assistant Commissar Navy, and General Boldin, chief, Kalinin Mil[itary] District.

WILEY

760L.6111/60 : Telegram

The Chargé in Estonia (Leonard) to the Secretary of State

TALLINN, October 14, 1939—11 a. m.

[Received October 14—8:50 a. m.]

102. After several conversations in the last few days with Estonian officials, heads of foreign missions, and others, my impression is that Estonia will continue to enjoy the economic and political independence provided for in pact of mutual assistance of September 28 unless

⁵⁵ Fr. Charwat.

jeopardized by a defensive war in Finland or other serious happening affecting Estonia; that there is no immediate danger of Soviet Communism being implanted in Estonia, and even opinion has been expressed that Stalin may revive private ownership in the Soviet Union, but latter not believed in best informed circles; that the Estonian Foreign Office will diminish in importance and foreign legations likewise, except possibly as "listening posts"; that Germany did not foresee and does not relish present Baltic developments, particularly its helplessness therein.

The general sentiment in Estonia appears to be that of willingness to accept the new situation created by pact of mutual assistance of September 28 as the better alternative. However, both President Päts and General Laidoner have made radio speeches explaining the new situation and admonishing confidence therein.

LEONARD

660m.6131/22 : Telegram

The Ambassador in the Soviet Union (Steinhardt) to the Secretary of State

Moscow, October 17, 1939—5 p. m.
[Received October 17—2:52 p. m.]

762. The press today announces the signature on October 15th of a Soviet-Lithuanian trade agreement for 1939-1940. The agreement was signed by People's Commissar for Foreign Trade Mikoyan and the Lithuanian Minister in Moscow and, according to the account published in the press, the agreement between the two countries will provide for a total turnover of 40,000,000 lits, which will be almost double the present trade.

Repeated to Kaunas.

STEINHARDT

660p.6131/89 : Telegram

The Ambassador in the Soviet Union (Steinhardt) to the Secretary of State

Moscow, October 19, 1939—noon.
[Received October 19—5:25 a. m.]

771. The press reports the signature today⁶⁶ of an agreement between the Soviet Union and Latvia under the terms of which the total turnover between the two countries will reach 60,000,000 lats, or three times the present amount. Latvia is granted transit rights over Soviet railways and through the ports of Murmansk, Soroka and

⁶⁶ Signature apparently took place on October 18, 1939.

the Black Sea, and in return grants to the Soviet Union "a wide extension of transit facilities for Soviet goods through Latvian ports."

STEINHARDT

760m.6111/42

The Polish Ambassador (Potocki) to the Secretary of State

[WASHINGTON,] October 19, 1939.

SIR: Upon instructions from my Government I have the honor to inform you that the Polish Government, having taken cognizance of the pact of mutual assistance between Lithuania and the Union of Soviet Socialist Republics signed on October 10, 1939, have presented to the Government of Lithuania a formal protest against the acceptance by that Government of any territory ceded by the Union of Soviet Socialist Republics which does not belong to the said Union.

Accept [etc.]

JERZY POTOCKI

760m.6111/42

The Secretary of State to the Polish Ambassador (Potocki)

WASHINGTON, October 20, 1939.

EXCELLENCY: I have the honor to acknowledge the receipt of your note of October 19, 1939, stating that the Polish Government, taking cognizance of the pact of mutual assistance between Lithuania and the Union of Soviet Socialist Republics signed on October 10, 1939, has presented to the Government of Lithuania a formal protest against the acceptance by that Government of any territory ceded by the Union of Soviet Socialist Republics which does not belong to the said Union.

Accept [etc.]

CORDELL HULL

760m.6111/51

The Minister in Lithuania (Norem) to the Secretary of State

No. 600 (Diplomatic)

KAUNAS, October 21, 1939.

[Received November 14.]

SIR: I have the honor to report that on Wednesday morning, October 18, 1939, I called upon Mr. Kazys Bizauskas, Vice Prime Minister, to determine various facts concerning the Vilna question which were not entirely clear in my mind.

As to their definite plans, he stated that some 30,000 Lithuanian troops were ready for the occupation of the Territory when all was in readiness. He stated that the old demarcation line would be her-

metically sealed and that the new area would be occupied by stages and a thorough check of all resources, people, etc. made. If anything that might be considered a permanent fixture had been removed by the Russians, a complete check would be at hand so that a later claim might be lodged with the Moscow authorities. This work would take some time if it was to be done right and Mr. Bizauskas estimated that from four to six months would be required before the territory would be completely assimilated into the economy of Lithuania. In the meantime, a separate government under a Governor will be set up. It is possible that Mr. Bizauskas will assume this post though nothing definite has been decided.

Mr. Bizauskas stated confidentially that they had heard many reports concerning the activities of the Russian troops which they did not wish to let the public know about since it might conceivably hurt their relations with the U. S. S. R. at this juncture of the exchange. Reports filtered through of the Russian troops removing all telephone and telegraph wires, underground cables, etc. with the view of their shipment back to Russia. It was an old story of the Russian despoiling so well known to the people of this part of the world. Mr. Bizauskas said that if entirely true, the reports should show conditions reminiscent of the World War. It was also true that stocks of food, jewelry, wares of all kinds, had been purchased by the Russian troopers with roubles. So eager were the troopers to obtain something for their rouble that they cleaned out most of the Vilna stores.

The Lithuanian Government has made preparation to take care of the financial needs of the newly acquired Territory. This, however, will be accomplished gradually and in stages together with the re-establishment of lines of communication, etc. Mr. Bizauskas seemed quite intent on emphasizing that the work would be undertaken gradually. Each section of the Territory will be cleaned up very thoroughly and added to Lithuania. In the meantime, Lithuanian soldiers will guard the outer frontier until replaced by frontier guards while the demarcation line gradually advances over the new territory. Certain matters, such as communication lines, post, etc. might conceivably be rushed so that the general matters of territorial administration are better cared for.

In the matter of population to be added, Mr. Bizauskas stated that there were approximately 450,000 people, although this estimate might be enlarged eventually if reports are true that many refugees have slipped through the lines and found hiding places within the territory. This number divides according to nationality into roughly: 75,000 Lithuanians, 100,000 Poles, 275,000-300,000 Russians and Jews, with the latter in the majority. Mr. Bizauskas added, however, that many of the people in this section were of such a low grade of in-

telligence that they answered questions very foolishly. On being asked their religion they were wont to say: Orthodox. On being asked their nationality they answered: Catholic. If pressed as to whether they were Russians, Lithuanians, Poles, they would answer: "I was born here". Also it is true that many who were formerly counted as good Poles are now good Lithuanians since they have a sort of double nationality. As he emphasized the point that they were queer people, I silently agreed. He recounted a story of how he had been engaged in his work as Minister of Education in the early days of Lithuanian independence, and had paid the salaries to members of the Vilna University. At the first payday, 76 out of 81 had answered questions put to them in the Lithuanian language by using it themselves. Shortly thereafter as General Zeligowski was approaching Vilna, the Lithuanians determined on paying the staff its due wages and only 4 of the 81 would answer in the Lithuanian language. Mr. Bizauskas added that this illustrates the breed of people to be found in this sector.

Notwithstanding, most Lithuanians gave vent to their pent up emotions and truly celebrated the return of the capital city and a portion of the territory wherein reside Lithuanians and other people who have moved in during the centuries. The nation is intent on making the territory an integral part of the whole and will cooperate as one man in this work. Only a few disgruntled individuals can be found who say very honestly perhaps that this additional territory should never have been accepted.

The Polish Minister has made his protest and departed. The Polish interests will be cared for by the British Consulate. I have had several visits paid me by a certain Polish Count Tyszkiewicz who very frankly tells me that Poland when reconstituted will oblige the Lithuanians by replacing the Russian garrisons. He speaks the mind of the Polish nobility and landowning class who will insist on treating the "inferior" people as slaves. One need only listen to several hours of such conversation to develop an intense dislike for the Polish upper crust.

In general, the situation remains about the same. The Lithuanians will await the good pleasure of the Russians and move in to the promised land when invited. I see no prospect of a sudden removal of the capital to Vilna but it is conceivable that such a move may be considered in six months time or so if conditions warrant. At the present time, the Lithuanians sense a spirit of resentment in foreign opinion and will not wish to bring this into the open in any way whatsoever. A move of the capital to Vilna might bring forth objections from powers not entirely in accord with the addition.

Respectfully yours, .

OWEN J. C. NOREM

760m.61/87

The Minister in Lithuania (Norem) to the Secretary of State

No. 601 (Diplomatic)

KAUNAS, October 21, 1939.
[Received November 14.]

SIR: I have the honor to report that on Friday, October 20, I called upon the Lithuanian Foreign Minister, Mr. Juozas Urbsys, and discussed the various problems arising from the general war situation and the Russian-Lithuanian relations.

Mr. Urbsys began by stating that Finland seemed to have determined upon a course of resistance that did not promise to help the generally bad situation in this part of the world. He stated also that Germany's interest in Finland was something to speculate about and surely the Aaland islands were of great importance to her. If Germany and Russia were to come to grips over a misunderstanding on the extent of their spheres of influence, Lithuania might find itself being overrun with an invading host.

Her ally Russia seemed to be moving from one point to another with care and no haste. The various problems connected with the turning over of the Territory⁵⁸ had not been solved and the Russians had given no indication that it would be turned over at a definite date. It was thought likely that on either Monday or Tuesday, the various questions would be settled and the final disposition of boundaries, etc. made. 30,000 Lithuanian troops are ready to march.

Mr. Urbsys told me that he expected the Military Commission would leave Moscow on Friday or Saturday evening in their special railway car. Discussions will be carried on at Kaunas between the Russian and Lithuanian Commissions and settlement will be made concerning aerodromes, barracks for the Russian garrison, etc.

The Foreign Minister told me confidentially that the Lithuanian Government found little joy in the prospect of the Russian garrison and have no guarantee that they will leave when a general European Peace might be arrived at. He thinks that they may prefer to stay on in the country. Article One of the recently signed pact was the only article in which Lithuania could find genuine joy. The other articles were in the pact because the Russians insisted upon them.

In this connection I might state that several leading citizens have approached me to say that they appreciated our consideration in hanging out the American flag on October 11, which date the Lithuanians chose to commemorate the return of their beloved Vilna. I mentioned to them that ironically enough our flag was hung in honor

⁵⁸ Vilna and the province of Vilna.

of a Polish citizen who rendered a service to America, Count Pulaski.⁵⁹

The Lithuanian Government has received various reports and rumors that during the past week the Russians have engaged in a systematic despoiling of the Territory ceded. They are removing machinery from the manufacturing places, etc. I asked whether the Lithuanian Government contemplated entering a protest against this procedure and Mr. Urbsys answered with a question: What is there to do? They had approached the central government in Moscow on hearing the first reports of Russian pilfering and had been referred to one of the Soviet Republics near Vilna, presumably the White Russian Republic. Although the Lithuanian government had understood that the Territory would be handed over "as is", they do not feel that they can effectively protest. In short, they shall be happy to get back the soil of Vilna and the adjacent portions of the grant.

Mr. Urbsys mentioned that the commission which was left in Moscow to work out the details of the border signed by Mr. Molotov and himself had not as yet reported. He thought it likely that their report might arrive on Saturday or Sunday.

Though the unexpected delay has evidently caused some speculation on the part of the Lithuanian Government and given consternation to the large group of newspaper men who had gathered for the occasion, I think it is merely one of those things to be marked as Russian haste. As Mr. Urbsys pointed out, the Lithuanians must wait upon the invitation of the Russian government and move in with due caution to avoid troop clashes.

Respectfully yours,

OWEN J. C. NOREM

760p.6111/68 : Telegram

The Chargé in Latvia (Packer) to the Secretary of State

RIGA, October 24, 1939—3 p. m.

[Received October 24—11 : 35 a. m.]

280. G-2⁶⁰ informed our Military Attaché today that not more than 25,000 Soviet troops will enter Latvia end of this week or first of next week probably by train. They will be stationed at Libau and Windau only and not in interior. Further details of agreement concluded yesterday promised in a few days. Please inform War Department.

PACKER

⁵⁹ For the President's proclamation designating October 11, 1939, as a memorial day in commemoration of the death in 1779 of General Count Casimir Pulaski, see Department of State, *Bulletin*, October 21, 1939, p. 406.

⁶⁰ Military Intelligence.

760p.6111/71: Telegram

*The Minister in Latvia (Wiley) to the Secretary of State*RIGA, October 27, 1939—10 p. m.
[Received October 27—8 p. m.]

291. Lithuanian Minister ⁶¹ states that delay in occupation of Vilna due to difficulties with Soviet Commission in Kaunas. Soviet military demands formulated there far exceeded terms of agreement signed in Moscow prior to the military occupation of country. However, points at issue apparently settled satisfactorily, and Soviet forces involving large concentration of tanks and substantial air force (no heavy artillery) will be concentrated along German frontier.

He has reported to his Government substantially the same information as contained in my 290, October 27, 7 p. m., re [apparent omission].⁶² It has shown much interest and has queried him for details.

WILEY

760m.6111/54

The Minister in Lithuania (Norem) to the Secretary of State

[Extracts]

No. 606 (Diplomatic)

KAUNAS, October 27, 1939.
[Received November 25.]

SIR: I have the honor to report that on Thursday morning, October 26, 1939, I called upon the Lithuanian Prime Minister ⁶³ to determine the exact status of the Vilna question and to obtain information, if possible, of the present negotiations with the Russian Commission. On Friday, October 27, I called upon Vice Prime Minister, Mr. Kazys Bizauskas.

The Prime Minister was apparently very anxious to give information on all questions and began by outlining the work of the Lithuanian negotiations with the Russians in connection with the Vilna Territory.⁶⁴ He stated that the delay of occupation was due to the aggravating Russian habit of procrastinating on smaller matters rather than due to any time element needed to thoroughly exploit the territory as many thought. That the partial despoiling of the territory has been effected cannot be denied and presumably we shall find a terri-

⁶¹ Pranas Dailide.⁶² Telegram not printed; it reported that there were some signs of a change in Soviet policy toward internal economy, possibly allowing greater privileges to private ownership (861.50/925).⁶³ Brig. Gen. Jonas Cernius.⁶⁴ A supplementary protocol between Lithuania and the Soviet Union was signed in Moscow on October 27, 1939, for carrying out article 1 of the mutual assistance pact of October 10, 1939, and replacing article 2 of the treaty of peace of July 12, 1920. This protocol contained a detailed description of the new boundary between Lithuania and the Soviet Union.

tory in sore need. (I have been invited by the Lithuanian authorities to make a surveying trip on Sunday, October 29, together with the Lithuanian Red Cross and have accepted. We leave at 5 a. m. and plan to spend the day in Vilna.)

The placing of Russian forces within the Lithuanian boundaries is certainly not too agreeable to the Lithuanians and they refer with a sorry smile to the peculiar situation of soon having two foreign armies, Russian and Polish, as their guests. When the Russians suggested that a garrison be placed at Kaunas, the Lithuanians objected. However, it was agreed that for the time being Russian troops shall be stationed near Vilnius. The other places have not been agreed upon and General Jonas Cernius, the Prime Minister, told me that the Lithuanian hope was to reduce the number of garrison places. He added that throughout the negotiations, the Russian Commission has been most congenial and apparently has very little interest where the troops are to be placed. They arrived without instructions or preconceived notions about desirable places. For this reason, the Lithuanians have been able to feel that the negotiations are being well conducted in every way excepting the time element.

On Friday I interviewed the Vice Prime Minister, Mr. Bizauskas, who told me that agreement had been reached on the various matters holding up the movement of troops and that for the next few days, the Lithuanian forces would follow the Russian units very closely. Not a great deal of territory will separate the two forces. The alleged Latvian effort to dump undesirable Polish refugees upon the Lithuanians will be thwarted by careful sealing, post by post, of the portion bordering upon Latvia. The Lithuanian troops began their march at 7 a. m. today, October 27.

Mr. Bizauskas told me that the new Governor of the Territory would most likely be Mr. Antanas Merkys, the present Mayor of Kaunas, who will be granted a leave of absence for the temporary post.

In speaking of the German influence in Lithuania, Mr. Bizauskas stated that the organizations such as the Kulturverband would of course be very active with their lists and would urge all Germans to leave. The Lithuanian government will not attempt to deter them except to make certain restrictions of amounts of property, etc. that can be legally taken out of the country. He thought the Germans would soon begin their big offensive on the western front and possibly march through Belgium and Holland. He added another note that has caused me a great deal of speculation: "perhaps they will await cold weather so that they can march across Holland".

Mr. Bizauskas related one account that had come into his office from the Vilna Territory which told of how the women had slept in the factories to keep their machinery from being looted by the Russian soldiers.

Respectfully yours,

OWEN J. C. NOREM

760p.6111/70 : Telegram

The Minister in Latvia (Wiley) to the Secretary of State

RIGA, October 28, 1939—noon.
[Received October 28—8:35 a. m.]

292. Legation's 280, October 24, 3 p. m. From considerable information received by the Military Attaché from a Latvian railway official it appears that Soviet troops will probably start crossing into Latvia tomorrow at Zilupe and Indra. Riga trains expected at each station every other day over 10-day period. Thirty thousand troops to be distributed, Libau and Windau districts, and additional troops at Priekule, Auce, Vainode and Ezere. Mechanized division expected to be additional. Please inform War Department.

WILEY

760p.6111/73 : Telegram

The Chargé in Latvia (Packer) to the Secretary of State

RIGA, November 7, 1939—7 p. m.
[Received November 7—3:51 p. m.]

300. Foreign Office official informs me that (1) Soviet leasehold north of Windau runs to point of peninsula at Cape Domesnes; (2) Latvian troops are to be withdrawn from coast to Mitau and Tukums; (3) among Soviet troops who have arrived in Libau are included many Kirghiz and other Mongol peoples, also some Letts, Kirghiz being sent because they are good soldiers and interested in nothing but soldiering and hence less susceptible to foreign surroundings. Soviet troops, informant added, are buying liberally, especially wrist watches and shoes.

Reliable informant who has just spent 3 days in Libau states that Soviet warships have departed (see Legation's 276, October 23, 10 a. m.⁶⁵) and that he saw no Soviet soldiers on the streets of the city. They are apparently at present restricted to the naval port area.

PACKER

⁶⁵ Not printed.

860c.014/86 : Telegram

The Chargé in Latvia (Packer) to the Secretary of State

RIGA, November 7, 1939—8 p. m.

[Received 9:20 p. m.]

301. Foreign Office official informs me that (1) Lithuanians actually asked Soviet Government for Vilna and requested that Oszmiana be included in territory ceded [by] Soviet, rejection of latter presumably being because of important leather and lumber industries situated there; (2) that Latvian Consul Vilna who has just been here stated that during Soviet occupation of city there was extensive evacuation to Soviet Union of metal materials, doors and frames, window frames, et cetera, and that numbers of Polish officers and landlords were evacuated.

PACKER

860m.00/417 : Telegram

The Minister in Lithuania (Norem) to the Secretary of State

KAUNAS, November 16, 1939—7 p. m.

[Received November 17—12:45 a. m.]

65. Bizauskas informed me confidentially that Russian troops are taking garrison positions Wednesday, Thursday, Friday⁶⁶ of this week. President Smetona has asked Merky, Mayor of Kaunas, to form a new Cabinet.

NOREM

760i.61/147 : Telegram

The Minister in Estonia (Wiley) to the Secretary of State

TALLINN, December 5, 1939—5 p. m.

[Received December 5—2 p. m.]

141. There has been an epidemic of rumors alleging new Soviet demands on Estonia including disbanding of civil guard. I am authoritatively told at the Foreign Office that these reports are false and that no new demands of any kind have been presented. It was made clear though that Foreign Office regards the situation with anxiety and fears that Soviet pressure may be applied in a dangerous manner particularly during present visit of General Laidoner, Commander in Chief, to Moscow. (I think recognition of Terijoki government⁶⁷ is regarded as chief danger point).

⁶⁶ November 15-17.⁶⁷ The puppet, Communist Soviet government of the "Democratic Republic of Finland", set up on December 1, 1939, in the town of Terijoki under the nominal leadership of Otto Kuusinen.

Economic relations with the Soviet Union seem to be following happy course. Former is paying in dollars both for garrison expenses and Estonian exports to Soviet Union. Estonia has been permitted to make payments for Soviet exports from blocked rouble accounts. According to Foreign Office negotiations for export of Estonian dairy products to Soviet Union concluded at satisfactory price level.

WILEY

7601.61/148 : Telegram

The Ambassador in the Soviet Union (Steinhardt) to the Secretary of State

Moscow, December 8, 1939—11 a. m.
[Received December 8—9: 11 a. m.]

1041. The Soviet press today reports the arrival at Moscow yesterday of General Laidoner, Commander-in-Chief of the Estonian armed forces, with a small staff. He was received with full military honors and in the evening was tendered a dinner by Voroshilov at which Stalin and a number of high Soviet military and civil officials were present.

The press gives no indication of the purpose of General Laidoner's visit, but I have learned on good authority that it is primarily a visit of courtesy which had been arranged some weeks ago. It is probable, however, that in view of the present situation the question of the use of the Soviet bases in Estonia in connection with military operations against Finland will be discussed.

Repeated to Riga.

STEINHARDT

760p.62/77 : Telegram

The Chargé in Latvia (Packer) to the Secretary of State

RIGA, December 11, 1939—2 p. m.
[Received December 11—1: 56 p. m.]

343. I am informed from a usually reliable source that in response to its appeal to the Soviet Government the Latvian Government had received a communication from the former, first, stressing the Soviet Union's intention to safeguard Latvian interests and, secondly, advising the Latvian Government to accede to all the demands being made by Germany in connection with the trade negotiations now being carried on in Berlin. In the latter connection the communication is said to state that, as the Soviet Union is unable to meet all Germany's demands for foodstuffs, Latvia should contribute as much as possible, the Soviet Union promising to compensate her at a later date.

PACKER

760m.61/89

The Chargé in Lithuania (Gufler) to the Secretary of State

No. 634 (Diplomatic)

KAUNAS, December 14, 1939.

[Received January 9, 1940.]

SIR: I have the honor to report that the Foreign Minister informed me yesterday that, since the entry of the Soviet troops and the cession of Vilna, there had been no new development in Lithuanian-Soviet relations. The Soviet Government had sent only 18,000 instead of the expected 20,000 soldiers to Lithuania and had explained that circumstances rendered it impossible for the present to send more troops but that the additional 2,000 would be sent in the future. The Minister went on to say that the Soviet troops were quiet and were behaving most correctly as are the representatives of the Soviet Government now sitting with Lithuanian representatives on various commissions. These commissions are arranging details of the new boundary, railroad relations, provisioning of the Soviet troops, which is to be done partly by shipment from the Soviet Union and partly by purchase here, et cetera. None of the commissions has as yet arrived at its final results.

Respectfully yours,

BERNARD GUFLEK

760i.6111/89 : Telegram

The Minister in Estonia (Wiley) to the Secretary of State

TALLINN, December 15, 1939—noon.

[Received 2:25 p. m.]

155. Commander-in-Chief returned yesterday from official visit to Moscow where he conferred with Stalin, Molotov, Voroshilov, et cetera. Since his return he has been closeted with the Government but as yet there are no official repercussions.

Madame Laidoner tells me that her husband was well received. She alleges that no demands were made on Estonia but that there were long and serious conversations at the Kremlin covering a number of subjects. She said that similar invitations to visit Moscow were being extended Latvia and Lithuania, and added that it would be easier for them than it had been for the General, since they would know what to expect.

During the General's absence there was much curiosity, even anxiety, in Government circles over the course of events.

This morning a high official of the Foreign Office greatly relieved, told me that the General's visit had proved to be "most reassuring". No Soviet demands of any kind had been advanced, Molotov had gone out of his way to reiterate all the previous assurances given to Estonia and a favorable reception was given to certain requests made by the

General (one of these had to do with Soviet supplies of arms and munitions to Estonia). The General, my informant stated, returned with the conviction that the Kremlin was "genuinely sorry that the Finnish Government had refused to trust the Soviet Union". Molotov gave him a detailed account of the wide divergence of the attitudes adopted by Paasikivi and Tanner. The latter was blamed for the conflict.

WILEY

760p.6111/83

Memorandum by the Assistant Chief of the Division of European Affairs (Henderson)

[WASHINGTON,] December 20, 1939.

The Latvian Minister told me this morning that so many misrepresentations, some of which seemed inspired, regarding the present international situation of the Baltic States (Latvia, Estonia and Lithuania) have appeared recently in press despatches or have been made over the radio, that he feels he should give the Department in confidence a description of the situation as it exists.

The Minister said that unfortunately many of these misstatements seemed to come from Scandinavian sources, and were probably made not for the purpose of doing injury to the Baltic States, but rather to portray in exaggerated form the difficulties of these states in order to demonstrate that Finland had acted properly in refusing to agree to Soviet demands. He said that his country and the other Baltic States had the utmost sympathy for Finland and that they certainly had no reason to criticize Finland for resisting any demands which the Finnish Government believed would impair the sovereignty of Finland. It was the hope of the Baltic States that Finland would be successful in maintaining its independence. Nevertheless, these states could not afford to ignore propaganda to the effect that they were now merely Russian satellites since if the impression should exist throughout the world that they had lost their independence it would be much easier for the Soviet Union to take them over.

The Minister pointed out that during the last twenty years against tremendous odds the three Baltic States had made valiant efforts to raise the standards of living of their people and to make themselves creditable members of the family of nations. An enormous amount of sacrifices had been made in order to go forward in this direction. In view of the geographic position of these countries they had had no choice except to endeavor to remain neutral as between their three grasping neighbors—Germany, Poland, and the Soviet Union. Following the German-Soviet agreement and the destruction of Poland they were forced, in order to preserve the accomplishments of their work of the last twenty years, to enter into mutual assistance alliances

with the Soviet Union and to permit the Soviet forces to occupy certain bases on their territories. In return, the Soviet Government has promised not to interfere with their national life and their political independence. There is no doubt that their situation is precarious. It is important that the Governments of these countries and the representatives of these Governments abroad conduct themselves in such a manner that they cannot be charged by the Soviet Union with failing to live up to the spirit of their agreements with the Soviet Government. In the field of foreign affairs, therefore, these three countries are compelled to act with great caution. Nevertheless, they have not given up their independence or their hopes for retaining their independence. The Soviet Government thus far had not interfered with the internal life of these countries. The Latvian Government would not accede to any Soviet demands the acquiescence to which would mean the eventual sovietization of the country or the reduction of the country to a mere Soviet appanage.⁶⁸

The Minister stated that the American Government and the American people had thus far shown real friendliness towards Latvia and an understanding of its problems. He hoped that during these trying days when emotions run high the American Government and the American people would not forget that Latvia continues to be one of the outposts of Western civilization and although in its present position it is not as articulate as a country which might be engaged in actual war with the Soviet Union, it nevertheless was struggling with all the resources at its disposal against being swallowed up by its great neighbors.

The Minister referred in particular to an Associated Press report which was published in the *Washington Star* of December 15. This statement was in general to the effect that the Baltic States were already merely Soviet satellites and that the American Government was giving consideration to the advisability of withdrawing its diplomatic representation from them at some time in the future. He said that he hoped that this report did not represent the views of the American Government.

I told the Minister that I had seen the report in question and that I could assure him that it did not represent the views of the American Government; that this Government understood the position in which the three Baltic States found themselves; and that it was not

⁶⁸ During 1940 in a series of ultimatums, the Soviet Union enforced new demands upon Lithuania (June 12-16), Latvia (June 16-20), and Estonia (June 16-22), culminating in virtual Soviet military occupation. Following what were called elections on July 14 and 15, and unanimous votes in the new assemblies for union with the Soviet Union on July 21, the Supreme Council of the Soviet Union resolved to admit Lithuania on August 3, 1940; Latvia, on August 5; and Estonia, on August 6. By the law of August 7, 1940, the necessary constitutional changes were made whereby these countries became the 14th, 15th, and 16th constituent republics in the Soviet Union.

considering the advisability of withdrawing its diplomatic and consular representatives from the Baltic States.

The Minister thanked me for this statement and said that it had greatly relieved his mind.

500.C001/1490

The Minister in Latvia (Wiley) to the Secretary of State

No. 602

RIGA, December 22, 1939.

[Received January 26, 1940.]

SIR: Referring to the Legation's telegram No. 344 of December 11, 6 p. m.⁶⁹ I have the honor to report that, according to information furnished me by M. Tattar, a director of the Estonian Ministry for Foreign Affairs, the Foreign Ministers of the Baltic States when recently at Tallinn attending the Tenth Conference of the Foreign Ministers of the Baltic States discussed privately the matter of abstaining from voting at Geneva on the question of the expulsion of the Soviet Union from the League of Nations.⁷⁰ This "discussion" technically was not a part of the proceedings of the Conference mentioned. M. Tattar stated further that there was no point on the agenda of the Conference relating to this question and that it was not discussed at the Conference.

According to information obtained by a member of my staff from an Estonian diplomat here, the agreement which was reached by the three Ministers not to vote on the question mentioned was not put in writing. The informant indicated that the lack of independence of the Baltic States in matters of foreign policy was clearly to be seen in this incident.

Respectfully yours,

JOHN C. WILEY

DETENTION OF THE AMERICAN VESSEL "CITY OF FLINT" AND ITS CREW AS A GERMAN PRIZE IN THE PORT OF MURMANSK

300.115(39) City of Flint/1: Telegram

*The Secretary of State to the Ambassador in the Soviet Union
(Steinhardt)*

WASHINGTON, October 23, 1939—11 p. m.

202. Tass⁷¹ despatch from Moscow reports American steamer *City of Flint* has arrived at Kola Bay (other news agencies say Murmansk)

⁶⁹ Not printed.

⁷⁰ Because of its aggression against Finland, the Soviet Union was expelled on December 14, 1939, from the League of Nations; see telegram No. 324, December 14, 1939, 9 p. m. from the Consul General at Geneva, p. 804.

⁷¹ Telegraph Agency of the Soviet Union.

with German Prize crew on board and that "crew" has been interned.⁷²

Telegraph urgently such information as you can immediately obtain from Soviet authorities particularly whether it is the American crew or the German prize crew which has been interned.

HULL

300.115 (39) City of Flint/3: Telegram

*The Ambassador in the Soviet Union (Steinhardt) to the
Secretary of State*

Moscow, October 24, 1939—9 a. m.

[Received October 24—7:38 a. m.]

789. Department's 202, October 23, 11 p. m. The full text of the Tass despatch from Murmansk dated October 23 as published in the Moscow newspapers this morning under the title "The temporary detention of the foreign vessel in Murmansk" reads as follows:

"On the evening of October 23 there arrived in the Kola Bay (north of Murmansk) a cargo steamer under the German flag and without a Soviet pilot. Investigation revealed that it was an American steamer the *City of Flint*, displacement 5000 tons, bound from New York to Manchester, which had been seized by 18 members of a German cruiser who had brought the ship to Kola Bay. The German crew considers the cargo to be contraband (tractors, grain, fruit, leather, wax and other commodities) total in all 3700 tons. The naval forces at the port of Murmansk have temporarily held the vessel and interned the German crew".

I have requested an immediate appointment with Potemkin for the purpose of making inquiry in the premises and will report by telegraph to the Department. As today is rest day there may be some delay in obtaining the appointment.

It will be noted that the despatch as published in the Moscow newspapers refers to the internment of the German crew only and specifically refers to temporary detention.

According to the American newspaper correspondents here the despatch which appeared in the Soviet newspapers this morning was not made public in Moscow last night but, as is frequently the case, was first sent abroad and only announced in Moscow at 7:30 this morning on the Soviet radio.

STEINHARDT

⁷² The *City of Flint* was an American steamer of the United States Maritime Commission operated by the United States Lines Company, Captain Joseph A. Gainard, master. The ship had left Philadelphia on September 20, 1939, and New York on October 3, with a mixed cargo for England and Europe. During the afternoon of October 9, it had been stopped by the German pocket battleship *Deutschland*, and a German prize crew placed on board, as a portion of the cargo was deemed to be contraband. The ship had stopped at Tromsø, Norway, on October 21 for supplies. From there, instead of proceeding to a German port as expected, it next appeared at the Soviet port of Murmansk.

300.115(39) City of Flint/5: Telegram

The Ambassador in the Soviet Union (Steinhardt) to the Secretary of State

Moscow, October 24, 1939—5 p. m.
[Received October 24—12:36 p. m.]

793. My 789, October 24, 10 [9] a. m. I saw Potemkin at 3 o'clock this afternoon. He stated that he had no other information than appeared in the Tass despatch quoted in my telegram under reference but that in anticipation of my call he had requested the Soviet naval authorities at Murmansk to let him have a full report as quickly as possible and that he would advise me as soon as all of the facts were in his possession.

STEINHARDT

300.115(39) City of Flint/9: Telegram

The Secretary of State to the Ambassador in the Soviet Union (Steinhardt)

WASHINGTON, October 24, 1939—6 p. m.

208. Your 789, October 24, 9 a. m., regarding *City of Flint*. Department assumes from your telegram that vessel was brought into Kola Bay as prize. Under rules governing maritime warfare a prize may be brought into a neutral port only on account of unseaworthiness, stress of weather or want of fuel or provisions, and is required to leave as soon as the circumstances that justified its entry are at an end. Failure to leave puts upon the neutral power the obligation to release it with its officers and crew and to intern the prize crew. See articles 21 and 22 of Hague Convention No. 13, 1907,⁷³ which both Russia and United States ratified (2 Malloy's *Treaties, etc.*, page 2352). These provisions are regarded by this Government and American courts to be declaratory of the existing law of nations independently of conventional undertakings.

If the vessel and cargo have not already been released you should discuss the matter with the Soviet authorities along the lines of the foregoing and say that this Government assumes that such action will be taken at once since failure so to act would compromise the neutrality of the Soviet Government as announced to you in its note of September 17.⁷⁴

In reporting results of your conversation also advise whereabouts and status of American crew.

HULL

⁷³ Convention Concerning the Rights and Duties of Neutral Powers in Naval War, signed at The Hague, October 18, 1907, *Foreign Relations*, 1907, pt. 2, pp. 1239, 1243, 1244.

⁷⁴ *Ante*, p. 782.

300.115(39) City of Flint/24: Telegram

The Secretary of State to the Ambassador in the Soviet Union
(Steinhardt)

WASHINGTON, October 25, 1939—7 p. m.

211. Department's 208, October 24, 6 p. m., regarding *City of Flint*. Although the Department is still without essential facts regarding the seizure and the reasons for entering a Soviet port, it is thought that the following information may be helpful to you in any discussion of the subject with the Soviet Government should that Government seem inclined to justify detention of the vessel.

Article 23 of Hague Convention No. XIII of 1907 provides, in effect, that a neutral power may allow prizes to enter its ports when they are brought in for sequestration pending decision of a prize court. The United States, Great Britain, Japan and Siam made reservations with respect to this article. It was entirely excluded by the United States as not representing international law. Germany is a party to the convention and did not reserve as to Article 23. The Soviet Government probably does not consider that it is a party since the convention was not ratified by it but by the former government of Russia, and since it has not indicated its acceptance of the convention. It might, however, contend that since Germany is a party to the convention and is invoking the article, the Soviet Government can arbitrarily give it application in this case. As to any such argument you should say (1) that the United States did not accept the article because it did not consider that it conformed to international law; and that by applying the article the neutral might become involved in participation in the war to the extent of giving asylum to a prize where the belligerent might not be able to conduct it to a home port. According to the Department's understanding these were the reasons why the other powers mentioned declined to accept the article; (2) that quite apart from the convention, the harboring of a prize is distinctly unneutral, regardless of any action which the Prize Court of the capturing country may take with respect to a vessel not within its jurisdiction; (3) that this question was clearly at issue in the case of the steamship *Appam*⁷⁵ which was brought into an American port by a German cruiser in February 1916; that the German Government requested this Government to intern the vessel during the period of the war but the request was denied. The ship's crew was set at liberty but the prize crew was detained. In its communication to the German Embassy the Department stated that the vessel was entitled "only to the privileges usually granted by maritime nations

⁷⁵ For correspondence on the treatment of the *Appam* as a prize ship in an American port, see *Foreign Relations*, 1916, Supplement, pp. 722 ff.

to prizes of war, namely to enter neutral ports only in case of stress of weather, want of fuel and provisions, or necessity of repairs," and that such prizes were required to leave "as soon as the cause of their entry has been removed."

The Supreme Court in passing upon the case ⁷⁶ held that the bringing of the prize into our port was a violation of our neutrality, that is to say, it involved an undertaking to make of an American port a depository of captured vessels; that if such were not contrary to international law "our ports might be filled in case of a general war such as is now in progress between the European countries, with captured prizes of one or the other of the belligerents, in utter violation of the principles of neutral obligation which have controlled this country from the beginning." The vessel was restored to the private owners.

In March 1915 a German cruiser took a French vessel into a Chilean port as a prize of war where it was held for 8 days. The Government of Chile protested against the action as a violation of its neutrality, an offense against its sovereignty, and contrary to Article 21 of the thirteenth Hague Convention. A similar protest was made against the conduct of German men-of-war in bringing into Chilean ports three other vessels and holding them there for a period of 7 days. The action was denounced as a flagrant violation of the neutrality of Chile.

(4) Finally, you should conclude, if occasion arises, that it is the decided view of your Government that international law does not permit a neutral country to receive in its ports prizes of war except for the reasons stated in Article 21 of the Hague Convention; that if the prize does not depart when the cause of its entry is removed, the neutral government must permit it with its crew to depart, and that your Government does not doubt that the Soviet Government will view the matter in this light and act accordingly.

HULL

300.115(39) City of Flint/25: Telegram

*The Secretary of State to the Ambassador in the Soviet Union
(Steinhardt)*

WASHINGTON, October 25, 1939—9 p. m.

212. It is difficult for us to understand the failure of the Russian authorities to give you full information and data about the *City of Flint* and particularly about the whereabouts and welfare of the officers and crew. If this information is not forthcoming without delay, I feel that you should consider sending a qualified member of your staff to Murmansk, either by air, if you judge it safe, or otherwise by the

⁷⁶ March 6, 1917; 243 U. S. 124.

most expeditious means. If there continues to be evident a pre-disposition to avoid giving you adequate information, you might wish to throw out a hint, of course without commitment, to the effect that there is after all some relationship between the treatment accorded our vessels in a foreign port, and the treatment to be expected for foreign vessels in our ports.

HULL

300.115(39) City of Flint/12 : Telegram

The Ambassador in the Soviet Union (Steinhardt) to the Secretary of State

Moscow, October 25, 1939—11 p. m.

[Received October 25—6:12 p. m.]

799. Department's telegram No. 208, October 24, 6 p. m. I saw Potemkin at 10 o'clock tonight and discussed the status of the *City of Flint* in accordance with the Department's telegram under reference. He had already familiarized himself with articles XXI and XXII of the Hague Conference of 1907. He stated that the cargo was at present being examined and assured me that the American officers and crew were safe on board and that he would endeavor to expedite a disposition of the matter.

STEINHARDT

300.115(39) City of Flint/13 : Telegram

The Ambassador in the Soviet Union (Steinhardt) to the Secretary of State

Moscow, October 26, 1939—3 a. m.

[Received October 25—9:10 p. m.]

800. A Tass despatch from Murmansk issued at 1:30 a. m., states that the German prize crew which brought the *City of Flint* to Murmansk has been released from internment in view of the fact that the vessel put in to Murmansk by reason of damage to her machinery. The despatch continues that the vessel is remaining at Murmansk pending the definite establishment of the nature of her cargo.

I immediately telephoned Potemkin who stated that it was his understanding that the German prize crew had been released from internment but not been put back on board the *City of Flint*. When I asked him whether the vessel might not leave the port under her American crew list he evaded a direct reply by referring to the existence of machinery trouble. He promised me further details as soon as possible.

STEINHARDT

300.115(39) City of Flint/35: Telegram

*The Secretary of State to the Ambassador in the Soviet Union
(Steinhardt)*

WASHINGTON, October 26, 1939—1 p. m.

213. Your 800 and 801.⁷⁷ I am relieved to receive at last news that the officers and crew of the *City of Flint* are safe, but disappointed that you have as yet not been able to report direct contact with them. If you have not succeeded in communicating with them directly by telephone or telegraph please take this matter up without delay with the Foreign Office and insist on right of free communication with them. Press reports as yet unconfirmed are to the effect that the Russian authorities have released the ship to the German prize crew. If this turns out to be true please renew our legal contentions and our demand that ship be turned over to American crew. Meanwhile what has become of the American crew? If they are still in Murmansk please send Ward or Bohlen there at once (you are authorized to charter plane if possible) (a) to take affidavits as to the true facts, notably regarding conditions of capture, seaworthiness of ship, et cetera, and (b) to give relief to crew. This is a right to which we are entitled by exchange of notes November 16, 1933,⁷⁸ and on which we must insist. Why is it that Tass reports give details of what is happening hours before you are informed by the Foreign Office? Please call Potemkin's attention to this lack of cooperation. The Government and public here cannot understand this attitude.

HULL

300.115(39) City of Flint/96

*Memorandum by the Assistant Chief of the Division of European
Affairs (Henderson)*

[WASHINGTON,] October 26, 1939.

I handed the original of the attached memorandum to Mr. Chuvakhin, the Soviet Chargé d'Affaires ad interim, this afternoon at 4:30. In handing it to him I pointed out that it should be considered as a memorandum outlining certain statements which I wanted to make to him.

After I explained to Mr. Chuvakhin the contents of the memorandum, he stated that he would communicate immediately with his Government. He expressed some surprise at the fact that our Government was not fully satisfied with the cooperation that this Embassy was receiving from Soviet officials since he had gained the impression

⁷⁷ Latter telegram not printed.

⁷⁸ See pp. 33-34.

from reading the press that Mr. Molotov and Mr. Potemkin were taking a personal interest in the matter.

I replied that nevertheless the Embassy had thus far not been able to ascertain facts relating to the detention and condition of the vessel and crew, which must be well known to the Soviet authorities. Furthermore, apparently the captain and the crew had not been permitted to get into direct communication with the Embassy.

I asked Mr. Chuvakhin if he had any information from his Government regarding the case and he replied that he had no information other than that furnished by Tass and published in the American press.

[Annex]

Memorandum by the Assistant Chief of the Division of European Affairs (Henderson) to the Chargé of the Soviet Union (Chuvakhin)

[WASHINGTON,] October 26, 1939.

Mr. Henderson stated that he had been requested by the Secretary of State to point out to Mr. Chuvakhin that the American Government was somewhat disappointed that the Soviet authorities had not shown that degree of cooperation with the American Embassy at Moscow which this Government felt that that Embassy had a right to expect in connection with its efforts to ascertain without loss of time all the facts relating to the detention of the American vessel *City of Flint* and its crew.

The American Government considered the matter of the detention of the vessel and crew important, and it would be appreciated by the Department if Mr. Chuvakhin would find it possible to convey to his Government the hope of the American Government that the appropriate Soviet authorities would lend full assistance and cooperation to the American Embassy at Moscow in connection with the latter's efforts to effect a speedy and satisfactory settlement of the case.

300.115 (39) City of Flint/28: Telegram

The Ambassador in the Soviet Union (Steinhardt) to the Secretary of State

Moscow, October 26, 1939—6 p. m.

[Received October 26—2:50 p. m.⁷⁹]

805. Department's telegram No. 212, October 25, 9 p. m. Having received no further word today from Potemkin I have asked for an immediate appointment with him for the purpose of pointing out the anomalous position in which the Soviet Government is placing itself

⁷⁹ Telegram in two sections.

in respect of the *City of Flint*. In so far as the facts have thus far been made known to me the German authorities allege that the vessel was taken in to Murmansk as being non-navigable, having no suitable charts on board, whereas according to the Soviet authorities she was taken there by reason of damaged machinery.

Thus both the German and Soviet versions indicate that the vessel was brought in to Murmansk by reason of a condition making it impossible for her to remain at sea. Both alleged reasons appear to fall within the scope of articles 21 and 22 of the Hague Convention of 1907.

It is my intention to renew my inquiry of Potemkin as to the grounds upon which the Soviet Government bases its action in detaining the vessel and examining its cargo.

I have been trying all day to communicate with Captain Gaynor [*Gainard*] of the *City of Flint* and have now been promised a telephone connection with him at 8 o'clock tomorrow morning.

STEINHARDT

300.115(39) City of Flint/33 : Telegram

The Ambassador in the Soviet Union (Steinhardt) to the Secretary of State

Moscow, October 26, 1939—11 p. m.

[Received October 26—6:25 p. m.]

807. My telegram No. 805, October 26, 6 p. m. I have just seen Potemkin with whom I have fully discussed the status of the *City of Flint* along the lines of the Department's several telegraphic instructions. I gained the impression that the incident has been embarrassing to the Soviet Government which appears to be disposed to take immediate action probably along the lines of invoking articles XXI and XXII of the Hague Convention of 1907.

STEINHARDT

300.115(39) City of Flint/34 : Telegram

The Ambassador in the Soviet Union (Steinhardt) to the Secretary of State

Moscow, October 26, 1939—midnight.

[Received October 26—6:20 p. m.]

808. My 807, October 26, 11 a. m. [*p. m.*]. The Soviet radio at 11:30 p. m., announced that after examination of her cargo the naval authorities have decided to release the *City of Flint* on condition that she leave the port of Murmansk immediately.

STEINHARDT

300.115(39) City of Flint/36: Telegram

The Ambassador in the Soviet Union (Steinhardt) to the Secretary of State

Moscow, October 27, 1939—5 a. m.

[Received October 27—12:51 a. m.]

809. Department's 213, October 26, 1 p. m. In connection with our "legal contentions" I refer to the Department's telegram 208 of October 24, 6 p. m., and 211 of October 25, 7 p. m., neither of which envisage unconditional surrender of the *City of Flint* to the American crew, our legal position being based on the applicable provisions of the Hague Convention of 1907. Thus far I have accepted for my guidance the concluding paragraph of the Department's 211, October 25, 7 p. m.:

"Finally, you should conclude, if occasion arises, that it is the decided view of your Government that international law does not permit a neutral country to receive in its ports prizes of war except for the reasons stated in article 21 of the Hague Convention; that if the prize does not depart when the cause of its entry is removed, the neutral government must permit it with its crew to depart, and that your Government does not doubt that the Soviet Government will view the matter in this light and act accordingly."

Having vigorously presented this view, with apparent success, to Potemkin, I am now somewhat at a loss as to whether the Department has changed its position and desires that I demand that the vessel be unconditionally turned over to the American crew—provided there is still time within which to effect such a demand. However when I see Potemkin today I shall make such a formal demand.

In view of the fact that the Tass report subsequently confirmed by Potemkin stated that the vessel was brought in to Murmansk due to the necessity of repairing her machinery it appeared to me that the facts in the case as represented by the Soviet Government fell within the scope of the position taken by the Department in the telegrams referred to above.

The "press reports as yet unconfirmed" to which reference is made presumably are based upon a Hearst story from its London correspondent which reached Moscow yesterday and was denied by local American correspondents. As the report at the time was completely unfounded, it appears to have been merely a lucky forecast of the action not taken until tonight by Soviet Government. In my daily discussions with Potemkin on the subject I have stressed to the utmost the urgency of obtaining the fullest information at the earliest possible moment. On each occasion I gained the distinct impression that

in this as in other matters the Commissariat for Foreign Affairs has had extreme difficulty in obtaining information from the authorities directly concerned. Both last night and tonight Tass communiqués were issued from Murmansk, in the one case within 1 hour and in the other case within 2 hours, after I left Potemkin and in neither case was he aware that they were to be issued or of the nature of their contents. Only yesterday I emphatically protested to Potemkin on my own initiative and before the receipt of the Department's telegram under acknowledgment at the impropriety and discourtesy in releasing a Tass communiqué containing information of direct importance and interest to my Government which he had stated he was unable to furnish me at the time but had promised to furnish subsequently. In connection with the Tass communiqué issued tonight which was read on the Soviet radio about 1 hour after I left Potemkin, I at once tried to telephone Potemkin for confirmation and further details but was told that he had gone to his home in the country and could not be reached until morning. I should add that it is the objectionable practice here for Tass to publish information through the medium of communiqués before the representatives of interested governments are acquainted with the subject or contents.

As reported in my telegram 805, October 26, 6 p. m., I am continuing my efforts to establish telephonic communication with the Captain or a member of the American crew. The difficulties have been occasioned by the execrable Soviet telephone system and not by any governmental interference. I am endeavoring to charter a plane to be utilized by Ward or Bohlen unless the vessel and her American crew have sailed before the plane could arrive there.

STEINHARDT

800.115 (39) City of Flint/42: Telegram

The Ambassador in the Soviet Union (Steinhardt) to the Secretary of State

Moscow, October 27, 1939—10 a. m.

[Received October 27—6:26 a. m.]

810. My 809, October 27, 5 a. m. I was unable to obtain the promised telephone communication with the Captain or a member of the crew of the *City of Flint* at 8 this morning, although temporary communication with the Murmansk operator was established. As calls for Murmansk are only accepted for certain hours during the day the next attempt will be made at 1:30 today.

STEINHARDT

300.115(39) City of Flint/38: Telegram

The Ambassador in the Soviet Union (Steinhardt) to the Secretary of State

Moscow, October 27, 1939—2 p. m.

[Received October 27—9:07 a. m.]

814. My 811, October 27, 10 a. m.⁸¹ The Chief of the Civil Air Fleet now states that there are no planes available outside of the regular scheduled planes by reason of the fact that all extra planes are occupied in bringing to Moscow delegates to the Supreme Soviet meeting to be held on October 31. He further states that the 2 o'clock plane today to Leningrad was grounded by reason of meteorological conditions. Under these circumstances I am sending Bohlen tonight by train to Leningrad in the hope that permission for him to proceed to Murmansk will be received by the time of his arrival there.

STEINHARDT

300.115(39) City of Flint/43: Telegram

The Ambassador in the Soviet Union (Steinhardt) to the Secretary of State

Moscow, October 27, 1939—3 p. m.

[Received October 27—12:05 p. m.]

815. My 810, October 27, 10 a. m. I have now succeeded twice in getting through to the port of Murmansk by telephone but have failed to establish contact with the Captain of the *City of Flint* despite assurances that arrangements had been made in advance for his presence at the agreed time. In my opinion the failure on two occasions of the Captain to be at the telephone at the appointed time indicates that the Soviet Government is endeavoring to prevent me from speaking with him or a member of the crew. I have accordingly just sent the following note to Potemkin:

“My dear Mr. Potemkin: Since the receipt of information from you on the evening of October 25 that the American crew of the American vessel *City of Flint* was at Murmansk, I have been endeavoring, but without success, to establish telephone communication with them. The telephone authorities have repeatedly assured me that arrangements would be made for me to speak to the Captain of the *City of Flint* and on two occasions designated the time but when I obtained a communication with Murmansk I was informed that the Captain was not available.

“In view of the fact that I have been specifically instructed by my Government to establish immediate communication with the Captain of the *City of Flint* and by reason of my undoubted right of communication with American citizens in the Soviet Union, I hereby request

⁸¹ Not printed.

that you be so good as to cause the appropriate authorities to place me in telephone communication today with the Captain of the *City of Flint* at Murmansk.

Believe me my dear Mr. Potemkin I am sincerely yours, Laurence A. Steinhardt."

STEINHARDT

800.115(39) City of Flint/59½: Telegram

The Secretary of State to the Ambassador in the Soviet Union
(Steinhardt)

WASHINGTON, October 27, 1939—7 p. m.

216. Your 813, October 27, noon,⁸² *City of Flint*. Associated Press carries report under today's Berlin date line to the effect that *City of Flint* was being sailed from Murmansk to Germany under command of German prize crew.

If you find that the vessel has thus been released, you should inform the Foreign Office that the action of that government is the occasion of considerable surprise to your Government. You should point out that early reports stated that the vessel was being "temporarily held" and that the German crew had been interned. (See your 789, October 24, 9 a. m.) This report would indicate that the Soviet authorities considered that the vessel had been illegally brought into port. Later, on October 25, the German authorities stated that the vessel had put into the port of Murmansk because of the lack of adequate navigation charts. Still later, on October 26, the German authorities stated that the vessel had been brought into port because of "sea damage." On the same day the Foreign Office informed you that the vessel had entered the port on account of the "existence of machinery trouble." (See your 800, October 26, 3 a. m.)

It now appears that the vessel has been released in charge of the German prize crew.

If the vessel entered the port of Murmansk because of needed repairs, it is not perceived why the German crew was interned. If it did not enter in good faith or for such repairs or other reasons specified in Article 21 of The Hague Convention, it is not perceived why it was not permitted to sail with its American crew. The conflicting statements and the inconsistency between the action of the Soviet authorities in interning the German crew and in later releasing the crew and the vessel for departure for Germany (if this latter report is correct) would seem to call for explanation. The failure of the Soviet authorities to make it possible for you to communicate

⁸² Not printed; but see the Ambassador's telegram No. 808, October 26, 1939, midnight, p. 992.

with the American captain of the vessel is very surprising and requires explanation. You should make it clear that your Government cannot understand these conflicting reports and the utter lack of cooperation on the part of the Soviet authorities with you.

You should endeavor in such way as it may be found possible to ascertain whether, as a matter of fact, the vessel was unseaworthy and whether and to what extent repairs were made at Murmansk.

HULL

300.115(39) City of Flint/48: Telegram

The Ambassador in the Soviet Union (Steinhardt) to the Secretary of State

Moscow, October 27, 1939—9 p. m.

[Received October 27—7:30 p. m.⁸³]

818. I have just seen Potemkin and have vigorously reiterated my indignation to the lack of cooperation by the Soviet Government in withholding information from me while issuing communiqués with respect to the *City of Flint* through the medium of the Tass Agency. He replied that Tass was an official agency of the Soviet Government and that it was the custom of his Government to make announcements through it. I told him that this was no excuse for his failure to keep me informed particularly in view of my repeated requests for information on behalf of my Government which had been the purpose of my daily visits to him. After a lengthy discussion I formally demanded that the vessel and cargo be turned over to the American crew and be authorized to depart. He thereupon made the following statement:

The *City of Flint* had come into the port of Murmansk in charge of a German prize crew without any previous knowledge on the part of the Soviet Government and through no act on its part. The reason ascribed by the prize crew for the entry was damaged machinery making the ship unseaworthy. When the Soviet authorities at Murmansk judged that the vessel was again fit to put to sea, and being desirous of preserving its neutrality, the Soviet Government had ordered the vessel to leave the port of Murmansk immediately under the same conditions as those of her entry, namely, with both the German and American crews on board and her cargo intact. He added that the order would be enforced immediately and that the Soviet Government felt that its decision was not only in accordance with the well-recognized principles of international law and consonant with the obligations of a neutral but that it was also the correct position to

⁸³ Telegram in four sections.

take as between the conflicting claims of the United States and Germany to possession of the vessel and her cargo and that by this he meant "to send her out in the same status as she had entered one of the ports."

He said that his Government did not consider that it had the right to turn the vessel and her cargo over to the American crew unless the German prize crew refused to take her out, as in the opinion of his Government to do so would be an unneutral act. In reply to a question he stated that the decision of the Soviet Government to permit the German prize crew to take the vessel to sea was final.

I then asked him who had verified the alleged damage to the machinery, to which he replied that he had no information on this subject, but assumed this had been done by the authorities at Murmansk.

I again inquired concerning the welfare of the American crew and he said that it was his understanding that they had been on board the ship all of the time and were well.

I then asked him when his Government proposed to compel the prize crew to take the vessel to sea to which he replied that he had no objection to telling personally, but feared that the information might come to the knowledge of the British and thereby cause further complications for the Soviet Government. However, he subsequently admitted in confidence that the vessel would "probably" sail tomorrow morning.

I then referred to my difficulties in making contact with the Captain or members of the crew, reciting my repeated attempts to get into communication with them by telegram and telephone, as well as my inability to obtain a plane today. He disclaimed any responsibility for these difficulties, passing over the subject lightly by pointing out that the crew being on board the ship in the roadstead, in conjunction with the average delays in long distance telephone communication, had probably brought about this "unfortunate result." I then told him that having been unable to obtain a plane today I intended to start Mr. Bohlen for Murmansk tonight by train on the assumption that the necessary permission would be granted in time. To this he replied that the ship would be gone before Mr. Bohlen could possibly reach Murmansk "even if he left by plane." Although I have already made three oral and one written request of the Foreign Office for the necessary permission for Bohlen to proceed to Murmansk, which is in an area closed to all foreigners, it has not yet been granted.

I am again endeavoring to complete a telephone connection with the Captain of the *City of Flint* at midnight.

STEINHARDT

300.115(39) City of Flint/49: Telegram

The Ambassador in the Soviet Union (Steinhardt) to the Secretary of State

Moscow, October 27, 1939—11 p. m.

[Received October 27—9: 17 p. m.⁸⁴]

820. I can readily understand the inability of the Department to comprehend the attitude and conduct of the Soviet Government in respect of the *City of Flint* and the difficulty of believing that a government in supposedly friendly relations with the United States should fail to comply with the most elementary amenities and to follow the accepted practices of international intercourse. The following observations which perhaps can be understood only by those who have been stationed in Moscow and who have had direct dealings with the Soviet authorities may be pertinent.

The concentrated and complex organization of the Soviet Government coupled with the deliberately inspired fear which is an integral part of this system creates a situation whereby only two or three men at the very top who are extremely difficult of access exercise all authority and makes the divulging of even routine information a matter of policy.

To this should be added the fact that the Soviet Government with its absolute control over all sources of information coupled with the entire absence of anything remotely resembling public opinion in the Soviet Union is rendered to a large extent immune from and indifferent to the foreign press and public opinion. This is accentuated by the ignorance of the present Soviet leaders of conditions outside of the Soviet Union.

The only factor which tends to influence the action of the Soviet Government in such cases as that of the *City of Flint* is fear of retaliation directly affecting some Soviet interest. In the present case in view of the close collaboration of the Soviet Union with Germany which is based on self-preservation and fear of German armed might, the Soviet Union has demonstrated by its actions that it clearly prefers to remain in the good grace of Germany even at the expense of the impairment of its relations with the United States choosing what appears to its leaders to be the lesser of two evils.

When it is recalled that the Soviet Union since the outbreak of the war has apparently been quite prepared to run the risk of war with England and France in pursuance of its collaboration with Germany, the most recent example of which is the Soviet note to Great Britain

⁸⁴ Telegram in three sections.

in respect of contraband of war,⁸⁵ it is not difficult to understand that to [*the?*] Soviet Government, doubtless in consultation with the German Government in respect of the case of the *City of Flint*, has not hesitated to run the risk of impairing its relations with the United States in order to satisfy Germany.

It has become increasingly apparent during the past 48 hours that the Soviet Government has been attempting by means of delay, evasion, and professions of ignorance to favor or protect the German position.

STEINHARDT

300.115(39) *City of Flint*/50: Telegram

The Ambassador in the Soviet Union (Steinhardt) to the Secretary of State

Moscow, October 28, 1939—2 a. m.

[Received October 28—1:35 a. m.⁸⁶]

821. I was unable at midnight to communicate by telephone with the Captain of the *City of Flint* but did succeed this time in carrying on a 15-minute conversation through an Embassy interpreter with the Dispatcher of the Port of Murmansk. He stated that the Captain could not come to the telephone as American members of the crew had been interned ashore since the arrival of the vessel in Murmansk.

In reply to my questions he made the following statements. (He had obviously not been cautioned against discussing the case and appeared to be unaware of the significance of the information which he imparted.)

1. That the *City of Flint* was at the moment taking on provisions from a cutter and that as soon as the provisions had been loaded would depart which, from the tenor of his remarks, I judged would be about 1 a. m. today.

2. That insofar as he was aware the *City of Flint* had arrived in Murmansk undamaged and under her own power; no damage had been reported upon her arrival and no repairs had been made during the 4 days the vessel was at Murmansk.

3. The vessel while in Murmansk had received charts, including some of Norwegian territorial waters.

4. All of my telegrams had been received and delivered to the American Captain on board the vessel, but no replies had been filed with or through the Dispatcher.

⁸⁵ In this note, which was quoted by the Ambassador in his telegram No. 802 of October 26, 1939, the Soviet Government declined to recognize the validity of the British law on contraband as not being in accord with international law (740.00112 European War, 1939/383).

⁸⁶ Telegram in two sections.

5. The vessel had arrived under the German flag and appeared to be about to sail without a flag (due, I presume, to its being after sundown).

6. In response to questions concerning the welfare of the American officers and crew he said he understood that they were well and that no illness had been reported.

While I do not of course regard the statements made by this port official as evidentiary or conclusive, nonetheless I believe that he was telling the truth insofar as he was aware of the facts, as it is inconceivable to me that he would have fabricated information damaging to the position being publicly maintained by the Soviet Government. His statements in regard to the undamaged condition of the vessel upon arrival in Murmansk, and the furnishing of charts of Norwegian territorial waters, confirms the view expressed in my telegram 820, October 27, 11 p. m., that the Soviet Government has throughout this incident been acting to protect German interests while holding itself out as faithfully complying with the principles of international law governing the conduct of neutrals, and in pursuing this course has resorted to the obstructionist tactics referred to in my earlier telegrams.

I will ask the Department in connection with any use it may see fit to make of the foregoing information to take every possible precaution to safeguard the Soviet official who, in furnishing it, may well have jeopardized his life.

STEINHARDT

300.115(39) City of Flint/51 : Telegram

The Ambassador in the Soviet Union (Steinhardt) to the Secretary of State

Moscow, October 28, 1939—3 a. m.

[Received October 28—1:38 a. m.]

822. I have learned that the German Embassy has received information from Murmansk that the German prize crew was put back on board the *City of Flint* yesterday. I further understand that members of that Embassy are expressing their conviction that the *City of Flint* will be successfully brought to a German port by remaining within Scandinavian territorial waters on the voyage from Murmansk to Germany.

STEINHARDT

300.115 (39) City of Flint/61 : Telegram

The Ambassador in the Soviet Union (Steinhardt) to the Secretary of State

Moscow, October 29, 1939—8 a. m.

[Received October 29—6:05 a. m.⁸⁷]

829. A member of the German Embassy here has stated the following in strict confidence concerning the *City of Flint*:

Upon arrival in Murmansk the German Lieutenant in command of the prize crew presented a written protocol to the Murmansk port authorities to the effect that he had put into that port for the following reasons:

1. Repairs of encrusted boilers.
2. Absence of suitable charts "for the waters in that area."
3. Absence of adequate sounding instruments on board.
4. To obtain provisions and stores.

The port authorities at Murmansk in their ignorance of international law interned the prize crew who had been subsequently released when the Soviet Government in Moscow had familiarized itself with the law regarding the bringing of prizes into neutral ports. When the necessary repairs had been made, charts received, and the ship provisioned it had put to sea immediately. My informant admitted that Molotov had sent for the German Ambassador⁸⁸ on the evening of October 24 but maintained that no attempt had been made by his Ambassador to influence the Soviet decision and that Molotov had appeared to be very vague on the points of international law involved.

My informant stated that he did not know whether the reasons advanced by the German Lieutenant were sufficient before a prize court to satisfy the provisions of article 21 of the Hague Convention but that the Lieutenant, who was undoubtedly familiar with the law, had probably drawn up the protocol in order to permit the vessel to enter under article 21. He added that one member of the German prize crew had been operated on for appendicitis in Murmansk and had been left behind in that port. He concluded by stating that he believed there was very little chance the *City of Flint* would reach a German port, but that rather than permit her to be captured by the British he thought the German Lieutenant after removing the American crew and his own crew would sink the ship.

While the foregoing is obviously a presentation of the German version of the case, the statement in respect of the protocol may prove to be in accordance with the facts.

⁸⁷ Telegram in two sections.

⁸⁸ Friedrich Werner, Count von der Schulenburg.

I doubt the statement that the German Ambassador made no attempt to influence the Soviet position and consider it very probable that his conference with Molotov on the evening of October 24 was for the purpose of arriving at a mutually satisfactory solution.

STEINHARDT

300.115(39) City of Flint/62: Telegram

*The Ambassador in the Soviet Union (Steinhardt) to the
Secretary of State*

Moscow, October 29, 1939—2 p. m.
[Received October 29—10:22 a. m.]

830. The press this morning publishes the following Tass despatch:

“The steamship *City of Flint* has left Murmansk.

Murmansk October 28 Tass. On October 28 in the evening the steamship *City of Flint* after the machinery had been repaired, left the port of Murmansk.”

STEINHARDT

300.115(39) City of Flint/60: Telegram

*The Ambassador in the Soviet Union (Steinhardt) to the
Secretary of State*

Moscow, October 29, 1939—3 p. m.
[Received October 29—2:55 p. m.⁸⁹]

831. *City of Flint*. The conflicting actions and inconsistencies of the Soviet Government summarized in the Department's telegram number 216 of October 27, 7 p. m., the deliberate failure of the Soviet authorities to furnish me satisfactory information and to keep me informed and the evasions and obstructions to my communicating with the American crew will not be difficult to understand when examined in the light of my telegrams over the past 2 months in which I have emphasized that the Soviet Union has been, and is acting in fact, if not in law, as a silent partner of Germany in the existing conflict.

Reduced to its simplest terms, I am of the opinion that when the *City of Flint* arrived at Murmansk the German prize crew claimed the right of entry on the basis reported in my 829 October 29, 8 a. m., but that the examination of the vessel by the Soviet authorities disclosed that the actual conditions did not bring the vessel within the scope of article number 21. The Soviet Government thereupon proceeded to intern the German prize crew pending consultation with the German Government. I have little doubt that the German Government counseled the

⁸⁹ Telegram in three sections.

Soviet Government not to challenge the grounds of entry, even though they might not be sound or sufficient, but to release the German prize crew and permit them to take the vessel to sea.

The Soviet Government was then faced with the necessity for deciding whether it would proceed in accordance with international law, keep the German prize crew interned, and release the vessel to her American crew; or become a party to a conspiracy to protect Germany's interests. The decision was disclosed when a Tass communiqué was broadcast to the world at 1:30 a. m. on October 26, announcing the release of the German prize crew from internment and at the same time stating that purpose [of] entry had been damaged machinery.

I consider that the deliberate withholding by the Soviet Government from me of information in its possession while keeping the German Embassy here fully advised is corroborative evidence of Soviet-German collusion in this matter.

In pursuance of the plan it was essential that the American crew should not be allowed ashore and that the Soviet Government should employ its absolute control of passengers of sailing vessels and transportation to prevent the American Embassy from getting into communication with the American crew since to have permitted such communication would have been to run the risk of the exposure of the entire scheme.

Had it not been for the immediate and vigorous reaction of the American Government, and the mistrust of the course and intentions of the Soviet Government which I clearly expressed to Potemkin on more than one occasion, I am inclined to believe that the Soviet Government might even have concurred in an attempt to sequester the vessel indefinitely at Murmansk under article 22 of the Hague Convention, notwithstanding the non-judiciary [?] to this article.

There is nothing contained in the Department's telegrams up to and inclusive of 216, October 27, 7 p. m., which I did not say to Potemkin, supplemented by additional observations on my own initiative.

The issue appears to narrow down to whether there actually was machinery damage sufficient to constitute unseaworthiness, that being the only reason officially advanced by the Soviet Government for the entry into Murmansk. This seems to me to be a question of fact as to which the eventual testimony of the American members of the crew will afford the evidence most acceptable to our Government inasmuch as I cannot conceive of the Soviet Government permitting Soviet citizens to give evidence to us, and as any evidence so obtained would, moreover, be worthless, as it would be fabricated by the Soviet Government, which has developed this practice to a high degree.

I appreciate the seriousness of charging what amounts to a conspiracy between the Soviet and German Governments, but on the basis of a thorough and objective review of the events of the past 4 days and nights I feel justified in arriving at such a conclusion. Furthermore, such a conspiracy would be quite consistent with the past course of the Soviet Government.

As I have advised the Department a Tass communiqué this morning announced the departure of the *City of Flint* from Murmansk "on the evening of October 28". (My information, however, which I have been unable to confirm, is that the vessel actually sailed from 12 to 18 hours earlier.)⁹⁰ I understand that before putting to sea she was fully provisioned and furnished with navigation charts of the territorial waters along the entire Norwegian coast, to obtain which may well have been the principal object of her entry into Murmansk, particularly as an authoritative source has advised me that such charts were refused at Tromso.

STEINHARDT

300.115 (39) City of Flint/92 : Telegram

The Secretary of State to the Chargé in Germany (Kirk)

WASHINGTON, October 30, 1939—2 p. m.

792. Please inform the German authorities that although we do not propose at this stage to discuss the legal aspects of the seizure of the *City of Flint* we feel that we should at once draw to their attention the fact that upon them at the present time rests the responsibility for the safety of the American crew. We expect, therefore, that they will take every precaution to avoid exposing the members of the American crew to unnecessary danger.⁹¹

HULL

300.115 (39) City of Flint/73 : Telegram

The Ambassador in the Soviet Union (Steinhardt) to the Secretary of State

Moscow, October 30, 1939—3 p. m.
[Received October 30—11:43 a. m.]

833. The press today contains no reference of [to] the *City of Flint* or to the Department's statement issued in connection therewith. The

⁹⁰ Compare the fourth paragraph of the supplementary statement by Captain Joseph A. Gainard, transmitted from Bergen by the Minister in Norway in telegram No. 10, November 9, 1939, 11 a. m., p. 1012.

⁹¹ This instruction was communicated by the Chargé to the German Foreign Office on October 31, 1939. In his telegram No. 1919 of November 2, 1939, the Chargé reported the German intention to "take all possible steps to avoid any unnecessary risk to the ship and its crew." (300.115 (39) City of Flint/127)

Department's telegram containing the text of the statement issued on the 28th, which was apparently sent from Washington on the evening of that date, was not delivered to the Embassy until 3:30 on the morning of the 30th, having been held up by the Soviet telegraph authorities.⁹²

STEINHARDT

300.115(39) City of Flint/106: Telegram

*The Secretary of State to the Ambassador in the Soviet Union
(Steinhardt)*

WASHINGTON, October 31, 1939—6 p. m.

220. 1. In reviewing your telegrams regarding the detention in Murmansk of the *City of Flint* the Department has noted that:

a. Although Tass was in possession of sufficient information relative to the arrival in Murmansk of the vessel to enable it to issue a somewhat detailed statement on October 23 regarding its cargo, it was not until about 48 hours later that the Embassy was able to obtain any information from the Soviet Government regarding the whereabouts and safety of the American crew.

b. Subsequently Tass was able to inform the public that the German prize crew had been released, that the vessel had put into Murmansk because of damaged machinery, and that the Soviet authorities had decided to permit the German crew to depart in possession of the vessel and cargo long before the Soviet Government conveyed such information through diplomatic channels to the American Government.

c. The Soviet Government failed to furnish the Embassy detailed information regarding the nature of the alleged damage to the vessel's machinery, or to state who had verified that there had been such damage, or to give further details surrounding the detention of the vessel which would be helpful to the American Government in determining the circumstances of the case.

d. The Embassy received no answer to its telegrams addressed to the American Captain of the vessel, it was unable to get into telephonic communication with the Captain and crew, and the Captain and crew apparently were not allowed while in Murmansk to communicate with representatives of their Government or with members of their families.

e. Representatives of the Embassy were unable to obtain permission from the Soviet authorities to visit Murmansk.

2. It is assumed that you have already brought all of the facts mentioned above to the attention of the appropriate Soviet officials and have pointed out that they represent an attitude on the part of

⁹² This statement was sent to the Embassy in telegram No. 217, October 29, 1939, 3:35 p. m. For the text of the statement, see Department of State, *Bulletin*, vol. 1, p. 431. For other press releases regarding the *City of Flint*, issued by the Department of State, see *ibid.*, pp. 429-432, 457-458, and 556.

the Soviet Government towards the American Government and its representatives in the Soviet Union, which has been the cause of astonishment to both the American Government and the American people.

3. If in your various conversations you have not already expressed the views of this Government with regard to any of these facts please do so at once.

4. Please also inform the appropriate authorities that since the lives of the American captain and crew may have been at stake your Government had considered it extremely important that the Embassy be able to communicate with them and that your Government feels that it has a right to, and therefore asks for, an explanation as to why they were apparently held incommunicado during their stay in Murmansk. It is also desired that you request on behalf of your Government an explanation as to the failure of the Soviet Government to cooperate with the Embassy in ascertaining all the facts connected with the detention of the vessel and the crew which this Government has a right to expect of a government with which it maintains friendly relations.

5. The Department is appreciative of the difficulties which you are encountering in carrying out your duties in trying and unpleasant circumstances, and commends you for the vigorous and able manner in which you have handled this case.

HULL

300.115(39) City of Flint/136: Telegram

The Ambassador in the Soviet Union (Steinhardt) to the Secretary of State

Moscow, November 3, 1939—5 p. m.

[Received 5:54 p. m.⁸³]

858. Department's No. 220, October 31, 6 p. m. The following observations may be made with respect to the Department's lettered paragraphs. The hour given in each instance is Moscow time—8 hours later than Washington time. Paragraph [1] (a) correct. The first Tass despatch was sent abroad from Moscow at 3 a. m., on October 24 whereas it was not until 10:30 p. m., on October 25 that Potemkin, and then only in response to my pressing inquiries, informed me orally that the American crew were on board and well. In this connection it should be borne in mind I had seen Potemkin at the Foreign Office at 3 p. m., on October 24.

[(b)] The Tass despatch announcing release of the German prize crew and that the vessel had put into Murmansk because of damaged

⁸³ Telegram in five sections.

machinery was issued at 1:30 a. m., on October 26, within 3 hours after my meeting with Potemkin at which he had conveyed no such information and disclosed no such intention. Following the issuance of this communiqué, when I called Potemkin by telephone he confirmed the information which it contained.

Tass despatch announcing that the vessel had been ordered to depart from Murmansk and studiously refraining from stating under which crew was released on the Soviet radio at 31 [11:30] p. m. on October 26, less than 1 hour after my meeting with Potemkin at which he had conveyed no such information and disclosed no such intention. It was not until 5:35 p. m., on October 27, during my fourth conversation with Potemkin, [that I] received oral official information of the Soviet Government's intentions.

(c) Since Tass is an integral part of the Soviet Government I do not believe that a distinction need be made between the two as implied in this paragraph. At no time has the Soviet Government furnished the slightest information regarding the nature of the alleged damage to the vessel's machinery or stated who was alleged to have verified the same, in spite of the repeated requests by me for such information.

(d) Not only is this statement correct but in the light of the information obtained from the despatcher at the port of Murmansk (see my telegram No. 821, October 28, 2 a. m.) it appears beyond a doubt that the American Captain and crew were prevented by detention on board from replying to my telegrams or answering my telephone calls. No reply was received to my written request of the Foreign Office that I be assisted in completing telegraphic communication with the American Captain. (Reference to information obtained from despatcher is strictly confidential.)

3. [(e)] No reply to my oral and written requests for permission to send a representative to Murmansk and for permission for a representative of the Embassy to enter this area was received. The refusal to provide an airplane was based on the implausible excuse that all available planes were occupied bringing delegates to the forthcoming meeting of the Supreme Soviet.

2 and 3. I think I can fairly say that in the course of my four visits to Potemkin on successive dates I left nothing unsaid compatible with the dignity of our Government.

On each occasion I emphasized to him with the utmost vigor the senselessness in this case of the customary Soviet secrecy and restrictions on freedom of movement and communication and pointed out the deplorable effect which the uncooperative attitude of the Soviet Government was having on my Government and on public opinion in the United States.

4. I called on Potemkin at 1 p. m. today and conveyed to him the substance of the instructions contained in this numbered paragraph.

5. I am deeply grateful for the commendation of the Department which is greatly appreciated by me and by the entire staff who have afforded me splendid cooperation day and night during the course of this incident as well as at all other times.

STEINHARDT

300.115 (39) City of Flint/145 : Telegram

The Ambassador in the Soviet Union (Steinhardt) to the Secretary of State

Moscow, November 4, 1939—9 a. m.

[Received November 4—7: 55 a. m.⁹⁴]

860. My 858, November 3, 5 p. m. In the course of my conversation with Potemkin yesterday afternoon with respect to the *City of Flint* he offered the following explanation:

He assured me that the Soviet Government had no knowledge of the vessel's impending arrival; that the local authorities at the port of Murmansk, unfamiliar with international law, had arrested the German prize crew when they learned the vessel was American with its own crew on board; that the commander of the German prize crew had claimed machinery damage and the Soviet authorities in Moscow had thereupon ordered the release of the German prize crew and the immediate departure of the vessel. He was very vague as to whether the Soviet authorities at Murmansk had verified the alleged machinery damage and left me with the impression that they had not done so.

He stressed the difficulty of communicating with Murmansk in a half-hearted and unconvincing manner but was vehement in stating that the Tass communiqués were issued without his knowledge, pointing out that there could be no conceivable object in his withholding information from me which in one instance was broadcast to the world an hour later. He claimed that even yesterday he was without most of the details and that he could not tell me whether the local authorities had made any effort to have the American Captain brought ashore to answer my telephone calls or telegrams. He said he understood the examination of the cargo had been perfunctory. He added that he had not replied to my written request for permission to send a representative to Murmansk as he believed the vessel would sail before our representative could arrive, and that this had proven to be the case. He said that the entire incident was unfortunate.

Strange though [it] may seem, the only part of Potemkin's explanation I believe is that he did not know of the impending issue of the

⁹⁴ Telegram in three sections.

Tass communiqués or what they would contain. The Foreign Office of the Soviet Union is frequently neither consulted nor kept advised in respect of matters affecting foreign relations.

As the result of my talk with Potemkin I received the impression that a written explanation may yet be forthcoming.⁹⁵

STEINHARDT

300.115(39) City of Flint/154: Telegram

The Ambassador in the Soviet Union (Steinhardt) to the Secretary of State

Moscow, November 4, 1939—7 p. m.

[Received November 4—5:05 p. m.]

865. My 858, November 3, 5 p. m. The following informal memorandum was received this afternoon accompanied by Potemkin's card.

"In view of the interest which the Embassy of the United States of America continues to manifest as to the circumstances connected with the arrival of the American steamer *City of Flint* in the port of Murmansk, its 5-day stay in that port, and finally its departure for the open sea, the People's Commissariat for Foreign Affairs, now having at its disposal sufficiently full information concerning this matter is able to inform the Embassy as follows:

1. The *City of Flint* appeared at the entrance to the port of Murmansk at 2:40 p. m. on October 23rd without any warning to the port authorities.

2. On inquiry by the port authorities as to the purpose of the arrival of the *City of Flint*, the officer in command of the vessel declared that the machinery of the *City of Flint* was in a state of disrepair and that the ship required water, fuel, and provisioning. On these grounds the officer in command of the ship requested permission to enter the port for examination and repair of the machinery and to obtain the necessary supplies without which, according to the affirmation of the commanding officer, the *City of Flint* could not continue its voyage. The port authorities considered it possible to meet the above-mentioned request of the commander of the vessel.

3. In order to assure to the crew of the *City of Flint* the possibility of effecting without disturbance the repair of the ship's machinery and to guard against any kind of misunderstanding between the American sailors and the German prize crew, the port authorities considered it expedient to put the latter crew ashore and to install them temporarily in the building of the port club. During the period of the following 3 days, the machinery of the *City of Flint* was put in order and the ship was supplied with fuel, water, and provisions. When all this had been completed the port authorities requested instructions from Moscow.

4. On October 27th the order came from Moscow—to request the *City of Flint* to leave the port without further delay with the same

⁹⁵ *Infra.*

personnel with which the vessel arrived in Murmansk on October 23rd. During the night of October 28-29 the *City of Flint* put to sea from Murmansk.

5. All of the information at the disposal of the Commissariat for Foreign Affairs concerning the visit of the *City of Flint* to the port of Murmansk was in good time communicated by it to the American Ambassador, Mr. Steinhardt. The Assistant People's Commissar for Foreign Affairs, Potemkin, had in this connection four meetings over a period of 4 days, that is October 24th, 25th, 26th, and 27th. This information was supplemented by subsequent reports received by the Soviet telegraph agency "Tass" from its correspondent in Murmansk and published in the Moscow morning newspapers.

6. The establishment of direct telephonic or telegraphic communication between the American Embassy and the crew of the *City of Flint* was not possible since the steamship lay at a distance of about 3 kilometres from the shore and no member of its crew came ashore. It was likewise impossible to effect the flight of anyone from the staff of the Embassy to Murmansk by airplane since this desire was expressed by the Embassy at a time when the order for the departure of the *City of Flint* from the port had already been given to Murmansk".

As the Department will [observe?] the foregoing statement contains inaccuracies and distortions and falls short of Potemkin's oral statement to me earlier in the day. However, as it is not to be expected that the Soviet Government would, in writing, confess its derelictions, this statement is probably the best face that the Commissariat for Foreign Affairs has ventured to put on the incident. I accordingly recommend that, unless the Department has compelling reasons for adopting another course, no answer be made to the statement.

STEINHARDT

300.115(39) City of Flint/154

Memorandum by the Assistant Chief of the Division of European Affairs (Henderson)

[WASHINGTON,] November 8, 1939.

Potemkin has, of course, failed to explain satisfactorily the treatment accorded the Embassy by the Soviet authorities. He gives nothing more than a brief account of events connected with the arrival, detention and departure of the *City of Flint*. He does say that the Commissariat for Foreign Affairs communicated to the Embassy all of the information at its disposal. This statement, if true, merely passes the blame on to other branches of the Soviet Government for failing apparently to keep the Commissariat informed.

Potemkin's excuse for not enabling the Embassy to communicate with the crew of the vessel is not convincing. Even though the Soviet authorities may not have permitted the crew to come ashore, they could

easily have given and received from the members of the crew telegraphic or other messages if there had been any desire to facilitate communications.

The grounds advanced for failing to facilitate the flight of Bohlen from Moscow to Murmansk are also weak. If Bohlen had been permitted to leave Moscow on the morning of October 27, he could have arrived in Murmansk in the evening of the same day. The vessel, according to Tass, did not leave Murmansk until the evening of October 28.

Regardless of the inadequacy of Potemkin's explanation, it is believed that it would serve no purpose to press the matter further at the present time. As the Ambassador points out, it is not to be expected that the Soviet Government will confess to any derelictions in writing. Further inquiries and representations will probably result merely in the prolongation of an unprofitable argument and useless recriminations. Statements already made to Washington [*Moscow?*] have undoubtedly made the feelings of this Government with respect to the matter abundantly clear.⁹⁶

300.115(39) City of Flint/182 : Telegram

The Minister in Norway (Harriman) to the Secretary of State

BERGEN, November 9, 1939—11 a. m.

[Received 11 : 18 a. m.]

10. Reference is made to Bergen's No. 7, November 6, 1 p. m.⁹⁷ Following supplementary statement obtained from Captain Gainard concerning stay in Murmansk.

"At 5 : 30 a. m. Russian time on October 24, the Russian naval port officer came on board and courteously informed me as follows: 'He also says, your ship is free to go as soon as the papers are made ready. We will be back later and you can get in touch with your Embassy.

⁹⁶ Final notation by the Legal Adviser, Green H. Hackworth: "I agree."

⁹⁷ This telegram contained the affidavit by Captain Gainard concerning events in the voyage of the *City of Flint* from the time of its departure from New York, to its seizure by the *Deutschland*, and its eventual restoration to American control in the Norwegian harbor of Haugesund during the night of November 3-4, 1939, except for only incidental allusion to the time spent in the Soviet port of Murmansk. The portion of this affidavit by Captain Gainard which related to the stay at Murmansk reads as follows: "Nearing port the German naval flag was hoisted and we entered port to anchorage October 22 [23?], 1340. I tried continuously to get in touch with our Ambassador but did not succeed during our 6 days stay. On the fifth day at 3 : 45 I was told that the ship was again a German prize and we were to leave at once. All this time the condition of my crew was good but our impression of the Russians was very bad. They seemed inefficient and stupid and unfriendly to us all. As we had cut off two boilers to work on them preparatory to steam, when ordered, we could not leave at once. This made Russian naval officers suspicious of me. We took 150 tons fresh water and keeping inside 3-mile limit we proceeded down Norwegian coast to Tromso." (300.115 (39) City of Flint/158)

How soon can you leave port?' I replied, 'I can leave at once with two boilers and cut the third in at sea'. In the meanwhile the German prize crew had been interned in the naval station.

On October 25 at 7:10 p. m., the customs officials came on board ship to check the manifest and I gave them a telegram addressed to the American Embassy at Moscow to which I never received a reply. On the same day the Russian neutrality patrol boat anchored under our stern. I sent a signal asking if they could send a boat to take all ashore. Their answer was 'We cannot send boat and you must not use your boat'.

On October 26 from 2:15 p. m., until 6 p. m., Russian customs inspectors and workmen examined cargo in all five hatches. The hatches were opened and closed by ship's crew. Still no communication with the Embassy in Moscow.

On October 27 at 4 a. m., the Russian authorities came on board bringing the German prize crew and stated that the *City of Flint* was again a German prize. The attitude now of the Russians, with the exception of the naval officer, was discourteous and I was told to sail at 5 a. m. I replied that this was impossible as two boilers were cut out. To this the naval officer replied 'but you told me on arrival that you could sail at once'. I explained that I had said on the day I arrived that I could sail with two boilers at once, but that I had been given to understand that *City of Flint* was a free neutral ship in a neutral port and I therefore did what all masters do after a long sea voyage with another in prospect, namely, clean boilers and make other necessary repairs. All during this day the Russian officials and German prize officers visited us frequently, and we finally sailed at 5:55 in the afternoon October 28, having spent 4 days 23 hours 10 minutes in Murmansk. During this time no communication was permitted between the Embassy at Moscow and myself although I requested to be permitted to communicate with the Embassy every time a Russian official came to the ship. It was evident that my position with the Russians became worse daily while that of the Germans improved.

There were at anchor and interned at Murmansk prior to and during my stay several German merchant vessels: the liners *Bremen*, *New York*, *St. Louis* and *Hamburg*; the oil tankers *William Reid*, *Ermanable* and *Hart* and a freighter the name of which I did not see. The officers and men of these German interned ships were allowed access to the shore by their own boats while we as a free neutral ship in a neutral harbor were denied permission to land in any way."

HARRIMAN

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